# 国際シンポジウム International Symposium

欧州雇用戦略からなにを学ぶか 一わが国の政策への示唆—

European Employment Strategy: Suggestion to policy in Japan

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The Japan Institute for Labour Policy and Training (JILPT)

### 国際シンポジウム **International Symposium**

# 欧州雇用戦略からなにを学ぶか わが国の政策への示唆 European Employment Strategy: Suggestion to policy in Japan

### §Program§

-Time-					
13:30-13:40	開会挨拶	Opening Address			
	小野 旭	Akira Ono			
	(労働政策研究・研修機構 理事長)	President, JILPT			
第1部 欧州	M研究者による報告	Session 1			
		Presentation by the panelists from Europe			
13:40-14:10	<報告 1>	< Presentation 1 >			
	「欧州における労働市場政策 :	Labour Market Policies in Europe:			
	現状、問題及び展望」	current situation, problems and prospects			
	ベルナール・ガジェ氏	Prof. Bernard Gazier			
	(フランス・パリ第一大学教授)	University Paris 1, France			
14:10-14:40	<報告 2>	< Presentation 2 >			
	「4 つの欧州小国における労働市場の	Labour Market Success in four smaller European			
	成功 : 労働市場・マクロ経済政策、	countries: Labour market macroeconomic policies,			
	社会的対話と政策統合 」	the social dialogue and policy integration			
	ペーター・アウアー氏	Dr. Peter Auer			
	(ILO 雇用戦略部門雇用研究チーフ)	Chief, Employment Analysis and Research Unit,			
		Employment Strategy Department, ILO			
14:40-15:10	<報告 3>	< Presentation 3 >			
	「欧州における労働市場への統合の	Patterns of Labour Market Integration in Europe,			
	パターン : 性別とライフ・コースの	a Gender and Life Course Perspective			
	観点から」				
	ドミニク・アンクソ氏	Prof. Dominique Anxo			
	(スウェーデン・イエテボリ大学教授)	University of Gotheburg, Sweden			
15:10-15:30	休憩	Break			
第2部 <i>報告</i>	<i>、のコメント及びパネルディスカッション</i>	Session 2 Comments and Panel Discussion			
司会 <b>小倉</b>	1 一哉	Chaired by: Dr. Kazuya Ogura			
(労	·働政策研究·研修機構 副主任研究員)	Vice Senior Researcher, JILPT			
15:30-15:50	コメント	Comments on the presentations			
	鈴木 宏昌氏	Prof. Hiromasa Suzuki			
	(早稲田大学商学部教授)	Waseda University			
	諏訪 康雄氏	Prof. Yasuo Suwa			
	(法政大学社会学部教授)	Hosei University			
15:50-17:00	パネルディスカッション	Panel Discussion			
17:00	閉会	Closing			

# Labour market policies in Europe : current situation, problems and prospects

Prof. Bernard Gazier

Professor University Paris 1 and CNRS

# Labour market policies in Europe : current situation, problems and prospects

#### Introduction

At the turn of the century, the European Union is enlarging – welcoming 10 new member states – and develops it social dimension – implementing a coordination process about labour market policies, social inclusion policies and pension reforms. Very ambitious objectives were set out at the Lisbon summit (2000): becoming in 2010 "the most competitive and dynamic knowledge – based economy in the world", and to reach a global employment rate of 70 % (60 % for women, and 50 % for senior workers – i.e. 55-64 years old). With the slowdown of 2000-2003, and the slow recovery beginning in 2004, these targets seem quite remote. Nevertheless, a global debate has began about the development of a "social Europe", and on the meaning and content of an European social model.

An important part of the debate focus on labour market policies and labour market reforms. This is so because employment is the key of economic autonomy, and results from economic and social choices as well. Besides, the so-called European Employment Strategy (EES) is at the heart of the recent European integration process. However, the labour market policies remain under the responsibility of each member state. Dating back from 1997 (the Luxembourg summit), the EES is based upon an "open method of coordination": establishing common objectives, setting indicators and comparing results through peer reviews.

It this contribution, we shall first give key data about the current employment situation in Europe (section 1), then review the main tendencies affecting European labour market policies (section 2), and last present and discuss some perspectives and prospects (section 3).

### I. Employment in Europe, 2004

One must first present the diversity of national situations in Europe, in a context of slow recovery; then it is possible to evoke two big challenges as well as opportunities: ageing and the current integration of ten new member states.

Slow recovery in Europe

At the turn of the century, one can observe the big difference of behaviour of the USA and the European Union regarding growth and employment: after the downturn, the recovery is much slower in Europe. It may be noticed that the case of Japan is specific: after years of slow economic pace, growth is back in this country.

However, recent data of 2004 suggest that growth is now accelerating in Europe, at least in some countries.

Chart 6- Employment and GDP growth in the EU and the US, 1996-2003 (quarter over quarter of the previous year)

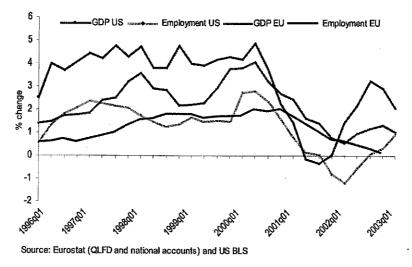


Figure 1. Source: European Union (2003), Employment in Europe.

Persisting high levels of unemployment in Europe, but big differences among countries

The unemployment rates (OECD) for 2003 are 6 % for the USA, 5.3 % for Japan and 8 % in Europe – 15.:

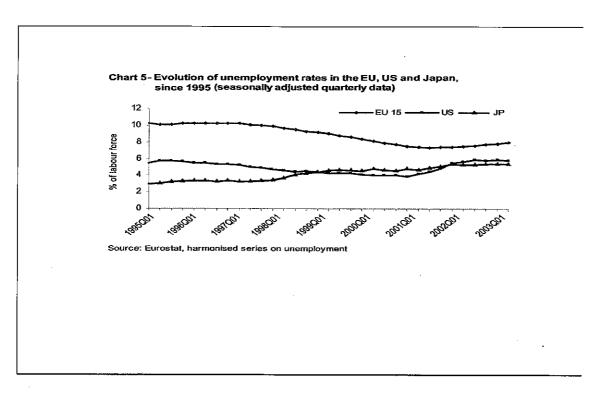


Figure 2. Source: ibid.

The best performers are small states such as the Netherlands (3,8 %), Austria (4,4 %), Norway (4,5 %), Ireland (4,6 %) and Denmark (5,6 %). And UK is quite successful with 5 % too.

At an intermediate level, one finds Portugal (6,4%)

However, a huge block of continental and Mediterranean countries stay between 8 and 10 %: Belgium (8,1 %), Italy (8,6 %), Finland (9 %), Germany (9,3 %), France (9,4 %), Greece (10 % - 2002). And still lagging, Spain (11,3 %).

Among the newcomers, enormous differences exist: Hungary (5,8 %), Czech Republic (7,8 %) remain moderate, but Poland (19,2 %) and Slovak Republic (17,1 %) stay at impressive levels.

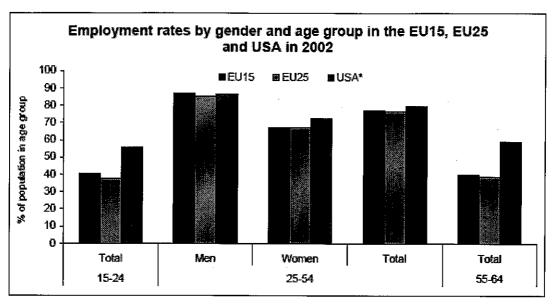
The problem is reinforced when one considers the share of long – term unemployment:

The best performers have, typically, a share of 20 % of LTU (12 months and over) in the total unemployed. Japan has for 2003 a share of 33,5 %. But the continental and Mediterranean countries often have shares around 40 or 50 %, which, combined with the high level of overall unemployment, poses a specific challenge to Labour Market Policies.

The employment levels and composition are very different too.

The employment/population ratio (2003) of UK and USA, and of most Nordic countries, is above 70 %, while it is around 60 - 65 % in continental Europe, and below for some Mediterranean countries (Greece, Italy) (Japan's rate being 68,4 %).

However the main differences are concentrated on younger and older workers, as can be seen in figure 2. It dates back to thirties years of policies (such as early retirement) withdrawing these categories from the labour market, cf figure 3. The arrival of ten new member states (Europe -25) will change almost nothing to the situation (see below).



Source: EU data from QLFD, comparable annual estimates based on LFS and ESA95, Eurostat US data from OECD Employment Outlook 2003
\* For the USA, age group 15 to 24 refers to 16 to 24

Figure 3 Source: European Commission (2004), Report of the High Level Group on the future of social policy in an enlarged European Union, Brussels, Directorate General for Employment and Social Affairs, p. 42

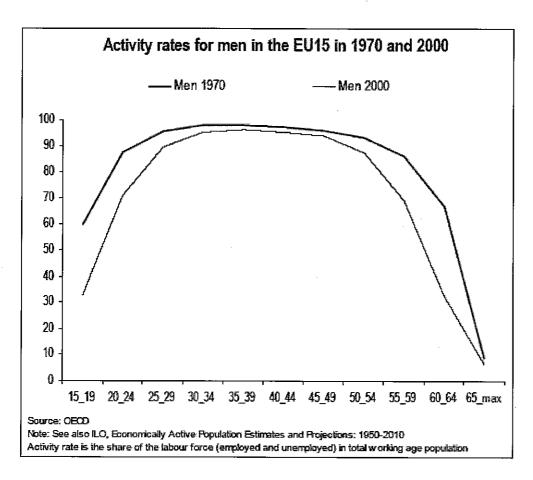


Figure 4. Source: E.C.(2004), Report of the High Level Group... op. cit., p. 41

While most of European countries converge in a services economy, with a shrinking part of non salaried employment, and a rather long job tenure (around 10-11 years for continental states, cf Auer and Cazes (eds) (2003)), the share of fixed terms contracts in the total employment may be quite diverse. For 2000, Austria stays at 6,4 %, while Spain is at 26,7 %, the mean for Europe – 15 being 11,4% (ibid, p. 45).

The incidence of part-time employment spreads from very low levels (less than 10 % of the total employment) in Mediterranean and acceding countries, to a typical proportion of 15 - 16 % (women accounting for more than 75 %) with the conspicuous exception of the Netherlands: 34,5 %, the Japanese rate being quite high (26 %, the share of women being less than in most other countries, 66,7 %).

So, the main European problem may be summed up: in diverse but often strongly regulated societies, the trends towards more income inequality have been contained, while appeared in some countries such as France and Spain a sharpened segmentation between people excluded from employment and people with a job, and between stable and unstable jobs.

#### Ageing

Population ageing results from 3 cumulative factors: the increase of life expectancy (8 years gained from 1960 to 2000 in the E.U. 25), the low fertility rate (around 1,45 since the nineties) and the shock of the european "baby-boomers" becoming the "papy-boomers" (the numerous generation born at the end of World War Two getting older). So it is easy to predict important changes in the age structure of the European population:



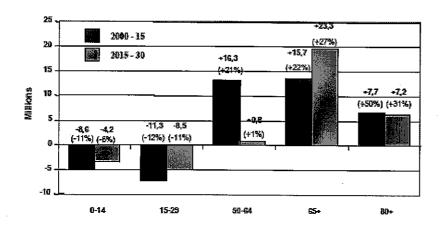


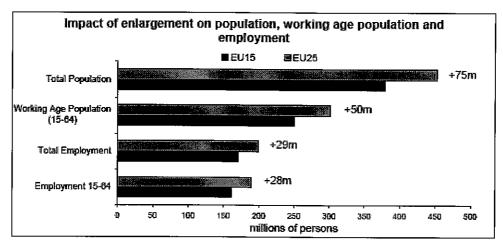
Figure 5. Source: E.C. (2004), Report of the High Level Group.., op. cit., p. 19

So the period of 2006 - 2010 is the "last window of opportunity" before the working age population begins to shrink.

Ten more member states. Additional challenges... and opportunities

Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, Slovenia: do these ten new members, welcome in 2004, bring additional difficulties?

The enlargement process is doubtless a very important change. However, the demographic weight of the newcomers is not that important compared to the previous population of Europe: 75 millions more compared to 380 millions (total) and about 30 millions more employed compared to 160.:



Source: Demographic statistics and QLFD (comparable annual estimates based on LFS and ESA95), Eurostat 2002 data

Figure 6 Source: E.C. (2004), Report of the High Level Group... op. cit., p. 14

The average income level of the new member states is 46 % of the EU 15 average level.

Three main fears have been expressed in the "old" Europe: important migration from the new members, "social dumping" and economic restructuring. Symmetrically the population of the new members showed fear of severe economic restructuring.

As regards migration, the expected impact will be substantial but limited because in some acceding countries the income differentials are not so high when compared in purchasing power standards, and because income differentials alone are not enough to create mass migration. One may expect new business and employment opportunities inside the new members. According to the estimates of the DIW Berlin, initial migration would be around 300 000 per year in the first years and then decline to less than 50 000 per year before 2014. The overall effect may amount to 3 millions persons, i.e. 3 % of the population of the Central and Eastern European countries.

As regards "social dumping", Europe has a preceding and similar experience with countries from the Mediterranean areas.

Wages in the new members are likely to grow faster than in the E.U. 15, with a quick catching-up process parallel to productivity growth. However, the situation in these new countries will depend on

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collective bargaining as well as on industrial specialization, so it is difficult to say whether there could lead to serious adjustment costs in some sectors or regions of EU 15.

Economic restructuring may affect each side of the enlarging Europe.

But it is necessary to look at the other side of the coin. The development of services will probably be tremendous in the new member states, and a global catching – up process will probably start.

### II. Tendencies affecting Labour Market Policies

LMP (either "passive", i.e. unemployment benefits and early retirement allowances, or "active", i. e. employment subsidies, training expenditures for the unemployed and placement activities) are widely developed in Europe, but under criticism: they suffer from a lack of legitimacy, they seem to foster perverse effects and they are submitted to a steady pressure towards reforms in most countries. But these reforms themselves are not easily implemented.

LMP in Europe: various levels of expenditure, but persisting high spenders

One may sum up the current situation of LMP in one table, cf table 1 below.

Although the OECD classification has been criticized, it is convenient for our purpose here: to give some global patterns of LMP development and orientation. Most European countries are high spenders in LMP (at least compared to the USA and Japan), and they have mainly developed "passive" schemes, aiming at guaranteeing replacement incomes for the unemployed.

Expenditures for LMP -> Labour market situation	Low % of GDP: less than 2 %	High % of GDP: more than 2 %
Low unemployment Rate: less than 6 %	Austria (65 % passive) Ireland (60 % active) Japan (65 % passive) UK (50 % passive) USA (80 % passive)	Denmark (65 % passive) Netherlands (55 % active) Sweden (60 % active)
High unemployment Rate: more than 6 %	Italy (50 % passive) Canada (65 % passive)	Belgium (65 % passive) Finland (65 % passive) France (60 % passive) Germany (65 % passive) Spain (65 % passive)

Table 1 Main Labour Market Policy choices of selected countries at the turn of the century

(source: OECD Employment Outlook 2004; our own classification)

The remarkable feature is the existence of high spenders countries... with relatively low levels of unemployment. This is the case of Denmark, the Netherlands and Sweden. If we compare for

example Denmark expenditures with France's, the level for Denmark is higher than the level for France, but the unemployment rate in France is double. So the danish effort is double than the french one. The explanation is that some countries have chosen to keep their labour markets under permanent watching and pressure, with long – lasting public intervention.

However, other European countries made the opposite choice. It is the case of UK and Ireland, but also of Austria, with little public intervention and low level of unemployment. But Italy suffers from a high level of unemployment, and chose not to develop LMP.

The three main trends: "activation", privatisation and decentralization

Within this variety of contexts and behaviours, one may identify three trends affecting LMP in all European and OECD countries: "activation", privatisation and decentralization. They proceed from a common perception. LMP are deemed to bring numerous perverse effects, and especially to lessen the individual responsibility and to weaken the initiative capacity of labour market actors: the jobseekers first, but also the employment agencies and to a lesser extent the employers. Jobseekers may become "choosy" and passive, waiting a "good" job offer and giving up active reorientation and search of new opportunities, then staying longer "on the rolls". Employment agencies may behave as bureaucracies and simply allocate income to clients, giving formal help to jobseekers without paying any attention to the final result. Last, employers may use some public devices for getting cheap temporary labour force, without any commitment to training and promotion.

The first tendency is "activation", that may mean very different things. All European countries have tried all of them to various extents, with various outcomes.

The first orientation is simply limiting the so-called "passive" LMP expenditures: lowering the unemployment benefits, shortening the payment period, excluding some categories of unemployed, developing sanctions in case of weak individual research efforts... In some states (or regions), the definition of a "normal" research is demanding, the definition of a "suitable" job offer is wide, and the sanctions are meaningful and quickly implemented. In others it is the reverse.

The second is simply increasing the so-called "active" measures: developing employment subsidies, jobseekers' training and placement efforts (the creation of public jobs was quickly abandoned in most countries).

And the third is of course combining efforts on both sides in order to reach a ratio of more than 50 % of "active" LMP. In our preceding table, one may see that three countries have reached this situation: Ireland, the Netherlands and Sweden. However, these countries have a rather low unemployment rate, so it is easier for them to keep a relatively high level of "active" expenditures compared to the "passive" ones. Sweden was associated during the eighties and the first half of the nineties to a long lasting "success story" and kept very low levels of unemployment during this period (2-3)%. Then Sweden enjoyed the proportion of 1/3 passive and 2/3 "active" LMP expenditures, and this was sometimes presented as a "model" to follow. However, the swedish situation deteriorated in the nineties, and Sweden was led to a huge increase of "passive" expenditures, in order to cope with rising numbers of unemployed. The unemployment rate is now almost back at its initial level, and Sweden is again an "activating" country, but not to the same extent. Many policymakers and researchers observed that "passive" expenditures (well designed) were in fact a necessary prerequisite for a really "active" research and a really mobile workforce on the labour market.

