

## Governance and Concerted Regulation of Employment in Europe

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## Governance and Concerted Regulation of Employment in Europe

**ABSTRACT** ■ This article analyses the changes and challenges involved in the governance of employment in the EU-15 over the past decade. Several interrelated changes are examined: the European Employment Strategy; social pacts at national level; and bipartite bargaining covering employment issues. One can argue that raising employment levels currently constitutes a consensus-making factor at European level and within countries, but that there is a progressive shift in the rules of the game: we are witnessing both procedural and substantive changes in the governance of labour markets.

### Introduction

Governing employment has become a key concern in Europe, after years when high unemployment levels in most countries have been seen as a major threat to social cohesion and to fragile pension systems. The interconnected economic, political and social implications of unemployment and employment make these issues a key criterion of European performance compared to the USA and Japan, and also a field in which the construction of a social dimension is tested. The EU has a high degree of labour market regulation (Dølvik, 2001; Esping-Andersen and Regini, 2000), but numerous changes have affected this over the past decade.

This article analyses changes in the governance of employment over the past decade in the EU-15, examining three different levels at which rules are negotiated: European, national and sub-national. It also considers coordination between these various levels of regulation and questions the nature of the rules defined. Four interrelated changes are examined: first, the European Employment Strategy (EES), which has made little significant impact on national industrial relations; second, social pacts negotiated in many countries, with employment as one of their key dimensions; third, bipartite bargaining which also covers employment issues, but is rarely coordinated within national IR systems; and fourth, the broad

consensus at European level on the need to raise employment levels, and the consequential shift in labour market rules. The article draws on official European sources; national reports on collective bargaining on employment in the 15 member states produced for DG Employment and Social Affairs; European social partners' reports on involvement in the 2003 national action plans (NAPs) and in European guidelines; 13 national reports on social partner involvement in the 2003 NAPs; and comparative reports on 'pacts for employment and competitiveness' published by the European Foundation.

## **Governance and the Concerted Regulation of Employment**

The notion of governance generally refers to a reconfiguration of the role of the state, becoming less authoritative and less hierarchical in conducting economic, political and social change; the shift from government to governance in processes of decision-making and policy implementation involves other actors in multiple arenas, such as unions and employers' organizations as well as regional and local authorities (Burroni, 2004; De Ruyter, 2004; Lallement, 1999). Governance is 'the set of mechanisms, devices and institutional arrangements that coordinate the economic actions of actors and organizations, regulate the distribution of resources and structure conflicts' (Burroni, 2004: 4); the term also refers to the search in modern societies for new relationships between the market and institutional regulation (Hollingsworth and Boyer, 1997).

The concept of governance is thus close to that of regulation as used by Reynaud (1989) and later Lallement (1999) to analyse employment in France and Germany and by Jobert (2000) to study the role of branches and territories in industrial relations systems. It denotes the processes by which social rules are produced and transformed, sometimes in the form of prescriptions or restrictions, but more often as a guide for action or a model that orients social actors' behaviour. Regulation is the product of social exchanges and is, consequently, the result of explicit or implicit social compromises which define not only substantive rules on employment, but also the 'rules of the game', that is, the regulation process itself. Regulation is highly contingent, depending on the problems to be solved and the actors involved and also on pre-existing rules that act as both resources and constraints.

Rules, however, are not rigid: they can be interpreted, forgotten, rejected or reaffirmed by the actors, who do not spontaneously agree to respect a single set of rules. Hence regulation does not consist of a coherent system of articulated rules integrated within a hierarchical structure; in particular, the articulation between state regulation and collective

agreements is a complex system of partly concurrent and conflicting rules (Reynaud, 2000).

The language of governance has appeared in the field of employment with a normative flavour. The revised EES presented in 2003 after five years of the 'Luxembourg process' emphasized 'good governance and partnership in the implementation of the employment guidelines': there was a double necessity to implement employment guidelines effectively and to involve in the process parliamentary bodies, relevant actors at national, regional and local levels, and the social partners (European Council, 2003; EC, 2004a).

Governance of employment in Europe today raises two interconnected issues for industrial relations: the first is the participation of social partners in the regulation of employment, which in turn raises the question of the concerted character of policies to increase employment rates; the second is the respective roles of the state and social partners, and particularly the relationships between government employment policies and collectively bargained rules. Applying Reynaud's perspective, employment regulation cannot be conceptualized as the simple pyramidal implementation of coherent rules from European to national and, finally, to sub-national sets of rules. The relationships between various rule-setting arenas become a problem of coordination, on the one hand, between state-led initiatives and collective bargaining, and on the other, among the different levels of industrial relations.

