

Labour Market Effects of Current Crisis and the European Employment Strategy

WIIW Seminar

„Public governance and structural reforms“

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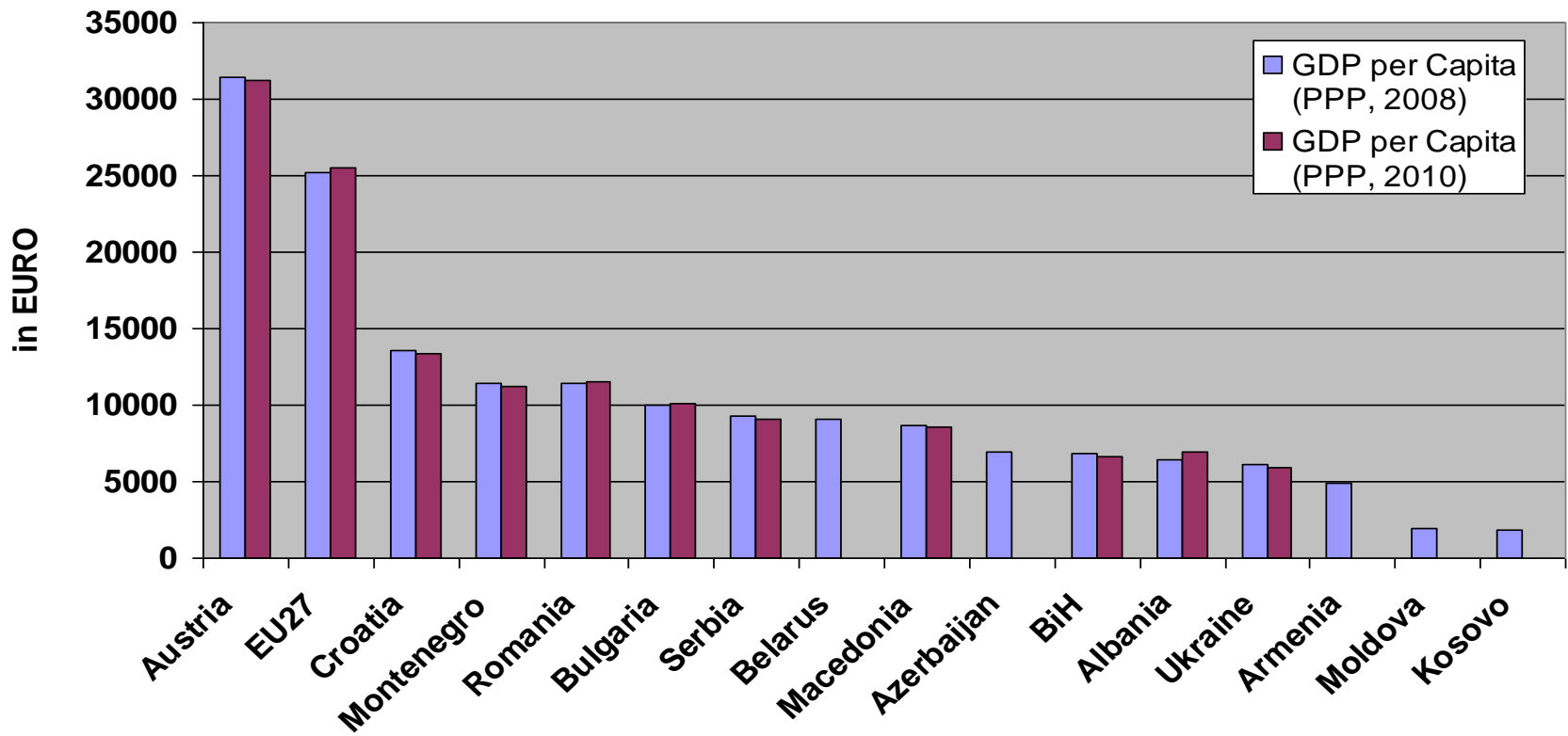
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- (4) **Implementation AUT: NAP1998-2002-2007 – some side effects?!**
- (5) **Relaunch of Lisbon: NRPs – nothing new! Post Lisbon debate**
- (6) **Conclusions: So what?**

(1) Before I start [1]

Living Standards in Different Countries:
Do we live in the same world?

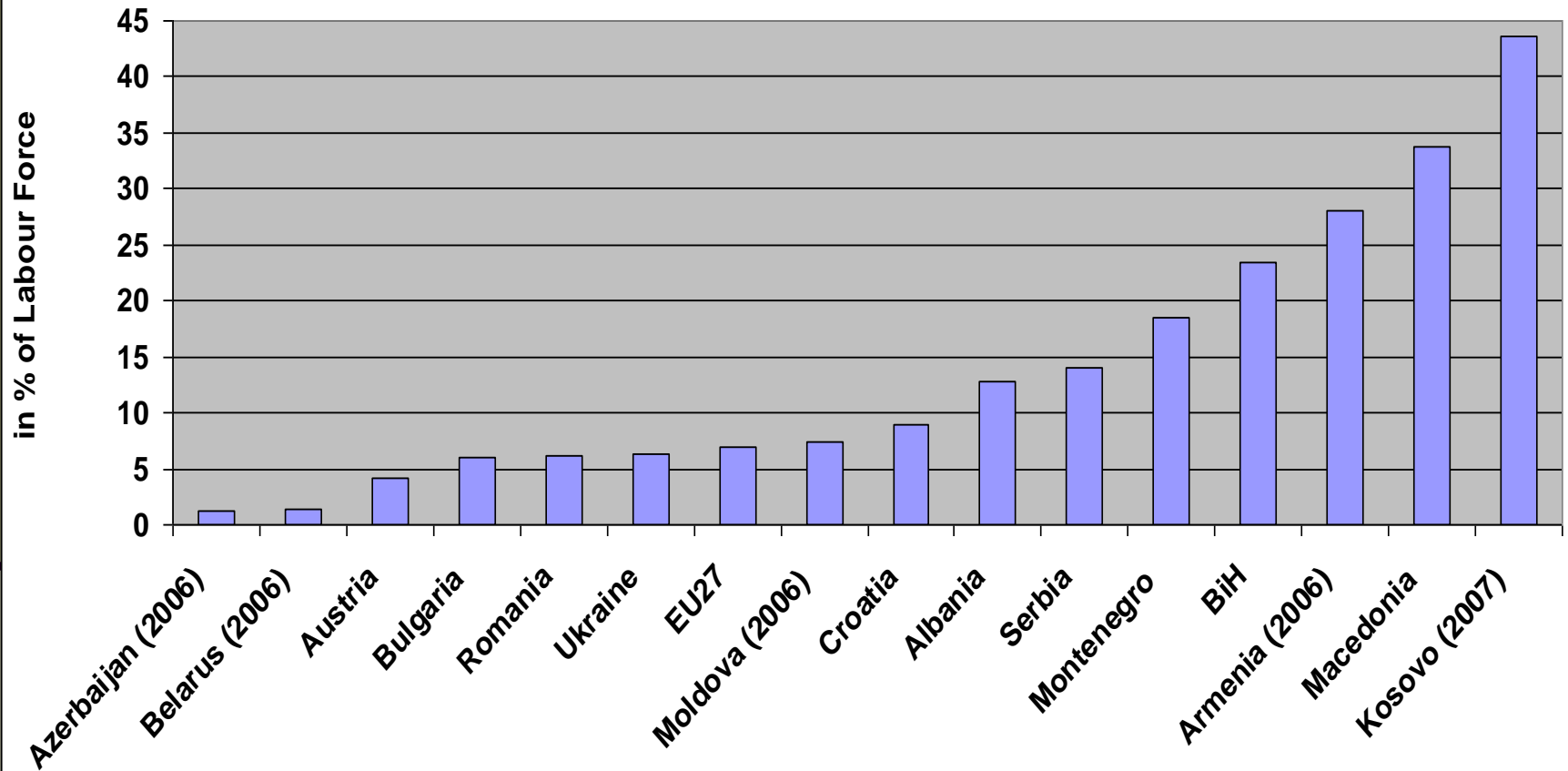
Do we share same economic, social, labour market problems?



Source: WIW, CIA Factbook

(1) Before I start [2]

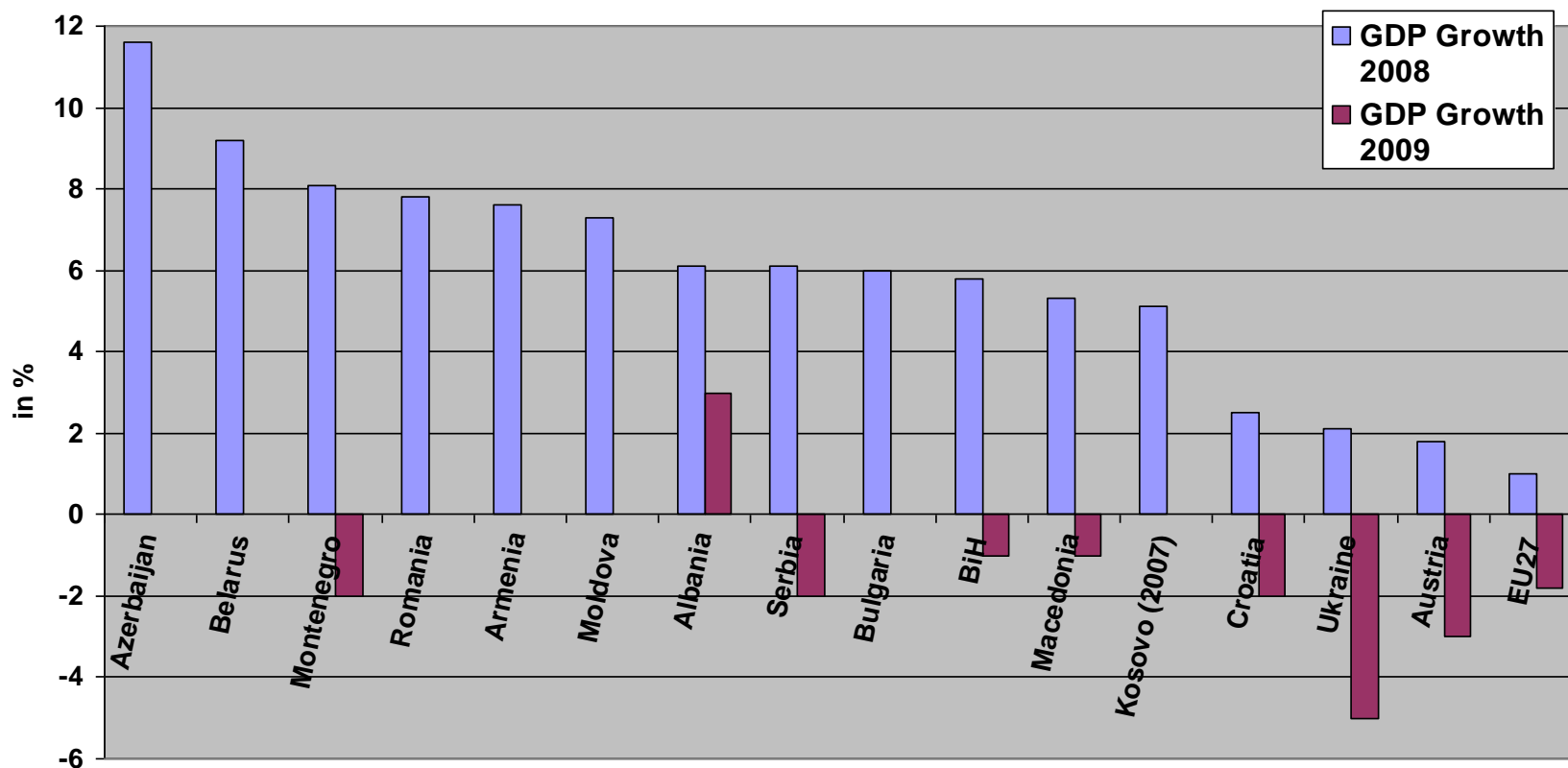
Unemployment Rates in Different Countries (2008):
Are these Figures Real? What do they mean?