A fourth orientation has appeared, which takes into account this reasoning and seems to dominate today. It is tying "passive" and "actives" components by fostering and controlling reciprocal agreements of LMP policy clients and agencies. The European Employment Strategy" (EES, 1997 see below for some remarks about this policy process) is typical of this last version of "activation". Since 1997, member states must offer to all jobseekers a real training or placement opportunity after one year of unsuccessful research (after 6 month for the young unemployed). So the connection between

unemployment benefits and placement activities is direct. The forerunner of such a commitment has been the Tony Blair government in UK, whose "New Deals" obviously inspired the European policymakers.

Last, a fifth version of "activation" is now visible: it concerns the treatment of senior workers. There is an emerging consensus in favour of increasing the retirement age and abandoning the early retirement policies. Here again the picture is not that simple. In the eighties and the nineties, some countries such as France and Finland were engaged in massive and costly early retirement programmes, and reached low *mean* retirement ages: less than sixty years, while others States preferred to retain at work their older workers. The real problem, however, is how to deal with ageing low-skilled workers, in case of redundancies and industrial restructuration, and how to organise longer careers with acceptable working conditions when the competition sharpens between workers of different age and qualification. So the consensus is more apparent than real, and any policy change here has to be connected with pensions reform. During the second half of the nineties, Finland implemented with success an ambitious and multi-sided reform and reversed the trend of mean retirement age, but other countries are still waiting for better economic conditions.

"Activation" comes along with two other sister tendencies: privatisation and decentralisation. This is so because employment agencies have been criticized as bureaucratic and too far away from the real needs of the labour market. At first glance, both tendencies are converging and can be easily combined: decentralisation is a way to place employment agencies closer to local actors, and to give them more autonomy and clearer incentives, while privatisation directly introduces competition among for-profit (and possibly non-profit, public and/or private) organisations. It has often been remarked that the official public monopoly of the Public Employment Services — a historical legacy dating from the beginning of the twentieth century — has been increasingly formal and represents today a minor part of placement activities, many different actors and networks, often private, playing a major role here.

Most European countries kept their Public Employment Services and started with decentralisation, and developed contractual relationships between local public placement agencies and a central public coordinating agency. Then most of them were led to introduce a mix of partnership and competition with private training and/or placement agencies. However the final state of such evolution is not stable, because it is needed to give the rules of the game and to evaluate precisely the efficiency of different actors placed in different contexts. For example, if private actors focus on easy-to-place clients, then their performances may appear as better than the results of public agencies trying to place harder-to-place unemployed.

Such remarks apply even more to some radical privatisation initiatives, such as the Dutch experience initiated in 2000. In the Netherlands, the PES has been split in six different components. The basic network of information and elementary placement activities has been kept public, and also activities related to the European Social Fund. However, all other activities have been privatised, including the intensive services for hard and very hard-to place unemployed. This was done by organising tenders at a local level. The first results of this initiative seem disappointing (De Koning 2003) because the organisation of competition is very demanding, and major local inconsistencies appeared: the specification of tasks, clients and performance measures was not precise enough and not unified, so some bidders with cheap and low quality offers could win in some regions. The main (paradoxical) conclusion is that radical privatisation needs a strong centralisation of tenders, norms and controls: as strong PES with huge expertise capacity, able to evaluate and compare different performances in different contexts.

The evolution of the EES, from Luxembourg to "streamlining"

The European Employment Strategy is well known, and has been the subject of many presentations, evaluations and comments. We have just here to present its main traits and to briefly speculate on its contribution to changes in the LMP behaviour of the member states.

Based upon the "Open Method of Coordination (MOC), the EES depends on peer evaluation of periodic national reports. These reports themselves are built upon a set of priorities and indicators, so the coordination is more about outputs than inputs, and preserves the national autonomy. Four "pillars" were elaborated at the Luxembourg summit of 1997, which launched the process: Employability (the only one with quantitative indicators), enterprise development, adaptability and equal opportunity. While insisting upon the supply aspects of LMP (skills, individual adaptation of unemployed), the EES in its first formulation was broad enough to integrate very different orientations. For example the French Aubry laws, setting the 35 hours workweek, were introduced by French experts as a contribution to the adaptability pillar. Based of reciprocal analysis by experts from every country, a diagnosis is elaborated yearly by the European Commission, which makes observations and recommendations.

The OMC was subsequently extended to other fields: to the fight for social inclusion and against poverty (with an intensive work done for selecting a relevant set of indicators), and to the pension reform policies. It seems that in 2004 the process is arrived at a meaningful turn. The European policymakers decided to change the periodicity of reports and evaluation, from a yearly basis to a three year rhythm. And they proposed to integrate the three reports (on employment policies, inclusion and pensions) into a single one, in order to lighten the burden for member states and to highlight the global coherence of the social policies developed, in themselves and in connection with the economic policy. This is the "streamlining" process, which may deepen the European social integration but also may underline its dependency from the economic and monetary integration.

Did this mutual learning scheme fostered any convergence in European LMP? one must be cautious here, for at least two reasons. 1) an observed convergence may be due to other factors, such as a common challenge perceived by all actors. 2) an observed convergence may be nominal rather than real. Both elements are doubtlessly present in the European turn of the century case, and anyhow the convergence is not very evident. We mentioned already the policies affecting the retirement age and the treatment of senior workers, which partly depended on an European impulsion and partly on a common perception. And as regards nominal convergence, one may evoke the spreading of work incentives schemes based upon negative taxes: the American EITC (Earned Income Tax Credit) and the British WFTC (Working Family Tax Credit) were seemingly imitated by countries with rather different fiscal and social systems, such as France and Belgium. But, at least in the case of France, the scheme size is so small, and it operates in a context bringing so many constraining rules, that its impact remained minimal and did little to change the functioning of the other institutions. On the other side, the French reform of unemployment insurance (2000) was clearly inspired by the Luxembourg guidelines.

So a reasonable conclusion may be that EES has been a mild and progressive factor of convergence of LMP, which ample room still left for national specificities.

#### III. Some perspectives and debates

Numerous problems are currently discussed about the European employment strategies: the so-called "Eurosclerosis", the high level of labour costs, the legitimacy and effectiveness of sanctions, the weak measured efficiency of most of labour market policies, the need for more flexibility and adaptability, the connection with social protection... It is possible to distinguish two main domains for debate, with shifting interests. The first is the "Eurosclerosis", and the second is "Flexicurity".

Eurosclerosis: from too high labour costs to laziness?

In a recent issue (June 2004), the IMF review "Finance and development" included a series of article devoted to Europe and exhibited on its cover a nice post-impressionistic painting by the French artist Seurat ("Le dimanche d'été à la Grande Jatte", 1884 - 1886). This is a peaceful picture of the

finishing XIXth century Sunday family walk. The review diplomatically asks: "how to conciliate social preferences and growth?" But the picture shows an immobile and lazy society... so we can start with the main recent debate, fostered by IMF and OECD: is Europe working too less?

Many employer-oriented business circles share this perception. And this year 2004, in countries such as Germany, Belgium, France, some big size firms have threatened to shut plants and develop jobs in Eastern Europe or Asia, in order to obtain a lengthening of the weekly working time: from 35 hours, the legal duration) to 36 and even 39 hours. This deal: more hours in exchange of stabilized jobs, has been sometimes accepted and sometimes rejected by unions. Union – oriented and other analysts argue that short working time is a social conquest and depends on social preferences, and contend that the employment and growth problems depend on other factors, such as an inadequate macroeconomic policy mix.

This debate replaced another one about labour costs and too high employment protection. Too well-paid and overprotected workers on one side, and unemployed caught into "traps" on the other: this was the corresponding analysis during the nineties. And tenets of the other position already focussed on inadequate policy mixes (deflationary policies).

The concern remains quite similar: in academic terms, Europe would be misallocating labour, and this should be due to the interplay between the high standards of social protection, labour market response and ill—oriented labour market policies.

To what extent does this statement hold?

One has to be cautious here. For example, labour costs are no more considered as the central culprit.

The reason is quite simple: wage discipline is a well diffused European trait for more than twenty years, and the employment performances remain very different from one country to another, not connected to labour costs.

Regarding the "traps" (situations where taking up a job is financially less rewarding than staying on welfare or unemployment benefits), they have been reduced or suppressed in many European countries without much visible effect. Many studies also showed that most of the welfare recipients do actively seek work and want to work, because work is a valuable social position.

The employment problem is now compounded by a productivity backwardness problem. The catching- up process operating during the second half of the XXth century seems to be stopped since the middle of the nineties, and the European GDP per capita stays at around 75 % of the USA level.

When one analyses the lag, it could be split into two components:

- a) less hours worked : typically, an American worker works more than 1800 hours a year, and an European one less than 1600 (in 2000-2001); and
- b) a less efficient hourly work, apparently connected to a lesser use of the technologies of information and communication<sup>1</sup>.

According to OECD data, the problem is very different and even opposed in Japan and the European Union: in Japan (2000), the lag is almost completely due to a low level of the productivity of labour (while the employment rate is similar to the American one). In most of the countries of the European Union, the lag is almost completely due to weak employment rates and the productivity level is similar to the American one; however the lag is split in 50 % for employment rate and 50 % for productivity in U.K. (cf *Finance and Development*, June 2004, article of Jean-Philippe Cotis, p. 17 in the French edition).

<sup>&</sup>lt;sup>1</sup> These two elements are not completely independent. Most of the unemployed people are less productive workers, so countries with a low employment level use only their most efficient workers. Then their (average) labour productivity is, in a way, artificially high.

Here again, there is little direct evidence tying supposed social preferences towards leisure and economic inefficiency. One may observe the persistence of some very different national paths. Artus and Cette (2004) present a careful analysis of this question for Europe and France. They worry much more about productivity lag than about work allocation.

This leads to other culprits. Amongst them:

- the limits of the present state of European integration are now reached: the first effect was positive with the benefits of the unified market and currency, but within the current treaty there is little room for rapid and meaningful anti cyclical macroeconomic policies.
- the interplay of labour markets with product markets: Europe is often ill specialized, and protects some sectors with high barriers to competition. According many analyses, Europe should develop more services, of high *and* low quality.

So, ill-oriented labour market policies may play a role, especially regarding the treatment of senior workers, but they must be examined together with other policies fostering entrepreneurial initiatives and economic adaptation.

From flexibility to "flexicurity"

The debate on labour market flexibility is a permanent one in Europe since the seventies. It took many forms, intertwined with the preceding debate on costs and competitiveness. Rigid wages, rigid employment protection, low geographical and professional mobility, constraining rules on working time use and constraining employment contracts... the list of concerns is a long one.

At the root of the flexibility demand, one finds the changing conditions of labour relations, and the loss of legitimacy suffered by the traditional "Internal Labour Markets" (ILM) arrangements. Individual adaptability and reactivity became the motto, while the collective performance fostered by the stabilised careers of ILM lost relevance in a more unstable context. However it is not evident that general flexibility could do better than a set of rules because labour market actors need some stability too.

Two very different consequences were considered regarding labour market policies. The first is a radical one. If flexibility is the target, then the best policy is to deregulate (to limit the power of unions, to allow highly differenciated wages and contractual variety...) and to abolish most of the collective interventions of LMP: a minimal unemployment benefit and maybe some training efforts, no subsidies). This way was followed in UK during the Thatcher/Major era.

However, in most European countries, the way chosen was rather different: it was State – administrated flexibility on specific points. For example, the state defines a short-term employment contract, within specified conditions. Such an orientation relies on a more or less intensive use of labour market policies, aiming at "flexibilising" and compensating some harmful consequences of flexibilisation. Keeping the example of short – term contract, the State may limit its use, and give more rights to the workers engaged in such contract.

This first debate – deregulation or administrated flexibility – was dominated, in the eighties and the first half of the nineties, by the second option, until another set of studies put in the forefront the evaluation of LMP and the bad performances of most programmes.

Traditionally, Europe was and still is a modest evaluator of its own LMP, although an intensive user of them. This well-known paradox arises mainly because it is difficult to isolate the effects of one given program in a context of massive and multi-sided public intervention on labour markets. The european evaluations were more systematic and careful "monitoring" evaluations (examining the official targets in terms of number of clients and placement ratios) rather than full-fledged cost-advantage studies.

The only exception were Nordic countries, especially Sweden, where the American culture of cost – advantage evaluations more diffused. And it is in Sweden that a series of studies, initiated by Lars Calmfors (1994), showed the weak efficiency, and sometimes the overall negative output of some programmes. The main contribution of Calmfors has been to translate this micro – evidence into a macroeconomic criticism: the first effect of most LMP programmes is to withdrawn their clients from the unemployment rolls, then leading to an artificial decrease of the unemployment rate. Once this "cosmetic effect" taken into account, the global effect of these policies seems negligible or even negative. The Calmfors criticism has been discussed (it relies upon a quite traditional and simplified macroeconomic model), and sometimes related to the possible existence of a threshold effect, perceptible in Sweden: LMP could lose part of their efficiency when implemented at a massive scale.

Anyhow, such studies threw a more general scepticism about LMP, and weakened the case for State – administrated flexibility.

At the same time, much more attention was paid to the implementation conditions of labour market programmes. If one considers the simplest of them, for example a training programme for the unemployed, the sources of implementation inefficiency are numerous, even if the training is relevant and correctly assimilated. At least, four can be listed. The first, in a comparative context, is that the non beneficiaries unemployed, excluded from the programme, may intensify their research efforts. The second is that the future beneficiaries, when informed of the programme they are admitted in, stop or lessen their own research, waiting their integration. Third effect: during the programme, there is strong incentives for completing the course, because it is needed for getting the official document certifying that the training has been done. Then trainees give up possible job offers in order to finish the programme. Fourth effect: when the programme is completed, the wage expectations of the successful trainees may be unrealistic, because they lost contact with the labour market and spent real efforts in order to get the training diploma.

If we add to such drawbacks the common observation that the effect of training on individual productivity is a progressive and temporary one, one may easily understand why some evaluations of training programmes could be so disappointing. But it must be observed that it is possible to overcome most of these limits, by adopting a careful design. For example, programme managers may inform trainees that if they get a job during the programme, it is possible to suspend the training and to continue it during another period or even during the job. And regarding inadequate wage expectations, it is possible to locate part of the training within firms, then the trainees are in contact with real work conditions and employed workers.

However, this reasoning leads to consider with more attention the complexity of any labour market intervention, and on a longer term. Generous and long lasting childrearing allocations may isolate mothers, then they find enormous difficulties when they want to get back on the labour market. The solution may be that they keep a contact during their childrearing period (with a part – time job?) and/or that at the end of the programme, they benefit from an updating of their skills, or from some labour market help. These more or less costly complements introduce us to the idea of "transitions".

Seen from a dynamic point of view, the labour market is not made of job slots and workers, but of trajectories: sequences of temporary positions occupied by a given individual, himself or herself evolving over time. From work to career, from qualifications to competencies and learning potential, the emphasis is put on change and on the conditions of accepted and positive change. An unstable shorts term job could be either a dead-end way to exclusion, or a ladder to better opportunities. Transition analysis has become, in less than ten years, a major concern of policymakers, statisticians and human resources managers.

Transitions may have two faces: a positive one, and a normative one. On the first side, there is now the burgeoning statistical field of trajectories analysis. On the second, an approach such as "Transitional Labour Markets" (TLM; Schmid and Gazier, 2000), illustrates the new concern: conciliating flexibility and security. Place precludes us to give detailed information about this approach, still mainly European in 2004. In a nutshell, the approach may be compared to most of the conventional approaches inspired by recent reforms of LMP by saying that these approaches seek to

"equip the people for the market": they insist on individual responsibility, on individual adaptation and on supply side factors such as training and motivation. The "Transitional Labour Markets" approach recognises the importance of the individual initiatives, but contends that it must be completed by a more collective commitment: it wants to "equip markets for the people".

If one gets back to our example of a training programme, the TLM approach seeks to organise a real network of firms and institutions in order to connect trainees with the market; but also it seeks to give to trainees real opportunities, and they try to put the whole labour market "under pressure" by offering many alternatives to the jobseekers. The best concrete example of such a strategy is the Danish experience, with, as we have seen, persistent high levels of spending for LMP. The neologism of "Flexicurity" is a Dutch one, but its best national illustration at the eve of this century may be the Danish way of "activating" LMP. During the nineties, in a context of initially high unemployment and of weak employment protection, Denmark succeeded to reach rather low levels of unemployment, to remain competitive and to preserve a global feeling of security for all the workers (Madsen 2002).

#### Conclusion

Two main points can be underlined.

- 1) LMP are now at the very hart of the European attempts to preserve an ambitious social model in a context of globalisation, and this may be summed up by speaking of a variety of "Schumpeterian Welfare States", trying to adapt society to the permanent flows of job creation and destruction.
- 2) Major changes can be expected in the management of labour market policies. The collective and negociated management of "transitions" is an ambitious but logical enlarging of LMP, which too often, in their present state, remain unilateral and weakly efficient.

