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Labour markets under attack

The new European labour market policy after the crisis

Very First Draft! Please don't quote! I'm thankful for feedback.

Abstract: The architecture of the European Union has changed in the past years of crisis and its constitutional crisis management. The different bricks of the European austerity policy have built a European system of control to supervise the economic policy on the national level. In the centre of these systems, there is a new mechanism of labour market policy control and interventionism. I call this mechanism the New European Labour market policy which is based on the old instruments of the European employment policy, but it's more binding and stronger. In this way, I understand the New European Labour Market policy as an interaction of formal and informal, institutionalised and non-institutionalized, economic and socio-political form of regulation, surveillance and enforcement. The paper presents the institutional and political-strategic shifts in European labour market policy and shows how European crisis management integrated the labour market policy.

Keywords: Labour Market Policy, European Union, Crisis management, European Interventionism

1.) Introduction

Since the outbreak of the economic and financial crisis in 2007, the European labour market policy has undergone considerable change. In the academic literature, the tension between the socio-political orientation of European labour market policy and the influence of the standard economic policy is, particularly in focus. The change in the European labour market policy is not only intensively discussed, but at the same time assessed very differently. There are those authors who evaluate the influence of the crisis negatively and argue that after the dynamisation at the beginning of the 2000s, the further development of labour market policy ends almost abruptly with crisis management. Barbier (2012) speaks of the fact that during the crisis the existing labour market policy instruments were marginalised by the newly created economic governance. Similar arguments are also used by Mailand and Arnholtz (2015: 207) who argue that labour market policy actors have been weakened by the crisis. Also, Platzer (2016: 104–108) points to stagnation tendencies within the European labour market policy. He argues that both social and macroeconomic dialogue proved incapable of action during the crisis and that they were not subject to any significant crisis-related changes. Bessa Vilela *et al.* (2016) also point out that the labour market policy model of flexicurity has changed during the crisis. They argue that during the crisis, the concept was separated from the security component. That's why they speak about the approach of "flexicarity" concerning the European austerity policy.

Barbier (2015: 388) argues less radical but in a similar direction. He points out that the concept of flexicurity has disappeared from the European agenda. Overall, a large number of authors point out that during the crisis the European labour market policy was subordinated to the economic and fiscal policy and thus deprived of its social policy objectives. (Copeland and Daly 2015; Crespy and Menz 2015; Dawson 2015). Graziano and Hartlapp (2018: 15) even speak of an "decline of social Europe". On the one hand, this subordination to European economic policy is justified by the decline of social democracy since the mid-2000s. (Graziano and Hartlapp 2015; Miró 2017; Wigger and Horn 2019). On the other hand, some authors argue with the structural weakness of socially-oriented institutional actors and the simultaneous dominance of institutional economic actors such as the Directorate-General for Economic and Financial Affairs of the European Commission. (La Porte and Heins 2015: 10).

Contrary to the general statement that labour market policy is subordinated to the economic policy imperatives of the European Union, Zeitlin and Vanhercke (2018) argue that the crisis has led to a revaluation of the European labour market policy. According to the authors, the

European Semester, in particular, was upgraded in social policy terms by the adoption of the European Pillar of Social Rights (ESSR). The integration of the European Employment Strategy into the European Semester made it more relevant. A similar argument is put forward by Bekker (2018: 181–184), who also notes a renaissance of the concept of flexicurity in the European semester. She argues that although the leading model of labour market policy was pushed into the background during the crisis, it has increasingly dominated the EU's labour market policy agenda since 2015 in the post-crisis phase.

It is noteworthy that all scientific articles assume a separation between social policy and economic policy. It does not matter whether the respective authors state marginalisation of European labour market policy or understand the European semester as upgrading of labour market policy regulatory structures. Labour market policy is understood exclusively as social policy and is normatively attributed a market-correcting character. At the same time, economic policy is seen as opposed, since it is assumed to have a market-creating logic in principle. Both policy areas are understood as separate and isolated from each other and are not regarded as constitutively interwoven. However, this makes it impossible for the authors to understand the synergies and interactions between labour market policies and economic policies. Rather, in most cases, the New Economic Governance is contrasted with a supposedly socio-politically influenced labour market policy (Mailand 2018).