Source: WIIW, CIA Factbook

(2) Current Crisis [1]

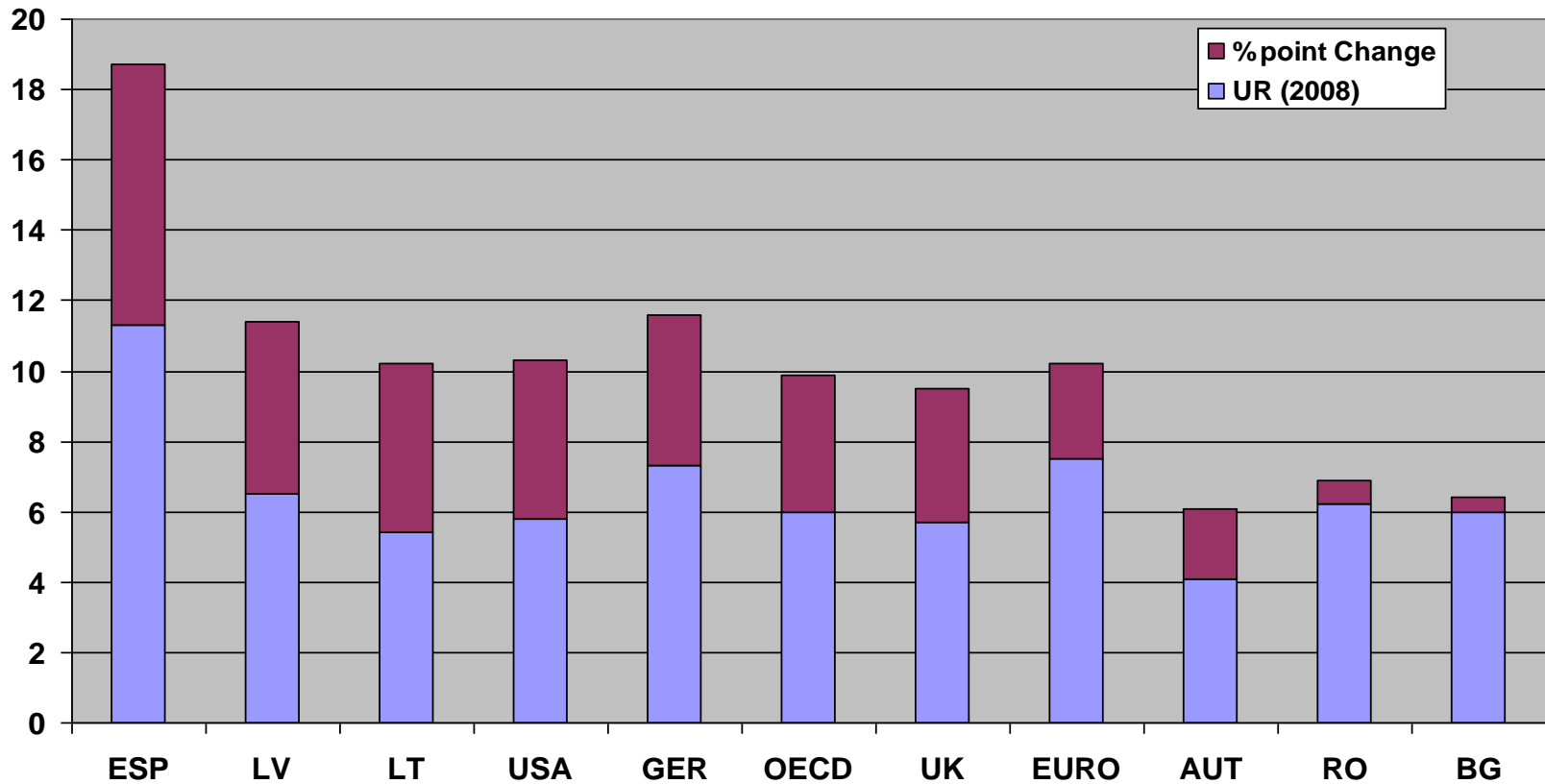
Catching up - the Beginning of the Crisis: Growth & Outlook



Source: WIIW, CIA Factbook

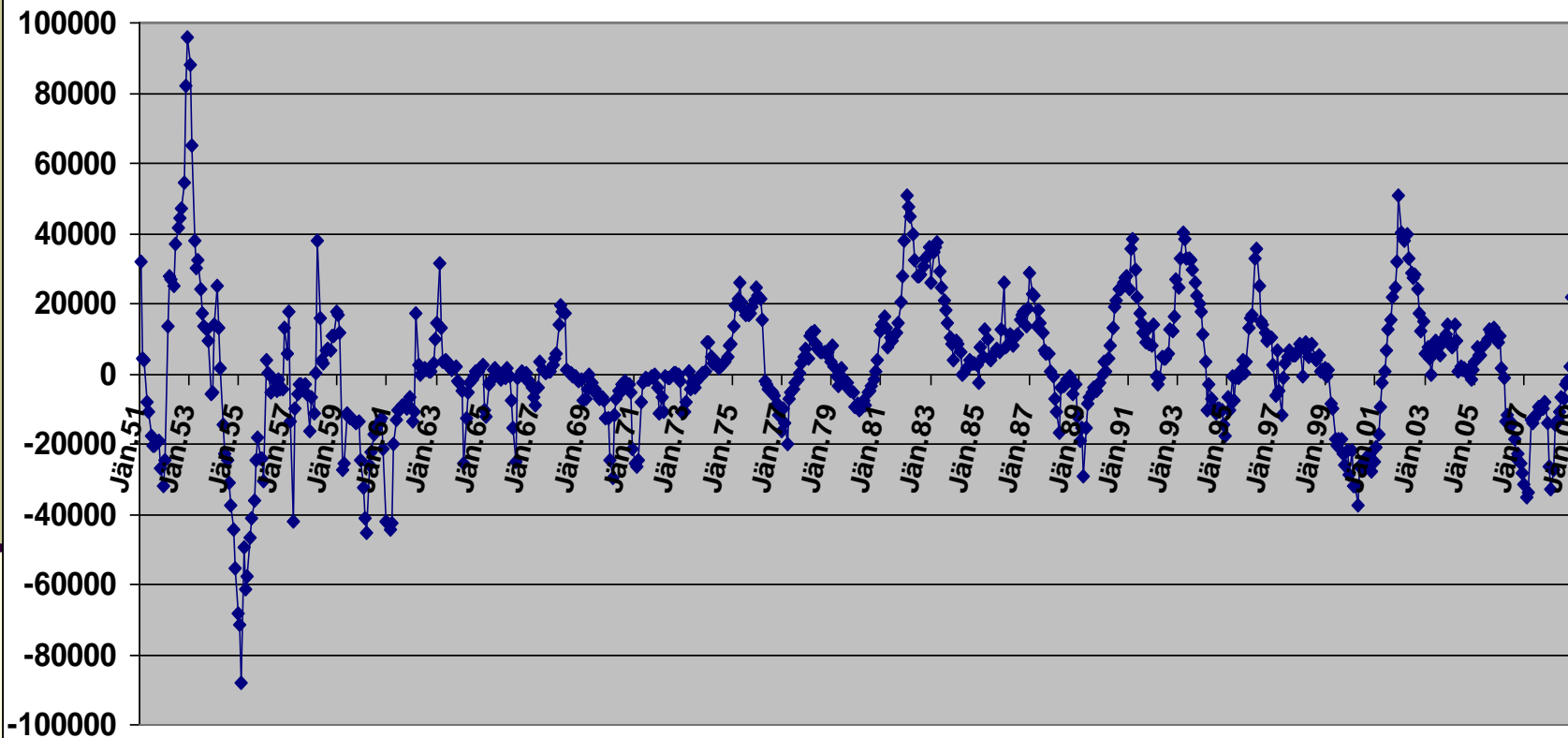
(2) Current Crisis [2]

The Beginning of the Crisis: Increases of Unemployment
2008-2010



(2) Current Crisis [3]