## Procedural Changes

### Concerted Regulation of Employment Under the EES

At European level, the major innovation over the past decade consists in the EES. Its fundamental characteristics have remained the same since its launch in 1997, despite its revision in 2003 (Foden and Magnusson, 2003; De la Porte and Pochet, 2003, 2004; Watt, 2004): annual guidelines must be translated into NAPs, which are then evaluated by the Commission and result in recommendations to each member state. Nor has the content of the guidelines themselves changed fundamentally, despite alteration in their form (Watt, 2004).

The notion of 'good governance' in the EES includes insistence on the participation of unions and employers' organizations in the preparation and implementation of NAPs. This was reaffirmed in the 2003 revised version: 'the effective implementation of the employment guidelines requires active participation of social partners, at all stages, from designing policies to their implementation' (European Council, 2003: 16). How far has this injunction been observed? Data are piecemeal, with little

**TABLE 1. Social Partner Involvement in the 2003 National Action Plans**

Country	EC (2004a)	Social partners ETUC et al. (2004)	Eironline (2003)
Austria	++	+–	+–
Belgium	++	+	+
Germany	+	+–	+
Denmark	++	+	+
Spain	+–	+–	+–
Finland	++	+–	+
France	+	no data	+
Greece	+– increasing	+	–
Ireland	+–	+–	+
Italy	–	+–	–
Luxembourg	++	+–	no report
Netherlands	++	+–	+–
Portugal	–	+–	no report
Sweden	++	+	+–
United Kingdom	+– increasing	+–	+–

Note: ++ substantial participation; + some participation; +– consultation but little impact; – little or no involvement.

systematic and fully comparable information. Table 1 summarizes conclusions from three different sources evaluating social partner participation in the 2003 NAPs (EC, 2004a; ETUC et al., 2004; Eironline, 2003).

The evidence is that the EES gives a clear impetus to consultation on NAPs, yet real concertation is rare. In the evaluation of the 2003 exercise, even the Commission recognized that NAPs are not a central tool for the governance of national employment policies and that governments remain the major and almost only actor in the process (EC, 2004a). The European Industrial Relations Observatory (EIRO) report by Baradel and Welz (2005) on social partner involvement in the 2002/03 NAPs generally confirms this, and a longer-term evaluation of the EES reaches a similar conclusion (De la Porte and Pochet, 2003, 2004).

There are many obstacles to more active participation in the NAP process. First, the annual exercise does not allow enough time for effective concerted action. Moreover, in some countries the timetable does not coincide with the annual wage bargaining round, inhibiting coordination. Second, the complexity of the subjects covered (for example, adaptability of the labour market, ‘lifelong learning’, ‘active ageing’ and active labour market policies) compounds the difficulties of participation within a tight calendar. These are, moreover, issues on which the appropriate level of regulation, and the division of responsibilities between government and social partners, can be particularly unclear. Third, some

governments do not support social partner participation, or more precisely union participation, even if they formally accept the principles of the EES, as is currently the case in Austria and Italy. Lastly, in some cases no consensus can be found among unions themselves, as in France, or between unions and employers and the government, leading to an incapacity to adopt joint positions on the NAP. The short time-frame again increases the difficulty.

### **Concertation Attempts and Social Pacts**

While social partner involvement in NAPs has been weak, in many countries tripartite bargaining has taken place for the conclusion of social pacts. The literature (in particular, Pochet, 1998; Pochet and Fajertag, 1997, 2000; Rhodes, 2003) mainly attempts to explain this trend by arguing that Economic and Monetary Union (EMU) created pressures for national governments and social partners to agree on wage restraint in order to control inflation rates and meet the Maastricht convergence criteria. Certainly, the emergence or revival of social pacts tended to coincide with the implementation of EMU, but this explanation is inadequate.