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JILPT 国際シンポジウム「欧州雇用戦略からなにを学ぶか/わが国の政策への示唆」 レジュメ

Labour market policies in Europe: current situation, problems and prospects 欧州における労働市場政策:現状、問題及び展望

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# Labour Market Policies in Europe

Current Situation, Problems and Prospects

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Symposium/workshop on employment strategy. JILPT. Tokyo 6 october 2004

# Summary

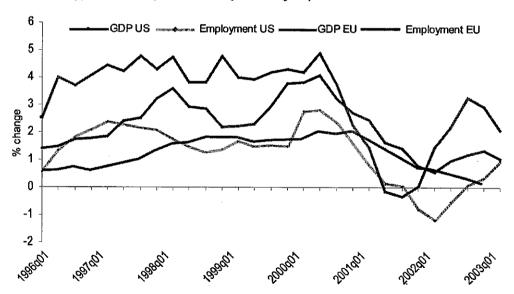


- 1. Employment in Europe at the turn of the century
- 2. Tendencies affecting Labour Market Policies
- 3. Some perspectives and debates

# 1. Employment in Europe at the turn of the century

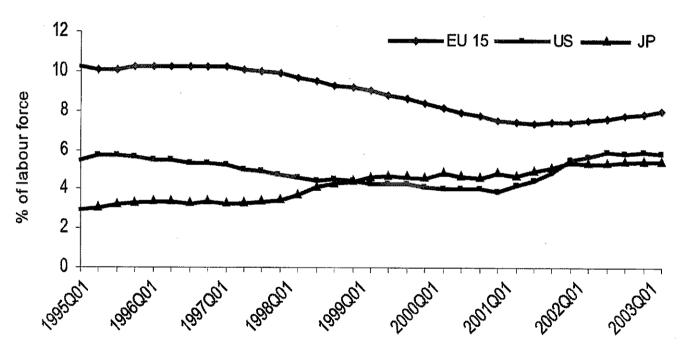
Slow recovery after the 2000 – 2002 downturn

Chart 6- Employment and GDP growth in the EU and the US, 1996-2003 (quarter over quarter of the previous year)



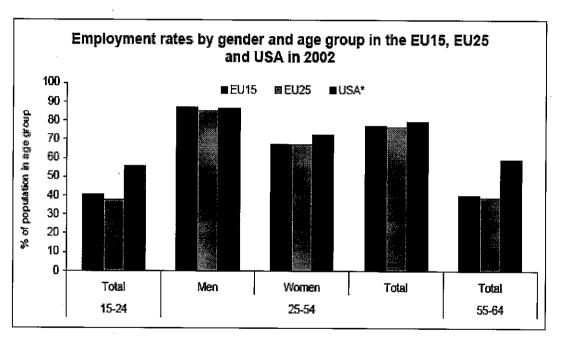
## Persisting high levels of unemployment

Chart 5- Evolution of unemployment rates in the EU, US and Japan, since 1995 (seasonally adjusted quarterly data)



Source: Eurostat, harmonised series on unemployment

## Employment rates: a huge gap compared with the USA

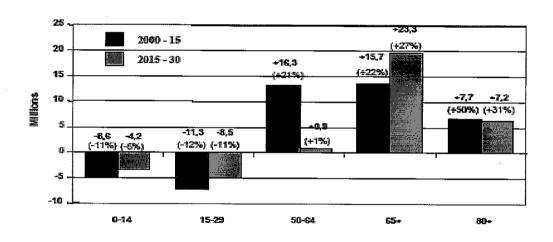


Source: EU data from QLFD, comparable annual estimates based on LFS and ESA95, Eurostat US data from OECD Employment Outlook 2003

<sup>\*</sup> For the USA, age group 15 to 24 refers to 16 to 24

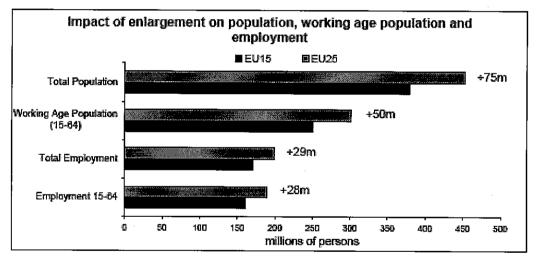
# Ageing: the integration of senior workers as an opportunity and a challenge

Change in certain age groups between 2000-2015 and 2015-2030 -EU25



Source: Europeat 2000 Demographic Projections, Baseline Bourneiro

## Ten new member states: beyond the demographic weight...



Source: Demographic statistics and QLFD (comparable annual estimates based on LFS and ESA95), Eurostat 2002 data

### ... a new set of challenges and opportunities

- Average income level in the new member states: 46 % of the E.U. – 15 level
- Expected migrations : around 300 000 persons/year, declining to 50 000 in 2014
- Growth and productivity: expected quick catching-up process
- Economic restructuring will affect both sides in some sectors
- Tremendous development of services in the new member states

# 2. Tendencies affecting Labour Market Policies



- LMP in Europe : various levels of expenditure, but persisting high spenders
- Share of « active » expenditures around 35-40 %, except in Ireland, the Netherlands and Sweden (55-60 %)

Three main trends: « activation », privatisation and decentralisation

### The various and complex meanings of « activation »

- 1. Limiting « passive » expenditures
- 2. Increasing « active » expenditures
- 3. Converting « passive » expenditures into « active » ones
- 4. Tying « passive » payments to « active » commitments of the individuals and the Employment Agencies
- Pushing or keeping people in activity, e.g. senior workers, and « making work pay »

# Privatisation and decentralisation: from complementarity to conflict

- Public employment agencies are widely criticized as bureaucratic and too far away from labour market needs
- Many initiatives try to ensure more autonomy, through contracts and partnership, for local employment agencies
- Other initiatives tend to organise some competition between public and private actors
- The Dutch privatisation experience (2000) sets tenders for private placement agencies
- But the first evaluations show many drawbacks, and a need for ... a strong centralised management

## The evolution of the European Employment Strategy

- The EES (1997. Luxembourg summit) is a coordination process of national LMP, based on common objectives, peer evaluation of periodic national reports
- It stresses the « employability » of individuals (training, placement, counselling) and leaves some room for collective adaptation
- The coordination process is now extended to other social fields and connected to the global European economic policy
- Some convergence has been observed, more nominal than real





- LMP remain controversial : weak legitimacy, weak efficiency
- The concerns shift with time
- Two main domains for debate:
  - Eurosclerosis
  - Flexicurity

## Eurosclerosis: from too high labour costs to laziness?

• The june 2004 cover page of *Finance and Development* (the main IMF review) is typical of the problem as perceived in some national and international circles: is Europe working too less?



### Too high labour costs?

- Initial debate (80s and 90s): costly and overprotected workforce
- 20 years of wage discipline and industrial restructuration
- Attempts at « flexibilizing » : short term contracts etc.
- However: employment performances remain very different from one country to another, and not directly connected to labour costs

## Lazy Europe?

- Emphasis now on work disincentives and « traps »
- Criticism of policies shortening working time:
  - workweek
  - early retirement
- Productivity concerns: Europe lagging behind the USA
- However: « traps » are now reduced / suppressed
- There exist other culprits: inadequate productive specialisation and inadequate training systems, too narrow macroeconomic policy

## From flexibility to « flexicurity »

- Rigid wages, rigid employment protection, low mobility...
- Dilemma (80s): either deregulate (and limit LMP), or develop State administrated flexibility
- The administrated flexibility is the preferred option
- But disappointing evaluations of ALMP programmes
- And destabilisation of important groups of workers and even firms

## Managing « transitions »?

- Since the end of the 90s, more attention paid to the complex and dynamic effects of any labour market intervention
- More combined programmes: training and placement and personal help and a set of temporary opportunities
- « equip people for the market »...
- ... but also « equip market for the people »

# Conclusion

- LMP are at the heart of European efforts to adapt European social models to globalisation
- Very different national versions
- A recent orientation appeared towards enlarging the content of LMP : organising « transitions »
- But the policy consequences remain still in debate

# Labour Market Success in four smaller European countries

Labour market macroeconomic policies, the social dialogue and policy integration

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## Labour Market Success in four smaller European countries

Labour market macroeconomic policies, the social dialogue and policy integration

The following paper is an updated summary of an ILO study published in 2000<sup>1</sup>. The study analysed – for the 1990s- the reasons why some smaller European countries (Austria, Denmark, Ireland, the Netherlands) had experienced labour market recovery, in opposition to most of the bigger European economies such as Germany, France, Italy or Spain. Among these reasons were a broadly stability oriented macroeconomic policy, which however allowed for some fiscal expansion, labour market policy and the social dialogue.

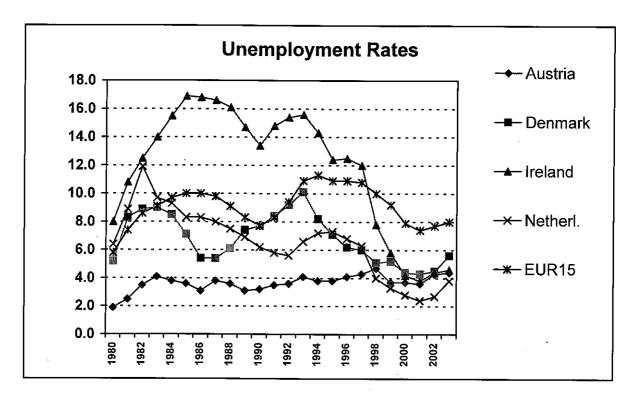
During the period considered (1991-2001) the European Union still had high unemployment rates, which only after 1998 began to fall below the 10 percent mark. However, some of the smaller European countries have had in fact a much better labour market record to begin with or experienced a remarkably recovery. For the sake of this study four smaller European countries - Austria, Denmark, Ireland and the Netherlands - were chosen because of a variety of reasons: they all were experiencing economic and employment growth rates above the European average and have all –in the period under consideration- managed to reduce their unemployment rates considerably. Taken as a group they have also high employment to population rates and showed strongly increasing trends in labour force participation. The group of four countries together had even higher employment growth rates than the US and similar employment to population rates.

Table 1

Gross domestic product and employment growth rates 1991-2001 (in brackets: data 2001-2003) Employment-to-population and unemployment rates 2003							
	GDP	EMP	EMP-to-POP	UNEMP			
EU15	2.30 (1)	0.7 (0.35)	64.4	8.1			
EU04	3.75 (1.4)	1.6 (0.40)	70.8	4.6			
USA	3.00 (2.65)	1.4 (0.30)	71.2	6.0			
Japan	1.40 (1.2)	0.3 (-0.75)	68.4	5.3			

Source: OECD, Employment Outlook 2004

<sup>&</sup>lt;sup>1</sup> Auer P.,. Employment revival in Europe, ILO, 2000



ILO Definition: Unemployment rateJuly 04: EUR 15=8.1 / A=4.2 / DK=5.9 / IRL=4.5 / NL=4.8 / US=5.6 / Jap=4.9

The four countries under review have succeeded in curbing unemployment and the reduction was particularly strong in Ireland, the Netherlands and Denmark, which more than halved the unemployment rate in the late 90s. Austria always had maintained comparatively low unemployment rates. There was also a remarkable decline in youth and long-term unemployment. In March 2001, the four countries were among the six countries with the lowest rates in Europe. While unemployment has indeed increased since, the four still lead the European low unemployment league in July 2004 with a combined rate of 4,6% (US 5,6 %; Japan 4,9%; EU 8,1%). The table and graph above clearly shows that in the period considered, the four success cases have shown dramatic increases in their labour market performance, surpassing other EU countries and also the US in several dimensions.

The positive developments in the labour markets during the nineties are encouraging for the EU, which for a long time was said to be too rigid to create jobs and to solve its endemic unemployment problem. It also shows that countries, which have instituted the social dialogue, a rather encompassing social protection system and have also an important and at times interventionist state, can do well in a time of globalisation and technological change, contrary to those pretending that institutions of the labour market have to be abolished or reduced to a minimum to fully unleash market forces (IMF, 2003). However, even a tighter institutional network can only cushion the negative income consequences of a downturn in terms of growth, jobs and unemployment and although these countries still provide good protection to their displaced workers, the question whether these systems are sustainable over the long term will only be answered by future developments. In the following we mainly discuss the period of success during the nineties, but come back to some of the more critical questions in the conclusion.

<sup>&</sup>lt;sup>2</sup> Within the EU 15 similar low rates are found in the UK and Luxembourg. It is true also that the increase was particularly strong in the Netherlands and Denmark. In all four countries the increase in unemployment during 2001/2003 was stronger than in total EU unemployment.

#### **Factors of explanation**

How can this remarkable comeback of the countries, which with the exception of Austria, had all very high unemployment rates in the 80s and up to the mid 90s, be explained. The ILO study found several reasons for this turnaround, some of them country specific, others common to all of them. Among the country-specific factors we find the following: Ireland benefited from the European structural fund (around 2% of GDP growth per year) and from being chosen as the European "hub" for the US electronic industry, which translated into huge FDI inflow and produced particularly high GDP growth rates. The Dutch have been world champions in the creation of part-time jobs, often in conjunction with an increase in the activities of temporary work agencies. Austria has benefited from the opening of the former planned economies, while Denmark has enacted a policy of job rotation and training leaves which fits well with its other institutional features (such as a lay-off system and comprehensive adult training). All four countries have also developed specific clusters of production (e.g. transport in the Netherlands, information technology in Ireland, and automotive products in Austria), which have proven to be very growth-intensive.

The European employment strategy also had its share in the success. The strategy was adopted by the Luxemburg job summit in 1997 and had its first five-year evaluation in 2002. It seems to be the method of open coordination that is its principal strength: this method does not impose legally enforceable goals, but works through the setting of quantitative employment goals (such as a 70% employment rate to be reached by 2010, 60% for women and 50% for the 55 to 64 olds) and a process that implies the drawing of guidelines, national action plans and a joint employment report that come in yearly cycles (European Commission, 2004). The strategy is a clear sign that politics and policies matter for employment.

Besides the country specific factors and the process of European regional integration, the study also isolated the various contributions of three common factors (macroeconomic policy, labour market policy and social dialogue) to the overall labour market success of the four countries. Lack of space prevents us from considering in detail some of the other important policy dimensions, which have also contributed to the positive labour market experience of the four countries. For example, the provision of child-care facilities and parental leave has contributed to an expansion of women=s employment. Education and Training policies have contributed to the success (e.g. higher education in Ireland or vocational training in Denmark) and working time policies have also contributed to the modernization of the four countries= labour markets, which now demonstrate a diversity of working time patterns in response to changing labour supply factors.

#### **Macroeconomic Policy**

The positive global macroeconomic environment in the late 1990s (with generally strong GDP and trade growth throughout most of the world economy) was an important factor in explaining the labour market success of the four countries. Economic growth is driven by both foreign and domestic demand conditions and the importance of the former has tended to increase over the past decade in the four countries under consideration. These four countries are among the most open to trade in the world, with export shares of GDP ranging from 40 to 77 percent. From 1990 to 1996 alone, exports of goods and services increased by almost 30 percent in Austria and the Netherlands, by more than 20 percent in Denmark and by more than 70 percent in Ireland. Domestic and foreign investment also boosted growth and employment. The Netherlands and Ireland have experienced particularly large per capita inflows of foreign direct investment.

Macroeconomic policies – both national and supranational (i.e. European Union) - have also played and important role in the success of the four small countries. A large part of the more stable macroeconomic environment is due to the conditions set by the E.U. and in particular the macroeconomic stability targets first established in the Maastricht agreement and later in the EU=s growth and stability pact.

The levers for steering the macro economy at the strictly national level have clearly been reduced; for many years, monetary policies in the four countries under consideration have been mainly determined

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by the German Bundesbank (all four pegged their currency to the Deutsche Mark, either directly or indirectly through the European Monetary System). Later on, with the European common currency, monetary policy was explicitly handed over to the European Central Bank (Denmark is the one country among the four that is not a member of the European Monetary Union, but its monetary policy is still set in order to maintain the Danish currency within narrow bands relative to the Euro). Competitive devaluations have thus more or less disappeared from the policy arsenal of these countries. However, through the effect of wage moderation policies, the Netherlands experienced a de facto devaluation relative to its major trading partner (Germany), and this clearly helped to spur the Dutch economy. Claims that beggar-thy-neighbour policies are the major factors behind the superior labour market performance of these four countries seem exaggerated; export gains were indeed experienced in the manufacturing sector, but employment increases were experienced mostly in services.

To some extent, the reduction in national policy discretion also holds true for fiscal policy under the stability and growth pact restrictions, but individual countries can still use this lever to influence economic trends. For example, demand conditions were stimulated by a targeted and short-term tax cut in Denmark in 1993-94, and this contributed to a macroeconomic upswing without creating inflationary pressures. Austria also used fiscal expansion to support its economy - and, indeed, this country was pressured by the European Commission to show more budgetary discipline. State spending, measured as a share of GDP, is above 50% and therefore significantly higher in Austria and Denmark than for the EU as a whole; state spending in the Netherlands roughly matches European averages, while in Ireland it is lower than in other European countries. Despite traditional claims that government expenditures tend to crowd out private demand and investment, more recent evidence suggests that the expenditure elements of GDP are mutually supportive. Public sector spending can thus be included in the factors, which explain the success of these four countries.

Tax policies have evolved in each of the four countries, resulting recently in a reduction of social contributions for lower-wage workers as well as (in some of the countries) a reduction in the highest personal tax rates. Corporate taxes have also been lowered, and this may have stimulated investment.<sup>4</sup> Tax revenues have increased in absolute figures, but have declined as a share of GDP in Ireland and the Netherlands. In the period net public sector job creation occurred in Denmark, the Netherlands and Ireland. State spending has also been used in different ways to finance labour market policies.

#### Labour Market Policy

Despite the increasing importance of the European Employment Strategy, the EU member countries retain much discretion in the organisation and implementation of labour market policies. This discretionary policy freedom applies particularly to the balance between active and passive measures as well as to the specific design of individual measures. However, this discretion is Apath dependent@ since the countries have organized their labour markets in specific and sometimes diverging ways and this historical and institutional context obviously influences and constrains the application of labour market policy.

