

NEW TRENDS AND NEW PERSPECTIVES IN EUROPEAN UNION LABOUR MARKET POLICIES: PRE-EES AND EES ERAS

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ÖZET

Küreselleşme ile birlikte ortaya çıkan yeni trendler başta AB ülkeleri olmak üzere birçok ülkenin endüstri ilişkileri ve işgücü piyasalarının yapısal özelliklerini etkilemiştir. AB ülkelerinin klasik sosyal piyasa ekonomisi anlayışının bu yeni trendleri karşılamadaki yetersizliği nedeniyle, AB ülkeleri "Avrupa İstihdam Stratejisi" (AİS) adıyla yeni bir stratejik açılım geliştirmişlerdir. Bu parametreler ışığında, bu makalenin amacı AB ülkelerinin işgücü piyasası stratejilerini AİS öncesi ve AİS dönemi olarak analiz ederek AB işgücü piyasalarında yaşanan dönüşümü ortaya koymaktır. AİS öncesi, AB ülkelerindeki geleneksel işgücü piyasası anlayışını yansıtan bir süreç olarak ele alınmakta, AİS dönemi ise bir reform süreci olarak değerlendirilmektedir. Çalışma kapsamında AB ülkelerinin sosyal piyasa ekonomisi anlayışlarını sözkonusu yeni trendlerin ortaya çıkardığı konjonktürün gereklerine göre yapılandırma çabası içine girdiği sonucuna varılmaktadır.

ABSTRACT

Recent developments in industrial relations and labor markets across the globe have transformed structural characteristics of all of the

countries, especially of EU countries. As a response to the fact that classical social market economy mentality in EU is unable to counteract these transformative developments, EU has tried to revolutionize a new policy called "European Employment Strategy". Given these parameters, the aim of this paper is to analyze the EU countries' labor market strategies within Pre-EES and EES eras. While doing this, Pre-EES era is taken as an era which reflects the traditional structures in EU and EES as a reform endeavour. It's concluded that the recent trends with the advent of globalization have overwhelmed the social market economy of EU countries and compelled them to internalize the requirements of them by means of EES.

Introduction

Globalization is defined as the transformations which have turned out in the economy with the intensification of the trade of goods and services and a change process which has come out with the increase of the international financial transactions. (Bamber, Lansbury and Wailes, 2004: 2). In this context, it stems from three factors (i) cheaper, faster and more reliable communication technologies and international transportation (ii) government policies supportive of the liberalization of the trade and international capital (iii) the strategies generated by the international companies in direct or indirect ways to reach the competitive advantage, investing in different areas of the world, spreading their activities over the low-cost areas and increasing their manufacturing in these areas with a cost-effectiveness perspective.

All of the countries has been suitably or adversely affected by these new parameters. EU countries ,which have a social market economy structure for a long time, also are facing new challenges derived from the intersection of these new parameters and those adopted by the member states from the 1960s to the mid-1990s (Glyn, 2003). Recently it has been speculated whether the EU countries can keep on their labor market policies put into practice before the overwhelming effects of the so-called parameters broke out or deregulate (liberalize) their ex-policies. Another foresight is that EU should harness the pros and cons of the globalization with a view that it's a mixed blessing phenomenon for EU, thereby taking a new stance

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between social market economy and decentralization in a dualist framework (Western, 1999: 6-10). At this point, it's claimed that European Employment Strategy (EES) stands for a transformation or transition struggle performed by EU countries to keep up with the new labor market agenda. To grasp the main components of this phenomenon, it should be inquired into the labor market policies (LMPs) adopted in EU throughout Pre- and EES eras and captured what kind of policy changes have been on the agenda for LMPs of European Union.

For this aim, initially the macro and micro aspects of LMPs will be inquired into from the perspective of the globalization. Then, a transformation analysis will be made. In this framework, the Pre-EES era is to be analyzed to examine especially the characteristics of macro and micro perspectives of their LMP approaches to extract a background for comparing the new tendencies with the EES. Accordingly the study will concentrate on the specific parameters effective upon the LMPs of EU countries. After deducing policies for a stable and sustainable labor market structure, the development and remarkable components of EES are to be investigated to prove whether there are any transformation and transition trends in LMPs of EU with EES.

1. Consequences of Globalization for Labor Policies

The effects of globalization will be discussed within the extent of macro and micro environments. As macro environment, the industrial relations systems is looked into, for it gains importance in its role to determine the general characteristics of the labor market policies. In this sense it should be analysed from macro perspective so as to be able to take out the main principles of the labor market policies. As micro perspective the labor markets and their specific implications are to be investigated.

1.1. Macro Environment: Industrial Relations

It's widely known that Dunlop defines the industrial relations systems as the interaction process among the political authority, workers and their organizations and employers and their organizations

(1993:281-284). It's obvious that the effectivity of these three actors is parallel with their authority they have (their ability to determine the equilibrium in the system). In this context, with globalization, it's put forward that the employers' authority has come to the fore as a necessity of the systems. Considering this phenomenon, Roomkin and Rosen put emphasis on the concept of "strategic industrial relations" proposing that the employers are the independent variable and the employees and political authorities dependents of the systems (1996: 66-82). Hence, it can be said that globalization is versus labor (standards) (<http://www.iie.com>). And Handel and Levine (2004) stress the disadvantages of the new work practices for workers dwelling on the fact that there isn't any upward trend in wages, social rights, job standards etc., conversely, there is intensification, insecurity, stress, risk, inequality and dismissal rise.

In this context, as far as the concept of strategic industrial relations is considered, four trends can be brought up. The first is that the employers have a more dominant role than that they have pre-globalization stage. Business managements are the creator of the change (proactive), despite the interaction with the trade unions or enterprise councils. Because they are face to face with the effects of globalization at first hand. The second is the fact that, with the advent of the decentralization of the industries, there are a more flexible organizational model and lean production systems instead of fordist one. Third is that, instead of collective contracts, a performance-based wage and benefits system is being applied. And the fourth is that the unions are the reactive rather than being proactive and loss their members and effectiveness.

Considering the changes cited above, Bamber, Lansbury and Wailes bring up three distinct theoretical considerations concerning employment (labour) relations (2004: 1). The first of them is the simple globalization approach, which argues that economic changes associated with globalization are likely to produce pressures for convergence of national employment-relations. Second is an institutionalist approach, predicts continued diversity and divergence in national employment relations system because of the role that different national-level institutions play in mediating common economic pressures resulting from globalization. Third is the integration approach that interaction

between economic factors, national and institutional-level arrangements, along with the strategic decisions made by employers, state officials and unions all help to shape employment relations outcomes.

