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"An In-Depth Analysis of the Relationship Between Policy Making Processes, Forms of Governance and the Impact of selected Labour Market Innovations in twelve European Labour Market Settings"

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ABSTRACT

Following a comparative analysis of these processes and outcomes the paper offers the hypothesis that distinct forms and processes of policy-making, and multi-level governance particularly with regard to the continuing involvement of different levels of government and collaboration with key stakeholders (employers, trade unions and representatives of vulnerable groups) are associated with distinct impacts in terms of the resilience and inclusion of vulnerable groups within national and local labour markets settings. Critically, whilst distinct policy pathways may be characterised by institutional diversity, political culture or traditional policy styles and organisational structures; the central objectives underlying distinct policy pathways is also significant. For example whilst some policy pathways are found to be based largely upon the promotion of resilient and inclusive labour markets some policy pathways are forged entirely or largely within policy architectures and processes defined by largely by fiscal constraints and the broader aim to reduce public expenditure in the short and medium term. More specifically, such pathways may not seek or gain the support of stakeholders and publics through social dialogue, partnership and consensus therefore these pathways may be defined as requiring exclusive rather than inclusive decision making processes. In this paper we offer an analysis of the relationship between differentiated forms and processes of policy making as distinct policy pathways on the labour market resilience and inclusion of vulnerable groups in twelve national settings including Italy, The Netherlands, Spain, Greece, Hungary, Germany, Switzerland, Scotland, The UK, Belgium, Sweden and Slovenia.

Keywords: policy-making, policy style, policy innnovation, governance, inclusiveness, exclusion, resilience,

INTRODUCTION

A growing emphasis on the development of innovative labour market policies has been evidenced across many European member states since the year 2000 and most particularly since the Financial Crises of 2007-2008 (Ester, Schippers, and Mouffels, 2008; Ellison and Van-Berkel, 2014). Drawing upon research findings from the INSPIRES (EUFP7) Project this paper offers an in-depth analysis of the impact of selected innovations on the labour market resilience and inclusion of young people, migrant workers, disabled people and older workers in twelve national settings. The analysis focusses upon the relationship between processes of policy making and the impact of innovations in terms of resilience and inclusion of vulnerable groups within distinct European labour makets. Here, distinct policy pathways are identified as centralised, decentralised; vertical (top-down) or negotiated.

Following a comparative analysis of these processes and outcomes the paper offers the hypothesis that distinct forms and processes of policy-making, and multi-level governance particularly with regard to the continuing involvement of different levels of government and collaboration with key stakeholders (employers, trade unions and representatives of vulnerable groups) are associated with distinct impacts in terms of the resilience and inclusion of vulnerable groups within national and local labour markets settings. Critically, whilst distinct policy pathways may be characterised by institutional diversity, political culture or traditional policy styles and organisational structures; the central objectives underlying distinct policy pathways is also significant. For example whilst some policy pathways are found to be based largely upon the promotion of resilient and inclusive labour markets some policy pathways are forged entirely or largely within policy architectures and processes defined by largely by fiscal constraints and the broader aim to reduce public expenditure in the short and medium term. More specifically, such pathways may not seek or gain the support of stakeholders and publics through social dialogue, partnership and consensus therefore these pathways may be defined as requiring exclusive rather than inclusive decision making processes. In this paper we offer an analysis of the relationship between differentiated forms and processes of policy making as distinct policy pathways on the labour market resilience and inclusion of vulnerable groups in twelve national settings including Italy, The Netherlands, Spain, Greece, Hungary, Germany, Switzerland, Scotland, The UK, Belgium, Sweden and Slovenia. The paper draws upon the in-depth analysis of empirical evidence within the INSPIRES project revealing the impact of national specificities upon labour market resilience, inclusion policy making and policy learning. These innovations and policies are forged within distinct political, economic, socio-economic, cultural, organisational and governance contexts and parameters at European, national and sub-national level. The design, implementation and evaluation of innovations and broader policy measures are thus subject to distinct financial, institutional, administrative and political configurations.

Conceptualising Labour Market Resilience and Inclusiveness.

This paper adopts a conceptualization of labour market inclusiveness and .resilience as being 'the inclusive capacity of the system to resist, withstand or quickly recover from negative exogenous shocks and disturbances and to renew, adjust or re-orientate in order to benefit from these shocks' (D1.1, Benchmark Report on Labour Market Resilience p.7) The analysis of the empirical data gathered by the INSPIRES project reveal social and employment policy innovations as being forged by dynamic processes of construction, deconstruction and re-construction within distinct economic, socio-economic, cultural and political settings. More broadly, the impact of transnational economic factors, forms of governance and policy learning upon policy innovations is also evidenced. Finally, empirical data gathered by the project has informed our understanding of how the Financial Recession of 2008 has impacted upon distinct socio-economic conditions and policies, labour markets, and social and employment policies and innovations. Significantly, the analysis of this empirical data has revealed the significance of policy learning upon broader policy rationales and processes. Crucially the economic, social and political specificities of national contexts mean that these insights and subsequent policy recommendations need to be tailored to sub-national and national contexts as The INSPIRES Benchmark Report (D1.3) concludes:

Box 1

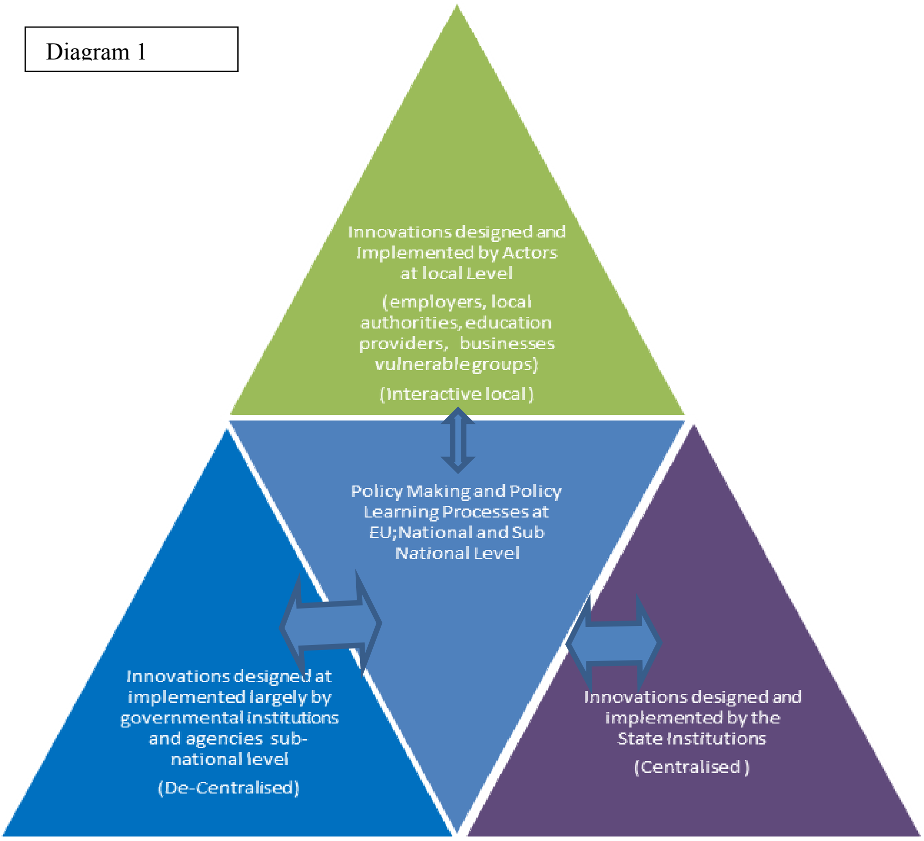
The results of the analysis suggest that the factors contributing to labour market resilience multiply, change with time, and vary across different vulnerable groups. In other words we can conclude that a different combination of factors contributes to labour market resilience depending on the time and specific vulnerable groups. **(Bigos, M., Qaran, W., Fenger, M., Koster, F., & Veen, R. van der: INSPIRES Benchmark Report, D1.3)**

Within this framework this paper focuses upon policy making processes at European, national and sub-national level which contribute to or constrain the design, implementation, development and sustainability of innovations which aim to promote the resilience and inclusion of labour markets for vulnerable groups in INSPIRES countries.

2.2 Theoretical Framework

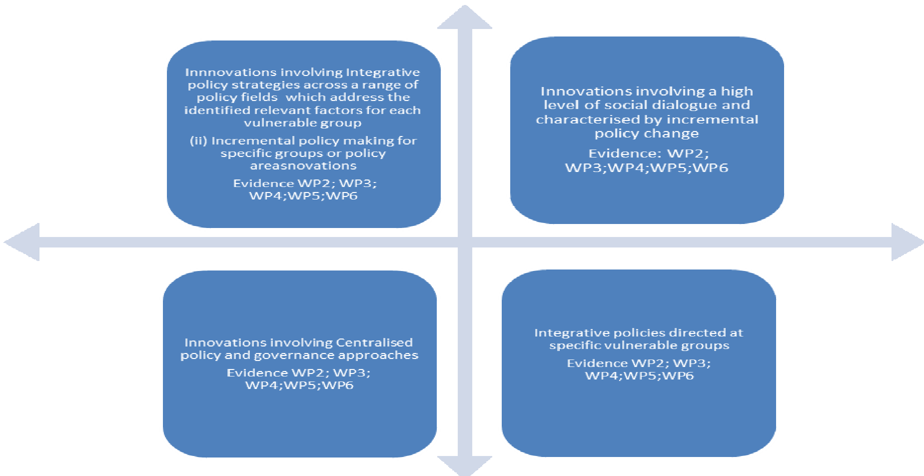
The theoretical framework adopted by this paper recognizes the complexity of organizational and multi-level governing activities, policies and processes that aim to facilitate integrative innovation measures across a range of institutions and settings at European national and regional level. A number of recent studies have revealed that the capacity of governments to implement public policies effectively involves a complex interaction of agency, setting and power. (Pierre and Peters, 2000; Ladeur, 2004). In particular there is substantive evidence that the Global Economic Crises of 2008 has accelerated the re-positioning of a number of European nation states as 'enabling authorities' within new welfare arrangements. However, the dynamic interdependencies between actors within the innovation process may be recognized as being equally influential in determining the path of innovation within a specific policy area. The degree to which these dynamic interdependencies between sectors, institutions and actors within and between economies and societies are enabled, promoted and sustained may in-itself be regarded as a pre-requisite of a policy change regime which is capable of adapting to and even influencing European and global economic cycles. Here labour market resilience becomes pro-active rather than re-active. It is argued that the inclusion of dynamic interdependencies (innovation triangle) as a central concept overcomes limitations of previous theoretical approaches in this field. For example in her work on varieties of liberalization and the new politics of social solidarity Katherine Thelen (2014) offers a valuable and robust theoretical basis for understanding broader processes of institutional change in three key spheres, industrial relations, vocational education and training and the labour market. Distinct pathways of liberalization and deregulation (declining solidarity and co-ordination) dualisation (a decline in solidarity but not coordination and embedded flexibilisation (a decline in coordination but not solidarity). This analysis argues that there has been a fundamental liberalization in industrial relations with compensatory investment in vocational education and training within national contexts in Europe. However as Howell, 2015 has noted this framework does not take account of the influence of forms of multi-level governance across sub-national, national and European level. Further understanding of the relationship between trends in the implementation of activation or flexibilisation policies in line with the European Employment Strategy and programmes funded by EU Structural Funds such as the regulation of temporary agency work, the regulation of the posting of workers, the adaptation of wage systems according to EU law requires an in-depth analysis of policy learning processes between sub-national, national and EU level institutions, agencies and stakeholders. This paper argues that the dynamic processes of Policy Making and Policy Learning Processes at EU, National and Sub-National –Level are central to understanding the way in which policies contribute to labour market resilience and inclusion in distinct national settings.

