

Edited by
Ralf Rogowski
Robert Salais
Noel Whiteside



TRANSFORMING EUROPEAN EMPLOYMENT POLICY

Labour Market Transitions
and the Promotion of
Capability



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Ralf Rogowski

Professor of Law, University of Warwick, UK

Robert Salais

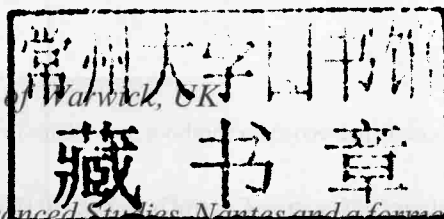
*Fellow at the Institute of Advanced Studies, Nantes and a former
Director of the CNRS Research Centre, Institutions et
Dynamiques Historiques de l'Economie, Cachan, France*

Noel Whiteside

*Professor of Comparative Public Policy, University of Warwick,
UK*

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Cheltenham, UK • Northampton, MA, USA



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Transforming European Employment Policy

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Contributors

Peter Auer is Senior Fellow of the International Institute for Labour Studies of the ILO in Geneva, having previously worked there as Chief of Employment Analysis and Research and as Head of the European Employment Observatory. He has worked extensively on labour market developments and on labour market policy and regulations and his recent research focuses on a new framework for labour market security in response to the challenges of globalisation.

Jean-Michel Bonvin is Professor of Sociology and Social Policy at the University of Applied Sciences Western Switzerland and Founding Member of the Center for the Study of Capabilities in Social and Health Services (CESCAP). His research focuses on labour market policies, organisational innovation in the management of the public sector and of firms and theories of justice. Recent publications include *Amartya Sen, une politique de la liberté* (2008, with Nicolas Farvaque) and numerous articles in international journals.

Colin Crouch is Professor of Governance and Public Management at the Business School of Warwick University. He is External Scientific Member of the Max-Planck-Institute at Cologne and a Fellow of both the British Academy and the Academy of Social Sciences. He works on comparative European sociology and industrial relations, on economic sociology and on contemporary issues in British and European politics. His books include *The Responsible Corporation in a Global Economy* (2011, with Camilla Maclean); *The Strange Non-Death of Neo-Liberalism* (2011); *The Diversity of Democracy: Corporatism, Social Order and Political Conflict* (2006, with Wolfgang Streeck); *Capitalist Diversity and Change: Recombinant Governance and Institutional Entrepreneurs* (2005); *Post-Democracy* (2004); *Are Skills the Answer? The Political Economy of Skill Creation in Advanced Industrial Countries* (2001, with David Finegold and Mari Sako); *Citizenship, Markets and the State* (2000, with Klaus Eder and Damian Tambini); *Social Change in Western Europe* (1999); *Political Economy of Modern Capitalism: Mapping Convergence and Diversity* (1997, with Wolfgang

Streeck); *Organized Industrial Relations in Europe: What Future?* (1995, with Franz Traxler) and *Industrial Relations and European State Traditions* (1993).

Simon Deakin is Professor of Law at the University of Cambridge. He has written widely on labour law, corporate governance and private law from an empirical and social science perspective. His publications include *Labour Law* (5th ed. 2009, with Gillian Morris), *Capacitas: Contract Law and the Institutional Preconditions of a Market Economy* (2009, with Alain Supiot) and *The Law of the Labour Market* (2005, with Frank Wilkinson). He has recently been awarded the ECGI and Allen & Overy prizes for corporate governance research.

Claude Didry is Senior Researcher and Director of the CNRS research centre Institutions et Dynamiques Historiques de l'Economie in Cachan, France. His research, using an institutional perspective, focuses on industrial relations and labour law issues at national and European levels. His recent publications include *L'entreprise en restructuration: Dynamiques institutionnelles et mobilisations collectives* (2010, with Annette Jobert).