First, it tends to interpret such pacts as purely reactive responses to exogenous constraints: EMU is seen as generating similar reactions in very different national IR contexts. This is to ignore the endogenous dynamics which have resulted in contrasting responses in different countries, related in turn to the fact that unions and employers' organizations constitute in the different countries different actors with various ideologies and action capacities. Second, such an approach tends to assume that national governments play a leading role, because of their obligation to comply with the Maastricht criteria. This does not explain the motivation of other actors: in particular, why unions should participate in pacts designed exclusively to restrain wage increases. Third, reference to EMU highlights macro-economic factors, but leaves aside the social dimension. Pochet and Fajertag (2000) show that the pacts also cover labour market flexibility and social security; they also claim that the pacts of the late 1990s were more comprehensive than those earlier in the decade, including both quantitative and qualitative measures and extending beyond mere wage discipline. Lastly, the emphasis on EMU has some difficulty in explaining why countries such as Denmark, Sweden and Norway have concluded social pacts; and conversely, why some countries in the eurozone have not.

Accordingly, EMU is certainly part of the story, but not the whole story, for social pacts are also a means to reform the labour market. Data on this dimension are again not systematic. Table 2 provides a general overview of major actions in the employment field undertaken by

TABLE 2. Social Pacts and Tripartite Arrangements on Employment, 1998–2003

Country	1998	2001	2003
Austria	Social partner participation in policy-making	Declining participation	Tensions
Belgium	Bipartite central agreement	Bipartite central agreement	National tripartite conference
Germany	Tripartite <i>Bündnis für Arbeit</i> established	Discussion within <i>Bündnis</i>	Breakdown of <i>Bündnis</i>
Denmark	Major tripartite agreements	Coordinated government initiatives and collective bargaining	Tripartite dialogue
Spain	Bargaining subject to 1997 interconfederal agreements	National bipartite and tripartite agreements	Difficulties
Finland	Application of central incomes-policy agreement	Central incomes policy agreement (December 2000)	Central incomes policy agreement (December 2002)
France	None	Tensions	Parallel discussions in committee for European and international issues
Greece	None	Tensions	National employment committee
Ireland	Tripartite pact 'Partnership 2000' in force	Tripartite pact 'Prosperity and Fairness' in force	Tripartite pact 'Sustaining Progress' in force
Italy	Tripartite social pact	Growth of 'negotiated flexibility'	Bipartite pact; but concertation under pressure
Luxembourg	Tripartite coordination committee	Extension of role of committee	Concertation
Netherlands	Bargaining at national level	Much consultation	Bipartite StAr and tripartite SER
Portugal	Bipartite joint declaration	2000 tripartite agreement in force	Draft social contract
Sweden	Tripartite talks on skills and qualifications; bipartite talks on sustainable growth and labour market	Development of new institutional framework	High degree of social dialogue
United Kingdom	Possibilities limited by a highly decentralized bargaining system and absence of links between the national and micro levels. No comprehensive social partnership agreements.		

Source: For 1998, Spineux et al. (1999); for 2001, Spineux et al. (2002); for 2003, Eironline (2003).

governments, unions and employers' associations; this gives by no means an exhaustive account of concerted action, but is enough to demonstrate the vitality and innovatory character of such attempts to reorganize labour markets. Data are presented for three different years: 1998 (which was also the first year of NAPs), 2001 and 2003. Additional information is provided by the European social partners' report for 2003 on 'actions in member states to implement employment guidelines' (ETUC et al., 2004). Bilateral and tripartite initiatives 'aimed at supporting employment and economic development through a comprehensive set of measures' are reported in Belgium, Finland, Italy, the Netherlands, Portugal and Spain; while in Ireland the 2003–05 partnership agreement 'Sustaining Progress' included the objective of 'economic inclusion based on full employment'.

It is clear that numerous attempts have been made to conclude national social pacts, leading to effective arrangements in seven countries: Belgium, Denmark, Finland, Ireland, Luxembourg, the Netherlands and Sweden. In other countries, attempts have either failed or faced difficulties: in France, discussions within bipartite groups and committees are not articulated with governmental initiatives; in Germany, the ambitious 'Alliance for jobs' broke down in February 2003; in Austria, Italy and Spain, concertation is under pressure mainly from the government. Innovative, but uncertain attempts have been undertaken in countries such as Portugal and Greece. The UK is the only country where there is no sign of systematic and concrete attempts to conclude a social pact.