Diagram 1



Adapted from INSPIRES Project Proposal, 2012

Diagram 2: Matrix for Classifying Policy Pathways: Negotiated/Non-Negotiated Centralised and Decentralised



2.0 Methodological and Analytical Approach

Classification Scheme for Summarizing Information Relating to the Impact of Policy Innovations on Vulnerable Groups within the Labour Market.

A classification scheme for summarizing information relating to the impact of policy innovations on vulnerable groups within the labour market in INSPIRES country was constructed. The five indicators were identified as a result of the initial analysis of the impact of innovations upon labour market resilience and inclusion and from the emphasis of policy making processes and levels of social dialogue and engagement in (Consodine, 2008 and 2003). This also mitigates a central limitation of this synthetic analysis relating to the specificities of socio-economic and institutional variables. Here we can align assessments of outcomes and understandings of practice orientated implementation measures with processes of policy making and social dialogue in the design implementation, and delivery of innovations. Indicators such as negotiated, non-negotiated, targeted and universal were utilized in this analysis to gain some further understanding of the relationship between policy regimes innovations and outcomes for vulnerable groups. To ensure methodological coherence the classification scheme is aligned to conceptual framework of analysis used in INSPIRES benchmark report on labour market resilience (D1.3) and the Synthesis Report for Work Package Three (D3.2): Thus the scheme focusses upon labour market participation, labour market resilience and poverty and social exclusion. The assessment of 'Alleged Results of Innovations' focusses upon both quantitative and qualitative indicators of labour market resilience and inclusion. More specifically in alignment with the INSPIRES Benchmark Report and The Synthesis Report for Work Package Three (D3.2) these indicators include; labour market participation, poverty and social exclusion, and labour market integration. This assessment is made problematic by the high level of reliance on existing data available relating to the impact of distinct policy innovations. A fuller assessment of the impact of specific innovations would require a more comprehensive longitudinal study. Moreover the socioeconomic and political specificities of national contexts places limitations on the comparative analysis of the outcomes of innovations across national settings. Finally, the complexity of specific contexts within which innovations are set render any robust assessment of their impact in isolation problematic. Here it may be argued that contexts and factors including post-industrialism, demographic changes, fiscal crises, socio-economic contexts, multi-level and sectoral institutional structures and social, welfare, fiscal and expenditure policies need to be fully taken into account when analysing the impact of specific policies and innovations upon labour market resilience and inclusion. Whilst recognising these limitations we can overcome these challenges to a degree by (i) regarding existing information as an indicator rather than as a test of the resilient effects of specific policies and (ii) using broader dynamics of forms of governance and policy making as benchmarks for understanding the effectiveness and impacts of specific innovations. Thus the classification scheme aims to assesses the relationship between the 'aim of policy making' underpinning the innovation and the 'kind of policy making' designed to implement the innovation to further understand the relationship between negotiated/ non-negotiated and universal/targeted innovations with regard the impact of forms of governance, policy learning and policy development and implementation upon the effectiveness of specific forms of innovations and ultimately upon labour market resilience and inclusion across the INSPIRES countries. With regard to (i) and based upon the information available in the national and synthetic reports INSPIRES database of innovations the following labelling of innovations was utilised.

Table 3: Labelling of Innovations

1	Positive: given the INSPIRES evidence available
1S	Positive: given Secondary Data Sources (e.g. reliable further/updated statistical evidence/ recent impact assessments etc.)
-1	Negative: given the evidence available
-1S	Negative: given the evidence available from Secondary Data Sources (e.g. reliable statistical evidence/impact assessments
0	No measurable impact or impact unknown
mx	Mixed Impact
NC	Not considered

Analytical Approach

In order to deconstruct the processes through which innovations and more general policy pathways evolved within each national setting both before and after the Financial Crises of 2008 a backward mapping strategy is adopted. This approach has been utilized within a substantive body of research relating to policy development and implementation (Curry, 2015; Elmore, 1980; Grindle & Thomas, 1991). The rationale for this analytical approach is three fold. Firstly, this methodology overcomes a central limitation of top-down or forward mapping. Forward mapping begins by defining the intent of the policy maker before embarking upon a tightly prescribed series of steps to state indicators or outcomes against which the effectiveness of a policy can be measured. A central limitation of forward mapping lies in its neglect of the dynamics of multi-level governance here, whilst policies may be designed, organized and implemented at State level, the implementation of measures relies upon implementation processes at sub-state level. This is particularly relevant to INSPIRES as results have indicated that local implementation processes are critical to understanding the efficacy of innovations. Secondly, it may be argued that policy making is a complex process which requires a detailed understanding of the discrepancy between actual and desired practice orientated measures. This involves using 'a statement of the specific behaviour at the lowest level of the implementation process'[1] that generates the need for an innovation policy. The process of mapping then works backwards by seeking to understand 'what ability each unit has to affect the behaviour that is the target of the policy; and what resources need to be put into place'[2].

At each stage, backward mapping identifies a set of organisational operations and how they work. Following an analytical inquiry which encourages a questioning of policy needs, and the policy options available to meet them, policy comes as the final stage. It is formulated only after a thorough review of the implementation path. This allows resources to be directed 'at the organisational units likely to have the most effect' (Elmore, 1980). Elmore (1980, 263) suggests that this process reduces 'reliance on abstract, standardised solutions', making way for 'local knowledge and skill at delivery level', which is essential since 'the problem-solving ability of complex systems depends not on hierarchical control, but on maximising discretion at the point where the problem is most immediate.

Social and Economic Context

The global economic and financial crisis and subsequent fiscal consolidation and austerity measures are estimated to have resulted in the loss of over 10 million jobs across Europe since 2008[3]. Moreover, fiscal consolidation measures have led to the implementation of budget strategies designed to restrict public finances through reductions in welfare spending and tax increases (Van Hooren, Kaasch, & Starke. 2014; Kerbergen, Vis and Hemerijck, 2014). European nations have also implemented major reforms within social legislation, systems of social protection and labour law during this period. Within these broader political, economic and fiscal constraints, innovative labour market measures and social and employment policies have been developed to simultaneously promote labour market inclusivity and the structural resilience of labour markets. Importantly also, qualitative indicators provide evidence of persistent structural issues within the labour market particularly with regard to levels of underemployment and wage depression. These issues are also shown to impact disproportionately upon vulnerable groups within the labour market. Young people in Europe have been particularly disadvantaged by high levels of unemployment (Figure Three) and underemployment (Figure Four). This highlights the importance of public policy frameworks, policy making, forms of governance and implementation as pivotal to the effectiveness of innovative labour market policies. In addition the degree of synchrony between specific labour market innovations and wider social and public policies has been found to be crucial to the effectiveness and sustainability of innovative of labour market measures and employment and social policies The Financial Crises and gradual and uneven economic recovery has thus stimulated significant changes in economies, societies and labour market across Europe since 2008. The short term and long term challenges faced by European countries has brought urgency to develop more resilient and inclusive societies and labour markets aligned to the requirements of a Global knowledge economy and economic growth sectors within EU Countries and across the EU as a

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1 Elmore, 1980, p.267

2 Elmore, 1980,p.262

3 ILO (2016): World Employment Social Outlook. Geneva, International Labour Office
and ILO (2013) World Employment Outlook, International Labour Office IMF (2013)

whole (Table One). The operationalisation of the EU 2020 Strategies goal of smart, sustainable and inclusive also requires without proper consideration of the social aspects and of investment in people. Therefore, an important element in the EU's growth strategy is the employment rate, taking into account not just creating more jobs, but also boosting the quality of jobs.
In its resolution of 25 November 2014 on employment and social aspects of the Europe 2020 strategy(1), Parliament took note of the commitments laid down in the strategy, particularly as regards fighting unemployment, and asked the Commission for concrete measures at national and EU level. This call included the thorough monitoring and recording of good practices for creating jobs, as well as fighting discrimination and creating a new layer of coordination, e.g. by setting up an EU Employment Service, in order to adapt people's training requirements to the needs of regions. Well established skills governance systems can help build and optimise the skills and competences of the current and future workforce. Efficient systems are based on sound skills intelligence produced by robust mechanisms of skills assessment, skills matching and the anticipation of future skill requirements.

Figure Two: Labour market and economic indicators for the EU 28 (2000–17)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (Projected rates; estimated)
Labour force participation rate	57.2%	57.4%	57.4%	57.3%	57.3%	57.6%	57.6%	57.5%	57.5%	57.4%	56.8%
Total Unemployment rate	7.4%	7.4%	9.0%	9.8%	10.0%	10.5%	11.0%	10.7%	10.1%	9.9%	9.7%
Unemployment rate for younger workers (16 – 25)	15.9	15.9	20.3	21.4	21.7	23.3	23.7	22.2%	20.3%	19.0% March (2016)	19.0%
Employment growth	1.3	0.3	0.2	0.2	0.4	0.3	0.1	0.3	0.6	0.2	0.3
Productivity growth	1%	-2.0%	-2.5%	0.5%	1.5%	1.5%	0.2%	0.2%	1.0%	1.2% (March 2016)	1.2%

STRUCTURAL ISSUES AND CHALLENGES IN EUROPEAN COUNTRIES

Persistent structural issues do exist across European labour markets, particularly with regard to levels of structural unemployment underemployment and wage depression. In the UK for example productivity has been persistently weak since 2008. , Skill shortages, skill mismatches, and significant levels of underemployment particularly amongst young people has contributed to this weakness. (Otto, and Taylor Gooby, 2014: Inspires reports D2.1 and D3.2). Low levels of infrastructure investment, inadequate levels of affordable quality child care and insufficient housing in areas of higher economic growth has also contributed significantly to lower productivity in the UK[4]. In addition income inequality in the UK has increased faster than in any other OECD nation since 1975, The recent implementation of the National Living Wage (2016) in the UK as a whole is in recognition of the impact on relative poverty which currently effects 13.5 million people in the UK or 21% of the population (DWP, UK Government, 2016) in 2014-2015 this was up 300,000 in the previous year. The Living Wage Scotland Bill was introduced by the Scottish Government in 2012. In Belgium there is evidence of significant inequities in employment opportunities for vulnerable groups within the population. These inequities have resulted in significant levels of underemployment especially amongst low skilled young people and people from migrant backgrounds. ((Struyven, L. & Pollet, I (2014). In Italy, the loss of jobs in industrial sectors traditionally employing male