Bernard Gazier is Professor of Economics at the University of Paris-I (Panthéon-Sorbonne), a researcher at the Centre d'Economie de la Sorbonne, a member of the Institut Universitaire de France and the President of the *Société de Port-Royal*. His publications include *Les stratégies des ressources humaines* (2010), *Restructuring work and employment in Europe* (2008, with Frédéric Bruggeman), *Vers un nouveau modèle social* (2005), *Tous 'Sublimes': Vers un nouveau plein-emploi* (2003) and *The Dynamics of Full Employment: Social Integration Through Transitional Labour Markets* (2002, with Günther Schmid).

Petra Kaps was a Research Fellow at the Social Science Research Centre (WZB), Berlin from 2004 to 2008 and until recently at the Institute for Employment Research (IAB), Nuremberg, Germany. She has published on issues of governance, social politics and welfare reform and is currently completing her PhD on basic income for jobseekers.

Ralf Rogowski is Professor of Law at the School of Law at the University of Warwick. He has worked extensively on European labour law and labour market policy and regulations. His publications include *The European Social Model and Transitional Labour Markets: Law and Policy* (2008), *The Shape of the New Europe* (2006, with Charles Turner), *Labour Market Efficiency in the European Union: Employment Protection and Fixed Term*

Contracts (1998, with Klaus Schömann and Thomas Kruppe) and *Reflexive Labour Law: Studies in Industrial Relations and Employment Regulation* (1994, with Ton Wilthagen).

Robert Salais is Fellow at the Institute of Advanced Studies, Nantes and a former Director of the CNRS Research Centre, Institutions et Dynamiques Historiques de l'Economie (IDHE), Cachan, France and currently Research Associate at the French-German Centre Marc Bloch (CMB), Berlin. His research focuses on institutional economics, employment and labour issues in historical perspective. He served as coordinator of several European research projects dedicated to the development of the capability approach and its application to European employment and social policy. His publications include *Développer les capacités des hommes et des territoires en Europe* (2006, with Robert Villeneuve and Odile Quintin), *Europe and the politics of capabilities* (2005, with Robert Villeneuve), *L'action publique et ses dispositifs: Institutions, économie, politique* (2005, with Elisabeth Chatel and Thierry Kirat), *Governance, Industry and Labour Markets in Britain and France: The Modernizing State* (1998, with Noel Whiteside), *Les mondes de production: Enquête sur l'identité économique de la France* (1993, with Michael Storper) and *L'invention du chômage: Histoire et transformations d'une catégorie en France des années 1890 aux années 1980* (1986, with Nicolas Baverez and Bénédicte Reynaud-Cressent).

Günther Schmid served as Director of the Research Unit 'Labour Market Policy and Employment' at the Social Science Research Centre Berlin (WZB) until 2008 and is Emeritus Professor of Economic Theory of Politics, Free University, Berlin. He has been a pioneer in research on transitional labour markets. His publications include *Übergänge am Arbeitsmarkt: Arbeit, nicht nur Arbeitslosigkeit versichern* (2011), *Full Employment in Europe: Managing Labour Market Transitions and Risks* (2008) and *The Dynamics of Full Employment: Social Integration through Transitional Labour Markets* (2002, with Bernard Gazier).

Holger Schütz was a Research Fellow at the Social Science Research Centre (WZB), Berlin, from 1997 to 2008 and is currently project manager and researcher at the Institute for Applied Social Research (infas) in Bonn, Germany. His main research areas include implementation and evaluation of labour market policy, job placement and counselling, controlling and reform of public employment services in comparative perspective.

Noel Whiteside is Professor of Comparative Public Policy at the University of Warwick and Fellow of the Royal Historical Society. She works on issues of employment and social welfare in historical and comparative perspective. Recent publications include *Britain's Pensions Crisis: History and*

policy (2006, with Hugh Pemberton and Pat Thane) and *Pension Security in the 21st Century: Redrawing the Public-Private Debate* (2003, with Gordon L. Clark).

Philip Wotschack is Research Fellow at the Research Unit 'Skill Formation and Labour Markets' of the Social Science Research Centre Berlin (WZB). His research focuses on working time, work organisation, work-life balance, further training and lifelong learning. Recent publications include *Household Governance and Time Allocation. Four Studies on the Combination of Work and Care* (2009).

