The National Labour Market Policies in the European Union: Between Europeanization and Re-nationalization

Summary

In the following 20 years after the Maastricht Treaty, we could see the gradual Europeanization of labor market policies. However, as the EU and most of the Member States face the challenges of the European Financial and Sovereign Debt Crisis, the threat of unilateral, particular and chaotic labour market initiatives arise at the national level. The main hypothesis of this paper is an assertion that we are now facing a problem of the re-nationalization of national labour market policies, which is potentially dangerous for the project of building a unified European Labour Market, but also threatens the whole concept of the European integration.

Keywords

Europeanization, re-nationalization, national labour market policies, European Employment Strategy
KRAJOWE POLITYKI RYNKU PRACY
W NASTĘPSTWIE EUROPEJSKIEGO KRYZYSU
ZADŁUŻENIA FINANSÓW PUBLICZNYCH:
MIĘDZY EUROPEIZACJĄ A RENACJONALIZACJĄ

W ciągu ostatnich 20 lat od podpisania traktatu z Maastricht widoczna jest wyraźna europeizacja polityk na rynkach pracy krajów członkowskich. Obecnie jednak, w obliczu wyzwań płynących ze strony kryzysu.finansowego i zadłużeniowego w strefie euro, rośnie zagrożenie pojawienia się jednostronnych i chaotycznych inicjatyw na poziomie narodowym. Główną hipotезą niniejszej pracy jest stwierdzenie, że współcześnie obserwować można proces renacjonalizacji polityk rynku pracy, co jest zjawiskiem nie tylko niekorzystnym z punktu widzenia budowania jednolitego europejskiego rynku pracy, ale również zagrażającym całemu projektowi integracji europejskiej.

SŁOWA KLUCZOWE
europeizacja, renacjonalizacja, polityka rynku pracy,
Europejska Strategia Zatrudnienia

INTRODUCTION

One of the key elements of the Single European Market is the freedom of movement of labour. The unrestricted circulation of labour has been perceived as a prerequisite for the creation of a common European market. It has been expected that the introduction of the freedom of movement for workers would increase the labor flows within the EU area, increasing competitiveness, promoting the specialization of the Member States and boosting the economic growth of the European economy. Therefore, this aim was set at the very beginning of European integration, beginning with the foundation of the European Economic Community (EEC) in 1957. The freedom of movement of workers has been written into the Maastricht Treaty, but it was not an end in itself. The next step was the coordination of national labour policies at the EU level, as those policies remained under the control of the Member States. In the following 20 years after the Maastricht Treaty, we could see the gradual Europeanization of labor market policies. However, as the EU and most of the Member States face the
challenges of the European Financial and Sovereign Debt Crisis, the threat of unilateral, particular and chaotic labour market initiatives arise at the national level. The main hypothesis of this paper is an assertion that we are now facing a problem of the re-nationalization of national labour market policies, which is potentially dangerous for the project of building a unified European Labour Market, but also threats the whole concept of the European integration.

The structure of this paper is as follows: in the next section the concepts of Europeanization and re-nationalization are presented. Then, the evolution of the Europeanization of the national labour market policies in the EU is described. In the section four, the re-nationalization of labour market measures and policies by the EU member states are discussed within the framework of the European Financial and Sovereign Debt Crisis. Special attention has been paid to the issues connected with the mobility of the EU citizens from New Member States from Central and Eastern Europe, mostly Poles, Romenians and Bulgarians. In the wake of the economic crisis some Western European countries adopted an anti-immigrant discourse and also measures in the national labour market policies. The reaction of the EU institutions to such actions is also discussed. The paper ends with final remarks and policy recommendations: the author argues that EU institutions should be more active in the times of the economic crisis, as the growing particular actions of the member states threaten not only the effectiveness of the European Market as a whole, but are also dangerous for the European integration. The EU and its institutions have to play a more active role in the times of the economic recession.