4 EU Commission (2016) Council Recommendation on the 2016 national reform programme of the United Kingdom and delivering a Council opinion on the 2016 convergence programme of the United Kingdom; http://ec.europa.eu/europe2020/pdf/csr2016/csr2016_uk_en.pdf

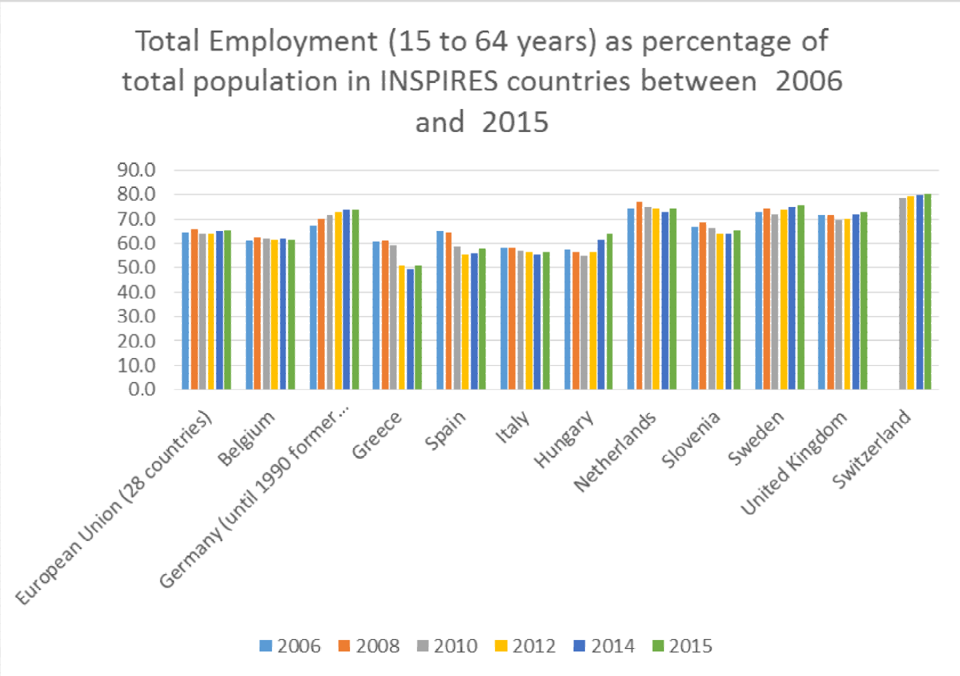
workers such as construction and manufacturing has led to the increased determination of women to enter jobs in growth sectors such as health care in Italy. Paradoxically, the limited availability of affordable, quality of care services hampers the labour market participation of women in the labour market as women are traditionally responsible for the provision of informal care in Italy. Moreover, women predominantly occupy non-standard precarious jobs in Italy and the tax and benefits system discourages second earners in the family from working. The recent Jobs Act has not addressed this issue effectively. Structural unemployment levels amongst young people pre-date the 2008 crises with a youth employment rate of only in 2006 falling to in 2015 forming the most profound challenge to the long term resilence, inclusive capacity and productive growth in Italy. Significantly as in the UK relative poverty levels are high with over 25% of the population at risk of poverty or social exclusion and the provision of social protection and assistance is weak and fragmented. (Sergi Giannelli, N and Cefalo, 2014). In contrast in Sweden, the cornerstone of labour market policy is the development of the work line or the productive capacity of workers as the central generator of economic productivity and social development. Consequently, the emphasis on investment in human capital is aligned with investment in formal care services (Minas, 2014). Sweden also exhibits the stongest economic performance of all INSPIRES countries with a GDP growth rate of 4.2% in 2015. (Eurostat, 2016). The overall economic and industrial approach is very closely aligned to the EU Jobs and Growth Strategy with a focus on developing a knowledge economy which 'creates jobs with a high 'knowledge content' to sustain economic competitiveness. Educational inequality between students with and without a migrant background in Sweden is also a significant constraint on future labour market resilience and inclusion. This gap deserves particular attention in light of the large number of newly arrived young migrants to be integrated into the education system. However as figure below reveals the comparative analysis of labour market status of migrants within INSPIRES countries in 2014 reveals that a relatively high proportion of migrant people are included in the Swedish labour market.

In Greece, high levels of structural unemployment particularly with regard to young people is identified as a major challenge before and after the crises of 2008. As Figure below shows the overall employment rate in Greece is the lowest in Europe at 50.8% with the employment rate amongst young people aged between 15 and 24 standing at 13%. Moreover non-standard, part-time and temporary precarious employment has increased in Greece over the last two years with 9.5% of the total population working part-time in 2015, increasing from 9.4% in 2014 and 8.5% in 2013 (Eurostat, 2016). Significantly however 68.6% of part-time workers have chosen this form of employment because they are unable to find full time work in Greece. Moreover, 23% of young people between the ages of 15 and 24 were part-time workers in Greece in 2015. Similarly, in Spain the persistence of structural unemployment particularly amongst younger workers acts a severe constraint to resilient and inclusive labour markets. In particular at as Figure shows youth employment stood at only 17.9% in Spain in 2015. Opportunities for transitions between temporary and permanent work are also limited in Spain hampering the inclusion of this vulnerable group. The short duration of temporary contracts also means that incentives to invest in long term training programmes for young people are low constraining the growth of productivity and sustainable solutions for young people in Spain (Valia Contanda et al, 2014). Further, as in Greece and Italy, the average duration of unemployment amongst young people is increasing leading to long term negative impacts including precarious socio-economic conditions, deterioration in physical and psychological well-being (particularly mental health) poor skill development, low adaptability to changing economic and labour market conditions particularly with regard to skill mismatches and precarious transitions between education and employment (Valia Contanda et al, 2014; Otto and Taylor Gooby, 2014; Ellison, 2016). Similarly in Hungary, Youth transitions between education and employment are significantly hampered by educational inequality. This inequality is largely influenced by socioeconomic background and regional location. The traditional selective
approach of the educational system has further intensified entrenched attainment gaps between students from distinct socio-economic and ethnic backgrounds. Young people from Roma communities are particularly disadvantaged by educational inequalities in Hungary. (Tóth, L. & Lengyel, G. 2014). Precarious youth transitions are also evident in the Netherlands with a significant reliance on temporary contracts in the labour market. Of particular concern are low transition rates between temporary and permanent contracts particularly for young people aged between 15 and 24 (Goud and Fenger, 2014). Here labour market segmentation and differences in employment protection between temporary and permanent contracts limit the inclusion of vulnerable groups in the labour market whilst also hampering productive growth by limiting long term opportunities for skills training and up-skilling. Limitations in provision for life-long learning, skills training and up-skilling opportunities are also evident in Slovenia. In particular the participation rates of older low skilled workers in the economy is poor with over 50% of all unemployed people identified as older than 50 years of age or as low-skilled (Josipov and Sumi, 2014). Similarly older workers disabled

people and migrants with a low level of education face the greatest challenges in the labour market in Switzerland

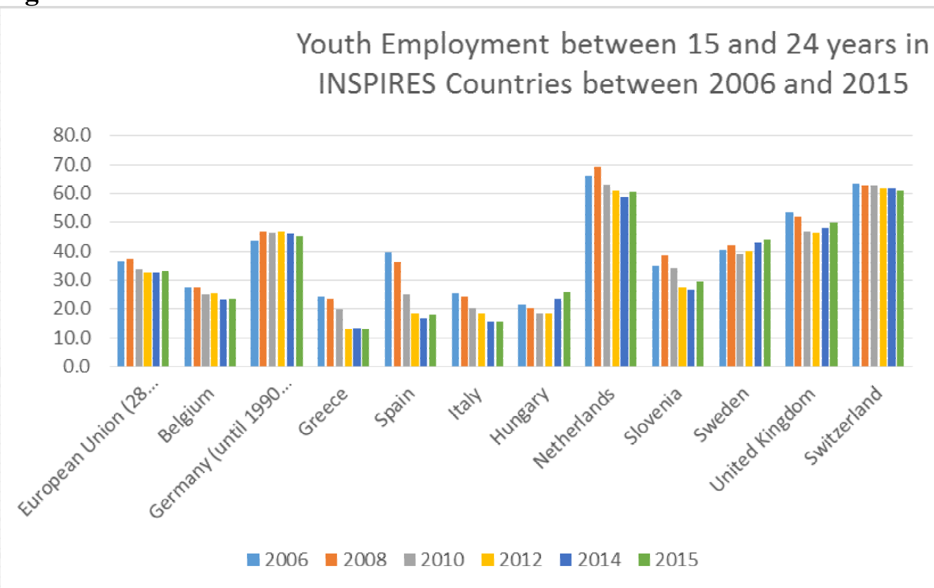
(Champion et al. 2014). Importantly however the Swiss labour market has performed relatively well in comparison to other INSPIREs countries. This performance is largely due to an advanced dual vocational training system and a diversified economy centred upon small and medium enterprises with a robust export orientated industrial base.

Figure 2



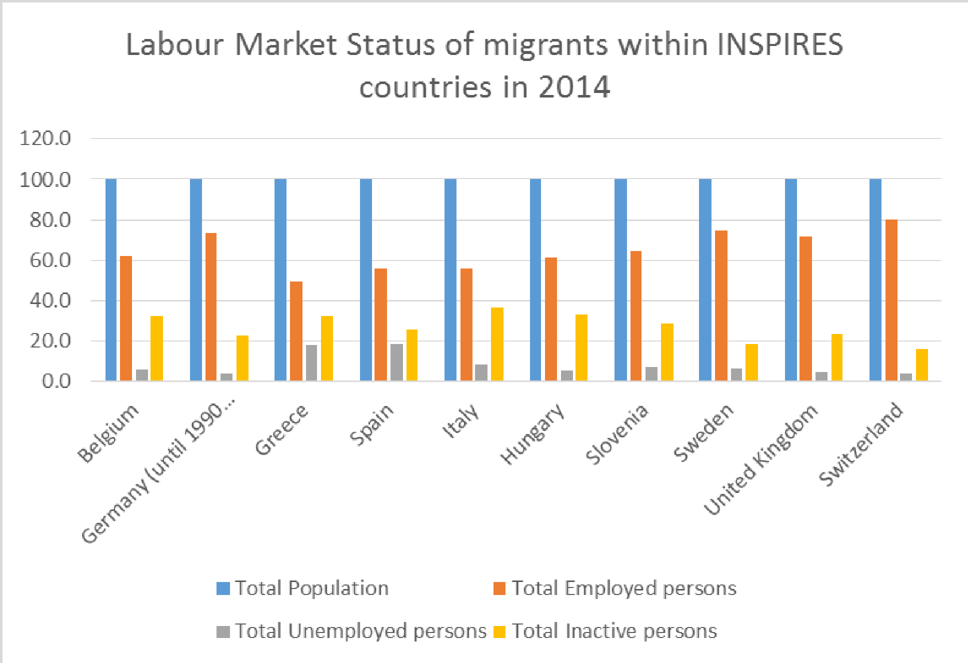
(Source Eurostat, 2016)