Given these theoretical speculations, It's suggested that there is a convergence process at macro (international) level but divergence at micro (local) level owing to the mosaical structures (Williamson, 1998: 52-53). For example, although there is a similar pressure stemming from the competitive advantage which brings downs the wages by putting pressure on the labor-costs on UK and Sweden, UK hardly compensates for the social cost of the result of this pressure due to its liberal pluralist socio-economic perspective, in spite of the promising developments lately derived from the pressures being made by European Union Directives, Sweden endeavours to make up for it by incomes policy owing to having a social market mentality. Similiarly, whereas both of them are under the same challanges, the union density is 82 % in Sweden, approximately three fold of that, 29 %, in UK (Selamoğlu, 2004a: 45). Doubtless to say, these micro viarities stem from the socio-economic distinctiveness of these countries.

But as far as the EU context is considered from the point of view of the convergence phenomenon in industrial relations, the emphasis is put on the fact that the greater the degree of divergence the less successful the community synchronisation initiatives will be (Teague, 1992:30-31; Bertola, 2004: 18). Taking account of this fact, Büchs calls the *policy* integration in labour markets as "positive integration" while calling the *articulation* integration as "negative integration" (2004: 1-2).

1.2. Micro Perspective: Labor Markets

Employment conditions have been going through significant transformations with the "new economy", which has broken out with the process of globalization. The major characteristics of the new economy related to the labour are highly fast developments in information technologies, computerization of work life and automation in production, and mounting demand for skilled labour force in a lean production system (Brown and Campbell, 2002: 22-25). While the skilled labour are in a more demanded and high-wage position, conversely, the

unskilled one are facing decreasing standards in working conditions and labour demand.

Specifically, one of the greatest challanges facing the labor markets in OECD nations, especially EU members, is the deregulation by the effect of deregulation of industries. Faced with stagnating employment growth, high employment rates, and very expensive social safety nets that are paid for by taxes on employment, the EU has begun exploring how greater flexibility can be introduced into its member's labor markets (Serim, 2003: 272-273). In this sense, the debate has juxtaposed the traditional, highly regulated labor market policies like German model with flexible ones like UK model.

Of the factors taking part in the formation of a flexible employment model, the change in the sectoral distribution of the production is a foremost one. As the industry sector loses its importance, service sector gains importance and thus the flexible work arrangements overwhelm. Further, shrinking labour demand contributes the deterioration of the employment models, especially indefinite-time ones, and appearance of flexible ones. What the significance of this parameter for labor market policies is that it brings on an unfair advantage in favor of those firms which employ workers which don't have employment security. At macro level, the countries which don't apply a social market economy take advantage of the high-cost structure of those applying it like EU. Consequently, this situation compels the latter to take measures to adapt to this situation.

Within the framework of skilled or unskilled workers, globalization has contributed to dramatic changes in organizational structures as well as the human resources and workplace policies of firms (Akan, 2004: 139-142). Large firms have tended to shed the internal labour market model in favour of a "core-periphery" model. In this model, the firm retains a "core" workforce of full-time employees who tend to receive training, have opportunities for advancement, and who are expected to remain with the firm. This core workforce is then supplemented with workers who are typically hired either on a short-term basis or part-time. These non-standard workers on the "periphery" tend to have a higher turnover, few opportunities for obtaining full-time employment, training or advancement, and therefore have low commitment to the company (Chaykowski and Gunderson, 2001: 38).

Subcontracting is also more prominent, with the firm doing the subcontracting being one or more steps removed from the labour producing the subcontracted work. Thus the emphasis on “just-in-time” delivery in the product market has been translated into a demand for a “just-in-time workforce”, especially in the form of non-standard employment such as part-time work, limited term contracts, temporary help agencies, and self-employment (Jackson and Robinson, 2000). On the other side, another change that technology-driven production style brings on the employment is the productivity increases. (Green and McIntosh, 2001: 296). It’s a widely shared thesis that the productivity increases in terms of both technology and labor factors at the workplace reduce the employment opportunity in the short-run but increases it in the long-term.

In an economy in which a desperate competition is facing all of the businesses throughout the world, they ought to be inventive and open to the change (Berthold and Fehn, 2001: 3-5; Liemt, 2000: 240) And when regarded on the human resource basis, the new economy sparkes off a dynamic employment relationship. What constitutes the basis of this phenomenon is the cyclical fluctuations in the labour demand and supply. Not only does the dynamism derived from the process of globalization require the business ,within the micro extent of the labor markets, but also the governments , that of the macro perspective, to adapt labor policies compatible with the competitive world markets. What comes to the fore at this point is that the obligation of the joint policy environment to be constituted by a tripartite structure including governments, worker and employer organizations The necessity of creating such kind of institutional arrangement stems from the fact that a nation can be successful in labor policies only when creating a collaborative structure and employing its human resources as highly productively as possible, which is called “social dialogue” (Keller and Bansbach, 2001: 431-432). Moreover, seeing that the competitive policies tend to be regional-driven with the mounting process of regionalization, tripartitate solutions ought to be generated by supranational instutitions so as to augment the productivity of the employment efficiency across the related region.

Within the extent of the social dialogue concept, the tendency of the state will determine the balance of the interactions among the parts

of a contingent tripartite model. It’s accentuated that there are mainly three kinds of state action towards taking part in labor markets (Waarden, 1994: 110-111). The first is the liberal pluralism which is a passive state upholding the principle of non-intervention. State regulation of labor relations in this model is confined to creating a (modest) legal framework within which private individuals and businesses can conclude agreements. The classic example in Europe is the United Kingdom. The second is corporatism which involves active state interference. Under this model, the state has an organizer role and regulates labor market policies in consultation with the social partners. This implies active support for their organizations and their mutual interests. This archetype is represented by Netherlands and Sweden. Third one is the statism in which the government is active and directly interferes in employment and working conditions. The country which best fits this description is France (Bellace, 1996: 20-33). These three models and their policy tools are to be discussed ahead from the perspective of their effectiveness in labor market policies and then the effects and organizational role of the European model on labor market policies is going to be inquired into as a supranational socioeconomic entity in Pre- and EES eras.

Over the recent years , from the labor policies point of view, supranational institutions such as EU, NAFTA, the General Agreement on Tariffs and Trade (GATT), and GATT’s successor, World Trade Organization (WTO) have considerably gained ground and had remarkable impacts on national labor markets (Reed, Beaumont and Pugh, 1996:252-255). First, these kind of supranational and trading blocks have reduced cross-border tariffs and structural trade barriers and exposed unionized firms and workers to greater market competition, thereby making unions less able to extract economic rents from firms. Second the harmonization of industrial relations policies within the EU brings the upper-national policies effective on the matters* on which the unions have a direct impact on the national basis into the fore, thereby deteriorating the power composition of the unions due to the fact that there is not any motivated and powerful union organization

* Although the general view that the labor mobility is limited is true, the effect of the global, regional or supranational institutions’ arrangements on the national counterparts materializes by spillover effects.

to be influential across the region (Suzuki, 2001: 10) **. Third, despite harmonization trends, increased labor market competition within trading blocs may lead to ethnic and racial tensions at labor markets. Above all “increased heterogeneity” within work groups may make union organizing more difficult to accomplish and union solidarity more difficult to maintain.

