

Varieties of labour market liberalisation in the EU: Causes, consequences and implications for the future

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Abstract

The economies of the European Union continue to be affected by the aftermath of the financial crisis that began in 2007/8. In many countries unemployment remains above its pre-crisis level and economic growth is weak. The search for a solution to sluggish economic performance and persistently high unemployment has led European governments to implement labour market reforms, many of which have involved a weakening of employment protection legislation (EPL) and looser constraints on the use of temporary employment contracts. The European Commission has largely supported the liberalisation of EU labour markets, while continuing to emphasise the importance of ‘flexicurity’.

The paper has two objectives. The first is to examine the content and consequences of the EPL reforms implemented by EU member states. The second objective is to critically evaluate the EU’s wider labour market policy agenda, particularly its continued emphasis on ‘flexicurity’.

Introduction

The consequences of the economic crisis that erupted in 2008 continue to be felt across the European Union (EU). In many EU economies growth remains sluggish and uncertain while unemployment rates remain above their pre-crisis levels. In this context, European policy makers have pursued labour market reforms and have sought in particular to weaken employment protection legislation (EPL). Reforms have included reductions in severance pay, longer probation periods and reduced consultation rights for trade unions. Some countries have also made it easier for organisations to employ workers on a temporary basis.

The paper has two objectives. The first is to examine the content and consequences of the EPL reforms implemented by EU member states. The second objective is to critically evaluate the EU’s wider labour market policy agenda, particularly its continued emphasis on ‘flexicurity’. The paper begins with a brief review of the literature relating to EPL. It goes on to trace the development of labour market policy in the EU over the past two decades before turning to examine the impact of the economic crisis. Economic instability within the EU has provided an opportunity for the European Commission and European Central Bank (along with the International Monetary Fund) to exert greater control over the content of

national labour policies through the strengthening of fiscal governance and attempts to use social policy as a means of affecting structural adjustments. The paper examines the varieties of liberalisation (Thelen 2014) that have since occurred.

EPL and the Labour Market: Theory and Evidence

The consequences of EPL for the labour market have long been debated by economists and policy makers. The relationship between EPL and unemployment has been of particular concern. Orthodox economists (e.g. St Paul, 2004; Siebert, 1997) tend to claim that restrictions on dismissal and requirements relating to severance payments contribute to unemployment by presenting firms with a disincentive to hire workers. Employers supposedly take into consideration potential future costs of dismissal, which leads them to recruit fewer workers than would otherwise be the case. A further twist on the argument is that employment protections in respect of regular jobs reduce both inflows and outflows from unemployment, enabling ‘insiders’ (i.e. workers in regular employment) to extract higher wages from employers while exacerbating long-term unemployment and disadvantaging so-called ‘outsiders’ (i.e. those in temporary or seasonal jobs or in the informal economy), a disproportionate number of whom are young workers (Lindbeck and Snower, 1990; Blanchard and Portugal, 2001). The policy prescriptions that flow from this analysis include a weakening of employment protections and a reduction (or elimination) of minimum wages, which are deemed harmful to the employment prospects of workers with few skills and little experience.

Empirical evidence relating to the relationship between unemployment and EPL over time is extremely mixed. Some studies have found that unemployment (particularly long-term unemployment) is positively related to increases in the strictness of EPL (see, for example, Elmeskov et al., 1998; Bertola et al., 2001; Botero et al., 2004). However, Baker et al. (2005) have highlighted that the estimates contained in these studies vary considerably, are in some cases implausible and are highly sensitive to the measures, time periods and estimation methods on which they are based. Their own analysis, based on data from the 1960s to the 2000s, provided no support for the view that EPL is positively associated with unemployment. Other recent studies have produced similar results. Oesch (2010), for example, found that the employment prospects of low-skilled workers in OECD countries were unaffected by employment protections during the period 1991-2006, while Avdagic and Salardi’s (2013: 750) analysis of 32 EU and OECD countries over a 30-year time period found that ‘[e]mployment protection legislation does not have any discernible impact on unemployment, regardless of the choice of estimators and specifications’ (also see Avdagic 2014). Furthermore, a recent analysis by Cazes et al. (2012) has suggested that negative impacts of EPL on employment are observable only among countries

with very high EPL index scores and that ‘at very low levels of employment protection, increases in EPL stringency are associated with a *higher* employment rate’ (Cazes et al., 2012: 14, emphasis added).

Even if the impact of EPL is broadly neutral with respect to aggregate unemployment, it is possible that it might have a disproportionate impact on certain disadvantaged groups, such as the disabled and young people. Given the consequences of the Great Recession for young people, perhaps the most important question is whether a reduction in the stringency of EPL might improve their job prospects. Once again, however, the evidence relating to the consequences of EPL for employment is mixed. Some studies have found that stringent EPL has adverse effects on young people (e.g. Allard and Lindert, 2006; Bertola et al., 2007) while others, such as Noelke (2011) and Avdagic (2014) have found that the strictness of EPL has no implications for youth unemployment.

Labour Market Policy in the EU

Despite the mixed nature of the evidence, EU policy has come to emphasise the benefits of liberalisation for employment and economic performance. To understand why this has happened, it is necessary to examine the role of the institutional mechanisms relating to the internal market and the Euro. European Monetary Union required that all members of the Eurozone submit to the same basic interest rate (set by the European Central Bank - ECB) and a single exchange rate against other currencies. International confidence in the Euro, and therefore the stability of the currency, was to be ensured by placing constraints on fiscal policy, in the form of limits on governments deficit and public debt as proportions of GDP, and a target rate of inflation, creating a deflationary policy bias within the EU. This in turn encouraged the view that ‘social protection [is] a financial burden which blunts the competitiveness of enterprises and fuels the potential deficit’ (Bouget 2003: 679).