In overall spending terms, three of our four countries have allocated relatively generous resources to labour market programs: Denmark, the Netherlands and initially also Ireland all allocate more or close to 4 percent of GDP to labour market policies - about ten times as much as the US. In contrast, Austria=s labour market programmes are relatively small, with total spending below 2 percent of GDP, a percentage that also Ireland spends today on LMPs (roughly equal to the OECD average).<sup>5</sup>

<sup>&</sup>lt;sup>3</sup> Schettkat,R. (2001) Small-economy macroeconomics; in: Auer,P. (ed.) Changing labour markets in Europe, ILO, Geneva 2001

<sup>&</sup>lt;sup>4</sup> The lowest rates are found in Ireland, and the Irish government was accused by its European partners to have attracted foreign direct investment with its low tax rates.

<sup>&</sup>lt;sup>5</sup> OECD, (2004) Employment Outlook, 2004

Although the largest share of labour market policy expenditure is spent on so-called Apassive@ policies (such as unemployment compensation and early retirement incentives), the importance of Aactive@ policies is increasing and accounts now for 30-40 percent of total labour market program spending.

Unemployment benefit systems and other passive labour market policy instruments not only protect workers in adverse circumstances, but they also facilitate flexible employment adjustment by firms. Unemployment benefit systems in particular, which can be used as *de jure* or *de facto* lay-off systems, provide an important flexibility buffer, especially for smaller firms. The percentage of those unemployed that return to their previous employer after a short-duration unemployment spell (a proportion which accounts for 30-40 percent of the unemployed in Austria and Denmark) indicates convincingly that the unemployment benefit system is used in this manner. While this behaviour may arouse some concern regarding cross-subsidization between different sectors and different employers, it certainly helps to stabilize small firms (such as those which experience sharp seasonal patterns) and hence can be seen as a flexibility/security device.

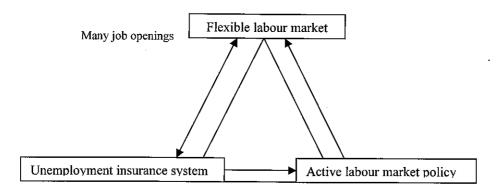
Early retirement also provides exit flexibility for firms, and allows workers to enjoy a better status than being unemployed at the end of their working lives. While this type of supply-reduction initiative may explain some of the previous successes of our four case studies in reducing unemployment, innovative policies (such as leave schemes and job-rotation in Denmark) have also been implemented to cope with the labour market problems. While labour supply was thus reduced, each of the four countries considered demonstrated significant increases in their employment-to-population ratios over the latter 1990s.

There are an array of labour market programmes and measures that are worth mention: there have been subsidies for low paid jobs (e.g. Netherlands and France), new labour market intermediaries that sometimes successfully managed redundancies ("Beschäftigungs-gesellschaften" in Germany and "Stahlstiftungen" in Austria), work/training contracts (Sweden/Italy and many others). It should be mentioned that in this phase of structural adjustment, early retirements were still widely used (again on a background of pending restrictions because of demographic ageing). Training and education has also had some effects, especially when it was combined with an investment strategy like in Ireland.

#### Good practice example: Denmark's golden triangle

From 1994 onwards, labour market policy in Denmark has been redesigned to include a more proactive and flexible approach to active labour market programmes as well as the concept of combining the fight against unemployment with the fulfilment of other goals, through leave schemes and job rotation. Part of the success in the Danish model can be attributed to a unique combination of flexibility in the employment relationship (indicated by a high level of labour and job turnover), the economic and social security of employees (illustrated by a generous unemployment benefit system) and the new labour market policy of activation (which upgrades the skills of the unemployed and thus support the ongoing transformation of the economy) – the elements that constitute the three corners of the Danish "golden triangle" (see figure below).

#### The Danish Golden Triangle



High level of compensation

The "learnfare" model

The main characteristics of the labour market policy reform after 1994 are as follows:

- The introduction of a two-period benefit system with an initial "passive" period and a subsequent "activation" period; during the "passive" period, an unemployed person receives benefits and is also eligible for 12 months activation. In 1999, it was decided to reduce the "passive" period for adult unemployed (aged 25 and above) to one year, while for young unskilled unemployed the period was cut to only six months. After the "passive" period, the "activation" period commences and lasts for three years;
- Changing the assistance to the individual long-term unemployed from a rule-based system to one based on an assessment of the needs of the unemployed person (introducing the individual action plan as an important instrument);
- Decentralizing policy implementation to regional labour market authorities, empowering them to adjust programme design to fit local needs;
- Cutting the connection between job training and the unemployment benefit system, such that any employment with a wage subsidy would no longer increase the duration of the period in which an unemployed person was eligible for unemployment benefits;
- Introducing three paid-leave arrangements (for child-minding, education and sabbatical) to encourage job rotation by allowing employed (and unemployed) people to take leave while receiving a benefit paid by the State and defined as a proportion of unemployment benefits. The option to take parental leave or leave for educational purposes may prolong the total duration of unemployment benefits by up to one year for each leave taken.

Source: P. K. Madsen (2003), "Flexicurity through labour market policies and institutions in Denmark" in P. Auer and S. Cazes (eds.), *Employment Stability in an age of flexibility; Evidence from industrialized countries*, ILO: Geneva.

The future of national labour market policies in Europe will increasingly be shaped by the European Employment Strategy, and hence we can expect a marked convergence in policies in Europe. The central aim of this strategy is to increase employment-to-population ratios. In coming years, the so-called Apassive@ part of the social protection system (unemployment benefits, early retirement incentives, and social assistance) will be reduced, and the Aactive@ parts increased. One of the major streams of this broad strategy is the so-called activation policy, much in line with the make-work pay policy of the OECD. The border between this activation approach and punitive Aworkfare@ measures is relatively thin, so this policy thrust will require a careful weighing of the elements of compulsion and choice. In an optimistic version, it will lead to more effective active labour market policies. In a pessimistic version, it will reflect a move to compulsion and to sanctions on the unemployed. Labour market policies have also increasingly come on the bargaining table of the social partners. For unions, participation in labour market policy formulation or implementation is indeed one mean to overcome the insider-outsider critic that is frequently voiced (unions only take care of the employed and not the unemployed) and for employers it is a means to show that they are also concerned about the socioeconomic consequences of worker's displacement.

#### **Social Dialogue**

Each of the four countries considered in this chapter possesses an extensive range of economic and political institutions aimed at facilitating an ongoing Asocial dialogue@ among the various partners in the economiy (including government, employers and organized labour). The four countries considered here experimented with differing models of Asocial pacts@ aimed at collectively managing aggregate macroeconomic and labour market variables in the 1990s.

Simply possessing institutions of social dialogue, like sufficiently representative union and employer organizations and centralized or coordinated wage bargaining, might not be sufficient to engage successfully in the sort of social pacts which our four sample countries implemented in the 1990s. A successful social dialogue also requires a common understanding that something has to be changed, and a willingness to do this through partnership rather than adversity. These social pacts are seen by some as simply sophisticated mechanisms for accommodating capital and constraining labour. Others view them as having been essential for turning around troubled economies. In any event, the social pacts should not be seen as a purely peaceful process without conflicts. Tough bargains were made, as well as concessions, and the pacts needed strong unions and representative employer organizations in order to implement them meaningfully and hence have an impact on the broader economy and society.

In three of the countries under review, a concerted effort at social dialogue led to the conclusion of formal social pacts with a national dimension. The first of these was concluded in 1982 in the Netherlands (the Wassenaar Agreement), followed by the Declaration of Intent in Denmark and the Programme for National Recovery in Ireland (both of which were signed in 1987). These pacts expressed the desire of the partners to cooperate in order to solve the problems facing the economy through a concerted approach based on wage moderation to boost competitiveness, while maintaining but reforming the welfare state. Typical trade-offs to offset the commitment to moderate wage increases included tax cuts, working time reductions, additional labour market policy measures (such as enhanced measures to cushion employment adjustment). Concerted action between the social partners and the government has been the traditional form of governance in Austria. No new social pact was concluded there, but the Austrian social partnership system was nevertheless confronted with new challenges over the last decade - such as the privatization of nationalized industries and the reform of social security.

# Good practice example: National recovery through centralised and concerted policies in Ireland

Collective bargaining is at the centre of all union activity in Ireland and it has been long-term public policy to support this. In recent decades, the belief has become widespread that the inflationary effects of collective bargaining must be reined in and that this task becomes easier in the context of centrally determined pay norms. The 1987 national agreement entitled Programme for National Recovery (PNR) marked the beginning of centralised bargaining (see table below).

The pay terms of the PNR were not fixed norms, but guidelines, which had, in the private sector at least, to be converted into agreed rates through local bargaining; and the references to economic and social policy were targets for all relevant parties participating in an ongoing concertation process rather than government commitments. The job creation targets were for the private sector rather than based on the more traditional approach of boosting public sector employment. The PNR held together and was followed by a similar arrangement, the Programme for Economic and Social Progress (PESP).

Table 2: Wage increases under centralised bargaining in Ireland, 1987-2006

Programme	Period	Years of validity	Wage increase			
PNR: Programme for National Recovery	1987-91	4	Average 2.5% per annum			
DECED D		1	4%			
PESP: Programme for Economic and Social Progress	1991-94	2	3% (plus 3% contingent local increase)			
		3	3.75%			
DCW/, Dua susuana Car		1	2.5%			
PCW: Programme for Competitiveness and Work	1994-97	2	2.5%			
p viiii vii vii vii vii vii vii vii vii		3	2.5%			
Partnership 2000 for Inclusion,	1997-2000	1 2	2.5% 2.25% (plus 2% contingent local increase)			
Employment and Competitiveness		3	1.5% first half 1,0% second half			
		1	5,5%			
Programme for Prosperity and Fairness	2000-2003	2	5,5%			
- TTO 10 W M M		3(9month)	4%			
Sustaining Progress	2003-2006	1,5 and renegotiation	7% (3+2+2) public sector additional increases depending on benchmarking			
		1,5	5,5% (also phased)			

As with the PNR, the PESP had job creation targets: 20,000 new jobs each year in manufacturing and a similar number in the international service sector. The PESP also contained a pay policy. The PNR and the PESP helped in segmenting sectors and forestalled spill-overs and have been broadly consistent with government attempts to improve competitiveness. Wage dispersion, which had risen sharply under decentralised bargaining, did stabilise after 1987. Under the PESP agreement, the rise in wage inequality was halted.

The Programme for Competitiveness and Work (PCW) followed as another three-year agreement, the provisions of which, for the first time, differentiated between public service employees and other workers. The next programme, Partnership 2000 for Inclusion, Employment and Competitiveness,

represents a change of direction compared with its predecessors. Its emphasis is not as single-mindedly focused on economic competitiveness, but seeks to address three challenges: (a) maintaining an effective and consistent policy approach in a period of high economic growth; (b) significantly reducing social disparities and exclusion, especially by reducing long-term unemployment; and (c) responding effectively to global competition and the information society. It presents a detailed programme of social, economic and fiscal policies accompanied by a separate pay agreement. As before, low paid workers are given special attention through minimum amounts of pay increases for each phase. Also both recent agreements go beyond mere wage bargaining. They include provisions on various issues like tax reform, childcare, housing, redundancy pay and the minimum wage.

Source: Updates with the help of EIRO on-line information of original work done by J. Visser (2001), "Industrial relations and social dialogue", in P. Auer (ed.), Changing Labour Markets in Europe; the role of institutions and policies, ILO: Geneva.

In general, unions in each of the four countries considered could not avoid declining union density rates, which reflect sectoral shifts from manufacturing and the public sector to less-unionised sectors such as private services. However, these four countries fared rather better in comparison to others in the OECD: Denmark registered even a slight increase in its already-high union density, while Dutch density rates fell by about 10% and the Irish rates by about 13%. Austria registered the biggest decline in unionization over the period 1985 to 1995 with unionization falling by almost 20 percent.

This seems to confirm that for example the more cooperative stance that the Irish unions took after 1987 has not been punishing them in terms of union membership declines. The fall in union density in the four countries has been less severe than that experienced in some other systems with more adversarial industrial relations - such as France (where unionization plunged by 37 percent) or the UK (28 percent) (ILO 1997)

There is an ongoing debate about the extent to which union members will demand to be compensated for earlier wage concessions offered as part of the social dialogue process. It is obvious that in increasingly tight labour markets, wage pressures mount and wage discussions hence tend to become more difficult. For example, in 1998 in Denmark, after the rejection of a contract settlement by the union rank and file, the government eventually settled the bargaining round; in the Netherlands there are growing demands for a new general agreement, in the spirit of the initial Wassenaar; and recently the 5<sup>th</sup> Irish national social pact (the Programme for Prosperity and Fairness) had to adjust its wage bargaining settlement because of inflation, surpassing increases initially granted for 2001. In general, both nominal and real wage growth is accelerating in all of the four countries to rates well above EU averages.

The social dialogue had also to cope with some new demands. In Austria, one important point is the pension system reform, proposed by the government without the usual consultation of the social partners and rushed through the parliament, which has even led to a general strike in Austria, a form of industrial action that occurs extremely rarely. It has also put the employer side of the social partners under strain as they have clear links with the conservative coalition government, yet are opposed to a reform without the usual consensus approach. While other issues have been settled by agreement and later cast in law (a new severance pay system<sup>6</sup> and part-time work for older workers for example) by

The new scheme, which was jointly developed by the social partners in early 2002 and proposed to parliament by government in June 2002, stipulates that all private sector employees are entitled to severance pay from the second month of employment onwards. This entitlement cannot be lost even where employment is terminated for reasons relating to a fault on the part of the employee. Thus, employees' entitlement to severance pay resulting from employment relationships concluded from 1 January 2003 onwards will in future be transferred to, and maintained in, a new employment relationship. Employers must obligatorily contribute 1.5377% of the gross monthly pay of each employee to a special severance pay and pensions fund (Mitarbeitervorsorgekasse, MVK). If the employee leaves the company, the accumulated employers' severance pay contributions may be either: paid directly to the employee (if they have at least three years' service); or transferred to the MVK with which the worker's new employer has a contract. These MVKs are obliged by law to administer companies' severance pay contributions and to invest them in the private capital market in order to build up the employees' severance

the old (and new government) these developments could endanger the up to know very peaceful negotiation system.

In Ireland discussions to conclude a new national agreement had to overcome a series of obstacles but in March 2003 the main Irish social partners signed the agreement called "Sustaining progress" which is the sixth successive accord since the partners signed the first in 1987 (Programme for national recovery). Departing from former agreements, the wage increases agreed (7% in total) run only for 18month, while the framework agreement runs for 36month. There will be a renegotiation between the Social Partners and the government before the mid-term of the agreement. Other provisions include increases in statutory redundancy payments (in order to respond to an increase in lay-offs during 2002) and an increase in the minimum wage as well as some provisions on compliance and dispute resolution. All this shows that the willingness for conciliatory agreements is alive, that they are flexibly adapting to new circumstances even in a less favourable economic climate and despite some problems on the wage/inflation front.

The social dialogue faced also some new problems in Denmark. The new conservative government presented, after taking office in November 2001, a set of employment related measures, named "the freedom package of the labour market". Besides a proposition to establish a public cross-sector unemployment insurance funds (in addition to the trade union run sectoral funds)—that was subsequently put on halt- it included a bill amending the current one on part-time work. The new bill aimed at free access to part-time work and gave the law precedence over collective bargaining arrangement that restricted this access. The bill faced the protest of the unions and some employers as it was seen as a threat to collective bargaining. A complaint was even placed with ILO's freedom of association committee that subsequently criticised the government and asked that consultation with the social partners to be resumed. However, with some amendments the bill was adopted by parliament, but still faces trade union opposition. Politically motivated, unofficial strikes and work stoppages have been unusually high in Denmark in 2002, although there was no renewal of major collective bargaining agreements that year, which usually also results in more strike activity.

A conservative coalition government was also formed in the Netherlands. It announced a number of cutbacks in the area of social welfare that is opposed by the main Dutch unions. For example, the government proposal would like to restrict access both to the unemployment compensation system (by lengthening qualifying periods) and the occupational disability scheme. It calls also for wage restraint. Observers believe that unions will only continue with wage restraint, if the government soften its stance on social policy and this is exactly what happened with autumn agreement that was bargained between the social partners and the government in October 2003. In return to union's agreement with a wage freeze for 2004 and only moderate increases for 2005 the government renounced to cut back on social policy.

These developments show, that politics matter and that conservative party coalitions are usually a tougher partner for the social partners than social democratic led governments, although similar changes as proposed by conservative governments have also been put forward by some social democratic governments, for example in Germany. However, there are also union attempts to loosen ties with politics as is shown by the decision of the Danish union confederation LO to withdraw financial support to the Social Democratic Party, its long time ally.

Although the social dialogue faces new challenges and has not been without problems, it has been an important pillar of the economic and labour market recovery of the four countries. It shows that bargained solutions based on the mutual acceptance of unions and employers are an effective alternative to the unconstrained working of market forces. In some other countries (such as the U.K. and New Zealand), the pressures resulting from globalization and technological change led to the dismantling of previous institutions of social dialogue. In the four countries reviewed here, however,

the siren song of deregulation<sup>7</sup> (Alan, 1997) actually had the effect of reinvigorating the social dialogue. A concerted effort by social partners and governments to tackle the problems, which afflicted Europe in the 1980s and early 1990s, including weak competitiveness and deteriorating labour markets, permitted these countries to emerge from the crisis with their welfare state changed but not dismantled.

While social partnership might not always prevent governments from sudden changes in policies affecting the labour market and the living and working conditions of workers it offers some guarantee for stabilising policies and recur to negotiated change that can flexibly adapt diverging interests to new challenges.

However, as mentioned earlier, the social dialogue alone is only a necessary, but not a sufficient factor for success. It is the integration of policies and the congruence between these policies that is of importance.

#### **Policy integration**

More than arising from isolated policy actions, lasting labour market success seems to result from an efficient combination of factors. At the macroeconomic level, tight monetary policy, fiscal consolidation and wage moderation policies seem to have accommodated each other. Austria is a good example of how to achieve long-term stability through the coordination of such policies.

