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These topics form part of the pressing agenda of the EU and represent the multifaceted and complex nature of the European integration process. These short papers also seek to highlight the internal and external dynamics which influence the workings of the EU and its relationship with the rest the world.

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EU Unemployment Strategy: In One Ear, Out the Other

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April 2006**

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EU Unemployment Strategy: In One Ear, Out the Other

Introduction

The Union Members had so many problems to solve when drafting the Treaty of Rome (1958) that very little attention was paid to social policies and provisions for the rights of workers. Even less space was devoted to the migration of labor in the common market and the idea of full employment was considered a chimera. Simply, unemployment, as such, was not a Community concern at the time; although, by 1990 unemployment became the EU's most intractable economic problem.¹

Employment policies in the European Union are drafted by the "Employment, Social Affairs and Equal Opportunities" Commission whose Commissioner and Directorate-General until 2009 are Vladimir Spidla and Odile Quintin. The European Commission for Employment and Social Affairs explains that "(t)he objectives of full employment, quality of work and productivity and employment and cohesion are at the centre of EU policy."² Also, by 1970, a Standing Committee in Employment of so-called "Social Partners" composed of trade union and employer representatives was created by the Council of Ministers to advise the Council and the Commission on employment policy.³ Nevertheless, the main goals of the Employment, Social Affairs and Equal Opportunity Commission are summarized by these four main points:⁴

- To create more and better jobs
- To reap the benefits of its enlargement and to coordinate national employment, inclusion and social protection policies and financial support provided by the European Social Fund (63 billion euro over 2000-2006)
- To address the impact of demographic aging on its social protection systems - pensions, health care, long-term care- and on employment policies
- To promote an inclusive society and continue to roll back all forms of discrimination, based on race or ethnicity, disability, age, sexual preference

It is true that at the beginning of the EU, employment policies were not a priority to the EU government but the unemployment situation in its members' states was so desperate that in the Luxembourg Summit (1997) the Luxembourg Jobs Summit was organized and the European Employment Strategy (EES) was presented as the key element in the EU for employment policy. The EES was geared to obtaining notable employment improvements in only five years while

¹Van Oudenaren, John. *Uniting Europe: European Integration and the Post-Cold War World*. Lanham and Oxford: Rowman & Littlefield Publ., Inc., 1999. 190

McCormick, John. *The European Union Politics and Policies*. Boulder: Westview Press, 1999. 160

²Employment and Social Affairs. *Employment Analysis*.

http://europa.eu.int/comm/employment_social/employment_analysis/index_en.htm

³Rosemberg, Jerry M. *The New Europe. An A to Z Compendium on the European Community*. BNA Books, The Bureau of National Affairs, Inc., Washington, D.C. 1991. 52.

Iming, D. and Sidney Tarrow. *Contentious Europeans: Protest and Politics in an Emerging Polity*. Rowman and Littlefield, 2001. 55.

⁴Spidla, Vladimir. *Key Policies*.

http://europa.eu.int/comm/commission_barroso/spidla/policies/policies_en.htm

establishing policies to implement and improve employment. Basically, the EES is designated as the main tool to give direction to and ensure coordination of the employment policy priorities that Member States should subscribe at the EU level. The latest EES agreed in spring 2005 by all Heads of State and Government covers a three year period, from 2005 to 2008, and has been revised to improve coordination between Member States and the European institutions of the EU.

Later summit councils such as Cardiff (June 1998) and Cologne (March 1999) shaped the form and structure of such necessary instruments. During these summits, the Heads of State and Government of the Member States stressed their commitment to combat unemployment and implement the policies necessary to obtain such a goal. The urge to solve the employment situation was such that a new employment title was introduced by the Amsterdam Treaty (articles 125 – 130) where the promotion of employment was considered a “matter of common concern” of the member states and one of the Community’s main goals.