As noted above, EMU has certainly influenced social pacts, at least in their wage moderation component, but this hardly explains the other labour market policies included. One can interpret this as a form of political exchange: while EMU provides incentives for wage restraint, the inclusion of other labour market targets such as job creation, flexibility, training and the integration of younger and older workers may facilitate agreements that meet the interests of all actors and not only state macro-economic discipline.

However, these pacts cannot be directly attributed to the influence of the EES either, which has a limited influence on the NAPs themselves. Again, the diversity of national experience indicates that a common external stimulus has only limited explanatory power: the successful negotiation of social pacts and other tripartite agreements also requires strong stimuli or facilitating factors specific to the national context. Across all EU-15 countries there is broad consensus on the need to increase employment, and in many cases to decrease unemployment, but the high degree of legitimacy assigned to this objective is capable in only some countries of resulting in an agreement which reconciles the various interests of unions, employers and the state.

The multidimensional content which is one of the distinctive features of social pacts can itself facilitate the conclusion of such tripartite



arrangements. Typically, these comprise a 'package' of measures: according to Pochet and Fajertag (2000), they combine provisions for wage restraint, labour market flexibility, social security and other policy issues varying from one country to another. Similarly, research conducted in the second part of the 1990s on 'pacts for employment and competitiveness' (PECs) concluded that such pacts, whether tripartite at national level or bipartite at lower levels, reflect a wide agenda, including issues on work redistribution, cost cutting, productivity and adaptability or employability (Freyssinet and Seifert, 1999; Sisson, 2000).

Rhodes (2001, 2003) argues that social pacts are the formal expression of concerted attempts to reform labour markets and social security while stimulating competitiveness in a macro-economic context in which governments cannot apply the traditional instruments of national economic policy. Considering four national cases, he concludes that collaboration on incomes policy is secured by enabling union participation in social policy and labour market reform, while social pacts also include rules on industrial relations and socio-economic governance. Again, the true multidimensional character of social pacts cannot be understood as the mere application of wage restraint imperatives; they cover distributional and productivity issues and reflect attempts on the part of national actors to reform labour markets. In other words, they result from the search for concerted solutions able to meet the various actors' interests.

Social pacts thus involve complex arrangements combining wages, competitiveness and employment. They require the institutional capacity to negotiate across policy arenas and are thus innovative and fragile: as various failed attempts indicate, their stability and viability are not guaranteed (Regini, 1999; Rhodes, 2003). Many difficulties or obstacles can prevent the conclusion of such pacts. A change in governmental attitude towards concertation is enough to destabilize the existing processes; difficulty in reaching a consensus can lead to failure; beyond the general objective in terms of employment, specific issues can be very contentious (for instance, flexibility or 'activation' policies or retirement regimes) and this can result in an incapacity to conclude an agreement satisfying all the players.

In sum, social pacts may be influenced by EMU to the extent that the Maastricht criteria provide incentives for wage restraint, but they also include other dimensions, in particular measures to improve employment levels. These can facilitate compromises on wage restraint, but in addition they result from the willingness of national actors to reform labour markets in order to increase employment. The latter consensual objective opens the road for multiple actions in the fields of flexibility, work organization, working time, training and integration of younger and older workers. The possibility of concluding multidimensional

agreements, within ‘integrative bargaining’ processes, certainly facilitates agreement; but the process remains highly contingent, requiring governmental support and depending on actors’ willingness and capacity to make complex trade-offs.

### **Bargaining on Employment and the Coordination of Labour Market Reform**

Employment-related topics also feature in bipartite collective bargaining at national level, though its extent is impossible to assess precisely because of the lack of representative data on the detailed content of collective agreements. However, several parallel research programmes indicate that employment gained in importance in collective bargaining during the 1990s. Research conducted for the European Foundation shows that ‘pacts on employment and competitiveness’ constitute an innovative approach to bargaining and are negotiated at branch and local level in all 11 countries studied (Freyssinet and Seifert, 1999; Sisson, 2000). Bélanger and Thuderoz (1998) compare company bargaining in France and Québec and suggest that employment, rather than wages, has increasingly become a new ‘general equivalent’. Spineux et al. (1999, 2000, 2001, 2002) observe numerous processes of bargaining on employment in the EU-15, at company, sectoral and national levels. Lastly, the 2004 European social partners’ reports on the implementation of the employment guidelines identify a large number of such initiatives.