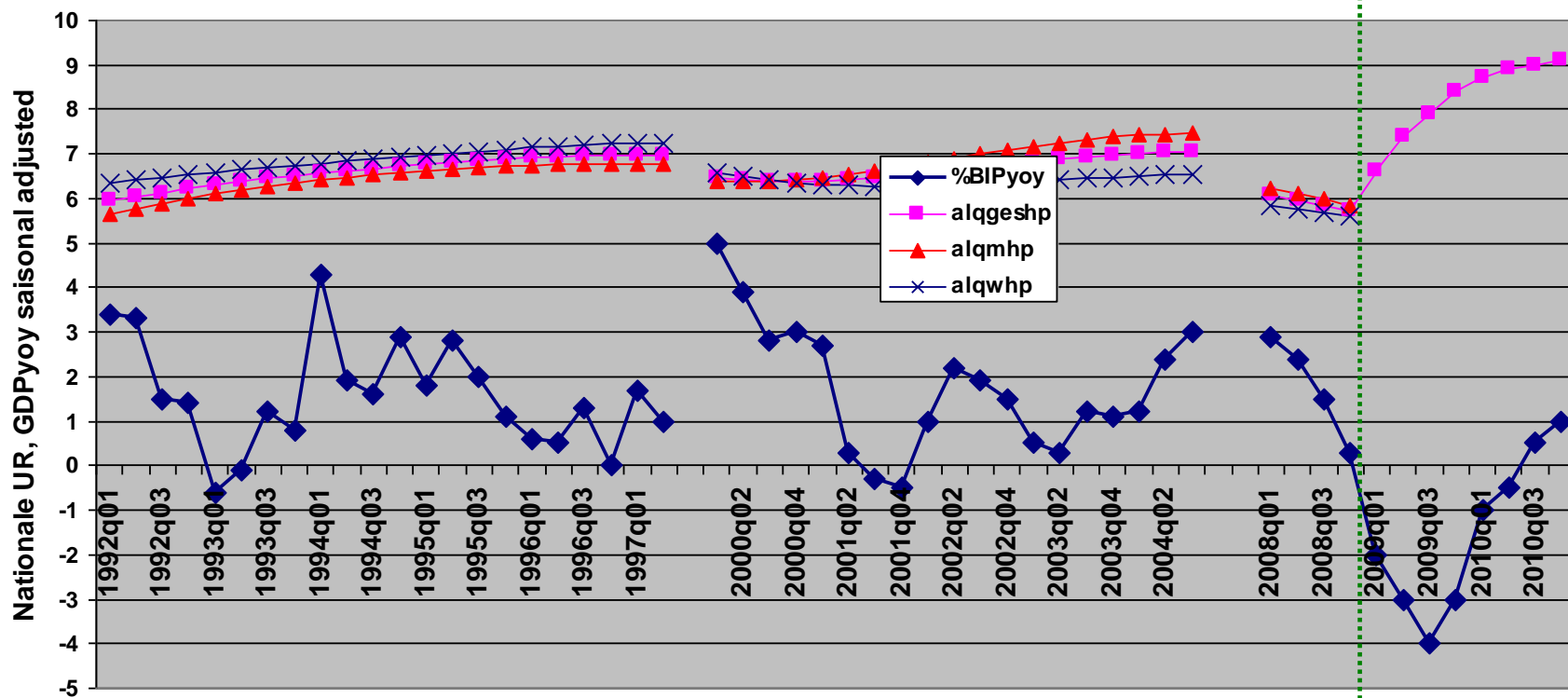
AUT: Changes in Unemployment (to month in previous year)
A historical Perspective (01/1951-03/2009)



Source: PES Austria

(2) Current Crisis [4]

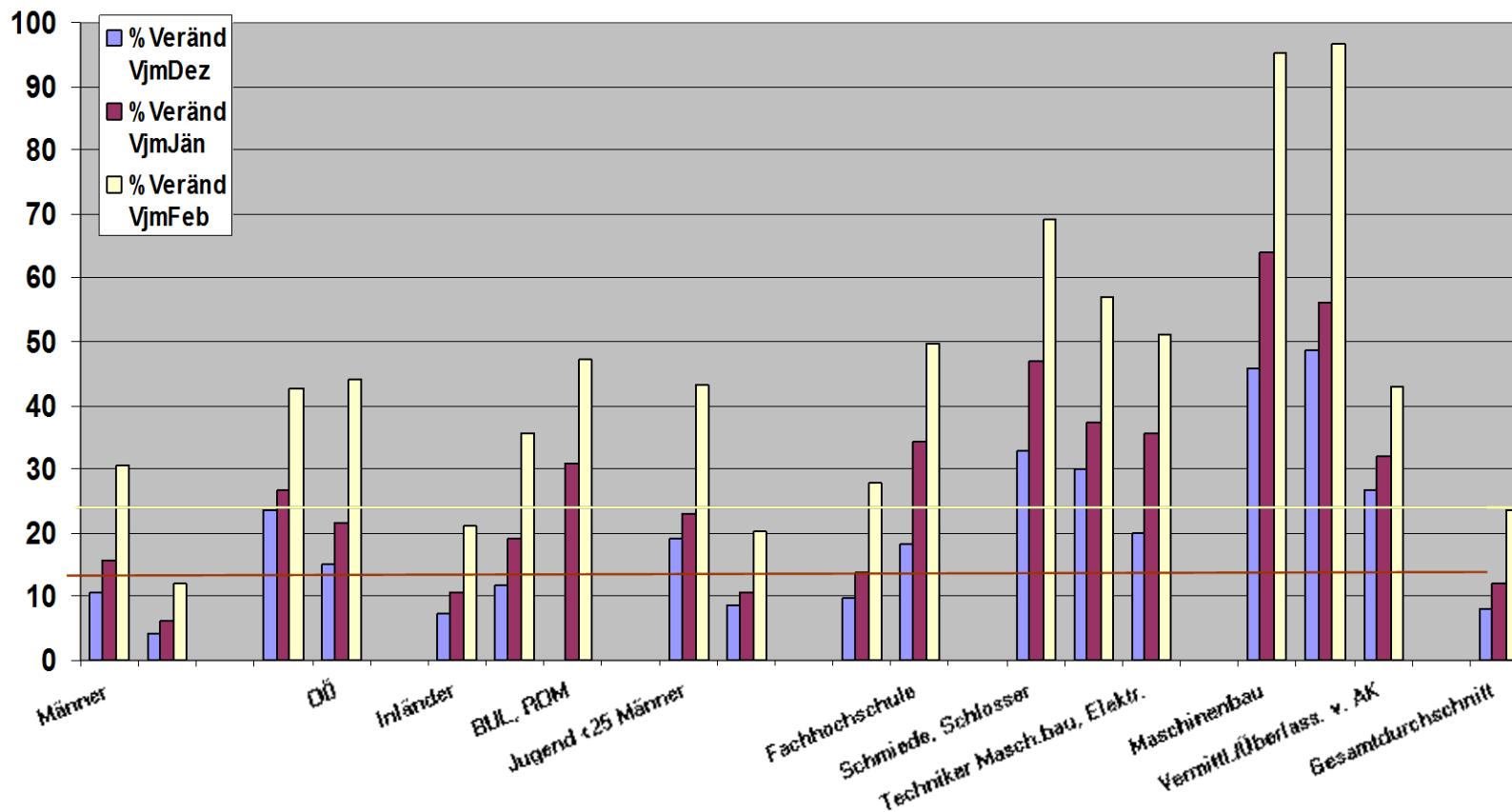
Unemployment and the Cycle in AUT: Compare three downturns!



Source: Wifo. PES

(2) Current Crisis [5]

The Beginning of the Crisis: Who was effected so far?



Source: PES Austria

(2) The Crisis in your Country: Causes of and Remedies against Unemployment [6]

| | The Crisis in your Country | Causes of Unemployment | Remedies against Unemployment |
|-------------------|-----------------------------------|-------------------------------|--------------------------------------|
| Albania | | | |
| Armenia | | | |
| Austria | | | |
| Azerbaijan | | | |
| Belarus | | | |
| BiH | | | |
| Bulgaria | | | |
| Croatia | | | |
| Kosovo | | | |
| Macedonia | | | |
| Moldova | | | |
| Montenegro | | | |
| Romania | | | |
| Serbia | | | |
| Ukraine | | | |

