Benchmarking Working Europe 2009

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The ETUI conducts research in areas of relevance to the trade unions, including the labour market and industrial relations, and produces European comparative studies in these and related areas. It also provides trade union educational and training activities and technical support in the field of occupational health and safety.

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The department's work is organised in three programme areas:

- social dialogue
- trade unions and the Europeanisation of industrial relations
- European economic, employment and social policy

Email: etui@etui.org
Website: www.etui.org

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INTRODUCTION

In March 2000, the heads of state or government adopted the Lisbon Strategy, a ten-year project devised to set 'a strategic goal for the European Union in order to strengthen employment, economic reform and social cohesion as a part of the knowledge-based economy'. The overall formula selected for conduct of the strategy was that the European Union countries would, through recourse to the open method of coordination (OMC), engage in building knowledge infrastructures, enhancing innovation and economic reforms and modernising social welfare and education systems. The main polices advocated were those designed to promote the information society and R&D in a context of structural reforms to improve competitiveness, innovation and completion of the internal market, while modernising the European Social Model, investing in people and seeking to eradicate social exclusion. While the original Lisbon Strategy sought a balance between an appropriate macro-economic policy mix, cohesion policy and employment policy, since its revision in 2005 this balance has been tilted in the direction of competitiveness.

Several targets were established at the outset for achievement by 2010, the date set for official evaluation and achievement of the Lisbon Strategy. Now that its follow-up is being debated and fleshed out, there would seem, at first sight, to be something of a blind angle in terms of what can be learned from the experience of the Lisbon Strategy. Yet such lessons would appear essential for the assessment of a new set of priorities, based on an accurate perception of the issues that need to be emphasised, included or excluded in the future.

Every year, the *Benchmarking Working Europe* report offers a contribution to the EU Spring summit. It provides a genuine benchmarking exercise applied to the world of labour and social affairs and grounded in effective labour and social rights. The aim is to establish what progress – or lack of it – has taken place in selected areas of importance to the trade unions and of significance for a social Europe. Accordingly, in this year of preparation of the strategic goals for the next ten years, we have chosen to embark upon a social stocktaking of the Lisbon Strategy as a means of feeding into the post-Lisbon debate. Among the questions addressed this year are the following: Are we moving in the direction of knowledge-based growth? Have we witnessed creation of both more and better-quality jobs? Do the indicators point to an increase in social cohesion? And how can workers better participate in the achievement of these various aims?

This ninth *Benchmarking Working Europe* report is published at a time of dramatic and potentially unprecedented financial, economic and social crisis in the European economy. The gloomy economic prospects for 2009 and 2010 will inevitably subject European labour markets to severe pressures, thereby testing the real medium- and long-term impacts of the past ten years of structural reforms.

The indicators presented in this year's *Benchmarking Working Europe* reveal no major leaps forward in terms of social achievements over the period of the Lisbon Strategy. While the employment figures have improved, the increase has been achieved mainly by the creation of part-time and temporary employment. Even more worrying are the indicators relating to the investment in the knowledge-based society, there having been a significant lack of progress in the areas of lifelong learning, school drop-out rates and investment in research and development, among others. Low-skilled workers are suffering particularly in the current growth climate, in terms of both employment opportunities and quality of jobs. Nor has significant improvement been achieved in relation to social cohesion. Inequalities within countries have increased, 8% of the employed are working poor, and no major advances are apparent in terms of closing the gender gap with regard to wages and poverty. What is more, the wage share of GDP has decreased steadily over the period. All in all, convergence on social indicators between countries has been decidedly limited.

There would seem, under these circumstances, to be a genuine need to review the overall policy approach in relation to how Europe is to create the foundations of a knowledge-based society.

Turning to look at the economic situation, a glance at developments over the past eight years displays a clear discrepancy between the targets set and the results achieved. If growth were to continue at the same pace, it would take another ten years to reach the targets set. Another important issue commanding our attention is the speed and force with which the current crisis has undermined the European economy. That recession should have struck so hard unquestionably calls attention to the fragile foundations of the growth patterns adopted in certain countries. Part of the response must lie in a questioning of the rigid macro-economic framework that had been adopted, as well as the excessive wage moderation which has been such a marked feature of the last decade.

An evaluation of the contribution made to the Lisbon Strategy by social partner and worker participation serves to demonstrate the potential available among these actors and social institutions as both drivers of change and safeguards against derailment. And yet there also seems to be an undervaluation of this potential and of what, if more appropriately harnessed, it could contribute.

INTRODUCTION

There would seem, in conclusion, to be cause to question the underlying foundation of the current Lisbon Strategy with its primary emphasis on economic growth as a driver for social gains and more environmentally sound developments. Several of the contributions to this volume show, in no uncertain terms, that it is rather by raising social and environmental standards and wellbeing that we might succeed in achieving a sustainable growth pattern and a healthier and more cohesive society for the future.

Though the findings revealed by this latest exercise in assessing the extent and impact of social and labour progress in Europe are less than encouraging, we hope you will derive both interest and benefit from your reading of this year's *Benchmarking Working Europe*.

John Monks

ETUC
General Secretary

Maria Jepsen

ETUI
Director of Research Department

Philippe Pochet

ETUI
General Director

1. CLOSE TO TEN YEARS OF THE LISBON STRATEGY

The Lisbon Agenda aims to turn Europe into the most competitive economy in the world by 2010 and to do this on the basis of innovation and knowledge while maintaining or defending social cohesion. In other words, Lisbon is about choosing the 'high road': globalisation and competition with low-wage, emerging economies, such as China, should not be addressed by cutting wages and intensifying situations of work-related stress. The alternative is to opt for 'smart' solutions: new products and services to keep ahead of low-cost competitors and new production techniques to raise productivity and improve cost positions.

Eight years after the start of the Lisbon Agenda, and two years before its (provisional?) deadline, it is time to take stock. Has the Lisbon Strategy worked? And if it has not, can it still be repaired or is it doomed to fail and do we need a totally different agenda?

Themes

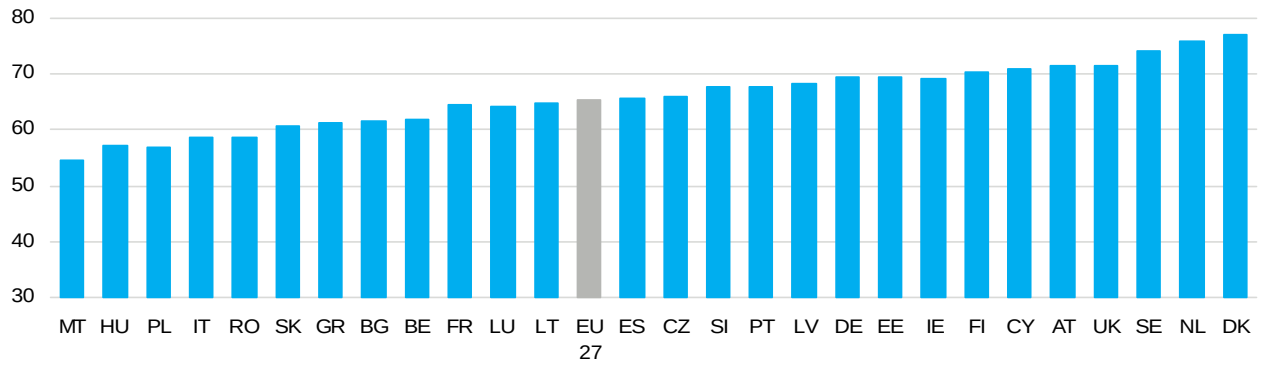
1.1. Employment results

Employment objectives

One 'innovation' of the 2000 Lisbon Council was to set employment targets for Europe as a whole: by 2010 employment rates were to be raised to 70% for the population of working age taken as a whole, to 60% for female workers and to 50% for older workers. This can be regarded as something of a revolution. At the time, strong opposition was exerted by the finance ministers who claimed – under the influence of beliefs stemming from financial market practices and the associated prevailing ideological stance – that the objective of 'full employment' was outdated and that, in any case, government policy was impotent to exert influence in this respect. When the European Council nevertheless decided to introduce these employment objectives, this represented a political victory for the employment ministers.

What has happened in reality over these past eight years? On the one hand, the overall employment rate in Europe became stranded at 65.4% in 2007, making it rather unlikely that the overall target of 70% will be attained by 2010, particularly in the light of the ongoing carnage in jobs resulting from the financial turmoil.

Figure 1.1: Employment rates, 2007



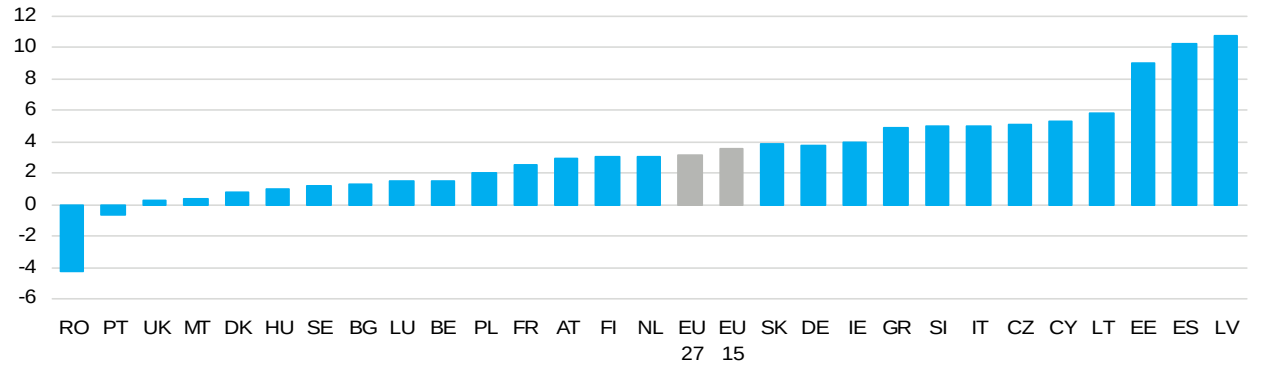
Data source: Eurostat, web site consulted on 16/12/2008.

1.1. Employment results

Employment objectives

On the other hand, the overall employment rate *has* been raised substantially, from 62.2% in 2000 to 65.4% in 2007 for Europe as a whole. In no country has the employment rate fallen over this period, while some countries have outperformed and staged a stunning increase in employment rates. In Spain, to give one example, the employment rate soared from 56% in 2000 (and as low as 50% in 1998) to 65.6% in 2007. At the same time, a number of countries that were already performing well (Scandinavian countries plus Austria and the Netherlands) further increased their employment rates, achieving levels well above 70%. All in all, millions of new jobs have indeed been created in Europe (see also Chapter 3 in this volume).

Figure 1.2: Evolution of employment rates, 2000 to 2007



Data source: Eurostat, web site consulted on 16/12/2008.

1.1. Employment results

Quality of jobs

One year after the Lisbon Council, it was felt – under the Belgian presidency of the European Union – that the Lisbon Agenda displayed a bias towards the quantity of jobs at the possible expense of their quality and that this required some correction. The Laeken Council therefore decided to define a number of job quality indicators, with a request to the Commission to develop them further.

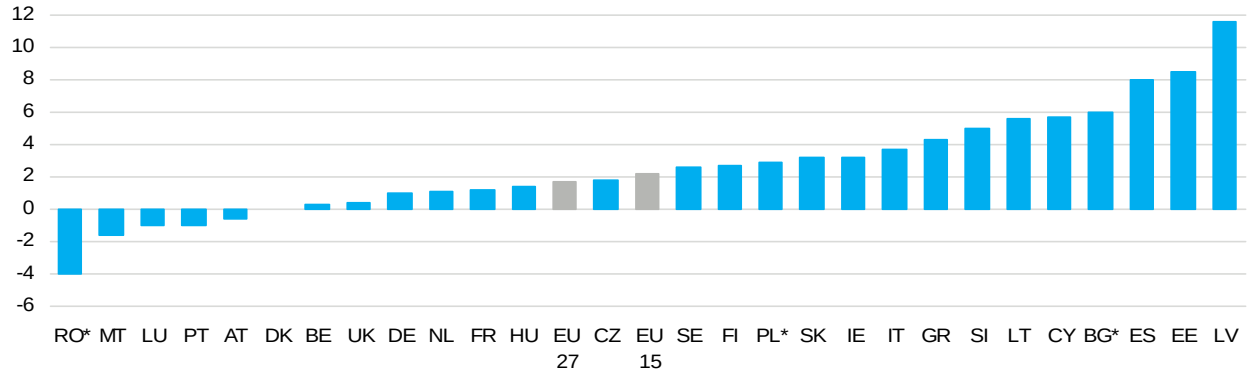
Looking back over close on ten years of massive job creation in Europe, what have been the practical experiences with job quality?

Job quality, of course, has many dimensions. Nevertheless, even if statistical attempts to summarise these different dimensions into one single indicator (Leschke and Watt 2008; European Commission 2008h) allow the conclusion to be drawn that average job quality in the European Union has not actually fallen, the same work also shows that, with regard to one dimension in particular, there has been a substantial regression: precarious work has spread like a plague throughout Europe. With the rise of non-voluntary or forced part-time jobs, agency work, fixed-term employment and low-wage jobs, labour and employment relationships have become less stable and increasingly insecure (see also Chapter 3 in this report).

To illustrate the magnitude of this trend towards increasing numbers of atypical jobs, Figure 1.3 shows the rise in employment rates expressed in full-time equivalents. Employment performance is heavily influenced by the proliferation of part-time work and, except in a handful of member states, the expansion in employment levels, when expressed in full-time equivalents, is not particularly impressive. This observation sheds a different light on the overall rise in employment rates. Employment performance has, to a major degree, been boosted by having more workers in jobs that did not absorb their total working time availability.

While part-time work may indeed be a deliberate choice for a certain proportion of the workforce, it nonetheless represents a significant waste of human resources from the standpoint of the economy as a whole, for example when well educated workers are forced to take up part-time and lower-productivity jobs in the effort to reconcile work and family life.

Figure 1.3: Evolution of full-time-equivalent employment rates, 2000-2007



Source: European Commission (2008). Note: * = 2001-2007.

1.2. Has the knowledge economy been built?

Has anyone seen an increase in R&D budgets?

Transforming the economy into a 'knowledge' economy implies, for a start, investment in research and development (R&D), education, lifelong learning. At the start of the Lisbon Agenda, Europe laid down some common targets which member states should seek to achieve, or in relation to which they should at least try to improve their performance: the share of investment in R&D was to increase to 3% of GDP; the share of persons aged 25 to 64 involved in lifelong learning should reach 12.5% by 2010; the percentage of early school-leavers was to be reduced to below 10%.

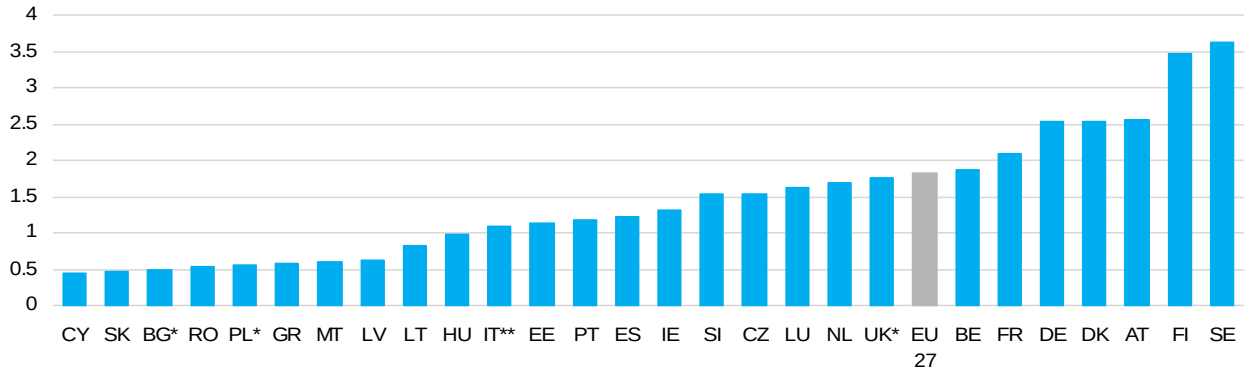
The statistics on R&D are sobering, at least when overall European figures are examined. Irrespective of the European average that is taken (EU27, EU15, or euro area), some eight years after the start of the Lisbon Agenda, the share of R&D in GDP has barely moved. This lack of progress is similarly reflected in patent applications to the European Patent Office, which have stagnated at around 105 applications a year per million inhabitants.

Of course, this European average does conceal some successful efforts at national level. Austria, Denmark, Ireland, Spain and Portugal have taken this target seriously and have increased their R&D share in GDP, as have several eastern and central European member states, whose effort nonetheless still remains at a very low level. Finland and Sweden, which were already investing over 3% of GDP before the start of the Lisbon strategy, continued to outperform other countries.

Nevertheless, the heavyweight countries (UK, France, Italy and Germany) did not really move on this indicator, explaining why the overall European investment effort in R&D has remained exactly where it already stood in 2000 and well below the 3% Lisbon benchmark.

Some limited progress can be reported in the field of early school-leavers. For the EU27, the share of the population aged 18-24 with at most lower secondary education and not in training fell from 17.6% in 2000 to 15.2% in 2007. This trend of a falling share of youngsters with a low educational level is also apparent in virtually all countries. Nevertheless, for Europe as a whole and for many individual countries, there is still a long way to go to achieve the Lisbon target of a maximum level of 10%.

Figure 1.4: Research and Development (R&D) as % of GDP, 2007



Data source: Eurostat, web site consulted on 16/12/2008. Note: * = 2006, ** = 2005.

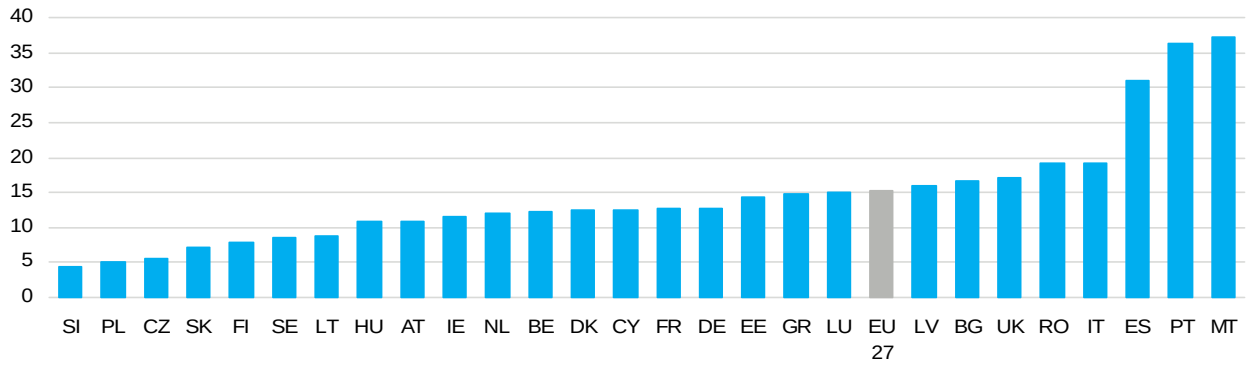
1.2. Has the knowledge economy been built?

Lifelong learning: progress thanks to statistical trend breaks?

Moreover, in a few countries the situation gives rise to concern. Spain and Portugal record a share of early school-leavers over 30%. Though this trend is decreasing in Portugal, Spain has actually seen a (limited) rise in early school-leavers. Nor is the UK result of a reduction of early school leavers from 18.4 to 17% particularly impressive insofar as it leaves the UK at almost the double the 10% benchmark.

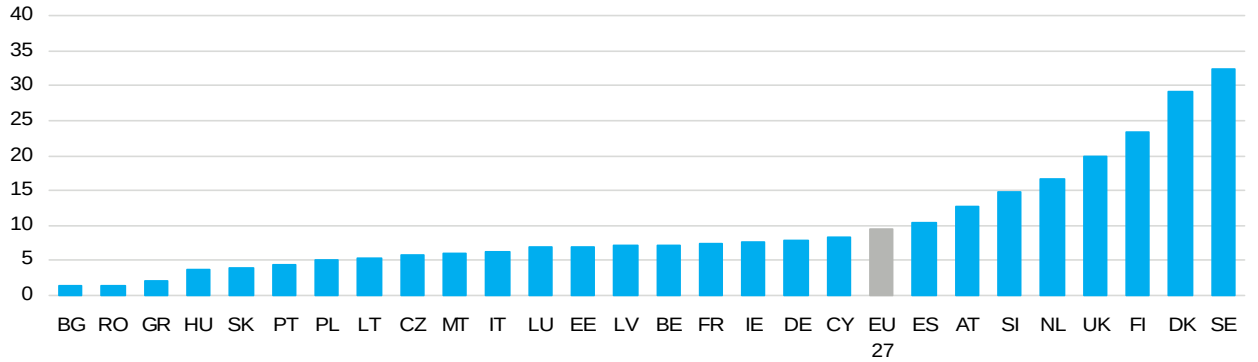
Progress in the area of lifelong learning is also somewhat limited. The incidence of lifelong learning in the EU27 has increased from 7.1% in 2000 to 9.5% in 2007. It should be added that, as a result of a statistical trend break in 2003, the observed increase is actually an overestimation. One star performer here is Denmark which, even taking into account this statistical trend break, managed to increase the share of people in lifelong learning from an already high level of 25.5% in 2003 to 29.2%. The overall conclusion for the European Lisbon Agenda is that much still remains to be done if the benchmark of 12.5% is to be reached by 2010.

Figure 1.5: Early school-leavers, 2007



Data source: Eurostat, web site consulted on 16/12/2008. Note: Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training.

Figure 1.6: Lifelong learning, 2007



Data source: Eurostat, web site consulted on 16/12/2008. Note: Percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey.

1.3. Has social cohesion been maintained?

Inequality: the forgotten dimension

Apart from a reference to an annual decrease in the gender pay gap of at least 1% and an intention to set objectives to reduce the incidence of low wages and the number of working poor, the Lisbon Agenda never really did provide a definition or indicators of social cohesion.

However, one important way – albeit not the only way – to measure social cohesion is to look at inequalities in income distribution (compare also Chapter 4 in this volume). Here, we use the ratio of total income received by the 20% of the population with the highest income (top quintile) to that received by the 20% of the population with the lowest income (bottom quintile).

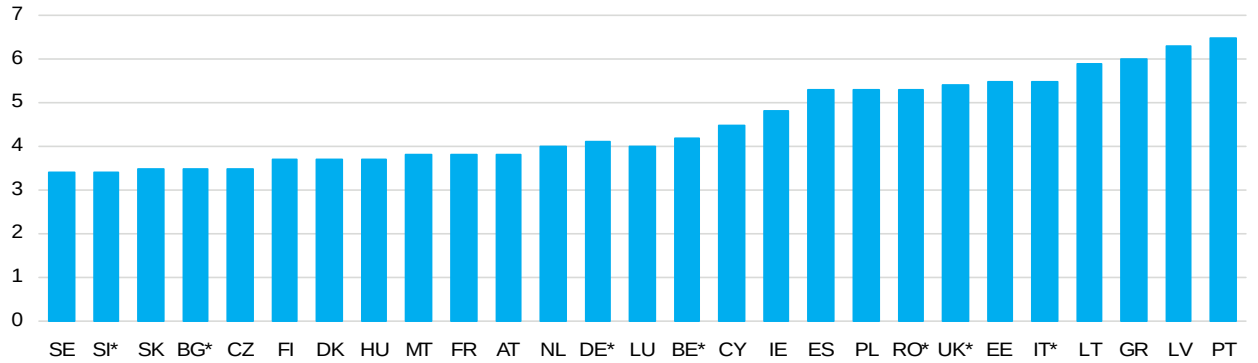
The finding is that, for EU25, income inequalities have widened since 2000. Whereas the top quintile at that time received 4.5 times as much income as the bottom quintile, this ratio had increased to 4.8 in 2007.

Germany and Italy are two countries where the labour market was 'modernised' by deregulating workers' rights to unemployment benefits (Hartz reform in Germany) and to stable contracts (Biagi labour law reform in Italy). In Germany, inequality rose from 3.5 to 4.1. In Italy, the top quintile earned 5.5 times as much as the bottom quintile in 2007, a figure that had risen from 4.5 in 2000.

Poland, Portugal, Romania, Ireland, as well as the UK, are also characterised by rising inequalities. Inequalities rose in Denmark too. However, this increase occurred from a rather low level.

In France, Spain, the Netherlands and Belgium, inequalities remained stable, although at relatively high levels for the former two countries. The only exceptions to the general trend are Estonia and Malta where inequalities have fallen somewhat since 2000.

Figure 1.7: Inequality of income distribution, top quintile divided by lowest quintile, 2007



Data source: Eurostat, web site consulted on 16/12/2008. Note: * = 2006.

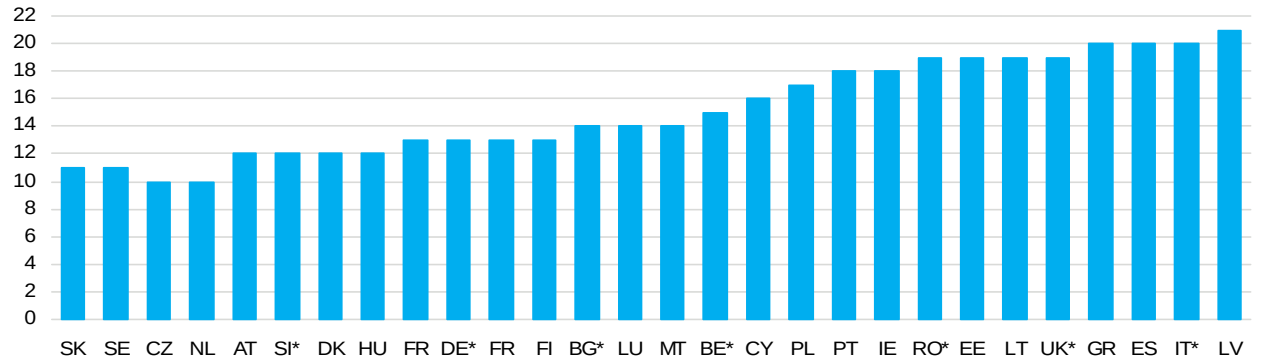
1.3. Has social cohesion been maintained?

Trickle-down strategies do not work

The 2005 relaunch transformed the Lisbon Agenda into an agenda for 'growth and jobs'. The claim of Lisbon, vintage 2005, was that a job was the best guarantee for social cohesion.

The results obtained above already refute this (ideological) claim since, although Europe did indeed create more jobs, the quality of the jobs created was too often problematic and income inequalities were increasing. Moreover, despite falling unemployment and rising employment, poverty did not fall. In 2007, in the EU25, 16% of Europeans are at risk of poverty after receipt of social transfers (see Figure 1.8) . Poverty is highest in the southern European, Baltic and Anglo-Saxon countries. The Nordic countries, the Netherlands, and the Czech Republic have poverty rates below the European average.

Figure 1.8: At-risk-of-poverty rate after social transfers, 2007



Data source: Eurostat, web site consulted on 16/12/2008. Note: * = 2006.

1.4. The Lisbon Agenda and casino capitalism

Financial innovation: excessive borrowing to speculate

Despite the fact that the Lisbon Agenda of investing in innovation and knowledge has seen only very modest implementation, millions of new jobs have been created in the European economy. This raises the question of what other forces have been driving employment dynamics.

In the era of globalisation in which emerging economies like China are bound to profit from their low-wage competitive advantage and increased market shares in international trade, OECD economies basically have two other options in trying to get back to full employment.

One option is to use techniques of financial market 'innovation' which, basically, push economic agents to take on more, even excessive, debt so that spending can continue. The aim is to over-compensate for import leakages to emerging economies by boosting total spending, in that way keeping the economy in full employment. Put simply, industrial jobs disappearing into China are replaced by jobs in the sectors of distribution, personal services, construction and finance. Excessive debt dynamics are then accompanied by asset price bubbles and rising current account deficits.

The other option for OECD countries to resist the impact of globalisation on full employment is to go for a 'beggar-thy-neighbour' strategy of competitive wage moderation. The aim is of course not to try to compete with low-wage countries as such. Instead, the objective is to ensure that a larger share of the volume of industrial activity remains localised in Europe and this takes place at the expense of neighbouring countries.

In Europe, both strategies have been implemented. The UK, Ireland and Spain are countries that have been using the technique of 'casino capitalism'. This goes a considerable way towards explaining, for example, the enormous hike in employment rates in Spain over the past years. Germany and Austria, on the other hand, have opted unequivocally for wage moderation, with real wage increases practically absent over the past seven years or so.

Ultimately, both models run into a brick wall. Household debt burdens cannot rise indefinitely, nor can banks keep on increasing their balance sheets without adequate capital to back this. The credit squeeze which is dragging Europe and the world economy down into a major depression basically means that the limits of 'casino capitalism' as a means of surviving and promoting full employment on 'borrowed' money have been reached. The model of 'export-led growth' does not, however, perform any better. From the moment that 'casino capitalism' countries run into difficulties, the 'export' countries immediately fall into depression too, since internal demand dynamics have been undermined by years of wage moderation.

Accordingly, looking back over eight years of Lisbon, much of the employment performance appears to be a 'mirage' with one part of Europe having lived on 'borrowed money' and the other part on 'beggar-thy-neighbour' policies. Given the only modest investment in innovation and knowledge, the rise in employment rates is not actually attributable predominantly to 'Lisbon'.

1.5. Conclusions: can Lisbon be made to work?

Limits to competition on the internal market are necessary

The question remains as to *why* member states have not wholeheartedly implemented the Lisbon agenda, despite the European pressure on them?

Part of the answer lies in the fact that the Lisbon Agenda is not a European but rather a national agenda. Basically, it is up to member states to implement Lisbon and invest in innovation and knowledge. Member states do not, however, operate in a vacuum but in a European internal market. And this internal market is putting constant competitive pressure on them: to 'seduce' the international investment that is heading for Europe into choosing to locate in their particular country, member states continuously feel the need to control wages, to cut social spending and non-wage labour costs, to make labour relations increasingly flexible. Faced with this short-term 'reform' pressure, not much political capital remains to pursue the long-run agenda of improving competetiveness on the basis of innovation.

Moreover, cost competition between member states also takes place on the basis of tax competition. In Europe, taxes on corporate profits have been slashed, zero-tax or flat-tax regimes have been introduced, capital gains and wealth taxes have been abolished. Investing in innovation, however, costs money, so the drive to compete on the basis of taxes actually represents a major deterrent for member states in relation to implementation of the Lisbon Agenda.

Another part of the answer is that member states may indeed have good reason to believe that 'innovation and knowledge', while necessary, are not sufficient to reach the objective of full employment. In the end, even in those countries that invest massively in innovation, the share of knowledge workers in total employment is relatively small and insufficient to exert a major impact on total employment performance (see Figure 1.9).

Figure 1.9: Share of information technology in total employment

Spain	2.7
Italy	2.8
Germany	3
United Kingdom	3.1
France	3.1
United States	3.7
Netherlands	4.2

Source: Natixis (2008).

2. HAS THE LISBON STRATEGY EQUIPPED EUROPE TO BECOME MORE RESILIENT TO THE ECONOMIC CRISIS?

This chapter gives an overview of recent macroeconomic trends in the European Union in order to provide a background against which the substantive policy areas examined in other chapters of the report can be evaluated. The chapter will focus on the unprecedented economic crisis currently threatening Europe and the global economy, while also seeking to draw up a balance sheet of the Lisbon Strategy's achievements over the past eight years. Insofar as an underlying assumption of the Lisbon Strategy was that it would make Europe more resilient to outside economic shocks (European Commission 2007b), the current economic crisis will serve also as a test case for the achievements of the Lisbon Strategy. It is the Commission's claim that, thanks to the structural reforms carried out in recent years, European economies are better equipped than in the past to face the current crisis. The validity of this claim will be examined in the course of a brief overview of the economic developments of the past decade in the light of the Lisbon Strategy and the most recent evidence concerning the state of the European economy in the grip of crisis.