THE EUROPEANIZATION AND RE-NATIONALIZATION OF NATIONAL POLICIES OF THE MEMBER STATES IN THE FRAME OF EUROPEAN INTEGRATION

Starting with the Maastricht Treaty, the mobility of workers within the Single European Market has been perceived as one of the advantages of the European integration for the EU economy. It has been expected
that the introduction of the freedom of movement would increase the labor flows within the EU area, increasing the competitiveness, promoting the specialization of the member states and boosting the economic growth of the European economy. Still, in line with the subsidiarity principle, labour market policies have remained under the control of the Member States and the national approaches may vary from one country to another. This principle does not necessarily mean that the European integration has no influence on the national labour market policies, as on any other policies that remain the sole responsibility of the Member States [van Vliet 2011]. The Europeanization of national policies within the EU is a process that has been analyzed within the European public policy research from the 1990s. This strand of research has been motivated by new ‘top-down’ approach to European integration, when the scholars “became increasingly interested in how the Member States responded to the impact of European processes and institutions” [Börzel 2003, p. 2]. The Europeanization term has been therefore described as “an incremental process reorienting the direction and shape of politics to the degree that EC political and economic dynamic become part of the organizational logic of national politics and policy-making.” However, it should be noted that this process is not equal to euro-homogenisation: “Europeanization preserves the legitimacy and authority of national government, but suggests that it will become progressively permeated by environmental inputs which become, over time, internalized in politics and policy-making” [Ladrech 1994, pp. 69-70].

On the other hand, the studies on European integration cannot ignore the activities of those member states, who try to maintain their prerogatives at the national level and even reclaim some of the competences which have been already – at least to some extent – moved to the European level. A typical example of such policy is a regional policy, and the “struggle for control” in this field between European Commission and the national governments has been studied since the mid 1990s [Bache 1997]. By re-nationalization we should understand individual actions, taken by the national governments in order to restore control over the policy (or policies) that has been shared by the national governments and European institutions. However, this shared responsibility was the result of the Europeanization process – European values, common standards and practices – and has
not been explicitly written in the *acquis communitaire*. Therefore, the re-nationalization is a process contrary to the Europeanization.

Of course, the temptation for the unilateral, individualistic policies of the Member States usually arises in the times of the economic turmoil and recession [Dølvik 2004]. As such, re-nationalisation is also strongly connected with the rise of the Eurosceptic attitudes and euro-criticism, which is now clearly visible in many Member States, particularly the UK [Hawkins 2012]. Therefore, this process threatens the European integration and the European process as a whole.

THE EUROPEANIZATION OF THE LABOUR MARKET POLICIES OF THE MEMBER STATES

Surprisingly, in the first 30 years of the existence of the EEC, the issue of employment at the Community level has been tackled only in superficial and fragmented way. The main reason for this situation was the reluctance of the national ministries of labour to give up some of their prerogatives at the European level. The most visible example of this national euroscepticism in the field of labour market policies was the fate of the Standing Employment Committee. This institution, founded in 1970 and composed of the national ministries of labour, remained ineffective throughout the whole of the 1970s, even after the Oil Crisis in 1973, when the economic and labour market situation in the whole EEC area deteriorated in a dramatic way [Goetschy 1999]. The same thing can be said on the vague and desultory initiatives taken in the 1980s – once again, the resistance of the national ministries of labour was too strong to develop a common European approach in this field [Ashiabor 2001].

The Europeanization of the national labour market policies began only in 1990s, with a seminal contribution of the President of the European Comission (EC), Jacques Delors. The Delors White Paper, published in 1993, was a document in which the European Comission indicated that high unemployment is one of the most important challenges for all the Member States and the EEC as a whole. Moreover, in order to improve situation in this area, “joint responses would strengthen the hand of each player and therefore of the European Union” [European Commission 1993, p. 9]. The moment for
an EC offensive in the field of labour market policy was well-chosen. First, the process of European integration was clearly on the rise, with the signing of the Treaty on European Union in 1992. So there was a political will to deepen the political cooperation between the Member States, also with regard to labour market issues. Second, the unemployment problem was particularly severe, as in 1993 in the European and Monetary Union (EMU) area it reached, in percentage terms, double figures (11 per cent [cf. World Bank 2013]). Third, the creation of the EMU has limited the range of economic tools left at the disposal of the Member States. The devaluation of a national currency, a typical way to increase external competitiveness, was no longer possible. Moreover, the Maastricht criteria have imposed “limits on budget deficits and government debt, thereby limiting the scope for expansionary fiscal policies” [Van Rie and Marx 2012, pp. 337-338]. Therefore, the Member States have been to some extent forced to cooperate within the labour market issues, in order to make sure that their national policies would be effective.