Figure 3



(Source Eurostat, 2016)

Figure 4



(Source Eurostat, 2016)

Significantly also, educational inequities linked to socio-economic background are amongst the highest in the European Union[5]. Structural issues are also symptomatic of the decline of manufacturing industries and long term changes in market conditions often stimulated by the impact of Globalisation. Most recently this has impact significantly on the steel industry in a number of EU member States with substantial variation at regional level[6]. These regional variations have been exacerbated by the impacts of the Financial Crises on aggregate demand leading to cyclical unemployment. Variations in levels of unemployment at national level between INSPIRES countries are illustrated in Figure Two below. These variable factors necessitate policy responses that are tailored to specific industrial, economic and social contexts at both national and regional level. The analysis of INSPIRES evidence reveals that the degree of synchrony between specific labour market policies and wider economic, employment, and social policies is crucial to the effectiveness and sustainability of innovative labour market measures and employment and social policies. Here, strategic multi-sectorial approaches to policymaking were found to be more effective in terms of positive outcomes for vulnerable groups. In particular, strategic approaches to industrial, educational and training investment policy are critical to ensuring the availability of quality jobs for young people entering the labour market. Positive transitions equally form a critical juncture for labour market resilience and inclusion for older people, disabled people and people from migrant groups. As table below shows, collaborative bottom up approaches to policy making were found to be most effective. More specifically, practical measures including the removal of barriers to employment through early educational intervention, tailored support, life-long learning and up-skilling synchronised with policies to address issues of underemployment, skills mismatch and wage depression and were found to be essential to successful employment transitions for vulnerable groups in European labour markets particularly at regional level.

Figure 5

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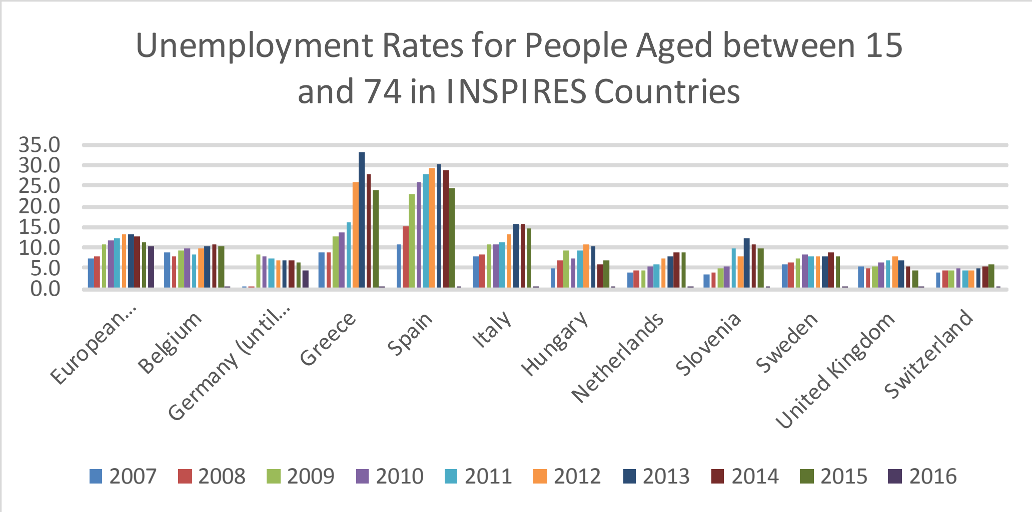
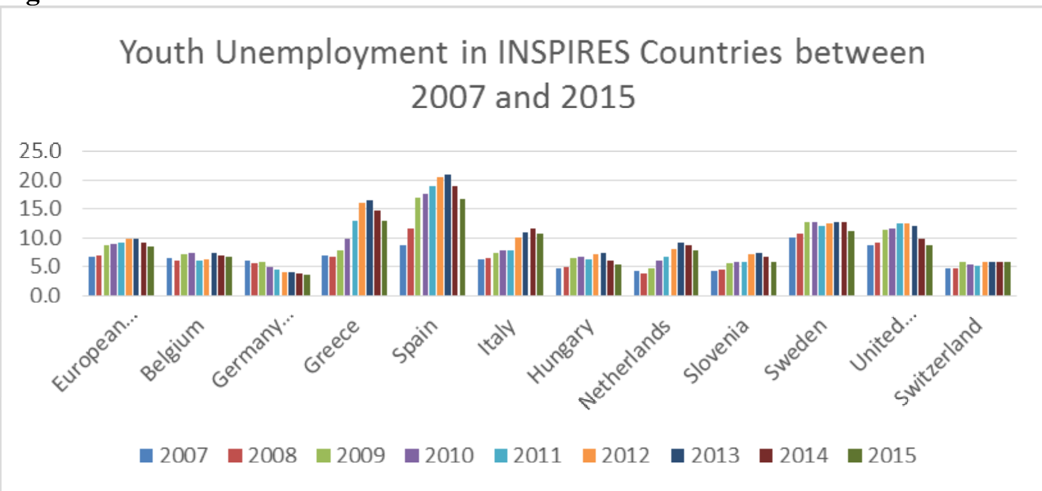
5 COUNCIL RECOMMENDATION of ... on the 2016 National Reform Programme of Belgium and delivering a Council opinion on the 2016 Stability Programme of Belgium Brussels 13 June 2016(OR. en)9190/16 http://data.consilium.europa.eu/doc/document/ST-9190-2016-INIT/en/pdf

6 EU Commission Report (2014) Internal Market, Industry, Entrepreneurship and SMEs; The EU Steel Industry; http://ec.europa.eu/growth/sectors/raw-materials/industries/metals/steel_en



(Source Eurostat, 2016)

Figure 6



(Source Eurostat, 2016)

Policy Pathways: The Differential Impact of the Financial Crises on Labour Market Reform in European countries.

The global economic and financial crisis and subsequent fiscal consolidation and austerity measures are estimated to have resulted in the loss of over 10 million jobs across Europe since 2008[7]. Moreover, fiscal consolidation measures have led to the implementation of budget strategies designed to restrict public finances through reductions in welfare spending and tax increases (Van Hooren, Kaasch, & Starke. 2014; Kerbergen, Vis and Hemerijck, 2014). Major reforms within social legislation, systems of social protection, labour law and collective bargaining are also clearly evidenced in a number of European countries since 2000. However, structural reforms become more evident within most INSPIRES countries following the crises of 2008 (Italy, D2.1, D3.1 and D4.2; Spain, D2.1, D3.1 and D4.2; Greece, D2.1, 3.1 and 4.2; UK, D2.1, D3.1 and D4.2) with Greece, Italy and Spain experiencing the most radical structural reforms over the period. Exemplifying this trend major labour market reforms were introduced in Italy with the primary aim of increasing the flexibility of local labour markets (Law 196/97 "Pacchetto Treu"). Conversely, in Italy the design, governance and implementation of these labour market reforms are also evidenced by the Italian National Report (D2.2) as precipitating an increasingly constrained and fragmented approach to the financial crises.

Box 1

7 ILO (2016): World Employment Social Outlook. Geneva, International Labour Office and ILO (2013) World Employment Outlook, International Labour Office IMF (2013)

In 1997 the first important package of reforms (Law 196/97 "Pacchetto Treu" was introduced in order to increase the flexibility of labour market. Important governmental powers were also 'transferred to regions and local governments. These powers included a wide range of domains including welfare and labour market regulation and employment and hiring legislation….. Active labour market policies and private intermediation were introduced while local employment offices started to implement job offers and request matching policies with new partnerships with private employers (Sestito, 2006). Since then the deep conflicts within the national political system had a regional and local translation that generated institutional tensions among territorial levels. This conflictive relationship between levels of government has important effects in terms of institutional performances as it generates a high number of legal disputes between local powers and national institutions, lack of coordination and fragmentation of welfare provision on territorial bases. **As Kazepov and Barberis (2013) maintain this model has been transformed in a multi-level and territorially fragmented model that after the financial crisis has been suffering growing budgetary constraints and deficit spending that in the present are undermining its already partial effectiveness and week universality**. The financial crisis had a concrete impact on the national social context that is visible in the rising rates of social distress and inequality. In this respect Immervoll and Richardson (2013) also showed how the economic downturn of 2007/2008 had an impact on labour income distribution on the more weak households in Italy. Income distribution has to be summed to other crucial social stress indicators: Italy has a high GINI (0.34 in 2012) and material deprivation rates rising with a strong geographical divide that shows a general worsening of the quality of life in the country as a whole with a dramatic rise of all indicators of social economic stress in the southern regions. (Sergi, V & Kazepov, Y 2014. National Report for Italy, D2.1)

In Greece the outbreak of the recession is evidenced as affecting the Greek labour market 'rapidly and violently' (Limulus, K and Papaudou, D (2015) National Report, Greece D2.1).

Box 2

An image of collapse emerges from all the interviews. The interviews of experts showed a more dramatic illustration than the above. According to the views expressed, there are dramatic effects on employment in the private sector. These effects relate to both quantitative and qualitative characteristics of the employment. All the previously mentioned social pathologies are enhanced. In particular, the aforementioned distortions in the structure of the Greek employment reveal the seriousness of the consequences that are brought about by this crisis with a major effect on job losses and the abolition of fundamental labour rights. The strongest impact of the crisis affects the small and medium-sized enterprises (SMEs) as these held the second highest employment rate of workers after the public sector….. The debt burden compels the Greek government to spend a lot of money on amortizations and it unavoidably disables Greece from borrowing in the financial market causing greatly the cut back of most social provisions. …..Disposable income was reduced by 30%, private consumption by 23% and the investment rate by 51% (Bank of Greece 2014). During the crisis the unemployment rate escalated above the level of 24% in 2012 affecting mainly younger workers (55.3%) and immigrants (33.3%) while the unemployment rate of elderly workers quadrupled. Furthermore the employment structure nearly collapsed as the employment rate of the working age population was reduced to 51.3% losing more than 10 percentage points since 2008. The youth employment rate was affected much more than the general population rate and the policies for the increase of their participation in the labour market proved to be insufficient as their employment rate fell to 13.1%. In the context of the huge and persisting unemployment rate the social security system is incapable of providing sufficient benefits even to those who are secured. The recipients of unemployment allowances are less than 16% of the unemployed persons (OAED, 2013). **(Dimulous, K and Papaudou, D (2015) National Report on the labour market position of vulnerable groups in Greece, D2.1)**

Policy responses to the Financial Crises were largely framed under the 'strict supervision of the "troika" (the European Commission, the IMF and the European Central Bank;

The central rationale of these measures were to 'increase the availability of work by reducing the cost of hiring and dismissing people" (National Report for Greece, D2.1)

Box: 3

Policy Measures implemented in response to the Financial Crises in Greece:

1. The official reduction of a minimum wage by approximately 22% for adults and nearly -32% for new entrants who are under the age of 25.
2. The increasing implementation of rotational employment and fixed-term contracts;
3. The reduction of levels of compensation for redundancy by 50%
4. The increase in levels of collective dismissals permitted to each firm, from 2% to 5% of the workforce per month.
5. The prohibition of any increase in wages until the unemployment rate decreases to below the threshold of 10%.