Similarly, relatively weak dismissal protection at the firm level (either because regulations are weak, or are not strongly enforced - as is the case in Austria) seems to combine well with relatively strong income protection for laid-off workers at the societal level. In these two countries, where small- and medium-sized firms prevail, such systems seem to allow for the simultaneous attainment of flexibility for employers with income security for workers, allowing for the attainment of low long-term unemployment rates. Given the importance of small firms and continuing seasonal patterns in employment, this arrangement seems to be a positive stabilizing force in the four countries considered.

In general, systemic elements working in the same direction are obviously more efficient than elements working in opposite directions. If systemic elements in employment systems are congruent, better employment performance can be achieved. The Danish employment system might be taken as an example of how such elements interact: high labour turnover is supported not only by the lay-off system, but also through labour market training, which itself is congruent with training leave schemes. Denmark also provides both parental leave schemes and child care provisions which result in more possibilities for women to participate in working life. In contrast to the U.S., where flexibility is market-driven, in Denmark flexibility is institution-driven. Danish workers alternate frequently between employment and other status (lay-off, training, or family leave) in the labour market.

A combination of policies, which produce both flexibility for firms and security for workers, might be seen as the most appropriate institutional arrangements for European labour markets. However, given the complexity of these systems, further research will be needed to determine the precise effect of various policy combinations. Timing is also important: temporary leave schemes might be efficient bridges to the regular labour market during an upswing, but possibly not in a downturn - since most of the leavers will probably once again be unemployed following their leave. In an unpredictable and complex world, such combinations and appropriate timing also need some luck in order to add up to successful policies.

#### Do Small Countries have Specific Advantages?

While the three factors of sound macroeconomic environment and policy, modern labour market policy and strong social dialogue might produce similar positive effects in larger countries, the mere

<sup>&</sup>lt;sup>7</sup> Alan,Ch..S.(1997) Institutions challenged: German unification, Policy errors and the "siren song of deregulation", in L. Turner, Negotiating the New Germany: Can social partnership survive? Ithaca, New York: Cornell University Press.

smallness of the countries under review might be an additional factor in their success. One factor distinguishing small from larger industrialized countries is the importance of economic openness. Dependence on imports and the necessity to export both require that the economies of small European states be more open and more specialized than those of larger countries. Economic openness can be an advantage or a handicap, however, depending on the situation on the world markets and there clearly are economic benefits, which are associated with large and integrated domestic markets. In any case, the dependence of these smaller nations on the larger countries within Europe has to be explored further: major shocks in the dominant economies of Europe will inevitably also be felt by their smaller neighbours and this will test the resilience of their policy directions and institutional structures as is presently the case.

Another factor is social partnership, a system of centralized and concentrated interest groups and voluntary and informal coordination of conflicting objectives. It may be easier to attain this social partnership in a smaller society. For example, the smaller and more defined power elite circles in these countries could lead to more informality and closer personal relationships, important conditions for successful bargaining and consensus.

Other advantages of being small might include a more homogeneous labour force and better governance (and thus better cooperation between actors). Coordination of policies in order to establish an effective policy mix might also be facilitated by the smallness of a country and the limited number of constituents participating in the decision processes.

Thus, while on the governance side it can perhaps be concluded that smallness is an advantage, it is more difficult to establish these advantages in economic terms.

#### What Can Other Countries Learn?

The particular traditions and cultures, which form the background to the particular policies and institutions, which have been developed in these four countries might make it difficult to understand and transfer experience from other countries. In particular, it might be very difficult to adapt the practices of the social dialogue in these four countries to regimes with a liberal, pluralist —or to the contrary a more authoritarian-tradition of policy formulation.

However, these smaller European success stories can teach several important lessons to other countries. Firstly, while the social dialogue *per se* is not the answer to all labour market problems, it seems that once a real dialogue is established within an overall framework of corporatism, solutions to major economic problems can indeed be found. A real dialogue requires several conditions to be met, in order to be successful. It requires recognized and representative partners, which can meaningfully enforce the deals, which they negotiate. The dialogue demands that trade-offs be bargained. Dialogue is facilitated by a common agreement on the state of the economy, and ongoing interactions between bargaining rounds. All of this in turn is furthered by the existence of permanent institutions, such as the socio-economic council and the labour foundation in the Netherlands. An effective social dialogue also needs a proactive and credible government to help in reaching agreements and representing the general interest. In the light of the success of these four countries, "corporatism" as this institutionalised system of bargaining is sometimes called, seems to be a form of labour market governance which holds out at least as much promise of efficiency in economic management as liberal market-led models. Especially when equity issues are taken into account, corporatist governance would seem to demonstrate superior economic and social performance.

Other lessons from our review of these four case studies are: Economic openness seems to pay off, at least for small industrialised countries. There seems to have been few longer-term negative effects of such openness for the four countries considered. According to some research 8 it can be shown that the

<sup>&</sup>lt;sup>8</sup> Agell, J.: (1999) On the benefits from rigid labor markets: norms, market failures, and social insurance, Economic Journal, vol. 109, 1999. Auer, P., Efendioglu, U., Leschke, J.: (forthcoming) Active Labour Market Policies around the World: Coping with the consequences of Globalization ILO, Geneva.

most open countries have also installed institutions to protect their workers against the negative consequences of globalisation.

Larger countries could clearly emulate some of the specific policies which have contributed to the labour market successes of the four countries considered here - such as job-rotation schemes along Danish lines, or regulations governing the terms and conditions of part-time work as in the Netherlands. Indeed, a job-rotation system (adapted from the Danish model) was, for example, recently introduced in Austria, which has rather similar institutions to Germany. Other countries might benefit from implementing a three-pillar model of financing for retirement (a basic public pension, a contribution-based secondary system, and a subsidized private top-up), as in Denmark or in the Netherlands. And the Austrian apprenticeship system (much like the German system) could still serve as a model for the introduction of alternate training in other countries as it still seems to be an efficient bridge into more permanent employment.

What is important also is to analyse the emergence of systems that achieve both flexibility and worker's protection. These employment systems of "protected mobility" usually operate with a medium to low degree of employment protection, but have installed a fair degree of social protection through labour market policies. These systems achieve better records on worker's subjective perception of employment security than systems that rely much on employment protection on the firm level with low levels of labour market protection. The following graph illustrates the various trade-offs and complementarities that are involved in such systems. And some of the smaller countries, and especially Denmark, seem to be prototypes of these.

Table 2: Employment security or labour market security?<sup>10</sup>

	High LMP spending	Low LMP spending
High Employment Protection	France (EPL21 / LMS08) (AT11.1 / S16)	Japan (EPL25*/LMS24) (AT12/S25)
	Germany (Sweden) Belgium	Portugal, Greece, Italy, Spain
Low Employment Protection	Denmark (EPL08 / LMS01) (AT8.3 / S02)	United States (EPL01/LMS25) (AT6.6/S21)
	(Netherlands), Finland, (Ireland)	United Kingdom (Austria)

Rank 1: EPL=Employment Protection Legislation strictness, 1 = less strict, 26 = most strict

(\*Estimation for Japan to include cultural factors)

Rank 2: LMS=Labour Market Security, Expenditures for labour market policy, 1 = highest, 25 = lowest:

Rang 3: S=Perceived Employment Security = 1 = most secure, 26 = least secure.

AT= Average employment tenure (years)

Ranks among 26(25 if data missing) OECD countries

Source: OECD, Eurostat.

The concept of "protected mobility" is similar to the wider concepts of the "transitional labour market school" and stresses the needs for a combination of stable and flexible jobs that are embedded in an institutional setting consisting of labour market institutions. For transitional labour markets see: Gazier, Bernard (2003): Tous sublimes: vers un nouveau plein emploi, Flammarion, Paris.or Schmid,G. (2002): Employment insurance in critical transitions during the life-course in: Peter Auer and Bernard Gazier. The future of work, employment and social protection, ILO/IILS.

<sup>&</sup>lt;sup>10</sup> This table is based on external numerical flexibility and does not include internal flexibility such as for example provided through changes in working time (see for example Dominique Anxo's contribution to this seminar)

#### Conclusion

In conclusion the relative labour market success of the four countries is due partly to country specific factors and partly to the social dialogue, macroeconomic policy and labour market policy, but also specific combination of these and other policies. The social dialogue achieved a climate of trust among the major social actors and contributed to negotiated and flexible solutions. Wage moderation contributed to the new climate of trust and considerable reforms in the social protection systems were enacted, mostly, but not always, in a climate of negotiation and consensus. Labour market policies and social protection schemes have not only given income to those without work, but acted also a sort of Abuffer@ zone around regular labour markets enabling firms to adjust their labour force without paying all the economic and social costs. Early retirement schemes, which have contributed to success, are -with lay-off and training systems- good examples for this. However, in face of workforce ageing, first signs of labour shortages and high costs the social protection system has recently been reformed in all of the countries. Early retirement possibilities have been restricted and labour market policies activated.

The social dialogue itself faces many new challenges. The temptation, particularly of new conservative governments that embrace neo-liberal thoughts, to see the social dialogue as part of the problem rather than part of the solution might lead to conflicts that will restrict further room for growth and employment. Conditions in boom times (as over the nineties) and bust times (as now) differ and the room for distributing the fruits of growth is today smaller than before. Unemployment was rising again lately and while unemployment benefits and active labour market policies play their role of automatic stabilizers under the strict conditions of the stability and growth pact, such automatic stabilizing might be seen as a problem and lead to further cuts in the welfare system as can presently be seen in Germany.

One thing that is important for all the policies presented here and their interaction is to consider business cycle variation as well as structural changes affecting the labour market. A new phase of structural change has also set in with the accession of ten new member states that will also affect the labour markets of the smaller countries. And, because of the close linkages between European economies, smaller countries are dependent on the developments of bigger countries, in particular Germany.

While all these factors have to be taken into account, the developments should not lead to the disruption of a system that has proven a factor of progress over many years now. Much remains to be done, but these countries have shown that employment success is also feasible in Europe=s welfare states that maintain a balance between economic efficiency and social equity.

During the period of observation, these countries —with large national variations—have shown good results. But it seems not appropriate to propose entire "models" of countries to be imitated by other countries. Not only is it impossible to copy a whole set of institutions, policies, traditions and behaviours but it would be even dangerous to do so. Indeed, we have in the past experienced the rise and fall of many models, such as the German, the Swedish or the Japanese model. And time has yet to show whether the small country "model" survives the many changes that come with globalisation.

15

JILPT 国際シンポジウム「欧州雇用戦略からなにを学ぶか/わが国の政策への示唆」 レジュメ

### Labour market Success in four smaller European countries 4 つの欧州小国における労働市場の成功

Labour market macroeconomic policies, the social dialogue and policy integration 労働市場・マクロ経済政策、社会的対話と政策統合

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 $(p1\sim p2)$ 

Factors of explanation 説明要因(p3)

Macroeconomic Policy マクロ経済政策(p3)

Labour Market Policy 労働市場政策(p5)

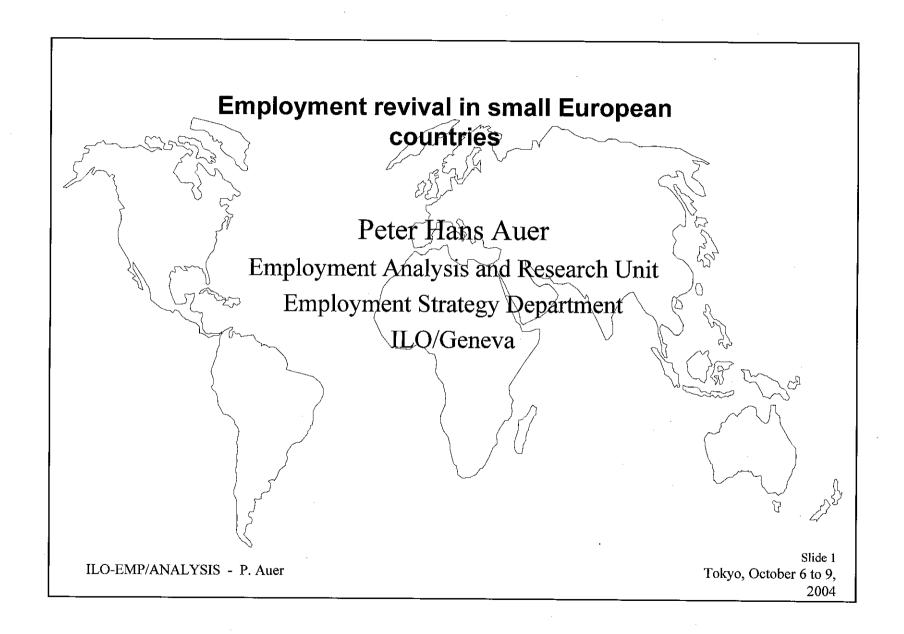
Social Dialogue 社会的対話(p7)	
Policy Integration 政策統合(p11)	
Do small Countries have Specific Advantages?	

3

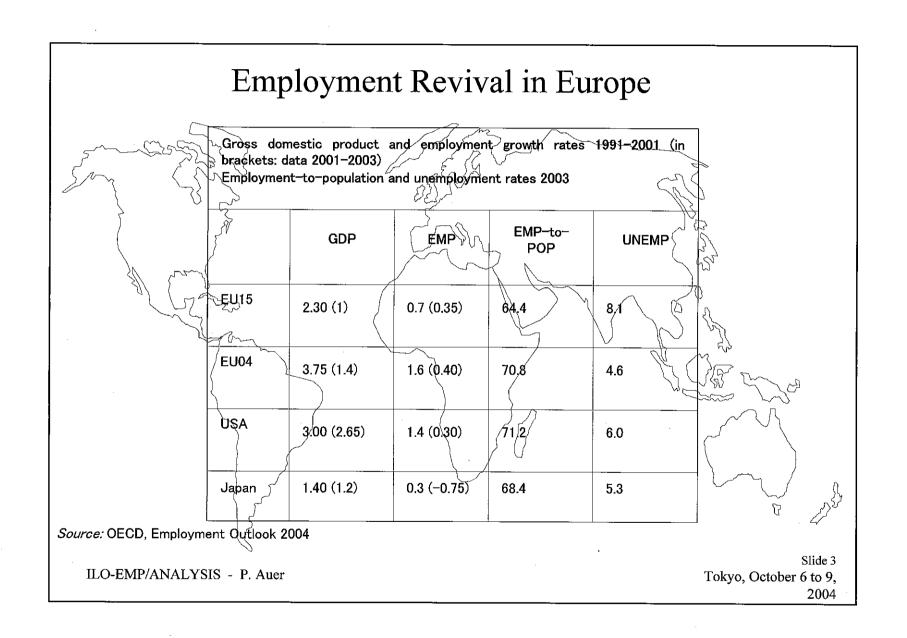
Resume 2

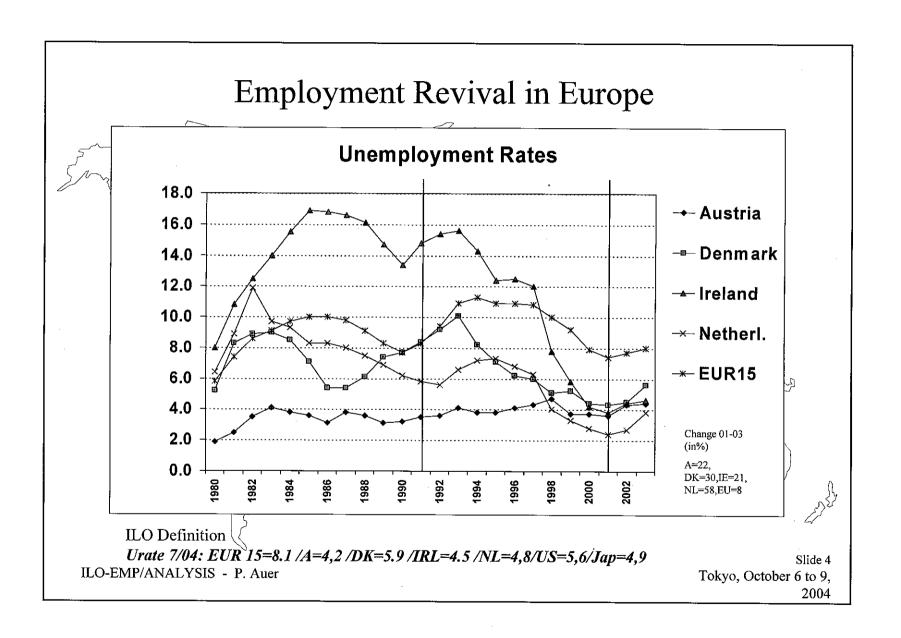
What Can Other Countries Learn? 他国が学べることは?(p13)

Conclusion まとめ(p14)



# Employment Revival in Europe > Topics of discussion The dimensions of relative success on the labour market > Growth and employment unemployment, employment, employment rate The factors of explanation > country specific factors common factors: macroeconomic policy and labour market policy and the social dialogue > Flexibility, stability and security Conclusion: a sustainable socio-economic model? Slide 2 ILO-EMP/ANALYSIS - P. Auer Tokyo, October 6 to 9, 2004