“Member States and the Community shall, according to this Title, work towards developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labor markets responsive to economic change...”⁵

The most important of all the efforts to solve the employment situation in EU was performed at the Lisbon European Council in March 2000 where the EU set the goal of “to become 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.”⁶ During the Barcelona Council in March 2002 it was confirmed that full employment was the main goal of the EU.⁷ The main objectives behind this reasoning were to design a strategy with employment policies that would enable the EU to achieve full employment by 2010, along with certain short term employment objectives. Unfortunately, the European Commission in its draft entitled Joint Employment Report (JER) for 2004-5 shows that the overall employment rate has stagnated at 63 per cent, despite continuing increases for women and recently also for older workers. Hence, the Commission has concluded that the Lisbon target of achieving a 70 per cent employment rate by 2010 looks “increasingly challenging.”⁸ Five years after the launch of the [Lisbon strategy](#), the Commission recognizes that the results are somewhat disappointing and that the European economy has failed to deliver the expected performance in terms of growth, productivity and employment. Therefore, the EU decided to focus attention on the action to be taken rather than targets to be attained.⁹ This situation prompted heads of states or government during the spring 2005 summit to revise the Lisbon objectives and stress the importance of implementing the reforms needed for growth and employment in order to relaunch the strategy

⁵ Amsterdam Treaty, *The Employment Title* - article 125. <http://www.ebuindigo.org/gat4-en.htm#D>

⁶The Lisbon Council. *Misión*. <Http://www.lisboncouncil.net/Mission.asp>

⁷El Mundo. *Aznar considera 'irreversible' el proceso de reformas económicas y sociales en la Unión Europea* <http://www.elmundo.es/elmundo/2002/03/16/enespecial/1016288161.html>

⁸Infobase Europe. *Joint Employment Report Suggests Lisbon Targets Are "Increasingly Challenging"*. <http://www.ibeurope.com/Records/8100/8146.htm>

⁹Community Employment Policies. *A new start for the Lisbon Strategy (2005)*. <http://europa.eu.int/scadplus/leg/en/cha/c11325.htm>

without delay.¹⁰ As McCormick states in his book *The European Union, Politics and Policies*, the urge and necessity of creating jobs is mainly due to the necessity and convenience to help maintain Europe's competitiveness in the global market (298). It is also necessary to mention that the so-called European social partners of the Standing Committee in Employment shared the EU view on the employment situation. They declared their support for the review of the Lisbon strategy at the Tripartite Social Summit in Brussels that was held together with representatives of the EU¹¹.

Nowadays, if we look at the unemployment statistic for EU 15 and EU 25 from 1990 to 2004 provided by the OECD in its annual "OECD Employment Outlook 2005" and we compare those percentages to the unemployment figures of US or Japan, it is clear that a lot has to be done (see graph number 1). For instance, the US is reducing its unemployment rate. In fact, according to the latest data released on Friday June 2nd by the Bureau of Labor Statistics, "both the number of unemployed persons (7.0 million) and the unemployment rate (4.6 per cent) were essentially unchanged in May. A year earlier, the unemployment rate was 5.1 percent. Total employment (144.0 million) continued to trend up in May; over the year it has increased by 2.4 million. Both the employment-population ratio (63.0 per cent) and labor force participation rate (66.1 per cent) held steady over the month."¹² In Japan, in April 2006 unemployment stayed at a seven-year low, and the jobless rate was unchanged at 4.1 percent for a third month; furthermore, "companies are facing labor shortages, according to the Bank of Japan's March Tankan survey. An index of labor demand among large manufacturers fell to minus 1 in March from 2 in December 2005, the lowest since 1992. A negative number means more companies are short of manpower."¹³ These figures are indicating that the labor market in Japan will stimulate more labor contracts and a further reduction of the Japanese unemployment rate.

¹⁰ *Presidency conclusions of the Spring European Council in Brussels (22-23 March 2005) [PDF] concerning the mid-term review of the Lisbon strategy.*

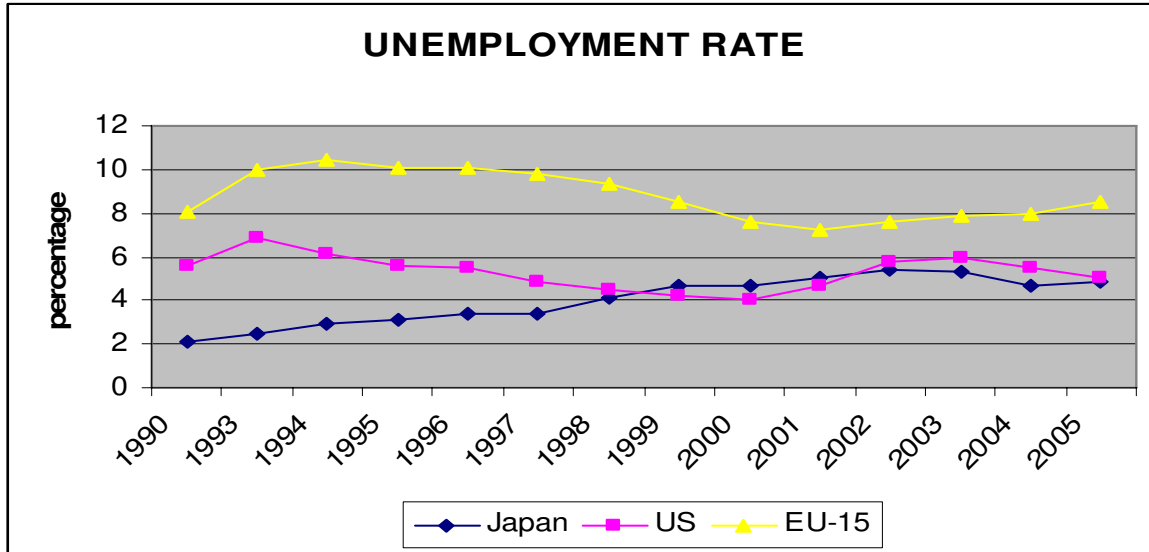
http://ue.eu.int/ueDocs/cms_Data/docs/pressdata/en/ec/84335.pdf