On the other hand, the globalization of corporate operations is characterized by the greater prominence of multinationals. Different corporate functions are located in different countries; finance, strategy and research and development are often found in head offices; production facilities are located throughout the world; and distribution and warehousing facilities are located in customer markets worldwide. The associated globalization of work and workforces has several features: the out-sourcing of work that was once performed by employees within the company is now more common, as is offshore production of products that are consumed domestically; labor mobility is also greater, especially for the highly educated and skilled (in particular, professional, technical and managerial labor) thus raising the spectre of the “brain drain”. Last but not least American and Japanese multinationals employ more than % 10 percent of EU employees. And they are the most visible representative of the global labor market transformation on EU forcing especially the corporatist countries to make their labor policies decentralize and apply flexible work systems and human resources practices. Besides, they stand for the capital and technological mobility, which are the most mobile production factors. (Muller *et al.*, 2001: 436).

** It's accentuated that there aren't comprehensive convergency policies among the union organizations in Europe related to the labour markets, as a consequence, a European-level system of employee interest representation seems inconceivable due to the fact that the institutions of national systems of industrial relations are highly resistant to the forces which affect national systems of industrial relations and which might lead to their structural convergence (Selamoğlu, 2004b: 213-214).

In the meantime, transformations that have originated in the structure of the industry and production prompt the factor markets to drift in the newly-established markets. As far as the labour markets are concerned, it's concluded that the transformations having been occurring in the international markets since 1973 have resulted from the factors like technological change rather than labour (Niebuhr and Stiller, 2004: 18). The mobility of the labour stays limited on account of various grounds though that of factors except it is provided readily thanks to the developing communication and transportation technologies. The parameters such as time inconsistency of the workers' getting informed of the job opportunities, the requirement of retraining for taking up a job in another workplace in the same or different industry, cultural distinctions and those related with the migration cause the labour mobility to be confined to the local borders (Krueger, 2000: 124). But it should be noted that the mobility of the labour, especially in the sense of skilled one, is more conspicuous than pre-globalization era.

Consequently, the impact of the trade and capital liberalization on the labour mobility is limited compared to the others. But this limitedness comes to the fore in mobility. As for the matters like wage and working conditions, unemployment, social inequilibrium, those precisely impinge on it profoundly. In this framework, Gitterman dwells on the concept of “social devaluation” in the developing countries with the process of globalization. It puts forward that those apply social devaluation for both taking advantage of the international companies' investments and maintaining their competitive advantage. Therefore, the labor policy of them focuses on the cost dimension of the labour, put another way, low wages and poor working conditions (2003: 103). This perspective can be referred to the developed countries such as EU ones in the way that they aren't able to put the social market policies into practice compared to the pre-globalization era and make concessions from their policies.

2. EU Countries: A General Assessment

The effect of globalization process on EU labor market policies has been profound. With the transformative effect of the globalization, the labor market policies of EU have been going through significant

changes. These changes become concrete in EES. In this paper, to deduce the changes having been brought about by globalization on EU labor market policies, first Pre-EES era is analyzed. Subsequently the new trends coming with EES are to be investigated. It should initially be noted that Pre-EES and EES era distinction doesn't mean a date separation. While Pre-EES era represents the classical model of the EU labor market policy, EES era covers all the transformation endeavours. The reason for such kind of conceptualization is that labor market policy is a structural phenomenon, at least for EU. And it can't be analyzed from the date variable point of view but transformation or transition one. In this sense, after analyzing the ingrained or classical characteristics of EU without observing any time limit, we are to go into the transformation endeavours with EES.

Nowadays, in the framework of the comparative labor market studies, the labor market performance of EU countries is being handled as compared to that of US. And the belief that US's performance has been quite better than that of EU is widely shared. But, in the meantime, it should be recalled that EU, back in 1965, the rate of unemployment as low as 0.3 % in Germany, and didn't go above 3 % in France, the UK and Spain in EU, just Italy had a higher unemployment rate than US (Daveri, 2000: 3). In this sense, what gains importance today is to inquire into the causes of the unemployment in Europe with its past and present performance considering US's making its employment rate better and extract policy implications.

On the assessment of the labour policies across EU, lots of desperate challenges are encountered due to the mosaical structure of the member countries. Additionally, it's discussable whether it's true to broke down the labor policy strategies into Pre-EES and EES areas. But to make a comparative assessment, they are to be categorized to evaluate the past and present. In this sense they will be examined in terms of two eras: Pre-EES (European Employment Strategy) and EES.

3. Pre-EES Era

European countries went through the highest unemployment rates in the years following the oil crisis. And owing to the fact that the unions were able to manipulate the system, the system was founded on the interest conflict. But as noted above there are remarkable differences among some countries in the meaning of consensus structures owing to

the distinction of social background and industrial relations system. In this context, EU countries may be divided into two groups. The first is those which have a coordination and consensus base in the determination of the labour market policies (especially Central European Countries). The second is that the countries in which the parts have power enough to manipulate the system but there isn't a feedback mechanism to make up for the social costs or imbalances of the unilateral activities but are low coordination and high conflict parameters (Italy, France and Southern European Countries) (Dell Aringa and Lodovici, 1994:398). Employment relations are scattered (not central) and have an instable course, and the unions are close to the coordinational organizations to be constituted on a central basis on account of their ideological and political considerations.

In this era, in general, the labour policies are based on maintaining the income security of the unemployed (passive labour market policies). The main components of these policies are unemployment insurance, unemployment benefits, guaranteed minimum wage and social welfare benefits etc. And these benefits besides being relatively high, have a long-term perspective. Furthermore, in most of the cases, there is no control mechanism on the feedback and effectiveness of these policies. In the countries in which they weren't so high, along with a highly protective employment policy, other income benefits were applied as a passive policy parameter (like "Income Integration Fund-Integrazione Guadagni" in Italy). Hence, passive labour market policies make up a relatively high proportion of the labour market expenditures in GDP (Liemt, 2000 :242) And it should be inquired into the fact that why these so high passive expenditures didn't get effective enough to relieve the structural pressures of unemployment. This inquiry will be made within the extent of new policy searches in EU ahead.

3.1. Parameters Effective Upon the Labor Market Policies in EU

As in all the economies, there are lots of parameters effective upon the labour markets in EU. But these parameters can be generally broken into two parts. Those in the first group are macro economic variables; tax wedges and growth rates on labour market axis. The second group variables are composed of the structural components of the labour market. These are made up of active and passive labour market policies and flexible work arrangements

(http://europe.eu.int/comm/employment_social/employment_analyses/eie/eie2004_chap3_en.pdf).