The next milestone in the development of European employment policy was a meeting of European Council in Essen (9-10 December 1994). The representatives of the Member States issued a document known as “Essen Strategy,” which later has evolved into European Employment Strategy (EES). It has established five main goals for the EU’s involvement in employment area, namely: to improve the efficiency of labour market institutions, to develop vocational training systems, to identify job creation potential at a local level, to promote productive investment and encourage moderate wage policies, to promote employment of specific groups at risk on the labour market (i.e. long-term unemployed, women, young people). Moreover, the EES has laid down foundations for the employment policy at the European level, allowing the EU institutions to promote specific goals for all of the Member States and to coordinate national labour market policies [Goetschy 1999].

In the Amsterdam Treaty (signed on 2 October 1997) the European Employment Strategy has been finally institutionalized, as the EU’s goal is to “to promote economic and social progress and a high level of employment” (amended article B of the Treaty on European Union [cf. European Communities 1997, p. 7]), and the new employment title has been added to the EC Treaty (currently title IX of the Treaty
on the Functioning of the European Union). In this new title, article 125 (currently: 145) clearly states that: “Member States and the Union shall, in accordance with this Title, work towards developing a coordinated strategy for employment” [European Union 2008, C 115/112].

The mechanisms of the coordination within the EES have been defined in the Lisbon strategy (2000). This instrument is known as the open method of coordination (OMC), a process in which the Council and Commission define goals, create guidelines and recommendations for the Member States on an annual basis. Consequently, the Member States are asked to prepare an annual report, in which they relate to the European goals and guidelines. Then the national reports are evaluated by the European Council.

Of course, no penalties are given to the Member States which do not fulfill the goals set in the EES. However, the pressure of the European Council has been found effective in the recent years. Some studies have found a significant impact of the European Employment Strategy on the labour market policies of the Member States. For instance, more emphasis has been put to the development of the active labour market policies, which are “aimed at increasing labour market participation” at the cost of reducing expenditures on passive policies, “which entitle unemployed people to benefits” [van Vliet and Koster 2011, p. 5]. However, the most important measures of the EES efficiency should be the ones that evaluate to which extent the goals set in the Strategy are reached by the Member States and the EU as a whole. Van Rie and Marx have analyzed the performance of the EU economies in terms of unemployment and unemployment levels in two periods. For the years 1987-1997, only the fluctuations around stable means for the average unemployment, long-term employment and total employment rates have been observed. On the other hand, for the second period (1997-2007), when the EES was already at work, all those indicators have been improved significantly. Moreover, the authors have found evidence for the “convergence towards lower unemployment and higher employment” among EU-15 Member States, a result which confirms the fulfillment of the goals of the Strategy in the first decade after it’s adoption. Still, they were reluctant to establish a direct link between the EES and a situation on the EU’s labor market, arguing that there are numerous factors which affect the explained variables [Van Rie and Marx 2012, p. 353].
Irrespective of the evaluation of the effectiveness of the EES in the previous decade, it is evident that the current European Financial and Sovereign Debt Crisis has brought the substantial deterioration of the labor market situation in the EU. The initial response to the crisis was the Europe 2020 Strategy, announced by the European Commission in 2010. In terms of the EES, the document has set a very ambitious goal of reaching 75 per cent of the employment rate of the population aged 20-64 by the end of 2020 [European Commission 2010]. Still, with no visible signs of recovery for the EU economy, the employment rate has stagnated at 68.5 per cent between 2010 and 2012 [EUROSTAT 2013].

The European Commission, aware of the worsening economic condition, has reacted again in April 2012, issuing so-called Employment Package, which should help to create additional 17.6 jobs by 2020.\(^1\) The Package includes several guidelines and recommendations for the Member States, following the flexicurity principle. Flexicurity is a concept that is defined by the European Commission as “an integrated strategy to enhance, at the same time, flexibility and security in the labour market” by promoting transitions from school to work and from unemployment to employment, facilitating flexible job contracts and easing the recruitment and dismissal processes, and investing in lifelong learning programs, that allow the continuous training of the workers and the acquisition of the new skills, demanded by the employers [European Commission 2007, p. 10].