Confronted with more restrictive fiscal and monetary policy rules, and with currency devaluation no longer available as a policy tool, EU member states focused greater attention on the consequences of labour standards and social protections for national competitiveness (Lapavitsas 2012). Many European countries made cuts to welfare spending (Annesley 2003: 152) and from the late 1990s a number of EU member states, particularly the UK, Germany, Italy and Spain, began to push for labour market and welfare reforms that would place greater emphasis on the responsibility of individuals and encourage them to seek work (Schweiger 2014: 31). There has since been a widespread shift towards the adoption of supply-side employment measures that place an emphasis on ‘gainful employment as the principal channel to achieve effective citizenship’ (Ferrera and Hemerijck 2003: 123), political rhetoric that stresses the importance of workers enhancing their ‘employability’ through skill acquisition and work experience, and a reduction in the coverage, duration and value of out-of-work benefit entitlements (Atkinson 2015). The Blair government’s ‘New Deal’ measures, which were introduced following the

Labour Party's 1997 general election victory, exerted a strong influence on the employment policies of other EU member countries (Heyes 2004). The New Deal, which required unemployed workers to engage in active job search and be willing to accept offers of work or training¹, was strongly influenced by the 'workfare' policies introduced by the Clinton administration² in the US in the mid-1990s. In turn, the Blair government's reforms influenced, for example, the Agenda 2010 economic liberalisation reforms pursued by Chancellor Schröder in Germany, following the report of the findings of the Hartz Commission. The reforms have included increases in workers' social security contributions, greater emphasis on 'active' employment policies, weakened employment protections and changes to the system of unemployment benefits.

The European Employment Strategy, launched following the adoption of the Treaty of Amsterdam in 1997 and given further impetus by the Lisbon Treaty of 2000, reflected the new emphasis on labour market flexibility and active labour market measures. This emphasis was further underscored in 2005, when the focus of the Lisbon Agenda was placed firmly on jobs, growth and competitiveness (Tangian, 2010). In response to the twin challenges of globalisation and technological change, EU policy makers re-emphasised their belief that the EU required more extensive supply side reforms and investment, focusing on skill development, capacity for innovation, improvement in infrastructure and more responsive labour markets. The claim that employment protection legislation (EPL) was damaging to the labour market and imposed unnecessary costs on businesses, which had been propagated by the Economic Cooperation and Development (OECD 1994), began to exert a stronger influence on labour market policy. During the 1980s and 1990s employment protections were weakened in some EU countries (Denmark, Finland, Germany, Greece, Netherlands, Portugal, Spain, Sweden and the UK), although in most cases reforms were largely confined to measures to facilitate an extension of fixed-term employment (OECD, 2004). Flexibility was generally sought 'at the margin' (Freedland and Countouris, 2013). Following the relaunch of the Lisbon Agenda, however, the EU argued that the negative consequences of EPL for labour market 'outsiders' (such as young people and workers on temporary contracts) should be remedied by increasing 'flexibility at the core' (via reduced employment protection for workers on standard employment contracts) (Freedland and Countouris 2013)³.

¹ Among the economic arguments underpinning this policy approach is the belief that shifting individuals from welfare to work will increase competition in the labour market and induce downward pressure on wages, thus allowing for output and employment to expand without generating inflationary pressure (i.e. the Non-Accelerating Rate of Inflation- NAIRU- can be reduced).

² Implemented via the Personal Responsibility and Work Opportunity Reconciliation (PRWORA) Act of 1996, the workfare model became something of an 'export phenomenon' (Peck and Theodore 2001: 428).

³ The practice of Regulatory Impact Analysis, which is well-established in the UK and Ireland, was also adopted by the European Commission in the 2000s (see Pollert 2007: 116).

Table 1. EPL scores in the EU

| Country | EPL scores for regular contracts | | | | EPL scores for temporary contracts | | | |
|-------------|----------------------------------|------|------|------|------------------------------------|------|------|------|
| | 1985 | 2000 | 2008 | 2013 | 1985 | 2000 | 2008 | 2013 |
| Austria | 2.75 | 2.75 | 2.37 | 2.37 | 1.31 | 1.31 | 1.31 | 1.31 |
| Belgium | 1.85 | 1.85 | 1.89 | 1.89 | 4.63 | 2.38 | 2.38 | 2.38 |
| Czech Rep. | na | 3.31 | 3.05 | 2.92 | na | 0.5 | 1.13 | 2.44 |
| Denmark | 2.18 | 2.13 | 2.13 | 2.20 | 3.13 | 1.38 | 1.38 | 1.38 |
| Estonia | na | na | 2.74 | 1.81 | na | na | 1.88 | 3.00 |
| Finland | 2.79 | 2.31 | 2.17 | 2.17 | 1.25 | 1.56 | 1.56 | 1.56 |
| France | 2.59 | 2.34 | 2.47 | 2.38 | 3.06 | 3.63 | 3.63 | 3.63 |
| Germany | 2.58 | 2.68 | 2.68 | 2.68 | 5.00 | 2.00 | 1.00 | 1.13 |
| Greece | 2.85 | 2.80 | 2.80 | 2.12 | 4.75 | 4.75 | 2.75 | 2.25 |
| Hungary | na | 2.00 | 2.00 | 1.59 | na | 0.63 | 1.13 | 1.25 |
| Ireland | 1.44 | 1.44 | 1.27 | 1.40 | 0.25 | 0.25 | 0.63 | 0.63 |
| Italy | 2.76 | 2.76 | 2.76 | 2.68 | 5.25 | 3.25 | 2.00 | 2.00 |
| Neths. | 3.07 | 2.88 | 2.88 | 2.82 | 1.38 | 0.94 | 0.94 | 0.94 |
| Poland | na | 2.23 | 2.23 | 2.23 | na | 0.75 | 1.75 | 1.73 |
| Portugal | 5.00 | 4.58 | 4.42 | 3.18 | 3.38 | 2.81 | 1.94 | 1.81 |
| Slovak Rep. | na | 2.47 | 2.22 | 1.84 | na | 1.38 | 0.63 | 1.75 |
| Slovenia | na | na | 2.65 | 2.16 | na | na | 1.81 | 1.50 |
| Spain | 3.55 | 2.36 | 2.36 | 2.05 | 3.75 | 3.25 | 3.00 | 2.56 |
| Sweden | 2.80 | 2.65 | 2.61 | 2.61 | 4.08 | 1.44 | 0.81 | 0.81 |
| UK | 1.10 | 1.26 | 1.26 | 1.10 | 0.25 | 0.25 | 0.38 | 0.38 |

Source: OECD. Scores for regular contracts are taken from epr_v1; scores for temporary contracts are taken from ept_v1. Slovenia 2013 scores are for 2014.