Of course, there can be a bias here, since the notion of employment covers a variety of measures, including training, flexibility and worker mobility: it may be incautious to conclude that employment constitutes a central issue in bargaining simply because themes such as flexibility or training are included. Nevertheless, all the research cited shows that collective bargaining contributes to labour market reform in European countries. This role involves specific types of comprehensive, multidimensional agreements resulting from integrative rather than distributive bargaining (Sisson et al., 1999; Sisson, 2000). It also accompanies changes in industrial relations systems. According to Sisson (2000), pacts on employment and competitiveness encourage decentralization, ‘with a wider participation of managers and employee representatives in the framework of a serious partnership approach’.

The trend towards decentralization has been observed in most European countries, but as Traxler (1995) has shown, this does not necessarily mean a decline in higher levels of bargaining, which may maintain a role in defining guidelines, rules and norms governing company-level bargaining within a system of ‘organized decentralization’. The degree of coordination among various arenas of bargaining is indeed a central issue for the governance of employment. It has a direct

impact on the coherence between the content of centrally concerted employment policies or 'social pacts' and decision-making at company level. A coordinated industrial relations system will favour such a coherence, while an uncoordinated system will leave room for diverse and uncontrolled employment practices within companies in the context of what Traxler calls 'disorganized decentralization'. In other words, in such a case a social pact can have little effect in practice as long as companies define their own employment practices, with or without bargaining.

In countries where social pacts have been concluded, a high degree of coordination will favour coherence not only among different levels of bargaining, from company to sector to cross-sector bargaining, but also some synchronization between the state and industrial relations actors. Where there is no social pact, a high degree of coordination will favour coherence across sectors and across levels, but not with the state. Consequently, as Crouch (2000), Traxler (1995, 2003) and Regini (2003) demonstrate, though from different starting points, identifying the levels at which bargaining is conducted is not enough to determine what type of role industrial relations institutions play in the regulation of the labour market. Coordination is a key criterion if we want to understand to what extent labour market reform is conducted in a concerted way across levels and sectors or, on the contrary, left to increasingly decentralized action.

In the context of national industrial relations systems, the combination of social pact processes with different degrees of coordination gives rise to four ideal-type scenarios. In the first, social partners and the state conclude one or several social pacts, and there is a high degree of coordination. This is, for instance, the case in Belgium, Denmark, Finland, Luxembourg and the Netherlands, yet with different coordination mechanisms. Accordingly, in these countries a relatively coordinated reform of the labour market is in progress, conducted through peak-level concerted action that is coordinated with the various levels of bipartite bargaining. This can be interpreted as the optimistic path of concerted change from an industrial relations point of view, not only because social partners participate in employment policies, but also because there is an organized system that leads to coherent action 'down to' company level. Some of these countries have indeed succeeded in conducting major labour market reforms in a concerted way, as is clear in the often-cited cases of Denmark and the Netherlands.

The opposite scenario involves a weakly coordinated industrial relations system with no general agreement or arrangement between the state, unions and employers' associations. Here the classic example is the UK, where there are no comprehensive social partnership agreements (Hall, 2003) and industrial relations involve a high degree of decentralization. In terms of labour market governance, such a scenario contains a high risk of differentiation and fragmentation of the workforce, with

conditions varying from one company to another, along with the possibility for individual companies to use a wider range of employment measures, for example, utilizing a variety of ‘flexible contracts’ (De Nanteuil-Miribel et al., 2004).

Between these two extremes, there are situations in which no social pact has been negotiated, yet industrial relations have a high degree of coordination. France is an example, with regular confrontations between unions, employers’ associations and the government. Lastly, there is a fourth scenario in which social pacts are concluded, but with a weak degree of coordination of collective bargaining; hence the coherence of nationally set up rules and what is negotiated and practised within companies is not guaranteed. Greece would represent such a scenario if the newly established employment committee reaches joint commitments: the coherence between such arrangements and bargaining at lower levels will remain uncertain if the current industrial relations system remains unchanged.

Such ideal types must be applied flexibly, because the situation in each country is not static: social pacts involve a high degree of contingency. Hence different countries can follow different trajectories: in Portugal, coordination and the pursuit of concertation are both increasing; in Austria, the long-established tripartite social dialogue is at risk because of the confrontation between the government and the social partners; in Ireland, the conclusion of national partnership agreements seems to have become more difficult because of growing disagreement over wage issues and changes in the labour market (Dobbins, 2004).