Bénédicte Zimmermann is Professor at the Ecole des Hautes Etudes en Sciences Sociales in Paris. She is the author of *Ce que travailler veut dire. Une sociologie des capacités et des parcours professionnels* (2011), *La constitution du chômage en Allemagne* (2001) and *La liberté au prisme des capacités* (2008, with Jean de Munck). Her current research is on moral ethnography of work and public action.

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1. Introduction

**Robert Salais, Ralf Rogowski and Noel
Whiteside**

Over the last twenty years, European employment and social policy have undergone a dramatic transformation. The burden of labour market adjustments was transferred to the individual employee or welfare recipient via activation policies. Attention has shifted from the provision of social protection to the promotion of employment: new forms of governance, accompanied by the introduction of new forms of policy delivery and audit, have emerged as central characteristics of the new European Employment Strategy (EES). One main focus of this book lies in addressing the limitations of this approach, limitations which became particularly apparent during the financial crisis since 2008. The book's aim is to provide ideas for an alternative European reform agenda that employs insights from two influential theoretical approaches, the transitional labour market approach and the capabilities approach, drawn from the work of Amartya Sen.

The two theoretical approaches share the fate of being known in Brussels, but misunderstood and neglected as far as their implications for European policy are concerned. This observation is especially pertinent for the capabilities approach but also holds true for the transitional labour markets approach, despite the influence it has had on the EES.¹ The neglect is in part related to a drift from policies designed to substantially affect social reality to measures that are merely intended to amplify political communication, a trend that is gaining ground in Europe (and which would merit further study but lies beyond the confines of our book). Announcing a rising employment rate is much more satisfactory in terms of communication than undertaking far-reaching action that truly improves the employment situation but fails to grab media headlines. The flexicurity concept promoted by the European Commission seems to us an example for this trend; in any case, as Günther Schmid shows in Chapter 3, this concept, if misunderstood, bears the danger of increasing employment precariousness rather than securing transitions in labour markets.

The objective of our book is to make proposals for the transformation of content and method of European employment policy. The transformation requires clearly defined concepts and innovative empirical work and implies a two-pronged approach: criticism and proposals that reciprocally support each other. The book is organised in two parts, both demonstrating how the twin approach of criticism and proposal can be used in specific areas. Part I describes and compares the two theoretical and political approaches covered by the book, the transitional labour market approach (Chapters 2 to 5) and the capabilities approach (Chapters 6 to 8), and Part II (Chapters 9 to 12) presents implications for European policy which include the need for new welfare typologies that are capable of apprehending real differences in national welfare models; the necessity of a new reflexive law and support for soft law solutions like codes of conduct and other mechanisms of self-regulation; and promotion of constitutive conventions for the common market of goods, capital, services and employment in Europe. From these policy implications emerges the outline of an 'integrated approach to employment' that thoroughly renews the bases of the current approach.

PART I: SECURING TRANSITIONS AND PROMOTING CAPABILITIES

Of the four policy agendas – flexibility, flexicurity, capabilities and transitional labour markets – that Peter Auer and Bernard Gazier outline in Chapter 2, the last two deserve close attention for the future of employment in Europe, and these two perspectives are explored in this book. As regards the first two policies, one – flexibility – contradicts the objectives of the other – flexicurity. The flexibility agenda that emphasises deregulation of the labour market, external numerical flexibility (instantaneous adjustment of the amount of work to the vagaries of the economy) and weakening or elimination of legal and social protection in the event of redundancy is diametrically opposed to the flexicurity agenda as pursued in the EU's EES and Lisbon strategy of 2000 and the ILO's Decent Work Agenda of 1999. However, questions are beginning to emerge about the adequacy of the flexicurity agenda in light of the current crisis. It is an open question if flexicurity represents a way out of the crisis, or simply goes hand in hand with this situation.²

The topic of reconciling flexibility and security dates back to debates surrounding the launch of the EES at the Luxembourg summit meeting in 1997. Günther Schmid and Robert Salais emphasised in similar vein but from separate perspectives the possibility and political advantages of this

positive dynamic relationship in their contributions to the research conference that accompanied the 1997 Luxembourg summit, Schmid from the point of view of transitional markets and Salais from that of capabilities.³ The concept of flexicurity has evolved considerably since then. From the initial idea of a mutual reinforcement of employment security and internal flexibility of companies, the debate has gradually turned to the realistic assessment of a trade-off between security and flexibility. The idea of trade-off is central in EU documents like the 2007 Green Paper on modernising labour law. According to the authors of this paper, labour laws should be amended in key areas to meet the European companies' increasing needs for flexibility, which in return, it is suggested, leads to firmer growth in employment.