With the relaunch of the Lisbon Agenda, the concept of flexicurity became prominent in the EU's social policy agenda. The European Commission (2007, p. 10) has defined flexicurity as an 'integrated strategy to enhance, at the same time, flexibility and security in the labour market' and has claimed that the implementation of flexicurity measures will result in a multitude of economic and social benefits, including enhanced productivity, smoother transitions within the labour market and improved social inclusion. Interest in flexicurity was initially stimulated by the experiences of Denmark and the Netherlands during the 1990s. Having previously experienced persistently high unemployment, both countries subsequently appeared to enjoy among the lowest unemployment rates in Europe while maintaining relatively generous unemployment benefits. The ostensible cause was an increased emphasis on active labour market measures, combined with a moderate amount of employment protection. Policy makers have since treated both countries as examples of 'good practice' in relation

to labour market policy (Sels and van Hootgem 2001), even though the effectiveness of Danish and Dutch activation measures has been questioned (e.g. van Oorschoot 2004, p. 25).

The Commission has encouraged EU member states to develop labour market policies that are consonant with its flexicurity agenda. To guide national policy making, the Commission has outlined four pillars of flexicurity, which comprise:

- (i) Flexible and reliable contractual arrangements from the perspective of the employer and the employee, of "insiders" and "outsiders"
- (ii) Comprehensive lifelong learning strategies to ensure the continual adaptability and employability of workers
- (iii) Effective active labour market policies that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs
- (iv) Modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobilityⁱ

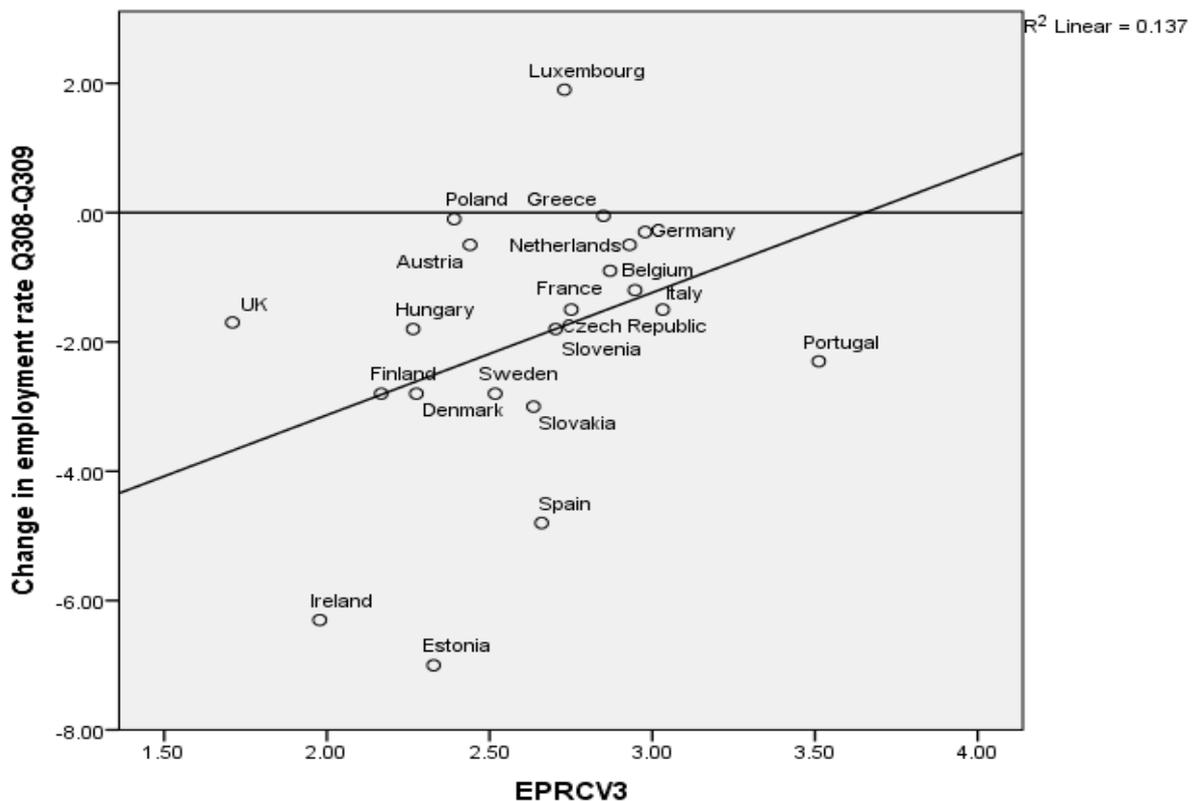
These pillars are supplemented by 'common principles' that comprise various policy objectives, including eroding segmentation and promoting gender equality, and which emphasise that policies should be tailored to the circumstances of individual member states (encapsulated in the term 'national pathways' to flexicurity). The Commission has also emphasised that the specific content of the flexicurity agenda should be negotiated by governments and 'social partners' within individual member states. In practice, the extent of negotiation has been highly variable, reflecting differences in member states' industrial relations traditions. In Denmark and the Netherlands (countries that inspired the flexicurity concept), coordinated sectoral-level collective bargaining has played an important role in influencing the balance between security and flexibility across sectors (Schils and Houwing 2010). The UK, by contrast, lacks the necessary institutional framework for such a negotiated approach to flexicurity.

