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European employment strategy – Lisbon targets questioned

It is more than four years since the heady days of the Lisbon summit when European leaders committed themselves to an employment strategy designed to create 20m jobs in Europe by 2010.

Although 6m jobs have been created since 1999, bringing the employment rate to just over 64 per cent across the 15 European Union states prior to enlargement, slow economic growth in the early 2000s is beginning to make the 20m target look out of reach.

Privately, officials within the European Commission will admit as much. In fact one of them described the target last week as something of an "irrelevance". Far more important, he said, was to have a co-ordinated European employment strategy.

He could have a point, but the problem with targets, particularly when they are not achieved, is that they can come back to haunt us. The underlying problem with the Lisbon target, however, is not so much the number, but the premise on which it was set: that creating jobs is a good thing. Is a job a component of enterprise or a social necessity?

This question goes to the very heart of the tensions between the social agenda of the EU and the need for businesses to sustain competitiveness within the eurozone. It also addresses the relationship between employment and business. There is a common belief, bordering on delusion, particularly within human resources departments, that businesses view their employees as assets. It is difficult to find much evidence for this belief in shareholder behaviour. Shareholders tend to take the view that employees are a cost.

Balance sheets confirm this conclusion. Employees are the greatest cost for many businesses. They are also, invariably, the most vital part of the company, hence the popular acknowledgement of employees as "assets". But this can seem a shallow assertion when a company switches its production from one country to another, changing workforces in an effort to drive down costs.

In the broader community there is a moral and economic obligation to sustain healthy levels of employment. This is sometimes better understood by governments than by business.

It is clear, in this context, why governments seek to ensure job protection for employees. It is clearer still that protectionist measures have failed to create jobs. In 2003 there was a net loss of 200,000 jobs across the EU. The threat of migrating jobs and production out of Germany forced manufacturing workers at Siemens earlier this year to move, at the company's demand, from a 35-hour to a 40-hour week.

No amount of employee regulation, therefore, is going to protect Europe from the realities of international competition. The good news for business is that last November's report on the employment taskforce headed by Wim Kok, the former prime minister of the Netherlands, ushered in a new sense of pragmatism governing EU employment strategy.

The report's four principle recommendations have all been adopted within the European Employment Strategy - the blueprint for employment policy across the union. These recognise the need for increasing adaptability of workers and enterprises, broadening the reach of the labour market across a greater number of people, increasing investment in human capital and lifelong learning, and improving the governance of reforms.

These new priorities signal a shift in emphasis away from the old concept of job creation towards extending the reach of the labour market among under-represented groups such as women and older workers. This includes the development of what the Kok report called "active ageing" in the workforce.

Member states are being urged to get rid of financial incentives for early retirees and to introduce pensions reforms and tax mechanisms to encourage lengthier careers and the recruitment of older workers.

European employment strategy also now appears to be firmly committed to improving the quality of part-time and temporary working, much of which has for so long been regarded, overtly by trade unions and tacitly by business, as second-class employment.

The Kok taskforce report heralded a significant transformation in attitudes towards flexible working. Where temporary and part-time work may have been seen in the past as "stop gap" work, subordinate to the ideal of the full-time permanent job, the taskforce recognised the importance of variable forms of working. It urged member states to "remove obstacles to, and raise the attractiveness of, part-time work for employers and workers".

This, it said, included the removal of legal barriers preventing the establishment and development of temporary employment agencies "as effective and attractive intermediaries in the labour market, offering improved job opportunities and high employment standards".

These were the principles behind the Agency Workers Directive shelved in 2003, partly because of opposition against greater regulation of the industry within the UK. The Kok report pointed to the way that the Netherlands deregulated its temporary agency market while introducing new responsibilities for agencies at the same time.

This means that temporary workers have the same benefits and entitlements as full-time workers but employers have greater freedom over hiring and firing people in the first six months of a contract. After 18 months working for the same client employer, an employee is deemed to have a permanent contract with the agency.

The report's endorsement of such measures suggests that the "temporary to permanent" mentality that does not appreciate a desire among some workers to develop "arm's length" working arrangements continues to inform EU thinking on temporary work. The concept of charging a premium for flexibility that underpins the interim management market, has yet to take root in Brussels-based policymaking that continues to view the benefits of competition and choice with suspicion.

Various reports that have emerged in the past 12 months, however, point to a definable sea change, not only in attitudes to employment across the EU, but in the approach to reform. A requirement for annual national action plans to address perceived weaknesses in individual countries, introduced some years ago, has led to

a clearer picture of the various issues.

Ever-simmering arguments over employment directives can conceal the depth of European-wide policymaking on employment that became transparent in the Kok taskforce report. As the EU remains committed, officially at least, to its Lisbon objectives, the fresh challenges of enlargement and the pressures of globalisation appear to be reshaping attitudes to accept a greater diversity of employment models and a stronger emphasis on investment in human potential.

While it is true that the strategy remains committed to increasing jobs, a discernible shift towards quality over quantity points to a significant and welcome reshaping of the European social model.

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