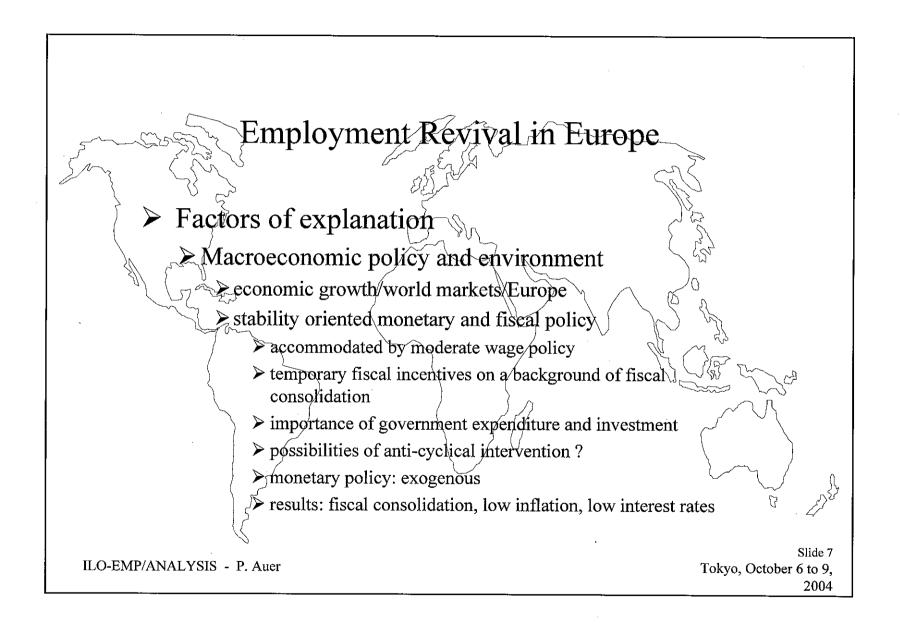
# Employment Revival in Europe

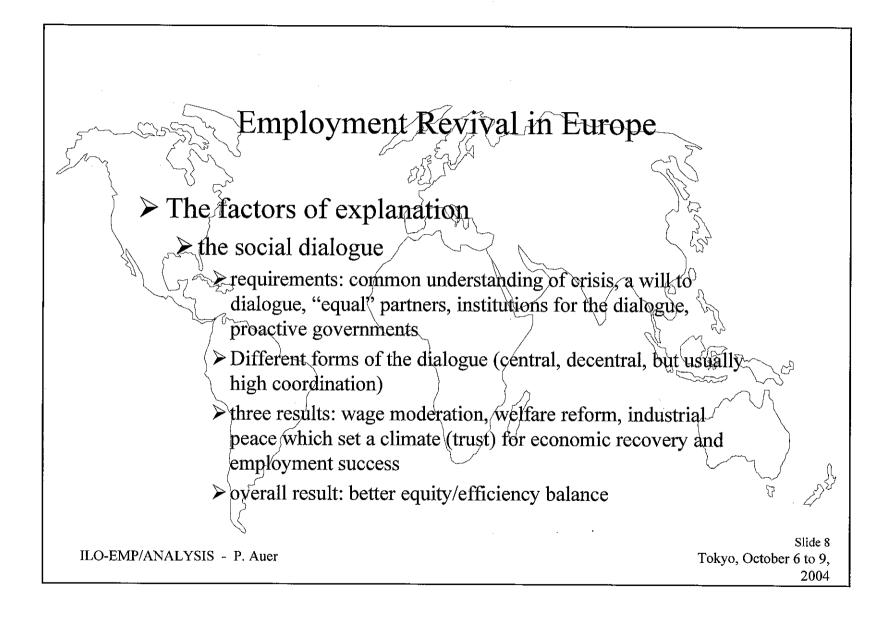
Japan	<b>11.6</b>			12.3****	25.0	5.0 03/2004//House	9.7	n.a.(33.5)+	<b>68.8</b> an, 2003			
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iermany	10.5	15.2	40.8	12.4	20.3	7.9	9.4	3.9	65.8	46.5	₹ 37.7	58.8
rance	11.1	16,4	44.0	14.9	16.4	8.6	19.5	2.9	63.1	29.5	\$1.0	56.1
aly	12,2	411.7	49.9	9.8	8.4	9.4	28.1	5.9	54.8	26.3	28.0	41.1
										<i>J</i> 0.		
Average	8.9	21.0	33.7	8.9	24.1	3.5	6.6	120	71.1	58.4	48.8	63.1
Austria	n.a.	n.a.	n.a	8.1	17.6	3,6	5.8	0.9	68.4	51.4	28.6	60.1
reland	9.4		34.4	3.7	16.5 /	3.8	6.6	1.3	65.7	49.6	46.8	55.0
Netherlands	·	2106	35.9	14.3	42.2	2.4	5.5	0.8	74.1	70.4	39.6	65.2
enmark	8.3	(10, )	30.9	9.2	20.2	75 4.5 V	8.5	0.9	76.2	62,3	58.0	72.0
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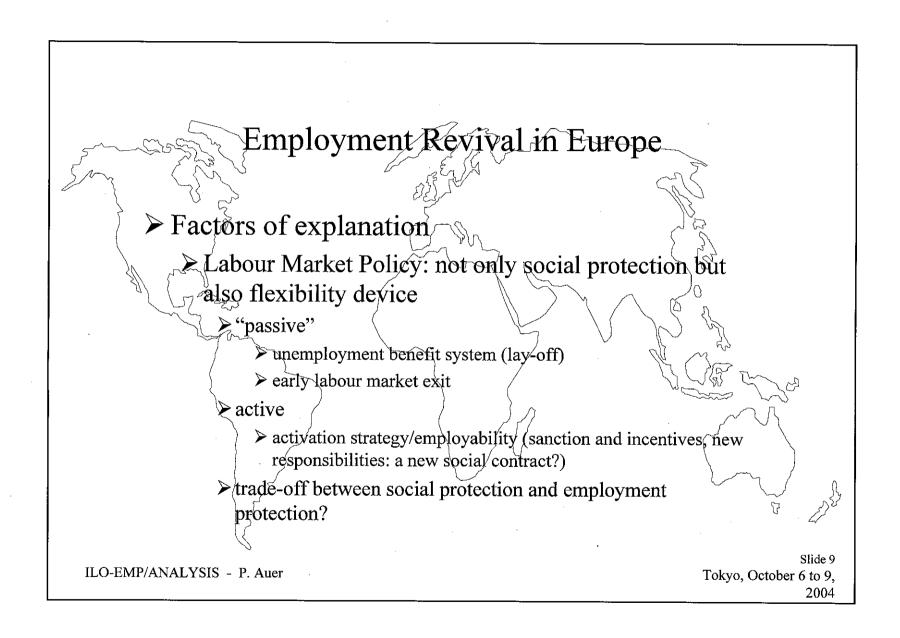
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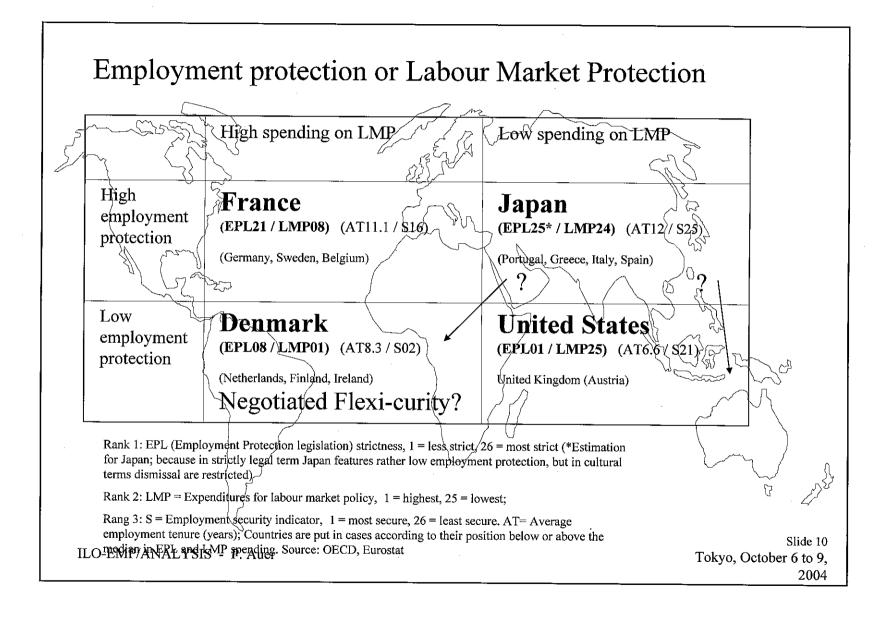
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# Employment Revival in Europe > Conclusions > reforms in European labour markets are possible > better efficiency/equity balance is achieved through balancing ₹ flexibility/stability/security Protected mobility (transitional labour markets) as an alternative to flexibility by the market? > The social dialogue: a encompassing system of governance: Sustained success? ➤ Is small always beautiful? The rise and fall of models It's not institutions or the market but what kind of institutions and policies in a market economy Sustainability requires high employment rates, also at higher age Slide 11 ILO-EMP/ANALYSIS - P. Auer Tokyo, October 6 to 9, 2004

# Patterns of Labour Market Integration in Europe, a Gender and Life Course Perspective

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### Patterns of Labour Market Integration in Europe, a Gender and Life Course Perspective

#### Introduction

One of the major objectives of the European Employment Strategy adopted in the Lisbon summit<sup>1</sup> in March 2000 is to increase the overall employment rate, which *inter alia* requires an increase of female employment rates. In several Member States, with a traditional gender division of labour, such a policy has to be complemented by a pro-active policy making possible for both men and women to better balance work and family commitments. Time is a scarce resource and modifications in household composition over time may, depending on the national context, affect differently household's time allocation between paid work and other time consuming activities (childcare, housework, leisure etc). Our starting hypothesis is that a part of the cross country disparities in the patterns of labour market integration and gender division of work over the life course may be ascribed to institutional and economic factors such as the design of family policy, the prevailing tax and benefit systems, the availability and costs of childcare facilities, working time regimes, wage profiles, gender wage differentials and firms' time and human resource management.

There is therefore ground for thinking that the specificity of a country institutional set up and policy orientation may affect and shape the choice household's members can make regarding the extent of their labour market participation and the overall gender division of labour over the life course. The prevailing working time regimes, in particular the range of available working time options over the life course may favour or hinder a better balance between work and other time consuming activities. The lack of opportunities to temporarily reduce or increase working time is also one factor explaining the current gap between actual and preferred working time (See Fagan 2001). Institutional barriers hindering men and women to adapt working time in order to cope with various events/risks over the life course have therefore to be identified and removed in order to foster not only gender equal opportunity but also a more efficient and optimal resource allocation <sup>2</sup>.

The main objective of this short paper is, to illustrate by using a European comparative perspective how the institutional and policy framework affects household's time allocation over the life course.

Gender division of labour over the life course

#### 1 Major Trends:

One of the most salient features and persistent trends in advanced economies is the increased feminisation of the labour force and the related shift from the single male breadwinner household towards dual earners household and the increased diversification of household structures. Despite these common trends implying a significant reduction of the gender employment gap, there are still

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<sup>&</sup>lt;sup>1</sup> At the Lisbon summit in March 2000, the European Union set a quantitative target for the EU working-age employment rate to reach 70 percent by 2010, with a complementary target of a 60 percent employment rate among women.

<sup>&</sup>lt;sup>2</sup> To illustrate: the design of the tax and benefit system, (think of a joint taxation system with high marginal tax rates) may raise barriers and disincentives, affecting the gender division of labour and constraining labour supply of the second earners. The extent to which household may shift or outsource domestic tasks (such as availability and cost of childcare, elderly care etc), are also other examples of factors affecting household's allocation of time between paid work and other activities. The regulatory framework regarding working time may also have an impact on labour supply and affect both the duration and the distribution of working time (see Anxo and O'Reilly (2001)). For instance, the lack of opportunities to temporarily reduce working time (such as part-time work) or the absence of flexible working time arrangements at the firm level may constrain women's participation in the labour market.

large differences in the patterns of female labour market integration and the extent of male breadwinner or dual earners couples among advanced countries. Furthermore, the patterns of female labour market integration over the life course, and therefore the nature, the frequency, the timing and spacing of transitions between the domestic sphere and the labour market, diverge significantly between countries.

During the last decades, major changes in the *timing of transitions* over the life course have occurred. Globally, the industrialized countries have experienced a postponement of entry into the labour market due to later exit from the educational system combined with earlier exit from the labour market due to early retirement schemes and a lowering of pension ages. Simultaneously, the trends toward individualisation, the emergence of new life styles and changes in values and norms have largely modified the traditional family life cycle model of marriage, parenthood, followed by retirement within a stable marriage, which was still prevalent during the 1950s-1960s. The overall reduction of marriage rates, the increase of consensual unions, the increase in divorce rates, the decrease of family size, the postponement of family formation (average age at first child) and the increase in life expectancy <sup>3</sup>, coupled to the growing instability in the labour market have certainly modified households' expectations and affected individuals' options over the life course. Hence, if the traditional tripartite sequencing of work history (education-employment-retirement) or the sequencing of life critical phases (singlehood, marriage/cohabitation, children, empty nest etc.) still predominate in many industrial countries, most advanced economies have experienced *a rescheduling* of traditional critical events, an increase of instability and risks (separation/divorce, unemployment) and therefore a growing heterogeneity of life trajectories.

The significant change in the timing of transitions at the two ends of the age distribution and therefore the shortening of "active life" have meant that the time devoted to market work has dramatically decreased. The various reforms aiming at reducing weekly and yearly working time have also reinforced the diminution of time spent on paid work. If we take into account the large increase in life expectancy, the time devoted to market work has dramatically decreased during the last decades. Thus there has been both an absolute reduction in the amount of time devoted to market work over the life course, as well as a proportionate reduction relative to life expectancy.

Time devoted to housework has also significantly diminished due to the growing availability of goods and services offered in the market and/or provided by the public sector (outsourcing). Technological progress and increased capital intensity in home-produced goods and services have also contributed to a huge increase in productivity in the home sector and contributed to the reduction of time spent on household activities. The modifications in the household structure and the reduction in the size of household related to the decrease in fertility rates have also implied that the time dedicated to children has also decreased. Hence, globally, the last decades have experienced a large increase of "leisure time" over the whole life course. It is worth noticing however, that these large changes are not evenly distributed between gender and socio-demographic groups. To illustrate: the growing feminisation of the labour force has *de facto* implied an increase of the time devoted to market work for women. In other words, at the household level, the reduction of men's paid working time has been partially compensated by the increase of female labour supply. In terms of gender equal opportunity, the large bulk of unpaid housework and care activities are still predominantly performed by women, even though in many countries the male share of household production has increased (see Anxo et al 2002, and Gershuny 2000). The resilience of a traditional gender division of labour has also dynamic

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<sup>&</sup>lt;sup>3</sup> Despite its societal and economic importance, the impact of increased life expectancy on the individual's time preference, income and time allocation over the life course have not been thoroughly analysed. Actually, increased longevity may have interesting implications in terms of inter-temporal allocation of time and income and inter-generational transfers. There are reasons to believe that the increased life expectancy and instability of family forms may affect people's expectations and precautionary motives influencing their trade-offs between saving and consumption over the life course and also the inter-generational transfers of time and income (bequests/inheritance).

<sup>&</sup>lt;sup>4</sup> Especially for men but not for women where conversely participation years and hours per year have increased in recent decades (see below).

implications in terms of career prospects, expected life cycle earnings and also welfare development over the life course.

All these factors, the decrease of fertility rate, the reduction of labour supply, the shortening of the time devoted to market work, the ageing of the population, the increase of marital instability 5 and avoidance (increased 'singlehood') and the more erratic employment paths over the life course, have placed a strong strain on the financing of the welfare states and social protection systems. In a cross-country comparative perspective, one of the crucial issues is therefore to identify to what extent the current patterns of labour market integration and working time profile over the life course affect the sustainability of the social protection system and to what extent the design of the national social protection system, in terms of incentives and disincentives, influence household's patterns of labour market integration and working time profile over the life course.

In this context, it is not surprising that one of the major objectives of the European Employment Strategy is to augment the overall employment rate which is critically dependent upon a further integration of women into the labour market. This employment goal requires therefore the implementation of pro-active policy making possible for both men and women to better conciliate work and other social commitments over the life course. Hence, even though time is irreversible<sup>6</sup>, policy reforms aiming at increasing individuals' working time options and insuring the reversibility of individual choices over the life course of might be a good policy instrument for fostering a time and income allocation conducive to an increase in the overall employment rates supporting the sustainability of the social protection system.

## 1.2 Gender Disparities in the Patterns of Labour Market Integration and working time arrangement over the life course

Despite these common global trends, large discrepancies still exist between European countries. Several comparative studies (see for ex Rubery et al 1999, Anxo, 2004 and Anxo & Boulin, 2004) have clearly shown that the patterns of household labour market integration and working time arrangements over the life course and the magnitude of gender differences differ considerably between European Member States. These differences are partly related to the design of welfare states and employment regimes. While a high labour market integration of both sexes over the entire life course is typical for the Nordic countries, the Conservative, Liberal and Mediterranean employment regimes still strongly exhibit gendered patterns of labour market integration over the life course.

In order to map the profile of labour market integration of men and women over the life course we have used a variant of the *family cycle approach* developed by Glick in the late 1940:s (Glick, 1947) Our methodological choice (see Anxo and Boulin, 2004, chapter 2 and 6) has consisted of selecting a range of household categories coinciding with different transitions and phases in the life course: transition out of the parental home and entry into the labour market (young singles without children), union formation (cohabiting couples without children), parenting (differentiating couples according to the age of children), midlife empty nest period (middle-aged couples without cohabiting children) and lastly the elderly phase and exit out of the labour market (couples older than 60 years old). (See the box below).

Even though the choice of the 7 countries analysed here (France, Germany, Italy, The Netherlands, Spain, Sweden and the UK) has been essentially driven by data consideration, these countries, however, diverge significantly in terms of family policy, working time and employment regimes and are therefore interesting in illustrating the impact of the institutional set up on the gender division of paid work over the life course. Although our approach is not longitudinal and mainly based on the last

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<sup>&</sup>lt;sup>5</sup> And therefore the higher risk of becoming a lone parent.