The Impact of the Economic Crisis

The economic crisis that began in 2008 briefly called into question the progressive liberalisation of European labour markets. Many commentators declared that neoliberalism was exhausted, with former French president Nicolas Sarkozy's claim that 'Laissez faire is finished' (Callinicos, 2010: 5) neatly capturing what appeared to be the consensus view. By contrast, Keynesian ideas received a favourable hearing for the first time since the 1970s and there appeared to be a general acknowledgement of the disastrous consequences of the deregulation of the banking and finance sector. Markets, it seemed, did not necessarily 'know best'. Weakened faith in the merits of deregulation extended to the labour market.

The OECD (2011) acknowledged that many countries with weak labour market institutions, such as the USA and UK, had experienced more substantial increases in unemployment after 2008 than countries such as Austria and Germany, where institutions were more robust (see Figure 1). In the early stages of the crisis, it appeared that relatively robust EPL, combined with government and employer support for short-time working, had served to cushion the effects of the economic downturn on jobs (Heyes 2011; Heyes 2013).

Figure 1: Employment rate changes in the EU, q32008-q3-2009



Source: author's calculation, based on Eurostat and OECD data. OECD EPL scores are not available for non-OECD countries, so Figure 1 includes only those EU countries that are also members of the OECD.

However, as the initial 'credit crisis' morphed into sovereign debt crises and threats to the Euro, neoliberalism experienced a revival. The ECB, the Directorate General for Financial and Economic Affairs (DG EcFin) and national economic and finance ministers pushed for social policy to be used as an economic adjustment mechanism (Degryse et al, 2013). This was particularly the case in relation to those countries, such as Spain, Italy, Greece and Portugal, which have sought financial assistance in the form of bailouts or ECB intervention in the bond market. In each case, the ECB, European Commission

and the International Monetary Fund (IMF) insisted on structural reforms, including labour market reforms, as a condition of support (for a discussion of Spain and Italy, see Meardi, 2014). More generally, a set of instruments was created to strengthen the power of the European Commission and ECB to influence the social and economic policies of EU member states. The Euro-plus pact and so-called ‘six pack’ introduced more stringent rules and penalties in relation to fiscal governance while the introduction of the ‘European Semester’ has led to a more detailed and prescriptive approach towards social policy reform (Laulom et al., 2012; Copeland and ter Haar, 2013). The European Semester involves an Annual Growth Survey, in which the EU’s progress towards the achievement of key objective is assessed, leading to the development of ‘country-specific recommendations’ (CSRs) that member states are expected to act upon and which focus on measures related to growth and competitiveness (Degryse et al., 2013; Schömann, 2014).

The search for a means of restarting economic growth led the European Commission to become more explicit in its call for greater labour market flexibility (EPSCO, 2011: 9; European Commission, 2012: 12; Schömann, 2014). Tighter constraints on government spending have created a further incentive for governments to focus on supply-side reforms. Notable in this regard has been the widespread assault on employment protections (Schömann, 2014, Heyes and Lewis 2014, 2015), which has involved reductions in severance pay, longer probation periods and increases in the freedom of employers to set dismissal criteria. Reductions in the strength of EPL since 2008 have been particularly apparent in those countries that have received financial support from the EU. These countries have been obliged by the ‘Troika’ of the European Commission, European Central Bank and IMF to implement reforms in return for financial assistance intended to ameliorate their debt crises and stabilise the Eurozone. An initial Memorandum of Understanding established between Greece and the European Commission in 2010, for example, referred to the need for longer probationary periods, reforms to facilitate increases in part-time employment and changes to regulations relating to collective dismissals (Memorandum, 2010a: 13, 37). Greece has since cut starting salaries for young people, increased employers’ freedom to extend working time, established a 12-month probation period for new employees, and made it possible for company-level collective agreements to take precedence over sectoral-level agreements (Theodoropoulou, 2015);

Spain and Portugal, which like Greece, have entered into Memoranda of Understanding with the Troika, have increased employers’ freedom to make use of fixed-term contracts and made it easier for employers to dismiss workers. Spain has ended administrative authorization for large-scale redundancies and cut the basis for calculating compensation for unfair dismissals, while Portugal has cut overtime payments, reduced the number of bank holidays, increased employers’ freedom to select workers for dismissal and cut severance payments. By comparison, reforms in Ireland, which in 2010 received a ‘bailout’ of 85 billion Euros from the IMF and ECB, have been more limited. The country is

something of an exception among the financially distressed EU member states in that its EPL scores for regular and temporary contracts have increased since 2008, albeit from a very low base. The main improvements have been the transposition of the European directive on temporary agency work into Ireland's national legislation, which has strengthened rights for this group of workers, greater protection for whistleblowers and efforts to improve compliance.