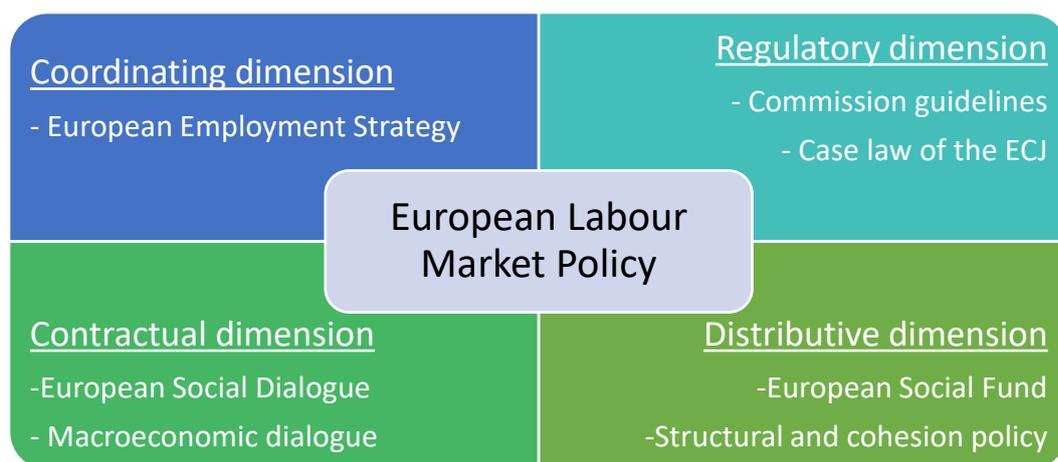
It is necessary to look at the development of European labour market policy from a political-economic perspective, to avoid such an interpretation. For example, the theory of regulation proposes to focus on the analysis of the institutional forms of social regulation. (Aglietta 2000; Boyer 1990; Lipietz 1987). From this perspective, labour market policy aims to regulate the wage relation, i.e. the specific power relationship between capital and labour. Transferred to the European level, this means that during the crisis European labour market policy was not replaced or subordinated by economic policy, but that the specific form of wage regulation in the European context was changed. Such an approach to the object of investigation makes sense because it does not discuss social and economic policy against each other and does not make any normative decisions. Rather it enables the specific form of regulation to be determined empirically by the institutional and conceptual changes in the field of European labour market policy.

Based on this puzzle, the institutional and conceptual changes in the European labour market policy in the period up to 2017 will be elaborated in the following article. For this purpose, the European labour market policy before the crisis will be described by using the four-level model

of Platzer (2016). In a second step, the European crisis management and its impact on labour market policy will be outlined shortly. Subsequently, in a third step this article describes the institutional and political-strategic changes in the course of European crisis management. The thesis presented here is that the European labour market policy was subject to considerable changes during the crisis, which were accompanied as Peter Hall (1993) describes it as "Second-Order-Changes". Accordingly, my main hypothesis is that the newly created governance instruments are largely based on the previously established labour market policy structures of the European Union, but that those have been radicalised politically and strategically and administratively.

2. European labour market policy before the crisis

European labour market policy is not a separate European policy area. Although the European Employment Strategy (EES) officially exists, it must be seen as part of a broader European labour market policy. Following the general definition of labour market policy, it includes a system of unemployment benefits and assistance, as well as measures for employment and training of the unemployed. In addition, the setting and modification of general labour market regulations and the general framework for wage negotiations must be subsumed under the term labour market policy (Egle 2009: 19; Schmidt 1996: 22). This list shows that labour market policy can be understood as an ensemble of instruments, practices and regulations. These instruments are only partially available on the European level. This circumstance is justified with the very restrained expansion of labour market policy regulatory instruments at the European level and the explicit disallowance of wage policy influence on the national collective bargaining parties (Art. 153 TFEU). Accordingly, European labour market policy must be understood as an interplay of rule-based and institutionalised, formal and informal structures, fora and bodies which are interlinked.



Platzer (2016: 94) divides these different approaches of European labour market policy into four different policy areas. The typology includes a contractual dimension (agreements between the European social partners), a regulatory dimension (through legislation or jurisprudence), a distributive dimension (through the Structural and Cohesion Funds) and a coordinating dimension (through the EES). All four dimensions interact to form the common European labour market policy, which is severely restricted in its scope and its area of competence by the sovereignty of the European member states over labour market and wage policy. The quality of influence on national labour market policies differs considerably between policy areas.