Themes

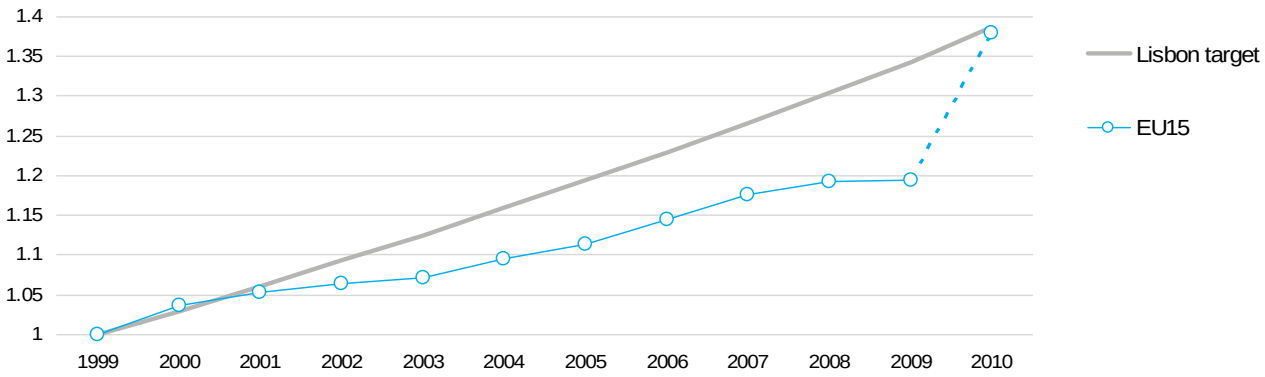
2.1. Lisbon growth objectives and reality 1999-2009 – a 19% mismatch

The Lisbon growth trajectory and reality

The Lisbon Strategy was launched in 2000 in order to make Europe 'the most competitive and dynamic knowledge-based economy in the world', this being regarded as a prerequisite for 'more and better jobs' and 'social cohesion'. While most of the quantitative targets set were geared to employment-related objectives, the achievement of the Lisbon targets was explicitly predicated on a sustained rate of economic growth of 3% per annum.

Figure 2.1 shows, on the one hand, actual GDP growth performance for the EU15 until 2007, with the latest Commission prognoses for 2008 and 2009 (European Commission 2008g, 2008f), and, on the other, the growth targets implied by the Lisbon objectives based on the assumption of 3% growth over the decade. The gap between reality and target (indicated by dotted line on figure 2.1) is so large that Europe would need 19% real GDP growth in the year 2010 to eliminate it. Assuming continuation through the coming years of the average growth rate between 2000 and 2009, it would take another decade to fulfil the 2010 growth target.

Figure 2.1: Growth performance and Lisbon target (Index 1999=1)



Data source: European Commission (2008g) for 1999-2007, European Commission (2008f) for 2008 and 2009.

2.2. Development of GDP growth in the EU15, the NMS and the US (2000-2008)

Growth trends in the EU and the US

In March 2005, the Lisbon Strategy was re-launched, placing jobs and growth at the top of European political priorities. This focus stemmed from the recognition that economic growth in Europe had been disappointing, relative to the most dynamic economies in the world and specifically to the US, and that the European Union faced major challenges in coping with globalisation and ageing populations. As Figure 2.2 shows, between 2002 and 2006 European growth had substantially lagged behind the US, 2007 being the turnaround year when, for the first time since 2001, growth in the EU again exceeded that in the US. 2008 will show an almost one-percentage-point growth advantage for Europe. According to the latest prognoses, Europe seems likely to fare slightly better than the US in 2009 as well.

The 12 New Member States (NMS) that joined the EU in 2004 and 2007 have been outperforming both the US and the EU15 each year, characteristically by a three-percentage-point growth advantage.

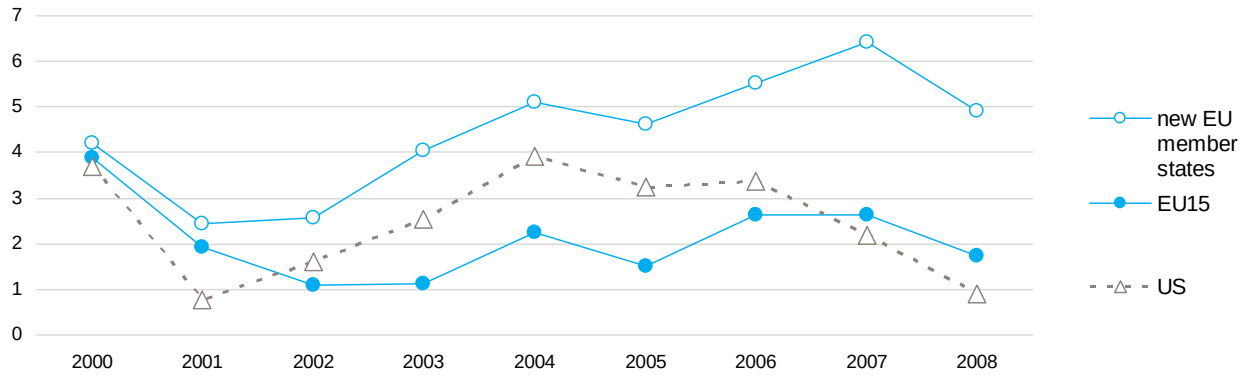
The average growth rates of the NMS were characteristically between 4 and 5% over the period in question, with the Baltic states having achieved an even higher growth dynamic of up to 10% in individual years. In most of the region this was largely driven by foreign direct investment, while in the Baltic states the exuberant growth dynamics were driven also by credit-financed consumption and the construction sector.

Economic convergence by the NMS has thus been sustained for a long period through the decade.

With regard to the components of growth, the European economy as a whole was driven by domestic demand (private and public consumption, investment and changes in inventories) for most of the period.

The dip in growth in 2005 was due to a drop in exports as a result of currency appreciation, while the regained growth dynamic in 2006 and 2007 has been rather broad-based. The sudden downturn in the second quarter of 2008 was due to a drop in domestic demand at a time when net exports still exerted a positive growth impact.

Figure 2.2: Growth performance in the EU and the US (real GDP, annual change, %)



Data Source: European Commission (2008g).

2.3. Labour productivity – a decisive element of growth (2000-2008)

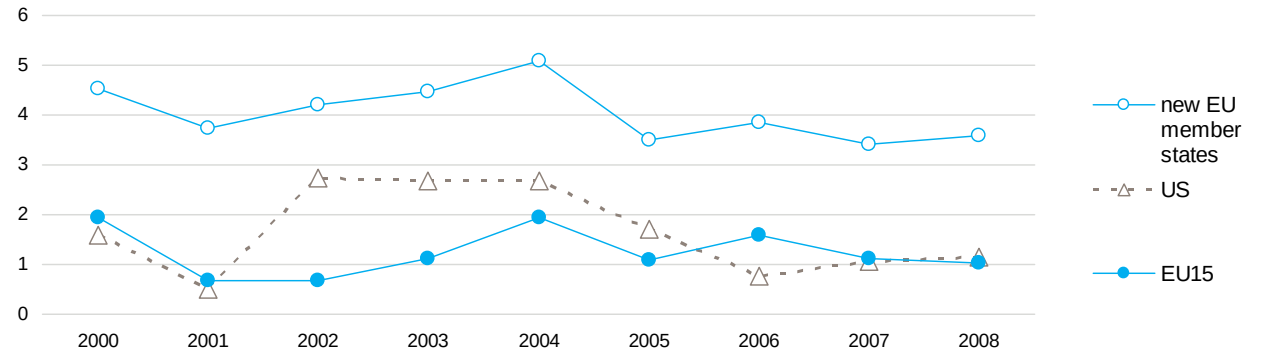
Trends in the EU15, the NMS and the US

Labour productivity – output per employee or working hour – is a key determinant of economic growth. The long-term catch-up trend of productivity in Europe compared to that of the US came to an end in the mid-1990s. In the following decade the US achieved both higher productivity and higher employment growth, except during the recession of 2000-2001. The productivity gap widened, in particular, between 2001 and 2005, when the US experienced high-productivity economic growth at a time when productivity growth lost momentum in the EU15 (Figure 2.3). In 2006, when growth had been picking up again in Europe, productivity grew faster there than in the US, even though the US growth rate remained higher. In the same year, for the first time in the decade, productivity expressed in terms of GDP/hour was also higher in Europe than in the US. In 2007 and 2008, while growth rates in Europe were slightly above those of the US, productivity growth at moderate levels ran rather parallel. The EU as a whole, however, proved incapable of maintaining high productivity growth for any extended period.

Productivity increase in the NMS12 was sustained on a three-percentage-point higher level than in the EU15 throughout the decade and also substantially outperformed the US in each year. In the period 2006-2008, the increase in productivity in the NMS slowed somewhat, compared to previous years, and, since growth was maintained on high levels, this development finally led to noticeable job creation in most countries of the region.

The decisive components of productivity are developments in physical capital and changes in the quality of labour input. For the period 1999-2006 total factor productivity (the effect of technological change, organisational innovation, the use of ICT technologies and the functioning of the market) accounted for 5.8% of the growth in value added in the EU25 and for 36% in the US (Carone *et al.* 2006). This indicates that, in terms of achievements in the qualitative aspects of productivity gains that are related to the knowledge-based economy, Europe is still lagging behind the US and the achievements of the Lisbon Strategy are not clearly visible.

Figure 2.3: Productivity development in the EU and the US, GDP/worker, 2000-2008 (annual change, %)



Data Source: European Commission (2008j).

2.4. How resilient were the foundations of growth in Europe?

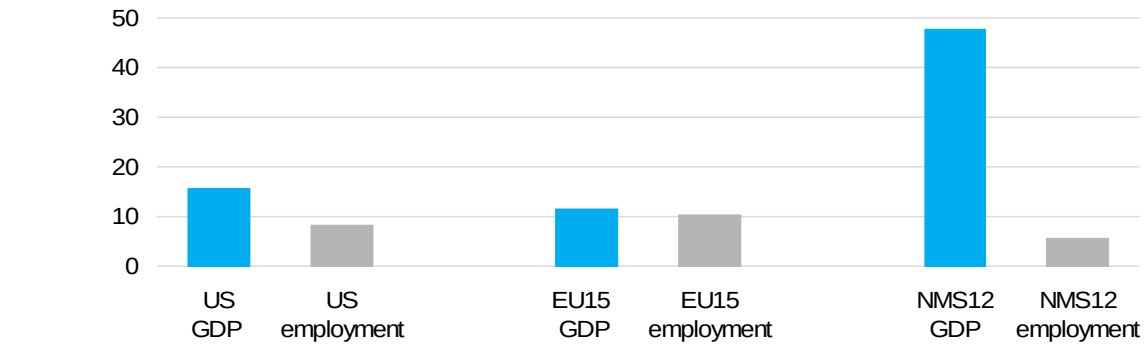
Growth and jobs – productivity and wages

Cumulative real GDP growth in the period 1999-2008 was higher in the US (15.7%) than in the EU15 (11.6%), but the latter created more jobs. While employment had increased by 8.3% in the US, the EU15 managed overall employment growth of 10.4% during the period in question. The NMS, while having shown cumulative real growth in GDP of 47.6% for the period, experienced job creation to no more than a marginal extent (by 6.0%), as Figure 2.4 shows. Given these countries' low economic weight, however, this fact did not substantially alter the overall picture of stronger job creation in Europe.

During previous downturns employment has remained rather 'resilient' in Europe. Now, with greater labour market flexibility as a result of structural reforms on European labour markets in the most recent period, this may, however, no longer be the case, as is suggested by the immediate drop in employment at the initial phase of the current crisis.

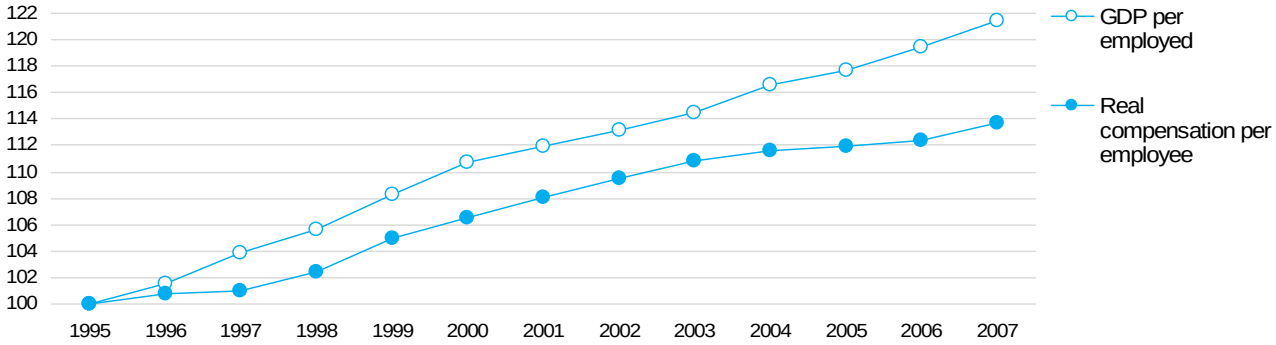
The gap between the development of productivity and the compensation of workers that has been widening in the EU27 throughout the decade (Figure 2.5) has led to a situation in which private consumption, as an essential element of domestic demand, has remained fragile in Europe. In the absence of sound purchasing power of the population based on real wage development, private consumption was either fuelled by the credit and asset bubbles (as in the UK, Ireland, Spain and in some of the NMS) or remained depressed, as in Germany. As a result, European growth became more dependent on outside shocks, as the immediate consequences of the present crisis show.

Figure 2.4: GDP and employment growth in the US, EU15 and NMS12, cumulative % change 1999-2008



Data Source: European Commission (2008j).

Figure 2.5: Growth of productivity and real compensation per employee for the EU25, 1995-2007 (cumulative change, 1995=100)



Data Source: European Commission (2008j).

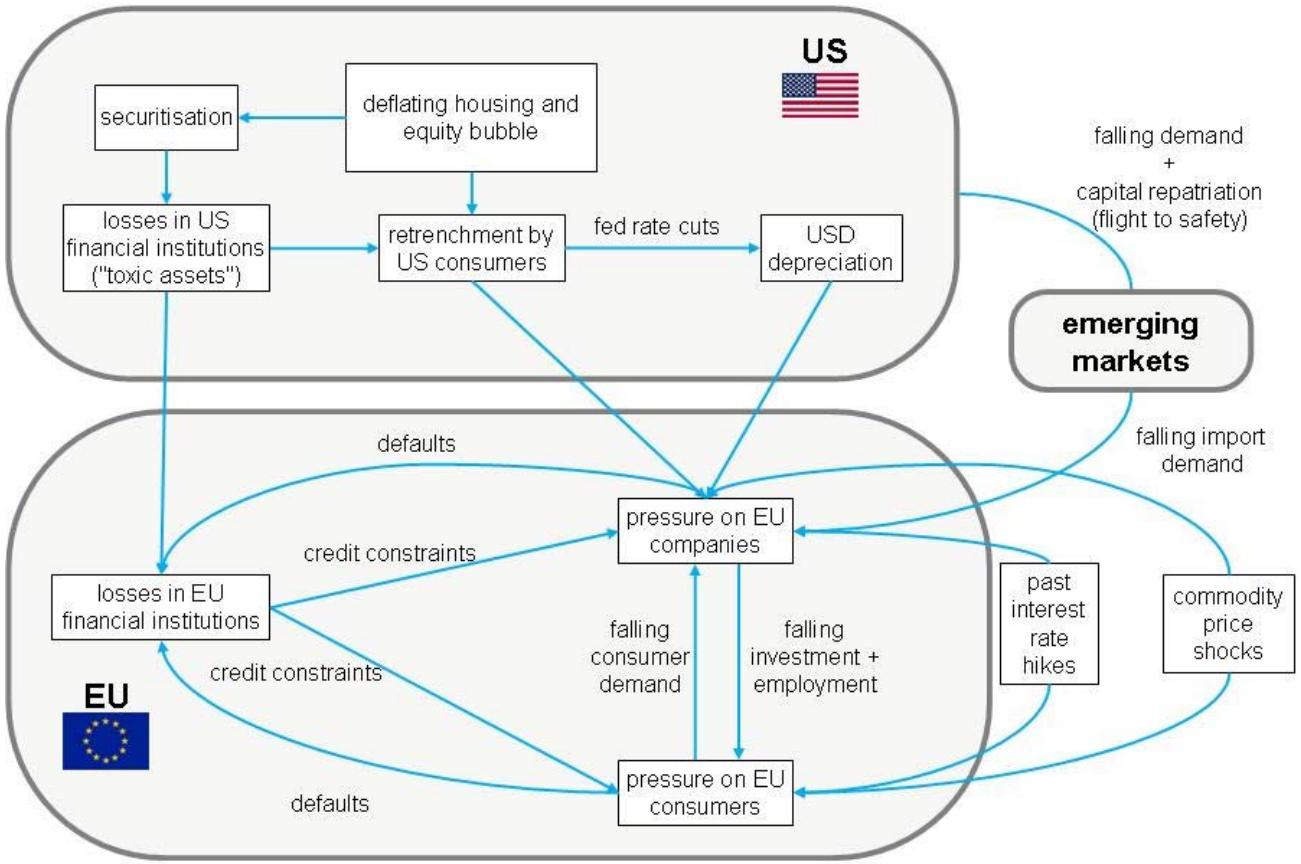
2.5. How the financial crisis developed into an economic crisis

How the contagion spread

The immediate causes of the financial crisis triggered by the collapse of the US subprime mortgage market have been widely discussed in the media (Balzli *et al.* 2008). Extensive coverage has also been given to how this collapse evolved into a major financial crisis through the opaque financial techniques previously heralded as financial innovations (*The Economist* 2008). The extent to which financial services were decoupled from the real economy and developed on a recklessly unregulated financial market and ended up in a huge bubble blown by structured investment vehicles at a value ten times the world GDP (Balzli *et al.* 2008: 79) is a matter that was also addressed and the risks of this practice were frequently emphasised (van den Burg and Rasmussen 2007, ETUC 2008b).

Figure 2.6 shows how the contagion was dispersed through different channels and throughout the whole world via the globalised financial markets. The unprecedented character of the crisis appears in the fact that the contagion swept across the whole world and attacked through different channels in parallel. The basic effect was that the 'toxic assets' resulted in huge losses at financial institutions and the previously abundant liquidity turned into a credit crunch paralysing the

Figure 2.6: How the crisis spread: From the US sub-prime crisis to global economic crisis



Source: Watt (2008).

2.5. How the financial crisis developed into an economic crisis

The unforeseeable consequences

entire banking system in the US, Europe and worldwide. The European financial system was an excellent and fertile soil for these opaque financial instruments, as accumulated profits were desperately seeking returns higher than investments in the real economy could have offered. Even if the contagion hit the European banking system unexpectedly hard, the dramatic effects of the financial crisis to the European economy came as a surprise to everyone. Up to the Lehman Brothers bankruptcy in mid-September 2008, the effects of the US-rooted crisis on Europe were still seen as moderate. This can be traced through the different prognoses issued at different times of the year and which, until the most recent period, were regularly downgraded (Figure 2.7).

The basic mechanism, as the financial and banking crises hit the real economy, has been that, due to financial losses and evaporated trust, banks were no longer performing their basic function of financing the economy. Enterprises could not finance their daily operations, investments were blocked and consumption broke down in market segments where credit financing had played an important role (construction sector in the US and in a number of European countries, automobile sector in the US and Europe).

All this led to a sudden demand shock affecting exports, investment goods and consumption. There were a number of other factors that also played a role (Watt 2008) and aggravated the situation further (the dragging effect of previously high energy and raw material prices, exchange rate effects and unnecessarily tight monetary policy in Europe up to the last phase of the crisis).

The underlying fundamentals for the spread of the crisis were, however, the chronic imbalances in the world economy, within the Euro area and within the national economies of a large number of member states. The European context in this respect will be briefly addressed in the next section.

Figure 2.7: 2008 GDP forecasts for 2009, euro area (EU27)

IMF	-0.50% (Nov 6)	0.20% (Oct)	1.20% (Apr)
European Commission	-1.90% (-1.80%) (Jan 2009)	0.10% (0.20%) (early Nov)	1.50% (1.80%) (spring)
OECD	-0.60% (late Nov)	1.40% (spring)	
ELNEP		1.50% (spring)	

Source: Watt (2008), European Commission (2009).

2.6. European economy: 'hard landing' from 2007 to 2009

How deep and how long?

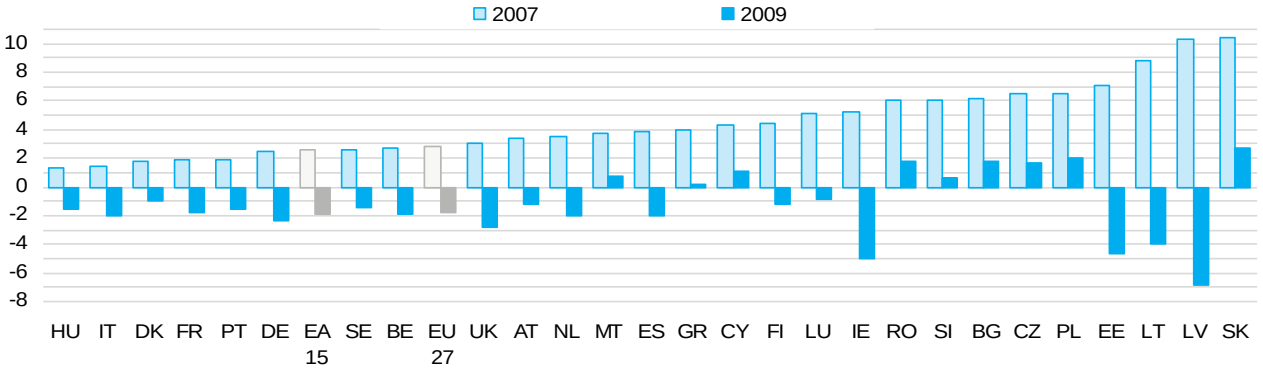
Despite the evolving crisis in international financial markets in 2007, the European economy seemed to be well on track in that year and, with real GDP growth of 2.7% in the Euro area, it outperformed the US (2.2%). After a long struggle, Europe seemed confident of resisting the effects of the financial turmoil triggered by the US sub-prime crisis.

The reasons why Europe was hit so hard within such a short time were a series of factors that made previous growth unsustainable once the outside environment turned unfavourable. A number of member states, such as the UK, Spain and Ireland, had been enjoying growth based largely on credit and real estate bubbles. In several new member states consumption was financed to a large extent by credits denominated in foreign exchange. In the absence of domestic capital accumulation, 'catching up economies' are reliant on external financing and this, together with high levels of current account deficits, made them especially vulnerable to turbulence on financial markets. Moreover, the economies of new member states are integrated with the European and the world economy to a higher extent than most EU15 economies and are highly dependent on external demand. Germany, on the other hand, where domestic demand was chronically depressed, not least because of enduring wage moderation, had managed its growth through an export offensive that, however, came to a sudden halt with the crisis.

The 'hard landing' that is visible in Figure 2.8 refers mostly to those economies with unsustainable past growth strategies, characterised as 'bubble growth' in the previous section.

The most dramatic downturn is to be seen in Latvia, where above 10% GDP growth in 2007 is likely to turn into a decrease of 6.9% by 2009. Previous high-growth economies, such as Estonia, Lithuania and Ireland, are also expected to be hit hard, with a projected drop in GDP of 4-5 % in 2009, while the 2.8% negative growth forecast for the UK also represents a huge setback. Other major economies are expected to experience a downturn of around 2%, with the Euro area GDP set to fall by 1.9% and the EU27 by 1.8% in 2009 (European Commission 2009). This is a dramatic change compared to the 2007 performance (Fig 2.8), but also in comparison with the prognosis of the Commission nine months ago (Fig 2.7).

Figure 2.8: Gross domestic product in 2007 and prognosis for 2009 (annual growth)



Data Source: European Commission (2009).

2.7. Conclusions

First lessons from the crisis with a view to Lisbon

The Lisbon Strategy was supposed to be based on quality growth (growth based on the knowledge-based economy) and on quality jobs. In this chapter we have focused on the economic aspects.

Recent and current European growth proves, in quantitative terms, to be weak, insofar as no more than approximately half of the growth objective required to underpin the Lisbon Strategy will have been achieved by 2010. This outcome is, to a large extent, attributable to a non-adaptive macroeconomic policy framework (ECB monetary policy, Stability and Growth Pact). Pressure on consumer demand as a result of decade-long wage moderation meant that Europe was vulnerable to outside shocks (financial turbulence and drop in external demand). In some member states growth strategies were not sustainable and displayed features similar to the bubble-driven growth in the US.

In quality terms, productivity development was moderate and did not sufficiently benefit from the knowledge-based factors envisaged by the Lisbon Strategy.

It was thought that, as a result of the achievements of the Lisbon Strategy, Europe would be more resilient to an externally rooted crisis. This expectation seems not to have been justified, considering the speed and the depth with which the US-based crisis has swept over Europe. In the case of previous crises, the pattern has been that the US falls deeper into recession but recovers faster, whereas Europe remains mired in crisis for a prolonged period. The current forecasts seem to indicate that history may well repeat itself once again. Concerns appear regarding the labour market as well, as with higher labour market flexibility and the expansion of precarious jobs (see Chapter 3) labour market stabilisers that served to dampen the employment impacts of a crisis are not in place to the same extent as previously.

Policy responses to the current crisis in Europe need to be coordinated, but not uniform, given the diversity of the situation in individual member states. The present spectacle is of diverging responses developed according to an ad hoc approach and not matched to the specific needs or capacity of the member states.

3. HAS THE LISBON STRATEGY CONTRIBUTED TO MORE AND BETTER JOBS?

The European Employment Strategy (EES) – a key component of the Lisbon Strategy – was launched at the Amsterdam European Council in June 1997. The Amsterdam Treaty obliged member states to develop a coordinated strategy for improved employment outcomes. It created the framework for a country surveillance procedure by way of common employment guidelines on the basis of which member states were expected to develop individual National Reform Programmes. The sole competence for employment policies remains with the member states but the position of the Council and the European Commission, as well as of the European social partners, in regard to influencing and shaping member states' employment policies has been strengthened considerably.

The Lisbon European Council held in March 2000 formulated the strategic goal of becoming 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'.

In regard to the goal of creating 'more jobs', the following quantitative targets – to be reached by 2010 – were set: raise the overall EU employment rate to 70%; increase the number of women in employment to more than 60%; and increase the employment rate of older persons (55-64) to 50%. The targets formulated within the EES for the other two employment-related goals, i.e. 'better jobs' and 'social cohesion', were less clear-cut. The Laeken Summit in December 2001 adopted a variety of indicators relating to quality of work (or rather quality in employment) which also covered the dimension of social cohesion (compare European Commission 2001). Insofar as they cover aspects including, for example, employment, unemployment, education and childcare, the Laeken indicators go well beyond the issue of job quality, while at the same time, since they were inevitably the result of compromise, they disregard important dimensions of job quality such as wages.

This chapter will consider the extent to which the EES, as a component of the Lisbon Strategy, has in the last ten years led to developments towards more and better jobs and towards greater social cohesion in the countries of Europe. Some evidence will be provided in relation to the question of whether more and better jobs do indeed go hand in hand or whether employment growth has, in actual fact, come at the expense of job quality.

In order to measure the dimension of 'more jobs', standard indicators from the European labour force survey (LFS) are used (employment and unemployment rates, part-time and temporary employment shares). All 2008 data refer to the second quarter. In some cases annual averages (latest available data refers to 2007) are preferred, since they avoid seasonal distortions. Developments in employment rates are discussed with reference to the employment goals within the Lisbon Strategy. The Lisbon employment rate targets are targets for the EU as a whole but here they will be used also as benchmarks for single countries.

The dimension of 'better jobs' is discussed on the basis of a job quality indicator (JQI), recently developed by ETUI researchers, which is based on a mix of data sources. In contrast to the Laeken indicators, it strictly captures quality of jobs and thus allows a ranking, and thereby benchmarking, of countries (compare Leschke *et al.* 2008; Leschke and Watt 2008).

The dimension of social cohesion will be incorporated into the analysis by means of a breakdown of the statistical indicators by, for example, gender, educational level and age.

Themes

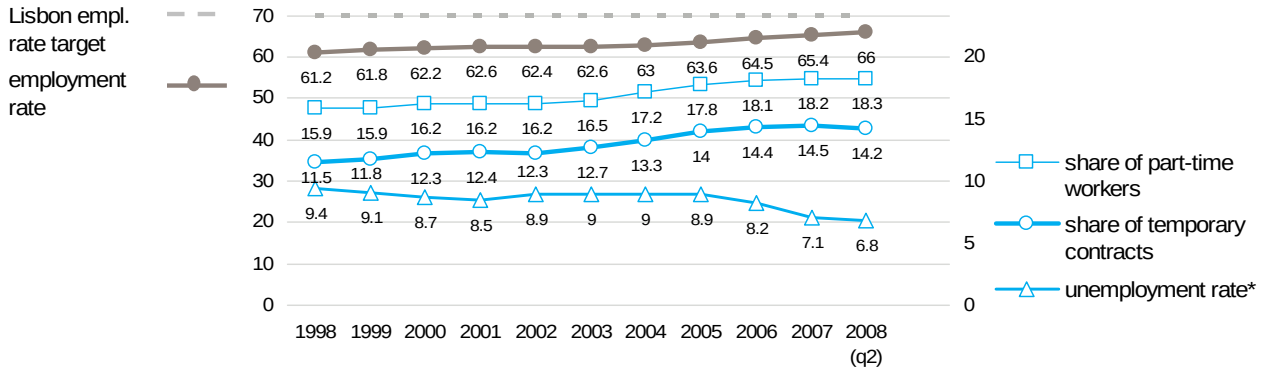
3.1. More jobs?

Labour market developments

The overall EU27 employment rate has increased by about 5 percentage points over the last ten years and in the second quarter of 2008 it stood at 66%. In 2007 overall employment had increased by 3.5 million people (European Commission 2008h). At the same time unemployment had, on average, declined steeply, having fallen to a low of 6.8% in 2008h (Figure 1). Increasing employment in Europe is mainly due to growth in female employment and employment of older people. In spite of these improvements, the intermediate Lisbon employment rate target of 67% – formulated for achievement by 2005 – has still not been reached and it is highly unlikely that the EU will succeed in achieving the 70% target by 2010.

Another problematic feature is that large portions of the employment growth were due to the creation of non-standard jobs, part-time employment having increased by more than two percentage points over the last ten years and temporary employment by almost three percentage points (compare Figure 3.1). As will be seen below, these forms of employment have been concentrated among specific labour market groups such as the low-skilled, women and youth.

Figure 3.1: Developments in employment and unemployment over the last 10 years (EU27)



Data source: Eurostat (2008b), annual averages. *Unemployment rates refer to EU25 for 1998-1999.

3.1. More jobs?

Developments in employment rates

Differences between European countries in terms of employment rate remain large. Eight countries (DK, DE, CY, NL, AT, FIN, SE, UK) had already achieved the 2010 overall employment rate goal of 70% in the second quarter of 2008, whereas four (IT, HU, MT, RO) still had employment rates below 60%. The difference between Malta, the country with the lowest total employment rate (55.2%), and Denmark, the country with the highest rate (78.4%), is 23 percentage points (not shown).

