The European Employment Strategy in the tempest:

Restoring a long-term perspective

Bernard Gazier, April 2010


Introduction

In the domain of employment and social policies, important changes have appeared since the turn of the century: Europe is exploring a new paradigm, “Social Investment” (SI), putting emphasis of the ability of everybody to accumulate skills and to find one’s way on the labour market. Jane Jenson (Jenson 2009) insists on the still controversial and quite diverse aspects of SI, and she worries about possible detrimental consequences of the present crisis on social spending, even on the fraction of it considered as an investment. Similarly, Giuliano Bonoli (Bonoli 2009) distinguishes various versions of social investment in the domain of Labour Market Policies (LMP): centered on protection (then the investment protects the work capacity), on investment strictly speaking (through training and placement policies), or on re-commodification (strengthening of work incentives). He too wonders about the possible business cycle dimension of such spending.

In this contribution, we shall focus on a domain intermediary between Jenson’s wide “citizenship” approach and Bonoli’s more specific analysis of LMP: the domain of labour market reforms. It obviously includes LMP, but also wages differentiation, employment norms… This includes the European Employment Strategy; in the forefront the “Flexicurity” policies proposed by the EU since 2006, together with the evolution of labour market institutions. We shall try to restore some long term perspective, using the S.I. point of view.

We shall proceed in three steps. First, relying on a previous work (Auer and Gazier 2008), we shall propose a framework situating the “Flexicurity” prescriptions within a wider set of policy agendas currently explored or implemented regarding the dynamic adaptation of labour markets to the globalized world. The second step will consist in using this framework for understanding the present and possible position of “Flexicurity” in our world coping with the crisis. In our third step, we shall try to sketch what could be a renewed agenda for the EES and a new component of the wider Lisbon Strategy. We shall propose a collective and structured version of the “social investment” paradigm, connected to the “Transitional Labour Market” approach, which aims at developing a “re-embedded” version of the European labour markets.
I. Labour market reforms: four agendas compared

Our starting point is quite close to G. Bonoli’s analysis. As argued in Auer and Gazier 2008, it is interesting to situate the EES and the Lisbon Strategy as a specific agenda in the field of labour market reforms and social policies, between two extreme options: “Flexibility” (close to Bonoli’s “De-commodification”) and “Capabilities” (close to Bonoli’s “Protection”). However a fourth agenda may be considered: “Transitional Labour Markets”.

“Flexibility”

“Flexibility” remained the dominating reform agenda until the crisis. Since the eighties, the claim is that in a period where all other markets (goods, services and financial) are increasingly liberalized, the labour markets cannot remain regulated, as changes in the other three spill over to them. For this reform stream, and notably for the OECD and the World Bank, markets (workers) have to adapt and the preferred adaptation channel, in the absence of total wage flexibility, is (external numerical) mobility of workers and smooth worker’s reallocation preferably unhindered by government intervention.

In 2009, the OECD kept this view, although in a more moderate tone. For example in its 2009 review of France getting to grips with the present crisis (OECD 2009), it admits that re-launching measures and budget deficit may constitute an appropriate answer but maintains that in the middle term, “structural reforms” should be pursued in favour of less regulation.

The “Flexibility” reform agenda is treating the goods exchanged on the labour market just as any other good. Therefore, this agenda is not concerned about worker’s employment security or any (wage) distribution policies as they would distort the market. The proponents of the “flexibility” agenda might not be particularly anti-workers (but anti-union, certainly) as in their equations more flexibility equals increased welfare for workers: benefits will simply trickle down from improved economic and labour market performance due to enhanced adjustment capacities of labour markets. A short formula is “Easier firing brings about easier hiring”. The market will bring the best of all worlds, whereas interventions to correct market failures will not work and thus there is little space for polity, policy and ethics. Surely this picture is a caricature of the complexities of thoughts and methods that this stream has developed, but at the core, such thinking prevails.