3.1.1. Growth and Tax Wedges

Related to growth rates and employment relationship is concerned, it's pointed out that the countries with high growth rates have high employment rates (Hoon and Phelps, 1997: 556; Karanassou *et al.*, 2003: 33). But when these parameters are taken into account for Europe, it's emphasised that the employment threshold is too high compared to USA. Within this extent, it's put forward that the main reason for this is that the productivity rates are so high and the jobs created are often qualified ones, or according to another perspective, that the unemployment is a long-term, that's to say, structural phenomenon in Europe. Put it in another way, even though low qualified jobs are demanded in spite of social rights due to not having a social market policy in USA, conversely in Europe, both owing to the understanding of social market and the replacement effect of the passive policy-oriented labour market policies, the unemployed prefer to be out of the labour force and this prompts the employment threshold to stay at peak points (Muet, 2000: 5).

As far as the growth rate is considered within the extent of private sector (employment created out of public sector), it's inferred that nongovernment employment in the United States increased by 70 percent between 1970 and 1998, while the increase was below 5 percent in the euro area over the same period (IMF, 1999: 88). If the difference between these two rates is regarded, the adverse effects of an unbalanced social market policy as applied in EU countries, especially in the countries where the social dialogue is too weak. It's possible to clarify this difference with the qualification of the jobs created in EU to some extent. But it's clear the fact that the employment threshold in private sector is so high is stemming from the structural characteristics of the labor market policies. Given the 2004 rates are regarded, the employment threshold is around 35 % in EU and 25 % in USA (http://europe.eu.int/comm/employment_social/employment_analyses/eie/eie2004_chap2_en.pdf).

Table 1. Overall Tax Wedges, 1994

(Percent of average production-worker earnings)

Country	Overall Tax Wedge	Income Tax ¹	Payroll Tax ²	Consumption Tax
Euro Area				
Austria	...	16	19	...
Belgium	61	19	26	16
Finland	55	36	4	15
France	59	15	26	18
Germany	59	23	16	20
Ireland	55	21	11	23
Italy	57	16	32	9
Netherlands	55	35	7	13
Portugal	47	12	20	15
Spain	47	10	24	13
Average	55,0 ³	20,3	18,5	15,8 ³
Other EU				
Denmark	63	37	0	26
Greece	...	13	22	...
Sweden	60	24	23	13
United Kingdom	44	22	9	13
Memorandum				
Norway	58	21	11	26
Switzerland	...	15	9	...
United States	35	18	7	10

Source: OECD, The OECD Jobs Strategy-Making Work Pay (Paris, 1997). Table 25; and OECD, Implementing the OECD Jobs Strategy-Member Countries' Experience (Paris, 1997), Table 12.

Bean, Nickell and Layard (1986) maintain that, in general, in the countries in which total tax wedges are high, the unemployment rates are high, too. Due to the fact that the tax wedges impinge on the employment costs directly, tax wedges will deteriorate the unemployment and shrink the labour demand. According to this view, 10 % decrease in the tax wedges increases the unemployment around 25 % and increase the labour demand 2 %. Nonetheless, Daveri (2000) suggests that other structural components should be taken into account,

¹ Including employees' social security contributions

² Employers' social security contributions

³ Excluding Austria

proposing that the relationship between labour taxes and unemployment rates aren't strictly relevant with each other. A resource made by OECD, as reflected in Table 1, promotes this view. Once analyzed, it can overtly be seen that the countries with the lowest level of unemployment don't have so low overall tax wedges on employment. For instance, Netherlands 55 %, Denmark 63 % (unemployment in these countries in turn is 4.2 and 5.1, which are the lowest levels in EU). In Netherlands and Denmark, it can be said that a consensus and balanced social market policy reduces the risk of tax wedges to increase unemployment. And though the UK with the unemployment at a rate of 6.5 % has the lowest level after USA (% 44), it has a higher unemployment rate than Netherlands and Denmark. We can conclude that tax wedges don't necessarily reduce unemployment on its own, but it should be backed with the other variables effective upon the labour markets

3.1.2. Active and Passive Labor Market Policies (ALMP-PLMP)

Active and passive labor market policies are the significant parameters owing to reflecting the policy transformation with globalization. For instance, UK and France changed over from passive policies to active policies (Dell' Aringa and Lodovici, 1994: 389). Another example is Denmark. In the resources made empirically, it's specified that the active labor market policies, on condition that they provide cost-effectiveness, decrease the unemployment (Jackman, 1990: 482). Especially in Denmark, these policies are being applied intensely and Denmark is one of the countries with the lowest level unemployment in EU (5.1 %). At the same time UK Treasury (2003) takes considerable attention to ALMPs. It says that since 1998 the New Deal for Young People (NDYP) has helped almost 415.000 job seekers aged 18-34 to take up a job and estimates that long-term unemployment would be twice as high as it currently is without this programme. This is a noteworthy aspect for EU due to having highly structural (long-term) unemployment challenge. But for example in Italy although the active expenditures in total labour market expenditures are 56.7 % ,

Table 2. Comparison of Unemployment Benefit Generosity, 1994-99

Country	Initial Net Replacement Ratio ¹	Minimum-Maximum Benefit Duration (months) ²	Summary Measure of Benefit Generosity ³
Euro Area			
Austria	5-12
Belgium	57	12- 4	59
Finland	63	24-24	59
France	70	27-54 ⁵	55
Germany	61	6-32	54
Ireland	49	15-15	37
Italy	42	6-6	19
Netherlands	69	6-54	69
Portugal	...	10-30	...
Spain	73	4-24	49
Average	60,5	11,5-30,9	50,1 ⁶
Other EU			
Denmark	70	60-60	81
Greece	...	5-12	...
Sweden	75	12-18	67
United Kingdom	36	12-12	51
Memorandum			
Norway	67	46-46	62
Switzerland	73	8,5-20	62
United States	60	6-6	16

¹ Initial benefit level divided by previous earned income, both after tax, couple without children

² Depending on various criteria (age, family status, employment record): after maximum benefit period, welfare benefits (often means-tested) will usually apply.

³ Average net replacement ratio over two income levels, three duration categories, three types of family situation: it does not take into account social assistance at the regional and local level.

⁴ Unlimited for family with dependents.

⁵ Gradual reduction every four months.

⁶ Excluding Austria and Portugal.

Source: OECD, The Jobs Study-Making Work Pay (1997), Table 7 and Figure 3; OECD, Implementing the OECD Jobs Strategy-Member Countries' Experience (Paris, 1997), Table 4.

which is the highest rate in EU, it has one of the highest unemployment rates (11.3 %). Thus, ALMPs, just as the growth and tax variables, ought to be considered with macro economic policies and micro labour market policy variables altogether.