## **‘More and Better Jobs for All’? Redesigning Labour Markets for Full Employment**

### **From Labour to Employment, then to Full Employment**

In arenas at all levels, from the EES to company bargaining, the term ‘employment’ is widely present: in the ‘European strategy for employment’ and its impulse towards ‘national action plans for employment’, in pacts and conferences ‘for employment’, in agreements ‘on employment and competitiveness’, and so on.

The notion of employment as such is less common in the social sciences than concepts such as labour and work. Its presence in the discourse of actors such as the European Commission and Council, European social partners and national governments, unions and employers’ organizations reflects a general reference to the goal of full employment and this, in turn, covers a progressive shift in substantive terms in the governance of labour markets in Europe.

References to employment generally encompass both a numerical dimension (the number of jobs or employment rates) and a qualitative dimension (involving worker mobility, the flexibility or adaptability of workers and companies and integration of specific categories of workers). We can identify three interrelated variables: *volume*, that is, the number of jobs within a national labour market or segments of this market (women, school-leavers, older workers and ethnic minorities); *structure*, that is, the distribution of qualifications and occupational status, nature and distribution of contracts, and organization of working time; and *flows*, which covers issues such as access to work, retirement and occupational mobility (Maruani, 1990; Michon, 1994).

Pacts and agreements on employment commonly include a complex set of measures, as follows:

- The EES encourages member states to implement policies according to 10 guidelines that cover active measures for the unemployed, job creation and entrepreneurship, adaptability and mobility in the labour market, development of human capital and lifelong learning, active ageing, gender equality, integration of disadvantaged people, 'making work pay' through incentives to enhance work attractiveness, transformation of undeclared work into regular employment and, lastly, tackling regional disparities
- In national PECs, Sisson et al. (1999) identify measures for work redistribution, cost cutting, productivity and adaptability, and employability, all more often designed for the purpose of preserving than creating employment (Freyssinet and Seifert, 1999; Sisson, 2000) and
- Spineux et al. (1999, 2000, 2001 and 2002) also identify numerous pacts and agreements associating training, functional and numerical flexibility, working time, cost cutting, measures for younger or older workers and so on.

The overall preoccupation is to preserve or increase employment, whether at company level, in a region or territory, in a national labour market or finally, across Europe as a whole.

### **Full Employment under the EES**

Increasing employment levels has become a widespread objective, but also a more and more explicit goal in Europe over the past 10 years. It is in fact a rather traditional objective, prevalent in Europe since the rise of unemployment from the mid-1970s. Gobin (2000) reminds us that employment was at the core of projects of tripartite concertation at European level between 1969 and 1978 and that, in the same period, a major European Trade Union Confederation demand was to make full employment a political priority for Europe. In the 1980s and 1990s,

employment rates remained steadily below Japan's and the USA's, and persistent high unemployment was considered a European disease, causing social and economic problems (EC, 2003). This led to the 1993 Delors White Paper on *Growth, Competitiveness and Employment* and subsequently to the EES. The Lisbon strategy, established in 2000, makes full employment one of its three overarching objectives, and specifies quantitative targets: an average EU employment rate of 67 percent by 2005 and 70 percent by 2010; an employment rate for women of 57 percent by 2005 and 60 percent by 2010; and an employment rate for older workers (aged 55–64) of 50 percent by 2010.

The EES, often considered a key example of the social dimension of European integration, has attracted much comment (Foden and Magnusson, 2003; De la Porte and Pochet, 2004; Pochet and Degryse, 2003; Watt, 2004), including criticism of its weak articulation with macro-economic policy. However, a dimension of the strategy, although central to its new version, is more rarely discussed, and this is the feasibility and the legitimacy of the full-employment objective as such.

Unemployment rates are now at very different levels in the various EU-15 countries (and even more disparate across the EU-25), ranging from less than 5 percent in Austria, Denmark, Ireland, Luxembourg and the Netherlands to 10 percent or more in Greece and Spain. The EU-wide priority has therefore shifted from combating unemployment to increasing overall employment levels and the specific rates for women and older workers. Most countries are still falling short of the Lisbon targets, in particular in respect of older workers (EC, 2004a). Accordingly, as Foden and Magnusson (2003) note, the priorities of the EES since its revision in 2003 have shifted from lower unemployment to higher employment (a change in emphasis in part reflecting concerns for the viability of pension systems).