“Capabilities”

The “Flexibility” agenda ignores the particular “good or service” that is exchanged on labour markets, which cannot be isolated from the individuals that offer their services for money on which their livelihood and more general their psychological, social and economic well being is depending. This leads us to the second reform agenda: “Capabilities”, which appears as very different and quite the opposite. It has a developing country focus, although the concept claims universal application as can be seen in Human Development Indicators that are also relevant for developed countries. It appears less anchored in labour market studies, and much more in ethics.
It sets a list of priorities established independently from the labour market functioning: health (life expectancy), wealth (per capita income in PPPs), education (enrolment and literacy rates) but also others like housing, literacy, access to water and schooling, active participation in political and social life, also in regard to gender... All these dimensions may be seen as preconditions for a sustainable social and economic life. In every country, these priorities are of course separately developed by specialised agencies and government departments, and appear as the objectives of actors such as social workers. One can speak of an agenda, when these elements are combined in an integrated way. While being much more centred on the world-of-work, the “decent work” agenda of the ILO (ILO 1999) often refers to this approach.

The theoretical reference is the “basic need” concept originated from the ILO, which has given way to a “Capabilities” theory. It put a specific kind of equality in the centre which includes both resources and capacities to use them according to physical and cultural conditions. Capacities to use substantive freedom for achieving welfare states (status) are at the core of this doctrine (Sen 1985).

The Human development indicators that have been developed following the ideas of Armatya Sen are based on the three main areas evoked above: health, wealth and wisdom: wealth, health and education.

“Flexicurity”

“Flexicurity” was originally developed in the E.U. countries as an alternative concept to the “flexibility only” mantra of many stakeholders, in parallel with other concepts such as Transitional Labour Markets. Dating back to Dutch debates about temporary work (1997), it starts from a concern that flexibility could undermine security if institutions are not made compatible with changes in the labour market. Changes towards more flexibility, which are either deliberately sought or already existing, should be compensated or accompanied by better (new or reformed) security devices inside and outside firms. The concrete forms of the institutions outside firm’s internal labour markets are subject to debate, but there is a certain agreement that unemployment benefit schemes, education and training, work and training schemes, job counselling and worker’s accompaniment and placement, workers reallocation in restructuring situations, etc. are the core providers of this external form of security. The concept gives also a large place to negotiations between the social partners as the main avenue to manage change.

There are more or less encompassing concepts of “Flexicurity” (Gazier 2008). Sometimes the concept is of “reduced form” comprising a “golden triangle” of external adjustment between (lose) employment protection, generous unemployment benefits and active labour market policies, whose congruence is negotiated by the social partners (e.g. the Danish model). Sometimes it includes a whole array of institutions and social rights (EU Commission 2007). The common principles comprise new contractual arrangements, active labour market policies, lifelong learning and a modern social protection system (which in itself is composed of an array of policies) and the preferred way to arrive at positive and congruent policy combinations and outcomes is the social dialogue between the social partners. It includes internal and external flexibility; it concerns workers inside firms as well as the unemployed, and should be gender sensitive and cost effective.
Economically and ethically, allowing for adjustment, while giving security to workers, is interpreted as a win-win game. Another important ethical dimension consists of rights and duties and therefore individual responsibility. Economics needs politics for equitable outcomes and there is a belief in correcting or at least accompanying the market.

“Transitional Labour Markets”

First formulated in 1995, “Transitional Labour Markets” (TLM) propose to develop a systematic and negotiated management of “transitions” in and around the labour market. “Transitions” are understood as sequences of changes in a personal and professional career (Schmid and Gazier 2002). The perception of “transitions” in and around the labour market as a system, typical of TLM, implies to insist on the interdependency between broad activity spheres such as education, job search, domestic and benevolent tasks and retirement. The perspective has recently been grounded on a more micro approach: social risk management (Schmid 2006), focussing on the different “framing” of risks’ perception by actors. The macro counterpart is the quest for a balanced power in the economy and especially in the labour market, as it can be derived from the first management principle of TLM: “empowerment” of people, i.e. enabling them to take long-term decisions. Such an emphasis may constitute the key difference between “Flexicurity” and TLM. Both agendas share the idea of negotiating changes and shifting from job protection to employment and employability security, but TLM crucially insist on the need for deliberately restoring a right balance between stakeholders and shareholders while “Flexicurity” prescriptions seem to take the market conditions as given.