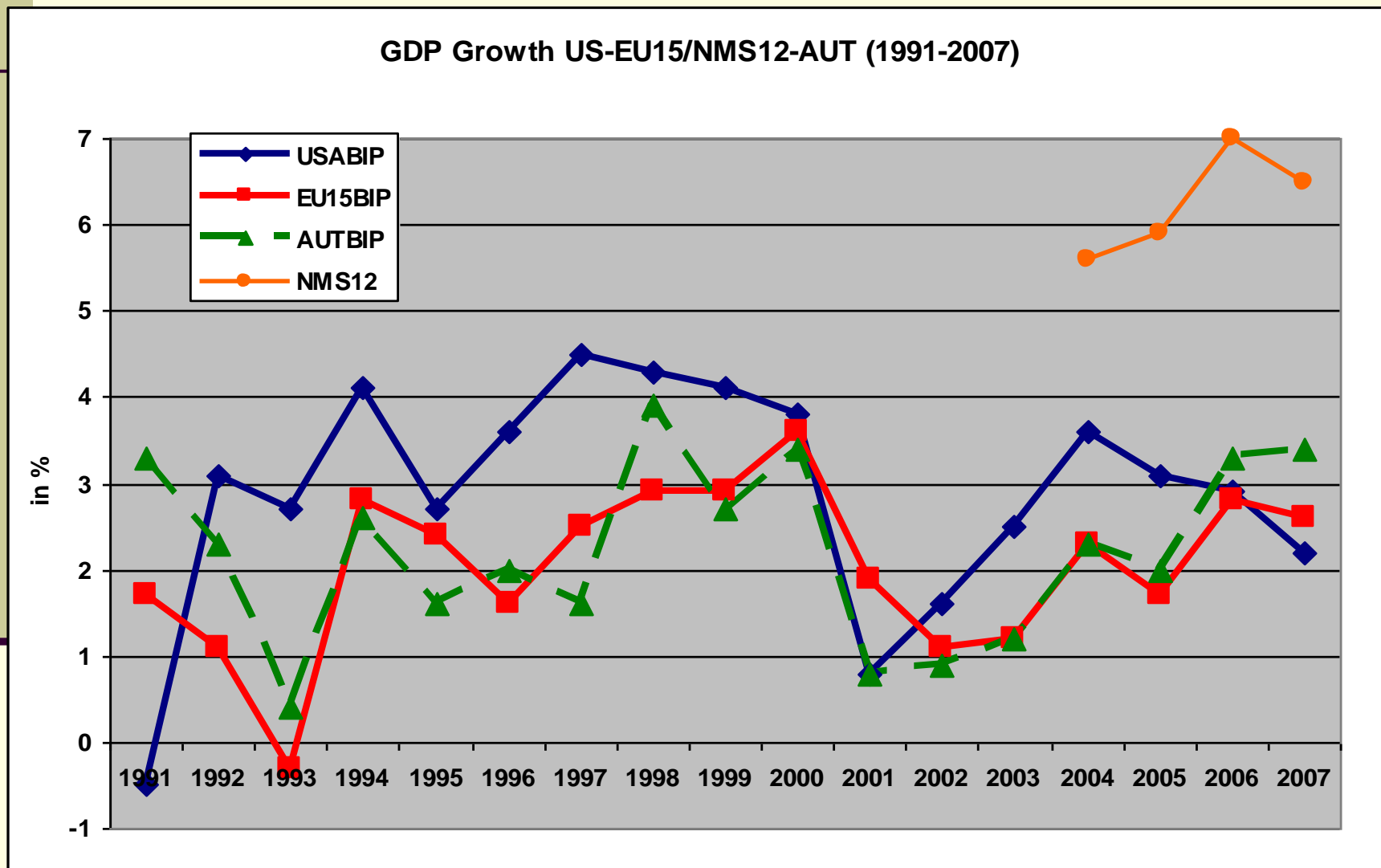
(3) Introductory Remarks/Conclusions

- (1) **European citizens** asked for EU action against unemployment! My conclusions (after 10 years) - **rather sceptical!**
- (2) EES = **Micro-Coordination** (LMP) but **not macro-policies** (monetary, fiscal, wage)!
- (3) EES is **politically „binding“**, not legally!
- (4) EU-MS reluctant to **loose „social policies“** (monetary & (partly) fiscal policies already integrated!) Old (and new?) MS are **tired of integration!**
- (5) **Enlargement** (2004/2007): 12 new countries changed EU dramatically (**disintegration** through more heterogeneity?)!

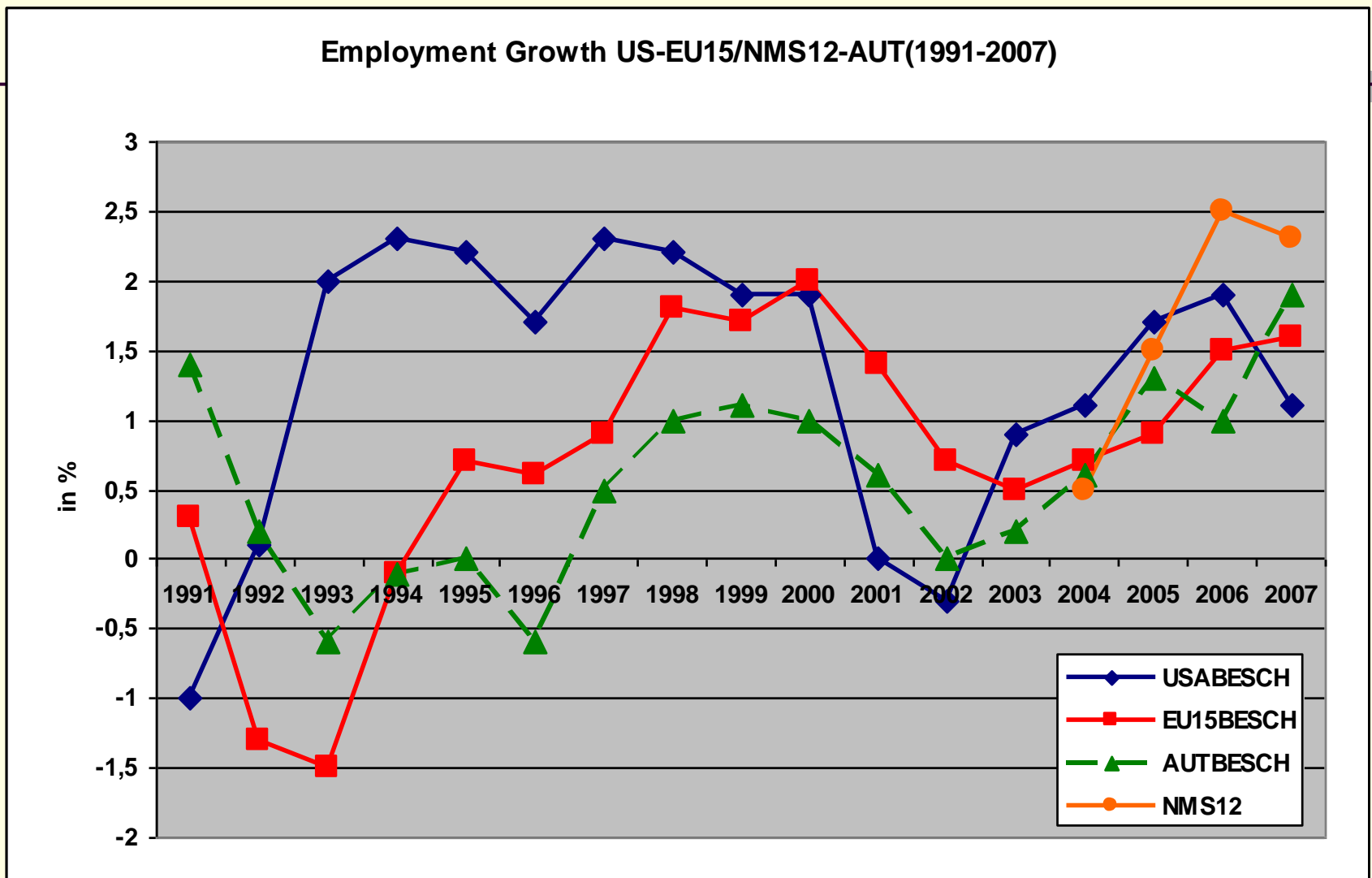
(3a) GDP Growth, Employment, Unemployment 1991-2007 [1]

- **GDP-growth 1991-2007:**
 - Accumulated growth: 49,1%(USA), 34,8%(EU), 37,7%(AUT)
 - In 16 years, US-growth only in three years lower than EU rates
- **Employment growth 1991-2007:**
 - 22% (USA) – 12,4% (EU) – 9,5% (AUT) accumulated growth
 - But: growth more stable in EU in current down turn!
- **Unemployment 1991-2007:**
 - EU-UR increased in last downturn only marginally; AUT-UR constantly the same or below US-levels!

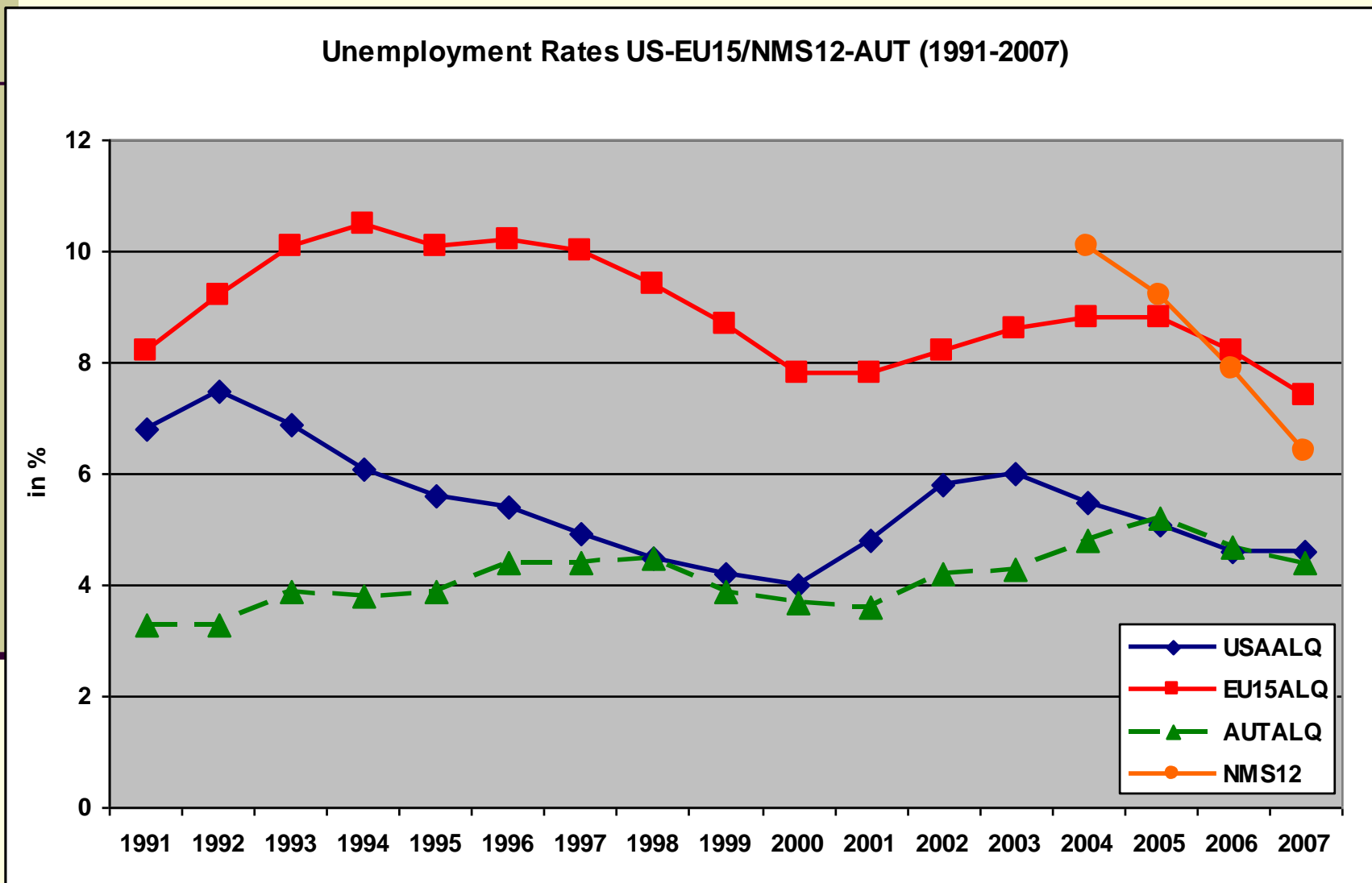
(3a) Growth [2]