¹¹ *Social partners strongly support the Commission's Lisbon Strategy.*
http://europa.eu.int/comm/employment_social/social_dialogue/news_en.htm

Eironline. New rules adopted for tripartite social dialogue.
<http://www.eiro.eurofound.eu.int/2005/03/feature/sk0503101f.html>

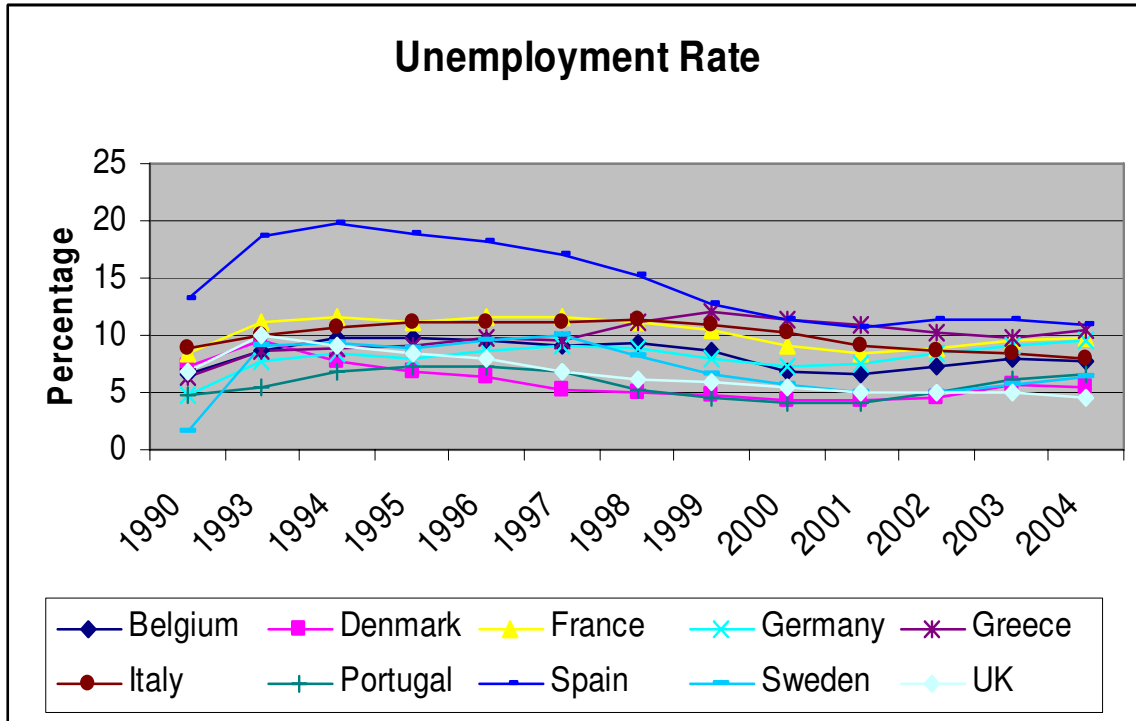
¹² United States Department of Labor. Bureau of Labor Statistics.
<http://www.bls.gov/news.release/pdf/empst.pdf>

¹³ Bloomberg. "Japan's Production rises; unemployment at 7-year low."
http://www.bloomberg.com/apps/news?pid=10000080&sid=aMbGMLKN9_q0&refer=asia