It leads to put a specific emphasis on two aspects: the TLM approach takes into account the domestic sphere as a major component of the system of interdependent transitions. Hence the stronger emphasis put on equality, and on gender equality, as a central goal and on the long-term consequences of transitions. The relevant indicators include many of the preceding indicators assessing workers’ security as well as the labour market adaptability, but also transition indicators such as transition matrixes, showing whether individuals are trapped into dominated and precarious positions, or benefit from opportunities to reach better jobs and to perform chosen activities.

Two main policy consequences stem from this approach. First, the TLM suggest substituting the motto “Making Transitions Pay” to the motto “Making Work Pay”, which has been developed first by the OECD and second by the E.E.S. in a quite disturbing apparent convergence (Gazier 2007). “Making Work Pay” allows quite different ways of pushing people into jobs, one being the lowering of social benefits; while “Making Transitions Pay” excludes this outcome and suggests a long-term commitment in favour of the development of autonomy and employability. The second consequence lies in another policy motto: combining “equipping people for the market” with “equipping markets for the people”. The first principle, which focuses on the supply-side policy and the individual adaptation, is of course of paramount importance; but it should be completed by other interventions avoiding to put excessive weight on the shoulders of individuals, and considering the organisation and proper functioning of markets as an equal priority. In sum, one may conclude that
TLM are somehow intermediate between “Flexicurity” and “Capabilities”, trying to develop what could be termed “labour market capabilities”.

II. “Flexicurity” and the swing of the pendulum

Of course, these agendas have been elaborated before the crisis opened in the autumn 2008, and the common perception has clearly changed since (Palme 2009). “Flexicurity” is now superseded by macro-economic policies (re-launching budgets and debt management) and financial reforms (restoring trust and creating new rules for the financial markets). But regarding labour market reforms themselves, the main change is more profound than a simple pause due to shifts in concerns and lack of means, or than a cyclical setback; it entails a rapid and radical swing of pendulum in the hierarchy of agendas.

The “Flexibility” agenda was the dominating one, this position coming either from genuine conviction of dominant actors based on principles or from adaptation behaviour of less convinced but realistic policymakers. Taking the development of the interaction of markets as a matter of fact, this agenda was also shared by an influent social group: the more skilled workers, confident in the positive outcomes of globalization. Symmetrically, at the other end of the span, “Capabilities” was mainly perceived as a protest agenda. Some political groups (mainly from the left, but also from the traditional right), wary from globalization and also often opposed to the European construction (as driven by market integration), could find in it a source for systematizing policy claims. An influent social group potentially interested by the agenda is the social workers, and all persons dealing on a daily basis with the social problems stemming from unemployment and poverty.

The intermediate position of “Flexicurity”, as a compromise in favor of a negotiated and compensated management of globalization and of labour markets integration, probably played a major role in its success in Europe before the crisis. The equilibrium between market development and social protection was explicitly presented as an objective, and this fostered political compromises in the line of the European “social” tradition. Another strength of this agenda stems from its explicit bargaining and operational stance: there is something to exchange, with the hope of a positive-sum outcome. However, it should also be observed that this a priori seducing agenda is not grounded in social forces as deeply as the two preceding ones. If we look at social groups supporting this approach, we only find a small group of policy makers and of social partners’ leaders. Unions and employers representatives could find here food for thought and action; the rank-and-file remained most often hostile to this perspective.

Last, TLM as an agenda has been often confused with “Flexicurity” and remained more discrete, at the rear of the scene, although directly inspiring a new language for policymakers and social actors. It is now common to speak of “transitions”, for measuring them and for organizing them. From a sociological point of view, the main social group interested by this specific agenda is again a rather small one, mainly composed of union leaders and Human Resources managers. For good as well as for bad reason, these managers are often happy to speak of “organizing transitions” rather than of
“firing” workers. Sometimes it could be lip service or even a cynical reference, but such an attitude is precisely made possible because other managers do really organize transitions! Regarding politicians, the very term seems too abstract and with little appeal, except those involved in “local” responsibilities, e.g. a municipality or a Region.

