

The European Political-economy Infrastructure Consortium-EPIC

Proposal

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“The European Employment Strategy: Setting the Agenda for the Future”

The aim of my research is twofold:

Firstly, I analyse the effects of the new Employment Chapter, which was introduced into the EC Treaty by the Treaty of Amsterdam, in order to assess whether it does constitute a new departure in ‘thinking & action’ within the Community.

Secondly, I attempt to shed new light on the challenges that policy-makers and lawyers are confronted with in the field of Social Policy, which as Szyszczak argues, has undergone a quiet revolution. The new institutions and actors, the new decision-making processes and the new dynamics in social policy thinking pose a number of different challenges to the traditional understanding of the legal and constitutional processes and structures of the European Union. The issue at stake is to see whether the instruments of soft law, with no legal sanction, can effectively lead to a sea change in the implementation of employment policies within the Member States.

The thesis provides an inter-disciplinary law, political and economics perspective with the adoption of a diachronic approach study, based on EC documents, national legislation and the so-called ‘National Action Plans for Employment.’

The Single Market and the programme for Economic and Monetary Union (EMU) have created a *European economic area*. The spill-over effects that EMU has on the other EC policies and in particular on EC Labour Market and Employment policies entail focusing attention and debate on the issue of creating the basis for a *European social union*, providing for the safeguard of fundamental social rights, minimum standards and a fully fledged European collective bargaining system. In other words, an ‘economic government’ *versus* ‘monetary government.’

In my Introduction I attempt to describe and explain the new institutional dynamics involved in the constitutionalisation of EC law and the multilevel of governance within each Member State and within the European Union system in the framework of globalisation, which has enhanced in a somewhat contradictory way a ‘bottom-to-top process,’ increasing the role of the local actors in the Member States and calling for a trans-national/multi-tiered policy design. Moreover, EC Social Policy and Labour Law, both from the perspective of primary and secondary law, as well as in the European Court of Justice case law, has developed in the framework of what has been defined as *differentiated integration*, i.e. a unification characterised by a strong differentiation between European countries. These important aspects constitute the matrix of my entire thesis and are continuously addressed throughout the analysis of the ‘European Employment Strategy.’

Part I regards the way EU Employment and Labour Market Policies are implemented in the *euro-area*, as a consequence of the EMU project.

In this section I analyse the various general policy mix theories potentially applicable to the *euro-area*. Furthermore, I also analyse whether the *euro-zone* can be considered as being an *optimal currency area*, i.e. an area in which the response to a shock, be it political or economic, external or internal, or even both, can be pursued either through the change in the value of its currency against other currencies or through capital or labour mobility. This analysis is pivotal to the understanding of the creation of the 'European Employment Strategy.' The implementation of the EMU in fact represents a significant expansion of central powers within the *euro-zone*: not only have participating countries handed over their monetary policy to the European Central Bank, but the convergence criteria listed in Article 121 EC, which have to be met in order to join EMU also brings constraints on the conduct of fiscal policy, which remains with the Member States. A case at point is the pressure being applied to Ireland to modify its expansionist budget.

Part II represents the core part of my research and it is dedicated to the evolution of the 'European Employment Strategy' since the Luxembourg Summit, with a previous explanatory overview of the evolution of EC Social Policy and Employment Policies. The Treaty of Amsterdam marks a significant turning point in the development of EU Labour Law and Social Policy, by introducing a new Title to the Treaty, Title VIII, on Employment, and by amending former Title VIII, now Title XI, on Social Policy, Education, Vocational Training & Youth, generalising the procedures and rules concerning the implementation of the Social Dialogue at the European level, i.e. European Collective Bargaining System. Hence it provides a legal base on which EU Labour Law and Social Policy can be built. Following the 1997 Special Jobs Summit in Luxembourg, which fast-tracked the implementation of the new Employment Chapter of the Amsterdam Treaty, the first Employment Policy Guidelines for 1998 on 15 December 1997 were adopted with the creation of a common structure for National Action Plans.

The Employment Policy Guidelines contain four pillars:

1. Improving employability;
2. Developing entrepreneurship;
3. Encouraging adaptability in businesses and their employees;
4. Strengthening the policies for equal opportunities.

The 'European Employment Strategy' thus is also known as the 'Luxembourg process.'

My research is based on the combination of a comparative and modelling method applied to three groups of Member States:

- a) Roman-Germanic system;
- b) Nordic system;
- c) Anglo-Irish system.

Member States need to maintain stability-oriented macro-economic policies in order to foster economic growth and employment creation in the whole of the European

Union. This also entails linking macro-economic decisions to micro-economic policies since the generalisation of macroeconomic theories may not take into due account the micro-economic effects at the national, regional and local level.

Monetary Union adds to the urgency of implementing structural policy measures, a comprehensive reform of labour markets' strategies with a clear definition of the role of the Social Partners, no mention of which is made in new Title VIII, contrary not only to the provisions of Title XI but also to EC documents and to recent practice. Related to that are other issues such as that of their representativity, private autonomy and its results in contractual autonomy, justiciability and lastly, of the effectiveness of the agreements stipulated by the Social Partners, also due to the diversity of the national systems of industrial relations.

Against the background of widely divergent economic and social conditions between Member States and within Member States the objectives of both the Employment and Broad Economic Guidelines need to be pursued in tandem in accordance with Article 126(1) EC and beyond rhetoric and reform packages implemented through the 'European Employment Strategy' be country-specific taking also into account the regional and intra-regional dimension, in order for Member States to react to so-called 'idiosyncratic' shocks.

Institutions such as welfare and unemployment benefits systems, minimum wages and even working hours regulations, in most countries have been defined at the national level and are usually uniform within a given country. *Ad hoc* policies with different institutions for the variety of tasks to be implemented enhance more effective interregional competition and may facilitate adaptation to the new production processes and eliminate "bureaucratic sclerosis" typical of peripheral regions such as the "Mezzogiorno" in the South of Italy and east Germany.