6. A rise in out-of-pocket costs for health and social services. (**Dimulous, K and Papaudou, D (2015), National Report on the labour market position of vulnerable groups in Greece, D2.1)**

Whilst these measures were implemented between 2010 and 2012 through top-down governance in an effort to 'curb redundancy and increase the flexibility of the Greek labour market' a number of pre-crises Active Labour Market Policies and measures were introduced between 2012 and 2013. (National Report for Greece, D.2.1). These measures which included short-term training, internship and community service programmes, entrepreneurship programs and targeted interventions for young people in the labour market emerge as "resilient policies within the context of a non-resilient labour market" (Dimulous, K and Papaudou, D (2015), National Report for Greece, D2.1).Thus, despite the constraining impact of broader political, economic and fiscal constraints, innovative labour market measures and social and employment policies were developed to simultaneously promote labour market inclusivity and the structural resilience of labour markets in all INSPIRES countries.

Importantly there are notable variations in labour market conditions. Greece, Spain, Italy and Slovenia have yet to return to pre-crises levels of employment. (Eurostat, 2016) (Figure One). Moreover general labour market and economic indicators across all 28 EU countries also reveal poor prospects for employment growth overall and consistent high levels of youth unemployment across Europe as a whole (Table 2 and disproportionately upon vulnerable groups within the labour market. Public Policy Frameworks, and forms of governance are found to be pivotal to the effectiveness of innovative labour market policies in a number of INSPIRES countries. As this paper evidences, the degree of synchrony between targeted labour market innovations and wider social and public policies were found to be crucial to the effectiveness and sustainability of innovative of labour market measures and employment and social policies. A finding endorsed by a joint declaration of G20 Labour and Employment Ministers in 2013;

Employment is crucial for people's well-being and economic growth. Promoting job creation and tackling the economic and social consequences of unemployment, underemployment and preventing social exclusion are a priority for all our countries. Although G20 countries are at different stages of development and there is no "one size fits all" labour market policy, G20 countries will benefit from well-designed, integrated and consistent public policies.[8]

Labour market resilience is thus reliant upon an integrated approach to economic and labour market strategies and policies (ALMP's) and labour market regulation (LMR) within and across European settings.

Policy Pathways: The Differential Impact of Declining Levels of Negotiation in Europe

Erosion of collective bargaining coverage and increasing wage Inequality in INSPIRES Countries

Evidence relating to an accelerated erosion of collective bargaining coverage, wage stagnation and increasing wage inequalities were observed across most of the EU countries involved in the INSPIRES. This acceleration was strongly linked to the financial and economic crises (Germany, D2.1; D3.1 and D4.2; UK, D2.1; D3.1 and D4.2; Scotland D3.1 and D4.2; Italy, D2.1, D3.1 and D4.2; Spain D2.1; D3.1 and D4.2; Greece, D2.1; D3.1 and D4.2; Slovenia, D2.1, D3.1 and D4.2; Hungary, D2.1, D3.1 and D4.2). As Adeline Otto and Peter Taylor-Gooby point out in The Synthesis Report (D3.2) in Greece, the involvement of trade unions in the design, development and implementation of new policies is relatively low and there has been a steep decline in membership of trade unions over the last decade. In addition social partners were not able to act as independent representatives of both employers and employees. Moreover, very few labour market innovations in Greece have been developed as a result of bilateral or trilateral agreements between social partners and the state. This lack of negotiation is regarded as being largely due to the continuing economic and financial crises in Greece. Evidence from Greece (WP3, D3.2 and D.3.1) reveals that some innovations have actually been based upon the subversion of the principle of free collective bargaining and of the collective autonomy of social partners (Otto, A and Taylor Gooby, Synthetic Report, D3.2) . Box 4 below evidences legislative reforms which have effectively led to the subversion of the principle of free collective bargaining and collective autonomy of social partners.

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8 1. G20 Labour and Employment Ministers' Declaration, Moscow, 18–19 July 2013.
3. OECD. 2012. *Economic policy reforms: Going for growth, 2012*. Paris, Organisation for Economic Co-operation and Development.

Box 4: Law 4024/2011: The right of trade unions to sign collective agreements in Greece.

Law 4024/2011 defines that in-company trade unions or temporal unions of company employees have the right to sign collective agreements bypassing the jurisdiction of sectoral collective agreements. Law 4046/2012 stipulates that firm level agreements take precedence over any other more favourable collective (sectoral or professional) agreement. Furthermore, each collective agreement can only last for a maximum duration of three years. After this period, it can only remain valid for another three months and only for those terms concerning wage issues. **(Greece, WP3 D3.1 Greece and D3.2 Synthesis Report (Otto, A and Taylor-Gooby, P)**

Evidence of significant differences in wage levels between industrial sectors also emerges (Otto, A and Taylor-Gooby, P; Synthetic Report, D3.2,). The impact of the economic recession in 2009 led an official reduction in the minimum wage in Greece and this has impacted more broadly on wage levels generally.

Box 5

On average monthly labour costs decreased by approximately 20% between 2010 and 2013 and went back in real numbers to the levels of the year 2000. In 2010, a policy was adopted which enables private employers to reduce the working time of employees by reducing their salaries for a period of three months, thus avoiding redundancy. In 2011, the tax schedule for income tax was modified and the tax free schedule was reduced from EUR 12,000 for income earned in 2010 to EUR 5,000 in 2011 and 2012. In 2012, the government decided to prohibit any increase in private sector salaries whilst the national average unemployment rate exceeds the level of 10 per cent. The new rule also applies to collective agreements, which decisively weakened social partnership. **(Otto, A and Taylor Gooby, P (2014) Synthetic Report, D 3.2, p. 9)**

Germany is often regarded as a highly resilient labour market however during the crises there has been a significant increase in the number of low paid workers particularly in marginal employment (Jensen and Knuth, National Report for Germany, D3.1). In addition collective bargaining coverage and the presence of elected work councils within companies has decreased during the last decade. The absence of collective wage regulation has been found to negatively impact on wage dispersion resulting in an increasing low wage sector. Declining levels of unemployment and increasing employment over the last five years have been accompanied by a substantial increase in non-standard and low paid employment (Jensen and Knuth, National Report for Germany D3.1).

Box 6

The erosion of the system based upon negotiation and cooperation in Germany may be regarded as a largely unintentional innovation, however this represents a crucial change for industrial relations and employment conditions. **(Otto, A &Taylor-Gooby P, Synthetic Report, D3.2)**

A further indication of the impact of the economic and financial crises on negotiation and collective bargaining within the labour market is illustrated by the case of Hungary.

Box 7

The tripartite body for social dialogue that was only established in 1990 (Országos Érdekegyeztet Tanács (OÉT), later National Reconciliation Council) and which was intensively involved in negotiations during the recession between 2008 and 2011 ceased to work in 2011. Until 2011, the national minimum wage was annually agreed by this tripartite body. However, since its abolishment the Government may decide alone on minimum wage levels**. (Tóth, L. & Lengyel, G. (2014). National report for Hungary: Identifying Policy Innovations Increasing Labour Market Resilience and Inclusion of Vulnerable Groups D3.1)**

There is also evidence of declining numbers of trade union membership and collective bargaining coverage in Italy (Italy, D3.1). At the same time processes of negotiation and collective bargaining have also experienced a strong decentralisation process, whereby agreements are more fragmented and complex, involving a wide range of multi-level and sectoral institutional structures. Trade unions, local authorities and private organisations negotiate and implement collective agreements on a wide range of employment issues at the local level including wage conditions, turn over, collective dismissal, wage compensation layouts in case of a crisis, early retirement programmes at the company level, and work training job assignments. (D3.2)

In the UK employee organisation is weak and there has been a significant decrease in membership of trade unions and in collective bargaining coverage. Both trade union density and collective bargaining coverage are below OECD average. (UK D3.1)

Box 8

Despite the introduction of a National Minimum Wage in 1999, an increase of the national minimum wage for nearly all the different payment groups and the recent introduction of The Living Wage at a national level (Introduced in Scotland in 2013) real wages have fallen since the entry into recession in mid-2008, as moderate increases in nominal wages were outpaced by price inflation. According to OECD data, the UK as a whole is ranked the 7 most unequal of 35 OECD countries in relation to net income inequality (Bell and Eiser, 2013:17). Furthermore, with the increased use of zero hour contracts as experienced since 2008, minimum wages can easily be circumvented. **(Otto, A and Taylor-Gooby P, D3.2; Synthetic Report)**

In Sweden there has been a significant decrease in trade union membership. The Swedish Trade Union Confederation reported that trade union membership had declined by 120,000 and the proportion of Swedish employees who are members of trade unions has decreased from nearly 85% to 70% since 2007)
In sharp contrast Switzerland has experienced an extension of labour market regulation over the last decade.

Box 9

Faced with EU free movement and its pressure on wages and employment conditions, several measures were introduced to facilitate the extension of national and regional collective agreements as well as the introduction of a law obliging employers of foreign
workers posted to Switzerland to comply with the wages and employment conditions in Switzerland. Flanking measures such as these have helped revitalise collective bargaining in Switzerland. **Major collective agreements were reviewed and new ones were introduced.** One example for the latter is the collective agreement on temporary agency work, which has turned to be largest collective agreement particularly in terms of numbers of workers covered. Despite all this, one has to bear in mind that prior to this “revitalisation” and until now, Swiss collective bargaining coverage is still among the lowest in Europe with the potential of extending collective agreements to the whole sector at national level or Cantonal level are still strongly limited. (Champion, C Pisoni, D, and Bonoli G 2014Switzerland D3.2)

In Switzerland the extension of labour market regulation and institutional capacities for the negotiation of collective agreements have clearly been evidenced within Work Package Three. It may be argued that this increased and universal negotiating capacity reinforces labour market resilience, inclusion and structural performance as evidence from the IMF, OECD and ILO below underlines.
The relationship between Co-ordinated wage-bargaining, negotiation and effective structural performance and labour market resilience is reinforced by the OECD (2012) (box 1), the IMF (box 2) and the ILO (box 3)

Box 10

Co-ordinated wage-bargaining institutions can contribute to both good structural performance and labour market resilience.
More specifically, co-ordination appears to be important in achieving low structural unemployment rates and in mitigating the direct impact of shocks on employment by facilitating adjustments to wages and/or working-time. By increasing the responsiveness of real wages to changes in macroeconomic conditions, co-ordinated collective-bargaining institutions may reduce the need to adjust employment in response to negative output shocks. Moreover, such institutions may also be more likely to take account of any negative

employment externalities that may
be associated with collective wage bargaining (OECD, 2012; Employment Outlook; p3)