But things are changing. Since the beginning of the present crisis, “Flexicurity” is now perceived as undue concessions made to the flexibility agenda, which dramatically demonstrated its failure. The dominant agenda is now preserving “Capabilities”, perceived as commonsense in a troubled period. However, this state of affairs may not be durable. This agenda says nothing, or very little, about the way one should immediately manage existing markets, except that their detrimental consequences should be avoided. And one may wonder what will happen when the economy will start anew. Then we should expect a swing back of the pendulum, towards more importance given to the functioning of interrelated markets.

Will it get back to the “Flexicurity” compromise? It seems likely that things will go in this direction, but a deepening is obviously in order, for two main reasons. The first is that we obviously need at least to “revitalize” the Lisbon strategy and the EES, which have not proved successful enough. The second is because some versions of “Flexicurity” have revealed important and probably durable difficulties in the crisis. This is in particular the case of the often praised “anglo-saxon” versions of “Flexicurity”. This is the conclusion stemming from a clear assessment from inside which has been recently made by R. Liddle (Liddle 2009). Remarking first that “the economic crisis has exposed significant structural weaknesses in the UK’s “Anglo-social” model”, the author discusses “what in the New Labour/Lisbon paradigm remains relevant and what needs to be re-thought”. According to him, the main successes of what he calls a “low tax variant of the Nordic model” have been the high activity rates and a bettering in schooling and health expenditures and performances. But the “work first” strategy as developed has many drawbacks. He mentions first the inadequate childcare support for dual earners, and a school system leaving many young without skills or employment prospects. Another key limit is the existence of low quality and low-paid jobs, unable to lift poor families out of poverty, and unattractive in the care domain. Finally, despite the apparent priority given to training, skills gap persist and hinders the competitiveness of the country. All in all, R. Liddle suggests that the E.U. should ensure better regulation of markets, develop tax co-ordination and even harmonization, and advocates “new forms of Flexicurity”. But which ones?

III. Collective Social Investment, Job Quality and Transitional Labour Markets

The Lisbon Strategy has been submitted to intensive scrutiny and many proposals have been made for “revitalizing” it (for example Rodrigues 2009, or Lundvall 2009). Our perspective will take stock of these contributions, and, with their help, we will try to go “beyond Flexicurity” (Gazier 2007). We observe that the SI commitment is at the roots of the “European social model”, stating
that social expenditures should be not only compatible with growth but contributing to it. We shall advocate a convergence between a renewed, collective version of this SI perspective and TLM.

The ambiguity of SI has already been analyzed, and J. Jenson (Jenson 2009, op. cit.) provides a very useful synthesis on this point. Some versions, as developed by Giddens (Giddens 1998) are restrictive and centered on individual responsibility, while other versions such as Esping-Andersen (Esping - Andersen et al. 2002) insist more on collective commitments regarding child-centered social expenditures, gender equality and social inclusion. Both versions were present in the E.U. preparations for the renewal of the Lisbon strategy between 2006 and 2008, and J. Jenson (ibid.) wonders which combination of both will emerge.

From our point of view, several arguments lead to favouring the second version. First, one needs to take seriously the implications of the “Capability” agenda and precisely to extend its consequences to labour market organization. One way of doing so is to explore what could be the policy meaning of developing “labour market capabilities”. This is precisely one point made by TLM authors, which have made, since their first works, multiple references to A. Sen on the topic of employability. Many versions of employability have been developed (Gazier (ed) 1999), some of them individualistic and other involving collective responsibilities. Regarding policy outcomes, a useful opposition can be drawn between “access – employability”, stemming from policies lowering barriers to work and pushing people into jobs whatever their quality, and “performance – employability”, sometimes differing the access to work and looking for long-term development of skills and personal autonomy. This converges with Bonoli’s distinction between human capital centered SI versus re-commodification.

