

Comment on Jackman: The pros and cons of a common European employment policy

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On the whole, I find Richard Jackman's paper very interesting. This is an area of great interest to me, as I come across the pros and cons of a common European employment policy on an almost daily basis. Therefore, I want to make some additional comments.

The core question in the paper is whether European employment policies and European institutions have contributed to the less favourable development of European labour markets in comparison with the American experience. Jackman presents an interesting analysis of this issue. Without getting into details, I agree with him on several issues:

Properly designed tax and benefit systems are essential for the efficiency of the labour market. Tax and benefit systems must be made more employment friendly in order to reduce unemployment.

Furthermore, I side with the claim that Europe does not constitute *one* labour market, but rather a set of separate markets.

I also agree that the labour force participation of women, the young and the elderly must be increased. Working life must be designed for people of all ages, so that labour supply will come closer to its potential. Otherwise, Europe will have difficulties in meeting the growing dependency ratios caused by demographical changes.

The most fundamental criticism in the paper concerns the "one-size-fits-all" employment policy that EU is described to have. It is argued that a common employment policy would be inappropriate, from a theoretical point of view, if there are large differences in the starting points and the characteristics of national labour markets. Also, a common employment policy could introduce rigidities that would be counterproductive if more labour mobility was wanted.

Although I can agree with the theoretical viewpoints, I have a problem with the main presumption in this paper; namely that we have a common employment policy in the EU aiming at, among other things, harmonising wage and working conditions across Europe. In

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my opinion, we do not have a common employment policy. We do not have a policy whose main objective is the full harmonisation of national legislation and we certainly do not have a policy for harmonising wages or taxes on labour across the Union.

Instead, what we do have is a European employment strategy, which is anchored in a yearly process called the Luxemburg process. The main elements of this process are a set of commonly agreed guidelines, country-specific recommendations and national action plans for employment. It is a process based on a number of common objectives, but where each country chooses how to reach them. It is a process where learning from others is an important ingredient. So, I would argue that today's European employment strategy gives ample scope for country-specific characteristics.

Let me elaborate somewhat on the fundamental question of what the European employment strategy is actually about. In the Amsterdam treaty, the EU set out—for the first time—the promotion of employment as a matter of common concern, requiring coordinated action. Sweden was one of the main advocates for including this chapter. This was a very important step for securing that the battle against unemployment remained at the forefront of the EU agenda.

According to the treaty, and this is important, we have committed ourselves to develop a common employment strategy. Drastically speaking, the real issue at hand is not whether a common employment strategy is good, but to find the appropriate areas, the scope and the ways of carrying it out.

So, let us therefore consider the reverse case: Are there areas where a single EU policy would be beneficial? While one should err on the side of caution here, let me give you one example. I believe that when it comes to measures to promote labour mobility, joint action is needed to make it easier for people to move where the jobs are. This is particularly important in the light of the EMU, and I think we all agree that more mobility is needed. The logical conclusion seems to be that more is needed in the field of collective action in this case.

On the other hand, it has been argued, by Jackman among others, that political commitments at the EU level tend to be formulated in such a general and unspecific way that they do not really obligate member states to perform. Many see this as a large weakness, but I would like to present a somewhat different view.

I see the fact that political commitments are often of a general nature as a necessary evil since with respect to the employment strategy, we must consolidate political commitments at the EU level with the general principle of subsidiarity. This means that member states must be given freedom of action in the interpretation of EU commitments, in order to be willing to collaborate. The alternative would be to impose supranational policies, for instance regarding the specific design of tax and benefit systems, which would be totally unacceptable for many member states.

One implication of this necessary evil is that, in order to be successful, member states must create a set of shared values for the employment strategy. I think that this is a very important process in itself, which can lead to member states committing themselves more firmly, in spite of the generality of political statements. I also think that, to some extent, we have succeeded in doing this during the past years, and that this constitutes a considerable strength for the future.

Another important issue that I would like to raise is that in my view, the European model has at least one obvious advantage to the American one, in spite of its imperfections. I am, of course, referring to the more compressed income distribution in Europe. In the case of Sweden, I also think it is fair to say that the European model has come out very successfully in dealing with macroeconomic crises in the first half of the 1990s. Registered open unemployment fell from 8.1 per cent in 1996 to 4.0 per cent in 2001. The active labour market policies and educational efforts constitute important reasons why both cyclical and structural unemployment have fallen. They have helped to avoid discouragement in the work force and to maintain a comparatively high participation rate. Also, the social partners have contributed to the positive development in the Swedish labour market, as the outcome of the last two bargaining rounds in the late 1990's were very moderate and consistent with the inflation target.

I shall also comment briefly on the work presently carried out in the EU within the area of employment strategy. The reason is that the recent accomplishments of the EU in the field of employment pass without mention in the paper.

Without getting into details, the Lisbon European Council in March 2000 resulted in an unprecedented set of concrete targets and timetables to be carried out in the near future. I believe that the Lisbon Strategy constitutes a milestone for the European employment strategy and that it created a good foundation for the Stockholm

summit, which was held in March 2001. In Stockholm, we made the first follow-up of the Lisbon strategy. We agreed, for instance, on ways of promoting labour mobility, sharp targets for the employment rates as well as targets and deadlines for promoting life-long learning.

Another result from the employment strategy is that member states have reviewed their existing benefit and training systems, and we have seen a shift of emphasis from passive measures of income maintenance to more active measures for the unemployed. This has resulted in less long-term unemployed people. In the case of Sweden, the long-term unemployment rate, that is, those unemployed for more than 6 months, has declined from 38 per cent of all unemployed in 1996 to 25 per cent in 2001.