Before the crisis, significant progress could be observed in all four areas of the European labour market policy. Especially in the early to mid-2000s, the European labour market policy was greatly expanded and concretised due to the relative strength of European social democracy. 1.) In the *contractual* dimension, the capabilities of the cross-sector Social Dialogue were expanded, and its autonomy was strengthened. At the same time, the macroeconomic dialogue established a body with which the social partners should be involved in comprehensive macroeconomic coordination. 2.) In the *distributive* dimension, the Structural and Cohesion Funds, in particular the European Social Fund, were reformed and expanded financially. In the course of the reforms, the thrust of structural and cohesion policy was changed to increasingly serve the political-strategic objectives of the EU. 3.) In the *regulatory* dimension, the changes occurred in particular concerning the Posting of Workers Directive adopted in 1996. The case-law of the European Court of Justice in the Rüffert, Laval, Viking and Luxembourg cases caused considerable sensation and protests due to its extensive interpretation of the internal market freedoms. In all four cases, the ECJ has decided at the expense of trade union freedom, collective bargaining autonomy and collective self-determination and was thus able to establish itself as an important player in labour market policy during this period. 4.) In the *coordinating* dimension, the introduction of the Open Method of Coordination (OMC) and the relaunch of

the European Employment Strategy (EES) in 2003 led to the establishment of a comprehensive coordination cycle and the introduction of quantitative indicators. At the same time the European Union merged the Employment Guidelines with the Broad Economic Policy Guidelines into the Integrated Guidelines. Until the outbreak of the crisis, however, the EES remained a largely non-binding coordination framework while the employment recommendations were only symbolic. (Stephan 2008).

In the crisis year of 2007, the European Union adopted the flexicurity approach as a role model for the European labour markets. The concept was intended to eliminate the contrast between *flexibility* and *security* on the labour market not only conceptually but also practically. The concept is rooted in Denmark ("Golden Triangle") and the Netherlands ("Polder Model"), where flexicurity had already found its way into the labour market policy discourse since the end of the 1980s (Kronauer/Linne 2007). The concept aims to adapt labour market policy instruments and mechanisms to meet the requirements of globalisation and the security needs of employees at the same time. The economic successes of both countries and the low unemployment figures led to increasing attention in the EU. In 2007 - shortly before the beginning of the crisis - flexicurity has been established by the Council as an official role model for European labour market policy (COM 2007). National labour market policies were to be based on the four principles of flexicurity. Flexicurity has created a contextual framework which should functionally unify the institutionally very different European labour market models according to specific guidelines.

3. Crisis and crisis response

The deep European economic crisis was rooted in the economic imbalances created by uneven and combined developments (Becker *et al.* 2015; Bieling and Brand 2015). The global recession brought these imbalances to the surface. While the European nation-states countered the crisis tendencies at the beginning of the crisis with economic stimulus packages and a more Keynesian economic policy, an ordoliberal course in crisis management prevailed from mid-2009 onwards. (Biebricher 2018). In particular, the European elites identified different developments of wages and public debt as the causes of the crisis. (Heinrich 2014). As early as in the 1970s, Elmar Altvater had identified the reduction of unit labour costs and the state budget as a central starting point for ordoliberal crisis management in an article on "Austerity-tendencies in Western Europe:

"A policy of 'dampening inflationary pressures on prices and costs' unspokenly aims to increase the profitability of capital, and for this very reason makes use of restrictive measures in the national

budget and wage policy. Because the former relieves capital because the state reduces its access to economic resources, and the latter wins capital because the distribution of the product of value improves in its favour (Altvater 1978: 54)

Ordoliberal crisis management primarily aimed at relieving capital and shifting the distribution of the value product. Therefore, it is a matter of increasing the profit rate of capital by reducing wages and state intervention. Accordingly, ordoliberal crisis management primarily aims for a reduction of wage costs and structural weakening of the wage-setting institutions as well as the organised labour movement, e.g. the trade unions. In a discursive way, the "international competitiveness" is put forward, i.e. the ability to generate more profit than competing companies in international competition.

A look at European crisis management shows that the heart of European activities was the strengthening international of competitiveness (Miró 2019). Although a strengthening of competitiveness would also have been possible through a comprehensive industrial policy strategy and targeted state investments, as it was discussed in post-Keynesian circles. But the European crisis policy followed the patterns of a market-liberal austerity policy approach. The European crisis management aimed for a more binding macroeconomic coordination in addition to stronger budgetary surveillance. In this context, labour market policy played a prominent role, being seen as the most important lever to intervene in national wage regulation structures. (Syrovatka *et al.* 2018; Theodoropoulou 2018).