The connection is straightforward with an important and still under-exploited field of policy objectives, statistics and indicators, developed by the E.U. for ten years, sometimes put forward, and sometimes left aside: work and employment quality (Davoine, Erhel and Guergoat 2008; Employment in Europe 2008). This constitutes a second reason justifying the priority given to the second version of social investment. The “Laeken indicators” include flexibility and security, but together with many other aspects contributing to what is to become “sustainable” work and employment9. They remain incomplete (for example there is up to now nothing on wage level and wage inequality) and sometimes deserve improvement and complementary indicators (especially in training and working conditions). But they do illustrate the multi-dimensional aspect of job quality, and their analysis shows that there is no necessary dilemma between job quantity and job quality, rather the contrary – even for U.K., whose place is rather favorable in the international rankings. As Davoine, Erhel and Guergoat 2008 show, developing job quality appears as a good policy goal. First, theoretical literature suggests that there is a positive relationship between job quality and economic growth/ employment growth, and their results tend to validate this positive view of the

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There is no apparent trade-off between work quality and a dynamic labour market; Second, job quality matters for workers’ satisfaction and citizens’ well being; Third, a good job quality may be achieved through different pathways, and is consistent with the existence of heterogeneous institutions and policies models in Europe and in the OECD; Fourth, existing differences between EU 27 (and OECD) countries are important, and so there is wide room for policy initiatives.

It means that Europe, when emphasizing the importance of job quality, has already developed an important and future-oriented perspective, much in the line with the extended version of S.I. Of course, one needs an integrating perspective in order to use them as policy guides. And here TLM, together with a collective social investment perspective, may help. We can start from a long term attempt at illustrating what could become a full employment norm for the 21th century, as opposed to the traditional norm. A norm can be understood as a set of interrelated principles indicating what should be considered as “normal”, that is desirable and possible for all in a given domain. As regards full employment, it is useful to combine the point of view of the worker and the point of view of the society, and to deal with the central content before looking at its possible evolution as times passes and the society develops. Last we may connect this norm to other related social fields, here the unpaid work, either domestic, or benevolent / militant.

The contrast is great between table 1 and table 2. The first norm, as a retrospective construction, appears to be gender – biased and at best indifferent to environmental stakes. However its collective dimension should be stressed: first, qualification appears to increase mainly through collective work experience, and second there is a conspicuous responsibility of the (Keynesian) state as regards employment matters.

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10 They find a correlation rate between their job quality index and employment rates = 0.74 (LFS database, 138 observations)
Table 1. The traditional full employment norm

<table>
<thead>
<tr>
<th>Point of view</th>
<th>Worker as family member</th>
<th>Society and natural environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content of the norm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central norm</td>
<td>Stabilized full time job, with a guaranteed minimum wage, for the (male) breadwinner</td>
<td>Integration of the working class through the access to market production and to the progress of national growth</td>
</tr>
<tr>
<td>Dynamic content</td>
<td>Collective skills acquisition through a stable working group</td>
<td>National growth ensured through State – Keynesian policies</td>
</tr>
<tr>
<td>Connection with other useful activities and other social systems</td>
<td>Division of work inside the family, limiting women’s role to domestic work</td>
<td>No environmental concerns</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No consideration of militant / benevolent activities</td>
</tr>
</tbody>
</table>

Table 2. A provisional norm of sustainable full employment, according to “Transitional Labour Markets”

<table>
<thead>
<tr>
<th>Point of view</th>
<th>Worker as individual</th>
<th>Society and natural environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content of the norm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central norm</td>
<td>Individual financial autonomy, mid-term period, gained either through paid employment, or through participation to social useful activities. Weekly hours modulated according to age. Retraining and leaves</td>
<td>National / regional autonomy, gained in the International Division of Labour</td>
</tr>
<tr>
<td>Dynamic content</td>
<td>Maintenance and accumulation of competences through networks</td>
<td>Collective employability inside the International Division of Labour</td>
</tr>
<tr>
<td>Connection with other useful activities and other social systems</td>
<td>Lifecycle compatibility of family life, personal and professional life; Gender equality; Crossable and negotiated borderline between different forms of activities</td>
<td>Sustainable development, from a social and environmental point of view</td>
</tr>
</tbody>
</table>
The possible emerging norm is quite different: no more family-centered (which does not mean that the family constraints are not taken into account, rather the contrary), but organized around the individual and based upon collective employability.