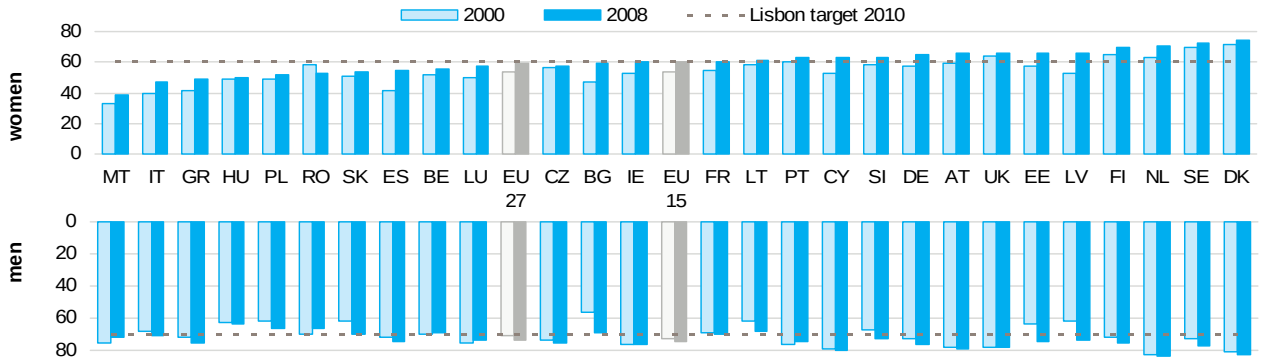
Substantial differences between men and women also continue to be found in all countries. A comparison of male and female employment rates on an EU27 average shows them to be still 14 percentage points apart, with Finland and Sweden displaying the smallest gender gaps in this respect, while the largest are to be found in Malta, Italy and Greece.

The specific Lisbon target for the female employment rate by 2010 is 60%. This target has already been exceeded by 15 countries, only six of which had employment rates of above 60% back in 2000 (compare Figure 3.2). Except for Romania where female employment rates have decreased substantially over the last eight years, growth in female employment has been seen in all countries, the EU27 average having increased from 53.6 to 59.1%. In nine countries female employment rates increased by more than seven percentage points over this time period, particularly large increases having been observed in Spain, Bulgaria, Cyprus, Estonia and Latvia. Seven of the twelve countries that have so far failed to achieve the 60% target are still more than five percentage points away from the 2010 target.

At the other extreme are to be found the Scandinavian countries and the Netherlands with employment rates of more than 70%. Denmark and Sweden, especially, have comparatively high childcare coverage rates for very small children and large in-work flexibility. The Netherlands makes extensive use of part-time employment (exercised in most cases by women and thus not gender-neutral). Finland guarantees childcare to those who need it but also has a so-called 'home care allowance' which has been criticised for keeping mothers of young children out of the labour market (compare OECD 2005:14). By allowing better reconciliation of work and family life, these measures support high female employment rates (for more information refer to OECD 2007). Meanwhile, two New Member States (NMS) – Estonia and Latvia – have caught up and are now among the group of best-performing countries. A comparison of employment rates of women between Malta (worst performer) and Denmark (best performer) yields a difference of about 36 percentage points.

While improvements in male employment rates have also been seen in the majority of countries, they are much less marked than among women (Figure 3.2). The EU27 average currently stands at 73%, 2.3 percentage points up from 2000. Eight countries have not yet reached the 70% threshold, Hungary with a male employment rate of 63.1% being the worst performer. At the other extreme, Denmark and the Netherlands have male employment rates of above 80%. Large increases in male employment rates have been achieved in three of the NMS, namely Latvia, Estonia and Bulgaria.

Figure 3.2: Development of employment by gender, 2000 and 2008 (% population 15-64)



Data source: Eurostat (2008b, 2nd quarter).

3.1. More jobs?

Developments in employment rates

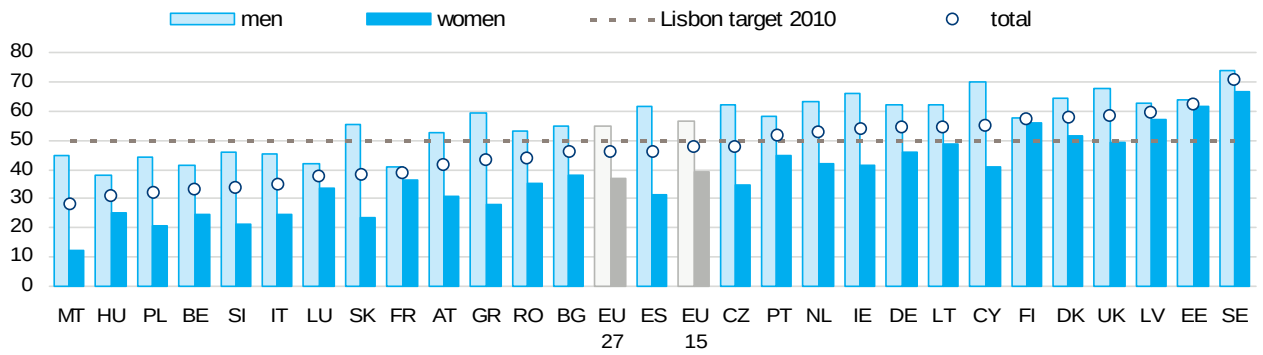
It is often thought that full-time-equivalent employment rates represent a better measure of employment than pure employment rates which do not take into account whether employment is exercised on a full-time or a part-time basis. The average full-time-equivalent employment rate in fact grew by only 1.7 percentage points between 2001 (first available year) and 2007 when the rate for women was a mere 49.8 % and that for men 70.4 percent (European Commission 2008h, statistical annex). Malta, once again, figures worst, displaying the largest gender gap (32.5% for women as against 72.8% for men). Only seven countries (SI, LT, SE, DK, LV, FI, EE) – a mix of NMS and Scandinavian countries – have full-time-equivalent employment rates of women of above 60 %. Nine countries (MT, IT, NL, LU, GR, BE, DE, ES, PL) – corporatist, southern European, and NMS – have full-time-equivalent employment rates of women of below 50% (not shown).

Three of the four countries with the highest female employment rates (Figure 3.2) are also placed close to the top in terms of full-time equivalents (Finland, Sweden and Denmark). The Netherlands, however, third-best performer in terms of female employmentrates, due to its huge share of part-time employment, is third-worst in full-time-equivalent terms for, according to this measurement, its score falls to 60.4%.

Besides women, older workers (here defined as 55-64 years) have also been on the European employment agenda in recent years. And indeed, the EU27 employment rate for this group, which stood at 44.7% in 2007 (yearly average), had increased by almost eight percentage points since the onset of the Lisbon Strategy in 2000, growth having been somewhat stronger among older women than among older men. In fact, during this period four countries (BG, LV, HU, SK) either doubled or close to doubled their employment rates for older women. Altogether, almost all countries saw improvements over this period, the only exceptions being Malta and Portugal, where employment rates remained more or less static, and Romania where they decreased.

Gender differences, while having decreased somewhat in recent years, are still pronounced. While older men on average have an employment rate of 55.1% (in the second quarter of 2008), older women have an average rate of only 37% (compare Figure 3.3). In Malta (with an excessively bad outcome), Poland, Slovenia, Slovakia and Greece, employment rates of older women are not even half as high as those of men. Gender differences also remain particularly great in Belgium, Italy, Austria, Spain, the Czech Republic and Cyprus. The best performers in terms of gender equality in the employment rates of older workers are Finland and Estonia, with Latvia and Sweden also doing rather well.

Figure 3.3: Older workers' employment rates by gender, 2008 (% population 55-64)



Data source: Eurostat (2008b, 2nd quarter). Note: Data for IE provisional.

3.1. More jobs?

Developments in employment rates

In the second quarter of 2008, the EU27 average for this indicator is, at 45.8%, still more than four percentage points below the 50% employment rate target of 2010. If individual countries are benchmarked on this target, it is seen that the majority of countries have not yet achieved it and that a large number of these are still more than ten percentage points short of doing so. The best performers again include the Scandinavian countries, as well as the UK and two NMS, Latvia and Estonia. Sweden has by far the highest employment rate of older people, with 70.4%, a level that is 42 percentage points above the worst performer, Malta.

The improvements in terms of labour market outcomes among older workers are in some cases attributable to reforms that limited the use of early retirement and increased the statutory retirement age especially – but not exclusively – of women. On the other hand, country differences in labour market outcomes among workers will be influenced not only by financial incentives to retire or stay in the labour market but also by the conditions and attractiveness of work as well as the willingness of employers to retain and employ older workers.

In this regard life-long learning to foster employability should play a primary role (for more information on the factors affecting older people's labour market situation, see European Commission 2007, chapter 2).

Another important issue in relation to employment rates is the strong relationship between employment outcomes and level of education. Almost everywhere the employment rates of people with tertiary education exceed 80%. While Hungary and Italy are exceptions in this respect, they do not fall very far short of this figure. At the same time, in 18 out of 27 countries the employment rates of those with the lowest educational level (pre-primary, primary and lower secondary education) remain below 50%. The two countries that fare best in integrating the low-skilled into employment are Denmark and Portugal, with employment rates among the low-skilled of 65% and 66.1% respectively. The EU27 average employment rate is around 48% for those with the lowest educational level, around 71% for those with upper secondary and post-secondary education, and 84% for those with tertiary education (not shown).

3.1. More jobs?

Development of unemployment

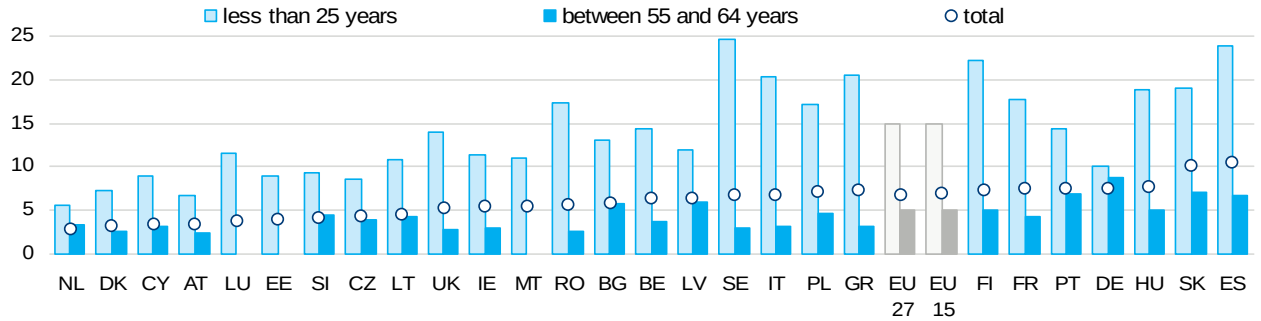
Unemployment rates declined, on average in the EU27, by about 1.6 percentage points between 2000 and 2007. In the second quarter of 2008 the EU27 unemployment rate was 6.8%. A number of NMS but also – albeit to a lesser degree – southern European countries saw large decreases in their unemployment rates over this period. In fact, the three Baltic countries and Bulgaria all more than halved their unemployment rates – all from very high levels. Lithuania currently has one of the lowest unemployment rates (4.3%), down from more than 16% in 2000 (not shown).

In spite of these developments, substantial differences in unemployment rates remain not only *between* but also *within* countries (e.g. youth, women, the low-skilled and migrants face a greater risk of unemployment in most countries, while large regional differences in unemployment rates are also to be found). In 21 countries unemployment is higher for women than for men – the EU27 averages are 6.4% for men and 7.3% for women. This particular gender gap is greatest by far in Greece with a difference of more than six percentage points but is substantial also in Italy and Luxembourg (not shown).

Figure 3.4 shows total unemployment rates by country as well as unemployment rates among youths and older workers. Unemployment rates among the working population as a whole range from 2.8% in the Netherlands to 10.8% in Spain. Six countries have unemployment rates at or below 4%, namely the Netherlands, Denmark, Cyprus, Austria, Luxembourg and Estonia. The group of countries which have unemployment rates of more than 7% is similarly mixed, encompassing Poland, Greece, Finland, France, Portugal, Germany, Hungary and – with rates of more than 10% – Slovakia and Spain.

While youth unemployment rates are usually considerably higher than overall unemployment rates, the opposite is true of unemployment rates among older workers. In all but four (LV, PT, SK and DE) countries, youth unemployment rates are at least double overall unemployment rates, and only in Germany are youth and overall unemployment rates relatively close. This exceptional situation is usually ascribed to the integrative function of the German dual education system which structures and thereby eases transitions from school to work (OECD 2006: 138ff.). The highest youth unemployment is recorded in Sweden, with a rate of 24.7%, followed by Spain, Finland, Greece and Italy (all with youth unemployment rates above 20%). The Swedish youth unemployment rate is more than triple the overall unemployment rate and has been rising fast since the beginning of the Lisbon Strategy. Even on the basis of the youth unemployment ratio – which is often thought to be more suitable for measuring the problem of youth unemployment insofar as it takes into account the fact that one country may have a smaller youth labour force than another due to a higher number of youth in education – Sweden remains the worst performer and well above the EU27 average (compare European Commission 2008h, statistical annex).

Figure 3.4: Unemployment rates of youth and elderly compared to overall unemployment rates, 2008 (% of labour force)



Data source: Eurostat (2008b, 2nd quarter). Note: Data on elderly provisional for IE and unreliable for SI. Data for elderly in LT refers to first quarter of 2008. Data for unemployed elderly missing for EE, LU and MT.

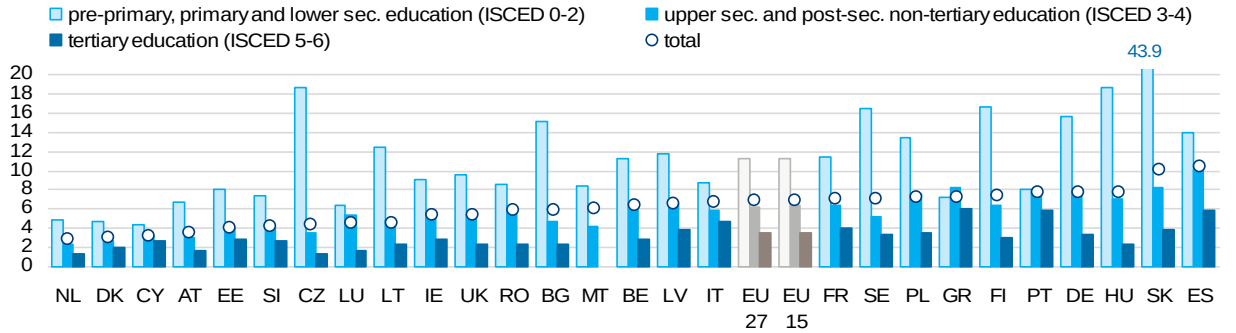
3.1. More jobs?

Development of unemployment

Examination of the Swedish case reveals that unemployment is particularly high among youths with poor schooling and those from an immigrant background, indicating problems in both the education system and the labour market. Furthermore, as the OECD (2008) has pointed out, the high minimum wages and compressed wage structure characteristic of Sweden may make labour market entry more difficult for young people. In an effort to alleviate the problem, the Swedish government has introduced a number of incentives to employers to employ young people. However, some of the measures in question run the risk of reinforcing dualism in the labour market (e.g. extension of the maximum duration of temporary contracts).

Figure 3.5 shows that high unemployment rates among the poorly educated are a general feature of European labour markets. In Greece alone do persons with a medium educational level stand a greater risk of being unemployed than those with the lowest educational outcome. All other countries display the typical pattern of decreasing unemployment rates with increasing education. On EU27 average this pattern translates into a current unemployment rate of 11.3% among those with the lowest educational attainment, 6.3% among those with medium educational levels and of the considerably lower rate of 3.6% among those with the highest level. Unemployment rates for those with only pre-primary, primary or lower secondary education are below 5% in Cyprus, Denmark and the Netherlands, which are also the best-performing countries in terms of overall unemployment. Seven countries (BG, DE, SE, FI, CZ, HU, SK), meanwhile, have unemployment rates of above 15% for this labour market group, as well as pronounced differences between the employment rates of those with the highest and those with the lowest educational attainment.

Figure 3.5: Unemployment rates by education level, 2008 (% of labour force in respective education group, 15-64)



Data source: Eurostat (2008b, 2nd quarter). Note: Data for IE provisional; data for EE, LT, MT, SI partly unreliable.

3.1. More jobs?

Part-time employment

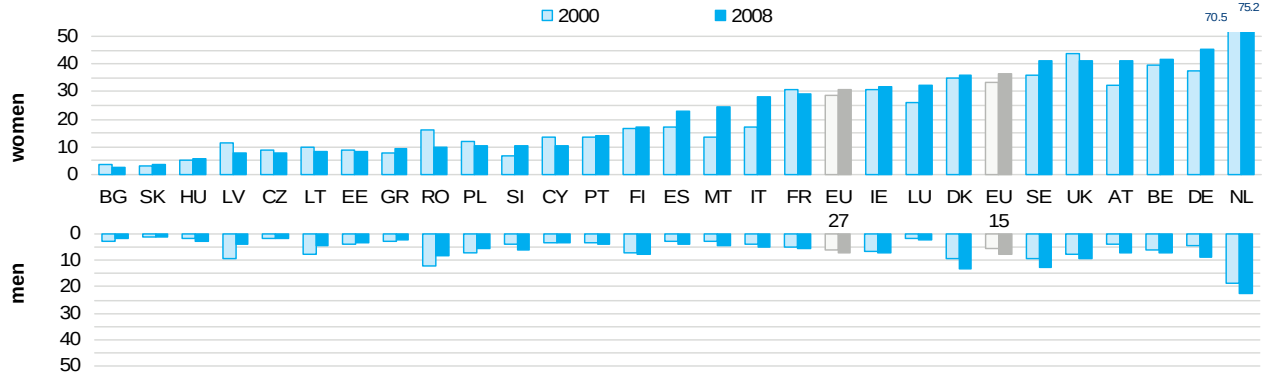
As could be seen from Figure 3.1, part-time and temporary employment (which includes fixed-term, seasonal employment, temporary agency work (without open-ended contract) and persons with specific training contracts) has increased in line with rising employment and falling unemployment.

The majority of countries have seen an increase in part-time employment shares, for both men and women, over the last ten years (Figure 3.6). The EU27 part-time share among women increased from 28.7% in 2000 (2nd quarter) to 30.7% in 2008 (2nd quarter). Among men the share increased by 1.2 percentage points to a level of 7.1% in the second quarter of 2008. Gender differences are thus still very substantial on this indicator.

Country differences are also substantial on this indicator. In 2008 six countries have part-time employment shares among women of more than 40% (continental European countries as well as the UK and Sweden), while nine have female part-time employment shares of less than 9% (NMS and Greece). Traditionally, the NMS, followed by southern European countries, have low part-time employment shares, whereas continental European countries and, to a lesser degree, Scandinavian and Anglo-Saxon countries display large part-time shares especially among women. With three quarters of women working part-time, the Netherlands has by far the highest part-time employment rate in Europe, this situation being attributable to a range of factors. As early as the 1980s, the Dutch social partners agreed on reductions of working hours as an instrument to redistribute employment and increase the flexibility of labour and it was at the same time that Dutch women started to enter the labour market in large numbers (Visser 2003, 141-143 and 154-157; Blázquez Cuesta and Ramos Martín 2007).

Furthermore, in contrast to many other countries, the Dutch social security system does not, for the most part, discriminate against part-time workers but applies pro rata insurance contributions in exchange for pro rata entitlements. The Netherlands also has the highest part-time employment share among men, above 20%; only two other countries – Sweden and Denmark – have male part-time rates in excess of 10%.

Figure 3.6: Development of part-time employment by gender, 2000 and 2008 (% population, 15-64)



Data source: Eurostat (2008b, 2nd quarter). Note: Data for IE provisional; data for BE, EE, HU, LU, MT, SK partly unreliable. Data for BG refers to 2001 not 2000 and data for France to 1st quarter of 2000.

3.1. More jobs?

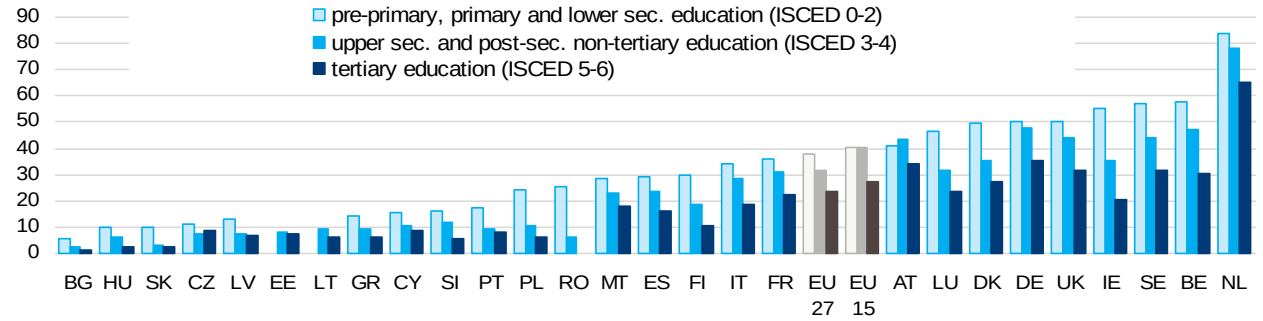
Part-time employment

In this regard, it is important to note that men usually work part-time for very different reasons than women and at different stages in their lives. Commonly, male part-time workers are young and in education, or else they are close to retirement and making use of phased retirement schemes (for Germany Hege 2005; for the Netherlands Visser 2002), while women part-time workers are often of prime age and combining part-time work with care or household activities in the absence of sufficient affordable childcare. This is confirmed for European countries by the labour force survey data on reasons for part-time work. About 60% of prime-age female part-timers state that they work part-time due to care responsibilities or other family or personal responsibilities (not shown). This cannot be regarded as chosen part-time employment but must rather be seen as highlighting deficiencies in social institutions (such as child- and elderly care) as well as entrenched social norms (a lack of male participation in care and household activities). Indeed, among prime-age male workers (only a very small share of part-timers), the most common reason given for working part-time is that they could not find a full-time job (43% as against about 20% among women part-timers). Only 14% of prime-age men work part-time due to care or other family or personal responsibilities.

Unfortunately, the LFS data no longer allows identification of chosen part-time employment since the response category 'did not want a full-time job' has been dropped.

Not only are the low-skilled more likely to be unemployed and less likely to be employed but also the lower is the educational level, the higher is the average rate of part-time employment. On the EU27 average 38% of women with at most lower- secondary education work part-time, the share among those with upper and post-secondary education being 32% and among those with tertiary education 23% (Figure 3.7).

Figure 3.7: Part-time employment by education level for women, 2008 (% of total employment in respective group, 15-64)



Data source: Eurostat (2008b, 2nd quarter). Note: Data for some countries unreliable or provisional.

3.1. More jobs?

Temporary employment

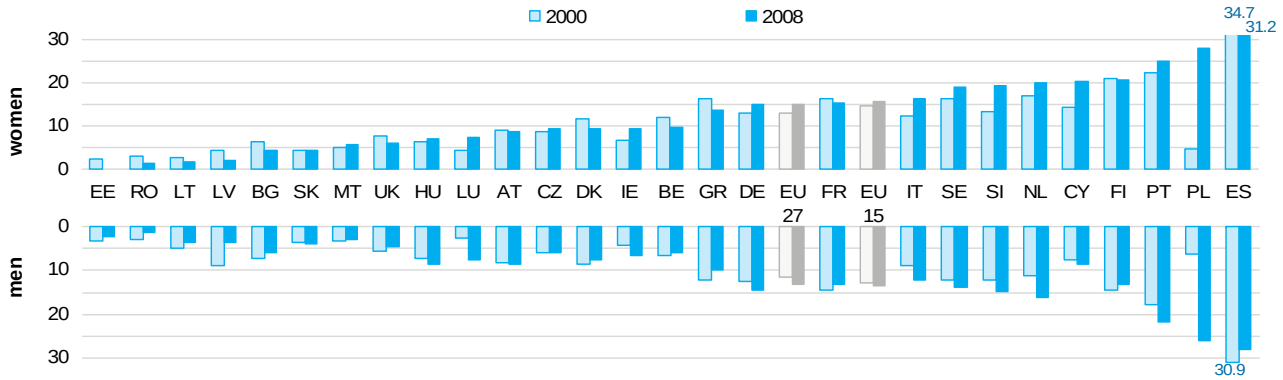
Figure 3.8 shows developments in temporary employment by gender for individual countries. Between 2000 and 2008 (second quarter in both cases) temporary employment among women increased, on an EU27 average, by 2.2 percentage points to the current level of 15.1%. On this indicator, gender differences are much less pronounced, although the share among men is somewhat lower at 13.3% – up 1.7 percentage points from 2000. Looking at country-specific developments, about one half of countries saw increases and one half decreases in temporary employment rates during the period in question. Large decreases (among either men, women or both) during this eight-year period were observed in Romania, Lithuania, Latvia, Bulgaria and Estonia – all countries that already had very low temporary employment rates in 2000. On the other hand, a number of countries with medium to high temporary employment rates in 2000 have experienced large increases over the last eight years, namely, Luxembourg, Ireland, Slovenia, the Netherlands, Cyprus and Poland. In general, NMS are more likely to have temporary employment rates below the EU average, with the notable exceptions of Slovenia, Cyprus and Poland. The UK and Ireland also have relatively low temporary employment rates. For the rest, no clear country pattern emerges. The highest total temporary employment shares – more than 18% – are recorded in the Netherlands, Portugal, Poland and Spain.

Country differences in terms of temporary employment can be explained, at least in part, by regulations in force for regular contracts and the relative differences in employment protection legislation between regular and temporary contracts. Employers in countries where the regulation of permanent jobs is relatively lax will have fewer incentives to make use of temporary contracts. Stricter rules applicable to permanent contracts, on the other hand, may tend to increase the incidence of temporary work and to limit the extent to which temporary contracts will be converted into permanent ones (OECD 2004: 61-125).

Temporary employment rates have long been highest in Spain where the liberalisation of this employment form in the 1980s, coupled with strict protection of workers with regular contracts, has led to a situation in which temporary employment accounts for most employment growth. For a number of years the Spanish government has been trying to counter these developments by relaxing employment protection legislation on permanent contracts and offering incentives to firms to turn temporary contracts into open-ended ones – and indeed, over the eight-year period considered here, we see a decrease in this respect of 3.5 percentage points for women and 2.9 percentage points for men.

Some countries (MT, CZ, BE, CY, FI) have large gender differences – usually in favour of men. Lithuania and Latvia have considerably higher temporary employment shares for men but at a very low general level.

Figure 3.8: Development of temporary employment by gender, 2000 and 2008 (% population, 15-64)



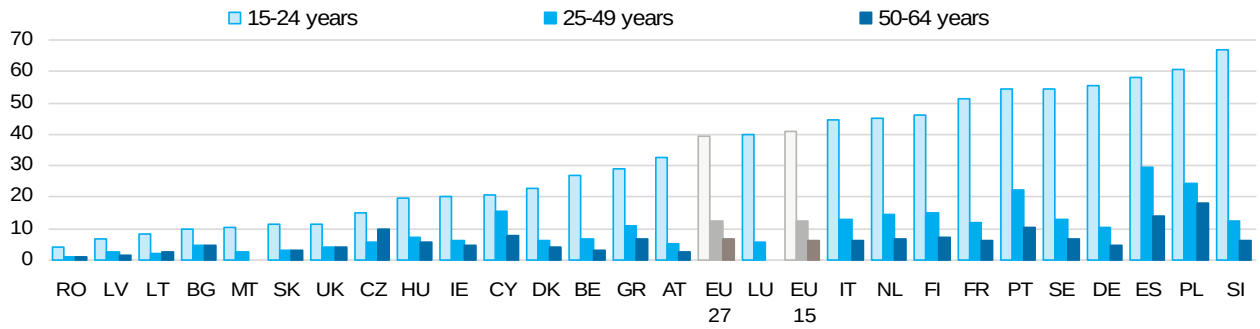
Data source: Eurostat (2008b, 2nd quarter). Note: Data for BG, HU, EE, MT, AT, LT partly unreliable; data for ES, IE partly provisional. Data for BG, EE refer to 2001 not 2000. Data for France refer to 1st quarter of 2000.

3.1. More jobs?

Temporary employment

Temporary employment is strongly age-segregated, youth (15-24) being much more likely to hold a temporary contract than prime-age and especially older workers (here defined as those aged 50-64); the EU27 averages are accordingly 39.4%, 12.3% and 6.8% respectively (Figure 3.9). Seven countries (FR, PT, SE, DE, ES, PL, SI) have a majority of young workers (aged 15-24) on temporary contracts – though no clear country pattern emerges – and among these Poland and Slovenia have shares of more than 60%. Interestingly, these seven countries show very different patterns among youth in respect of the reasons for exercising temporary employment. In Germany the large majority states, as a reason for their temporary employment status, that they are in education or training (reflecting the strong German dual education system). In Slovenia, the majority of young temporary workers state that they did not want a permanent job. France and Sweden are split between youths who could not find a permanent job and those in education or training (France) or who did not want a permanent job (Sweden). In Poland, Spain and Portugal the large majority of young temporary workers say that they could not find a permanent job (not shown).

Figure 3.9: Temporary employment by age group, 2008 (% total number employees in age group)



Data source: Eurostat (2008b, 2nd quarter). Note: Data for LT, MT, SI, SK is unreliable. Data for EE is missing.

3.2. Better jobs?

The Job Quality Index

The previous section showed that quite substantial improvements have indeed been made in terms of employment growth and decreasing unemployment since the beginning of the Lisbon Strategy but that some of these developments have been the result of increasing shares of workers (particularly women, youth and the low-skilled) being recruited on non-standard employment contracts.

There has, in fact, been a widespread perception that jobs have lately become less secure and more precarious. On the other hand, sectoral shifts have been observed from manufacturing to services, and this is a development usually connected with an improvement in job quality, at least in terms of working conditions.

In order to shed some light on job quality in Europe, the following section will report evidence from a broad-based job quality index (JQI) that has been compiled by ETUI researchers and allows comparison between EU27 countries, between men and women and – currently for EU15 countries only – over time. The following information is largely based on Leschke *et al.* (2008), Leschke and Watt (2008) and ELNEP (2008).

Job quality is a multifaceted phenomenon and the JQI, to reflect this variety, has been compiled on the basis of six fields that capture different aspects of job quality. The following fields or sub-indices of job quality have been defined: wages; absence of involuntary part-time or temporary work; work-life balance and working time; working conditions and job security; access to training and career advancement; and collective interest representation and voice. All these are aspects that affect workers' perception of whether or not they have a 'good job'. Data limitations meant that certain dimensions could not be included and that the information able to be included in other areas (particularly, collective interest representation, as well as access to training) was limited. Each of these sub-indices is composed of a number of weighted indicators taken from a range of data sources including the European Labour Force Survey data (usually 2007 data) and the European Working Conditions Survey (2005 data) (compare European Foundation for the Improvement of Living and Working Conditions, several years).

All data series have been normalised to make them comparable and allow aggregation. This means that the sub-indices and the overall JQI will lie between 0 and 1. To arrive at an overall index of job quality in European countries the six sub-indices are simply added up and thus all given equal weight. Since there may be good reason to place more weight on one sub-index (e.g. wages) than on another (e.g. access to training), the overall results should be treated with caution. Interested readers will find further information on the specific indicators used for each field and on the methodological approach adopted in Leschke *et al.* (2008).