The emphasis in the Employment Package has been put on: supporting job creation by introducing hiring subsidies and reducing taxes on labour, promoting self employment and entrepreneurship, helping the transition process from illegal (undeclared) work to regular employment, exploiting the job creation potential of sectors such as green economy, ICT or health sector, using the internal flexibility measures such as short-time working arrangements to avoid layoffs, encouraging labour market transitions (e.g. from employment to self-employment or from education to work), developing lifelong learning, investing in skills demanded on a labour market and – finally – promoting the free movement of workers within the EU [European

---

\(^1\) This is an estimated number of jobs that needs to be created in order to reach the Europe 2020 aim of the EU employment rate.
The National Labour Market Policies in the European Union

Commission 2012]. Unfortunately, many of those recommendations, although plausible in economic terms, are now unrealistic due to the political circumstances. As the economic situation in Member States worsens, the overall dissatisfaction of potential voters rises, and the political pressure over the national governments increases. In such cases, it is tempting to initiate unilateral and often populist measures, as will be demonstrated in the following section.

THE EUROPEAN FINANCIAL AND SOVEREIGN DEBT CRISIS AND A THREAT OF RE-NATIONALIZATION OF NATIONAL LABOUR MARKET POLICIES

In the first years of the financial crisis (2008-2009), most of the Member States reacted in a rather congruent way. They have adopted similar measures, investing public resources to help the banking system and preventing the collapse of financial sector. As it became evident that – in spite of this intervention – the European economy is still facing problems that might turn into a severe recession, the EU Member States have “expanded social programmes or adjusted them to cushion the shock of the crisis” and “to prevent mass unemployment” in a “a fairly classical Keynesian” way [Vis et al. 2011, p. 340]. These expansionary national fiscal policies have been supported by the expansionary monetary policy of the European Central Bank (EBC), which has performed huge liquidity injections into the European financial system [Cukierman 2013].
Figure 1. Real GDP growth rate and the unemployment rate in EU27 countries

Source: [EUROSTAT 2013].

Unfortunately, the effects of those economic policies have been rather disappointing, as the moderate economic recovery in the EU27 in years 2010-2011 had no impact on the unemployment rates. Moreover, after those two years of a modest economic growth, the European economy faced recession in 2012 (a decrease of Real GDP per capita by 0.6 percent), and the unemployment level has risen up again to two-digit number (10.5 percent, see Figure 1).

The expansionist fiscal policies of the Member States (the government deficit to GDP ratio surpassed 6 percent in 2009 and 2010) had a devastating impact on a financial situation of the Member States. In 2012, the government deficit to GDP ratio has surpassed 85 percent in the EU-27 and 90 percent in the Euro Area (see Figure 2). The situation in some of those most hit by the European Financial and Sovereign Debt Crisis Member States is even more dramatic. The particular concerns are directed to Greece, which at the end of the 2012 had a government debt ratio at 156.9 per cent of GDP [EUROSTAT 2013]. The country had to ask for two bailout loans: the first one provided by the IMF and the Eurozone countries in May 2010, and the second, introduced by the Eurozone countries in February 2012.
The National Labour Market Policies in the European Union

Figure 2. The government deficit to GDP ratio and the government debt to GDP ratio in the EU

![Graph showing government deficit to GDP ratio and government debt to GDP ratio from 2009 to 2012]

Source: [EUROSTAT 2013].

The Greek case has also revealed the political crisis in the EU, as Member States were reluctant to provide financial assistance for an Eurozone country that was not respecting the Maastricht criteria. The plan for financial assistance to Greece was only finally accepted as a result of the fierce reaction of the German Chancellor Angela Merkel. Not surprisingly, the Germans took the leadership in the Eurozone in the critical moment, as they are considered as the main beneficiaries of the common European currency [Bergsten and Kirkegaard 2012]. Still, the controversies relating to Greek government-debt crisis have clearly shown that in the times of the economic recession the European solidarity is gradually limited and the potential of selfish and unilateral national actions of the Member States is rising.