<sup>&</sup>lt;sup>6</sup> "Even God could not change the Past "Aristotle."

available wave of the European Community Household Panel (ECHP<sup>7</sup>), it can serve as a heuristic device to identify cross-country differences in the patterns of labour market transitions and integration over the life course and to assess the influence of the societal context on the prevailing gender division of labour. However, one needs to be cautious with the interpretation of the results and bear in mind the usual drawbacks associated with cross-sectional analysis, in particular the difficulties of disentangling age, cohort and period effects. Furthermore, the family cycle suffers from some limitation that should be stressed. This approach assumes a "natural sequence" of predetermined stages in the family's progression from marriage to widowhood. Although our typology covers the most significant transitions and life phases, the simulated life course does not include all the possible situations and it leaves out important and growing categories such as for example older singles or lone parents<sup>8</sup>. The recent developments regarding the increase of consensual unions, growing instability of marriage, the increasing importance of reconstituted families (step-families and also cohabiting couples with children from previous unions), and lone parent households clearly reveal that household composition and the timing of transitions are social constructions and therefore subject to historical change and that the traditional family cycle approach suffers from serious conceptual drawbacks. Despites its limitations and its low predictive value, the variant and extension of the traditional family cycle model used in this study, presents some advantages in a cross-country comparative perspective.

The Box below summarises the detail of the types of household life phases that we focus on in our analysis.

### Box Stylised household life-course typology

### Young entrants - single and childless - at the start of their working lives

• 0: Single person (under 36 years), without children

### Childless couples

• 1: Younger couples (woman aged under 40 years), without children

### Couple households with children living at home

The age of the youngest child is used to indicate the nature of parental responsibilities across the life course, from the intense nature of childcare for pre-school children through to the different needs and demands of children as they grow and become more independent

- 2: Couple with youngest children (youngest child is under 7 years)
- 3: Couple with young children (youngest child is aged 7-12 years)
- 4: Couple with teenage children (youngest child is aged 13-17 years)

### Older couples without children living at home

- 5: Midlife 'empty nest' couples without resident children, (woman aged 40-59 years)
- 6: Older 'retiring' couples without resident children (both spouses aged 60 years or older)

Source: Anxo & Boulin (2004), Chapters 2 and 6.

<sup>7</sup> Our simulated life course approach is based on the last available wave of the ECHP2000. In a prior analysis, we selected and compared two years (1995 and 2000) but the differences in the patterns of labour market integration and income development were not significant.

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<sup>&</sup>lt;sup>8</sup> Our selection covers however more than 80% of all household categories, see Anxo & Boulin, 2004, chapter 2.

Bearing in minds those limitations, our variant of the family cycle approach gives, however, a first approximation of the impact of the societal context on the prevailing gender division of labour over the life course.

Four broad patterns of labour market integration and working time arrangements over the life course can be identified (see Fig 3, a-g in the appendix):

- The Nordic 'universal breadwinner' model
- The 'modified breadwinner' model
- The Mediterranean 'exit or full-time' model (Italy and Spain)
- The different models of 'maternal part-time' work (Dutch, German and UK)

The Nordic 'universal breadwinner' model of high and continuous participation over the life course involving long part-time or full-time hours, portrayed here by Sweden, is characterized by high employment rates (in particular at the two ends of the age distribution), high employment continuity (sustainability) over the life course, the highest incidence of dual-earner households and relatively low gender disparities in labour market integration (see Figure 1a in the appendix). In Sweden, neither marriage/cohabitation nor family formation impacts on women's employment rates. The main impact of family formation is a temporary reduction of working hours to long part-time hours while children are young. Compared to the other countries, Sweden also exhibits a relatively low gender polarization of working time with an extremely low incidence of couples with either excessive working hours or female marginal part-time work. Low overall income inequality including low gender wage differentials, in a context of high average and marginal tax, reinforce the dual-earner system and discourage the use of long working hours. Conversely, qualification rules for some benefits, like unemployment insurance, include a minimum hour threshold, which discourages the development of marginal part-time jobs. The large opportunities to adjust working time over the life course, through various forms of income compensated legal absenteeism (Parental leave, leave for sick child or relatives) with complete employment guaranty and reversible reduction of working time allow a more flexible management of work and family constraints. Globally, this strategy appears to be an efficient tools to both secure women's labour market integration, foster employment continuity and improve gender equal opportunities.

The 'modified breadwinner' model, here illustrated by France (See Figure 1b in the appendix), where some women exit the labour market when they have young children while the majority work full-time or long part-time hours. Hence, in contrast to the situation in the Nordic countries, family formation and motherhood are still associated with withdrawal from the labour market for some groups of women (see fig 1f in the appendix). Most mothers who are employed work full-time or long part-time hours in 'reduced hour' arrangements. This life course pattern for French mothers is supported by the high coverage rate and low cost of public childcare like in Sweden but unemployment undermines the ability of low-qualified women to follow this route. Even though the activity rate of French prime adult women started to rise for generations from the mid-1950s onwards, the trend is still that younger generations of mothers have more continuous participation profiles across their working lives than their predecessors. When the younger generations enter these older age groups we might expect them to maintain higher levels of labour market integration than is observed for the current cohort of older women, which will operate to reduce the gender gap in working time among older age groups (see Fagan et al. ,2004).

Figure 1. Patterns of labour market integration and working time over the life course by gender and country

Fig 1a 1g in the appendix

(a) Sweden (b) France Spain(c) Italy (d) Germany (e) Netherlands (f) UK (g)

Source: ECHP and HUS for Sweden, own calculation and Anxo & Boulin, 2004, chapters 2 and 6.

The Mediterranean 'exit or full-time' model where women's employment rates are low but largely involve full-time work. Italy and Spain display the lowest female employment rates and the highest incidence of the traditional male breadwinner model. Family formation and the presence of children have a clearly negative impact of female labour market integration, but essentially in terms of lower labour force participation despite rising participation rates as younger cohorts of women move through their working lives (see Fig 1f and 1g). The relatively low public provision of childcare facilities for young pre-school children, the low income replacement rate and the weakness of subsequent employment guarantees for parental leave systems still constitutes a barrier to women's labour market integration and comfort the 'housewife' system of childcare and the 'male breadwinner' system of family provisioning. In these countries, fewer women are employed, but when employed they generally work full-time. The prevailing working-time rigidities, in particular the low availability of part-time jobs constitute a barrier to women's labour market integration and encourage a traditional gender division of labour. In both countries there is a strong cohort trend of higher labour market participation profiles emerging for younger and better-educated generations of women across the period of family formation and into the older age groups. However, in both countries, the difficulty of combining employment with motherhood has contributed to the accompanying sharp decline in fertility rates. Younger generations of women defer or avoid motherhood in order to become established in the labour market, particularly in the context of high unemployment, compounded in the case of Spain with a high incidence of temporary contracts. A dualism thus exists in women's life course profiles in these countries. In one camp are the women who manage to become established in the labour market and try to remain there through participating full-time and continuously. In the other are women who are largely excluded because they have failed to gain secure employment or have exited due to family responsibilities and are unable to re-enter (Fagan et.al, 2004).

The different Dutch, German and UK models of 'maternal part-time' work: The 'female part-time' model is typified by the UK, Germany, and the Netherlands. Here the onset of motherhood is associated with a reduction in the employment rate that is less than that found in France, but where part-time hours are the norm for mothers and generally remain the norm even when children are older (see fig 1b, 1c 1d in the appendix). This norm of part-time work is due to widespread behaviour and also to the normative sense of what the majority of the population thinks is appropriate, according to social attitude surveys. Furthermore, the hours worked by part-timers are typically shorter than the more substantial part-time hours that prevail in Sweden and to a lesser extent in France. These 'parttime' models are underwritten in the welfare state regimes in all three countries. For example, public child care services were limited (they were extensive in pre-unification East Germany but were subsequently reduced) until the recent pressure to expand to meet the Lisbon targets. While child care is now expanding it still falls short of that found in France and the Nordic countries. In the case of Germany, the part-time model is further supported by the tax splitting system and other financial transfers that discourage full-time employment for wives. However, there are salient differences between these three countries, representing different working time regimes. The Dutch part-time model in many ways constitutes the best practice form of 'integrated' part-time work, while by comparison the UK part-time model is characterized by a predominance of very poor quality part-time work, Germany falling between these two poles (See Fagan et.al, 2004). Compared to Germany and the Netherlands, the incidence of long working hours is very high and the gender polarization of working time is much higher in the UK (see Anxo and O' Reilly, 2002). Relatively large wage inequality coupled to high returns to education in a context of low taxation foster a tradition of long

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hours. The incidence of long working hours in the UK appears also to be high in the two tails of the wage distribution. In one hand, due to the low degree of de-commodification and relatively high incidence of low paid jobs, British low-skilled/low paid workers have a higher propensity to work long hours to secure a decent income. On the other hand, highly educated workers have also clear incentives to work long hours due to relatively high returns to education, low marginal and average tax rates and also large possibilities to outsource a part of the domestic tasks to the market.

### Conclusion

As shown by the previous developments, the extent of labour market integration and working time patterns over the life course vary considerably across industrialized countries, household types and gender. Family formation and young children have a strong gender-differentiated impact on labour market participation and working time patterns. Overall, to live in couple and have children have a positive impact on the male labour supply be it in terms of participation or average weekly hours (see Anxo, 2004). On the other hand, the impact of family formation and young children on female labour market integration differs considerably between the various Welfare States and employment regimes. From a life course and cross-country perspective, we have shown that the Nordic working time regime, portrayed here by Sweden, constitutes the more integrated and coherent system of time and income management over the life course. Family formation is positively related to female labour market participation and the impact of young children on female labour supply remains limited to very young children. Actually, the large palette of individual working time options in Sweden backed with a complete employment guarantee gives large opportunities for households to adapt their working time to various situations and commitments over the life course without large income loss. Sweden constitutes a good illustration of a regime of negotiated flexibility where the social partners are largely involved in the shaping of working time options ensuring its social legitimacy. In Sweden the working time options over the life course seem also to be better adapted to companies' productive requirements and employees' needs and preferences.

In the other European countries surveyed in our study, the legal opportunities to adjust working time over the life course appear to be much more limited, fragmented and often restricted to specific phases, specific bargaining areas or companies. These legal options are furthermore associated with a weaker employment guarantee and often entail a larger income reduction compared to the Nordic countries. In the Mediterranean conservative regimes and to a lesser extent in France, union formation and motherhood are still associated with a sharp decline in women's labour market participation. The relatively low public provision of childcare facilities for young pre-school children, the low income replacement rate and the weakness of subsequent employment guaranties for parental leave systems, still support in the Mediterranean countries the notion of the housewife system of childcare and comfort the male breadwinner system of family provisioning. Furthermore, working time rigidities, in particular the low availability of part-time jobs, restrict female labour supply and reinforce the male breadwinner model. Between these two polar cases, the negative impact of family formation on women's labour force participation in Germany, the Netherlands and the UK remains more limited. The impact of family formation and children in those countries takes essentially the form of a large increase of part-time work, in particular marginal part-time.

Several policy implications might be drawn from this comparative analysis. The wide range of households needs as regards working time patterns, related in particular to changes in household

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<sup>&</sup>lt;sup>9</sup> In the Anglo-Saxon liberal regimes the prevailing wage distribution has encouraged the development of a low paid and labour intensive private service sector for household related activities. The possibilities for high income household to outsource a part of the domestics tasks to the market make it possible for both high educated/paid male and female to work long hours. In the Nordic Social democratic regimes, on the other hand characterised by a much lower level of income inequality, an extensive provision of public services (childcare, elderly care) and high average and marginal tax rates, the incidence of long hours remains very low.

structure and composition, points in the direction of a more flexible adaptation of working time over the life course. While statutory limitation of long working hours or general reduction of standard working time may, for countries with a high incidence of long hours, be a means for curbing excessive hours, the need for working time flexibility over the life course, reflecting various household situations and working conditions, cannot be satisfied only by standardized or statutory regulations giving little room for individual differentiation. Hence, the heterogeneity of household needs and preferences require more legal options to adapt working time over the life course, favouring a better conciliation between paid work and other social activities. Policy measures, therefore, have to be undertaken, to extend the range of working time options in order to better adapt working time to various events/risks over the life course. Some national initiative, like recently in the Netherlands, to secure, through statutory provision, the individual right to modulate working time over the life course appears promising and largely in line with the European Employment Strategy. In our view, an increased individual freedom in time allocation over the life course not only has to be guaranteed through the application of a universal citizen right, like in the Netherlands, but also has to be complemented by an integrated system of income redistribution and income transfers like in Sweden. Removing rigidities in the prevailing working time regimes, in particular by increasing the range of statutory and/or negotiated options to adapt working time over the life course without large income loss appears, therefore, crucial not only in terms of gender equal opportunities but also in order to secure a more optimal and efficient allocation of time and resources over the life course.

At the European Union level, the idea of promoting time flexibility in working life has been a key issue in efforts to improve the employment content of economic growth. In order to promote a more modern labour organisation, the social partners have been exhorted during the last decade to negotiate agreements, at the appropriate level, to introduce flexible and innovative methods of labour organisation reconciling a firm's competitive constraints and employees' preferences and needs regarding working time patterns. This quest for new forms of negotiated flexibility has taken the form of agreements on reductions of working time, the "annualisation" of working hours, the development of part-time work, "lifelong" education and career breaks (parental leave). Even though these efforts at the EU level to promote the emergence of a negotiated flexibility are partly in line with the idea to increase the variability of working time over the life course, they are still piecemeal measures and not part of an integrated model combining reforms of family policy, social protection systems and allocation of time. As noted previously, the European Employment Agenda decided in Lisbon in 2000 (quantitative employment target) is critically dependent upon the further integration of women into the labor market. However, as stressed by Rubery et. al (2004), the European Commission still have limited competence in areas of family, social, and welfare policy. Hence, there is ground of thinking that the outcomes of this common strategy will also be highly variable. The European Employment Agenda requires the adoption of a broader policy framework for the transformation of household, welfare and employment regimes. To what extent the broader policy agenda can or should be established at the European level is a crucial issue for political and economic debate.

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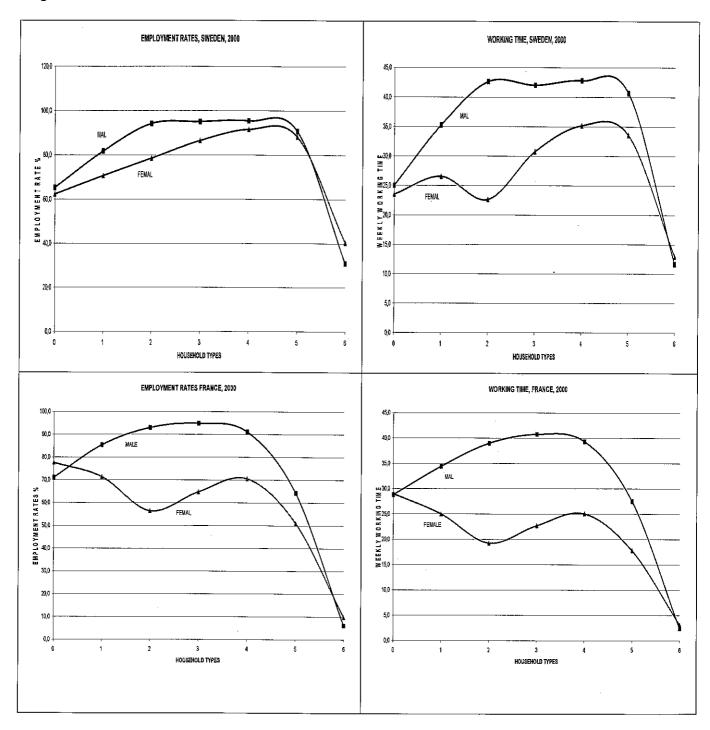
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Appendix: Patterns of Labour Market Integration and Working time profile over the Life Course

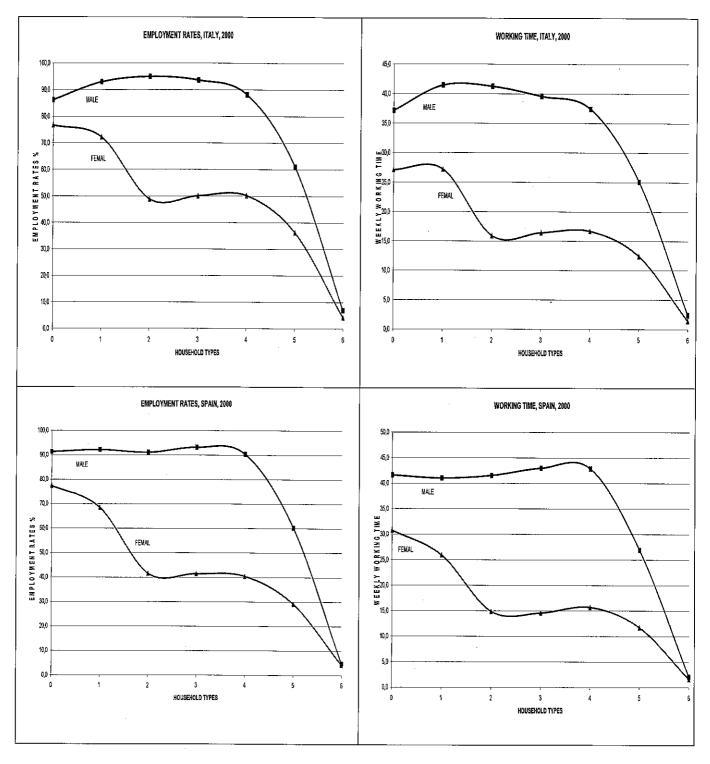
Figure 1a and 1 b: Sweden and France



- 0. Young Singles without children
- 1. Young couples without children
- 2. Couples with pre-school children old)
- 4. Couples with children older than 13 years old
- 5. Couples without children female older than 45 years old
- 6. Old couples without children (spouses older than 60 years
- 3. Couples with children less than 13 years old

