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NEWGOV

New Modes of Governance

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RE	Restricted to a group specified by the consortium (including the Commission Services)	
CO	Confidential, only for members of the consortium (including the Commission Services)	

Summary

The aim of the workshop was to bring together researchers involved in the integrated project on New Modes of Governance (NEWGOV), policy-makers and practitioners to explore different facets of labour market change since the establishment of EMU. It was held on the 16th of July 2008 at the premises of the European Trade Union Confederation in Brussels, and was attended by some 25 participants.

The workshop contributed to the aims of the second main strand of research of NEWGOV sub-project 19a, which comprises theoretical and empirical analysis of the labour market under EMU. Manifestly, the establishment of monetary union has had pronounced, yet far from uniform effects on the labour markets of full participants in EMU. In some Member States, unit labour costs have risen significantly, undermining competitiveness, while in others (notably Germany) wages have been held down. With a single monetary policy and constrained fiscal policy, the labour market inevitably also has to bear more of the burden of macroeconomic adjustment.

There have clearly been pronounced shifts in some EU countries in the governance of the labour market, and in how labour market and macroeconomic policy interact, with new modes of governance prominent. In addition, the emergence and evolution of key governance processes, such as the Lisbon strategy - with its focus on employment rates, quality of jobs and productivity – have given rise to questions about the effectiveness of the policy framework. To elucidate these issues, the workshop:

- Assessed the degree to which EMU has had a disinflationary impact that has held down real wages in some countries but not in others
- Explored how EMU has affected collective bargaining and industrial relations, and how the emergence of social pacts as a governance device has altered the institutional setting
- Examined trajectories in selected Member States and how labour market reforms have affected productivity
- Assessed trends in the quality of employment
- Considered the implications for policy of these developments

Participants at the workshop included: representatives of the social partners; of the Directorates-General for Employment, Social Affairs and Equal Opportunities, and for Economic and Financial Affairs of the European Commission; of central banks; and of think tanks and universities. There was an even gender balance among both speakers and participants.

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I. Summary Report

The workshop opened with a paper on wage adjustment in EMU by Alison Johnston, Costanza Rodriguez d'Acri and Waltraud Schelkle (LSE) which investigated whether smaller EMU members had been able to adjust more easily to EMU. The evidence suggests, contrary to other work, that there are not systematic differences between large and small countries in inflation rates and in wage co-ordination. Instead, more subtle interpretations of the trends in adjustment that look at other factors are needed. The discussant, Esther Perez-Ruiz from DG Ecfm of the European Commission, raised a number of methodological issues that the authors agreed warranted attention.

In the second paper, Iain Begg (LSE) presented an overview of findings from a comparative study of labour market developments in France, Germany, Sweden and the UK. His analysis focused on whether new modes of governance had emerged that have affected trajectories, and the conclusion was that it was more the implementation of policy than the institutional design that explains the obvious differences between the four countries examined. In addition, the paper questioned some of the standard depictions of families of capitalist models, arguing that there have been so many changes that they no longer adequately describe current configurations. The discussant, Ivo Maes of the National Bank of Belgium agreed that the similarities in macro policy frameworks were important, but observed that the paper did not discuss differences in monetary policy or in the nature of growth – for example Germany's export-led approach. He also suggested that labour shortages may be part of the story and that migration should have featured more in the paper. Other commentators argued that the Esping-Andersen models had to be seen as ideal types, not necessarily accurate descriptions of particular national circumstances, and that the extent of reform in France may have been under-stated.

Jelle Visser presented a broad overview of social pacts in the EU emphasising that in governance terms, social pacts and other developments in industrial relations had progressively become connected to the Lisbon strategy, and as such represented new modes of governance. He noted the changing focus of collective bargaining with less emphasis on pure wage setting and the emergence of other issues such as pensions. Gerhard Huemer, of the small business organisation UEAPME, commented that it was important to understand some of the drawbacks of social pacts and not to regard them as always desirable.