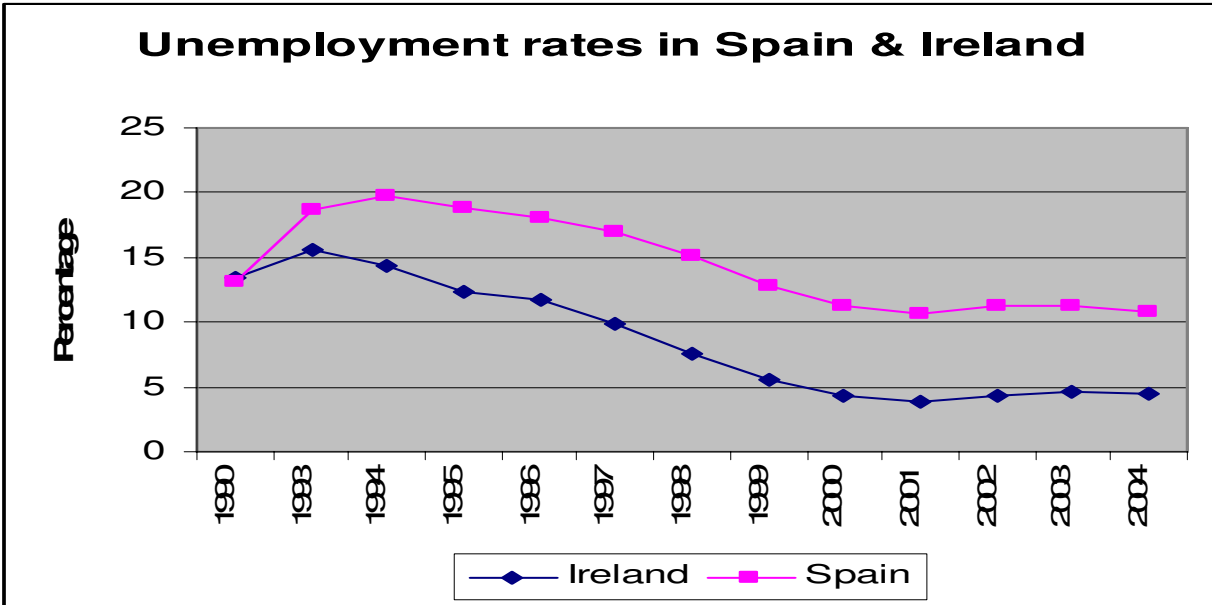
Source: OECD Statistical Annex. OECD Employment Outlook 2005.

In EU-15, the unemployment rate varies across countries as shown in the next chart. Since 1990 Spain has had the highest unemployment rate despite the fact that it has strongly worked towards reducing its high figure; for instance, in 1994 the unemployment rate in Spain hit an all time high of 20 per cent unemployment rate, while in 2004 it was below 10 per cent. However, Denmark and UK are the two countries with the lowest unemployment rates since 1990. As of May 2006, still Denmark with a 4.8 per cent and Britain with a 5.2 per cent keep the lowest rates while France with 9.3 per cent, Germany with 11 per cent, and Belgium with 12.1 per cent are championing this non-prestigious league. Finally, Spain is maintaining a high but maintained 8.7 per cent unemployment rate.



Source: OECD Statistical Annex. OECD Employment Outlook 2005.

Nevertheless, in my opinion, the EU has only limited responsibilities for such high figures since the EU sets the policies to implement but it is the responsibility of each member state to provide the national political means to meet the requirements to lower unemployment. This is the case of a possible comparative study between the evolution of unemployment rates in Ireland and Spain. Both countries started off in 1990 with about the same unemployment rate. But in 2004 the Spanish unemployment is more that 6 per cent points higher that the Ireland unemployment rate, although both had to implement and follow almost the same EU employment policies (see graph number 2).



Source: OECD Statistical Annex. OECD Employment Outlook 2005.