The most remarkable example of those individual activities can be seen in the field of the national employment policies. As the most of the Member States have been found in a bad financial situation, they have been forced to make cuts in their government expenditures. Those cuts had a profound impact on the labour market policies and have limited the extent to which Member States were able to comply with the Employment Package’s guidelines and the flexibility principle. Ireland, following the adoption of the IMF and ECB €85 billion emergency rescue package in 2010, had substantially increased taxes and limited welfare expenditures, including social insurance.
exemption and a temporary employment subsidy for the employers. The UK, after the formation of the new Conservative-Liberal Democrat coalition in May 2010, had made serious cuts in lifelong learning programs, limited job subsidies and introduced measures to penalise the unemployed who were declining job offers (by cutting down their benefits), and had additionally impaired the employment protection regulations (already considered as the one of the weakest in Europe). Even in Germany, where the initial phase of the crisis were characterized by the governmental measures taken in line with the *flexicurity* principle (adjustments to working time, promotion of short-term contracts, promotion of training programs etc.), the political course has been abruptly changed with a CDU/CSU-FDP coalition coming to power in 2009. The new government, determined to reduce the national deficit, has reduced welfare expenditures, cancelling a bonus scheme for employers who take on apprentices as well as the pension contributions and the parental benefits of the long-term unemployed. Therefore, in many Member States the introduced austerity measures have caused the gradual “erosion of social protections [which] implies a reduced emphasis on the security dimension of flexicurity” [Heyes 2013, p. 82].

Still, among the goals set in the Employment Package, it is the promotion of the free movement of workers within the EU which arises the biggest controversies. Not surprisingly, in the times of the economic crisis the anti-immigration sentiment grows and the nation states adopt immigration enforcement policies. This trend is also visible in the European Union, as the limiting of the immigration of Third Country Nationals became the focal point in national policies of the Member States [Papademetriou et al. 2010]. But the issue of the internal mobility of the European citizens was – at least until now – distinctly separated from the immigration problem of citizens from outside of the European Union. The freedom of movement for EU workers remains one of the fundamental rights and principles of the European integration. With the EU enlargement in 2004, some Member States raised concerns over the risk associated with abrupt opening of their labour markets for the immigration of workers from A8 countries (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) and have applied transitional restrictions on access to their national labour markets. Only the UK, Ireland
and Sweden granted full access to their labour markets from the 1\textsuperscript{st} May 2004. The biggest immigration inflow (of mostly Polish citizens) has been to the United Kingdom and Ireland, but the reception of newcomers was rather positive. Even in 2008, at the beginning of the economic crisis, British representatives of the workers’ unions and employers associations expressed concerns over the falling number of the Central and Eastern European immigrants. Those workers have been found indispensable for the farming and food industry in UK, and as they have started to return to their home countries, shortages of labour became apparent [Taylor 2008].

Unfortunately, the days of welcome for Central and Eastern European immigrants in the Western EU Member States are over. And the problem lies not in political populists, as the Geert Wilders from the Party for Freedom in the Netherlands\textsuperscript{2} or the Nick Griffin from the British National Party.\textsuperscript{3} Also mainstream politicians adopted anti-immigration rhetoric. The most notable example is the British Prime Minister, David Cameron, who recently has submitted a proposal to impose restrictions on income and health benefits for immigrants from EU countries. The EU nationals would be banned to claim the benefits after the six months in the UK, unless they could prove that they have been working continuously during that period. Cameron summed up his proposal with a strong remark: “We’re going to give migrants from the European Economic Area a very clear message. Just like British citizens, there is no absolute right to unemployment benefit” [Wintour 2013].

This anti-immigrant rhetoric seems nonsensical in economic terms, as the statistics of the Department for Work and Pensions for November 2011 show that 371,000 people out of all 5.8 million working-age benefit-takers in the UK were immigrants, and out of this group, only 113,000 (less than 2 per cent) were EEA nationals [DWP 2013]. But it might be effective in political terms, as according to recent surveys,

\textsuperscript{2} In February 2012, the Freedom Party has launched a special web page where the Dutch citizens can report complaints about Polish and other Central and Eastern European immigrants in Netherlands [DutchNews.nl 2012].