3.2. Better jobs?

Developments over time in terms of job quality

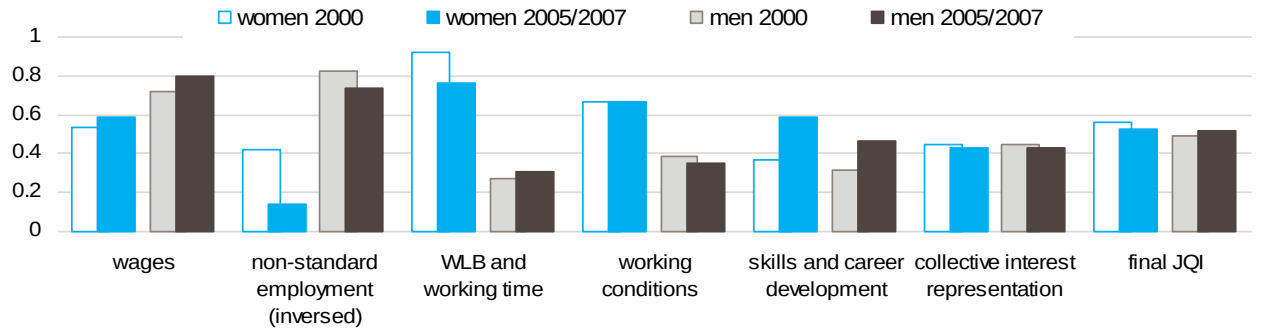
This section assesses changes in job quality between 2000 – the start of the Lisbon Strategy – and 2005/ 2007 (latest data available). Due to data restrictions time comparison can be performed for the EU15 countries alone.

Figure 3.10 shows that, on the EU15 average, job quality has improved on some dimensions and deteriorated on others. In terms of the 'wages' dimension, more or less parallel improvements have been seen for men and women. However, a number of countries (e.g. Portugal, Spain) have seen a decline in their score (reflecting stagnant or even declining purchasing power of average wages and/or an an increase in the incidence of in-work poverty). A significant deterioration is apparent in terms of non-standard forms of employment (non-voluntary part-time and temporary employment), reflecting in particular an increase in the proportion of part-timers reporting that they actually wanted a full-time job, coupled with a smaller rise in the overall part-time share; the impact of the rise in temporary work is less pronounced. The figures confirm the well-known strong gender gap in the incidence of non-voluntary non-standard contracts, and indeed this gender gap has widened over time. There has been little overall change in the field of work-life balance and working time. This sub-index also reveals a major gender gap, suggesting that women's paid employment offers greater compatibility with other areas of their lives. In this regard it has to be pointed out, however, that women, due to social institutions and traditional norms, tend to choose jobs that allow better compatibility with care and household tasks but that this choice entails punishment in terms of other dimensions (such as wages and/or career development).

The job quality decline in this area was marked for women, whereas men experienced an improvement. A rather similar picture emerges for working conditions. Perhaps surprisingly, in view of the shift from industry to services, there is actually a slight overall decline in this index. Again, as defined here, there is a substantial gender gap in women's favour, reflecting sectoral segmentation in most countries. A notable development is the overall improvement in the index for skills and career development (although data limitations meant that the comparison had to be based on a single indicator, namely, the proportion of adults undergoing education or training).

It suggests that the policy recommendations within the EES for more lifelong learning are having some effect. The indicator of collective interest representation (for which no gender disaggregation is possible) shows a small decline over time, reflecting the fall in unionisation rates in most European countries.

Figure 3.10: 'Final' EU15 Job Quality Index: developments over time by sub-index and gender (EU15 average)



Source: Leschke and Watt (2008).

3.2. Better jobs?

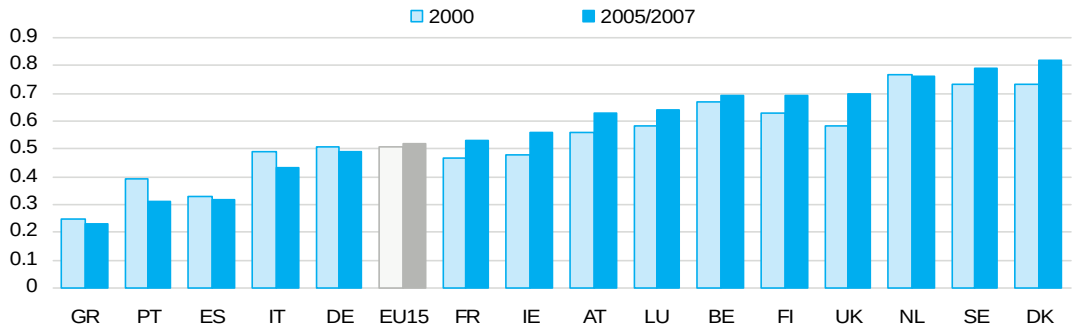
Developments over time in terms of job quality

The composite EU15 average or 'final JQI' (Figure 3.10), is simply the unweighted average of the six sub-indices and points to a very small improvement, in the EU15, in overall job quality between 2000 and 2005/7. On this basis, and given the uncertainty stemming from data limitation, it is probably safe to conclude that, overall, there has been no trend towards 'better jobs' in (western) Europe since the start of the Lisbon Strategy. At the same time, the view that European workers have suffered from the creation of almost exclusively 'bad jobs' in recent years is also not supported by our data. What we clearly see from this figure is a mixed picture of improvements in some areas (especially wages and skills and career development) and deteriorations in other dimensions of job quality. A problematic aspect is the increase in non-voluntary non-standard employment.

Figure 3.11 shows the country rankings on the composed or final JQI for EU15 countries in the two years. The ranking on the most recent data reveals high scores for the Nordic countries, but also the Netherlands and, perhaps surprisingly, the UK. It is the southern European countries – but also Germany – that, according to the JQI, perform least well in offering high-quality jobs.

The trends over time between the high- and low-performing countries are thus divergent. Almost all of the countries that performed well in 2000 saw a further improvement in subsequent years (particularly strong in the UK), whereas the poor performers saw a further decline in their job quality (particularly strong in Italy and Portugal). This suggests, in terms of the dimensions of job quality captured by the index, a widening of differences within (western) Europe.

Figure 3.11: 'Final' EU15 Job Quality Index: developments over time by country



Source: Leschke and Watt (2008). Note: The slight differences in country rankings if compared to the rankings of the EU27 JQI are due to small differences in the indicators used made necessary by constraints on data for 2000.

3.2. Better jobs?

The job quality index for EU27 countries

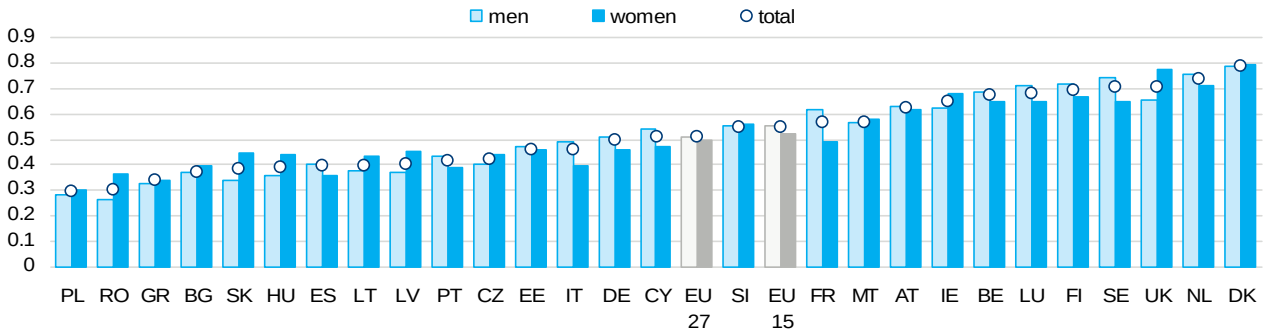
Last but not least, we wish to present the country rankings, on the final JQI index, for all 27 EU countries (Figure 3.12). Again, the results should be interpreted with caution since they are derived from the simple average of the six sub-indices (for figures on and de-scriptions of the sub-indices for EU27 countries refer to Leschke and Watt 2008).

The Nordic countries, together with the Netherlands and the UK, fare best in terms of job quality as measured by the JQI. Denmark takes the lead with a total score of almost 0.8. The worst job quality performance is observed in Poland and Romania, with total scores of around 0.3, but also in Greece. In terms of regional distribution, the Nordic countries are on top, followed by the continental ones, while a mix of southern European and NMS are at the bottom.

Two striking individual results are that the United Kingdom is among the top five best performers and that Germany's position is slightly below the EU27 average. Due to different further training needs in these two countries, attributable to strong differences in initial training, the indicator on lifelong learning may somewhat overstate the performance of the UK and understate the performance of Germany. What is more, the German system of interest representation is not sufficiently captured by our measure on collective interest representation and voice. In spite of these data shortcomings, examination of the other areas that make up the final JQI would seem to justify the ranking of the two countries. Our results are also confirmed by a study which makes use of an extended version of the Laeken indicators (compare European Commission 2008, chapter 4 based on Davoine *et al.* 2008) and by a study that uses the full data set of the 2005 European Working Conditions Survey (Tangian 2007).

The majority of countries display fairly similar results for men and women on the overall JQI, with some notable exceptions. The EU aggregates suggest a very slightly higher score for men than women, with the gap somewhat larger in the old than the NMS. These findings should not be over-interpreted, however. As has been seen for EU15 countries, the gender balance is highly skewed in a number of the dimensions. An alternative weighting of the sub-indices would therefore give very different results. Moreover, some concepts (especially those of 'voluntary' and 'involuntary' use of non-standard contracts), which are very important for gender differences, are far from clear-cut.

Figure 3.12: 'Final' EU27 Job Quality Index: comparison of gender differences by country 2005/2007



Source: Leschke and Watt (2008). Note: The slight differences in country rankings if compared to the rankings of the EU27 JQI are due to small differences in the indicators used made necessary by constraints in data for 2000.

3.3. Conclusions

More and better jobs?

The EU as a whole, and also the large majority of its individual member countries, have been successful in raising employment rates and decreasing unemployment since the beginning of the Lisbon Strategy. The European Employment Strategy, with its employment rate targets, its focus on specific labour market groups and its benchmarking function, has contributed to this outcome but it has to be borne in mind that these positive labour market developments were taking place largely against the background of economic recovery and an upswing in the business cycle (compare Chapter 2). The overall positive developments in terms of employment notwithstanding, large differences between countries and between specific labour market groups remain and, when measured in full-time equivalents, recent employment growth looks less rosy. Furthermore, a substantial part of the recent employment growth has been due to active promotion of and increases in non-standard employment, a situation which raises questions about the quality of newly created jobs. To what extent non-standard forms of employment have to be regarded as problematic, insofar as they offer less income security, job security and social security, will crucially depend on the question of whether the jobs in question serve as stepping stones to regular employment or whether – in the absence of adequate regular jobs or due to social constraints (shortage of child and elderly care, unequal division of care and household tasks) – they become permanent features of the working situation of specific labour market groups.

Taking the ETUI job quality index for EU15 countries as a benchmark, it is possible to observe, since the beginning of the Lisbon Strategy, improvements in some dimensions of job quality, namely wages and skills and career development, and deteriorations in others, most notably non-voluntary non-standard employment. Taking all dimensions together and applying no weights, an overall view neither enabled observation of major improvements nor supplied evidence of any serious decline in terms of job quality. What is noteworthy, however, is that, in contrast to employment and unemployment rates where some convergence between EU countries has been seen over the last years, in terms of job quality increasing divergence can be observed, at least between EU15 countries (no information for NMS). Those countries that already had good outcomes in terms of job quality in 2000 for the most part further improved their position, whereas job quality in worse-performing countries declined still further. This finding runs counter to the goal of using intra-EU benchmarking to promote positive convergence towards the position of the best performers and it may be problematic in this regard that the European Commission uses no clear indicators for measuring the quality of jobs. While the Laeken indicators do capture various dimensions of relevance to job (or rather wider employment) quality, they are excessively broad and too numerous to function as effective benchmarks for EU countries. Their benchmarking function is further undermined by the fact that they are not added up to provide a single clear indicator of job/employment quality that would allow the ranking of countries.

Figure 3.13 shows that, at least at first sight, those countries which perform well on quantitative indicators are also successful in terms of job quality. This finding seems to be especially pronounced for both the very good and the very poor performers in terms of job quality. The countries with good job quality according to the ETUI index (Nordic countries, UK and the Netherlands) all have employment rates well above the average which already in 2006 (reference year) were close to or clearly exceeded the 2010 employment rate target of 70%. The countries displaying poor job quality (HU, SK, BG, GR, RO, PL) all had employment rates of less than 60% in 2006, with the exception of Greece (somewhat above). A similar – but somewhat weaker correlation – exists between countries' unemployment rates and their ranking in terms of job quality. The lower the unemployment rate, the higher their ranking on job quality (not shown). At first sight – though more in-depth research is required (e.g. using rates of change of employment or unemployment) – these findings are not supportive of the claim that 'more' jobs have been created at the expense of 'better' jobs.

A number of important challenges remain for a coordinated European employment policy – most notably the question of social cohesion. The analysis has shown that, in spite of improvements achieved during recent years, some groups remain severely disadvantaged in relation to labour market outcomes. Besides women, youth, elderly workers and also migrant workers, one group that stands out are those with low educational levels. Not only are these people much less likely to be in the labour

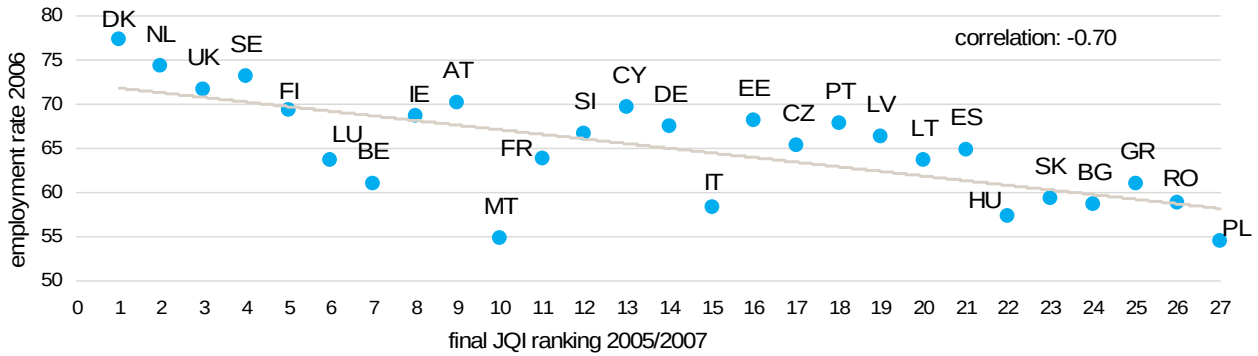
3.3. Conclusions

More and better jobs?

force but they also display much higher rates of unemployment, and are over-represented in non-standard forms of employment. Unfortunately, the ETUI job quality index does not, due to data limitations, allow a breakdown by educational level. But we know from other sources that poorly educated workers will fare considerably worse than those with higher educational levels on a number of our job quality sub-indices (including wages, non-standard employment, and skills and career development) (compare e.g. OECD 2003: 237-296). Creating employment opportunities for less educated people, and tackling their labour market disadvantages through skills upgrading and improvement of their working conditions, will thus have to take centre stage in the European policy discourse and in member states' policy responses in the coming years.

The EES, as part of the Lisbon agenda, has helped to shape the employment policies of EU member states by flagging up specific topics and setting benchmarks, thereby allowing individual countries to place themselves in comparison to others. After the strong focus placed on employment growth during the last decade, it would be useful if the European Commission were now to improve member states' opportunities to compare themselves also in relation to job quality. This will require much clearer benchmarks than those currently supplied by the Laeken indicators. Some initial ideas in this regard have been put forward in the current Commission's publication *Employment in Europe*. The experience with the ETUI job quality index shows that a clear-cut indicator on job quality will require improved comparable and up-to-date data, especially in areas such as collective interest representation, wages, health and safety and lifelong learning.

Figure 3.13: Correlation between EU27 Job Quality Index and employment rates



Source: Leschke and Watt (2008). Note: The slight differences in country rankings if compared to the rankings of the EU27 JQI are due to small differences in the indicators used made necessary by constraints on data for 2000.

4. INCOME AND INEQUALITY

The Lisbon Strategy includes among its overall objectives the fight against poverty and for greater social cohesion in Europe. Indeed, heads of state committed themselves under the Lisbon umbrella to make a decisive impact on the eradication of poverty and social exclusion by the year 2010. Key policy areas for achievement of these objectives are social, labour market and wage policy. Traditionally, these policy areas fell largely outside the scope of European-level policymaking, remaining predominantly subject to national decision-making powers. Over time, however, the competences of the Community in the social area have been gradually expanded, especially – initially – with regard to issues like equal treatment, health and safety and the free movement of workers and – more recently – in relation also to the portability of certain welfare entitlements (Goetschy 2006; Keune 2008a). While a large number of directives have by now established European regulations in these areas, these do not cover traditional core social policy areas (income redistribution and social protection) or employment or wage policies. Since 1997, however, an increasing number of such areas have indeed been tackled at the European level, not through legislation but by means of the Open Method of Coordination (OMC), a multi-level process entailing benchmarking, multilateral surveillance, peer review, exchange of information, cooperation and consultation. This new approach started with the introduction of the European Employment Strategy in 1997 (see Chapter 3) and, in subsequent years, under the Lisbon Strategy, the OMC was also introduced into other areas including social inclusion (as well as health care, pensions and education and training). Though actual policymaking in these areas continues to take place at the national level, the European level in general, and the Lisbon Strategy in particular, increasingly play a 'soft' role in terms of coordination, benchmarking and the dissemination of best practices.

At the same time, in the economic field, the deepening of the Internal Market and EMU have been advancing under the Lisbon Strategy. Here the process has included numerous and frequent instances of hard regulation, and much sovereignty in this field has been transferred from the member states to the European level. This has substantially limited the range of policy instruments available to national policymakers, particularly where monetary and budgetary policies are concerned, and has restricted their control not only over their economies, but – more importantly for this chapter – also over their welfare states and labour markets (Scharpf 2002). Pressure is now being exerted, for example, on welfare state expenditure and in favour of wage moderation, the latter being further strengthened as a result of increased capital mobility and regime competition.

The Lisbon Strategy has, accordingly, been of importance for developments in poverty and inequality but its impact has been indirect and difficult to pinpoint. Indeed, no clear or single causal relationship exists between the two, and whatever relationship does exist must be expected to differ from one country to another. The ambition of this chapter is therefore rather more modest. We will examine the development of a number of income, poverty and wage indicators to see whether or not they have improved in the Lisbon period and whether the objective of greater social cohesion both within and across countries has been achieved.

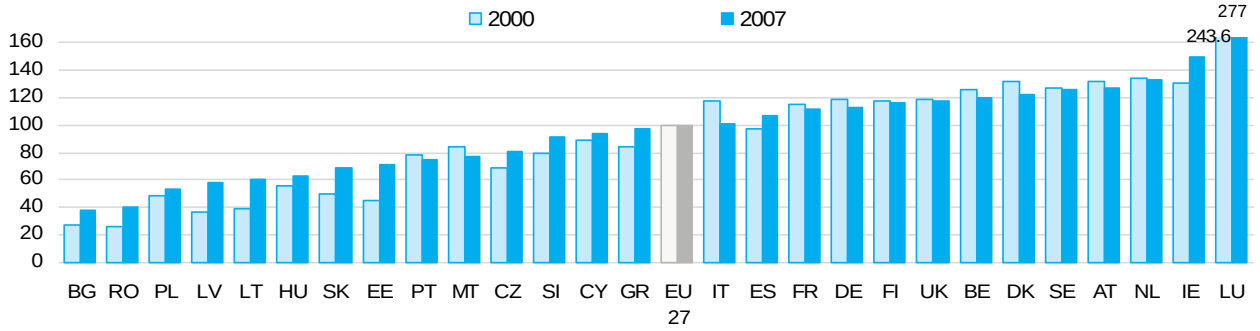
Themes

4.1. Income differences across Europe

Limited convergence

Where social cohesion across Europe is concerned, the situation can, to a significant extent, be expressed by means of income differences between countries. Figure 4.1 provides income figures, expressed in GDP per capita in purchasing power standards (PPS) related to the EU27 average for 2000 and 2007. The figure clearly shows that income differences across countries have decreased in this period, signifying an improvement in cross-country social cohesion. Of the 14 countries with an income level below the EU27 average in 2007, 12 had improved their average position since 2000, while only two (Portugal and Malta) were further below the average at the end than at the beginning of this seven-year period. Particularly strong 'catching up' took place in the Baltic countries, as well as Slovakia, the Czech Republic and Greece. At the same time, 10 of the 13 countries with income levels above the EU27 average saw their relative position worsen in these seven years. The biggest relative declines were experienced by Italy (-15.7 percentage points) and Denmark (-9.2 percentage points). In the case of the richest two EU countries, Ireland and Luxembourg, the gap between themselves and the rest of the EU has – counter to the general trend towards income convergence – widened during this period. It should be noted, however, that, in spite of this overall trend towards convergence, income differences within the EU are still wide and will no doubt remain substantial for decades to come.

Figure 4.1: GDP per capita in PPS, 2000-2007 (EU27=100)



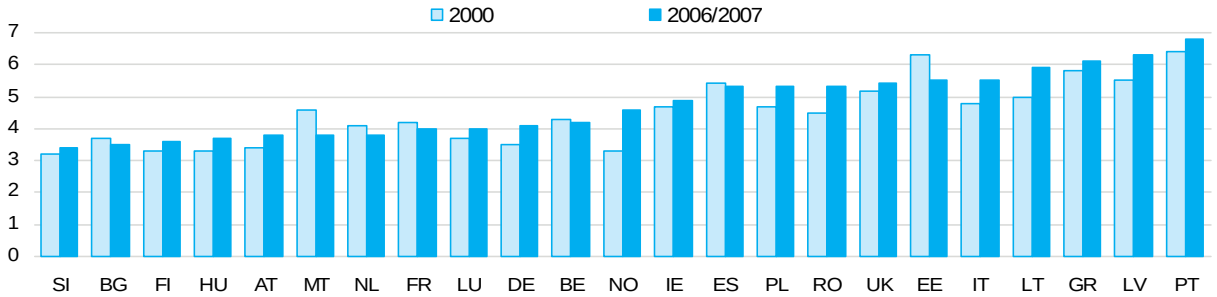
Data source: Eurostat (2008c). Note: The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. Basic figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries.

4.2. Income inequality and poverty

Increasing inequality

Whereas income differences among EU countries at large have been (slowly) decreasing in the Lisbon era, the picture concerning income differences within each country taken separately is much more diverse. Figure 4.2 shows that, when the income of the richest 20% of the population is compared with that of the poorest 20%, in the majority of countries (16 of the 23 countries represented in the figure) the income difference between the richest and the poorest increased between 2000-2006/07, while decreasing in only seven countries. Substantial decreases in inequality (more than 0.5) can be observed only in Malta and Estonia (0.8 in both cases) while substantial increases have taken place in Germany (0.6), Poland (0.6), Italy (0.7), Latvia (0.8), Romania (0.8) and Lithuania (0.9). Hence, in the majority of countries, intra-country social cohesion, as measured by income inequality, is worsening rather than improving.

Figure 4.2: Inequality of income distribution (80/20 income quintile share ratio), 2000-2006/07



Data source: Eurostat (2008c). Note: The S80/S20 income quintile share ratio is the ratio of equivalised total disposable income received by the 20 % of the country's population with the highest income (top quintile) to that received by the 20 % of the country's population with the lowest income (lowest quintile). The higher the ratio, the wider is the gap between the most (top 20 % quintile) and least well-off (bottom 20 % quintile). Note: LV, LT, LU, HU, MT, AT, and PL are 2007; all others are 2006. Note: Eurostat does not provide data for the early 2000s on this indicator for CY, CZ, DK, SE and SK.

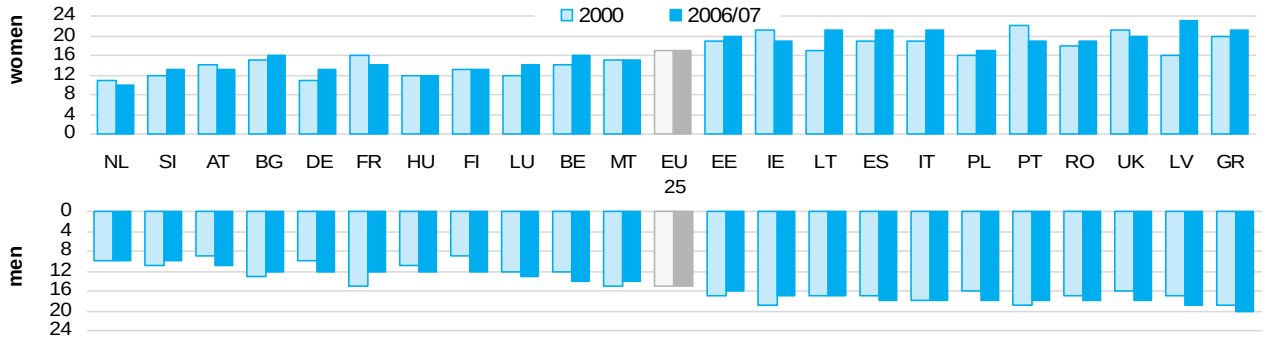
4.2. Income inequality and poverty

No improvement in poverty

A different way of considering inequality is by looking at poverty data which indicate the percentage of the population with an income lower than 60% of the national median. Figure 4.3 provides these data by gender. One finding that is evident from this figure is that between 2000 and 2006/07, on average, the poverty levels for men and those for women have, in both cases, remained stable. This means, on the one hand, that no improvement in overall poverty levels has been achieved and, on the other, that women have preserved their disadvantage, as compared to men, in relation to poverty, since, in overall terms, female poverty is still 2 percentage points higher than male poverty. In other words, no progress is being made, under the Lisbon Strategy, in relation to the objectives of reducing poverty and strengthening (gender) equality.

In this respect there exist, however, major differences between countries. First of all, in some countries, which include the Netherlands, Slovenia, Germany and Finland, overall poverty levels are comparatively low, whereas in Latvia, Lithuania, Greece, Italy and Spain they are high. Secondly, there are important changes over time. For example, during the period expressed in the figure, while overall poverty declined substantially in France and Portugal (-3 percentage points in both cases), it increased substantially in Germany and Latvia (+3 and +5 percentage points respectively). In another eight countries, the level of poverty changed, whether upwards or downwards, by as much as two percentage points in this relatively short period. Thirdly, poverty developments of men and women are the same, or at least similar, in most countries, but not everywhere, since in Lithuania and Latvia female poverty is increasing much faster than male poverty, while in Austria, Finland and the UK male poverty is on the rise and female poverty is either declining or stable, thus reducing the gender gap in relation to poverty.

Figure 4.3: At-risk-of-poverty rate by gender, 2000-2006/07



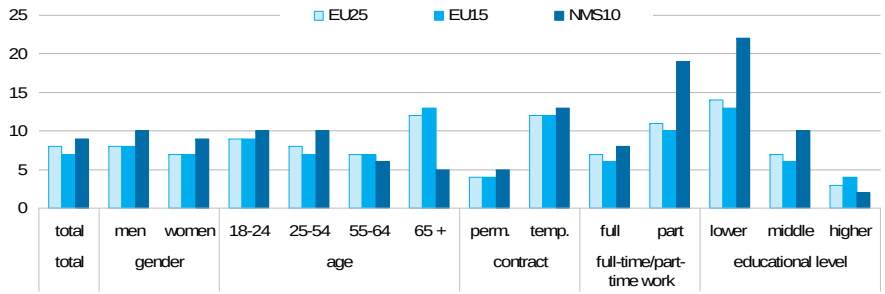
Data source: Eurostat (2008c). Note: The cut-off point for the at-risk-of-poverty rate is 60% of median equivalised income after social transfers. Note: LV, LT, LU, HU, MT, AT and PL are 2007; all others are 2006. Note: Eurostat does not provide data for the early 2000s on this indicator for CY, CZ, DK, SE and SK.

4.3. Working poverty

Wages are not always enough

One of the reasons why poverty is not diminishing in Europe is that wages and salaries are not always adequate to raise working people and their households above the poverty threshold (cf. Marx and Salverda 2005). In the EU25, 8% of working people are also poor; in the EU15 working poverty affects 7% of the employed population, and in the NMS10 this figure is slightly higher at 9% (Figure 4.4). Not all employed populations are affected by working poverty to the same extent, however. In the EU15 working poverty is slightly higher among men than among women. It is higher than average among young workers and the difference is even more pronounced among the population aged 65 and over. Working poverty also disproportionately affects those employed on temporary and part-time contracts, and it is much higher for employed persons with lower educational levels than for the rest of the employed population, especially in the NMS10 (Peña-Casas and Latta 2004 for a detailed study of working poverty).

Figure 4.4: In work at-risk-of-poverty rate after social transfers, 2006



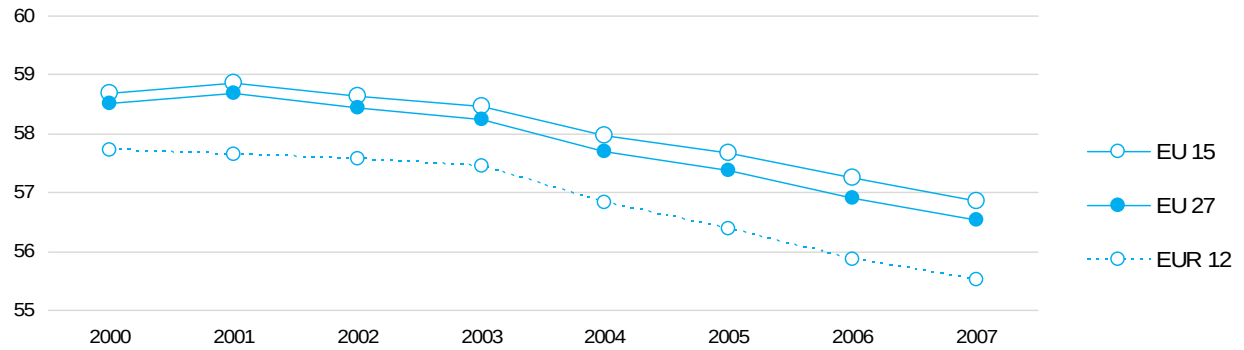
Data source: Eurostat (2008c). Note: The cut-off point for the at-risk-of-poverty rate is 60% of median equivalised income after social transfers.

4.4. Wage share and real compensation

Wage share shows steady decline

Important developments have also taken place in the distribution of income between labour and capital in the Lisbon era. This is shown by the developments in the wage share, i.e. the share of GDP represented by wages and employers' social contributions. Between 2000 and 2007, the adjusted wage share in the EU27 declined by 2 percentage points, from 58.5% to 56.5% (Figure 4.5). For the Euro area this decline was slightly stronger and amounted to 2.2 percentage points. These developments are not, however, specific to the Lisbon period but are the continuation of a longer-term trend. The level and the development of the wage share depend, first of all, on the extent to which productivity improvements are reflected in wage growth. Hence, the decline of the wage share reflects, to a major extent, the fact that wage growth in the EU lags structurally behind productivity growth (Keune 2008b). It is also influenced, however, by other factors, including job creation and the types of job created, the incidence of part-time work, the extent of the informal sector and informal payments, regulations on social contributions, and so forth.