The regulation theory distinguishes between the ideal types¹ of monopolistic and competitive regulation related to wage relations. The ideal type of monopolistic regulation of the wage relation can be characterised by high regulation and strong trade unions. In contrast, a competitive form of regulation was understood to mean wage formation subject to market forces, in which the wage relationship is hardly visible and collectively enforced. (Hübner 1990: 161). Ortiz *et al.* (2015: 12), observe a worldwide trend towards the enforcement of competitive forms of wage regulation. The authors state that in response to the crisis, 89 countries adopted measures to make the labour market more flexible, including the decentralisation of wage structures and the loosening of protection against dismissal. (Ortiz *et al.* 2015: 12).

Therefore, European crisis management must be understood as embedded in a market-liberal crisis narrative and a worldwide austerity policy development dynamic, which was driven by the revitalisation and hardening of the ordoliberal economic ideology. (Biebricher 2013; Jabko 2013). What is special about European development? The European crisis management has led

¹ As ideal types, both regulation models of the wage relationship do not occur in pure form in empiricism.

to central competences in labour market regulation, i.e. in the regulation of wage relations, being permanently transposed to the European level and institutionally anchored there, as well as partially secured by constitutional law.

Regarding Altvaters analysis, the two central instruments of ordoliberal crisis policy, i.e. the reduction of wage costs as well as the state budget, were partially shifted to the European level and constitutively established there. Existing labour market policy structures and processes, as far as they are in line with the "post-democratic-bureaucratic²" (Habermas 2013: 81) approach, have been developed. The new instruments were integrated into the newly created crisis management instruments, coupled with economic policy steering mechanisms and strengthened of their binding character.

Between 2010 and 2013, a comprehensive system of austerity monitoring, evaluation and punishment was implemented in the form of a modular system. Based on existing instruments and regulations, the newly created governance mechanisms established a comprehensive and closely meshed network of labour market policy guidelines and recommendations, which can be referred to as the New European Labour Market Policy. Another peculiarity is that during the crisis (2009 - 2017) labour market policy efforts were concentrated on the coordinating dimension. It's not possible to explain the individual building blocks in detail, but I will briefly name the three pillars of the New European Labour Market Policy.

1.) The Europe 2020 Strategy established the so-called European Semester, which bundles existing coordination processes such as European employment policy, coordinates them and formulates political recommendations for the European nation-states. The country-specific recommendations as the core of the European Semester are based on different legal regulations and cover the economic and employment policy coordination, the Stability and Growth Pact and the Macroeconomic Imbalance Procedure. In the European semester, a comprehensive data collection which the economic and employment situation of the European member states takes place as well as a benchmarking process that puts individual countries in permanent competition with each other. Therefore, the European Semester is the control centre of the New European Labour Market Policy. In addition, there is a multi-level macroeconomic surveillance system which permanently monitors the economic development of the member states based on a

² It is therefore remarkable that the crisis mainly strengthened the coordinating dimension of European labour market policy, in which neither the parliaments nor the social partners had a say. Therefore, the thesis of Bieling (2013: 97–98) It is also plausible for labour market policy that crisis management follows a special mode of crisis constitutionalist development, which further strengthens the disciplining elements of the common legal and institutional order and at the same time withdraws central decisions from democratic co-determination. (Habermas 2013: 48–61).

scoreboard. The indicators include the development of unit labour costs. The European Semester is also associated with a series of financial sanctions, which increase the binding nature of country-specific recommendations. Before the crisis labour market policy recommendations were merely symbolic, today their non-compliance can lead to severe fines, including suspension of structural and cohesion funds. Since the reform of cohesion policy in 2013, Article 23 of the ESI Regulation has enabled the European Council to freeze those funds completely. Likewise, the so-called partnership agreements (Art. 19) ensure that the funding priorities of the member states reflect the goals defined in the Europe 2020 Strategy. At the same time, sanctions in the form of suspension of structural and cohesion funds are possible, too. In sum, these new forms of sanctions established a new degree of binding force not only for the euro states but also for all EU member states.

2.) The second pillar of the New European Labour Market Policy comprises the policy of the European Central Bank (ECB) and can be described as "informal conditionality" (Sacchi 2016). It also represents a form of "European interventionism" (Müller and Schulten 2019) as a European institution intervenes directly in the labour market policy structures of the member states.