(3a) Employment [3]



(3a) Unemployment [4]



(3b) Birth of Luxemburg-Process in November 1997 [1]

- EU economic policies in the 1990s: high UR, Maastricht criteria + Stability pact (inflation, public debts, deficits)
- Fight against unemployment – call for EU-action: EU summit of **Amsterdam** (employment title Art. 125-130 in the treaty, „*Imp-co-ordination*“) and **Luxembourg** (GL+ JER+ Recom.; structural reforms on the labour markets)
- **A new process: EU guidelines** – national implementation – yearly monitoring (Council+Com); new **Method of Open Coordination** (a new form of integration? **MbO**; decentralisrd implementation)

(3b) Birth of Luxembourg: Substance and Procedures in 1997 [2]

- Employment **Guidelines** (many times adapted since!)
 - Area I **Employability** (e.g. LMP, LLL)
 - Area II **Entrepreneurship** (e.g. remove obstacles, reduce non-wage labour costs);
 - Area III **Adaptability** (e.g. modernise work organ., social partner)
 - Area IV **Equal opportunities** (Mainstreaming, Gender Gap, reconcil work and family life)
- **Joint Employment Report** (analysis of implementation)
- Country specific **recommendations** (e.g. AUT–Gender Pay Gap, LLL, increase labour supply, e.g. of older)

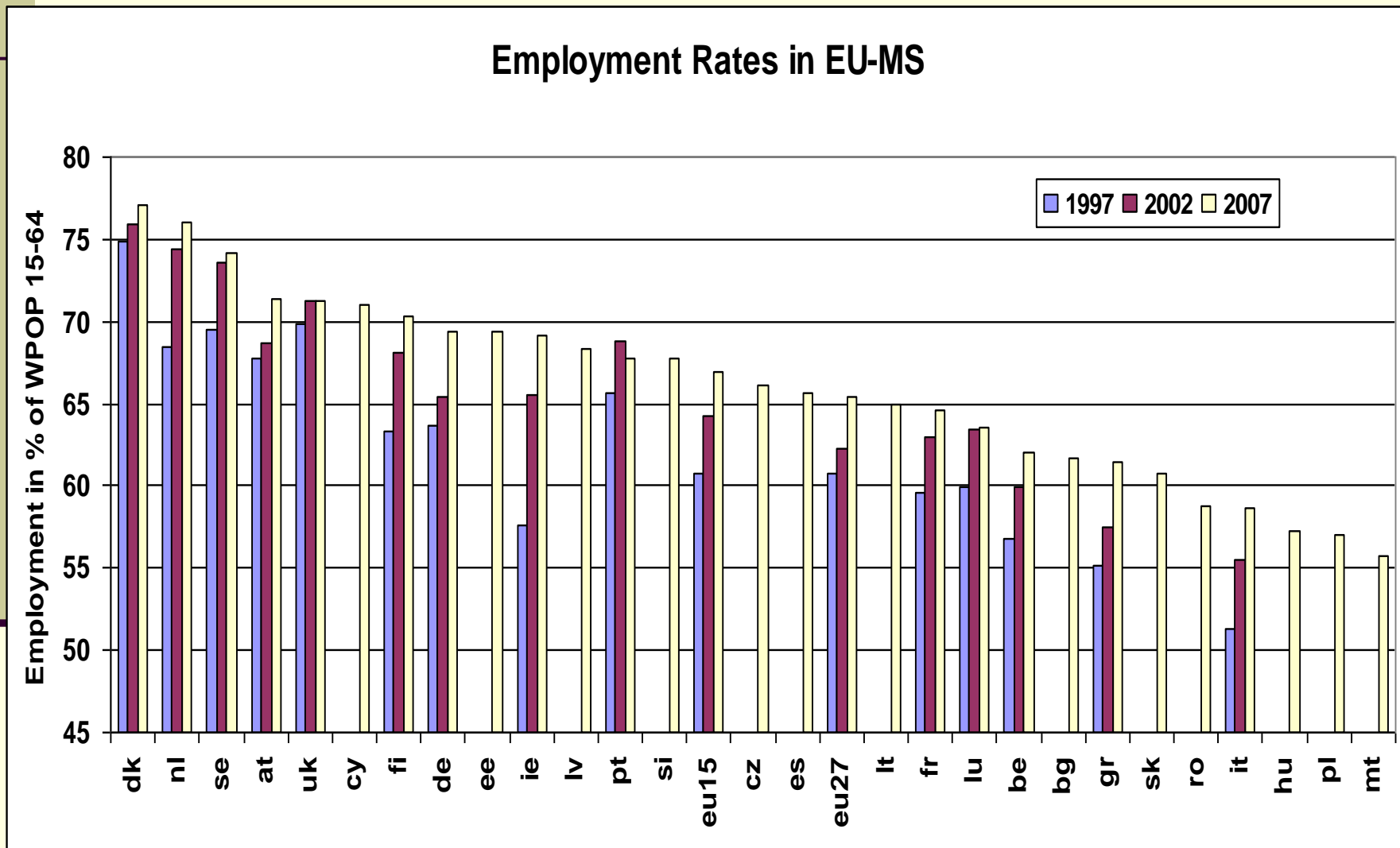
(3c) Impact Evaluation after 5 years 1998-2002 [1]

- ❖ **Some cross-border learning** (peer group pressure, mutual learning; **indicators/targets**; see **Lisbon targets!**)
- ❖ **MS take part in the new process - to some extent:** often, they report what they would have done anyway!
- ❖ **Improvements:** yearly new GL, **indicators** (monitoring), European summits in **Lisbon** (huge reform agenda!) und Stockholm
- ❖ **No active contribution of monetary, fiscal and wage policies** (Macroeconomic Dialogue failed)!
- ❖ Over the years, MS **disliked implementation** more and more (EURO, Enlargement)

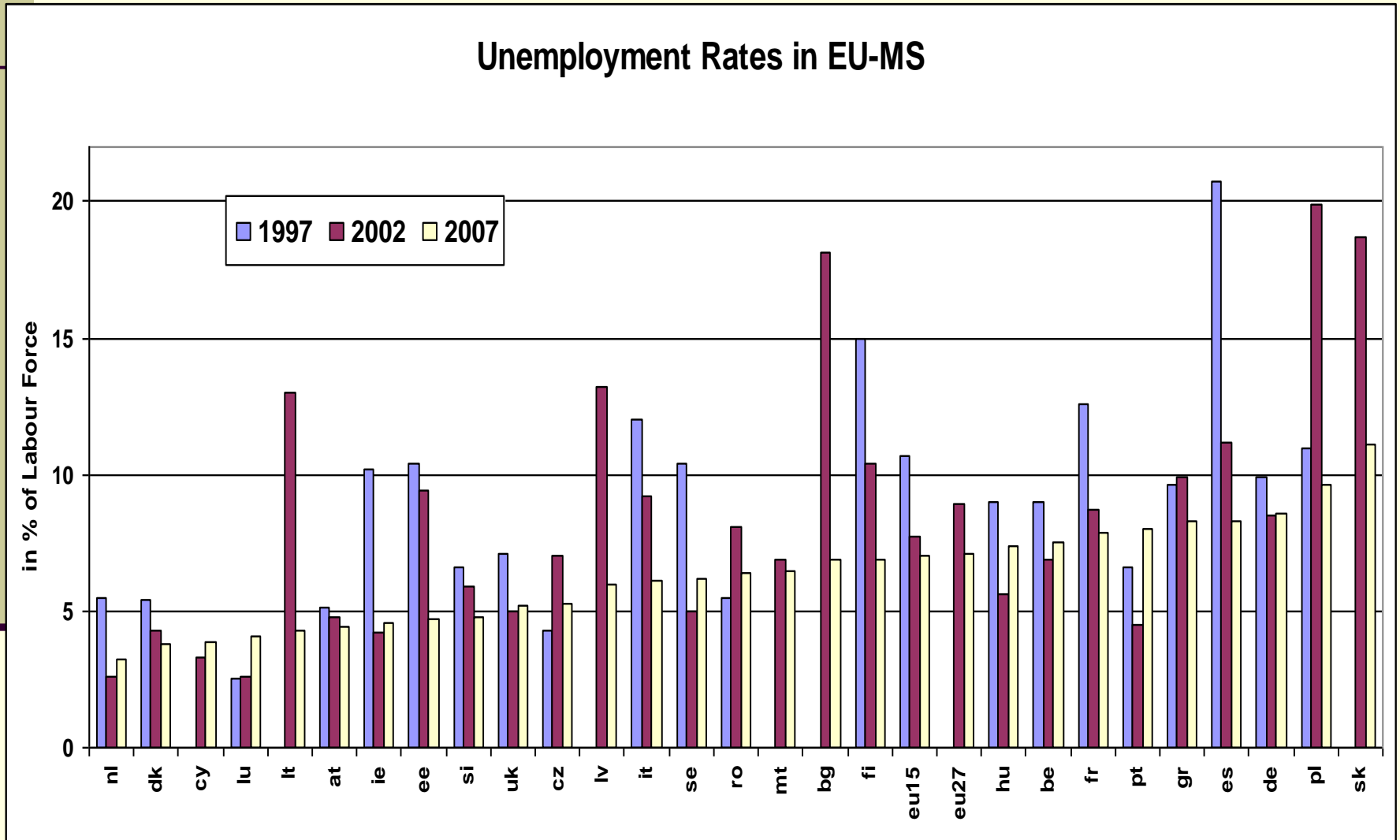
(3c) Impact Evaluation 1998-2002 [2]