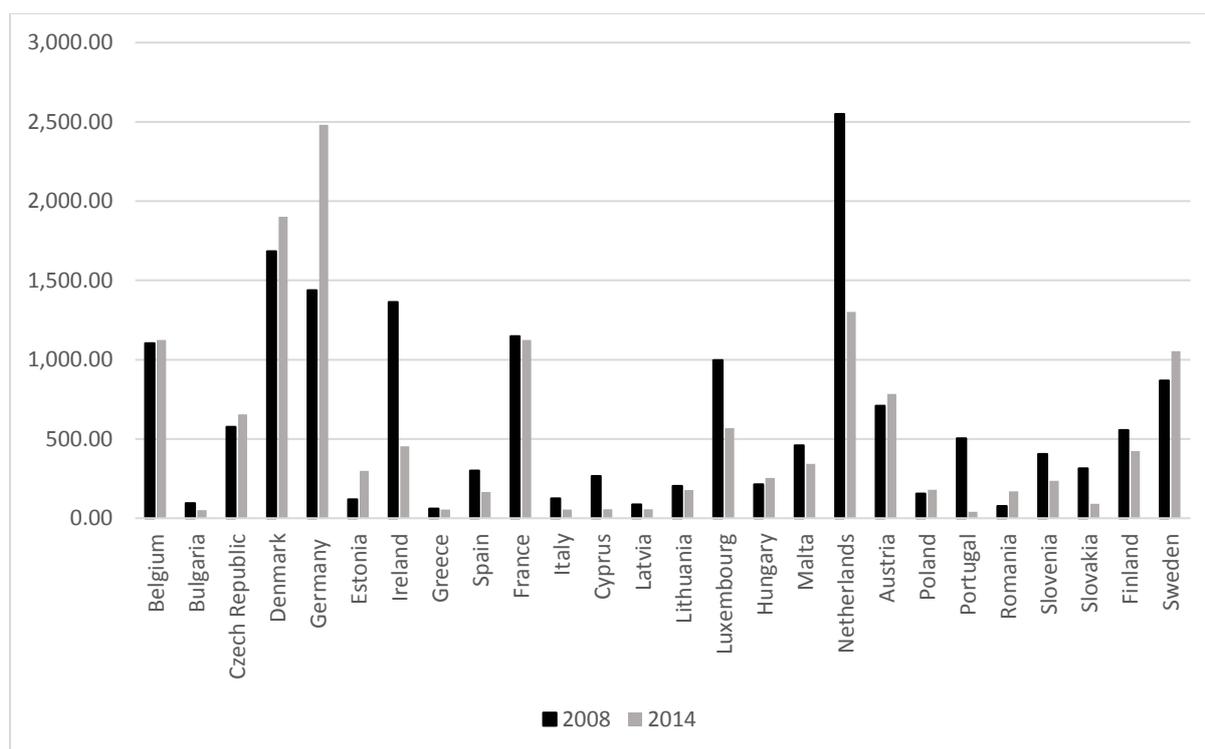
Reforms have been also been widespread among the CEE economies. Some improvements in employment rights have taken place, mostly as a consequence of the transposition of EU Directives into national legislation (e.g. in 2009 Slovakia implemented the EU Directives on part-time and fixed-term workers). Other measures, however, have been directed at weakening protections. Slovakia has made notice and probation periods more flexible, Slovenia has cut severance payments and increased employers' freedom to dismiss workers, while Lithuania has extended working time and also relaxed constraints on lay-offs. Several countries, including Lithuania and Romania, have weakened restrictions on the use of fixed-term contracts (Clauwaert and Schömann, 2012: 11). With the exceptions of Romania, Latvia and Hungary, which have requested substantial EU financial support since the start of the crisis, the CEE economies have not been subject to direct demands from the Troika. However, their reforms have been heavily influenced by country-specific recommendations, issued by the European Commission since 2011 and based on annual reviews of the economic performance of each EU member state. Member states are expected to implement the recommendations of the Commission via their individual National Reform Programmes. Several countries, including France, the Netherlands, Sweden, Lithuania and Slovenia, have received specific recommendations aimed at increasing labour market flexibility (Schömann, 2014: 15-18).

The UK government has also implemented cuts to employment protections. Its employment law reforms have formed part of a wider set of measures aimed at removing regulations that are deemed to be detrimental to business. The regulatory reform agenda in respect of employment rights has had two main components: firstly, a weakening of constraints on employers' ability to dismiss employees; and secondly, the introduction of new restrictions on workers' ability to access justice. The attack on employment protections, which was presaged by a report commissioned by the government from the venture capitalist Adrian Beecroft (Beecroft, 2011), commenced in April 2012 when the minimum period of employment service for unfair dismissal claims was increased from one to two years. In April 2013 the government reduced the minimum consultation period required in respect of large-scale collective redundancies involving more than 100 workers from 90 to 45 days. The following month, measures were introduced that permitted private sector employers to offer prospective employees a financial stake in their business, on the condition that key employment rights were foregone (the so-called 'employee ownership' scheme). The government has also made it easier for employers to dismiss staff who are deemed to be 'under-performing' by introducing measures to facilitate 'consensual

termination' of the employment relationship through Acas conciliation, settlement agreements and 'protected conversations' between employees and employers.

Labour market flexibility has therefore been increased. For the European Commission, however, employment protection reform is but one facet of its broader flexicurity agenda, which is supposed to promote 'employment security' rather than 'job security' (European Commission, 2007: 7) and protect people rather than jobs³. EU member states have therefore been advised to increase labour market flexibility while simultaneously improving workers' ability to make labour market transitions through active labour market policies and lifelong learning measures that increase workers' *employability*. The envisaged protections consist of support (opportunities to enhance 'employability' through education, assistance with 'job search) and incentives for workers' to make smooth transitions between jobs, thereby ensuring that 'EU citizen can enjoy [...] the possibility to easily find a job at every stage of active life' (EC, 2007: 10). However, the extent to which such 'protections' offer workers 'security' depends on whether aggregate demand for labour power is stable and strong, which it is clearly not in those countries that have been diluting their EPL provisions. Furthermore, the austerity programmes being pursued in these countries have led to reductions in spending on social protections. 'Flexibility' is being increased as 'security' is decreased. Cuts and greater restrictions in respect of unemployment benefits have been implemented in Greece, Spain, Slovenia and Hungary and in many of these countries other benefits, such as family allowances and sickness benefits, have also been reduced (Laulom et al. 2012; Heyes 2013a). Steps have also been taken to link entitlement to benefits more closely to workers' willingness to accept a job, regardless of its quality.