\textsuperscript{3} In May 2013, the British National Party has issued an anti-immigrant election leaflet in Maryport, portraying a monkey delivering Labour Party leaflets and saying “Labour has given the Poles our kids’ houses” [“News & Star” 2013].
ca. ¾ of British citizens are supporting policies aimed at reducing immigration [Blinder 2012]. And the issue has become even more important, as the public debate focuses on a possible massive inflow of the Bulgarian and Romanian immigrants. This “invasion” is expected to materialise after 31st December 2013, when the restrictions in the access to the British labour market will be finally lifted, according to the EU regulations. In an interview to the BBC station in November 2012, British Home Secretary Theresa May has admitted that there is no possibility to extend the restrictions for the Bulgarian and Romanian citizens beyond December 2013, but has promised that: “I will be looking at what we call the pull factors, what is it that attracts people sometimes to come over here to the United Kingdom, so looking at issues about benefits, and access to the Health Service, and things like that” [Groves 2012]. Therefore, Cameron’s proposal is just a further clarification of a political plan, which has been developed earlier.

It looks clear that the UK is determined to use all the possible legal means to stop the EU workers from coming into British labour market – a policy which is against the European Employment Strategy. The EU commissioner for employment, social affairs and inclusion, László Andor, has publicly criticized Cameron plans, claiming that: “the reality is that migrants from other EU countries are very beneficial to the UK’s economy” [Helm 2013]. Yet, this modest reaction of the European Commission has not been reinforced by the European Council, as the leaders of the Member States did not want to put more political pressure on British Prime Minister, who already has threatened to conduct an in-out referendum on Britain’s membership of the EU.

CONCLUDING REMARKS

The anti-immigration debate started by David Cameron not only threatens the European integration process, but also stops down a discussion on more serious problems connected with the implementation of the EES. The most important issue in these current economically troubled times is how to reconcile two goals: first, a high level of employment of the 50+ population, and second, to decrease youth unemployment and encourage the transition of youth from education to labour markets. Among the general European Employment
Strategy’s goal to increase employment, a detailed aim to increase the employment rate of older workers (aged 55 to 64) up to 50 per cent by the end of 2010. The enhancement of the working potential of the older people is a must for the European economy, as the ageing process is gaining its magnitude. Therefore, EU workers should work as long as possible in order to prevent the collapse of the national retirement systems. Yet, so far the goal set in the EES is not reached, although there is a substantial improvement in this field. In 2004, the employment rate of older workers in the EU27 countries was 40.7 per cent, and by 2012 it has risen up to 48.9 per cent [EUROSTAT 2013].

On the other hand, the European Commission has recognized that youth unemployment (for persons aged 15-24) is one of the biggest concerns in the EU, especially in the wake of the European Financial and Sovereign Debt Crisis. In September 2012, it has reached a historic high of 22.8 per cent, i.e. 5.5 million unemployed young people in the EU27. Moreover, in five Member States (Greece, Spain, Italy, Portugal and Ireland) the youth unemployment rate has surpassed 30 per cent [EUROSTAT 2013]. With a protracted economic recession, young people are endangered by a possible marginalisation on, or even exclusion from the labor market. As the result, a possible new “lost generation” can be created, comprised of individuals trapped at the lowest segment of the social hierarchy, with limited chances of professional development and improvement of the living conditions.

As these two goals – increasing the employment of the older workers and reduced youth unemployment – are difficult to be met in the times of the economic crisis, there is a growing threat that European policy-makers might consider them as contradictory and promote the latter at expense of the former. After all, the political risk of keeping masses of young people without a job is more dangerous, than offering earlier retirement at the expense of the future generations of taxpayers. The proposal of German Chancellor Angela Merkel made in April 2013 was to finance (with the common EU funds) the early retirement schemes in the Member States most hit by the young unemployment. Therefore, the job positions held by older workers should be released and offered to the young workers. This policy should be of course combined with the regulations promoting the employment of young people by the private sector [Rinke and Pomeroy 2013]. This preliminary scheme has been so far declined by
the experts and political representatives of other Member States. But as the economic and political crisis in the Eurozone continues, a threat of trade-off thinking about younger and older workers’ employment rises. Therefore, the European Commission should take a clearer position in this debate. The EC and other EU institutions should be more active in these times of economic crisis, as the growing particularistic actions of member states threaten not only the effectiveness of the European Market as a whole, but are also dangerous for the European integration.

References