Another striking point is that even though the PLMPs cause the unemployment to rise due to leading people to be inactive, they have important functions depending upon the variables effective upon the application of them. The variables such as the duration of the benefits, application principles are the parameters which determine the effectiveness of the system. In this sense, besides functioning as an important social policy parameter, the passive policies perform the tasks like providing the unemployed to find the correct job for themselves in which they stay for a long time (IMF, 1999: 103). The inspections as applied in Denmark, Netherlands and Sweden turn the passive policies into a job seeking phenomenon. In the meantime, it's pointed out that the unbalanced PLMPs exacerbate the fiscal pressures on account of lost tax revenue, transfer payments to the unemployed and high rates of taxation for employed persons to finance transfers to the jobless, which contribute to distorting incentives. And it is a major source of inequality, both in current income and in opportunities for human development, which in turn threatens social cohesion.

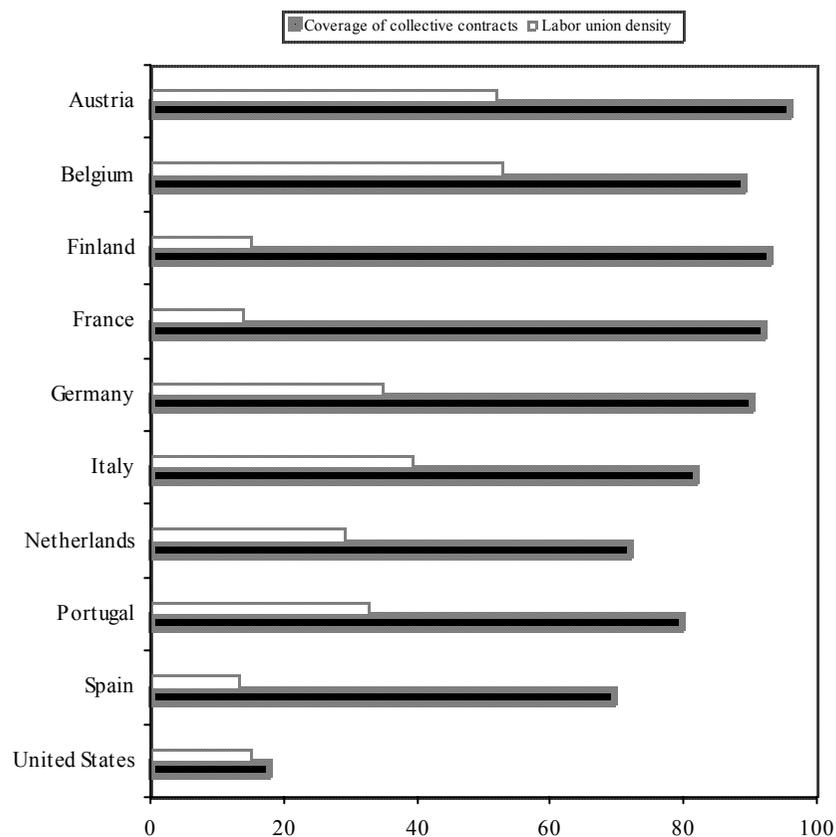
Active-Passive LMPs impinge upon the employment rates by affecting the participation rates. It's often emphasised that the "overgenerous passive labor market policies" having been applied in EU until 1990 prompted the employment rates to stay in low levels (Glyn, 2003:4-5). Table 2 shows the comparison of unemployment benefit generosity on a cross-country basis. It can readily be comprehended that EU has "an overgenerous benefit system", at a rate of % 50.1 as compared to USA, % 16. When considered with the unsupervised background of it, this level seems rather high. And it's widely believed that this kind of an overgenerous benefit system besides being uncontrolled is the foremost reason for the structural unemployment in EU.

3.2.3. Flexible Employment and The Level of Labor Market Regulations

Flexible employment models have been said to be the most important factors creating employment. It can be grasped that the countries which have enterprises concentrating on the flexible models are the ones with the highest employment rates. For example it was specified that the flexible workplaces had significantly higher increases in productivity than the traditional work organizations in the years 1990/91, 1992/93 and 1993/94 (OECD:1998). With the reference to the hypothesis that the productivity increases income of the enterprise and, subsequently, the employment. According to this, Netherlands has an employment rate of 73.5 %, Denmark 75.1 % and UK 71.8 %. Nonetheless, Nickell puts forward that whereas flexible work model is effective on employment, it's limited within the extent of the empirical analysis (1997: 60)

As an employment policy, the flexible work arrangement not only covers wage flexibility but also working time, policies related to the job security and minimum wage. If these criterion is taken into consideration, it can be said that EU countries have a relatively more rigid employment market. In the formation of the wage policies, it's known that the unions are influential. In table 3, it can obviously be seen that though the density of the unionization has been going on decreasing, the coverage of them is far more extensive than the labour force who is the member of them. In the countries like France and Spain where a compensatory social dialogue environment doesn't exist, it's clear that this situation brings about high wages and adverse effects especially on the private sector employment growth rates. But these effects are staying limited in the countries like Netherlands due to their having a sophisticated social dialogue environment (OECD,19).

Table 3. Euro Area and the United States: Labor Union Density and Coverage



Source: OECD, Employment Outlook(Paris,1994, Chart 5.7.; and 1997, Chart 3.1.).

For example it is known that the collective bargaining is made in Sweden and Finland at central level, in Netherlands at sectoral level and in USA at enterprise level. If the fact that the employment levels are high in all of these countries, it can be found that micro basis reveals some promotive results. What’s important in an influential labour market isn’t the level of the collective bargaining but the social dialogue environment which provides the elimination of the adverse effects of the bargaining for all parts. At their study made on Netherlands and UK, Nickell and Van Ours (2000) found that 2.5 % of 4.5 % fall in structural unemployment was brought about by increased wage-coordination.

As shown in Tablo 4, the aggregate index of working time regulation, regulation of time limited contracts (such as part-time, tele work), job protection legislation and minimum wage regulation in 10 EU countries is around 4.4 percent while it's utterly weak in US. It can be said in the general meaning of the word that EU countries have a more regulated labour markets than US.

Table 4. Evaluation of the Strictness of Labor Market Regulation¹

Country	Working-Time Regulation	Regulation of Time-Limited Contracts	Job Protection Legislation	Minimum Wage Regulation	Aggregate Index ²
Euro Area					
Austria	1	1	1	0	3
Belgium	0	1	1	1	3
Finland	1	1	1	1	4
France	1	1	1	2	5
Germany	1	1	1	1	4
Ireland	2	0	2	0	4
Italy	1	2	2	2	7
Netherlands	1	1	1	1	3
Portugal	1	1	1	1	4
Spain	2	1	2	2	7
Average³	1,1	0,9	1,3	1,1	4,4
Other EU					
Denmark	0	0	0	0	0
Greece	2	1	2	2	7
Sweden	1	2	1	1	5
United Kingdom	0	0	0	0	0
Memorandum					
Norway	1	2	0	0	4
Switzerland	1	1	0	0	3
United States	0	0	0	0	0

Source: OECD, Employment Outlook (Paris, 1994) Table 4.8.

1 Subjective measure, ranging from nonexistent or weak to 2 (strict).
 2 Simple sum or the preceding four columns.
 3 Simple arithmetic average.