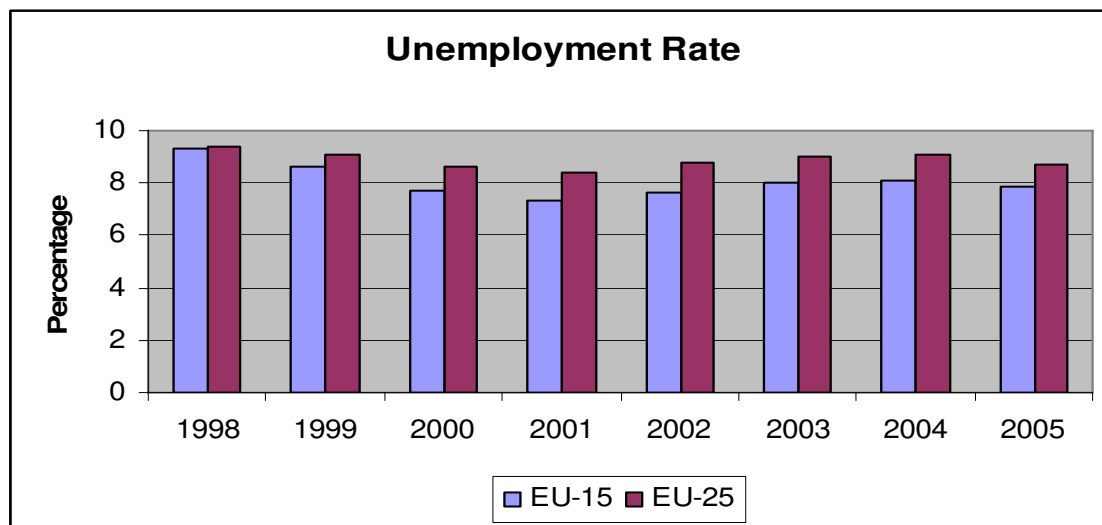
However, Spain is still implementing new measures to reduce this high unemployment rate; if during the Spanish economic take off the unemployment rate remained high around 10 per cent, it will be troublesome if the Spanish economy eventually slows down since it will negatively affect the labor market and unemployment would suffer an undesirable rise. It is important to mention that according to the latest economic figures,¹⁴ in April 2006 Spain had 2,004,528 unemployed, of which 61 per cent (1,241,530) were women. Furthermore, it is important to mention that unemployment among young people, that is men and women under 25 years of age, represents 87 per cent of the 2 million unemployed, which is still a very negative data since it proves that young people do not access the labor market. In order to reduce this youth unemployment that is vital to the economy, the government has announced measures to boost the labor market.¹⁵ Furthermore, it is important to mention that in Spain's largest community, Andalusia, has been leading the unemployment reduction in the year 2006. But my biggest concern is that Andalusia—located in Target Group I as its income is lower than 75 per cent of the average— due mainly to the EU enlargement, has lost 34 per cent of the EU regional funds investments as Spain is going to loose 29.5 per cent of its economic assignment. The 15,448 million euros received between the years 2000-2006 will be reduced to 10,181 in the 2007-2014 Financing Prospect.¹⁶ I strongly believe that the drop of these funds in Spain, and especially in Andalusia, will have a dramatic social effect on Spanish unemployment rate. The effect will have to be closely supervised as Spain as a whole depends on these funds, as infrastructures, the road system, together with the environmental project, among others, are elements that need major investments, which increase labor demand that eventually reduces unemployment.

¹⁴ Misnisterio de Trabajo y Asuntos Sociales. <http://www.realinstitutoelcano.org/documentos/204.asp>

¹⁵ Ministerio de Trabajo y Asuntos Sociales. "Acuerdo para la mejora del crecimiento y del empleo." <http://www.mtas.es/destacados/reforma.pdf>

¹⁶ Torreblanca, Jose. "¿Adiós A Los Fondos? Claves Para Entender La Posición De España A La Hora De Negociar El Presupuesto De La Ue Para 2007-2013" *DT N° 21/2005 (Traducción del inglés)*. <http://www.realinstitutoelcano.org/documentos/204.asp>

With the EU enlargement, the unemployment rate has increased (see graph below) and policies should be implemented at the European Union level to control the unemployment rate of the newcomers. Although, in my opinion, the core of the problem does not lay in the EU and its policies but in the member states that are the ones that should put in place and implement policies and requirements. The figures represented in the graph below, show how the unemployment rate is lower for the EU-15 than for the EU-25 since the new ten members have higher unemployment rates.



Source: Eurostat. http://epp.eurostat.cec.eu.int/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=STRIND_EMPLOI&root=STRIND_EMPLOI/emploi/em071

Finally, if the member states, whether for political or economical reasons, do not implement and enforce sound employment policies and measures to boost the labor market, the European Commission for Employment, Social Affairs and Equal Opportunities will just be a bureaucratic leviathan with background noise of member states singing along “in one ear, out the other” while the EU economy is challenged by an aging population that is causing a decline of the workforce, and by a labor market characterized by high levels of unemployment.