Figure 4.5: Adjusted wage share 2000-2007



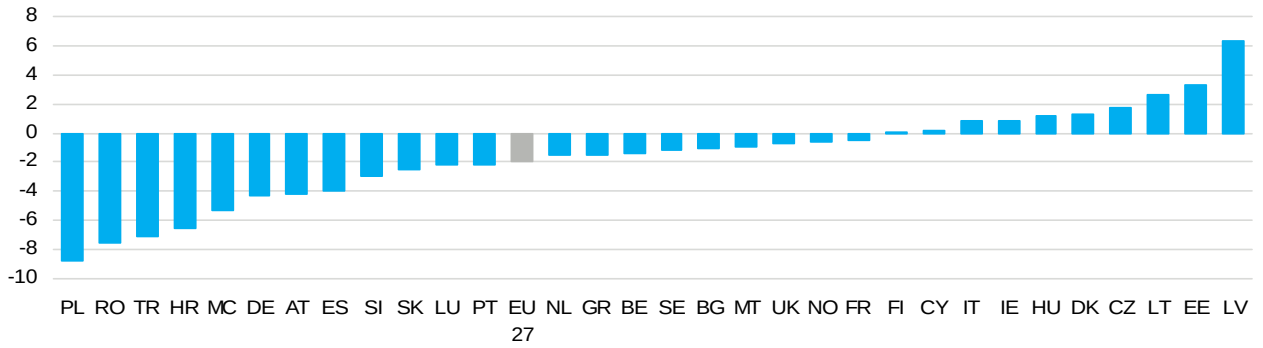
Source: AMECO. Note: Data refer to compensation (i.e. wages and employers' social contributions) per employee as percentage of GDP at market prices per person employed.

4.4. Wage share and real compensation

Major differences between countries

At the country level, the picture is again extremely mixed (Figure 4.6). While the wage share declined in a majority of European countries, in nine countries, including, in particular, the Baltic states, it showed an increase. All of the nine countries in question, with the single exception of Italy, are small countries. The largest declines in this respect were to be seen in Poland, Romania and Turkey, where they amounted, on average, to one percentage point per year or more. In Europe's biggest economy, Germany, as well as in Spain and Austria, the decline exceeded, on average, 0.5 percentage points per year.

Figure 4.6: Change in wage share, 2000-2007 (percentage points)



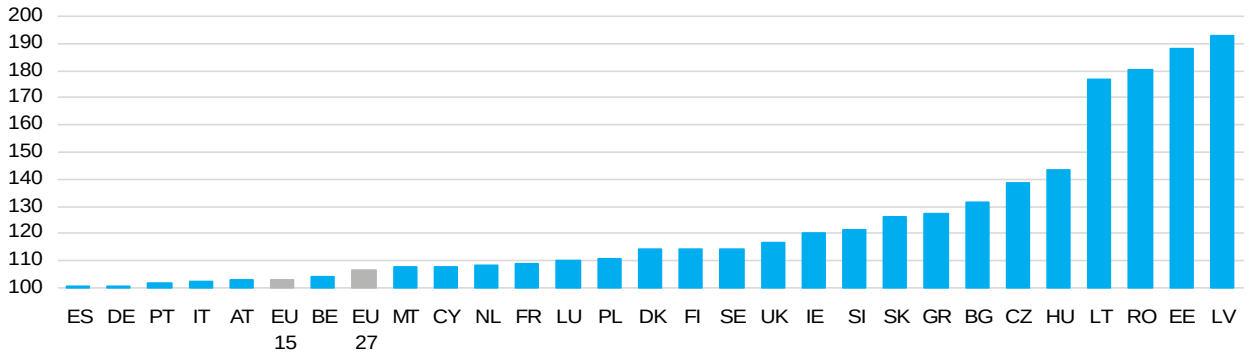
Source: AMECO. Note: Data refer to compensation (i.e. wages and employers' social contributions) per employee as percentage of GDP at market prices per person employed.

4.4. Wage share and real compensation

Wage moderation is the norm

The declining wage share is, as mentioned above, significantly related to wage moderation. In the 2000-2007 period, real growth of compensation (i.e. wages and employers' social contributions) was 6.5% for the EU27, less than 1% per year (Figure 4.7). Real growth in compensation was highest in the new member states and Greece, and in particular in the Baltic States and Romania where it was above 175%. Growth in real compensation has been particularly slow in most of the Euro countries (exceptions being Greece, Slovenia, Slovakia and Ireland) and particularly low in both Spain and Germany where, in these seven years, it has increased by less than 1%. These diverging developments in real compensation growth are one important explanatory factor for the only limited convergence in general income levels across Europe discussed earlier in this chapter. At the same time, little improvement can be seen in the gender wage gap, which remains at 15% in 2006 for the EU27, down only one percentage point compared to the start of the Lisbon era.

Figure 4.7: Real compensation 2000-2007 (2000=100)



Source: AMECO. Note: compensation refers to wages and employers' social contributions.

4.5. Minimum wage

Limited convergence again

A final indication of limited convergence across Europe comes from data on the minimum wage (Figure 4.8). In general terms, it can be observed that the minimum wage, expressed in purchasing power standards (PPS), has been increasing between 2000 and 2008 in those countries where it was lowest in the starting year. The minimum wage (in PPS) in the NMS increased between 1.5- and 4.3-fold during this period, while among the EU15 countries only in Spain did it increase by as much as 1.5-fold, all other countries having experienced lower growth in this respect. Still, in 2008, the differences between countries remain striking. In the Czech Republic or Poland, for example, the figures are double that for Romania, while in six EU15 countries the value of the minimum wage is more than twice what it is in the Czech Republic and Poland. Moreover, as discussed above, the fact that a minimum wage exists does not prevent a substantial percentage of the employed population from living in poverty (for a discussion of the minimum wage in Europe see Schulten *et al.* 2006).

Figure 4.8: Monthly minimum wages in purchasing power parities

	2000 (first half)	2008 (second half)	change
RO	54.0	231.8	4.3
BG	101.9	245.0	2.4
LV	155.5	351.3	2.3
SK	258.3	381.0	1.5
LT	225.3	388.0	1.7
EE	190.4	390.0	2.0
HU	202.7	417.8	2.1
CZ	238.0	460.3	1.9
PL	296.9	469.3	1.6
PT	505.4	588.0	1.2
SI	491.5	736.4	1.5
ES	499.8	752.7	1.5
GR	634.1	768.0	1.2
MT	688.3	837.0	1.2
IE	846.6	1159.9	1.4
UK	850.7	1182.9	1.4
FR	980.5	1238.6	1.3
BE	1035.5	1267.8	1.2
NL	1048.3	1316.1	1.3
LU	1180.4	1531.9	1.3

Source: Eurostat (2008d). Note: EE and SK: 2000=2002

4.6. Conclusions

The Lisbon Strategy has not achieved its objectives

The fight against poverty and for greater social cohesion in Europe is one of the key objectives of the Lisbon Strategy. From the data presented in this chapter it emerges that, when average data for countries are compared, there is limited convergence across Europe; in other words, differences between countries, in terms of income, wages and the minimum wage, although they have been decreasing, remain high. Nor is it possible to report much progress within individual countries. In most cases the income differences between the richest and the poorest 20% of the population have increased, poverty has on average remained stable, gender differences in poverty and pay remain significant, having declined only slightly or not at all, and there is a continuing shift of income from labour to capital, expressed in a declining wage share. The limited convergence among European countries can be explained, to a considerable extent, by differing growth rates. The lack of progress in terms of intra-country income differences points rather to the absence of solidaristic social policy, which is indeed conspicuously absent from the Lisbon Strategy, and from policies stemming from European integration in general. Social and wage policies remain nationally dominated but do not work towards the Lisbon goals, and the OMC type of exercise seems to have exerted little positive influence in this field. What is more, the economic criteria and policies resulting from European integration rather hamper any efforts on the part of national welfare states to make progress in combatting poverty and inequality because they restrict the range of policy instruments available to national policymakers and set serious limits on permissible levels of public debt and budget deficits. The Lisbon Strategy operates along these same lines and has not compensated for this loss of national social policy capacity, either by providing national policymakers with new instruments or by introducing significant social policies at the European level.

5. WORKER PARTICIPATION AND THE LISBON AGENDA

Worker involvement undeniably mirrors the Lisbon goals at the micro-level constituted by the workplace, making workers into citizens at their workplaces. Worker involvement serves, at the same time, two major objectives: to make social rights effective in order to strengthen democracy and social understanding, and to support companies in achieving economic competitiveness. More than 14,000 members of European Works Councils or works councils in European Companies (SE), supported by their trade unions, have adopted a pro-active role in this regard, particularly in relation to the need to resist and tackle economic crisis without excessive social damage.

The social right to information and consultation – at the very least – for workers in their workplaces can be seen to wind like a red thread through the history of the European Union. Article 27 of the European Charter of Fundamental Rights, assuming it becomes enshrined in the new EU Treaty, will make this right binding and subject to recourse in law. It links up with provisions on information, consultation and also participation in management decision-making at board level that currently exist in many EU member states. At the very least, the three directives concerned with European Works Councils (EWC), worker involvement in the European Company (SE)/European Cooperative Society, and information and consultation standards (I+C), express the political will to implement these fundamental rights appropriately and in full throughout Europe.

Although, in general terms, the Lisbon Strategy sets out to take effective measures to balance economic performance, social aspects, and sustainability in order to withstand global competition, it is surprising that no explicit consideration is given to pro-active worker involvement as one of the drivers for achieving the much emphasised Lisbon Strategy objectives of making Europe an attractive place to invest and to work. For it is precisely the priority accorded to well qualified and committed workforces in the framework of stable social security systems as a vehicle of competitiveness that makes Europe different from other economic areas in the world.

A look at the latest Communication from the EU Commission on the Lisbon Strategy on the occasion of the 2008 Spring Council (European Commission 2007e) serves to highlight this connection. The Communication once again stresses the importance of the workforce by focussing on the adaptability of workers and enterprises, or the capacity to introduce modern forms of work organisation or a workplace environment that will facilitate innovation. And yet no reference is found to the self-enforcing power to realize these demanding goals at the micro level of companies and workplaces.

Could it be that this aspect has been simply forgotten by the policymakers? More than a decade ago the so-called Davignon report provided arguments for the usefulness of worker participation by stressing its importance for the achievement of economic goals: 'The type of labour needed by European companies – skilled, mobile, committed, responsible, and capable of using technical innovations and of identifying with the objective of increasing competitiveness and quality – cannot be expected simply to obey the employers' instructions. Workers must be closely and permanently involved in decision-making at all levels of the company' (European Commission 1997).

Sometimes it seems that these findings are no longer regarded as valid or relevant, that, on the contrary, they are increasingly perceived as mere remnants of times past and never to return. However, the failure of the liberal model of organising economies, as it is apparent today, restores purpose to the appeal for mechanisms able to achieve social cohesion and integration of economy into society. Such is the purpose of this chapter.

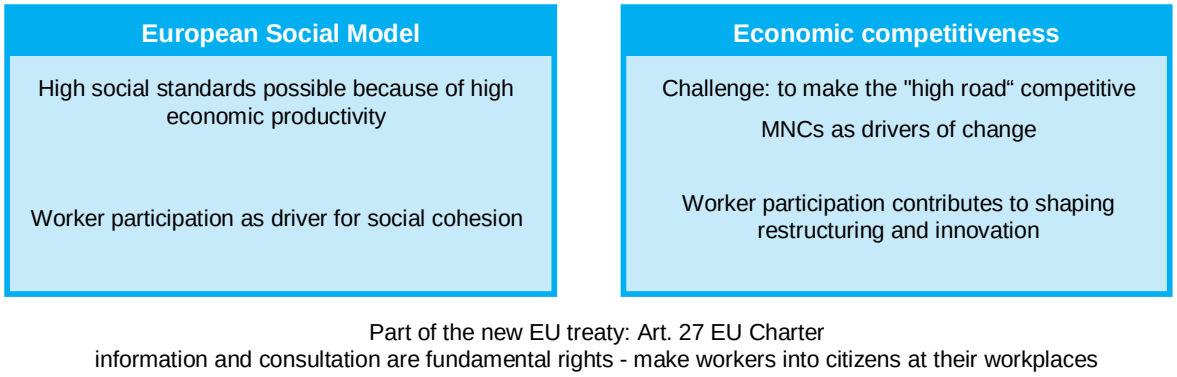
Themes

5.1. Lisbon and worker involvement

Where is the link?

The aim here is to highlight those European acts and institutions which would seem to be key to the restoration of balance between the economic and social goals set in the Lisbon Agenda. For this purpose an innovative tool for measuring country performance in terms of employee participation is presented, proving the existence of reciprocal links between quality workforce involvement in the workplace and GDP, productivity, employment level and environmental issues. Secondly, one of the three pillars of workers' rights to information and consultation in Europe is presented, namely, framework directive 2002/14/EC introducing works councils as the basic level of social dialogue on company level. Subsequently, the supranational company level is discussed in its two fundamental forms – the European Works Councils (EWCs, based on directives 94/45/EC and 97/74/EC) introduced in 1994 and the participation of employees in the SE (directive 2001/86/EC) adopted in 2001. Both these directives pursue the goal of conveying information and enabling consultation on company issues affecting employees on a transnational level, i.e. when measures involve subsidiaries from at least two member states and go beyond the decision-making powers of management in a single country. In these sections an attempt is made to present the links between these specific tools of company-level social dialogue and attainment of the Lisbon goals.

Figure 5.1: The Lisbon Strategy - the way Europe can progress



5.2. Economic and social welfare effects of worker involvement in Europe

The European Participation Index (EPI)

What is the relationship between worker involvement, social cohesion and economic performance in Europe? In order to enable Europe-wide comparisons in this regard between the EU member states, the ETUI-REHS has developed a European Participation Index (EPI), consisting of three equally weighted components:

1) Board-level participation – measures the strength of legal rights in each country for employee representation in the company's highest decision-making body. This classification was developed by the SEEurope network of ETUI (www.worker-participation.eu) and classifies countries in three groups: 'widespread participation rights', 'limited participation rights' and 'no (or very limited) participation rights'.

2) Plant-level participation – measures the strength of worker participation at the plant level. This includes three sub-indicators, including i) the probability of the presence of an interest representation body (including in smaller companies), ii) the existence of extensive information and consultation rights, including the right to veto or delay decisions with strong impact on employees like restructuring, closure, and mass redundancies, and iii) the competence to negotiate and sign legally binding agreements.

3) Collective bargaining participation – measures union influence on company industrial-relations policies, including an average of i) union density (i.e. percentage of workforce belonging to unions) and ii) collective bargaining coverage (i.e. percentage of the workforce covered by collective agreements).

Countries were classified based on their overall scores on the participation index. The 'stronger participation rights' group includes nine countries: Austria, Denmark, Finland, France, Germany, Greece, Luxembourg, the Netherlands and Sweden. The 'weaker participation rights' group includes 18 countries: Belgium, Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and the United Kingdom. Each of the two groups accounts for roughly half of EU27 GDP, making their importance in economic terms approximately equal.

This comparison of the EU27 countries classified by strength of workers' rights regarding information, consultation and participation shows that, on the whole, countries with stronger participation rights performed better along a range of Lisbon Strategy indicators than did countries with weaker rights. Figure 5.2 shows that the 'strong rights' group of countries surpassed the other in a wide variety of key indicators: GDP per capita, labour productivity, overall employment rate, employment rate of older workers, youth educational attainment, expenditures on R&D, progress on the reduction of greenhouse gas emissions and consumption of energy.

Figure 5.2: European Participation Index

Performance indicator	Countries with stronger participation rights	Countries with weaker participation rights
GDP per capita in Purchasing Power Standards (EU27 = 100)	116.5	104.5
Labour productivity per person employed (EU27 = 100)	113.9	103.6
Employment rate (total %)	67.6	64.7
Employment rate of older workers (percent)	46.1	44.3
Youth education attainment level - % of the population aged 20 to 24 having completed at least upper secondary education	77.8	75.8
Gross domestic expenditure on R&D (percent of GDP)	2.3	1.4
Index of greenhouse gas emissions and targets - In CO2 equivalents (Actual base year = 100)	92.7	103.3
Gross inland consumption of energy divided by GDP (kilogram of oil equivalent per 1000 Euro)	170	261.7

Data source: Eurostat. Note: all data for 2006. Countries weighted by 2006 GDP.

5.3. Information and Consultation Directive

Supporting social dialogue at national level

The Information and Consultation Directive 2002/14, establishing a general framework for informing and consulting employees in the European Community, was intended to broaden the scope of the right to information and consultation of workers to all EU member states. The concept is based on national employees' representation, and thus needed to accommodate all the variety of national traditions and institutions, such as, for example, single (exclusively via trade unions) or dual (trade unions and independent employee representatives) channel of representation. Indirectly, Directive 2002/14 established a prerequisite to the right of information and consultation: each member state must provide for a general and permanent system of employee representation, either single or double channelled, elected and/or appointed. This point was reiterated in the ECJ landmark decision of 1992 (Commission vs. UK, C-382/92). It allowed for transitional provisions (Art. 10) in member states in which there was, 'at the date of entry into force of this Directive, no general, permanent and statutory system of information and consultation of employees, nor a general, permanent and statutory system of employee representation at the workplace allowing employees to be represented for that purpose'. In total six members states (Cyprus, Ireland, Italy, Malta, Poland and the UK) took advantage of the provision of Article 10.

However, the picture of worker representation in respect of the implementation of Directive 2002/14 remains heterogeneous. In only one third of the member states are there provisions requiring employers to set up such workers' representative bodies, which means that the employer has to be active in delivering information and conducting consultation. Subsequent implementation provisions of the Directive on national level secure workers' information and consultation in the absence of employee representatives in the enterprise. However, only a limited number of member states provide for the direct involvement of national institutions as a means of last resort in the event of violations or lack of implementation of the Directive's provisions. None of them has taken advantage of the opportunity given by the Directive to improve domestic legislation in respect of employee representation systems.

Although it might be too early to judge fully the directive's impact on consultation and information, because of the very recent change in some countries, especially in the New Member States (NMS), the fact is that workplace representation, as a distinctive feature of the national industrial relations systems, still varies significantly across the European Union (Vandenbrande *et al.* 2008; European Commission, 2006a). In some countries (Hungary and Slovakia) works councils seem to be less important than trade union representatives. In France, Greece, Portugal and Spain, on the other hand, works councils could be considered as complementary bodies to the trade union representation. At the same time, the dual-channel structures in Belgium, Denmark, Italy, Luxembourg and Slovakia are monopolised or

Figure 5.3: Structures of workplace representation and representation density rate (%)

	Structures of workplace representation		
	Single channel		Dual channel
	Union representatives	Alternative model	
Low (≤33%)	Estonia (before 2007); Latvia (usual until now); Lithuania (usual until now); Poland (before 2006)	Lithuania (from 2003, implemented by special law 2005); Poland (new law 2006)	Estonia (2007, seldom); Latvia (2002, seldom)
Medium (>33-≤66%)	Cyprus; Ireland; Malta; UK	Czech Republic (from 2001); Slovakia (2002-3)	Austria; Belgium; France; Germany; Greece; Hungary (since 1992); Italy; Luxembourg; Netherlands; Portugal; Slovakia (from 2003); Slovenia (since 1993); Spain
High (>66%)	Finland; Sweden		Denmark

Source: Kohl (2008), Vandenbrande *et al.* (2007), http://www.worker-participation.eu/. Note: Presence of trade unions or similar organisations in the workplace as a percentage of the employees. Not included: Bulgaria (dual channel from 2006 but before single channel) and Romania (usual single channel by union representatives but hybrid single channel from 2003).

5.3. Information and Consultation Directive

Supporting social dialogue at national level

dominated by the trade unions. In Austria, Germany and the Netherlands works councils are the only statutory body of workplace representation and the union delegation plays only a secondary role at workplace level; trade union delegations are particularly rare in Austria.

Single channels of worker representation are still the norm in Finland and Sweden and also in Cyprus, Ireland, Malta and the UK. Although in the majority of member states existing standing worker representative bodies enjoy a right of information and consultation, trigger mechanisms have been introduced in the UK and Ireland so that information and consultation rights depend on the request of 10% of the workforce to negotiate an agreement in order to provide for the election of ad hoc worker representatives or for direct involvement, thus deriving from the single-channel method based on trade union recognition by the employer. In practice single-channel representation is also the case in most NMS, despite the fact that the information and consultation directive gave the opportunity for the establishment of dual-channel structures. Single-channel worker representation by a trade union was traditionally the dominant type of worker representation in the NMS. This has only slightly changed in most of those states since the implementation of the directive. Baltic, Polish and Romanian trade unions have all followed the rather hybrid type of worker representation found in the Czech Republic where works councils, often considered as competitors of trade unions and undermining them, could be set up but cease to exist when a trade union representation is chosen in the company (Kohl, 2008). In practice, very few works councils have been established and worker representation by union representatives is also weak because of low union density in the majority of the NMS.

Figure 5.3 shows that in countries where workers' representation is based on single-channel structures the representation density rate, i.e. the presence of trade unions or similar organisations as a percentage of the employees, is rather mixed. While in member states with longstanding statutory systems of information and consultation the representation rate is between 33% and 66% or even higher (Finland and Sweden), the rate is significantly low in the NMS. The latter adopted a single-channel worker representation system regardless of whether works councils could exist as an alternative or not (Carley *et al.* 2007).

This is in contrast to countries where worker representation is based on dual-channel structures. In none of those countries is the representation density rate low, although Bulgaria (not stated in the figure), Estonia and Latvia seem to be exceptions. However, in those countries dual channels have only recently been introduced and, as in the other NMS, in practice few works councils have been established, notwithstanding the directive on consultation and information. Moreover, due to different thresholds of necessary employment before a company is obliged to apply legal provisions, there is not only cross-national diversity but also sectoral variance. Workplace representation is obviously weaker in those sectors dominated by small and medium-sized companies, which is particularly the case in the largest economic sector, the low-unionised but still growing private services sector. In other words, a large proportion of the workers who are assumed to be the drivers of a competitive and dynamic knowledge-drive economy are excluded from information and consultation rights.

Six years after passing the Directive it is still difficult to conclude that information and consultation of workers are efficiently guaranteed in the European Union, mainly because most member states have implemented this piece of European legislation in minimalist fashion. Thus the '*effet utile*' of the Directive, meaning the effective guarantee of the right to information and consultation to all workers in order to 'promote employee involvement in the operation and future of the undertaking and increase its competitiveness' as mentioned in recital 7 of the directive, could not be fully realised. Following an expert report on the implementation of the EU directive on information and consultation, the European Parliament's Commission of Employment and Social Affairs has called for revision of Directive 200/14 /2008/2246 INI.

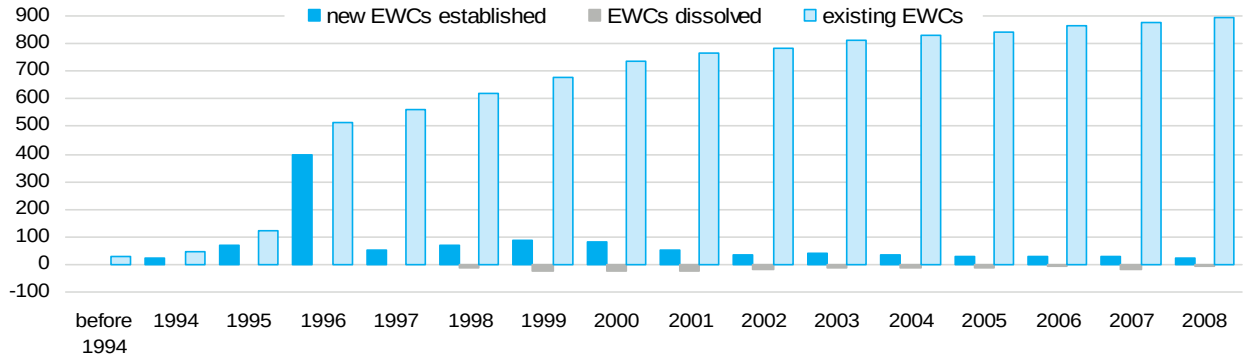
5.4. European Works Councils (EWC)

EWCs' contribution to the Lisbon Agenda

Although not a tool invented specifically to attain the Lisbon goals, EWCs have become one of the important institutions contributing to the '*sustainable economic growth*' of companies. Sustainability of companies is strengthened by information and consultation processes taking place in EWCs and making the link between local operations of multinational enterprises and their global decision-making centres. In this way, EWCs represent an often missing link between the employees at the level of a single plant and the sustainable aspect of making the EU the most competitive economy in the world. In this regard, sustainability should be understood as the ability to continue without causing damage not only to natural environment, but also to the social entourage, i.e. employees of companies as their main stakeholders (ETUC and ETUI-REHS 2008).

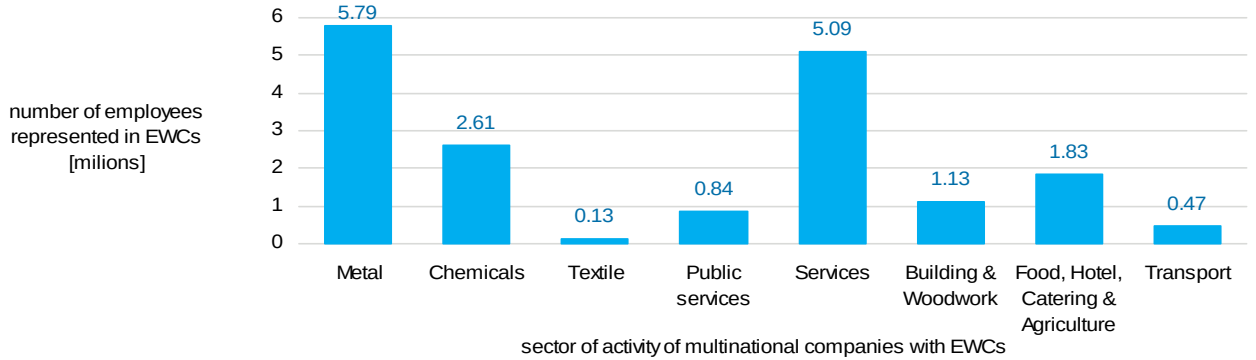
In this regard, the moderate – but steady – rise in the number of EWCs (Figure 5.4) proves that this concept has become for many multinational companies (especially the biggest ones employing over 10 000 workers in the European Economic Area (EEA) and those employing between 5 000 – 10 000, representing respectively 42% and 37% of all EWCs created) a standard and a logical complement to their policies in the area of sustainability and corporate responsibility. The 893 EWCs active today (ETUI-REHS 2008) represent a total of at least 15.6 million workers in the EEA working in 856 enterprises in eight main sectors of industry (Figure 5.5).

Figure 5.4: Development of EWCs over the years



Data source: ETUI-REHS (2008). Note: for an additional 9 EWCs the date of creation is not known.

Figure 5.5: Employees represented in EWCs per sector of activity of multinational companies



Data source: ETUI-REHS (2008).

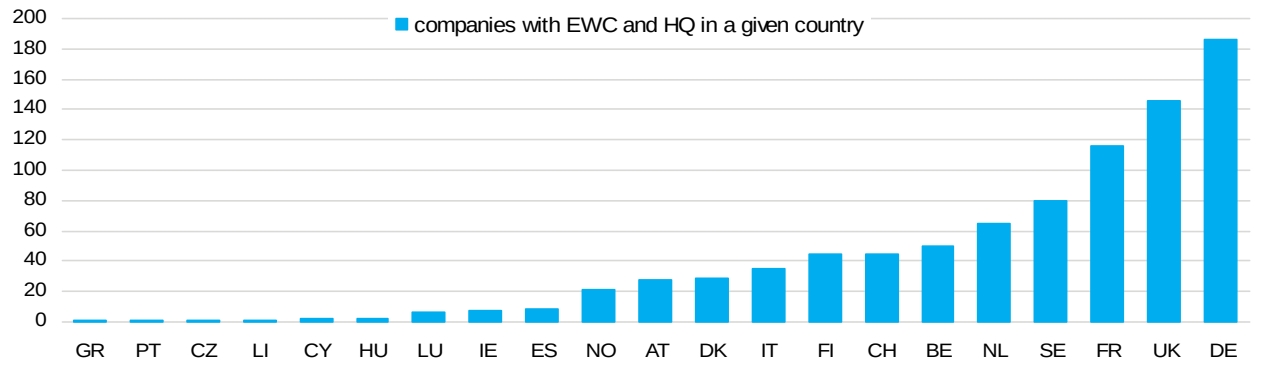
5.4. European Works Councils (EWC)

EWCs and restructuring

As was argued above, countries with a strong participation index perform better in many economic and environmental aspects. This conclusion is also true as far as EWCs are concerned: in undertakings headquartered in the 'stronger participation rights' group (see section 5.2) a total of 556 EWCs (62% of all active EWCs) have been set up (Figure 5.6). Hence, EWCs, perceived as one of the elements contributing to the achievement of the Lisbon goals, make the countries in question even more effective drivers of a balanced growth and social sustainability.

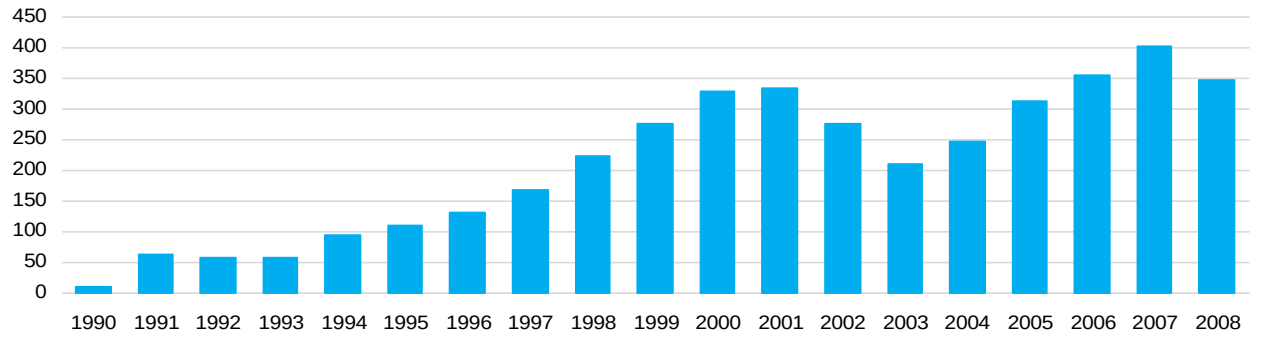
Restructuring has become, in recent years, a highly relevant issue in Europe and 'may in some senses be the most important issue with which EWCs' are dealing (Schömann *et al.* 2008: 15). Involvement of companies (both with and without EWCs) in merger and acquisition cases notified to the DG Competition of the European Commission between 1990 and 2008 (Figure 5.7) clearly shows that the pace of restructuring has been accelerating fast. This development might become even more significant in the coming years, given that, as a consequence of the financial crisis of autumn 2008, numerous restructuring processes across sectors and borders can be expected.

Figure 5.6: Headquarters of multinational companies with EWCs



Data source: ETUI-REHS (2008).

Figure 5.7: Number of merger cases notified to DG Competition of the European Commission (1990-2008)



Data source: Eurostat (2008a).