Meanwhile, it's a significant fact from the mobility point view that EU workers' practice of mobility is rather limited compared to that in USA. Even though the latter has a large understanding of mobility in the sense of searching and applying to a job in another province in USA, in spite of the absence of any institutional rigidities, in practice, the first tend to cluster in their own countries ,in some cases in their respective cities, for work (Freeman, 2004: 6).

3.3. Policy Inferences

In 1992, the OECD launched a major research project to analyze the causes of and identify potential remedies for the poor and deteriorating labor market performance in much of the OECD area-particularly the secular rise in unemployment to postwar highs in most of western Europe since the first oil shock. The main conclusion was that the root of the problem was the failure of OECD economies and societies to adapt to quickly and innovatively to the rapid, technology-driven transformation of the world economy. As a result of an comprehensive theoretical and practical resource and derived largely from the analysis of western Europe, The OECD Jobs Strategy is a significant policy guideline for an effective labour market policy. The main components of it are as follows;

- Set macroeconomic policy such that it will both encourage growth and, in conjunction with good structural policies, make it sustainable, i.e. noninflationary.
- Enhance the creation and diffusion of technological know-how by improving frameworks for its development.
- Increase flexibility of working time (both short-term and lifetime) voluntarily sought by workers and employers.
- Nurture an entrepreneurial climate by eliminating impediments to and restrictions on the creation and expansion of enterprises.
- Make wage and labor costs more flexible by removing restrictions that prevent wages from reflecting local conditions

and individual skill levels, in particular of younger workers (UK Treasury: 2003).

- Reform employment security provisions that inhibit the expansion of employment in the private sector.
- Strengthen the emphasis on active labor market policies and reinforce their effectiveness.
- Improve labor force skills and competencies through wide-ranging changes in education and training systems
- Reform unemployment and related benefit systems and their interactions with the tax system such that societies' fundamental equity goals are achieved in ways that impinge far less on the efficient functioning of the labor markets.
- Enhance product market competition so as to reduce monopolistic tendencies and weaken insider-outsider mechanisms while also contributing to a more innovative and dynamic economy (OECD, 1994).

And also some other specific inferences can be added to this list from the discussions made above. Because the OECD's perspective towards the labor markets is quite a liberal one. And it ought to be prudently analyzed from EU point of view (Casey and Gold, 2000). Given the social market economy structures in EU, some parameters can be added to the list above (Nickell, 1997: 72-73).

a) Long-term unsupervised overgenerous unemployment benefits lead to adverse effects on the labor market due to the replacement effect. These kinds of policies which aren't backed by effective ALMPs reduce the employment rates by deteriorating the ability of the unemployed to work and qualifications and above all their motivation.

b) High unionization rates in the labour markets in which there isn't a coordinated tripartite negotiation system on a common basis; When the parts whose actions are effective upon the labour markets (governments, employer unions or trade unions) unilaterally manipulate the working conditions or labour market variables in favour of themselves without mulling over the social costs of their activities, both

a structural unemployment and low participation rates emerge and a stable employment relationship is missed (Bertola, 2004: 9-12).

c) Without being balanced with other labour market variables, high tax wedges and minimum wages limit the labour demand of the employers (especially private one) and put pressure on the employment rates.

d) Inadequate education level which prevents the labour demand and supply to be balanced, that's to say, skill inconsistencies. It brings on an ineffective labor force and decreases employment due to the productive losses which result in employment cuts.

In conclusion, the specification of an influential labour market policy is possible with a comprehensive program that covers all of the components effective upon it and last but not least with a tripartite negotiation model (Western, 1999: 5). A labour market policy composed of just active labour market policies which are not linked to the macro economic variables or flexible work arrangements won't reach success (Pichelmann and Roeger: 3). An effective labour market policy must be compatible with both its sub-variables and macro economic ones. In the meantime, it doesn't mean that there is a single model for every country. On the contrary, there can be various kinds of labour market policies for each country in view of their structural characteristics (Neibuhr and Stiller, 2004: 17; Artis, 1998: 101).

3.4. EES and New Perspectives

European labor markets were affected by a number of factors including the affects of the fall in productivity growth that started at the beginning of the 1970s (UNCTAD, 2001); the large deterioration in terms of trade, stemming from the steep oil price increases in 1973 and 1979; and the rise in real interest rates, at the beginning of the 1980s. In this context, besides these factors, for EU countries' seeking new strategic approaches for curbing unemployment, the unemployment rates which have been quadrupling since 1970s has been the most effective ones. (In 1990s EU has unemployment rates twice as high as that of USA). The Keynesian macro economic policies and Fordist production techniques applied until 1970s lost their effectiveness with the process of globalization. And also structural characteristics remained unenough to

cope with the challenges posed by the new conditions. Especially when the reasons why such a high rate in unemployment occurs in EU labor markets are analysed, it's frequently pointed out that EU's having a relatively more rigid labour markets than other developed nations is the most conspicuous one (Karanassou and Snower, 1998: 832). And other factors are listed as the overgenerous labour market policies, the coverage of collective bargaining and overprotective policies (Dell'aringa and Lodovici, 1994: 390-392; Rühmann, 2004: 2-3). On the other side, unemployment phenomenon in EU carries a structural feature (in EU long-term unemployment is much more higher than the short-time one). Furthermore, the participation rates are rather low compared to the developed nations like USA. Taking these facts into account, it should be stated that these kind of structural problems couldn't be overcome through temporary or partial labour market policies. Where structural problems are existent, there should be structural reforms.

Having a labour market structure brought up above, EU countries have been trying to reorganize their employment relationships and adapt some policies to comply with the requirements of the process of globalization. Beginning with the publication of "White Paper" in 1994 and continuing with Lisbon process, this reorganization movement is aimed at creating a dynamic and a balanced flexible labour market across EU (Liemt: 245-246). And for this aim, EU countries adapted "European Employment Strategy (EES)". EES constitutes the employment part of a number of reforms to be applied in the whole economy (Werner, 1999: 1-2). And it reflects a noteworthy policy change having been tried to be applied since the early 1990s (Marelli, 2002:1).

EES was adapted at Luxembourg summit in 1997. Commission's subsequent conventions as a response to the changes in the socio-economic structure (Cardiff, June 1998; Köln, June 1999; Lisbon, March 2000; Stockholm, October 2000; Barcelona, March 2002) provided the determination of the EES and strengthening of the ties with the other unity policies. In March 2000 Lisbon summit, EES was reviewed and the sustainable growth, quantitatively and qualitatively improvement of the employment and the social cohesion until 2000 were agreed upon. During this summit, concrete targets such as European economy's becoming the most competitive and dynamic knowledge economy,

accession to the full-employment, increase of the employment rate to 70 % and female employment rate to % 60 were set. In the Stockholm summit, two new additional targets and a new one were added to the targets. According to this, total employment rate will be increased to 67 % and female employment to 57 % by 2005 and the elderly workers' employment rate to 50 % until 2010 (http://www.europa.eu.int/comm/employment_social/employment_strategy/index_en.htm).