Securing Transitions

A key concept in the discourse over European employment policy has been the concept of 'transitions', not only in relation to flexicurity. The concept creates the core idea of an alternative labour market policy concept known as the transitional labour market approach which served not only as a key theoretical concept of several European research projects since 1996 but has been most influential in the design of the European Employment Strategy.⁴ Bénédicte Zimmermann reminds us in Chapter 6 how the Commission links the concept of transitions to the flexibility discourse: 'Flexibility ... is about successful moves ("transitions") during one's life course: from school to work, from one job to another, between unemployment or inactivity and work, and from work to retirement...'. But what have the policies aiming at easing transitions accomplished in fact? Chapters 3 to 5 attempt to answer this question. They focus on the many ways in which transition policies have been implemented (Günther Schmid) and on the assessment of two prominent measures: the reform of placement services (Petra Kaps and Holger Schütz) and working-time savings accounts (Philip Wotschack).

In Chapter 3 Günther Schmid makes a number of concrete suggestions of how transition policies can achieve positive combinations of employment security and operational flexibility within a company. His starting point is the assumption that the increasing diversity of forms of employment leads to greater risk for workers and that different countries engage in different flexicurity practices. If designed well, transition policies ease passages between different positions in the labour market and help to build sustainable careers via 'social bridges' and stepping stones.

Schmid's comments are based on experience with the German model of employment protection and its adaptation to contemporary circumstances

and European requirements. The transitional labour markets approach considers job quality and enhancing chances for the acquisition of professional qualifications through training both as central normative goals and as practical proposals. These proposals are meant to combat inequality in a world of work in which professional requirements are increasingly exacting and employment is becoming precarious. If these ideas are applied in evaluating European policies it can be asked what the EES and the European flexicurity policies have done to achieve these goals. The answer has to be precious little, as the increasingly critical studies on the EES are beginning to show.

One of the central objectives of the EES is to enhance the efficiency of public employment services and a crucial indicator used to evaluate national strategies is how quickly the unemployed return to work. The Commission, as in the case of financial matters, is in this context thoroughly convinced by the theories of market efficiency, and supports contracting out of placement services, a policy that has rapidly spread across European countries. Great Britain was the pioneer in establishing 'quasi markets' with their job centres, followed by Germany in 2003 implementing the so-called Hartz reform programme, Italy experimenting with a voucher system⁵ and France where public employment placement and unemployment compensation services (UNEDIC) merged in 2008. The aim of all these reforms is to put public placement services in competition with private enterprises which are publicly funded and selected by tender based on cost and performance criteria. The competition is meant to induce greater efficiency, because service vendors are evaluated and risk financial penalties or non-renewal of their contracts if their performance is deemed inadequate. Petra Kaps and Holger Schütz in Chapter 4 present the results of empirical research evaluating the effectiveness of privatising employment services in Germany, and compare these results with those of similar work in other countries. Their criteria are those of transitional markets (some of which are also found in the capabilities approach): individual autonomy, solidarity, effectiveness, efficiency. The research does not confirm the expectations of the advocates of privatisation. Instead, their results confirm fears that competition increases 'selection of the fittest' effects and the pressure to accept the lowest bids; neglects criteria that determine the quality of insertion and that credible management tools are absent; and priority goes to those deemed at the outset to be most employable and that little freedom of choice is left to 'clients'.

In Chapter 5 Philip Wotschack evaluates the use of working time accounts in German companies. This flagship measure of the flexicurity programme allows employees, by accumulating time (overtime, shorter holidays) during their working life, to free up paid working time that can be