Box 11

Advancing structural reforms to boost growth and job creation

Some progress has been made in the last few years to make it easier to start and operate a business, but much remains to be done. Similarly, it has proven difficult to achieve consensus between the social partners on new labour market legislation that would help create more jobs. To attract investment and boost job creation in the formal economy, it will be critical to **Enhance the functioning of the labor market by: (i) revitalizing the collective bargaining process; (ii) allowing wages to be better linked to performance; (iii) reducing disincentives for hiring; and (iv) increasing labor inspections to reduce informal employment and better protect workers' rights. This will need to be accompanied by strengthening the system of unemployment benefits and active labor market policies, including by expanding training and education opportunities. Source: IMF, 2015, Bosnia and Herzegovina: Concluding Statement of the 2015 Article IV Mission: page 2 https://www.imf.org/external/np/ms/2015/051215.htm**

Box 12

Multi-employer bargaining can be used by social partners to establish a 'common rule' and joint regulation, reducing the need for, and costs of statutory intervention – a point that is explicitly mentioned in both Swiss and Dutch legislation. Some public authorities rely on multi-employer bargaining as an important regulatory tool, for instance, in regulating
flexible working hours and variable wage standards in particular industries, obtaining employer cooperation in training policies, and establishing and administering voluntary pension schemes (ILO(2015)**Trends in collective bargaining coverage: Stability, erosion or decline?**

OECD data relating to income inequality reveals that the UK, Spain, Greece and Italy have the highest level of inequality. (Fig below). In terms of labour market resilience and inclusion a recent study conducted by the IMF found that between the years 2007 and 2011 inequality in market incomes rose as much as the previous 12 years. The study concludes that the impact on disposable incomes during this previous 12 years was moderated by automatic stabilisers – primarily fiscal and expenditure policies however since the crises austerity measures have significantly undermined these stabilizers leading to income inequality. Figures from the IMF study also reveals that austerity measures reduce the proportion of income going to wage-earners. The report found that;
For every 1% of GDP fiscal consolidation, inflation- adjusted wage income were reduced by 0.9% on average whilst at the same time inflation adjusted profit and rents declined by only 3% Significantly the study also found that whilst a reduction in wage income tends to continue over time lowering levels of demand within the economy reductions in profits and rents tend to be temporary. This study consolidates INSPIRES findings relating to the significant negative impact of innovations primarily motivated by austerity measures upon local labour markets. (D3.2 Synthesis Report; D3.1, Greece; D3.1, UK, D3.1; Spain; D3.1, Italy)

Policy making and policy learning processes underpinning the design, implementation and evaluation of flexibility and security at EU, National and sub-national level

Labour market interventions designed to contribute to the resilience of European labour markets include flexicurity and labour market regulation. The form and impact of measures relating to both flexicurity and labour market regulation varies considerable across INSPIRES countries. Flexicurity has been defined as enabling security through flexibility by encouraging labour force adaptation to more flexible employment whilst also encouraging investment in training and life-long learning. The central aim of flexibility is to promote the resilience and inclusion of labour markets in both quantitative and qualitative terms by providing 'more and better jobs'. Here the dual objectives of flexicurity are the optimisation of economic competitiveness and labour market performance or productivity. The effective implementation of flexibilisation and security measures as a way of enabling labour market resilience in INSPIRES countries is revealed as being based upon four key dimensions..

1) The level of alignment of policy innovations relating to flexibility and security to the specificities of demographic, economic and social conditions within each INSPIRES country

2) The impact of flexibilisation and security measures on distinct types of employment contracts and entry level/ established employment role within each INSPIRES country.

3) The impact of innovations based upon notions of flexibilisation and security on vulnerable groups in the labour market.

All four dimensions are important when considering the impact of flexibilisation and security measures within INSPIRES countries. In Germany for example there has been a dual approach to flexicurity. Firstly, the removal of restrictions for temporary agency work has contributed to the 'spread of atypical forms of employment, including growing wage dispersion at the bottom end of the wage scale'. Importantly however some of the flexicurity measures have had the effect of encouraging low paid jobs in temporary agency work by placing collective bargaining (even when conducted by bogus trade unions above the then emerging European principal of equal pay for agency and permanent workers. Importantly the 'late and contested introduction of a statutory minimum wage may then be seen as a measure of 'social repair' and a reframing of the constitutional precedence for collective bargaining'.(Jensen, A and Knuth, M (2015) INSPIRES National Report for Germany, D4.2 p.5).

Box 13

Until January 2015, Germany was among the minority of European countries without a general statutory minimum wage. Traditionally, Germany had relied on wage regulation through collective bargaining by the social partners whose capacity is anchored in the constitution and whose interactions and proceedings are framed in law. As long as collective bargaining coverage was high and mechanisms for erga omnes-extensions of bargaining results to minority outsiders still functioning, the absence of a legal minimum wage can be seen as an expression of the strength of a co-operative and co-ordinated social model. However, with the later weakening of collective bargaining coverage, rejection of minimum wage regulation became a neo-liberal project favouring unregulated and increasingly dispersed wages. Because of this ambiguity, trade unions had to go quite a long way to come out in favour of minimum wage setting by the state. Against the background of this legacy it may be understood why the new legislation frames minimum wage setting as a 'strengthening of collective bargaining' and in effect puts the top level umbrella organisations of the social partners in the position of determining future adjustments of the minimum wage. **(Jansen, A and Knuth, M (2015) National Report for Germany (D4.2) p.8.**

The growing proportion of low wage earners in Germany is related to the decline of collective bargaining coverage in both East and West Germany. Collective Bargaining is an essential pre-condition of for the influence of trade unions within wage bargaining. (Germany, D4.2). In light of this the introduction of The Minimum Wage in Germany in January 2015 may be viewed as a way of balancing flexibility with security by providing a form of wage safety net for employers who do not have access to collective bargaining arrangements. In terms of labour market resilience and inclusion the innovations developed in Germany since 2003 were designed largely into increase the quantity of jobs and these innovations did contribute to labour market resilience particularly in the short term. However, in the medium to longer term this measure has acted as a constraining factor to the inclusion of vulnerable groups in the labour market by contributing to the dualisation of the German labour market.

Box 14

"Temporary agency workers in Germany are disadvantaged in terms of pay, working conditions, job stability, training opportunities and upward mobility; due to short periods of employment they may also fail to fulfil the eligibility for unemployment benefits so that they become part of the non-permanently working poor who have to rely on means-tested minimum income benefits. This segregation follows very much the lines between German-born and foreign born workers. Temporary agency work is one example how Germany is far from an equitable balance between security and flexibility but distributes the two very unevenly among its workforce" (Jensen, A and Knuth, M (2015) Labour market innovations and policy learning National report for Germany, D4.2)

This failure to ensure 'an equitable balance' between security and flexibility is evidenced across most

INSPIRES countries. The strongest imbalances are evidenced in Greece, Spain, Italy and the UK. In Greece which experienced

"a sharp transition from a distorted and unevenly protected labour market into a fully flexible one with pervasive features of labour precariousness and the threat of unemployment". The full impact of this transformation is evidenced in box: 15 below:

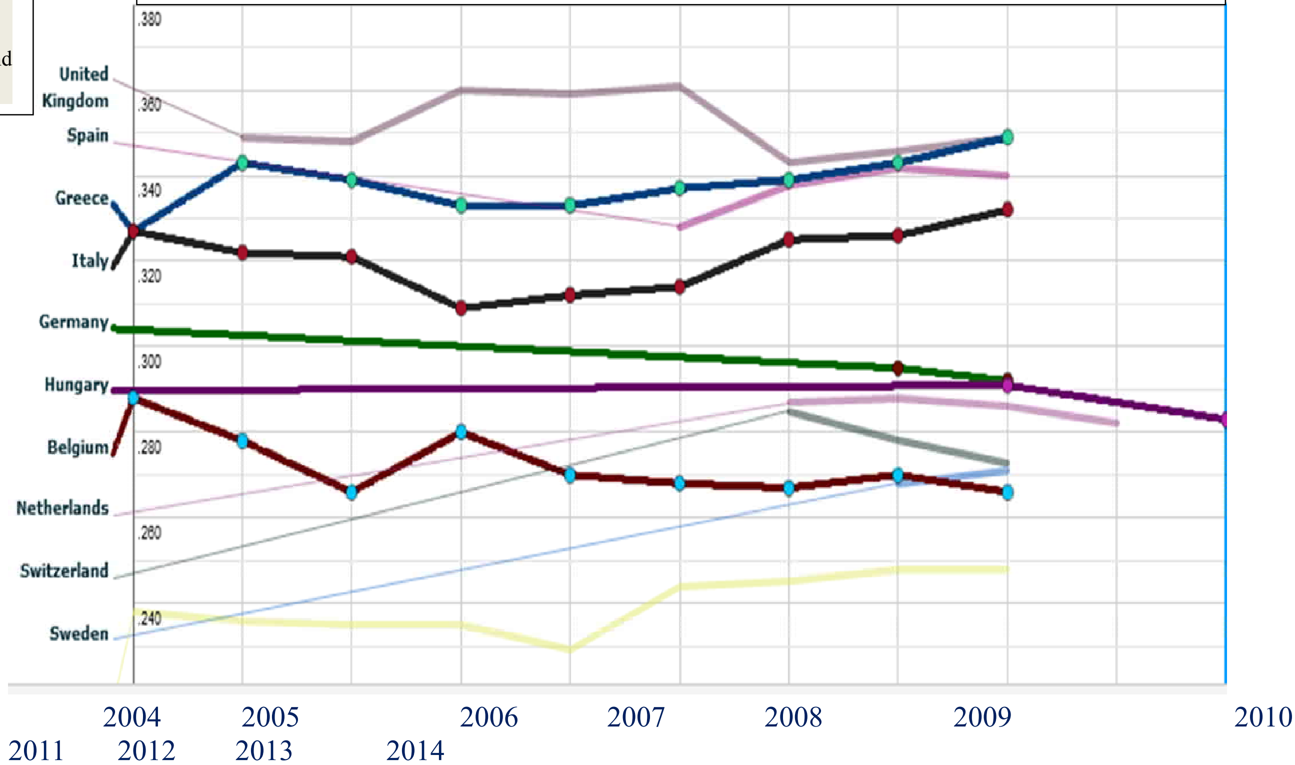
Box 15

The labour model based on full and stable employment is fully challenged with the activation of a variety of flexible formulations such as the enhancement of temporary employment, part-time or sub-contracting employment, or the hiring of labour. The starting point of these measures is placed before the crisis and they are intensified during the crisis. The flexibility of the working time is reinforced and a general downgrading harmonization of the employment conditions is implemented. Under these circumstances, each worker potentially belongs to a vulnerable social group. The result of this evolution is the deterioration of the status of those groups that were considered to be vulnerable in the previous period. That is, those most affected were already experiencing social problems and exclusion from the labour market. The recession and the lack of jobs lead to the exacerbation of the pre-existing youth unemployment. The removal of the protective grid of the labour market leaves the elder workers, who are threatened by unemployment, exposed to the social risks. The absence of targeted measures eliminates any prospect for people with disabilities of entering the labour market. The flexibility in the working and the unemployment sector increases the numbers of the undeclared employment of immigrants and it leads back into the grey zone even those who had managed to avoid from it in previous years. Unemployment leads to negative equation of the employment levels between men and women. All these developments have a negative impact on the employment compensation of the pre-existing vulnerable groups and lead to the emergence of new forms of vulnerability and, therefore of social exclusion in the Greek society. The crisis does not bring new trends; rather it accelerates the developments and the orientations that are presented in the last period of time. The chronic problems of the Greek labour market are enhanced, such as the systematic exclusion of young people and of people with disabilities and the inability to reintegrate older workers who lose their jobs. It exacerbates the problems of the informal employment of immigrants and it sets the problems into a general context which affect the entire productive working population. It leads to a negative equation of the employment levels between men and women. A fundamental result of all these changes and interventions that followed is not the inclusion of vulnerable groups in the employment sector, but a widespread vulnerability to the entire working population. The crisis dissipates and conveys the job insecurity in the total labour force while it dismantles the labour rights and the social gains of several decades. There is a sharp transition from an unequal and disproportionately protected" dualistic" labour market into an out of control flexible, with no safety net labour market**. (Dimulus, K and Papaudou, D (2015) National Report on the labour market position of vulnerable groups in Greece, D2.1)**