Three traits seem characteristic of this norm. First, it could be termed a Schumpeterian one, putting the emphasis on competences accumulation through networks, innovation and risk taking. Second, the gender and care concerns are now put to the forefront, because there is no more unequal and gender-biased division of domestic labour. Third, as a consequence, the norm becomes sequential, and does not contain the same rights and duties set for all ages. An important application is the number of hours to be normally worked during one week. As G. Schmid (Schmid 2006) remarks, a young woman (or a young man) has at least five key choices to make within a short time span at the beginning of her career: an occupation, a job, a home, a mate and last to have children. Accordingly, he proposes that during such a critical period of the life the social institutions governing employment norms leave some room for making these choices. It may seem odd, because the idea that young people start working intensively full – time for gaining their autonomy is dominant. However, in a perspective of long-term equilibrium between professional and personal life, shorter workweeks at the beginning of a career may constitute a useful social investment. The same reasoning holds for “senior” workers, often confronted to the problem of very old and dependent parents, and looking for a better compatibility between their work and their family duties. This leads to propose that the typical 35 hours long workweek applies mainly for workers between 30 and 50.

The priority given to learning, of course well in-line with the “knowledge based society” as emphasized by the Lisbon Strategy, illustrates quite well how the Social Investment and the TLM perspective may be complement and enrich each other in the present context. As it has been observed, training and life-long learning seem a consensual objective. As a matter of fact, they are often a conflict or indifference – reluctance area. This is so first because it is often unclear who (the firm, the worker, the state) has to pay, and sometimes clear that nobody wants to pay. Second, the gains from training are often ill identified; and third, the people more in need for training, the less skilled workers, are discouraged, to say the least. They face high opportunity costs and do not see which kind of gain they could reap from their participating in a training program. The TLM perspective, together with other analyses aiming at identifying a more realistic process (cf Lundvall 2009, op.cit.), help overcoming these major obstacles. They do so by connecting training programs to wider “transition” sets, and by showing how training should be combined to other securing measures in order to overcome the so-called “Matthew effect”11.

A concrete illustration of this type of concern in our present crisis phase is the generalization in the E.U. of measures combining short-term working and intensive re-training, either by law or by collective agreement. The underlying idea is first that people should be kept into jobs each time it is possible, and second that we should prepare workers for the new challenges ahead. The ageing process opens here a window of opportunity in many countries: retiring workers will leave jobs to

11 Adapted from the Gospel dictum « The one who has nothing will lose even what he has, while the other who has already all will be given even more. »
younger ones, but the new jobs will be more qualified. Of course, this emergency answer, even future – oriented, will not suffice, especially if the E.U. stays too long into depression. But it shows how some ideas mixing collective guarantees and collective efforts are now spreading and becoming evidences. Collective Social Investment, with Job Quality and TLM simply systematize and further this commitment.

Conclusion

There is no space in this short contribution for exposing in a detailed way the differences and commonalities of the “Flexicurity” and the TLM agendas, nor for connecting a labour market and social policy agenda to wider policy agendas (cf. Rodrigues (ed) 2009 and Botsch and Watts (eds) 2010 ). We simply tried to show that “Flexicurity” will probably remain a focal point in the (incomplete) European construction, whatever will be the much needed speeding up of European integration; but this focal point will probably become a less and less satisfying one. And we hope to have suggested some of the ways that may help revitalizing the Lisbon Strategy and going “beyond Flexicurity”. Of course, the question of the political acceptance of these new orientations is not yet solved. In our tempest, one priority is to show to everybody, especially the less favoured, that nobody will be left without protection and a future-oriented perspective, and this could foster a wide support to a structured and collective version of social investment and career management.

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