Considering that the overall employment rate in Europe has remained below 65 percent since the mid-1970s (EC, 2003), one may question whether the 70 percent target is realistic, especially when labour market trends have resulted in a failure to reach the intermediate targets for 2005 (EC, 2004a, 2004b). Moreover, enlargement in 2004 has made the situation worse, as the 10 new members have an average employment rate of only 55.9 percent and an average unemployment rate of 14.8 percent (EC, 2003).

If full employment is a long-established and apparently endless quest, it is today different from what it was at the end of the 1970s and early 1980s. In the EES, it is detailed in a number of quantitative indicators for each of the guidelines, but is also associated with features characterizing transformed labour markets:

- Strong insistence on 'active policies', that is, increased assistance to the unemployed to help them find a job, but also on 'incentives to enhance work attractiveness' and 'make work pay';

- The importance of notions such as adaptability, worker mobility, lifelong learning, underpinned by the idea of employability (while 'employability' is not precisely defined in the guidelines, the report of the Employment Taskforce in November 2003 indirectly gave a definition when discussing the topic of flexibility, stating that workers' security depends on their own capacity to remain and progress in the labour market (Kok, 2003));
- Promotion of 'active ageing', to increase the participation of older workers;
- Encouragement to women's participation through notions such as 'gender equality' and 'gender mainstreaming' and;
- Pressure to reduce undeclared work and regional disparities, though with no quantitative targets.

In sum, even if the insistence on partnership and on the participation of social partners in the design and implementation of the employment guidelines reflects an underlying neo-corporatist type of governance, the overall picture is one of a labour market in which each individual should actively search for a job, be 'employable', be mobile and adaptable, improve his or her competencies over the whole of his or her career and retire later than now.

This shift does not constitute a general deregulation of employment relations. As Dickens (2003) and Dølvik (2001) have shown, most jobs in Europe remain full time and with long-term contracts. Further, labour market transformations are, at least partly, conducted by rules set up by governments and the social partners. The shift, then, is rather in the progressive and distinct erosion of the notion of job security, and the growing affirmation of that of employability. This concept, as indicated above, clearly puts the responsibility for employment on individuals rather than on economic policies or employer strategies. Associated with the insistence on active labour market policies, on the dependence of social protection on occupation, this represents a subtle modification in the position of workers: their rights are more and more conditioned by their own ability to find a job. Instead of a right to work, there is a growing obligation to be 'employable', associated with a shift from a welfare to a 'workfare' state (Tromp and Beukema, 2001). In other words, the ideology of full employment threatens to move towards a notion of 'employment-based citizenship', marked by a stress on supply-side labour market policies rather than protection. Access to social security becomes conditioned by the individual development of capacities useful to the market, with the necessity of regular updates for the 'knowledge-based society'.

## The Pursuit of Consensus

Increasing the volume of employment is not only central to the EES, it represents a consensual objective within individual countries, for several reasons. First, in many countries, unemployment is a long-term and structural problem to which successive programmes hardly provide an answer. Even if average unemployment rates have tended to decrease over the past 10 years, areas of high unemployment remain in specific regions, and younger people are particularly hard hit, with an unemployment rate over 15 percent across the EU-15 (EC, 2003).

Second, unemployment, or more generally the level of employment, poses challenges of an economic, social and political nature. In economic terms, it has a direct impact on social security costs and, as a consequence, on labour costs and on public expenditures, while older workers' participation is a key variable for the viability of pension regimes. In social terms, it is related to individual social status and recognition and to the collective challenge of the integration of young people and minorities as well as to inequalities and social exclusion or cohesion. All these factors have a political dimension, and additionally, state capacity to design and implement efficient employment policies is a key electoral challenge (Hamann and Kelly, 2003). Increasing employment thus represents a societal challenge that directly concerns governments, employers and workers and can therefore be considered as an objective conducive to consensus making. It is, moreover, likely to meet the interests of each of the players, favouring the conclusion of ambitious agreements and social pacts. In other words, employers, unions and the state can gain from compromises on employment. Over and above a potential reduction in labour costs, employers can argue successfully for increased adaptability in order to preserve competitiveness, gaining state and union support for the development of a flexible and qualified workforce; unions see an increase in the number of jobs not only as a question of solidarity, but also of the social integration of more vulnerable sections of the population, and a crucial condition for the survival of social security; for the state, it means stability and security through social cohesion, a better capacity to contain public expenditure and social security regimes, along with a means to intervene in a field that is highly sensitive in electoral terms.