5.4. European Works Councils (EWC)

EWCs and restructuring

However, it is in this context that we find the situation and role of the EWCs to be rather ambivalent. On the one hand, the European Commission puts great emphasis on the 'essential role' of the EWCs in anticipating and managing restructuring operations (European Commission 2002a and 2005c) and finances numerous projects and initiatives on this topic. On the other hand, the available research results are clear : best practices of early and extensive information as a basis for consultation on management decisions are rare and an active role by EWCs in accompanying restructuring and relocation together with European and local trade unions – as, for example, in the case of General Motors Europe (Banyuls *et al.* 2008; Fetzer 2008) – is the exception, rather than the rule, the norm being for EWC representatives to be 'consulted' after the decision had been finalised (Waddington 2006; Telljohann 2009), while in some cases the information was not only useless but actually absent. When, at the beginning of 2008, Nokia announced the closure of the site in Bochum (Germany) and the relocation of a significant part of the production to Romania, the EWC was neither informed, nor consulted, in clear violation of European employees' rights. But such extreme cases apart, companies tend to bypass EWCs during restructuring processes by portraying the measures as having only a 'national dimension', and in other cases undertakings involve EWCs in a merely instrumental way so as to play off production sites against each other.

The mismatch between European discourse and initiatives on the one hand and restructuring practices on the other contradicts not only the original purpose of the EWC Directive as a new European institutional structure for employee participation at cross-border level but also the spirit of the Lisbon Strategy and its objective of strengthening social and territorial cohesion. Corporate restructuring is often essential for companies' competitiveness, but it is always also of strategic significance for the region(s) which are affected, in terms of job losses, employability, and citizens' living conditions. Though EWCs, on their own, are of course inadequate to manage transnational restructuring and the processes of regional industrial change related to it, the EWC can be an essential 'company knot' and *relais* of a broad network of social partnership; as such it certainly has a capacity to become a central actor in restructuring processes, together and in transnational coordination with European trade unions (Moreau and Paris 2008). This role has already been claimed by at least a certain number of EWCs in operation in 89 enterprises, where transnational agreements between employee representatives and management have been signed, some of them dealing with the social implications of restructuring measures (European Commission 2008b: 3).

The framework in which EWCs operate, currently characterised by a lack of rights and resources, makes it difficult for the EWCs to live up to their potential. Firstly, the information and consultation rights, which – also in comparison with the later directives on information and consultation rights (2002/14/EC) and on the European Company (e.g. directive 2001/86/EC) – are too vaguely defined. Secondly, the hazy definition of what constitutes a 'transnational issue' included in the EWC directive (94/45/EC) has all too often led to EWCs being hindered in their representation activities because the management has unilaterally defined restructuring measures as 'national' or 'local'. Last but not least, there is a need for effective sanctions in case of the directive, or the agreements arising from it, not being adhered to, i.e. when decisions affecting employees in several countries are taken without proper information and consultation – as recently in the case of Nokia. If these shortcomings are tackled and EWCs thus rendered more effective, they can be indeed a very important partner of local unions and political actors in shaping transnational restructuring processes.

5.4. European Works Councils (EWC)

EWCs beyond the legal minima

In a number of cases EWCs over the years have developed solutions going beyond the legal minima of the EWC Directive (94/45/EC). In more than 40 cases the two parties have agreed upon more advanced definitions of information and consultation, such as the obligation for the EWC to submit an opinion in order for the decision-making process to be complete, the right of an EWC to request postponement of a decision to enable in-depth analysis, with some of the agreements going as far as to grant entitlement to negotiation. Moreover, a substantial group of about 20% of the companies has opted in their agreements for two plenary meetings per year. The quality of this facility is crucial for operation of EWCs, as it enables employee representatives to meet, obtain and exchange information on corporate plans and to submit proposals and opinions to management, aiming at making the business decisions more socially balanced. This is made possible by EWCs discussing issues such as company performance, economic and financial situation, probable development of the business and production, probable trends of employment, investments, and substantial changes concerning work organisation and production, etc. (Annex to directive 94/45/EC, art. 2). In view of the steeply rising pace of restructuring (see Figure 5.7) and numerous implications thereof, one meeting per year, being the most frequent solution (Figure 5.8), is no longer sufficient to allow effective and meaningful involvement of employee representatives in information and consultation. Nor, therefore, is it sufficient to substantially contribute to realisation of the Lisbon goals.

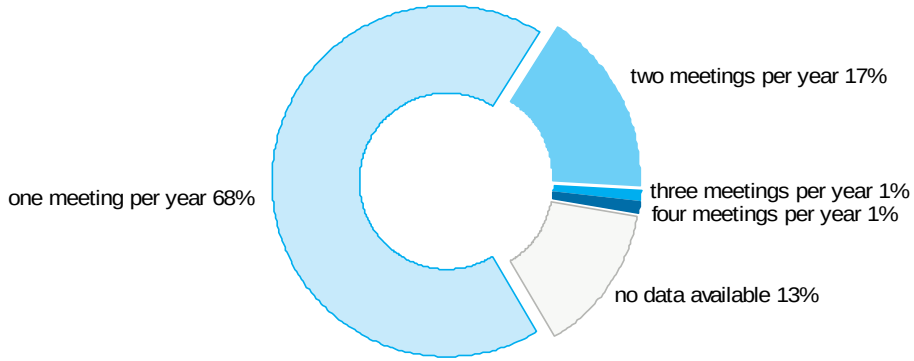
Unfortunately, with regard to other facilities for EWCs, such as language training, the situation is rather similar, little progress having been recorded over the years.

As is depicted in Figure 5.9 a vast majority of EWCs has been in operation for 10 or more years, which implies that, due to their experience, they have made progress in terms of competence and partnership.

The figure clearly shows that the 893 currently existing EWCs (the total number of EWCs ever set up is 1088) have become a permanent feature of European industrial relations. Even though, in a vast majority of cases, they have proved their value, they need to evolve and become more efficient if they are to become meaningful and effective instruments for both employees and companies. The latter clearly find EWCs useful in terms of corporate decision-making, as proven by a survey conducted by Vitols (ETUC and ETUI-REHS 2008: 78). In specific terms, this proves that companies in Europe are reliant upon effective agreements with a highly qualified workforce that supports innovation and change.

The question of precisely how EWCs contribute to innovation and change as well as to handling change in an innovative and sustainable way can be explained by referring to an emerging phenomenon of transnational company agreements. In about two thirds of such agreements, signed mainly

Figure 5.8: Frequency of meetings of active EWCs



Data source: ETUI-REHS (2008).

5.4. European Works Councils (EWC)

EWCs beyond the legal minima

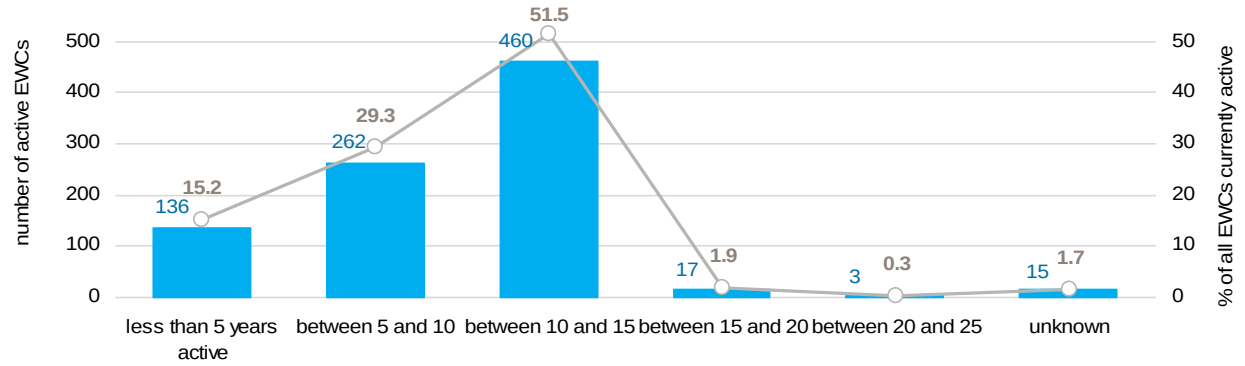
against a background of restructuring, EWCs have been active participants and co-signatories (European Commission 2008c). Currently there are no fewer than 147 transnational agreements in at least 89 different multinational companies (Jagodzinski *et al.* 2008: 39). These documents deal with various aspects of employees' work in multinational companies ranging from working conditions, data protection, training, environmental issues, CSR and even to regulations on some financial benefits (ibidem). A special form of such agreements, those co-signed by trade union organisations on both national and supranational levels (European Industry Federations, International Union Federations) are International Framework Agreements (IFAs), which can be regarded as constituting an emerging level of transnational collective bargaining. (Schömann *et al.* 2008)

From the point of view of their contribution to the Lisbon Agenda, these transnational company agreements (especially the IFAs) are a specifically European and highly innovative way of handling the social consequences of restructuring and industrial change. There are some remarkable examples of such active involvement of employees in seeking sustainable solutions for competition-ridden economies, including Group4Falck, Volkswagen, Ford, EADS, PSA Peugeot Citroën, Renault and Suez and others (see: European Foundation for the Improvement of Living and Working Conditions 2008: 11).

This kind of evolution from information and (non-binding) consultation rights – stipulated originally in directive 94/45/EC – to more efficient, extra-legal instruments such as transnational company agreements is currently not reflected or covered by any law. What is more, it refers, unfortunately, to only a limited number of EWCs. The later group of more advanced EWCs definitely represents, to a certain extent, a kind of avant-garde, indicating that these information and consultation bodies follow practical developments and demands and that they are maturing more quickly than legislation.

The debate on the long overdue revision (recast) of the EWC directive in 2008 initially gave rise to hope, but, finally has also revealed the limits of consensus heavily influenced by ideological short-sightedness. Having just faced the end of the process, we are aware that not all the expectations concerning the improvement of the legislative framework for EWCs have been able to be realised. Firstly, what happened was a change of status from a revision to a mere recast which imposed certain limitations on the process (e.g. scope of action of the European Parliament). This fact, combined with a restrictive and minimalist approach on the part of employers' organisations, prevented some vital improvements for which the ETUC has been campaigning (ETUC 2003; ETUC 2008a).

Figure 5.9: Length of existence of currently active EWCs in years



Data source: ETUI-REHS (2008).

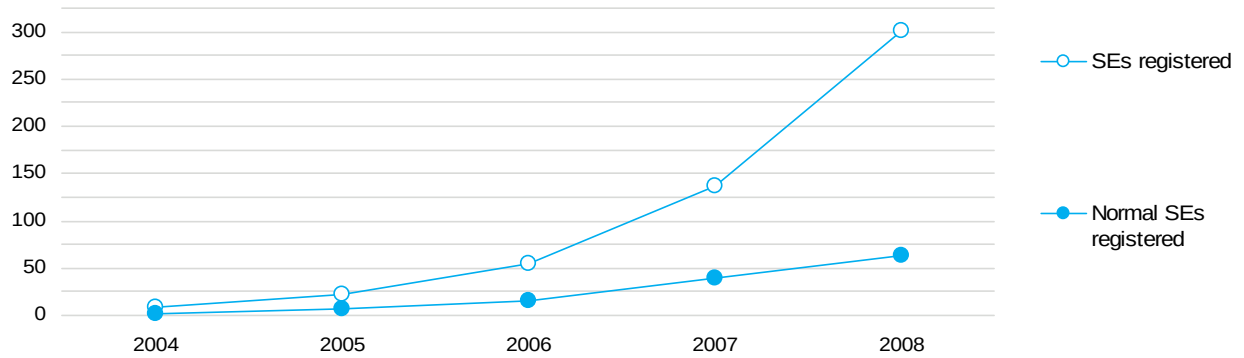
5.5. Worker involvement in the European Company (SE)

Combining cross border-flexibility and transnational worker involvement

Following protracted discussions over more than 30 years, the European Company (SE) legislation came into force in October 2004. Though not directly connected to the Lisbon Agenda, the SE legislation is clearly in line with its aims. Its main focus is to strengthen the competitiveness of companies by offering them a new business form that enables them to take better advantage of the internal market. Nevertheless, there also exists a link with the social dimension of Lisbon, insofar as the accompanying SE Directive on worker involvement represented a step forward as compared to the EWC Directive by offering more transnational information and consultation rights and by introducing the dimension of employee board-level representation ('participation') into the obligatory negotiations on worker involvement when an SE is set up (Kluge and Stollt 2007).

More than four years after its entry into force it is possible to draw some preliminary conclusions on the SE's impacts on contributing to the Lisbon aims. Predicted by many to be a 'still born child' the SE has developed into a relative success story (Gold *et al.* 2009). Since its introduction in 2004, the number of SEs has increased steadily year by year. By the end of 2008 more than 300 companies had been founded in the form of a Societas Europaea (ETUI-REHS 2008). However, this rather impressive total should not blind observers to the fact that many SEs do not conform to the standard definition, for they are, in their overwhelming majority, SEs without any employees ('empty SEs') and/or not even a specific business purpose ('shell SEs'). As research by the ETUI's SEEurope network has shown, this practice is particularly present in the Czech Republic where more than 100 shell/empty SEs have been set up, mainly by five specialised traders (Carlson 2008).

Figure 5.10: Total number of registered European Companies (SEs)



Data source: ETUI-REHS (2008).

5.5. Worker involvement in the European Company (SE)

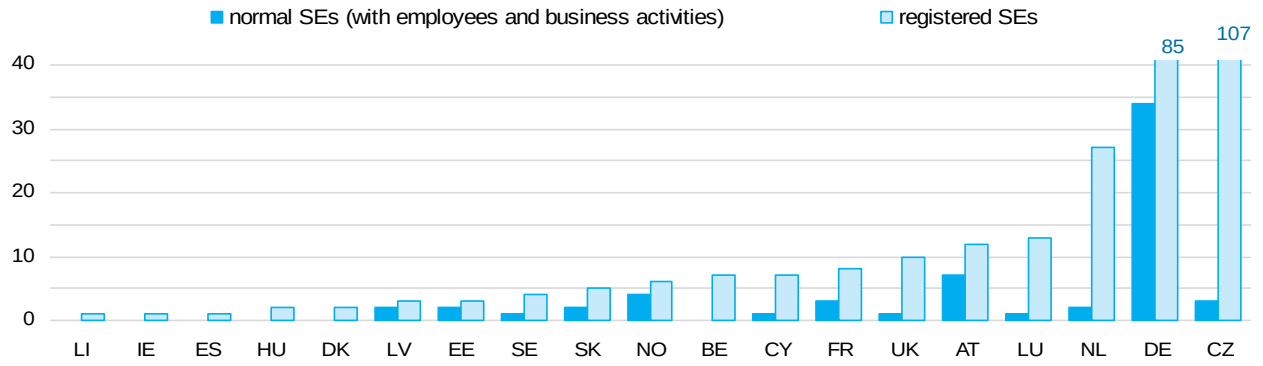
Extending participation rights across national borders

Whereas the founding of shell companies – i.e. without any employees at the time of registration (as opposed to 'normal' SEs, i.e. those with employees) – is a practice commonly applied to enable companies to set up in business more quickly, it represents a potential threat to worker involvement rights in an SE (ETUC and ETUI-REHS 2008). In this regard, it has to be borne in mind that mechanisms for securing employee rights to information, consultation and participation are guaranteed only at the moment of founding of SEs. It is accordingly difficult to negotiate workers' rights at a later point in time, when the company has recruited its employees. In this respect, the existing mechanisms of the SE Directive do not represent a sufficient guarantee. The Commission has in fact acknowledged this shortcoming in its recent communication on the revision of the SE (European Commission 2008c). In the meantime, some first cases have indeed arisen in which no negotiations took place when a registered 'shell SE' was sold and merged with an existing 'normal' company with employees.

The almost exponential growth of the 'atypical' SEs – especially when compared to the moderate growth of the 'normal SEs' – raises the question of the purpose of the SE legislation. The very high number of shell and empty SEs as compared to 'normal' ones creates some doubts as to whether the practice of establishing and registering undertakings without employees is in line with the goals, spirit and the *effet utile* of the legislation in question.

In the overall majority of cases where 'normal' SEs with employees have been created, management respected the procedure laid down in the SE Directive for negotiations on information, consultation and participation rights. The most prominent case where the procedure was initially not respected (Strabag SE) was subsequently 'healed', not least due to coordinated cross-border pressure from European trade union organisations (Klambauer 2008). By December 2008 an agreement on worker involvement had been concluded in no more than 32 out of the total of roughly 300 SEs. As with EWC agreements, the quality of these agreements differs significantly from one company to another. However, particularly the agreements of the larger SEs are in general in line with good 'EWC practice' and on certain points they go beyond what is legally foreseen in the SE Directive. In 18 SEs out of the 32 where agreements on worker involvement have been signed, the rights enshrined in the agreement include board-level participation, thereby adding an important dimension for workers' voice in company decision-making. By December 2008 more than 50 employee board members represented the interests of the workforce on SE supervisory or administrative boards. A fundamental innovation introduced by the SE legislation is the transnational component of participation at board level. In a number of SEs (e.g. Allianz SE, BASF SE and MAN Diesel SE) employee representatives from several countries sit on the board and represent the interests of the whole workforce in Europe.

Figure 5.11: 304 European Companies (SEs), set up in 19 countries



Data source: ETUI-REHS (2008).

5.5. Worker involvement in the European Company (SE)

Extending participation rights across national borders

This exercise of a European mandate certainly represents a new challenge for the representatives and their unions. The recent decision of the ETUC and its member organisations to set up a specific fund (financed by the board remuneration of the employee board members in the SEs) to support the European structures of employee representation within SEs and the pioneers of 'European participation' demonstrates a commitment to meet this challenge.

These rather positive general remarks cannot conceal the fact that, particularly from the German perspective that traditionally assumes a high level of co-determination rights, evaluation of the first SE experiences is inevitably mixed. Establishment of an SE has in some cases (e.g. Allianz and BASF SE) represented a pretext for lowering the number of board seats without formally changing the proportions between employee representatives and other (company) board members, leading to a de facto reduction in the number of seats guaranteed to workers. It is also striking that, in a considerable number of cases, an SE has been set up by German companies that were approaching an employee threshold which, under German law, would have required them to introduce board-level representation rights (500+ employees) or to extend existing rights (2000+ employees → from 1/3 to ½ of the board seats, including some seats 'reserved' for external trade union representatives) (Köstler and Werner 2007). This practice entails the danger that citizens perceive the SE not as a step forward but rather as yet another example of European legislation missing the mark in the endeavour to balance economic success and social aims.

Figure 5.12: Overview of SEs with operations and employees*

company	sector	seat	corporate governance**	employees concerned
Allianz SE	financial services	Germany	two-tier	133,846
BASF SE	chemicals	Germany	two-tier	ca. 65.000
Fresenius SE	medical care, chemicals	Germany	two-tier	48,828
Strabag Bauholding SE	construction	Austria	two-tier	32,682
Porsche Automobil Holding SE	metal	Germany	two-tier	11,500
Hager SE	metal	Germany	two-tier	7,600
Elcoteq SE	metal	Luxembourg	single-tier	7,450
Klöckner & Co. SE	metal	Germany	two-tier	7,377
MAN Diesel SE	metal	Germany	two-tier	6,625
Donata Holding SE	chemicals	Germany	single-tier	3,922
PCC SE	chemicals	Germany	single-tier	3,756
Q-Cells SE	chemicals, metal	Germany	two-tier	ca. 2.500
Conrad Electronic SE	retail	Germany	single-tier	2,314
RKW SE	chemicals	Germany	two-tier	2,221
Surteco SE	paper industry	Germany	two-tier	2,109
WILO SE	metal	Germany	two-tier	1,871
Interseroh SE	metal, services	Germany	two-tier	1,729
HAWE Hydraulik SE	metal	Germany	two-tier	ca. 1.800
Knauf Interfer SE	metal, services	Germany	two-tier	1,667
ASIC SE	services IBITS	Germany	two-tier	1,429
Plansee SE	metal	Austria	single-tier	1,422
Odfjell Terminals SE	metal, chemicals	Norway	single-tier	860
SCOR SE	financial services	France	single-tier	801

A information, consultation and participation | A information and consultation only | A participation only | A no information and consultation, no participation | A no information on worker involvement available

Data Source: ETUI-REHS (2008). Notes: SEs > 800 employees* (30.11.2008). **Single-tier: administrative board/two-tier = management board and supervisory board.

5.6. Conclusions

Worker involvement – major potential, yet still unused

One of the lessons from the current financial and economic crisis relates to a significant loss of trust in the relationships between economic actors like banks, financial institutions, managers, and also certain governmental institutions. Approaching the end of the ten-year period for which the Lisbon Strategy was constructed, many of the political promises have not yet been realised.

It is therefore high time to revitalise the forces for effective and collective self-activation in order to seek perspectives for the time beyond crisis. This chapter provides a reminder of one of the 'forgotten resources' in this regard as constituted by worker involvement in a broader sense and based on institutional settings provided by European legislation.

Institutions for worker involvement have long represented a valuable contribution to the stability of labour relations in circumstances of fundamental industrial change. Furthermore, involving employees has had a positive effect on much-needed innovative developments at the workplaces. It is disappointing, in this regard, to see that not much use has been made of the opportunities created by the European legal framework in this field:

- Surprising as this might seem, in none of the EU member states was any use made of the opportunity created by the EU Information and Consultation Directive to improve its domestic legislation on worker representation, in particular by means of strengthening interest representation in small and medium-sized companies below 50 employees, considered to be the drivers of a successfully working economy in Europe.
- Although EWCs seem to be a beneficial complement of labour relations at transnational level, the recast of the EWC Directive falls short of expectations in terms of the provision of tools for evolution towards more efficient additional instruments introduced by agreement between management and labour.
- Although worker involvement in the SE has actually developed into a relative success story by adding participation at board level as an important dimension for workers' voice in company decision-making, we are currently witnessing a political debate on a statute for a 'European Private Company', in which, under the pretext of adapting to 'specific needs of SMEs', an attempt is being made to de facto lower legal standards of worker involvement.

What Europe needs today is legislation to support improvements to the institutions that legitimise company decisions, creating trust within the company but also between company and society, since companies do not stand outside society. There are strong arguments in favour of a change of direction: as the European Participation Index (EPI) shows, some EU member states – regarded as having in place stronger worker participation systems than others – have gained a lot from such mechanisms, particularly, in relation to the effort to achieve the Lisbon objectives. In this perspective, EU directives providing for workers' involvement on the transnational level complement national provisions, and, altogether, represent a legally guaranteed space for worker involvement that can be used, in practice, to build up a European social model from the bottom to the top – and not the other way round!

6. HAS EUROPEAN SOCIAL DIALOGUE AND SOCIAL LEGISLATION SUPPORTED THE LISBON STRATEGY?

The European social dialogue is acknowledged as an essential component of the European model of society and development. Its status as a building block of economic and social modernisation has been confirmed by the Lisbon Strategy. In other words, the European social dialogues, alongside European social legislation, are regarded as driving forces of successful social reform. According to the European Commission, European social partners are best placed to take up the fundamental challenge of the Lisbon Strategy, in particular in respect of modernisation and management of change.

As the 2010 deadline for completion of the 2000 Lisbon Strategy agenda fast approaches, how much have European social partners and European legislators focussed upon and succeeded in implementing the goal of making the EU 'the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion'. And how have they responded to the refocussing – in 2005 – of the agenda on partnerships for growth and employment?

The European social dialogue and European social legislation are the two major instruments for introducing social standards in the countries of the European Union. European social partners are empowered by the EC Treaty to negotiate and conclude agreements on specifically defined social issues at interprofessional as well as sectoral level. At the joint request of the parties, these agreements may subsequently be transposed into European directives. In addition, the European legislator has the capacity to adopt legislative acts on social matters. This chapter sets out to examine to what extent the European social dialogue and European social legislation have contributed – or have failed to contribute – to achieving the objectives of the Lisbon Strategy. In the first two sections, the contribution of the European interprofessional (6.1) and the sectoral (6.2) social dialogue will be considered, while a third section (6.3) will be devoted to the input of the European legislator in social matters. The first point to strike is that the European social partners at interprofessional – albeit less at sectoral level – have indeed been highly active in shaping social Europe along the lines of the Lisbon Strategy. Meanwhile, though the European legislator has contributed some interesting input, social legislation to support the objectives of the Lisbon strategy is in short supply. Furthermore, analysis of the quantity and quality of the legislative acts, on the one hand, and of the negotiated contributions, on the other, over the past eight years, shows not only a clear imbalance between these two forms of input, but also a distinct shift of responsibility in social fields towards the European social partners and away from the European legislators. To what extent, then, have the former met the expectations placed in them?

Themes

6.1. What has the autonomous interprofessional social dialogue contributed to Lisbon?

Implementation of the two autonomous Work Programmes of the European Social Partners

Only a year before the Heads of State launched the Lisbon Strategy in March 2000, the European interprofessional social partners saw their third framework agreement (following those on parental leave and part-time work) incorporated into Directive 1999/70 on fixed-term work. The provisions of this text are undoubtedly in keeping with the objectives and policy priorities set by Lisbon, as well as with its re-launched version of March 2005 focussing on growth and employment. In June 2000, barely three months after the Strategy was proclaimed, the social partners entered into new negotiations with a view to reaching a framework agreement on the protection of temporary agency workers. Had these negotiations succeeded, the outcome would have again been in accordance with the aims of the Lisbon Strategy. Indeed, the different versions of the proposal for a Directive on this issue contained clear reference to the (re-launched) Lisbon Strategy objectives. However, the failure of these negotiations in 2002, apart from being the first such failure of EU social dialogue negotiations, entailed even more extensive consequences. Given also the prevailing institutional, political, economic and social situation, the need was felt, from within and also as a response to external pressure, to reshape the EU social dialogue, its structures and processes, as well as the policy-making role that EU social partners were able and wished to play.

The EU social dialogue was at a crossroads and the EU social partners decided in November 2002, through the adoption of their first autonomous multi-annual work programme for 2003-2005, to tread new paths in order to enhance and expand their dialogue, diversify the instruments used, and strengthen the implementation of their joint agreements and other texts. In this context, the effort to contribute to the Lisbon Strategy was one of their leading goals, and the work programme preamble clearly indicates that their decision to group the different actions launched under this work programme according to three priorities – employment, enlargement and mobility – was linked to their wish 'to make their work programme a useful contribution to the Lisbon Strategy'.

Following the success of the 1st work programme, the language of the 2nd Work Programme 2006/2008 leaves no doubt about its links to the Lisbon Strategy and, in particular, its refocusing upon growth and employment. In the preamble, the EU social partners 'reiterate their support for the Lisbon Strategy' and state that 'Europe's weakness in terms of growth and

Figure 6.1: Implementation of the 1st Work Programme of the European Social Partners 2003-2005

	Theme/ Calendar	Action taken
Employment	**Employment guidelines** (2003-2005)	1st joint report presented at the March 2004 Tripartite Social Summit 2nd joint report presented at the March 2005 Tripartite Social Summit
	Lifelong Learning (2003-2005)	Framework of actions for the lifelong development of competences and qualifications (28/02/2002), 1st joint Evaluation report 14/03/2003; 2nd joint Evaluation report 05/03/04; 3rd joint Evaluation report 01/03/05; Evaluation report 2006 (27/04/06)
	Stress at work (2003)	Framework Agreement signed by ETUC-UNICE/UEAPME-CEEP on 8/10/2004
	Gender equality (2003)	Framework of actions signed March 2005
	Restructuring (2003)	Seminars: October 2002/ March and May 2003 EU social partners' text "Orientations for reference in managing change and its social consequences" (16/10/2003)
	Disability (2003)	Joint Declaration of the EU Social Partners for the European Year of People with Disabilities (20/01/2003)
	Young people (2003-2005)	Joint Declaration of the EU Social Partners on the European Youth Pact (01/03/05) + is also taken on board in the ongoing negotiations on a Framework agreement on Inclusive Labour Markets
	Racism (2004)	One joint meeting in 2004; no concrete further joint follow-up since then
	Ageing workforce (2004)	First joint meeting on 14/09/2005 +is also taken on board in the ongoing negotiations on a Framework agreement on Inclusive Labour Markets
	Harassment (2004-2005)	Framework Agreement signed by ETUC-BUSINESSEUROPE-UEAPME-CEEP (27/04/07)
	Telework (2003-2005)	Framework agreement signed by ETUC-BUSINESSEUROPE-UEAPME-CEEP (16/07/02)
	Undeclared work (2005)	Joint Seminar 19/09/2005 + is also taken on board in the ongoing negotiations on a Framework agreement on Inclusive Labour Markets
Enlargement	**Industrial relations** (2003-2005)	Preparatory Project meeting: 9-10/12/2003; Start-off Conference: 9-10/01/2004 (Ljubljana);
	Social dialogue (2003-2005)	"Enlarged" SDC meetings: 29/01/2003, 01/10/2003, 05/03/2004, as from 05/2004 full member of each meeting
	Restructuring (2003-2004)	-
	Lifelong learning (seminar 2004/reporting: 2005)	Seminar May 2004
	Implementation of legal acquis (2004)	Two case-study seminars on EWC's (22-23/10/2004; 27-28/10/2004); joint conclusions March 2005
	EU social and employment policies after enlargement (2004)	Forms now part of reporting on employment guidelines and LLL (see above)
Mobility	**Action plan on skills and mobility** (2003-2005)	Seminar Commission and Social Partners (13/02/2003 - Brussels); no concrete follow-up foreseen

Source: ETUI (2008).

6.1. What has the autonomous interprofessional social dialogue contributed to Lisbon?

Implementation of the two autonomous Work Programmes of the European Social Partners

employment needs to be addressed in order to face the challenges of demographic change, globalisation and technological innovation'. In their view, 'the European social dialogue work programme for 2003-2005 has successfully contributed to the implementation of this strategy', and this belief was confirmed in their 2005 Joint Declaration on the mid-term review of the Lisbon Strategy. The EU social partners have thus perfectly understood and acted upon one of the main messages of the Strategy; i.e. that the role of and negotiations between social partners was considered to be the most suitable way forward on questions relating to modernisation and management of change, and especially in facing key challenges, such as enhancing skills and qualifications, modernising work organisation, promoting equal opportunities and diversity and developing active ageing policies. Indeed, all these pivotal areas are reflected directly and/or indirectly in the topics for action identified in both work programmes.

The two work programmes were also clear and targeted reactions to the important Commission communications issued in 2002 'The European social dialogue, a force for innovation and change' (European Commission 2002b) and 2004 'Partnership for change in an enlarged Europe – Enhancing the contribution of European social dialogue'(European Commission 2004). Both communications represented efforts to further strengthen the EU social dialogue, its role and instruments, and their recommendations are clearly also embedded in the Lisbon 'spirit', indicating ways in which the EU social dialogue could provide a productive and value-added contribution to the Lisbon process. For example, the establishment by Lisbon of the new tool of the open method of coordination is explained under a heading entitled 'boosting the social partners' involvement in the different aspects of the Lisbon Strategy' and, in the 2004 Communication, the Commission acknowledges the importance of social dialogue as an indispensable instrument for Europe in successfully facing up to current and future economic challenges and, especially, supporting implementation of the Strategy.