Recent studies reinforce this evidence by noting the 'excessive flexibilisation' the labour market regulatory framework as a common characteristic across all Southern European labour market regimes which are also particularly vulnerable to dualisation (EU Commission, 2010: chapter 3; Davoine et al., 2008; Häusermann and Schwander, 2012). Critically however, excessive flexibilisation and labour market segmentation is evidenced across all INSPIRES countries as particularly impacting upon young people. (Italy, D2.1; Spain, D2.1; Greece, D2.1; UK, D2.1; Scotland D3.1; Synthesis Report D3.2) The impact of flexibilisation on labour market entry and most particularly on coherent youth transitions is highlighted national reports from most INSPIRES countries (Belgium, D2.1,D3.1 and D4.2; UK D2.1, D3.1 and D4.2 ; Spain D2.1, D3.1; Italy, D2.1, D3.1; Greece, D2.1, D3.1; Scotland, D3.1 and D4.1). The impact of wage inequality is demonstrated in Figure 9 below.

Mean Disposable Income of working age population; post taxes and transfers

Figure 9: Gini Coefficient: (disposable income, post taxes and transfers), Working age



Data extracted on 5th January 2016 11:49 UTC (GMT) from OECD.Stat

Policy Responses: The Rational, Process and Governance of Wage Regulation in Germany, The UK And Scotland

The Kind of Policy Making underpinning the Introduction of the Living Wage in Scotland and the UK:

The introduction of the Living Wage in Scotland in 2013 and in the National Living Wage in the UK in 2016 was regarded as a way of strengthening labour market resilience particularly with regard to the inclusion of vulnerable groups. (Ellison, National Reports for Scotland, D3.1 and D4.2; Otto and Taylor Gooby, Synthetic Report) The Living wage is based on the amount an individual needs to earn to cover the basic costs of living within specific socio-economic national, regional and city contexts. A number of cities in the UK advocate the living wage as a way of bolstering local economies and labour market resilience and inclusion. For example, The Greater London Authority (GLA) is among the organisations that pay the living wage to their employees and Glasgow City Council has paid the living wage since 2009. Importantly, the living wage is an informal benchmark, not a legally enforceable minimum level of pay, like the national minimum wage. In Scotland the economic case for the living Wage Act (2012) was based on the dual rationale of boosting local economic demand, promoting labour market inclusion and productivity whilst reducing levels of poverty in Scotland. Empirical evidence reveals the 'circuitous benefit' of the living wage within specific local authorities (Box, 16 D3.2, and Scotland).

Box: 16

It is Scottish Government policy that directly-employed Scottish Government and NHS employees are paid The Living Wage (Living Wage (Scotland) Bill, 2013. In parallel with this policy in December 2011, the Local Government and Regeneration Committee examined the implications and potential for the implementation of the Living Wage by local authorities across Scotland. An important example of measures to address regional socio-economic disparities is The Glasgow Living Wage. Glasgow is a city which includes pockets of severe deprivation. As has been evidenced Glasgow also has higher levels of workless and low income households than any other region in Scotland.(D3.2) To address this and the growing levels of poverty resulting from the Financial crises of 2008 and subsequent austerity measures Glasgow City

Council implemented the **Glasgow Living Wage in 2009.** All members of staff directly employed by the Council are paid the Living Wage. In addition all the Council supports businesses who pay all of their staff at or above the Glasgow living Wage by recognizing them as a "Glasgow Living Wage Employer". These employers are registered on the Glasgow Living Wage website and able to display the Glasgow Living Wage Logo on all of their marketing materials. There are currently 167 private and public sector employers within Glasgow city who pay the Living Wage to a current total of 50,000 staff. Glasgow City Council and the Scottish Government have also asserted that private and third sector contractors employed by national and local government should be encouraged to pay the Living Wage. The argument being that companies benefitting from public money should demonstrate that they are investing something back into their communities. Hence it is argued that procurement policy should be used to raise standards of pay both at national and local level in Scotland. Increasingly across the European Union, Community Benefit Clauses (CBCs) are incorporated into public procurement contracts in order to ensure a wider social impact beyond the narrow focus of a given public contract. Importantly, under proposals for the EU's Social Business Initiative, public procurement procedures will be revised to ensure greater consideration for 'social and environmental criteria and the integration of vulnerable and disadvantaged persons' (Ellison M, National Report for Scotland, D3.2)

Box: 17

Investment in the Living Wage is regarded as central to future labour market resilience at national level in Scotland. Several local authorities have also adopted this approach. Exemplifying this, Glasgow City Council has implemented the Glasgow Living Wage based on the view that for long-term and short-term unemployed people applying for jobs. An important part of the process involves 'the better-off calculation' and money advice work with people as they approach employment. Historically, minimum-wage jobs have not made financial sense, particularly for families. Living wage jobs make much more financial sense and are more attractive. Currently, in-work benefits are predicted to reduce in the coming five years. For this reason it is argued that living-wage jobs will become "more attractive than minimum-wage jobs". The contradiction between in work support (with the aim of reducing child poverty) and continuing levels of low income is that it reduces the capacity of the state to combat child poverty. In addition it may be argued that "an excess of in-work dependence" on the state has been created. Moreover, the cost of in-work support for public expenditure means that most of the remuneration for low waged workers comes from the state rather than private employers that are responsible for paying them. (The Scottish Government, 2013) In addition it is argued by the Scottish Government that the living wage would lead to an increase in disposable income and greater spending power thereby stimulating consumer demand within the Scottish economy. Several local authorities in Scotland have also argued that the living wage has the potential to benefit the economy within their area. For example, South Lanarkshire Council has argued that employees who earn the living wage tend to spend money locally and the money goes back into local businesses. In addition North Ayrshire Council noted that people who lived in the area also spent in the area and that the living wage therefore had a 'circuitous benefit' to the local economy. A number local authorities have implemented the living wage in Scotland to bolster local economic and labour market resilience. This is closely aligned to the implementation of the living wage at national level in Scotland. The Scottish Government pays the living wage to all employees directly employed by the government and to all NHS workers whilst also encouraging private sector employers to pay the living wage particularly those who are engaged in contracts with the Scottish Government. (Ellison, M, National Report for Scotland, D3.1)

Using a contrasting economic rationale to justify the introduction of the introduction of a UK wide statutory National Living Wage (for all employees aged 25 years and over) in the UK in April 2016 the UK Government has argued that the labour market resilience is bolstered by a 'lower welfare and lower tax society'(Box 18)

Box: 18 The National Living Wage; UK Government, April 2016

The Living Wage bolsters labour market resilience by moving from a low wage, high tax, and high welfare society to a higher wage, lower tax, and lower welfare society. With record employment, the highest GDP growth in the G7, over 2 million jobs created since 2010, and 1.1 million more forecast by the Office for Budget Responsibility (OBR), the government believes that now is the right time to take action to ensure low wage workers can take a greater share of the gains from growth. The new national living wage is an essential part of this. It ensures that work pays, and reduces reliance on the state topping up wages through the benefits system.

UK Government: Policy paper: National living wage (NLW). HMSO, April 2016.
Updated 1 April 2016: https://www.gov.uk/government/publications/national-living-wage-nlw/national-living-wage-nlw

	Minimum Wage 21-24	Minimum Wage 25+ ('national living wage')	Living Wage
	£6.70	£7.20 from April 2016	£8.25 across the UK and £9.40 in London
Is it the law?	Law	Law	Voluntary
What age group is covered?	21 and older	25 and older	18 and older
How is it set?	Negotiated settlement based on recommendations from businesses and trade unions	A % of median income, currently at 55% it aims to reach 60% of median income by 2020	Calculation made according to the cost of living, based on a basket of household goods and services
Is there a London Weighting?	No London Weighting	No London Weighting	Yes - there is a separate higher rate for London

The Introduction of the Minimum Wage in Germany

As previously evidenced in this report, from a purely quantitative perspective the German labour market may be regarded as being highly resilient. However as Jensen and Knuth observe in the National Report for Germany (D2.1)

Thus the main rationale for introducing The Minimum Wage in Germany was based on the observation that,

Box 19

'the collective bargaining system was no longer able to prevent workers and employees from an ongoing downward wage flexibility resulting in a growing proportion of low wage earners as well as extremely low (standard) wages in some sectors of the German economy' (Jensen, A and Knuth M (D4.2) National Report for Germany)...... Even in the worst economic crisis since 1929 employment participation rose, the inactivity rate declined and employment moved up only marginally. However, as box also indicates rising employment rate/a shrinking unemployment rate is not synonymous with an increase in decent employment in terms of sufficient wages and/or a fair length of the weekly working time to realise a sufficient monthly income. As has also been evidenced Until January 2015, Germany was among the minority of European countries without a general statutory minimum wage. Traditionally, Germany had relied on wage regulation through collective bargaining by the social partners whose capacity is anchored in the constitution and whose interactions and proceedings are framed in law. As long as collective bargaining coverage was high and mechanisms for erga omnes-extensions of bargaining results to minority outsiders still functioning, the absence of a legal minimum wage can be seen as an expression of the strength of a co-operative and coordinated social model. However, with the later weakening of collective bargaining coverage, rejection of minimum wage regulation became a neo-liberal project favouring unregulated and increasingly dispersed wages. Because of this ambiguity, trade unions had to go quite a long way to come out in favour of minimum wage setting by the state. Against the background of this legacy it may be understood why the new legislation frames minimum wage setting as a 'strengthening of collective bargaining' and in effect puts the top level umbrella organisations of the social partners in the position of determining future adjustments of the minimum wage. (Jansen, A and Knuth, M (2015) National Report for Germany (D4.2)

The social dialogue preceding the establishment of the General Minimum Wage in Germany was stimulated by two key trade unions 'verdi' and NGG. These unions cover a major section of the employees earning low wages in Germany. Importantly these debates led to the establishment of a joint working group in 2005 involving representatives from the German Trade union Confederation (DGB) sectoral trade unions and the Social Democratic Party with the aim of establishing a 'concrete political concept regarding the design and implementation of a General Minimum Wage. As Jansen and Knuth argue, a key driver for this process was the 'weakening of collective bargaining coverage, rejection of minimum wage regulation became a neo-liberal project favouring unregulated and increasingly dispersed wages'(Jansen and Knuth, Box 20) . This recognition preceded the Financial Crises of 2008 and involved a great deal of protracted debate within the trade union movement itself. Thus whilst there was an attempt to introduce the general minimum wage in 2007 by the former Minister of Labour and Social Affairs the law was not introduced at this time due to political opposition from the Christian Democratic Union who argued that the General Minimum wage was potentially harmful to the autonomous bargaining power of all sectors of the economy. However the over-riding concern to mitigate the potentially damaging impact of increasingly unregulated and dispersed wages on labour market and broader economic resilience in Germany led to the implementation of the General Minimum Wage in 2015.