Lastly, in a context in which variations in wages are strongly constrained by EMU, actors willing to conduct labour market reform, whether to improve competitiveness or to maintain social cohesion, need to play on other levers: flexibility of contracts and working time, qualifications and skills, worker mobility and age of entry in to and exit from work, that is, employment volume, structure and flows.

Therefore, both exogenous and endogenous factors contribute to the



vitality of bargaining and concertation on employment: encouragement from EMU and the EES; problems that are country specific, but are present in all the countries; the notion of full employment as a consensus-making facilitator; and the field for compromise between the various interests at play.

However, the actual impact on employment rates remains uncertain because many variables intervene. As Sisson (2000) notes, PECs are not deemed a sufficient condition for growth and job creation; they constitute what Saglio (1994) calls a 'game of chance', an exchange between partners in which uncertainty of the final result remains important. The actual impact in increasing the number of jobs is uncertain, but changes in terms of flexibility, training, employability, and activation policies are effective. In sum, all this contributes to a reform of labour markets for the sake of full employment, in which the latter objective looks like an endless quest for the holy grail, while the content of change in terms of employment structure and flows is real.

## Conclusion

Governance of employment in Europe has been marked by a series of transformations over the past decade, including changes in both the processes and the content of rules regulating the labour market: in processual terms, progressive affirmation of the EES, development of consultation within NAPs, social pacts or attempts to conclude them and bipartite bargaining on employment; in substantive terms, the notion of employability seems to be a widespread focus of policy and goes along with the progressive adaptation of the labour market and of employment conditions for the sake of full employment.

Institutions play an important role in conducting labour market change, with numerous processes designed to develop joint solutions at different levels: European, national and infra-national. Clearly, institutional actors do not intervene just to compensate for the excess of liberalization of the labour market, nor to maintain existing 'rigidities'; they aim to adapt labour markets with such objectives as 'negotiated flexibility' (Alacevich and Burrioni, 2002).

The quest for full employment is widespread and favours consensus building at both European level and within countries, while there are European processes (EMU and EES) that constitute common constraints for national actors. However, national scenarios vary because national actors have to respond to labour market problems that are specific to their own country: improving employment security in Spain, reducing employment gaps in the Netherlands, implementing working-time reduction in France and so on. Countries also differ on two other

dimensions: the capacity to conclude social pacts and the degree of coordination within their industrial relations systems.

Changing labour markets, evolving European frameworks and the instability of social pacts: the most common characteristic of national situations today is certainly that they are in flux. Innovative arrangements such as PECs remain contingent on several conditions: government attitudes towards unions and employers' associations and towards concertation; conversely, the willingness of the latter to cooperate with the state in the regulation of labour markets; their capacity to reach consensus and to conclude complex multidimensional agreements that meet each other's interests; and the institutional capacity to implement arrangements at the various levels and in different sectors, which is related to the degree of coordination of industrial relations systems.

Accordingly, several future scenarios are possible:

- Consolidation of neo-corporatist change will occur in countries where a number of conditions are met: the persistence of governmental support, long-lasting compromises, actors with both the willingness and capacity to conclude multidimensional agreements and institutional integration of arrangements into a coordinated industrial relations system.
- Tensions among national actors or across levels of industrial relations in the absence of governmental support, the failure of successive attempts to conclude pacts and a lack of coherence between centrally negotiated arrangements and sector and company-level practices.
- Breakdown, where the government's attitude constitutes an obstacle to concertation, where attempts to negotiate pacts never succeed or are never undertaken, where conflicts over specific issues such as wages or flexibility impede the conclusion of agreements and where lack of coherence among levels or arenas results in increased workforce fragmentation that in turn makes common solutions more and more difficult to achieve — this latter scenario would favour employer-led change, with liberalization of the labour market and weak union influence on the process.

Lastly, if full employment generally represents a consensus-building goal, favourable to concertation and to trends towards the first scenario, in the current context it also involves some ambiguity: it is conducive to innovative types of agreements, supporting neo-corporatist change of labour markets, but also involving greater flexibility, a shift in responsibility for employment to the individual worker and employment-related social protection, while no concrete impact in terms of the number of jobs is guaranteed.

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