But has all this indeed led to a genuine contribution by the EU social partners to achieving the Lisbon agenda? As is clear from the implementation scoreboards of both the 2003-2005 and the 2006-2008 work programmes (see Figures 6.1 and 6.2), the EU social partners proved able to formalise their commitment in several fields relating directly to the Lisbon Strategy, using,

Figure 6.2: Implementation of the 2nd Work Programme of the European Social Partners 2006-2008 - Status 12/2008

Foreseen actions	Actions undertaken
Joint analysis of the key challenges facing Europe's labour markets (…)	• Joint text signed and presented by the EU cross-sectoral social partners at Tripartite Social Summit of 18 October 2007
1) joint recommendations to be made to EU and national institutions, 2) define priorities to be included in a framework of actions on employment by the social partners, 3) negotiate an autonomous framework agreement	• Negotiations on a framework of actions on employment transferred to the next Work Programme 2009-2010 • Negotiations on an autonomous framework agreement on Inclusive Labour Markets started on 17/10/08; further negotiation rounds are scheduled up till May 2009
Negotiation of a voluntary framework agreement on harassment and violence in 2006	• 1st joint EU social partners' implementation table 2008 adopted at SDC of 18/6/08 • ETUC follow-up project started beginning 2008
Completion of the national studies on economic and social change in the EU 10 + EU 15. Promote and assess the orientations for reference on managing change and its social consequences	• Joint project "Integrated Programme of the EU Social Dialogue 2006-2008" - Subproject II "Joint Study on restructuring in EU 15 MS - Phase 1 (10 countries)" • Synthesis Seminar Brussels - 19-20/06/08 - report available • Joint project "Integrated Programme of the EU Social Dialogue 2008-2010" accepted by DG EMPL SD Unit. Of particular relevance is "Subproject II Joint Study on restructuring in EU MS • Forthcoming national seminars and studies for BE, BG, DE, FI, LU, PT & RO - Synthesis Seminar in January 2010 • Joint project "Integrated Programme of the EU Social Dialogue 2006-2008": Subproject I: "Joint project on Social partners' participation in the European social dialogue: What are Social Partners' needs?" in RO, BG, HR and TR - phase 1
Capacity building for the social dialogue in the new member states + candidate countries, Enhancing resource centres of employers' associations and trade unions for technical assistance to the 10 new member states	• Subproject I: "Joint project on Social partners' participation in the European social dialogue: What are Social Partners' needs?" in RO, BG, HR and TR - phase 2" • 3 national seminars in 2008: HR, BG & RO; seminar TR scheduled February 2009 • Final Synthesis Seminar scheduled for June 2009 • Subproject III: " Resource Centres – services and websites" - redesigned ETUC Resource Centre available at: http://resourcecentre.etuc.org/
Reporting on the implementation of the telework as well as the work-related stress agreements and on the follow up to the framework of actions on gender equality	Telework: • Joint EU social partners final implementation report adopted on 28/06/2006 • Commission own implementation report 2008 (COM (2008) 412 final SEC(2008) 2178 of 02/07/08 Stress at work: • See also Benchmarking Working Europe report 2007 and 2008 • Final joint implementation report of 18/06/08 Gender equality: • 1st joint follow-up report 2006, 2nd joint follow-up report 2007 , 3rd joint follow-up report 2008 adopted at SDC of 18/06/08
Develop common understanding of Social Dialogue instruments	• Confirmation of the importance of this action in the conclusion of the joint implementation report on Telework and Work-related Stress following the lessons learned in the implementation process. Item carried over into in the 3rd Work Programme 2009-2010

Source: ETUC and ETUI. To be read in conjunction with Fig.2, Chapter 9.2 of Benchmarking Working Europe 2007 and Fig.2, Chapter 8.2 of Benchmarking Working Europe 2008.

6.1. What has the autonomous interprofessional social dialogue contributed to Lisbon?

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to this end, a wide variety of tools, each possessing their respective strengths and weaknesses. Reference should certainly be made to the two autonomous agreements on work-related stress (2004) and harassment and violence at work (2007), as well as to the framework of actions on gender equality (2005) and the ongoing negotiations on the revision of the Parental leave Directive. All of these relate, both directly and indirectly, to the objectives of improving working conditions and work organisation as well as achieving greater equality and lessening discrimination. Their framework of actions on lifelong learning (2002), and even the autonomous agreement on telework (2002), are clearly linked to, among other things, the important Lisbon objectives of lifelong learning and preparation of the transition to a knowledge-based economy and society.

The reporting exercises on the implementation of the Employment guidelines have proven very valuable in the search for solutions to identified obstacles such as, in particular, the real and effective involvement of the national social partners in these processes. The joint document issued by the European social partners in 2003 entitled 'Orientations for references in managing change and its social consequences', as well as the numerous studies and capacity-building actions in relation to restructuring, gave these issues a fresh urgency in both new and old member states. Last and certainly not least, the most direct contribution is contained in the 'Joint analysis of the key challenges facing Europe's labour markets' (ETUC *et al.* 2007) which could be described as a tailor-made answer to the Lisbon targets and to enhancing Europe's employment and growth potential. In order to contribute to enhancing both this potential and the impact of the European social dialogue, and as foreseen in the social dialogue work programme 2006-2008, the European social partners undertook a joint analysis of growth, employment, unemployment and productivity, demography, job creation, contractual arrangements, education, training and lifelong learning. This analysis forms a basis for deciding on appropriate joint recommendations to the EU and national institutions, defining priorities to be included in a framework of actions on employment, and negotiating an autonomous framework agreement on either the integration of disadvantaged groups on labour markets or lifelong learning.

As a first conclusion, it could thus be stated that the EU social partners have certainly made every possible attempt to deliver. However, it has also to be admitted – and this is mainly as a result of the use of a wide variety of tools (ranking from simple (separate or joint) declarations of the social partners to negotiated agreements and legislative acts) with their inherent strengths and weaknesses – that the actual implementation action and results are quite variable, firstly because of the tools used, secondly depending on the country considered, and thirdly depending on the actual role and involvement of social partners in the national context and the extent to which they were able to participate in all these processes. The involvement of national actors is indeed essential for the implementation of European social dialogue agreements. Be this as it may, it is extremely difficult, and in many cases premature, to express an opinion as to the real impact this may have had on European citizens' private, family and working lives.

Secondly, the fact should not be overlooked that, alongside these specific actions of their own, the EU social partners have been faced with, and have reacted to, different formal consultations (see previous Benchmarking reports), as well as legislative initiatives by the Commission (see section 6.3), the debates on which also impinged from time to time on the activities scheduled and the progress made in relation to the two work programmes.

Thirdly, and perhaps just as important as – or even more important than – the actual impact of all this work, it is undeniable that these different actions and their implementation were a crucial catalyst for change in and strengthening of the social dialogue at both European and national levels. The European social partners had, in embarking upon these initiatives, been forced to reconsider and further enhance the EU social dialogue, its role and their involvement in it, the necessary synergies between different levels of social dialogue, its instruments and their implementation, including the considerable and mostly positive spill-over effects for social dialogue partners, structures and activities in both new and old member states.

It is thus apparent, finally, that the EU social partners certainly endeavoured to make a useful contribution and that tangible results have been achieved, which certainly does not mean that all is perfect. The imperfections, however

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are not always attributable to the social partners themselves but in some cases also to the complex political, institutional, social and economic context in which they have and/or are able to operate and cooperate with all the other actors concerned.

As for future perspectives, it is already clear that the EU social partners intend to continue contributing to both the Lisbon as well as Post-Lisbon agendas. They will do this, firstly, by seeking successful conclusion of the currently ongoing negotiations on an autonomous framework agreement on inclusive labour markets as well as the scheduled discussions on a framework of actions on employment. Secondly, they will pursue the continued and new actions identified in their 3rd Work Programme for the years 2009-2010. Indeed, and apart from dealing with some 'leftovers' from the 2nd work programme, they here commit themselves, among other things, to jointly monitor the implementation of the common principles of flexicurity (in particular, the role and involvement of social partners in this process) and even, based on their above-described experiences and results, to issue 'a joint recommendation aimed at contributing to the definition of the Post-2010 Lisbon'. What is more, this new work programme deliberately covers a two-year period only, 'so as to be synchronised with the Growth and Jobs strategy'.

6.2. The contribution of the European sectoral social dialogue to the Lisbon Strategy

Lifelong learning and action on skills at the centre of the European sectoral social dialogue

The sectors facing rapid change, or labour shortages and new skill needs, have addressed key issues of the Lisbon Strategy (Figure 6.3), but implementation varies from sector to sector.

The Commission has stressed the importance of promoting the quality of industrial relations in the framework of the implementation of the Lisbon Strategy. In the Communication of 2002 (European Commission 2002b) it continued to argue that the sectoral social dialogue is 'the proper level for discussion on many issues linked to employment, working conditions, vocational training, industrial change, the knowledge society, demographic patterns, enlargement and globalisation'. At the same time, it proposed to pursue the creation of new committees, to encourage the cooperation between sectors, to gear the activities of the sectoral social dialogue committees to dialogue and negotiation only and to reinforce the role of the Liaison Forum as the preferred arena for information and general consultation. Finally, the Commission announced its firm intention 'to give priority support to committees whose work culminates in practical results representing their contribution to the implementation and monitoring of the Lisbon Strategy'. In the social policy Agenda 2000–2005 (European Commission 2000) the Commission planned to review the social dialogue structures at the cross-industry level and at the sectoral level.

The sectoral social dialogue is organised in the 1998 Communication 'Adapting and promoting the social dialogue at the Community level' (European Commission 1998). The Commission laid down provisions concerning the establishment, representativeness and operation of new sectoral committees for consultation, joint initiatives and negotiation. In 2008, 36 sectoral social dialogue committees were formally recognised and two others are still awaiting recognition. The outcomes of the sectoral social dialogue are better understanding and consensus-building, a better capacity to promote the sectoral interest and the capacity to act together in an autonomous way.

The sectoral level seemed to be the most appropriate level to address the key issues of the Lisbon Strategy. Indeed, there exist numerous joint positions on topics like lifelong learning or vocational training. These topics are at the heart of many sectors' concerns, especially during the so-called years of maturity 2002–2004

Figure 6.3: Contribution of some SSD Committees to the implementation of the Lisbon strategy 2005-2008

Issue	Activities	Actions and documents
Attractiveness and competitiveness	Building and construction	Joint Statement on Young People of 04.03.2008
	Furniture	Work Programme 2008 and Joint Declaration on Training and Education/Perception of Young People on working in the furniture industry of 02.10.2007.
Demographic change	Agriculture	Work Programme 2008
	Building and construction	Work Programme 2008 – 2011
	Shipbuilding	External report 2007 – Demographic change and skills requirements.
	Sea transport	Joint labour-management declaration on apprenticeship of 13.11.2000
Lisbon Agenda	Banking	Work Programme 2006
Management and anticipation of new skill needs	Agriculture	Report of the conference "Employment and sustainable development – for a new European Common Agriculture Policy" of 12 and 13.11.2007
	Agriculture	Meeting of the Working Group of the sectoral social dialogue Committee of 28.02.2008
	Electricity	Joint statement on the future skills needs in the European electricity sector of 22.06.2004
	Extractive industry	Joint position on Energy policy and the future of the extractive industry: inseparable linked of 12.12.2007
	Extractive industry	Position paper of the sectoral social dialogue Committee on EU Commission's climate package of 23.01.2008
	Postal services	Joint declaration on training and skills development in the postal sector of 22.06.2006
Mobility	Shipbuilding	Work Programme 2007 – 2008
Quality of work	Shipbuilding	2008 IKEI consultancy group report on emerging skills and competences in the European shipbuilding and ship repair sector.
	Building and construction	Work Programme 2008 –2011
Restructuring	Agriculture	Work Programme 2008
	Building and construction	Work Programme 2008 – 2011
	Sugar	Corporate Social Responsibility Code of Conduct of the European Sugar Industry of 7.02.2003
Training and lifelong learning	Agriculture	European agreement on vocational training in agriculture of 5.12..2002
	Banking	EU bank social partners joint declaration on lifelong learning in the banking sector of 31.03.2003
	Chemical	Joint position paper on education, vocational training and lifelong learning in the European chemical industry of 10.09.2004
	Commerce	Social partners sign letter of intent - BeQuaWe European Certified Training of 26.11.2006
	Electricity	Joint statement of Eurelectric, EMCEF and EPSU and final report on the study on life-long learning in the electricity sector of 12.06.2003
	Extractive industry	Position of the European social partners, sectoral committee mines on training and continuing training of 01.04.2003
	HORECA/Tourism	Joint recommendations by EFFAT and HOTREC. Guidelines for training and development, especially in SMEs of 11.06.2004
	Live performance	Common declaration on continuing training of 27.05.2000
	Personal services	Declaration on the conclusions of the evolution of professional hairdresser training in Europe of 21.09.2005
	Road transport	IRU and ETF joint recommendations on employment and training in logistics of 31.03.2006
	Sea transport	Seafarer training and recruitment in Europe. An ETF/ECSA contribution of 1.02.2000
	Sugar	Joint labour-management declaration on apprenticeship of 13.11.2000

Data source: database OSE (2008).

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(Pochet *et al.* forthcoming). Some issues, such as adaptation to change and restructuring, are rarely addressed in the joint texts, but are on the agenda of the working programmes of an increasing number of committees. In many industrial sectors, with the growing fear of future labour shortages, lifelong learning has gained in importance at European sectoral level (European Foundation for the Improvement of Living and Working Conditions 2007b). All these issues are at the heart of the Lisbon Strategy and represent consensual areas of discussion for sectoral social partners.

The most interesting progress is found in sectors subject to rapid change, such as the chemical industry, telecommunications, electricity, the building and wood sector, the postal sector, shipbuilding, sugar, and the textile industries. All these sectors are facing the effects of globalisation and need to adapt to the changes. Vocational training, lifelong learning and innovation are issues included in the work programmes of these sectors. One significant example is the chemical industry where, as a follow-up to the REACH programme, a joint position on skills, vocational training and lifelong learning has been published. In the electricity sector, EURELECTRIC, EPSU and EMCEF issued joint declarations on future needs in training and especially lifelong learning. Some sectors facing a major labour shortage – like the building and wood sector – plan to place lifelong learning, vocational training and measures to attract new skills at the top of their agendas. In these sectors, the link with the company level is important.

Nevertheless, the areas of ongoing negotiation are not reflected in the joint documents of most sectors. In some cases, the sectoral social dialogue committees set up working groups on specific issues, like skills and adaptation to change. The main activity is exchange of best practices between countries. This is true of both the postal sector and the sugar sector where important developments have been made thanks to the activity of working groups.

Finally, follow-ups and implementation are quite variable. Especially with regard to the issues related to the Lisbon Strategy, the most common follow-up is the exchange of best practices inside working groups set up by the sectoral social dialogue committees. These exchanges are disseminated through conferences and websites. Some national social partners maintain a distance from this kind of action. In some sectors, the prevalence of SMEs, or large numbers of restructurings entailing job losses, may explain the difficulty of implementing the actions recommended at the European level. Some sectors, what is more, remain totally remote from the challenges of the Lisbon Strategy, for instance the hotels and restaurants sector.

6.3. European labour law developments over the last ten years

What is the link with the Lisbon Strategy?

Consideration of the legislative activities of the EU since the year 2000 in the field of labour law (excluding the area of health and safety) inevitably leads to the conclusion that these have been far from dynamic. In the space of nine years, only nine new Directives have seen the light of day (Figure 6.4) and one further proposal is currently pending. Two of the new Directives, insofar as they are the result of the European Sectoral social dialogue, are attributable to the efforts of the European social partners and hence not an initiative of the European legislator as such; three are equal treatment Directives and four can be classified under the heading of corporate governance.

No real new moves have been observed on the legislative front since 2005, with the exception of the long-awaited – it was six years in the making! – Directive on temporary agency work, which is likely to come into force in the spring of 2009, after which the member states will have three years to transpose its provisions into national law. As mentioned earlier, the European social partners were not successful in reaching an agreement on this issue and, until recently, no real attention had been paid to this dossier by the European Commission. This Directive gives European agency workers a genuine prospect of being – in principle – treated equally to other workers in the company. Nevertheless, it has to be pointed out that this principle presents a loophole by offering the possibility of derogation on the principle of equal pay and on all aspects of equal treatment under certain conditions, as well as the possibility of exclusion from occupational social security schemes. It must be concluded, accordingly, that even if something is at long last stirring on the social law front, the quality of the new provisions leaves much to be desired.

For 2009 no proposal is to be found in the European Commission's work programme. This means that for four years there has been a nearly total standstill with regard to new legislation. On the other hand, these years have seen some activity in relation to already existing Directives (see Figure 6.5), whether in the form of recasting, amendment, codification or revision (three such processes have been concluded, while a further three proposals and one revision are pending; see Figure 6.4). In relation to the revision of the working time directive, it is clear that the reopening of an existing piece of social legislation has led to a downgrading of social standards rather than their maintenance or enhancement.

Can the legislative activities described really be said to serve the aims of the Lisbon Strategy? With regard to the labour law field, two ideas of the strategy can be put to the test, namely, the idea of 'improving quality and productivity at work' and Employment Guideline 18 which relates to 'better reconciliation of work and private life'. As pointed out above, the legislative activities seen as a whole have certainly not achieved progress in these areas, but then, in all likelihood, they were not embarked upon for this purpose. And there are indeed other examples which very clearly run counter to the above mentioned ideas, the best illustration here being the revision of the working time Directive. The revised text as it currently stands – after a compromise was finally found in the Council during summer 2008 – in no way serves

Figure 6.4: Labour law* – new legislation 2000-2009

Subject	Year
Dir 2000/79/EC - Working time of mobile workers in civil aviation Dir 2000/78/EC - Equal treatment in employment	2000
Dir 2001/86/EC - Involvement of employees in European Company	2001
Dir 2002/14/EC - Information and consultation Dir 2002/72/EC - Employee involvement ECS	2002
Dir 2003/72/EC - Involvement of employees in European Cooperate Society	2003
Dir 2004/113/EC - Equal treatment of men and women access/supply of goods and services	2004
Dir 2005/47/EC - Working conditions on the railways	2005
no legislation	2006
no legislation	2007
Proposal Dir - Equal treatment religion/belief/disability/age/sexual orientation Dir 2008/104/EC - Temporary agency work	2008
no new proposals	2009

Data source: ETUI (12/2008). Note: * labour law (excluding health and safety)

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to improve the working conditions of Europeans but, on the contrary, actually signifies a deterioration, insofar as it retains the opt-out and deletes the possibility of safeguards through collective agreements. By accepting the possibility of long working hours in Europe the revision surely does not further implementation of employment guideline 18 or the better reconciliation of work and family life.

Better reconciliation might in the future be possible as a result of changes now under discussion on maternity and parental leave. The European Commission has made proposals on maternity leave which would increase the minimum period of leave from 14 to 18 weeks and recommend paying women 100% of their salary but with a possibility for member states to set a ceiling at the level of sick pay. The proposal also includes stronger protection against dismissal and a right to return to the same job or an equivalent one after maternity leave.

Finally, the introduction of a right to ask the employer for flexible working patterns after the end of maternity leave is envisaged, although the employer would have the right to refuse this request. In September the European social partners launched negotiations on parental leave with a view to revising the existing Directive on the topic, which represented, when first issued, a transposition of the first agreement concluded by the European social partners. It is once again setting a precedent, insofar as it is now the first agreement which the social partners are attempting to revise jointly.

The European Commission aimed in the green paper on modernising labour law (European Commission 2006a) to support the Lisbon Strategy for growth with more and better jobs. In this respect, a number of proposals have now been devised, albeit not in the sense of upgrading an existing piece of social legislation but rather in terms of making existing social and labour standards more flexible. As the purpose of social legislation is to protect workers against the unfavourable balance of power with employers and not principally to boost growth, proposed changes to labour legislation are certainly not an appropriate place in which to conduct action designed to follow up this idea in relation to Europe.

The communication on the follow-up of 2007 European Commission (2007) missed out the opportunity to come up with any concrete proposals, but did put the future of labour law in Europe on the flexicurity agenda. Social legislation in Europe can only lose out if it is viewed in a flexicurity context and is not accorded its proper place and value (ETUC and ETUI-REHS 2008a).

It can be concluded from this examination of legislation in the social field that the Lisbon Strategy did not have its strongest or most supportive agent in the European legislator. From the perspective of the best possible protection of workers' rights, there are some severely counterproductive tendencies accompanied by a small spark of hope.

Figure 6.5: Labour law – amendments and revisions, 2000-2009

Subject	Year	Method
Dir 2000/34/EC - Working time	2000	Amendment
Dir 2001/23/EC - Transfer of undertakings	2001	Consolidation (Dir. 77/187/EC and Dir. 98/50/EC)
Dir 2002/74/EC - Protection of employees in insolvency	2002	Amendment (Dir. 80/987/EEC)
Dir 2002/73/EC - Equal treatment		Amendment
Dir 2003/88/EC - Working time	2003	Codification
Dir 2006/54/EC - Equal treatment of men and women in employment	2006	Recast (Dir. 76/207/EEC; 86/378/EEC; 75/117/EEC; 97/80/EC)
Dir 2002/23/EC - Transfer of undertaking	2007	Codification
Proposal Dir - Information and consulting employees in EWC	2008	*Recast (Dir. 94/45/EC)*
Dir 2008/94/EC - Insolvency of the employer		Codification
Proposal Dir - Safety and Health of pregnant workers/recently given birth/Breastfeeding		*Amendment (Dir. 92/85/EEC)*
Proposal Dir - Equal treatment of men and women self-employed		*Repeal (Dir. 86/613/EEC)*
Dir 2003/88/EC - Working time	2009	Revision?

Data source: ETUI (12/2008).

6.4. Conclusions

European social dialogue: a major contribution to the Lisbon Strategy

The European Union faces change on an unprecedented scale. The purpose of the 2000 Lisbon Strategy was to mobilise all forces to respond to the challenges represented by this change in order to make the European Union 'the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion'. In 2005 a review of the Lisbon strategy led to the emphasis being placed on growth, innovation and employment and to encouraging a strengthening of social cohesion. To underpin implementation of the Lisbon agenda, great emphasis has been placed on the important role that social partners have to play in managing social and economic change. Indeed, social dialogue is seen as the driving force behind the successful economic and social reforms required for attainment of the strategic goals set in Lisbon.

Over the last eight years, European social dialogue, both interprofessional and sectoral, has been the focus of considerable attention on the part of academics, the European institutions and also practitioners. As a result of the implementation of the Lisbon strategy, this dialogue has become more diversified and broader in scope. Efforts have been made to increase capacity-building of the social partners, especially in the new member states. Greater autonomy, as well as better control over the processes of monitoring and implementation of the outcome of the European interprofessional and sectoral social dialogue, have been achieved. Major contributions have been made in the framing of regulations covering non-standard employment, working conditions, gender equality and lifelong learning. A new era was reached with the successive autonomous work programmes (2003-2005, 2006-2008 and 2009-2010) adopted and implemented by the European social partners at interprofessional level. However, European social partners are still subject to much criticism as regards their capacity to come up with more binding instruments. The grounds for such criticism are evidently represented in part by the incomplete legal framework of articles 138-2 and 139 of the European treaty that fails to provide a complete system of industrial relations at European level.

In addition, great hopes and major efforts – at least on the part of the trade union movement in Europe – have been made to support the adoption of new pieces of European legislation on social issues such as temporary agency work and to revise existing European social directives such as the 1993 (amended in 2000) directive on working time or the 1994 directive on European works councils. However, over the last eight years most legislative initiatives have been far from meeting the basic expectation that they should enhance existing working conditions and improve implementation of workers' rights. Their shortcomings are attributable, for the most part, to heavy lobbying of the European institutions in the context of widespread determination to deregulate and flexibilise labour law.

All in all, this chapter shows that European social partners, especially at the interprofessional level, have clearly put a great deal of effort into contributing to implementation of the revamped Lisbon Strategy. However, it remains difficult – and indeed would be somewhat premature – to assess the impact of their activities on the outcome.

7. DOES WORK IMPACT HEALTH AND HOW MUCH?

On its web-site (http://ec.europa.eu/index_en.htm), the Commission reformulates the Lisbon strategy in the following terms:

"*The key aim is getting into a rhythm of high sustainable annual growth and low unemployment by 2010 and making our economies more resilient to cope with a poorer global economic outlook.*

What matters in the end is that we in Europe can maintain and enhance our quality of life – and that of our children and grandchildren – in the context of globalisation, demographic change and environmental challenges. That is what the Lisbon Strategy is ultimately about."

The sustainability of annual growth could be altered by two major factors closely linked to the state of health of the European population.

The first of these factors is the health condition of people aged over 60 and who have been exposed to occupational hazards throughout their working lives: the hitherto ignored cumulative effects of various forms of exposure could prevent older workers from being able to pursue their career after the age of 60 simply because they do not feel able to do so or because they have been promised the opportunity to retire earlier than previous generations so as to enjoy time to reap some benefits from their former efforts.

Demographic change is the second threat, not only because older people will represent a burden for the younger declining generations but also because living longer does not always mean remaining fit for longer. We will concentrate here on the critical development of symptoms of the locomotor system. The latest evidence is that such ailments can be triggered not only by heavy work but also by office tasks. Our backs are sick and our limbs as well!

Organisational factors seem to play a major role in situations where biomechanical explanations are unable to clarify this situation.

Among thousands of publications on the deleterious effects on workers' health of risk factors present at work, one stands out from the rest: the European Working Conditions Survey produced by the European Foundation for the Improvement of Living and Working Conditions. Every five years it provides a comprehensive overview of the state of working conditions across Europe, today covering a total of 31 countries. The 4th version, published in 2007, contains analyses and figures resulting from a set of questions put in 2005 to 30,000 workers in the EU member states, two candidate countries (Croatia and Turkey) and two EFTA member countries (Norway and Switzerland). As it is the 4th survey of its kind, it allows for comparison and trend analysis on a wide range of issues such as work organisation, working time, equal opportunities, training, health and well-being and job satisfaction. This chapter is, accordingly, substantially based on Chapter 7 (Impact of work on health) of the report on working conditions by the European Foundation for the Improvement of Living and Working Conditions (2007: 61-66).

The main complaints reported by workers are various forms of musculoskeletal disorder. In the next pages, broadly focused on these conditions, we will briefly expose, with the help of illustrative tables and examples, the global impact of work on health, the sectors that are the most impacted, how these impacts are experienced by the workers, what are the main risk factors and, finally, we will explain that the impacts on workers' health are, in their turn, resulting in deterioration of workers' economic and social situation.

Themes

7.1. Global measure of the impact of work on health

In 11 countries, more than 50% of workers complain of a health impact caused by their work

As shown in Figure 7.1, 35% of workers (EU27), on average, perceive that work affects their health. Behind this relatively high percentage, there are some large differences, not only from country to country but also among the sectors of activity or among the symptoms that are the consequences of the exposure, or among the body area and its physiological system that are impacted.

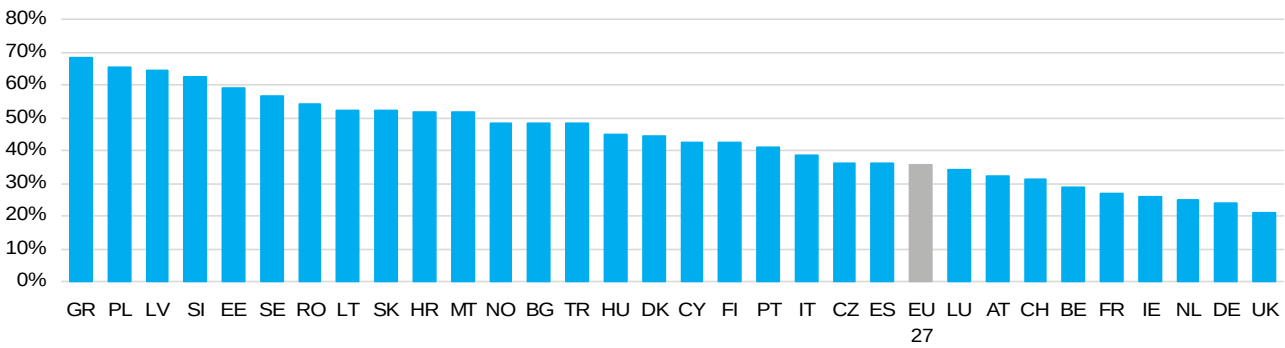
In only nine of the 31 countries examined is the percentage below the average. These mainly represent the so-called old core of the EU. On the contrary, in 11 countries, more than 50% of workers complain of a health impact caused by their work, Greece, Poland, Latvia and Slovenia being at the top of this last group of countries.

The Nordic countries – i.e. Scandinavia plus Finland – declare a higher rate of perceived impact of work on health. This phenomenon appears also in other contexts, for example, these countries are usually over-represented in statistics such as the number of complaints related to violence at work. An attempt to explain this paradox would be to say that the threshold levels for the acceptance of such phenomena or symptoms are lower in these countries than elsewhere and that the education of workers and the development of society as a whole may induce better opportunities to discriminate between the acceptable and the unacceptable at work and in society. In the context of the present article and the datagram on which we are commenting, this – less nuanced – macro-explanation raises at least two questions:

1°) Why do the Nordic countries not constitute a homogeneous cluster within Figure 7.1 but represent instead a considerable spread, even though all are situated above the EU27 average?

2°) Is it likely that the citizens of countries like Germany or the UK, which are the least impacted, under-declare their symptoms because they may be less aware than workers in the Nordic countries?

Figure 7.1: Perceived impact of work on health, by country (%)



Source : European Foundation for the Improvement of Living and Working Conditions (2007a). Note: Respondents were asked " Does your work affect your health?"

7.2. Sectors at stake and employment status

Sectors like agriculture, construction, transport and communication, manufacturing and even education and health are over-represented

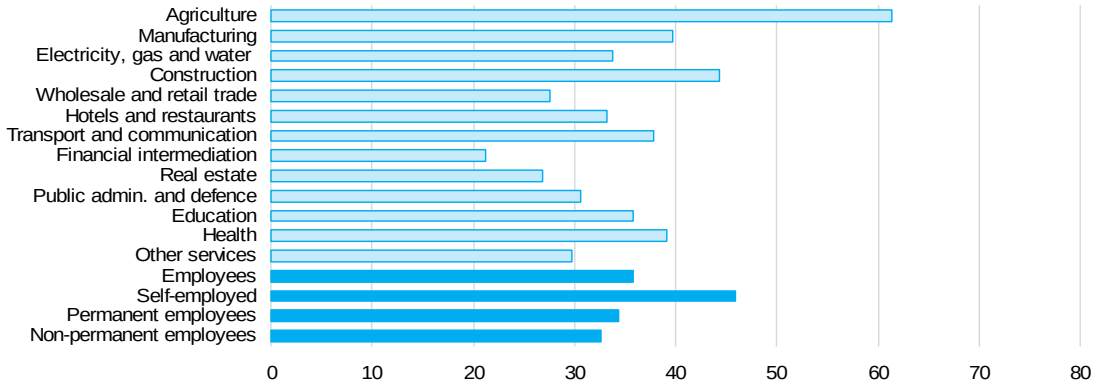
The exogenous risk factors that are potentially present in each working environment and that are likely to give rise to the expression of a complaint by workers are classically distributed among the categories of physical, chemical, organisational, psychosocial and emotional risk factors.

These risk factors are seldom isolated: usually a combination of risk factors is present and, in some sectors, this combination is in reality a bundle of potentially deleterious factors. That is why sectors like agriculture, construction, transport and communication, manufacturing and even education and health are over-represented through a higher level of complaints than in other sectors of activity.

For example, in the agricultural sector, it is very likely that a worker will be exposed to pesticides (carcinogens, mutagens,) vibrations, noise, heavy loads, tiring postures, inconvenient and unforeseeable working times, etc. with more subsequent symptoms than in other, less risky, sectors (see Figure 7.2).

The differences according to employment status (Figure 7.2) are less pronounced, but still quite significant and consistent with previous research: the self-employed report higher levels of work-related health problems (45%) than the self-employed with employees (36%) or employees (average between permanent and non-permanent of 33%) (compare European Foundation for the Improvement of Living and Working Conditions 2007a).

Figure 7.2: Impact of work on health by sector and employment status, EU27 (%)



Source : European Foundation for the Improvement of Living and Working Conditions (2007a).

7.3. Main complaints of the workers

The most common observation is the presence of a bundle of four simultaneously present symptoms

Low back pain has for many years been the classical complaint followed by muscular pain, fatigue and stress: all of these are mentioned by more than a fifth of workers.