- **Structural Unemployment:** has it decreased?
 - See period 1993-1997-2002-2007
 - Measured by: ER, UR, LTU, NAIRU, employment intensity of growth;
- **Implementation** of the EES: NAPs
 - causal links of national policies and NAPs were very weak (e.g. non-compliance rate)

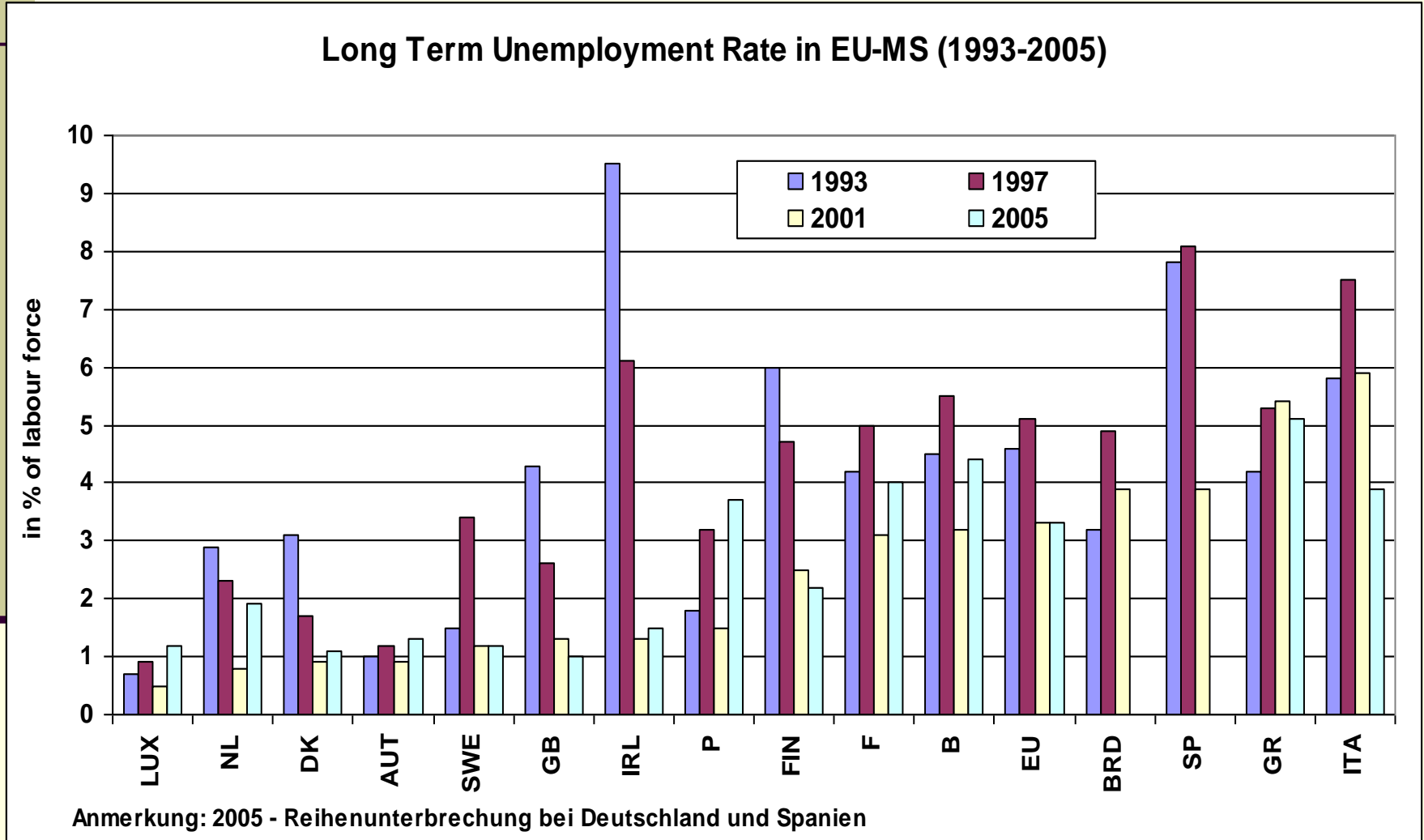
(3c) Employment Rates [3]



(3c) Unemployment Rates [4]

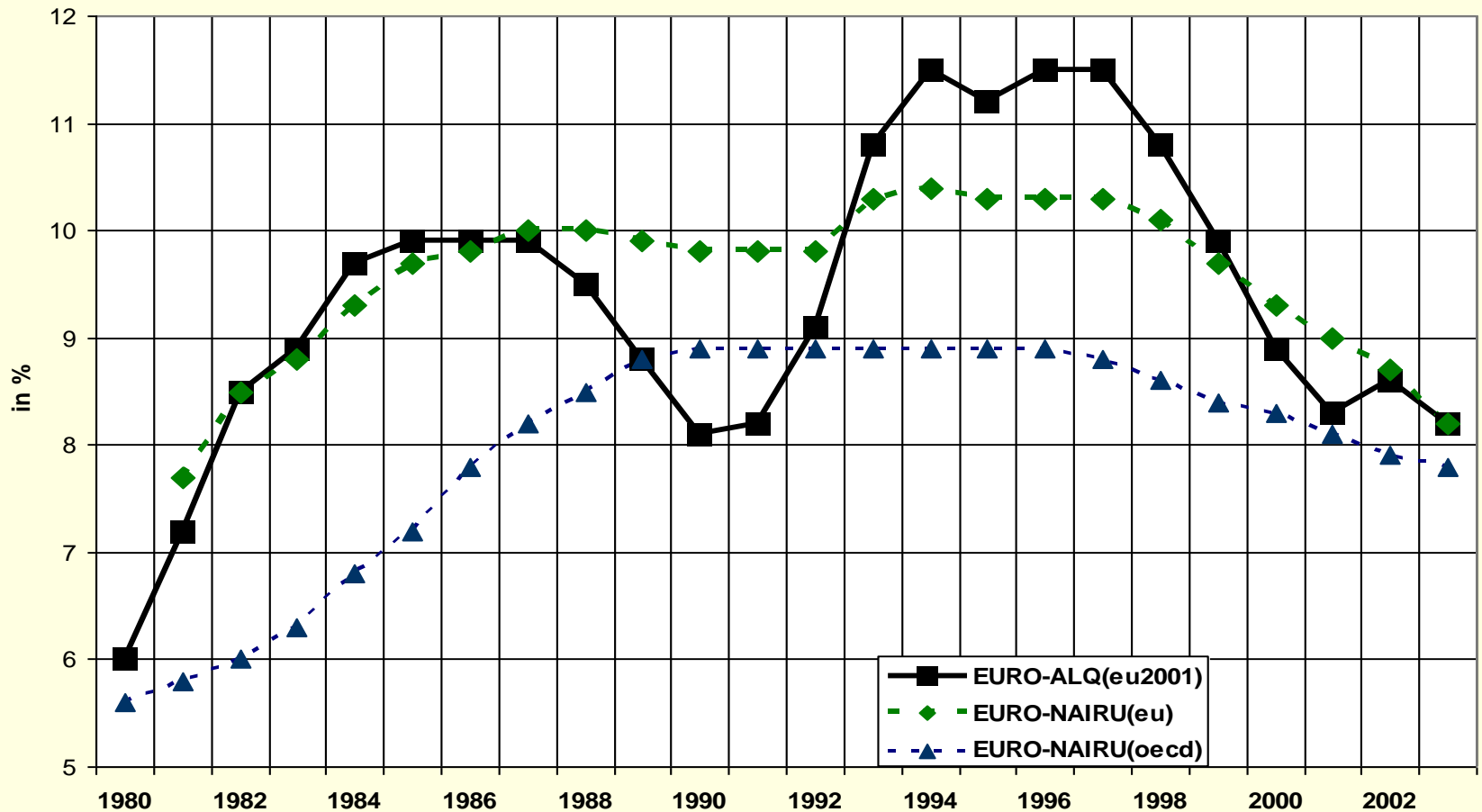


(3c) Long Term Unemployment Rates [5]



(3c) Structural Unemployment [6]

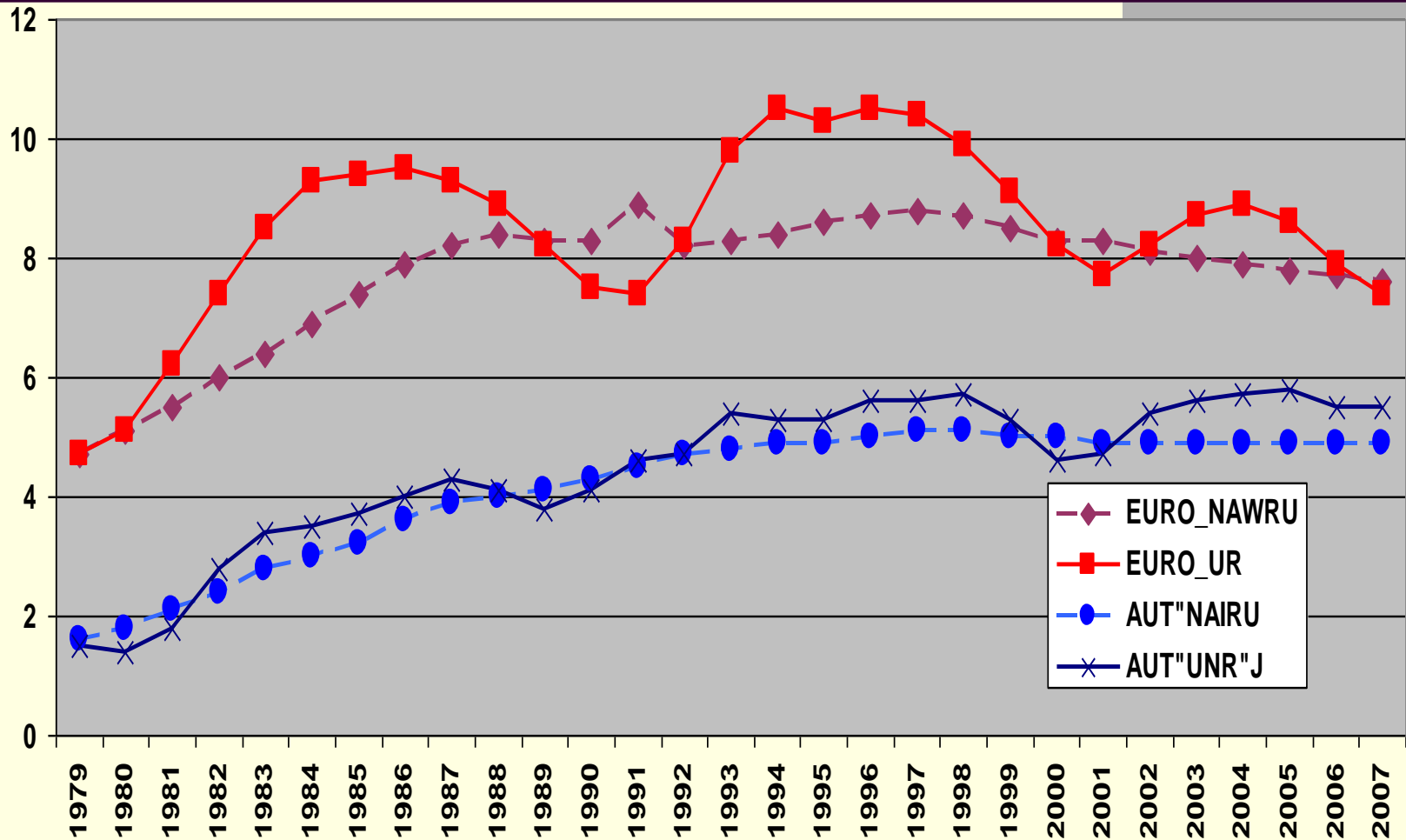
Unemployment Rate and NAIRU in EURO-Area (OECD und EU-KOM)