Alfonso Arpaia (DG Ecfm) presented detailed and careful work on trends in employment and in productivity, looking in particular at whether there was a trade-off between jobs and productivity. He found that there is limited evidence of such a trade-off, but also that it may have been benign if it simply means less qualified workers coming into the labour market and does not mean the longer term productivity growth is not impaired. Maria Jepsen (ETUI), in commenting on the paper, asked whether sufficient account was taken of macroeconomic conditions, and also raised the matter of whether gender differences may affect the results.

Innovative work on job quality was presented in the final session with a first paper from Janine Leschke and Andy Watt (ETUI) in which they explained the construction of their index of job quality and highlighted some key findings. There are both predictable and surprising findings in the overall index and in sub-indices, such as the evidence that women generally have lower quality jobs than men, yet that high GDP does not always go hand-in-hand with better quality jobs. The second presentation, by Christine Erhel (MATISSE, Université Paris I) summarised work done by Dr Erhel and colleagues for DG Empl of the Commission. Her presentation showed that although many of the same variables were used, some of the results differed because of different approaches to what should be included. Her typology groups EU member states into five clusters based on the overall quality of jobs. One of the

surprises in both studies was that the UK tended to come out better than might have been expected. In a lively discussion, competing explanations offered for this finding were that the UK had either been very effective in lobbying on the choice and definition of indicators, or may have changed more than is commonly supposed.

Concluding observations were offered by Philippe Pochet (ETUI) and Jelle Visser (UvA).

II. Conclusions

The workshop suggested that new modes of governance were indeed having an influence on the labour market in often unexpected ways, but also that some of the expectations of these new modes had not been fully realised. For example, although some of the NMG are supposed to stimulate more engagement of civil society, some of the evidence on social pacts suggests that it is the state which is the dominant actor. There is also some ambiguity about the nature of labour market reforms, especially where they are simply counted, as opposed to being judged qualitatively.

Several of the contributions drew attention to the effect of the Lisbon strategy in shaping social and labour market discourse. The relatively buoyant employment growth of recent years has been encouraging, but although it has been accompanied by relatively lacklustre productivity growth, the policy implication is that complementary policies are needed, whether macroeconomic or structural, to reinforce the employment growth. To some extent, the pro-market emphasis of Lisbon casts a shadow over the evolution of the labour market, yet it is also clear that national practices continue to be significant. In addition, the workshop raised some questions about the continuing relevance of the various social models, given that in many countries there have been far-reaching changes in diverse aspects of the labour market.

The session on quality of jobs highlighted the need for this aspect of employment to be given more attention and to be the subject of greater research efforts. On the one hand, a job quality perspective can be more subtle than a policy approach which places a great emphasis simply on the number of jobs. On the other, a more detailed and profound understanding of what constitutes job quality can help to identify policy directions that, ultimately, can feed back to policies aimed at enhancing productivity. It is, therefore, a dimension of labour market policy that deserves to be more fully integrated when new directions are being contemplated.

III. Final Programme

ETUC House, Brussels, 16th July 2008

10:45-11:00 Coffee

11:00-11:15 Welcome and introduction to the workshop

Iain Begg and Waltraud Schelkle

Session I – Chaired by John Morley

11:15-12:15 Coordinated wage adjustment in EMU: Is there a large-small divide?

Alison Johnston/ Costanza Rodriguez d'Acri / Waltraud Schelkle (LSE)

Discussant: Esther Perez-Ruiz (DG Ecfm)

General discussion

12:15-13:15 Case studies of four countries: France, UK, Sweden and Germany

Iain Begg (LSE)

Discussant: Ivo Maes (Belgian National Bank)

General discussion

13:15-14:00 Lunch break

Session II – Chaired by Ralf Jacob (DG Empl)

14:00-15:00 Social pacts

Jelle Visser (University of Amsterdam)

Discussant: Gerhard Huemer (Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises - UEAPME)

General discussion

15:00-16:00 The effects of labour market reforms on employment and productivity

Alfonso Arpaia (DG Ecfm)

Discussant: Maria Jepsen (ETUI)

General discussion

16:00-16:15 Coffee break

16:15-17:15 Jobs quality

Presentations by Janine Leschke/ Andy Watt (ETUI-REHS) and by Christine Erhel (MATISSE, Paris I)

General discussion

17:15-17:30 Conclusions

Jelle Visser, Philippe Pochet

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