European Commission developed a control mechanism to oversee the application of the EES principles by the member states. In parallel with EES principles, Council, upon the recommendation of the Commission will determine the employment prerequisites each year. As a result of this policy, each member will make up a national action plan and show its consideration of the joint principles predetermined. Commission and Council will prepare a joint report by going into the national action plans and offer the new issues for the forthcoming year. Council, with the offer of Commission, may supply special recommendations to related country (Goetschy, 2000: 1-2).

As emphasised earlier, not only does the Lisbon targets consist of the labour market policies but also macro economic ones (Solbes, 2004: 107). Therefore, it's envisaged that the labor market policies will be in accordance with the macro ones and be supported by them. This perspective, along with improving the effectiveness of the labour market policies, will lay the foundations of a completable and sustainable employment policy.

The main parameters of EES were set as follows. As far as the four criterion besides ten interim ones are concerned, it can be seen that these parameters reflect the reaction of EU to the necessities of a global labor market policy and considerably divergence away from the Pre-EES eras.

3.4.1. Increasing Employability

This target covers the policies to increase the employability of the people, ability of them to find a job, retraining of the people under the threat of unemployment and facilitating their keeping their current job or taking up a new one. In the Commission 2004 Employment Report, it's emphasised that active labor market policies are based on their effect

on the skills level of the labor force. Skills and upgrading of skills serve to prepare the labour force to cope with the challenges of structural change and to prevent the unemployed from dropping out of the labour force. By reducing structural imbalances, ALMPs may also increase the adaptability of the labour force to shifts in the labour demand from unskilled to skilled category. Finally ALMPs may prevent transitory increases in unemployment from becoming structural in nature.

This policy means a transition from a passive policy-based strategy applied before 1990s to an active one. Appropriately, the proportion of the active labour market policy expenditures in total labour market expenditures was 33,7 % between 1980-84 period, it was 40.2 % between 1996-2002. As mentioned above there are views that the structural unemployment problems are stemming from an overgenerous passive policy orientation. The increase of active policies and in this sense the decrease of passive ones reflect a change in EU member states' labour market strategy.

In Table 5 which shows what is the affect of active labour market policies on EU countries, it's concluded that high (low) employment rates are associated with high (low) percentages of GDP on expenditures on active labour market policies. From this perspective, it can relatively be seen that the countries that have high ALMPs expenditures have high employment rates (It should be noted that ALMPs provide these high rates only when it's supported by consistent and complementary micro and macro policies). Naturally, there are lots of effective components on employment and unemployment rates. But generally it's true that ALMPs have a positive effect on EU countries' labour market performance. And the resource carried out on European countries shows that an increase by 1 percentage point in the intensity of spending on ALMPs is associated with an increase of the employment rate by 0.2 percentage points (http://europe.eu.int/comm/employment_social/employment_alaysis/eie/eie2004_chap2_en.pdf).

The skill content is one of the most important factors to be employable. The skill content of the EU25 working age population continued to rise. In 2003, high-skilled people made up 18.5 % of the working age population in the EU25, while low-skilled accounted for 35.6 %. And the medium-skilled is 46.7 %. The countries with the largest proportions of high-skilled in 2003 are Denmark, Finland and the

UK. And these countries have the highest employment rates in EU. When regarded with the interim target put by the commission for 2003-2006 that includes the inducement of life-long learning and development it can be said that EU's skill content improves.

Table 5. Active Labour Market Policies and Employment Rates in EU (1996-2002)

	Total Expenditures % of GDP	Active expenditure % of total labour market expenditure	Employment rate %	Unemployment rate %
Denmark	5,2	32,8	75,5	5,1
Netherlands	4,2	39,4	69,2	4,2
Sweden	3,5	53,2	69,7	8,0
United Kingdom	1,0	38,1	70,1	6,5
France	3,1	43,3	60,3	11,0
Italy	1,9	56,7	51,8	11,3
Portugal	1,6	47,3	65,7	5,6

Source: Adapted from http://europe.eu.int/comm/employment_social/employment_analysis/eie/eie2004_chap2_en.pdf.

3.4.2. Developing the Entrepreneurship

Developing the entrepreneurship, which means more and better jobs, tax wedges on the labour have a significant role. While noticeable tax wedge cuts in the countries such as UK, Netherlands and Luxembourg are seen, in Denmark, Italy and Portugal have more moderate tax wedge cuts. But in general there aren't so high tax reductions although the report says that there is a negative correlation between taxes on labour and employment rates in all Member States (http://europe.eu.int/comm/employment_social/employment_analysis/eie/eie2004_chap3_en.pdf). Tax cuts are being applied as in Netherlands in the form of tax cuts for the employers who employ the low-income employees or as in Italy in the form of tax credits in case of the employment of new entrants. Another important factor in the development of the entrepreneurship is the bureaucratic transactions. At this point, the policies such as single employment announcement or

simplification of the bureaucratic transactions for the labour market (collection of them under a single roof) gain ground (ÇSGB, 2004:10).

And it's put emphasis on the fact that in order to get closer to the Lisbon goal of becoming "the most competitive and dynamic knowledge-based economy in the world", much attention should be paid within the EU on three particular areas: improving the environment for innovation and research and development, developing a stronger information society and creating an enterprise environment that is more conducive to private sector economic activity (Blanke ad Claros, 2004: 7). This is the foremost point for EU economy from the employment point of view since the contribution of the private sector to the employment is quite limited and it can be increased under such promotive policies.

On the other side in the research carried out on the effect of the labour markets institutions on the unemployment in EU, it's shown that unemployment is positively associated with generous unemployment benefits, a high tax wedge, and high union coverage are negatively associated with active labour market policies and a high degree of coordination in wage bargaining. The role of employment protection and union density is uncertain. As emphasised earlier high union coverage and union density aren't harmful but beneficial for employment growth if it is in a coordinated way. And as in these researches the fact that high degree of coordination in wage bargaining is positively correlated with employment confirms that (http://europe.eu.int/comm/employment_social/employment_analysis/eie/eie2004_chap2_en.pdf).

As regards employment and economic growth, the fact that the first remained slightly positive despite a considerable weakening of economic activity is indicative of increased labour market resilience. It also reflects a different evolution of job creature and destruction than in previous downturns, due in part to labour market deregulation measures implemented in several member States (Solbes, 2004: 109).

3.4.3. Catching Dynamism in Labour Market

In the framework of this policy, it's brought to the fore that the adaptation of the workplaces and workers to the changing market conditions is provided by life-long learning and modernization of the

work organizations. The policy of life-long learning makes up an important part of creating a dynamic labour across Europe. It's generally known that businesses can survive by means of research and development activities to gain an inventive structure. And the policy of tax facilities for the research and development which increase the employment, as applied in UK, is an example to these kind of policies (Nickell:208-210).