Quelle: European Economy 2001, OECD/ECO und Denis et. al. (2002)

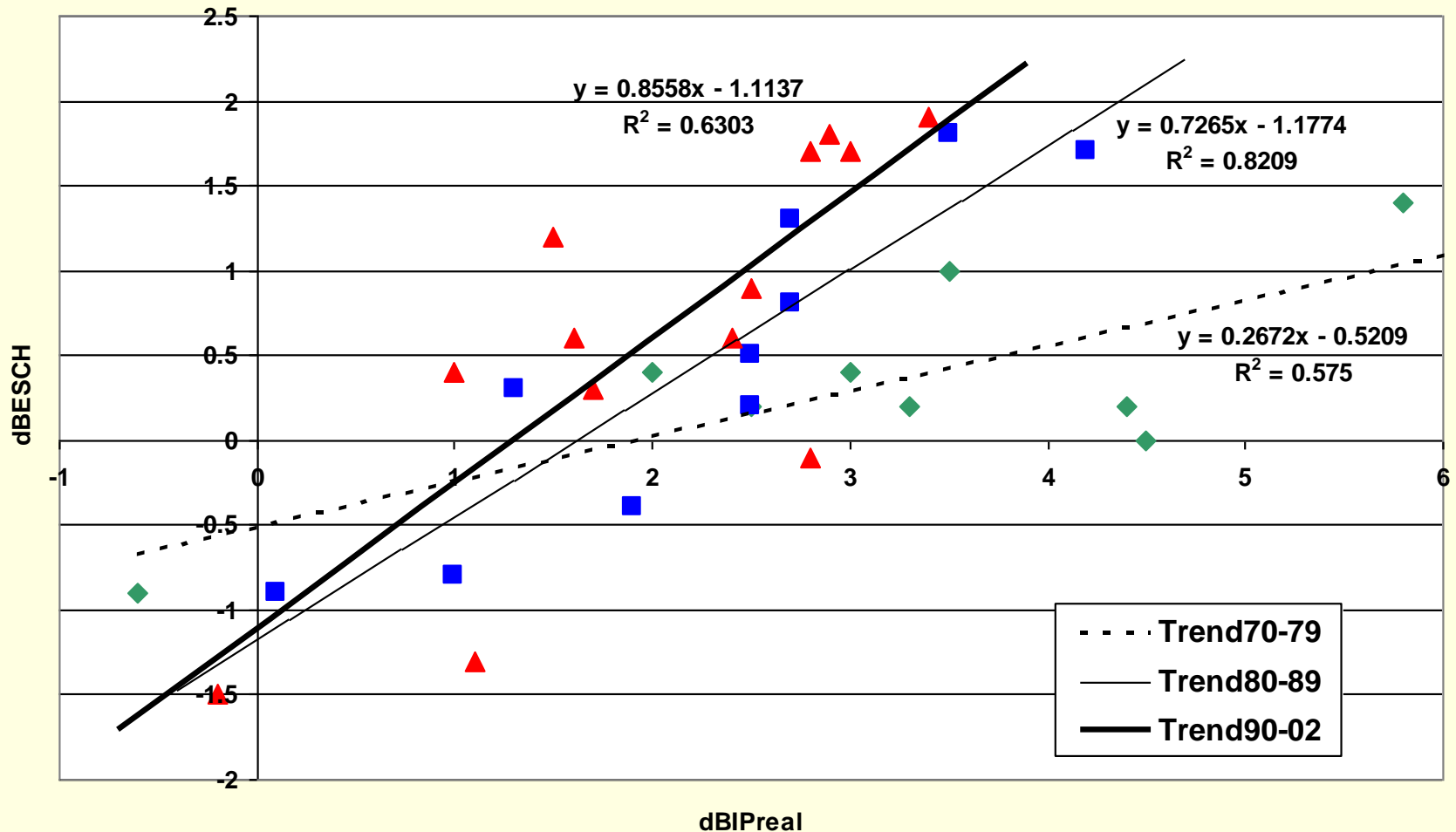
(3c) Structural Unemployment [7]

Unemployment Rate and NAWRU in EURO-Area and AUT, 1979-2007



(3c) Employment Intensity [8]

Employment intensity of growth EU 1970-2002



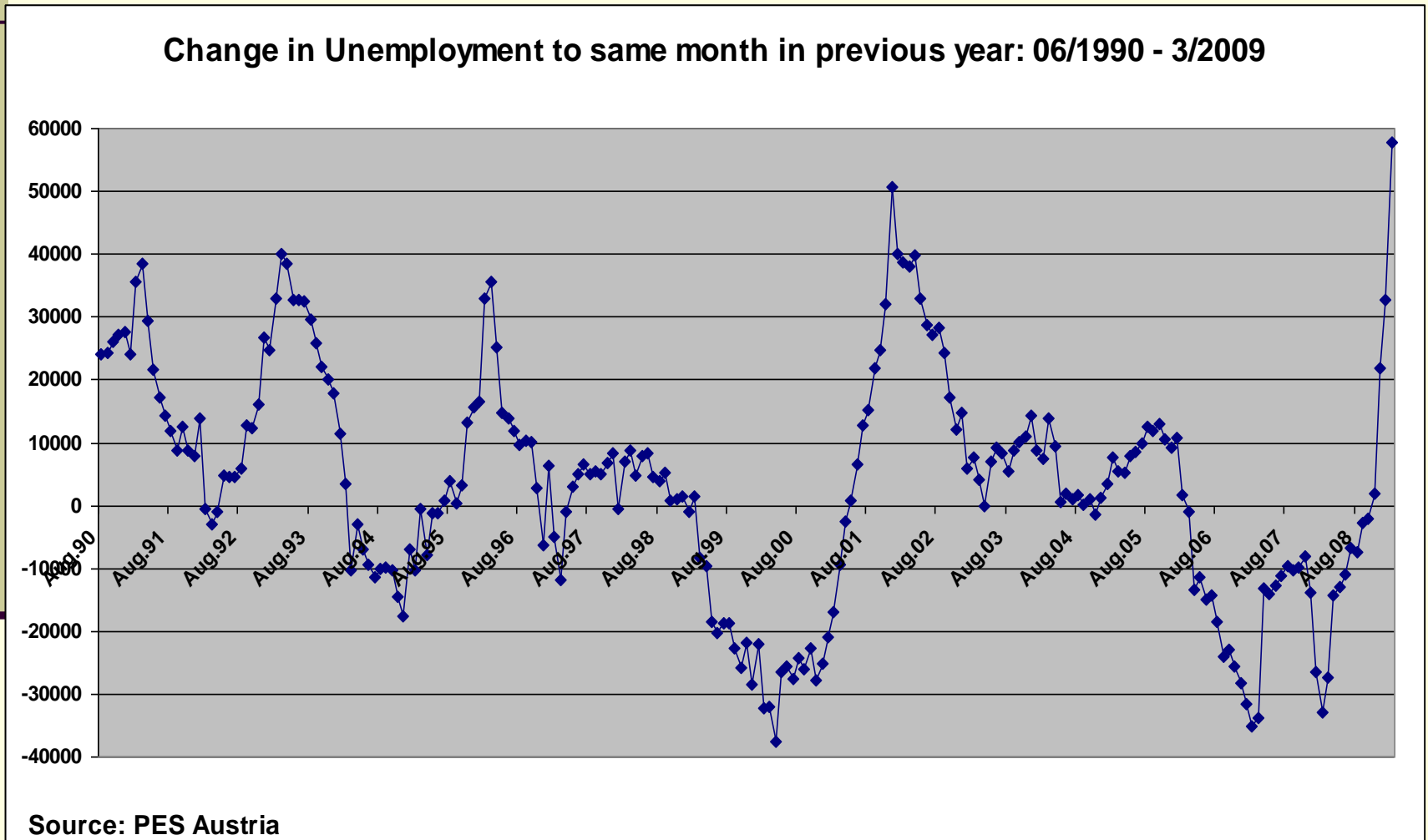
(3c) A new process for EES 2003-2006-2010? [9]

- New guidelines (June 2003)
 - Overarching goals: Full employment, quality in work, social cohesion
 - 10 new guidelines
- New recommendations
- JER
- **This new process lasted until March 2005 only!**