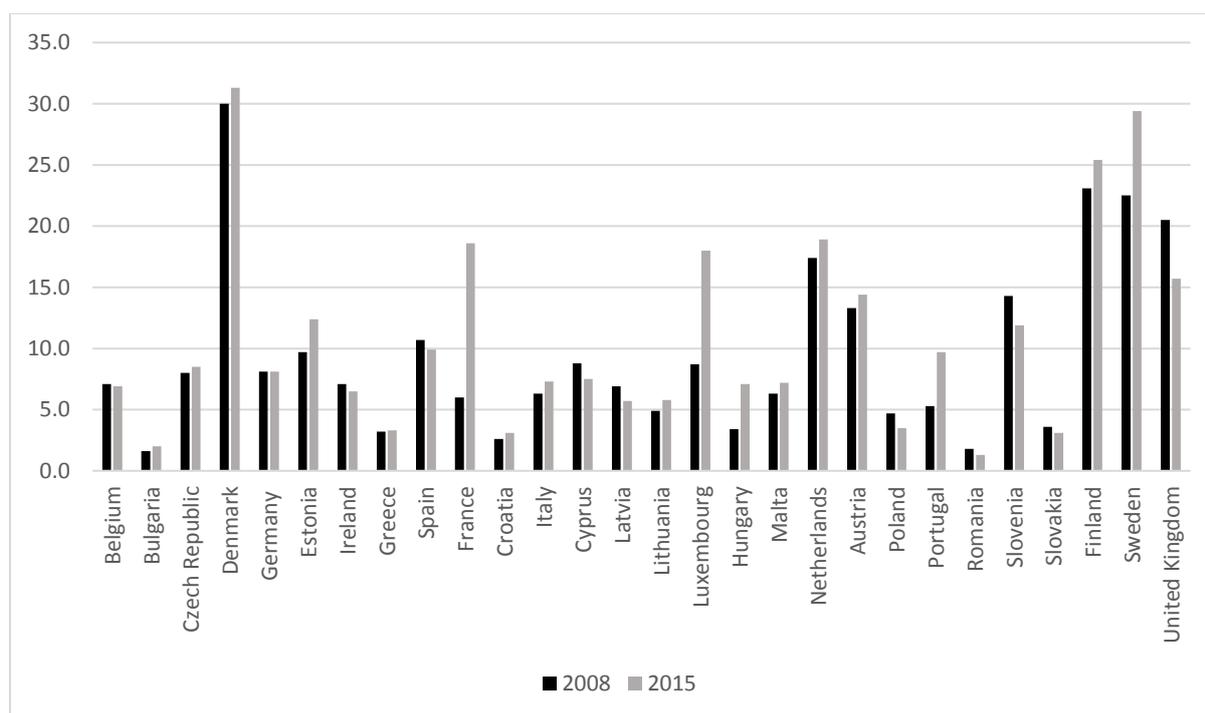
Figure 2: Spending on labour market services in the EU, 2008 and 2014



Source: Eurostat [Imp_ind_exp]. Figures are PPS per person wanting to work. Complete figures for the UK and Croatia are unavailable.

In general, levels of government spending on active labour market programmes (ALMPs) tend to be positively correlated with levels of spending on passive labour market measures, partly because the cost to the state and perceived risk of benefit dependency create added incentives for governments to attempt to affect speedy transitions from unemployment to employment (Grubb, 2007: 9; OECD, 2009b). Spending on ALMPs tends to be considerably lower in the southern and central and eastern European (CEE) economies that have been worst hit by the crisis than in northern European and (in particular) Scandinavian economies (Auer et al., 2008: 24). While many southern and CEE economies (Slovenia, Slovakia, Portugal, Spain and Greece) increased their expenditure on ALMPs after 2008 (measured in terms of percentage of GDP), the increases were small, from a low base and in several cases not sustained. Spending in Italy, on the other hand, fell after 2008 and has remained below pre-crisis levels.

Figure 3: Participation in lifelong learning, 2008 and 2015



Source: Eurostat [trng_lfse_01]. Data relate to people aged 25-64 years and measure participation in education or training during the preceding four weeks.

Lifelong learning, the remaining core component of flexicurity, has fared little better. In considering how Europe should respond to mounting job losses in the early stages of the crisis, the European Commission (2009a: 9) advocated that ‘[f]or men and women facing difficulties in gaining new employment, the “training first approach” should be considered. For the entire workforce, upskilling and re-skilling is crucial to ensure adaptability and employability in uncertain times’. There is little evidence to suggest a widespread move to act on this recommendation. Across the EU, the rate of participation of employed persons in education and training peaked in 2005 and fell thereafter (CEDEFOP 2009), although participation continued to increase in a number of EU member states, including Denmark, Estonia and Sweden. By contrast the participation rate of unemployed workers across the EU has increased since the start of the crisis, although participation rates in most countries have changed relatively little (Heyes 2013b). Participation rates in training-related ALMPs in the southern European and CEE economies that have fared worst since the start of the crisis have long been the lowest in the EU (typically representing less than 10 per cent of those seeking work) and the position has not improved since 2008 (op cit.).

Long-term unemployment for young workers (aged 15-24 years) and older workers (aged 25-64 years) remains well above pre-crisis levels in most of those countries that have weakened EPL (see Figures 4 and 5). Other evidence similarly suggests that once GDP changes are controlled for, national experiences of youth unemployment since the start of the Great Recession have been unrelated to differences in EPL strictness (Cazes et al., 2012). Furthermore, many of those in paid employment in the EU continue to experience poverty. Figure 6 shows ‘at risk of poverty rates’ for selected EU economies. The data relate to people under 60 years of age living in households where work intensity is anything other than very low. The poverty threshold is here treated as 60 per cent of median equivalised income after social transfers. Although the at risk of poverty rate has fallen in some countries, such as Ireland (a trend which pre-dated the crisis and continued after 2008), it has increased in others, including Greece and Germany. Across the EU 27 as a whole, the at-risk of poverty rate was 11.9 per cent in 2008, the year the crisis started. By 2014 it had risen to 13 per cent.