Box: 20

the late introduction of a statutory minimum wage went in quite unspectacular ways. This was possible because it is based on a consensus between the Social Democratic Party, the 'Labour Wing' of the Christian Democratic Party and the Trade Unions, while the parliamentary opposition is in favour of the project anyway and the Liberal Party, the chief opponent, lost parliamentary representation at federal level. By framing the new institutional arrangement as a 'strengthening of collective bargaining' and by giving the social partners a fully inclusive role. However, at the official level, the customs authorities in Germany are responsible for the compliance and enforcement of the minimum wage regulation. employers' organisations also play a prominent role in defining future adjustments of the minimum wage level, the appearance of path conformity is maintained.

Immediate ramifications in the sense that workers would experience a sudden pay rise because of the new legislation will be quite limited. Rather, there have been adjustments of entry wages already in the forerun, there will be gradual adjustments in the introduction period until 2017, exemptions from the minimum wage will be used, and there will be illegal circumventions. (Jansen and Knuth, National Report for Germany D4.2)

Policy Pathways and Youth Transitions

Context

Fragmented Transitions between Education and Employment in INSPIRES Countries

A central constraint in successful transitions for young people are inadequacies in the quality of employment available to young people in European labour markets. For more vulnerable young people insecure and limited transition pathways between education and work are demonstrated as being fragmented also by the social configuration of disability, ethnicity and disadvantage (UK, D2.1 and D3.1; Greece, D2.1 and D3.1 and 4.2; Spain, D2.1 and D3.1 and 4.2; Italy D2.1 and D3.1 and 4.2; Scotland, D3.1, D4.2 and D3.2, Synthetic Report).Results from Work Package 2 across all eight countries suggest that the transition pathways for the most vulnerable young people are often the most linear as situational constraints lead them to move directly from school into non-standard, part-time and temporary employment.(Comparative Report, D2.2) Evidence from several INSPIRES countries also suggests that short transitions between education and employment do not necessarily indicate positive transitions. This evidence has significant implications for policy innovations which adopt a work first rather than a skills first approach.

Box: 21

Special attention was paid already during the pre-crisis period to the high percentage of NEET (not in education, employed or in training) for different reasons. On the one hand, all national reports remarked the relation between the educational level and the vulnerability stating that within the same age group those who have higher educational levels recorded better unemployment figures. In this sense, low-skilled young people can have less labour prospects than those with higher skills. On the other hand, the risk of poverty increases since one of the main problems young people have to face when they wish to enter the labour market is finding the first job as they are not attractive to employers because of the lack of experience and low-skilled people are more likely to never get this first job because they cannot proof any skills either**. (Valía-Cotanda, E; Martínez-Molina, S.; Monsonís-Payá, I; Durá, E.;Ródenas, F.; Garcés, J, 2014, D2.2; page 23)**

The influence of education systems, curriculums and processes for transitions between education and employment was also noted as a key factor in a number of INSPIRES countries (D2.1 Report Belgium, Scotland, UK, Italy)

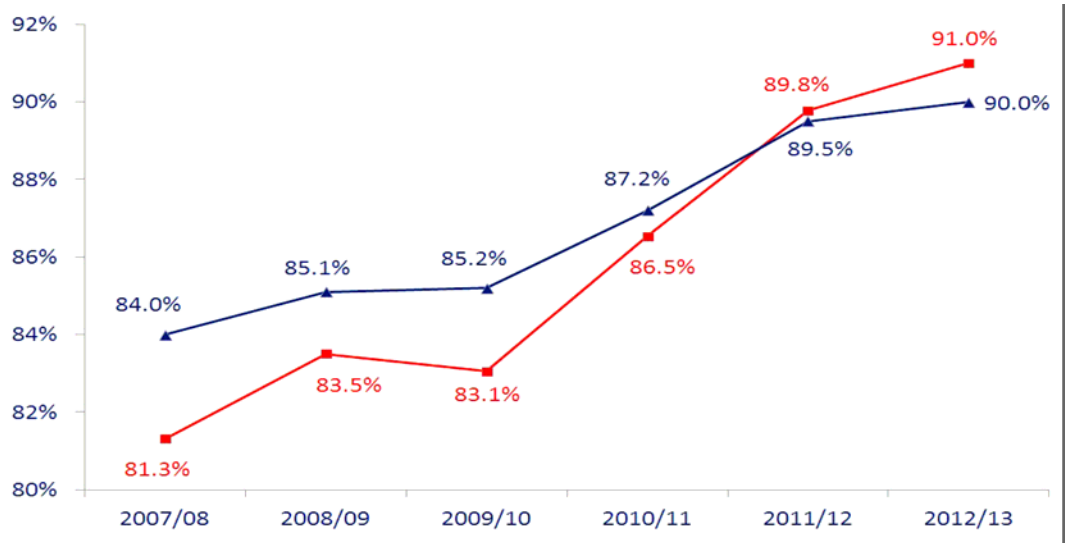
Box 22

As the **low educated** youth are regarded the most vulnerable, all the interviewees stress that it is very important to reduce **early school leaving**. In addition, the **mismatch between education and the labour market** is often mentioned. The OECD (2007) confirms that the transition from school to work can be quite abrupt in Belgium and that coordinating policies to secure a smoother transition is difficult because of the division of competences between the Federal, regional and community level. Cockx (2013) mentions the strict separation between school and work, the vertically segmented schooling system with high retention rates and too early tracking as causal factors for the high youth employment rates. (Struyven, L. & Pollet, I (2014) (D2.1), Belgium; p. 30)

The Impact of Inclusive forms of Policy Making on Youth Transitions

Inclusive, collaborative and de-centralised forms policy making directed at positive transitions between education and employment were explicitly identified as being crucial to positive transitions between education and employment in the majority of INSPIRES Countries. Drawing upon key findings relating to contributing and constraining factors for youth transitions within INSPIRES countries, five key dimensions of analysis emerge. Firstly, there is clear evidence of the impact of socio-economic conditions on the sustainability of innovations designed to facilitate resilience and inclusion. Secondly, innovations focusing upon successful transitions of young people between education and employment address a thread of empirical evidence running through WP2,3,and 4. The fragmented experiences of more vulnerable young people particularly young people with disabilities and those from ethnic groups is demonstrated to a greater or lesser extent across all of the INSPIRES countries. Here the need for more coherent, tailored, relevant and integrated innovations is closely related to the complexity of youth transitions between education and employment. In particular, the social configuration of disadvantage, disability and ethnicity is evidenced in different ways across all INSPIRES countries. Policy regimes which have taken account of this complexity have demonstrate policy integration and coherence at local level. Importantly, partnerships between educational institutions, government agencies, public sector services and employers have been found to be instrumental in successful pathways for innovations relating to youth transitions (Scotland D3.2 and D4.2;) Here the process of governance and social dialogue has been found to be critical. lustrating this, Scotland, funding limitations led to a bottom up process of collaboration between employers, local authorities, public services and representatives of vulnerable groups. The Edinburgh Guarantee in Scotland exemplifies a locally developed innovation funded largely by The European Structural Fund as a pro-active response to levels of youth unemployment and poor youth transitions in the city. The Edinburgh Guarantee was initiated in 2007/8. Since 2011 93.1% of school leavers entering a positive destination when leaving secondary education. (Figure 5) This represents a 10% increase compared to 2011 2342 jobs, apprenticeships or training opportunities have been generated. 400 employers are involved in the Edinburgh Guarantee Partnership.

Figure 5: The Performance of The Edinburgh Guarantee.



Conclusion: Promoting the Resilience of European Labour Markets: Policy Pathways, Policy Innovations and the Resilience and Inclusion of Vulnerable Groups within Distinct European Settings: Lessons for Policy Making, Best Practice and Policy Learning:

The analysis of empirical evidence in INSPIRES countries has revealed patterns of policy making and policy process within distinct labour market settings. Most crucially, in terms of factors which contribute to and constrain resilience, innovation and policies within and between labour markets across Europe two significant characteristics emerge.

Firstly, the architecture and process of Negotiation within the design, delivery and implementation of innovations and broader labour and social policies can be evidence as having an impact on labour market outcomes for vulnerable groups. For example, the analysis of The Impact of Labour Market Structures, Regulations and Institutional Capacities on Quantitative and Qualitative Indicators of Labour Market Resilience and Inclusion in INSPIRES Countries has revealed the significance of Collective Bargaining as a factor has enhanced or constrained the functioning of the labor market in INSPIRES countries since 2000) Here evidence from the IMF, 2015 OECD, 2012 and ILO, 2015 underpins INSPIRES findings . Secondly, This paper has evidence the the value of multi-component and coordinated employment policies which are relevant to local labour market conditions and socio-economic contexts mediated through social dialogue and negotiation involving key stakeholders (local policy makers, local businesses, trade unions, representatives of vulnerable groups, local educational institutions and public sector professionals).

The systematic backward mapping of evidence from National Experts within the INSPIRES project has also revealed the value of multi-component and coordinated employment policies which are relevant to local labour market conditions and socio-economic contexts mediated through social dialogue and negotiation involving key stakeholders (local policy makers, local businesses, trade unions, representatives of vulnerable groups, local educational institutions and public sector professionals). Policy lessons garnered from the INSPIRES project evidence the potential value of closer alignment between the principles underpinning The European employment strategy (EES) with its central objective to create ‘more and better jobs’ (EU, 1997 and 2015) and National Employment Policies modified to national labour market conditions and socio-economic contexts. In particular the value of coordinated and sustained innovations particularly those involving partnerships between a broad range of stakeholders (employers, local policy makers, trade unions, representatives of vulnerable groups and educational institutions) is revealed by the research. Most of the innovations found to have a positive contribution to labour market outcomes for vulnerable groups have been evidenced as being designed and developed in partnership with social partners. This indicates the critical importance of negotiation, social dialogue and collaborative forms of governance in the development of local, national and European employment policies.

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Appendix One:

Diagram 2: Model for understanding the Contributing and Constraining Factors for Labour Market Resilience, Innovation and Policy in Europe.