Exactly as for the causes or risk factors examined above, the reported symptom should never be regarded as 'isolated'.

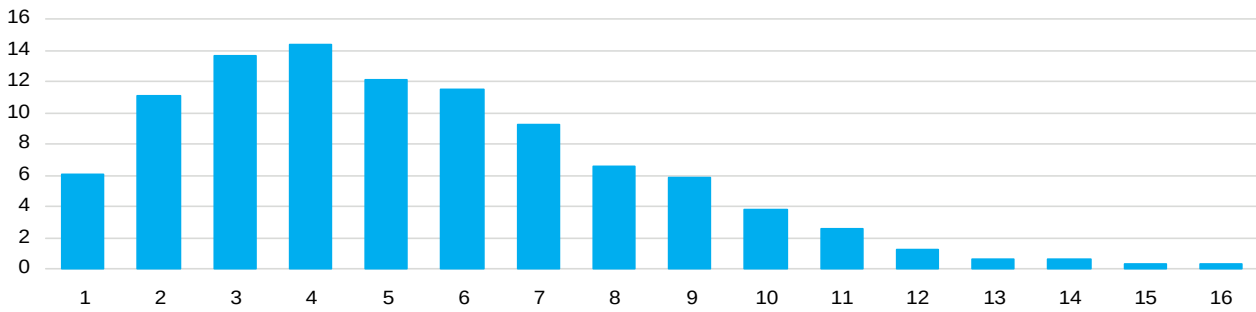
The most common observation is the presence of a bundle of four simultaneously present symptoms but in some – not exceptional – cases up to eight or ten concomitant symptoms are reported by the same individuals (see Figure 7.3 and Figure 7.4).

Figure 7.3: Percentage of workers reporting each individual symptom, EU27 (%)

Symptom		Symptom	
Backache	24.66%	Anxiety	7.84%
Muscular pain	22.78%	Eyesight problems	7.76%
Fatigue	22.55%	Hearing problems	7.22%
Stress	22.27%	Skin problems	6.56%
Headache	15.49%	Stomach ache	5.83%
Irritability	10.48%	Breathing problems	4.75%
Injuries	9.68%	Allergies	4.01%
Sleeping problems	8.70%	Heart disease	2.41%
		Other	1.55%

Source : European Foundation for the Improvement of Living and Working Conditions (2007a). Note: more than one response possible.

Figure 7.4: Number of reported symptoms per respondent, EU27 (%)



Source : European Foundation for the Improvement of Living and Working Conditions (2007a).

7.4. Some of the most common deleterious exposures

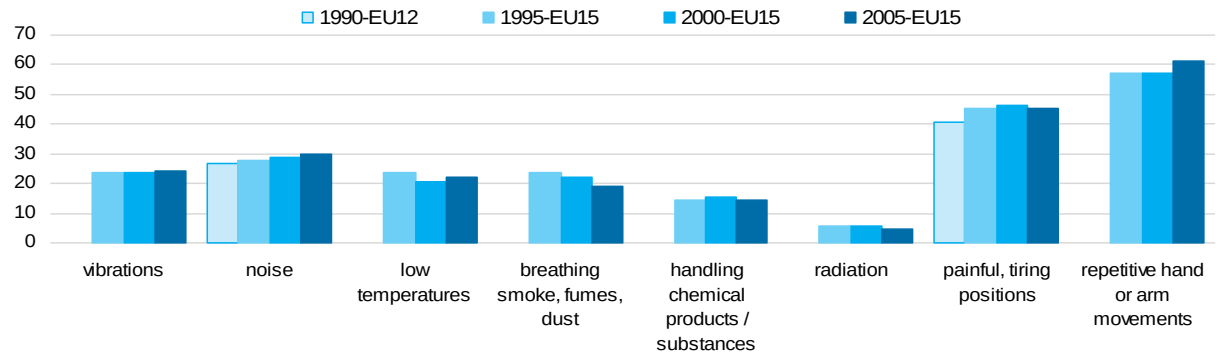
Many of these classical risks are still highly prevalent in Europe

The emergence of new technologies, organisational changes, automation, etc. could give the impression that the exposure of workers to traditional risks (noise, vibration, dust, toxics, awkward and painful postures, etc.) is on the decline. This might be true in some EU countries but it is not everywhere the case. If fumes are on the decline, other classical industrial risk factors – such as vibrations and noise – are on the increase, even if it is claimed that manufacturing is being replaced by more modern forms of industrial activity.

Figure 7.5 shows that lot of these classical risks are still highly prevalent in Europe.

It also shows that, even if some progress is observed for some of the risk factors, the oldest and most easy-to-prevent are not only still prevalent but are actually on the increase when matched against previous EU surveys! This is true of vibration, noise, repetitive hand-and-arm movements, providing evidence that basic efforts to improve working conditions are still needed in EU workplaces.

Figure 7.5: Exposure to physical risks, * 1990-2005 (%)



Source : European Foundation for the Improvement of Living and Working Conditions (2007a).

7.5. Not only health impacts

Other collateral effects usually adversely affect the way of life of the workers afflicted

When workers' health is impacted by conditions related to their work, the analysis should include the fact that the deleterious effects are not limited to their health alone. Other collateral effects usually appear at the same time. These are mostly economic in nature and adversely affect the way of life of the workers afflicted.

Individual economic impacts

These impacts, at the individual level, could take any of the following forms, but for the victims they are usually produced in combination:

- loss of some or all means of livelihood as a result of the inability to engage in paid work;
- unemployment or sickness benefits below normal pay;
- forced early retirement, also accompanied by a loss of disposable income;
- loss of ability to commit funds in view of a foreseeable career progression;
- purchasing power eroded by the need to pay for care and/or rehabilitation, including treatment fees, purchase of medicines, orthopaedic and prosthetic appliances, travel, *etc*;
- costs related to irreducible disabilities that require assistive and adaptive aids or adaptations to the home related to the loss of autonomy;
- legal and administrative fees, *etc*.

Impacts on the persons

Here again, we find a long list of physical, social and/or psychological impairments that are very often combined for the same individual victim:

- aches, pains, paraesthesia, *etc*;
- partial or total, temporary or permanent disabilities;
- inability to perform some or all work-related tasks and activities;
- inability to perform tasks of private life and in society;
- psychological tensions closely linked to these disabilities and inability to achieve normal performances at work and in private life;
- having to stop work for health care;
- lost quality of life;
- impaired autonomy;
- generally, impairments of people's physical, intellectual, social, sensory integrity, *etc*.

7.6. Conclusions

Impairment, pain and suffering are no part of work, which must remain a means for achieving personal well-being and development

From this concise chapter on the health impacts of work, it appears evident that the price paid by workers is still too high, even though one of the aims set by the Lisbon Strategy or Agenda 2000-2010 was to make the EU 'the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010'. What does 'better jobs' mean and how is this target to be achieved in a year?

We will here quote what we wrote in 2007 in the ETUI publication (Gauthy 2007) 'MSD - An ill-understood pandemic', which is still highly topical in relation to the health impacts of work as viewed comprehensively:

"*The social, political and economic actors must join forces in a merciless tactical war on the risk factors to tackle health impacts of working. Putting things off – even when an economic recession is announced – is no longer an option: the businesses that care least about the work environment, and are the biggest creators of victims in the European Union, rake in unacceptable profits at the expense of afflicted workers and firms that observe the law by making the necessary investments in risk factor filtering, human resources and equipment to lighten workloads. These uncaring firms leave society as a whole to foot the bill for their negligence in the form of pain, overcrowding of care and surgical units that have other more pressing concerns than the by-products of inadmissible practices. We argue that impairment, pain and suffering are no part of work, which must remain a means for achieving personal well-being and development.*

It is European society as a whole that pays the cost of work incapacities, the resulting unemployment benefits, and the unacceptable waste for a Europe that aims to be the most dynamic area in the world. The demographic challenge is steadily forcing us to keep working well beyond the age of 60. So these workers must remain mobile and active, productive and inventive. Unlimited attention is needed to keep a living organism subjected to so many exposures of varying degrees of danger over 40 or more years of working life in peak condition – i.e., healthy! The intrinsic value of each individual who contributes to so developing society is immeasurable: how, then, can some still have the audacity to doubt it to the point of disregarding their workers' health in favour of spending on programmes of preventive maintenance for machinery that can run for months without being serviced or re-jigged?"

8. WHAT'S IN THE SUSTAINABLE DEVELOPMENT STRATEGY FOR WORKERS?

While the irrefutable scientific evidence of climate change was delivered in 2007 with the findings produced by the Intergovernmental Panel on Climate Change (IPCC 2007), it was by and large in 2008 that the impact of this change – on the economy, industry, employment and the growth model current in the industrialised countries – began to be perceived in earnest. In the wake of, on the one hand, the food and energy crisis at the beginning of 2008 and, on the other, new research and studies showing the costs of both global warming (Stern 2007) and loss of biodiversity (Daisie 2008) for the European economy, sustainable development is no longer a matter for political discourse pertaining to the long term alone. It has become a question of emphasising the immediate need for the economy to seek rapid adjustment to this new challenge.

The need for adaptation is of more particular relevance in certain specific areas of the economy. These include energy supply and renewable energy, building and construction, transport, basic industries and recycling (iron and steel, cement, aluminium, etc.), agriculture and forestry. Other sectors – trade, tourism, fisheries, etc. – are affected downstream, while countless subcontracting firms are also hit, directly or indirectly, by the need to adjust. For the workers in all these sectors change is henceforth inevitable and may come in the form of restructuring, retraining, new skills – and also job losses.

In this chapter we set out to describe this twofold social and environmental challenge, and we will also see how the European Union has responded so far – via the Sustainable Development Strategy – and how this response was implemented in 2008. By way of conclusion, we will describe the very long road still to be travelled in meeting this twofold challenge.

Themes

8.1. The twofold social and environmental challenge

Major consequences

Figure 8.1: The environmental stakes

Climate-linked disasters	262 million persons have been affected each year during the 2000-2004 period.
Water shortage	1.8 billion persons can be expected to suffer drinking water shortage by 2025, mainly in Asia and Africa.
Environmental refugees	During coming years 50 million persons could be forced by climate change to join existing flows of refugees.
Homelessness caused by flooding	330 million persons are increasingly vulnerable to flooding in coastal areas, river valleys and small island states.
Food shortage and malnutrition	Currently, 180 million persons are affected and this figure could reach 600 million by 2080.
Pollution	2 million premature deaths are attributable each year to indoor and outdoor atmospheric pollution.
Loss of biodiversity	the vast majority of known species are either less well distributed, less abundant, or both. More than 40% of the world economy is based on forms of organic production. The poor, particularly those living in regions where agricultural productivity is low, are highly dependent on the genetic diversity of the environment.

Source: UNEP *et al.* (2008).

Climate change, the measures required to adapt to this phenomenon, and the efforts made to limit its impact by reducing emissions, already have major consequences for economic and social development, for modes of consumption and production and, hence, for employment, income, and the reduction of poverty in the world. It is essential that no time is lost in seeking compatibility between growth and development and ways of achieving stabilisation of the climate and a sustainable environmental footprint. Even though this change necessarily entails a radical transformation of the economy, the social dimension of this transformation, and in particular the consequences for employment and decent work, would seem to be of little more than passing interest in the minds of political and economic decision-makers.

The twofold social and environmental challenge has been described in detail in a joint report published in September 2008 by the International Labour Organisation (ILO), the International Trade Union Confederation of Trade Unions (ITUC), the International Organisation of Employers (IOE) and the United Nations Environment Programme (UNEP) (UNEP *et al.* 2008) (see Figures 8.1 and 8.2).

Figure 8.2: Decent work stakes

Working poor	the earnings of 1.3 billion persons in the world (more than 43% of the world population of working age) are too low to enable them and their dependents to rise above the poverty threshold of 2 dollars a day.
Unemployment	there are 190 million unemployed workers in the world.
Young job-seekers	there will be more than 500 million additional jobseekers in the next ten years.
Insecurity	5.3 billion people – approximately 80% of the world population – lack access to adequate social security cover.
Access to energy	1.6 billion persons (approximately one person in four) have no access to modern forms of energy.
Decent housing	one billion people live in slum conditions and lack essential services such as drinking water and sewage facilities.

Source: UNEP *et al.* (2008).

8.1. The twofold social and environmental challenge

Green jobs

In the following paragraphs we will summarise the main arguments contained in the above-mentioned report on green jobs and seek to ascertain what steps have already been taken by the European Union in relation to such jobs. The notion of a 'green job' is located at the crossroads of economic, social and environmental considerations. Such jobs contribute to the preservation or restoration of environmental quality, whether in agriculture, industry, services or administration. They aim to reduce the consumption of energy, raw materials and water by means of strategies to improve efficiency, to reduce carbon emissions in the economy, to minimise or totally avoid all forms of waste and pollution, and to protect and restore ecosystems and biodiversity. This reduction of the environmental footprint is gradual and each job contributes in a different way. For instance, workers manufacturing fuel-efficient or hybrid cars make less of a contribution to the reduction of emissions than do those working in public transport systems. What is more, a level that is today regarded as energy-efficient will no longer be regarded as such in ten years time. The concept of green jobs is accordingly not absolute. There are many shades of green and the definition is bound to change over time. What is more, green jobs are not automatically synonymous with decent work.

Six economic sectors are particularly important on account of their role in producing greenhouse gas emissions and their contribution to the economy. These sectors are as follows:

1. *Energy supply and renewable energy sources.* In recent years more than 2.3 million green jobs have been created in this sector which accounts, even so, for only 2% of world energy production. In Europe the renewable energy sector represents an annual turnover of 30 billion euros and employs 350,000 workers (Commission 2008i). According to statistics published on 4 February 2008 by the European Wind Energy Association (EWEA 2008), installed wind energy capacity grew by 18% in the EU in 2007, i.e. an additional 8,554 megawatts covering 3.7% of energy requirements in the EU (as against 0.9% in 2000). These results are lower than expected because of problems (cumbersome administrative procedures, problems of access to the network and lack of legal certainty) which could in some cases be resolved by adoption of the 'climate action and renewable energy package' (see below).

2. *Energy efficiency, particularly in buildings and the construction industry.* This is one of the areas in which the greatest reduction of greenhouse gas emissions can be achieved and which offers the greatest potential for job creation. Some four million green jobs designed to improve energy efficiency already exist in the United States and in certain European countries. On 28 April 2008 the European Commission launched a public hearing on the revision of directive 2002/91/EC on the energy performance of buildings, the aim being to present a proposal for an amended directive before the end of 2008. The building sector represents a very large proportion (almost 40%) of energy consumption in Europe. While it has been estimated that energy efficiency in this area could be improved by 28% by 2020, there has been a relative lack of progress in relation to implementation of the measures that would be required to this end.

3. *Transport.* While efforts are being made to reduce the footprint of motor vehicles, public transport systems produce less emissions and offer more green jobs. Only around 250,000 jobs in the manufacturing of low-pollution low-emission motor vehicles can be regarded as green, as against more than 5 million jobs on the railways in China, India and the European Union alone. Yet in many countries there is a trend towards cutting back on this mode of transport to the benefit of road and air transport. The European Union has taken several initiatives in this sphere (Green paper on urban mobility, Naiades programme for the development of inland navigation, research on the hydrogen motor car, plans to internalise the external costs of road transport, etc.). At the same time, however, the EU is seeking to ensure the development of the motor car industry, in particular via the high-level conference CARS 21. On 29 October last, this conference adopted recommendations on measures to support the European automobile industry and guarantee its competitiveness in a challenging environment. With the financial crisis of 2008, and at a time when motor car manufacturers are laying off large numbers of workers because of the drop in sales, these same manufacturers are demanding 40 billion euro in cheap loans and subsidies that would enable them to jettison existing surplus production in order to renew the fleet. Finally, in the field of air transport, on 25 June 2008 the Commission adopted the second legislative package on the Single European sky. This legislative package aims to deal with the doubling of air traffic foreseen between now and 2020 while aiming at the same time to save fuel and 'reduce' the airlines' CO2 emissions.

8.1. The twofold social and environmental challenge

Green jobs

4. *Basic industries and recycling*. The iron and steel, aluminium, cement, paper pulp and paper industries account for a high percentage of energy and raw material consumption, as well as greenhouse gas emissions, but for a relatively tiny percentage of global employment. It is difficult to make these basic industries more environmentally friendly, and less than 300,000 jobs in iron and steel and aluminium can be regarded as being of even the palest shade of green. The best option for the reduction of the impact of these industries is recycling which provides millions of jobs (but not always decent jobs) worldwide. At the European level, a directive adopted on 20 October 2008 gives the EU a new framework for waste management with a view to encouraging re-use and recycling. This directive will impose on member states new targets, to be reached by 2020, for re-use or recycling for each type of material: 50% for glass, paper, plastics and metals; 70% for building and demolition refuse. For manufacturing and industrial waste, by contrast, no target has been set.

5. *Agriculture*. This is the largest employer in the world, with a total of 1.3 billion farmers and farm workers. Decades of negligence and falling production prices have led to non-viable land-use practices and to jobs that are both poor in quality and badly paid. In this sector there is a large potential for the creation of green jobs (family farms, organic production, etc.). Organic farming, with sales amounting to 100 billion dollars in 2006, is beginning to make an impact but, at European level, the promotion of organic farming and produce is only a marginal aspect of the common agricultural policy (CAP). On 25 July 2008, the Commission launched a consumer information campaign on the significance and advantages of organic farming and food production. This campaign is part of a European action plan comprising 21 initiatives intended to develop the market for organic produce and to improve standards. Yet the action plan is far from calling into question the predominant guidelines underlying the CAP.

6. *Forestry*. Forests play a fundamental role in maintaining natural systems. Yet it is impossible to establish what percentage of the 40 million jobs and 60 million subsistence activities of native populations can be regarded as sustainable and green. It is clear, in any case, that green jobs in the forestry sector will play an increasingly large role in the future. At the European level, the Commission presented, on 17 October 2008, two initiatives (one general communication and one proposal for a regulation) designed to combat deforestation in the world at large and, on the European market, trade in timber and timber products deriving from the illegal use of forests. The Commission's stated target is to reduce deforestation by half by 2020 and to halt it completely by 2030. However, given the scanty resources earmarked for achieving these targets, NGOs such as Greenpeace, Friends of the Earth and WWF have unanimously denounced the plan as severely lacking in ambition. Deforestation is currently responsible for the disappearance of 13 million hectares of forest every year, contributing to 20% of CO2 emissions in the world.

Examination of these major sectors shows that it is possible to create viable green jobs at all levels of the working population, for manual workers, skilled workers, craft workers, entrepreneurs, engineers or managers (see Figure 8.3). But any such move to restore ecological balance requires radical reform of the policies being applied, as well as a transformation of job content, entailing new demands in terms of performance and skills: from cleaning and maintenance staff to the chief operations managers, from electricians to computer experts, from bricklayers to architects, from credit brokers to investment decision-makers. According to a study quoted in the green jobs report, the world market for environmental products and services can be expected to double from its current level of 1,370 billion dollars a year to 2,740 billion dollars a year in 2020. Half of this market relates to energy efficiency and the other half to sustainable transport, water supply, sewage and waste management.

8.2. The European response: the Sustainable Development Strategy (SDS)

The new SDS 2005-2010

Not until June 2001 (in Göteborg) did the Heads of State and Government adopt a first sustainable development strategy (SDS) for the European Union (European Council 2001). This SDS is an integral part of the Lisbon Strategy, of which it constitutes one of the three key components, alongside economic reform and employment (European Commission 2001b). The basic principle of the SDS is to examine in coordinated fashion the economic, social and environmental consequences of all policies and to take account of these consequences in decision-making.

At the outset, this strategy incorporated four major areas: green transportation systems; public health; management of natural resources; and climate change. To these the Barcelona European Council added an external component with a view to the World Summit on Sustainable Development held in Johannesburg (2002).

Since 2001, however, the context has undergone substantial development, both at the internal European level and in the world at large. At European level, the enlargement of the EU to take in the countries of central and eastern Europe, plus Cyprus and Malta, prompted the Commission, in February 2005, to propose a re-examination of the SDS (European Commission 2005a). This re-examination resulted in the definition of 'key objectives' and 'guiding principles' of European policies. In the course of extending this process, the Commission adopted, on 13 December 2005, a 'platform for action' which defined the main spheres of action to be promoted in the EU and the member states (European Commission 2005b). This platform, discussed in both the European Parliament and the Council, in several of its compositions, and which subsequently received criticism from numerous social and non-governmental organisations, gave rise to the adoption by the European Council of June 2006 of the second SDS 2005-2010. It is this strategy that currently serves as a general framework for European action in this sphere.

Figure 8.3: Green job progress to date and future potential

	Sectors	Greening potential	Green job progress to date	Long-term green job potential
Energy	Renewables	excellent	good	excellent
	CCS	fair	none	unknown
Industry	Steel	good	fair	fair
	Aluminium	good	fair	fair
	Cement	fair	fair	fair
	Pulp and paper	good	fair	good
	Recycling	excellent	good	excellent
Transport	Fuel-efficient cars	fair to good	limited	Good
	Mass transit	excellent	limited	excellent
	Rail	excellent	negative	excellent
	Aviation	limited	limited	limited
Buildings	Green buildings	excellent	limited	excellent
	Retrofitting	excellent	limited	excellent
	Lighting	excellent	good	excellent
	Efficient equipment and appliances	excellent	fair	excellent
Agriculture	Small-scale sustainable agriculture	excellent	negative	excellent
	Organic farming	excellent	limited	good to excellent
	Environmental services	good	limited	unknown
Forestry	Reforestation/afforestation	good	limited	good
	Agroforestry	good to excellent	limited	good to excellent
	Sustainable forestry management	excellent	good	excellent

Source: UNEP *et al.* (2008).

8.2. The European response: the Sustainable Development Strategy (SDS)

The new SDS 2005-2010

In the introduction to the new SDS 2005-2010, the Heads of State and Government recognise that 'The main challenge is to gradually change our current unsustainable consumption and production patterns and the non-integrated approach to policymaking' (European Council 2006). In this document seven major objectives are set out. Two of these – climate change and conservation of natural resources – are general but entail policy repercussions, essentially in relation to energy, agriculture and fisheries. Two others are linked to specific policies, namely, transport, and consumption and production. Three, finally, are 'social', namely, public health, social inclusion and world poverty (Figure 8.4). Pursuit of these objectives takes place via a range of instruments ranging from legislation to international diplomacy and encompassing taxation and R&D, but without it being clear in some cases exactly what strategy will be implemented.

The SDS sets out, however, to examine the role of funding and economic instruments for achieving these objectives. In particular, tax measures that focus less on employment and increasingly on the use of resources and energy consumption and/or pollution; the sector-by-sector reform of Community subsidies that adversely affect the environment and are incompatible with sustainable development (the aim being gradually to abolish them entirely); and complementary linkages between the various different forms and mechanisms used by the Community for co-financing projects and measures (cohesion policy, rural development, technological research and development, etc.). One of the points regarded here as most positive, particularly by the ETUC, is the fact that European social, economic and environmental policies have, for the first time, been incorporated into a single framework (ETUC 2006).

Figure 8.4: The seven targets of the SDS 2005-2010

1. Climate change and clean energy	Slow down climate change as well as its costs and harmful effects for society and the environment (reduction of greenhouse gas emissions, prepare for post-Kyoto, etc.)
2. Sustainable transport	Ensure that transport systems meet society's environmental and socio-economic needs while minimising their harmful effects on the economy, society and the environment (energy consumption, dissociation of economic growth and demand for transport, restoration of balance between different modes, public transport services, infrastructure tariffs, etc.)
3. Sustainable consumption and production	Promote sustainable forms of production and consumption (environmental and social performance for products and manufacturing procedures, green tendering procedures, green technologies and eco-innovations, etc.)
4. Conservation and management of natural resources	Improve management and avoid overexploitation of natural resources while recognising the value of ecosystem-based services (biodiversity, reuse and recycling, common agricultural policy, common fisheries policy, etc.)
5. Public health	Promote non-discriminatory public health of a high quality and improve protection against threats to health (chronic disease, chemical substances, legislation on food and animal feed products, etc.)
6. Social inclusion, demography and migration	Create a society based on social inclusion taking account of solidarity among and within the generations, and guarantee and increase citizens' quality of life as a prerequisite for sustainable individual wellbeing (reduce poverty, modernise social protection, youth employment, reduction of school drop-out rate, social services, immigration policy, etc.)
7. Global poverty and the challenges of sustainable development	Actively promote sustainable development all over the world and ensure that the European Union's internal and external policies are compatible with global sustainable development and with the international agreements to which it is party (public development aid, promotion of sustainable development in the context of negotiations within the WTO, etc.)

Source: European Council (2006).

8.3. Implementation in 2008 of specific aspects of SDS

Action plan for sustainable consumption, production and industry

Two important initiatives were launched in 2008 in connection with the SDS: the Climate Action and Renewable Energy Package and the Package of Actions for Sustainable Consumption, Production and Industry. The energy-climate package, presented on 23 January, constitutes a set of measures aimed at enabling the European Union to reduce emissions of greenhouse gases by at least 20% and to raise the share of renewable energy in energy consumption to 20% between now and 2020. According to the Commission, this plan could enable the creation of thousands of new companies and millions of jobs in Europe in the sectors of renewable energy, biofuels, energy saving, energy efficiency, etc.

The other central initiative of the Commission in 2008 was the presentation, on 16 July, of a Package of Actions for Sustainable Consumption, Production and Industry (European Commission 2008d). The stated objectives are to promote environment-friendly products and technologies, to improve the environmental performance and particularly the energy efficiency of production processes, and to encourage market penetration of the resulting products. This plan brings together a whole series of measures, binding or otherwise, that the Commission plans to implement in three areas, set out below.

1. New policy on products

- consumer products that are more energy-saving and resource efficient (strengthening of the directive on the eco-design of products)
- compulsory labelling (obligatory mention of environmental parameters on the wrapping of a broader range of products);
- 'green' incentives and public procurement procedures (recommendations to the member states for the adoption of environment-friendly common practices for public procurement procedures);
- voluntary eco-label (extending this label to a broader range of products and services)
- responsibility of retailers (creation of a distribution forum targeted principally at retailers, manufacturers and consumer associations to improve the environmental performance of major retailers, encourage the purchase of more environment-friendly products and better inform consumers).

2. Production based on more efficient use of resources

- definition of targets and devising tools to observe, phase and promote the efficient use of resources and eco-innovation;
- revision of the EMAS, the voluntary system of eco-management and auditing, to secure its adoption by more firms and SMEs;
- devising an industrial policy in favour of green industries, analysis of the obstacles to their expansion and full use in other sectors;
- encouragement of the improvement of environmental performance in small and medium-sized enterprises (SMEs).

3. Sustainable consumption and production on the international scale

- support for industry-level agreements in the framework of the international negotiations on climate change
- encouragement and sharing of good practices on an international scale
- promotion of environment-friendly international trade in goods and services.

The action plan is therefore simultaneously targeted at industries and producers (eco-design of products), wholesalers and retailers (eco-labels), management (EMAS), SMEs, public authorities (green tendering procedures), consumers (labelling), and international trade. And yet, a number of potentially promising elements have been abandoned, in particular the introduction of a carbon tax on imports. Moreover, one notes the absence of any initiative concerning social transition towards a sustainable form of consumption, production and industry.

The European ministers, meeting in the Competitiveness Council (26 September 2008) expressed support for this plan, while at the same time stressing the importance of preserving the competitiveness of European firms. They agreed on the – indicative – target of 50% of green public procurement on the territory of each member state in ten priority sectors: construction, food and catering services, transport and transportation services, energy, office machinery and computers, clothing, uniforms and other textiles, paper and printing services, furnishing, cleaning services and products, and health sector equipment.

8.4. Conclusions

Paradigm shift

Altering the content, meaning and direction of European economic growth to turn it into a model of sustainable development represents a tremendous venture in which all political, economic and social actors have a major role to play. In 2008 important initiatives were adopted in pursuit of this goal but the road to be travelled remains extremely long. It is to be noted, first of all, that the 'social equity and cohesion' key target included in the new SDS seems to have already been sidelined in relation to the other key objectives, the next obvious point being that economic growth in its present form, based as it still is on the race for productivity, on competition among firms, within firms, among regions, countries and continents, on deregulation, on the search for flexible and cheap labour, on tax engineering and tourism, is completely at odds with the achievement of a sustainable form of development. One of the major obstacles to the greening of economies and jobs relates to the persistence of non-sustainable but profitable trading practices. Firms that adopt environment-friendly technologies and trading practices are confronted with the pressure of financial markets that demand quick returns and with the practices of their competitors designed to attract consumers through low prices that entail externalisation of the environmental and social costs.

Contrary to what the European Commission has long asserted, in the future it is not growth that will create environmental and social progress; rather, it is protection of the environment, in the broad sense, and the promotion of social cohesion, that will create 'growth', or, rather, sustainable development. This is a paradigm shift that has not yet found its way into the official documents and speeches.

To achieve this paradigm shift, numerous aspects of European policy that as yet receive no mention in the EU initiatives must be subject to adaptation: the Stability and Growth Pact, taxation (introduction of green taxes), financial regulation and corporate governance (accounting standards, efforts to eradicate tax havens, etc.), competition policy (derogations on the prohibition of state aids in favour of sustainable development and social cohesion), as well as trade policy and external relations. For the pursuit of a new development model indeed requires intensified interaction with the external dimension. It is no longer a question of placing economies in competition with one another but of enabling their efforts to become complementary, since the reduction of CO2 in one country may be cancelled out by an increase in another (though it is necessary also to take into account the tremendous 'debt' of the rich countries in this respect). It is therefore essential that Europe, both internally and externally, should feed its efforts into a bilateral and multilateral dynamic of international cooperation aimed at the global reduction of CO2.

Finally, it is also necessary to reconsider the continued use of GDP as an indicator of progress since, in a context of sustainable growth, this has forfeited all relevance. A country that proceeded to implement widespread deforestation throughout its territory, or set its children to work rather than sending them to school, would achieve an increase in GDP. Measurement of nations' progress, wealth and wellbeing must in future take account of the reduction in carbon emissions, the preservation of biodiversity, rational use of resources, and social cohesion. In recent years alternative indicators have been devised to this end, incorporating aspects such as accumulation of long-term wealth, life expectancy, levels of literacy and educational achievement, as well as the negative incidence of pollution and depletion of resources. These represent a more appropriate way to measure progress in tackling the challenges we now face.

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ETUI documentation centre
Kathleen Llanwarne, language editor and translation of Chapter 8
Irmgard Pas, ETUI, data-processing manager
Eric Van Heymbeeck, ETUI, layouter

Janine Leschke, ETUI, senior researcher, coordinator

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The representative nature of the ETUC has grown steadily since it was established in 1973. Following the changes in Central and Eastern Europe, a number of new members have joined its ranks.

At present, the ETUC has in its membership, 82 National Trade Union Confederations from 36 countries and 12 European Industry Federations with a total of 60 million members. In 1999 a Balkans Forum was created bringing together all the unions of that region.

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Email: etuc@etuc.org
Website: www.etuc.org

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European Trade Union Institute

Boulevard du Roi Albert II, 5, box 4
B-1210 Brussels

Tel.: + 32 (0)2 224 04 70
Fax: + 32 (0)2 224 05 02
Email: etui@etui.org
Website: www.etui.org

European Trade Union Confederation

Boulevard du Roi Albert II, 5
B-1210 Brussels

Tel.: + 32 (0)2 224 04 11
Fax: + 32 (0)2 224 04 54
Email: etuc@etuc.org
Website: www.etuc.org

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