Figure 4: Long-term unemployment, workers aged 25-64 years

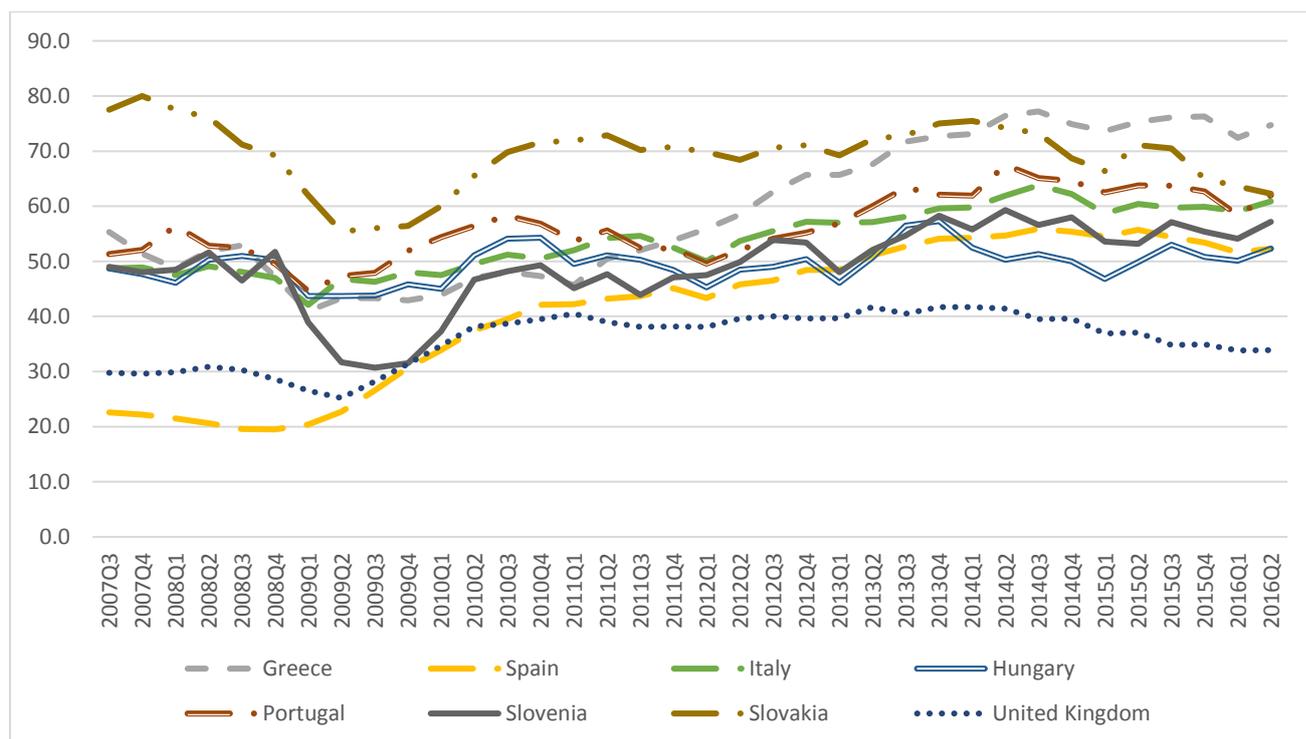


Figure 5: Long-term unemployment, workers aged 15-24 years

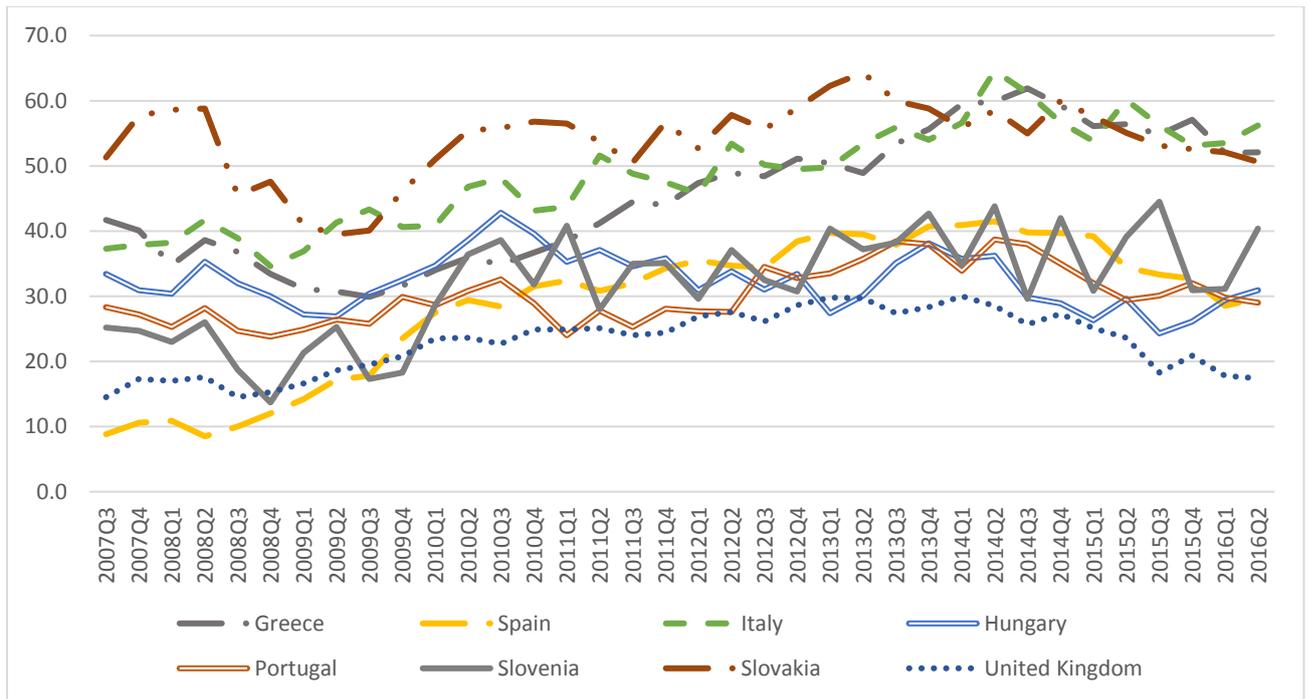
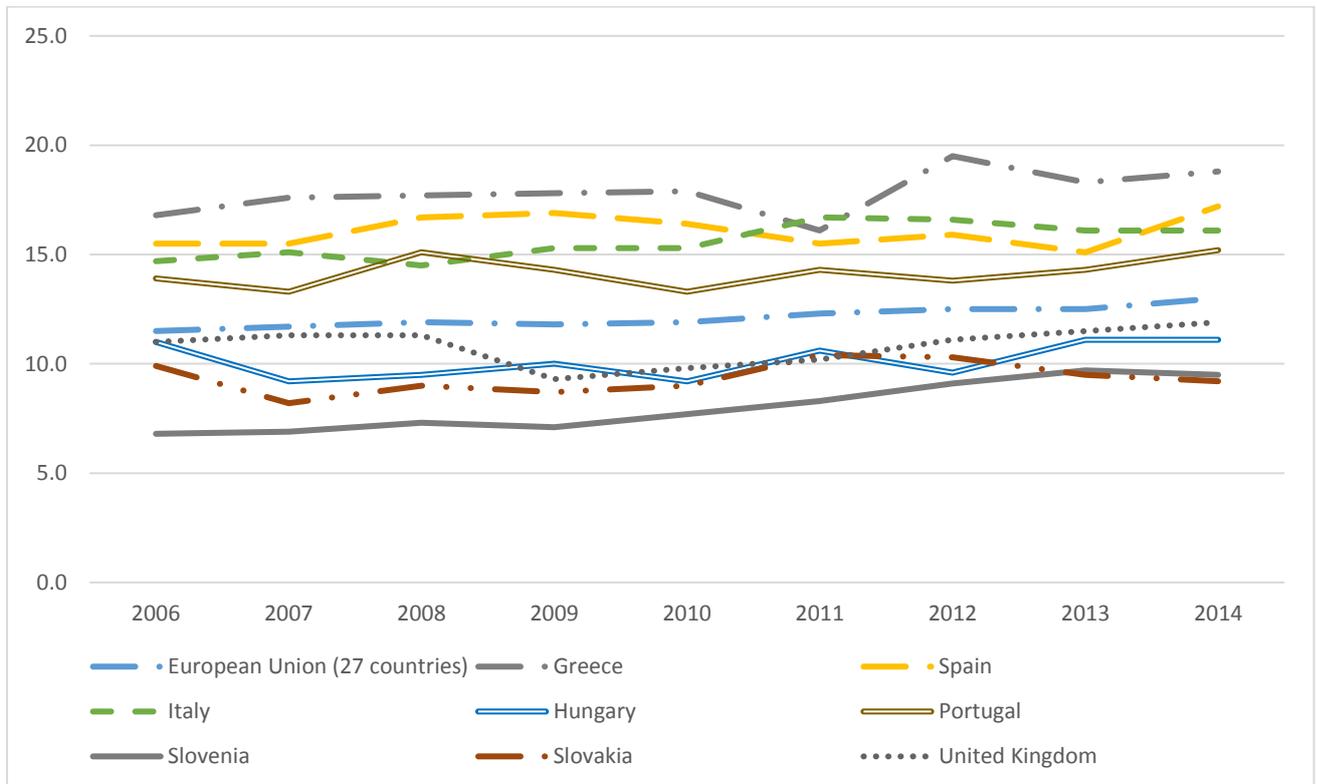