Source: HUS, ECHP and own calculations, Anxo & Boulin (2004)

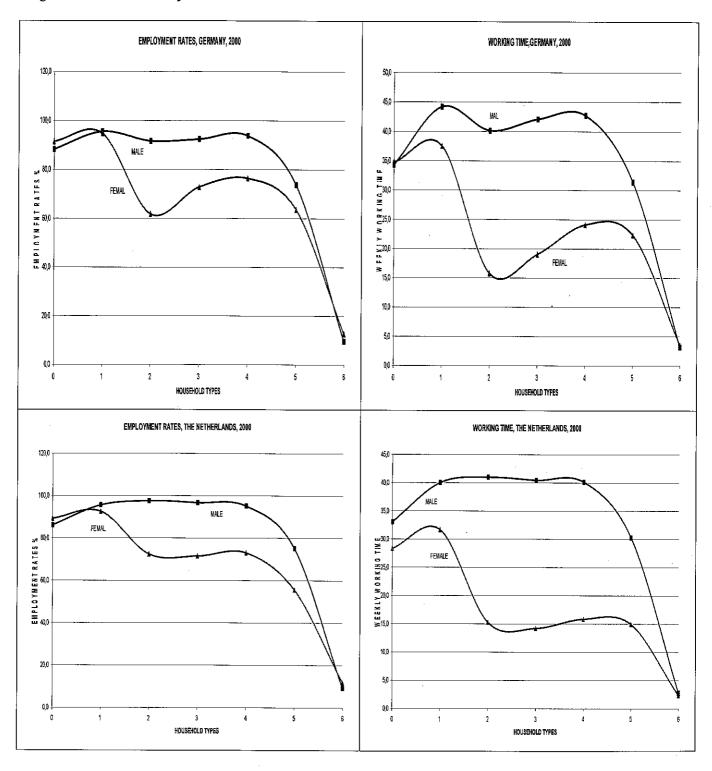
Figure 1b and 1c: Italy and Spain



- 0. Young Singles without children
- 1. Young couples without children
- 2. Couples with pre-school children old)
- 4. Couples with children older than 13 years old
- 5. Couples without children female older than 45 years old
- 6. Old couples without children (spouses older than 60 years
- 3. Couples with children less than 13 years old

Source: HUS and ECHP and own calculations, Anxo & Boulin (2004)

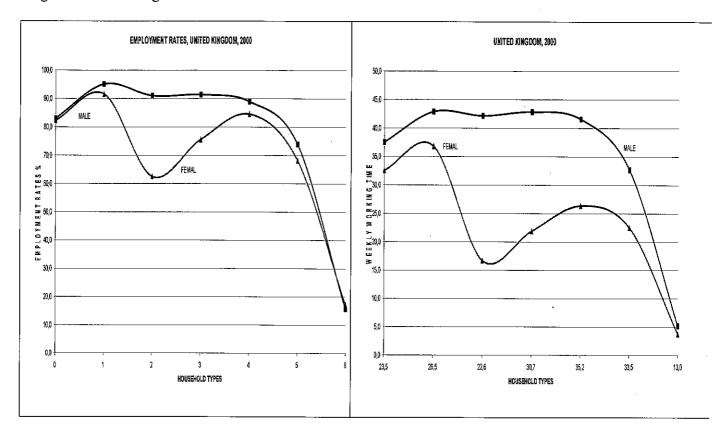
Figure 1d and 1e: Germany and the Netherlands



- 0. Young Singles without children
- 1. Young couples without children
- 2. Couples with pre-school children old)
- 4. Couples with children older than 13 years old
- 5. Couples without children female older than 45 years old
- 6. Old couples without children (spouses older than 60 years
- 3. Couples with children less than 13 years old

Source: HUS and ECHP and own calculations, Anxo & Boulin (2004)

Figure1f: United Kingdom



- 0. Young Singles without children
- 1. Young couples without children
- 2. Couples with pre-school children old)
- 4. Couples with children older than 13 years old
- 5. Couples without children female older than 45 years old
- 6. Old couples without children (spouses older than 60 years
- 3. Couples with children less than 13 years old

Source: HUS and ECHP and own calculations, Anxo & Boulin (2004).

JILPT 国際シンポジウム「欧州雇用戦略からなにを学ぶか/わが国の政策への示唆」 レジュメ

## PATTERNS OF LABOUR MARKET INTEGRATION IN EUROPE, A GENDER AND LIFE COURSE PERSPECTIVE

欧州における労働市場への統合のパターン:性別とライフ・コースの観点から

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Introduction はじめに(p1)

Gender division of labour over the life course ライフコースを通じた性別分業(p2)

1 Major Trends 主な傾向

1.2 Gender Disparities in the Patterns of Labour Market Integration and working time arrangement over the life course ライフコースを通じた労働市場への統合及び労働時間調整のパターンにおける性別相違(p4)

Conclusions まとめ(p8)

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## "THE GENDER DIVISION OF LABOUR IN EUROPE: A LIFE COURSE PERSPECTIVE"



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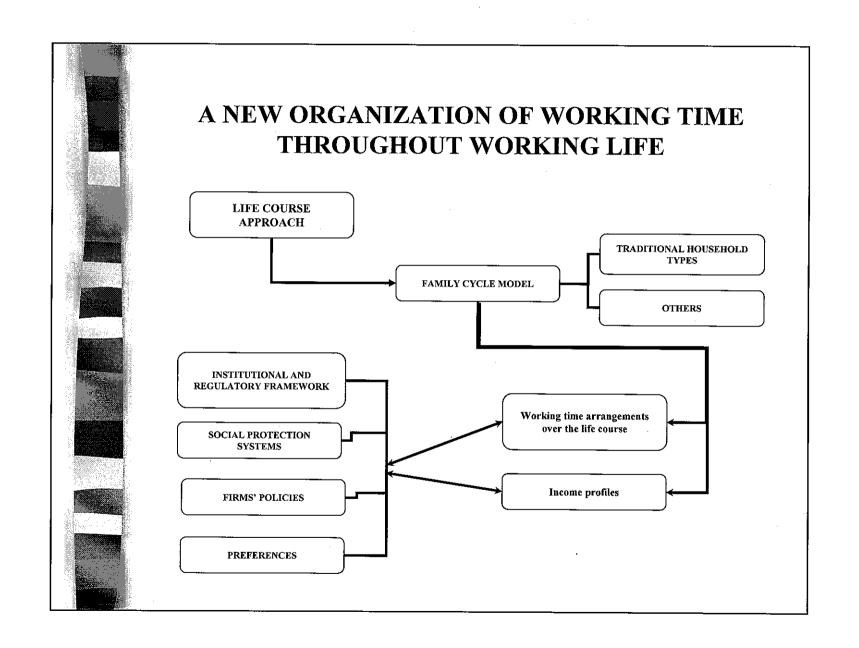
# EMPLOYMENT STATEGY IN THE EUROPEAN UNION

- One of the major objectives of the European Employment Strategy adopted in the Lisbon summit in March 2000 is to increase the overall employment rate to reach 70 percent by 2010
- The European employment strategy is critically dependent upon the further integration of women into the labour market.
- These common employment objectives for women are, however being pursued against a background of quite different social, family, welfare, and employment regimes.

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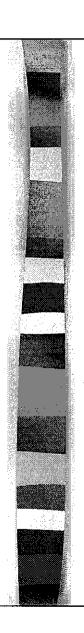
# BACKGROUND AND OBJECTIVES

- □ Background: Part of project « A new organisation of working time throughout working life »
- Main objectives: Provide new empirical evidence on household labour market integration and profile of working time and income over the life course.
- Identify and analyse the disparities between socio-demographic groups, gender and also across Member States.



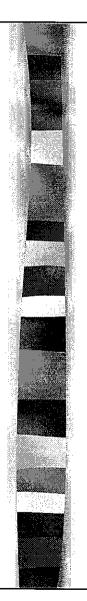
### STYLISED HOUSEHOLD LIFE-COURSE TYPOLOGY. 8 LIFE PHASES

- Young entrants single and childless at the start of their working lives
  - 0: Single person (under 36 years), without children
- Union formation Childless couples
  - 1: Younger couples (woman aged under 40 years), without children
- Parenting Couples with cohabiting children
  - 2: Pre-school children
  - 3: Older children (7 and 12)
  - 4: Teenagers ( 13< Age <19)
- Older Couples without resident children (Empty Nest)
  - 5: Midlife empty nest couples (40 <Female < 60)
  - 6:Older retiring couples, (both spouses > 60)



### DATA AND METHODOLOGICAL ISSUES

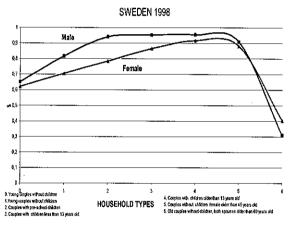
- Limits and drawbacks of the family cycle approach. Low predictive value but interesting in a Cross-National comparative approach.
- Sample of Seven European Countries D,F,I, NL, S, SP, UK. Cover a wide spectrum of the potential societal systems, with variations in labour market characteristics, welfare state/social protection regimes, gender relations, level of participation and working time patterns.
- Data European Community Household Panel (ECHP) and HUS (Sweden).

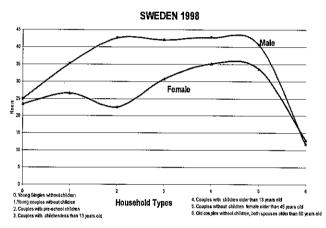


## PATTERNS OF LABOUR MARKET INTEGRATION. 4 CLUSTERS

- The Swedish 'universal breadwinner' model of high and continuous participation over the life course involving long part-time or full-time hours
- The French modified breadwinner' model where some women exit the labour market when they have young pre-school children while the majority work full-time or long part-time hours.
- The Mediteranean 'exit or full-time' model (Italy and Spain) where women's employment rates are low but largely involve full-time work
- The different Dutch, German and UK models of 'maternal part-time' work

# SWEDEN – THE NORDIC SOCIAL DEMOCRATIC 'UNIVERSAL BREADWINNER' MODEL

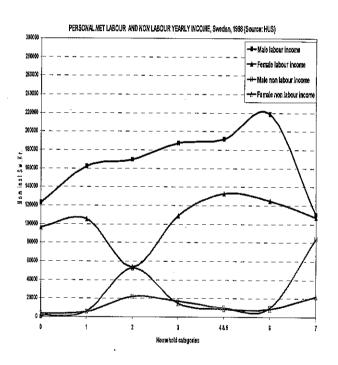




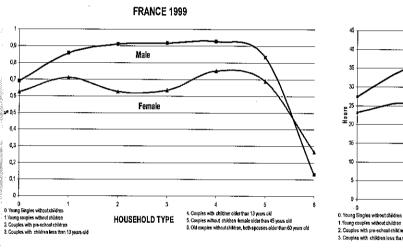
- The highest incidence of dual earner households.
- High employment rates (in particular at the two ends of the age distribution),
- High employment continuity over the life course (sustainability),
- Relatively low gender disparities in labour market integration.
- Neither union nor family formation impacts on women's employment rates.
- The main impact of family formation is a temporary reduction of WT (long part-time hours while children are young

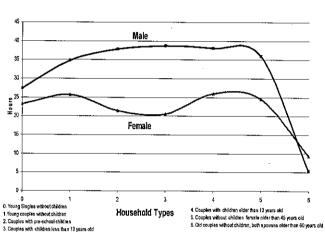
### GENDER EARNINGS PROFILE OVER THE LIFE COURSE LABOUR AND NON-LABOUR INCOME SWEDEN.

- Swedish parental leave systems limits women's income loss associated with childbirth. The reduction in female labour income is completely offset by the increase in non-labour income (transfer)
- Swedish parental leave system with complete employment guarantee efficient tools to both secure women's labour market integration, foster employment continuity and improve gender equal opportunities.







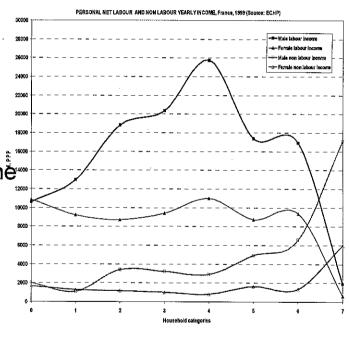


FRANCE 1999

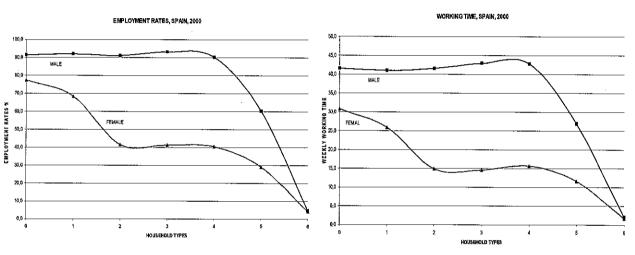
- Lower incidence of dual earner couples.
- Higher gender gap in employment rates
- Family formation and motherhood are still associated with withdrawal from the labour market for some groups of women (Low paid low qualified).
- Compare to Sweden. Both decrease of Employment rate and WT (family formation).
- Family policy. Less Generous and flexible parental leave system. But high coverage of public childcare (3 years old-)

# THE FRENCH MODIFIED'MALE BREADWINNER' MODEL. EARNINGS PROFILE

- Higher gender gap in earnings profile.
- The dip in employment rate and working hours, and therefore the reduction in labour income is not compensated by transfers like in Sweden.
- Derived right, limited individualisation, intra household income transfer?

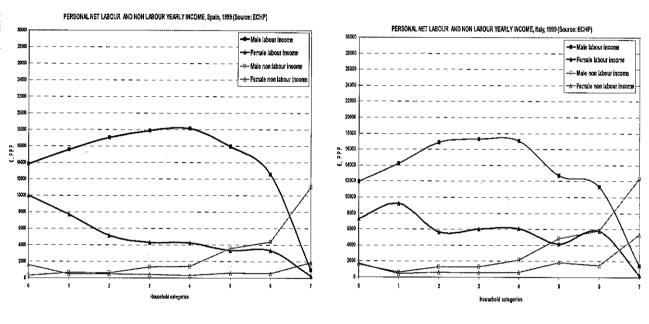






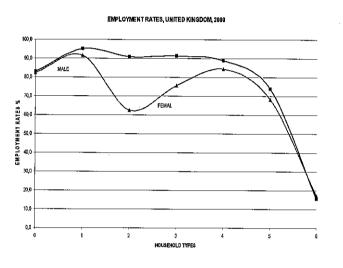
- Highest incidence of the traditional male breadwinner model in Italy and Spain
- Lowest female employment rates.
- Fewer women are employed, but when employed they generally work full-time.
- Union, Family formation and motherhood are still associated with a sharp decline in women's employment rates. Low provision of public childcare.
- Continuous decline of female employment rate and working time over the life course.

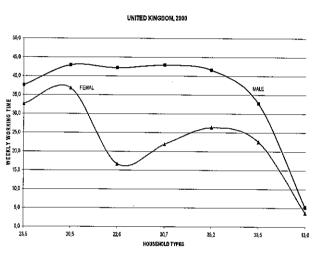




- High gender earnings differential
- Drop in income during parenting not compensated by transfers

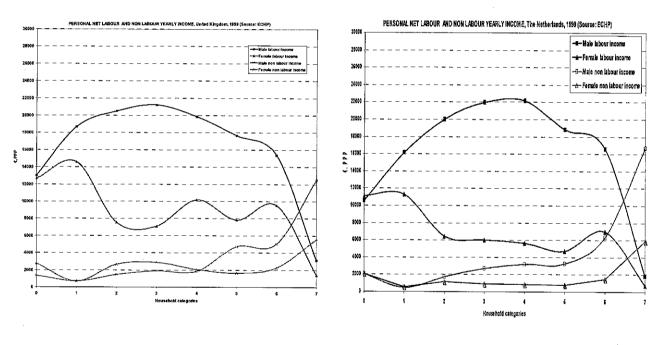






- Motherhood is still associated with a reduction in the employment rate (However less than that found in F, SP and I). Lack of child care facilities.
- Part-time hours are the norm for mothers, and generally remain the norm even when children are older.
- Hours worked by part-timers are typically shorter than the more substantial part-time hours that prevail in the Nordic model (S).
- Life course profile of working hours for mothers in the UK and Germany, where women who have interrupted employment to raise young children re-enter (particularly pronounced in the UK).
- British and German mothers in general tend to work slightly longer part-time hours as their children grow up compared to the NL where short PT remains the norm over the life course. Difference in the quality of PT.

# THE DIFFERENT DUTCH GERMAN AND UK MATERNAL PART-TIME MODEL. EARNINGS PROFILE



These 'part-time' models are underwritten in the welfare state regimes in all three countries (Public Child care, Tax spliting system (D) and also tranfers discouraging full-time employment for wives

### WORKING TIME PREFERENCES

- The traditional 'male breadwinner' model is no longer popular in Europe.
- Large degree of heterogeneity in the actual number of hours preferred.
- Avoid the extremes of marginal part-time hours (under 20) or 'overworking' (45+).
- Desire for more options to vary working time over life course sabbaticals would be popular (including unpaid ones) as would more opportunities for time banking.
- Hence, room for a WT policy orientation that focuses on enhancing individual entitlements to make adjustments rather than concentrating on achieving collective uniform reductions.

### **CONCLUSIVE REMARKS**

- The patterns of labour market integration, time allocation and income profile over the life course vary considerably across European countries.
- The European employment strategy is critically dependent upon the further integration of women into the labor market.
- However, the European Commission still have limited competence in areas of family, social, and welfare policy. Hence the outcomes of this common strategy will also be highly variable.
- The European Employment Agenda requires the adoption of a broader policy framework for the transformation of households and welfare systems and employment regimes.
- To what extent the broader policy agenda can or should be established at the European level is still an issue for political and economic debate.