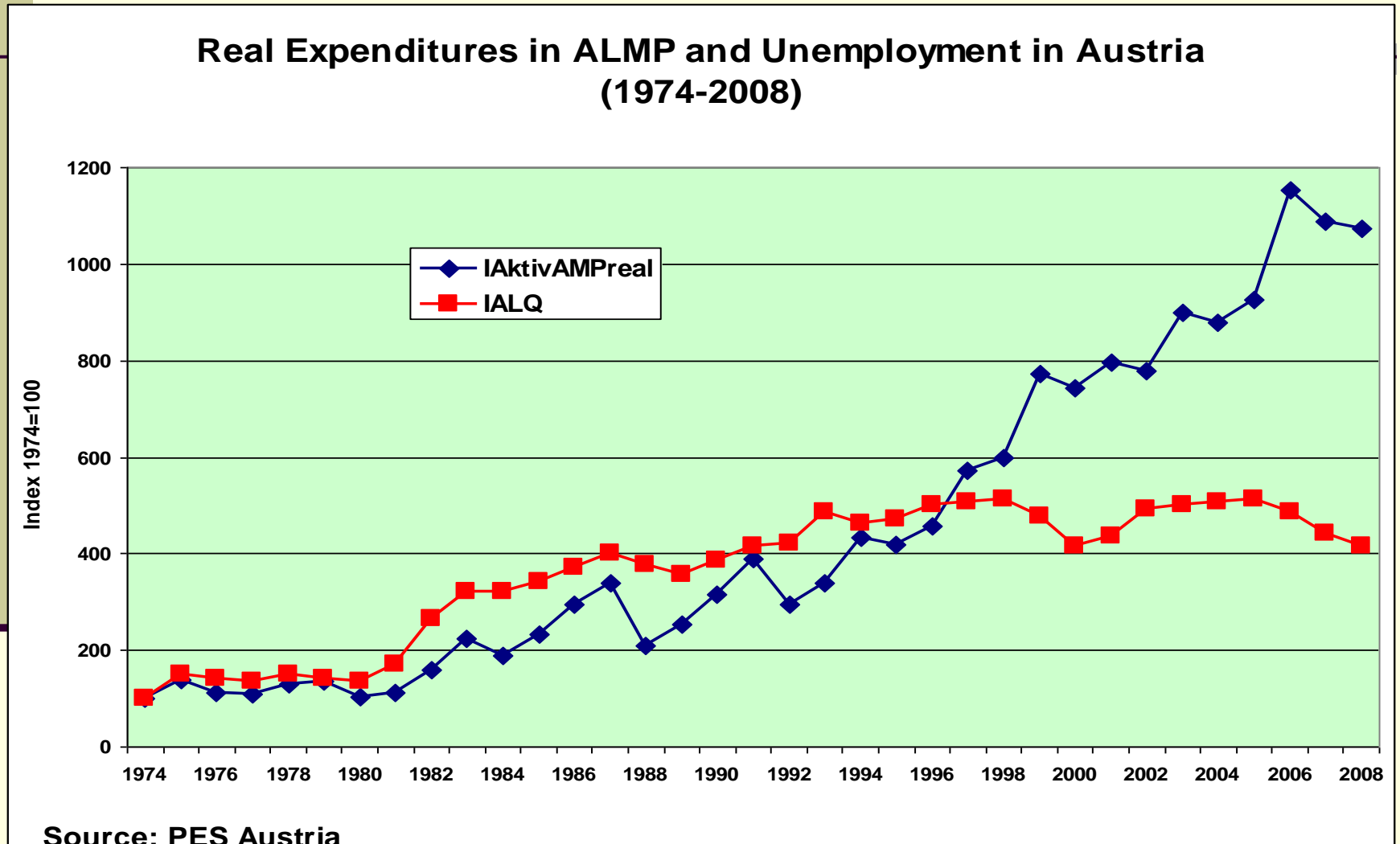
(4) Implementation of EES in AUT: NAPs [1]

- ✓ Since 1998: 7 AUT-NAPs (and 2 NRPs)
- ✓ **Main Priority: LMP (area 1):**
 - ✓ **youth**, older
 - ✓ Increasing **budgets active programs** (from € 587 Mio. 97 to € 1789 Mio. 08; including activated passive measures like part time work for older),
 - ✓ training for employed (ESF)
- ✓ Area II-IV: minor measures only!
- ✓ Causal link to EES: **not really** (policies for youth, older, active LMP)!
- ✓ **Not implemented:** Gender Pay Gap, Work organisation, LLL

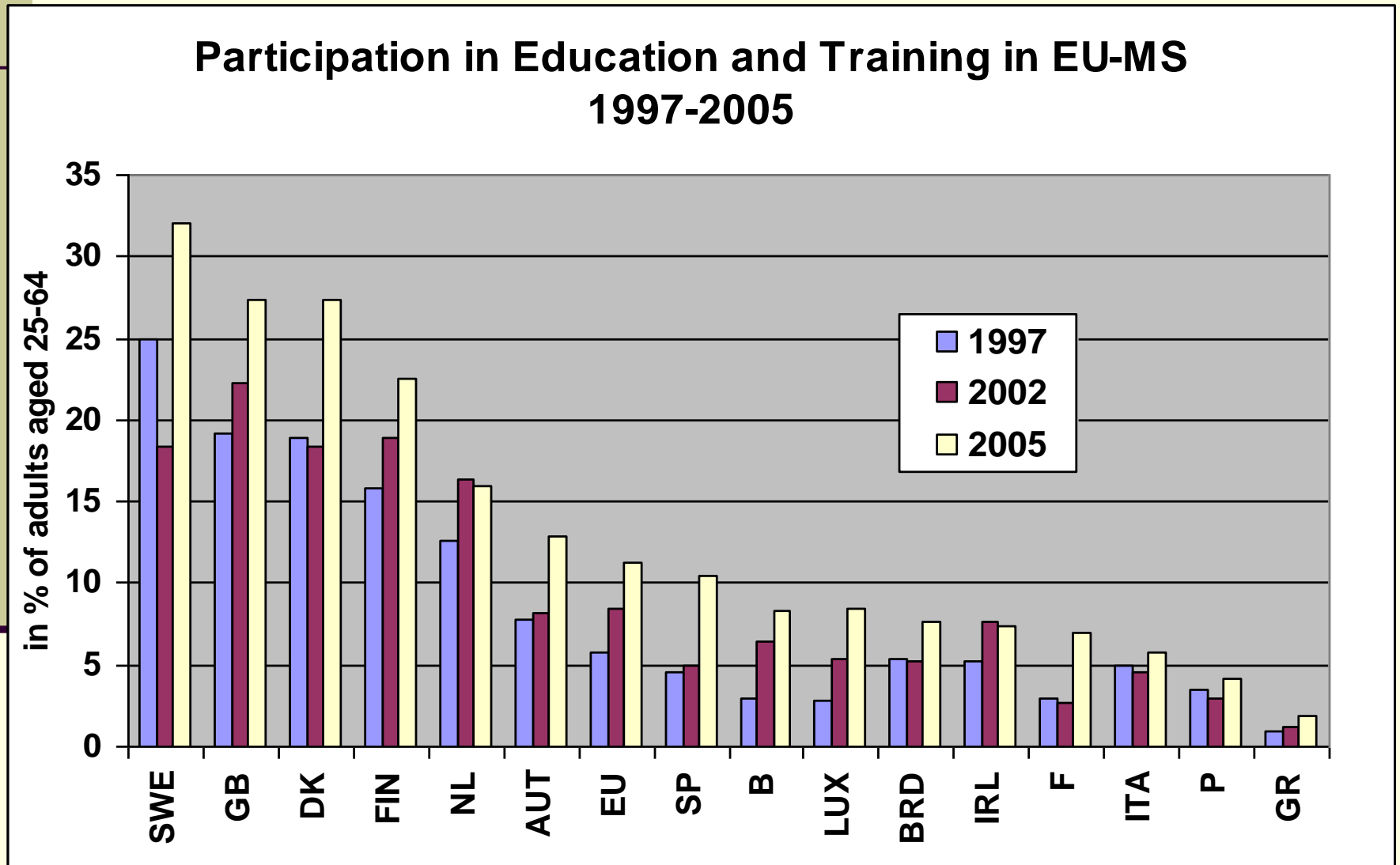
(4) Changes in Unemployment in AUT [2]



(4) Expenditures in ALMP [3]



(4) Life Long Learning [4]



(5) Re-launch of Lisbon-Process in 2005 [1]

- Focus on **Growth** and **Employment** (not social inclusion & environment)
- Integrated GLs: macro, micro and employment (BEPG and EG); **very vague text!**
- Less indicators/Benchmarks – less binding commitments! (implementation? monitoring? KokII-report?)
- More responsibility for Member States?!
- Lisbon community program
- **First resumee** of NRP: many announcements!

(5) Re-launch of Lisbon-Process in 2005 [2]

Integrated Guidelines for Growth&Employment (2005-2008-2010)

- **Macro+Micro:** Stability, Sustainability, Efficiency, Wage policies, EMU, R&D, Innovation, ICT, Industries, environment, Internal market, open markets, entrepreneurship, SME, infrastructure;
- **Employment**
 - (17) full employment, quality of work, social cohesion
 - (18) improve labour supply
 - (19) inclusive labour markets
 - (20) improve matching in LM
 - (21) flexicurity
 - (22) labour costs
 - (23) human capital
 - (24) education and training

(5) Post Lisbon 2010 Debate [3]

- What strategy for 2010 and after? Globalisation! More focused strategy? Including Social Policy and Environmental Issues?
- Evaluation of current strategy (2000-2009): Success or Failure or both (Mutual Learning, Common understanding of economic problems; buerocratic exercise, no help in current crisis)
- One Strategy for a more diverse Union?
- Implementation Gap!

(6) Overall conclusions



- **EU contributed to improve labour markets - only marginally!**
- Some **convergence understanding** LM & LMPs (peer group pressure, mutual learning, etc; activation, flexicurity, etc)
- **Indicators/targets** work to some extent!



- No support through ECB (monetary) and ECOFIN (fiscal)
- Structural policies, i. e. Luxembourg Process are of minor importance for labour markets!
- **MS didn't implement** what was agreed at EU-level in many cases
- AUT implemented some reforms (youth, older, activation in LMP) in line with EES
- ***EES is death (since 2005) and nobody cares about!***
- Relaunch of Lisbon: old wine in new bottles?!



Thanks!