Besides, it's concluded at the empirical research that EU countries have a slower responsiveness ability to the structural shocks than USA. If considered within the extent of the labour markets, this fact reflects the inadequacy of the workers in qualitative flexibility. Thus, efforts to create a dynamic labour force will be effective upon the employment protection during the shocks (Balakrishnan and Michelacci, 2001:137). For this aim, the training activities have been condensed in EU, especially in countries with high employment. For example Netherlands had 14 % training expenditures in total labour expenditures in 1980-84 era and had 24.4 % in 1996-2002. These rates for Denmark are from 26.2 to 56.6.

Flexible work arrangements, at the same time, play a remarkable role in the adaptation to changing working conditions. It's emphasised that majority of the flexible working arrangements and being open to change enhance the responsiveness of the labour markets. And there is a tendency to intensify these sort of employment opportunities in Europe. In this sense the legal directives on non-standard work arrangements were brought into effect (Schömann and Schömann, 2004). Between 1998-2003, part-time employment accelerated at a rate of 1.4 % throughout EU. 45 % of the jobs created in Netherlands, 25 % in England, and more than 20 % in Austria, Germany, Belgium and Sweden are composed of these kind of jobs. Further it's stated that flexible or temporary works can provide the workers to pass to a more secured job (generally to a job with an indefinite contract) at a rate of 30 % (http://www.europa.eu.int/comm/employment_social/publications/2004/keah04001_en.pdf).

Temporary and part-time contracts are one of the major factors accounting for the changes in the estimated employment rate (http://europe.eu.int/comm/employment_social/employment_analysis/eie/eie2004_chap4_en.pdf). That's why the flexible work arrangements provide the businesses with the opportunity to respond to

the dynamic market structure on time. And these kinds of employment are increasing across EU countries. The rate of part-time work is around just under 17 % with an increase 1 percent compared to 2002. Accordingly, while the fixed-term contracts continued to decline marginally in some member states in 2003, the general trend is on the increase at a rate of 12.3 % (http://europe.eu.int/comm/employment_social/employment_analysis/eie/eie2004_chap2_en.pdf)

3.4.4. Providing Equality in the Labor Market

The strategy of providing equality in the labour market for especially the female and ethnic minorities is aimed at reaching high employment rates and realizing the social market policy. Moreover, this policy is enormously to be effective to close the employment gap which is large and will increasingly grow. Nevertheless, the disparity in the average unemployment rate according to gender showed little change between 2002 and 2003 with an unemployment rate of 10.0 % for female and 8.3 % for male, compared to 9.9 % and 8.1 % respectively in 2002. The youth unemployment rate (which refers to the age group 15-24) in the EU25 rose 0.4 percentage points to 18.3 % in 2003 and remains twice as high as the overall unemployment rate. In total employment rates, there is 16.2 % gender gap (http://europe.eu.int/comm/employment_social/employment_analysis/eie/eie2004_chap2_en.pdf). In this context it's known that the women, youth and older people cover the majority of the non-standard works. And the increase in these kind of employment opportunities raises the employment rate of them and create a consistent participation rate.

Another policy which is tried to be implemented across EU is the mobility of labour force in the member states. Because, EU can utilize the advantages of being an economic unity in this way. For this purpose, Commission urges all of the members to lift their barriers on this point, but it's known that a rather small advancement has been provided so far (Schumacher, 2000: 345-34; Gitterman, 2003: 100).

Conclusion

It's pointed out that the Lisbon summit has brought a new era for Europe's labor policies and its macro perspective (industrial relations). Thus it's called a " structural reconnaissance" (Blanke and Claros, 2004: 3). The macro perspective (industrial relations) of EU's labour policies

can be called as an integrated model, which suggests that interaction between economic factors, national and institutional –level arrangements, along with the strategic decisions made by unions, employers and state officials to shape it. In this sense, EES is the statement of a trial to create a multilateral motivation to shape the labour policies across Europe. It urges the member countries to adapt a number of labour market programs along with macro economic ones to overcome the problem of unemployment. And there are institutional arrangements to organize these efforts to extract “best practices” to converge these into an effective policy environment. Goetschy states that EES tries to provide a long-term oriented common logic which forces the governments to give priority to the employment task by cleansing it from the short-term political concerns. And also it’s meant to serve as a catalyst for the efficiency of national employment policies in several ways; by establishing several constraints and targets to reach within a specified timetable, by aligning such targets on the best performing countries, by putting employment policies to the test of national comparison, submitting them to the examination of a wide range of EU institutions and making them depend on EU’s recommendations (2000: 3-4).

Labour policies across Europe take a new shape with the background of the Pre-EES era. Main characteristics of the Pre-EES era underwent the effects of globalization and became modified. The main labour policy components of the EES era can be broken down into three areas. First is the fact that active labour market policies gain ground. Active labour market policies are the core of the new era as their mentality reflect the dynamism of the labor throughout EU (EFN, 2004: 39-41) Without completely removing passive policies, EU attempts to change its mentality of overgenerous employment benefits due to the pressures of a savage competitive global environment. It’s aimed to create a responsive labour market to the change demands on time.

The second is the installation of non-standard work arrangements and “the balanced-deregulation” of the protective policies as the reflection of the understanding of social market economy. There are significant inclinations towards flexible works especially in the meaning of providing the participation of the woman, young and elderly into the labour market and being able to surpass the vicious circle of structural unemployment ingrained in EU. But flexibility does not mean the

removal all of the protection for labour market security. The new trends can be called “ both flexible and semi-protective”. The member states have three kinds of approaches as regards the labour markets, liberal pluralism (UK), corporatism (Scandinavian Countries) and statism (France). With the transformative effect of the process of globalization, the member states are prone to balance the social market economy and flexibility as the reflection of the deregulation demands raised by global trends. In this framework, it’s stressed that the political drive to establish a single currency over the Euro area restricts the scope for national budgetary, fiscal and employment policies: as a result, the decisive factors in determining international costs and competitiveness are the wages, working conditions and forms of employment (Lecher and Platzer, 1998, 12).

“On social cohesion, Lisbon also takes quite a clear line, calling for modernisation of social protection systems in order to ensure that work pays, and stating that “the best safeguard against social exclusion is a job”...However, in many cases, there is substantial scope for improving the design of labour market institutions in such a way as to improve employment performance without weakening social protection” (http://europe.eu.int/comm/employment_social/employment_alaysis/eie/eie2004_chap2_en.pdf).

In view of the relative variety of the member states’ labour policy preferences, it can be put forward that there is convergence tendency on regional basis but divergence on national basis throughout EU.

Third is the fact that macro economic implications of the labour policies come to the fore as the supportive parameters of a dynamic labour force. With the trend towards an employment creative economic growth and a tax policy supportive of employment, EU seeks for constituting a dynamic economy to make a dynamic labor emerge. What's crucial for EU is to decrease the employment threshold to as the lowest levels as possible.

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