Figure 6: Risk of poverty rate for selected EU economies



Conclusion

The tendency towards the liberalisation of EU labour markets has become more pronounced since the start of the economic crisis, reflecting heightened pressure for supply side reform created by weak growth and a tightening of fiscal discipline in the EU. Social protections, such as unemployment benefits, and employment protections are being simultaneously weakened in many countries. Austerity has also meant that it has become more difficult for some countries to fund measures aimed at enhancing lifelong learning and improving social cohesion (Heins and de la Porte, 2015, Theodoropoulou, 2015). Nevertheless, the European Commission continues to cling to the flexicurity concept. The proposed European Pillar of Social Rights⁴, which the Commission hopes will revitalise the performance of the EU (and the Eurozone in particular), has flexicurity at its core. It does not propose a substantial extension of rights, but instead restates and elaborates basic tenets of EU social policy, such as the importance of equal opportunities, the need to support transitions in the labour market, the right to fair wages, equal treatment and a safe working environment and so on. Beyond increasing their participation in the labour market, however, it is unclear what the Commission is attempting to achieve for Europe's workers. There are few references to the fashionable concept of 'wellbeing', much less the concept of social justice. Indeed, the erosion of protections for workers represents a further subordination of social justice considerations to the (supposed) needs of the economy, a tendency that has strengthened in the Western economies since the 1970s (Supiot, 2012). Policy makers have placed undue emphasis on the potential for employment law to act as an instrument for stimulating economic growth. The emphasis placed on its role in 'protecting the dignity and working conditions of workers' has, by contrast, diminished (Countouris and Freedland, 2013: 93).

In the wake of the most serious economic crisis in 80 years, there is a need to reframe the EPL and broader flexicurity debates in a way that gives proper consideration to the potential contribution that employment regulations and social protections might make to rebuilding security in the labour market and wider society. Academic critics of the flexicurity agenda (see various contributions to Keune and Serrano, 2014) have suggested alternative approaches to labour market and social policy that would involve providing workers with new social rights and increasing their voice in the identification of social objectives and the means of achieving them. These ambitions resonate with the content of the 'Athens Manifesto', agreed by the European trade union movement in 2011 (ETUC 2011), which includes a demand that social rights 'should take precedence over economic freedoms' and calls for new constraints on market forces. This clearly requires that the European Commission and ECB cease to treat social policy as a means of achieving structural economic adjustments. There are signs of an increased awareness on the part of EU policy makers of the potential social damage resulting from the

⁴ http://ec.europa.eu/priorities/deeper-and-fairer-economic-and-monetary-union/towards-european-pillar-social-rights_en

demands that have been made of those member states that have requested financial assistance, as reflected in the priorities outlined by the recently-appointed Commission President, Jean-Claude Juncker⁵. However, the prospect of a substantial change of policy emphasis in relation to EPL and flexicurity currently seems unlikely, given the economic fragility of the EU, the weakness of Europe's trade unions, and political and economic constraints that strongly pre-dispose policy makers to focus on supply-side reforms.

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