In the course of crisis management, the ECB launched several large-scale bond purchase programmes (SMP, OMT, PSPP), but linked the purchase to specific conditions for the countries. This conditions were sending by the ECB in a letter to the European governments and calling on them, among other things, to reform their labour markets and decentralise their tariff structures. In the cases of Spain and Italy these letters became public, but in an interview with the Italian newspaper "Corriere della Sera" the President of the ECB, Jean-Claude Trichet, stressed that such letters are part of the ECB's daily business and are regularly sent to individual EU governments. (Europäische Zentralbank (EZB) 2011).

3.) The third pillar comprises the institutionalised rescue measures for the eurozone and the established credit policy for the non-euro states. In both cases, the so-called troika formed by ECB, the EU Commission and the International Monetary Fund (IMF) agreed with the governments on extensive structural reforms with an in return for loans (within the framework of the EFSF or later the ESM or within the framework of a so-called balance of payments loans according to Article 143 TFEU). The labour market and wage formation structures were at the heart of the structural reforms as well (Müller 2015; Theodoropoulou 2016). A glance at the countries affected, such as Romania or Greece, shows that the Troika agreements destroyed the established labour market and collective bargaining structures (Boukalas and Müller 2015;

Stoiciu 2012). Inter-sectoral collective bargaining was abolished and shifted to the company level or even individualised. In a report, the Greek research institute INE (2017: 114) summed up that in 2016, only 6.55% of all collective agreements went beyond the company level, while most wage agreements are negotiated individually. This pillar of the New European Labour Market Policy represents the strongest form of influence on national labour market policies. It not only restricts the framework conditions for a national labour market policy, but also intervenes concretely into the labour market and collective bargaining policy structures of the EU member states, thereby the term "labour market political interventionism", as by Thorsten Schulten and Torsten Müller (2013) can be used to describe the EU's labour market policy.

The three pillars represent a new structure of labour market policy regulation on the European level, which results from the concrete interaction of rule-based, formal and informal as well as institutionalised structures, forums and committees. These are closely interlinked and form the ensemble that can be described as the New European Labour Market Policy. (Syrovatka 2018: 86–87).

4.) Institutional shifts in the European labour market policy

The shifts in the European labour market policy are institutional and political. The four-dimensional model of Platzer (2016) can be used to illustrate the institutional shifts and also allows comparability with the status quo before the crisis. Overall, one can observe a divergent development of labour market policy structures. In some areas, there was an increase in competence in the crisis, while in others only a little progress or even stagnation prevailed.

During the crisis, a strong political revaluation was experienced by the *coordinating* dimension, which was considerably expanded as a result of European crisis management. This political upgrading resulted in the institutional integration of the EES into the new European Semester and a stronger coupling with economic policy coordination. While the Employment Guidelines and the Joint Employment Report became less important, the country-specific recommendations on labour market policy were upgraded (see interview EMCO1). This development demonstrate the new importance of the country-specific recommendations, while the number of employment guidelines was reduced from seven to four during the crisis in the same time.

At the same time, the link between labour market policy recommendations and economic and budgetary surveillance mechanisms has strengthened the binding character of the recommendations. By focusing on (price) competitiveness, the labour market and wage policy

development in the European member states became a cross-cutting topic within the European Semester. However, this form means that it is visible on what legal basis the individual labour market policy recommendations were made. It is no longer clear which concrete recommendations are subject to sanctions and therefore binding and which are not. (Rödl and Callsen 2015: 28). The MIP also established a further monitoring and coordination procedure that effectively combines multilateral surveillance with the excessive deficit procedure under the Stability and Growth Pact. Within the framework of the MIP, it is explicitly possible for the Commission to make recommendations on labour market policy and, if necessary, to impose sanctions. Through the coupling with structural and cohesion policy, non-euro states can also be threatened by possible sanctions, apart from the direct sanction possibilities of the MIP for euro states. Although there is a formal institutional separation between the three pillars of the European Semester (Guidelines & Europe 2020; Stability and Growth Pact, Macroeconomic Inequality Procedure), doesn't exist in the practical political process and can hardly be perceived from the outside. The specific reform pressure for the European member states results from the specific coupling of all three pillars with each other and with structural and cohesion policy. (Syrovatka 2016; Syrovatka *et al.* 2018).

The distributive dimension of European labour market policy was also subject to strong political and institutional change processes. The reform of structural and cohesion policy in 2014 was significantly strengthened the existing links with the coordination processes. In particular, the newly created partnership agreements tied the funding priorities more closely to the objectives of the Europe 2020 Strategy. At the same time, the introduction of Article 23 into the framework regulation opened up the possibility of freezing structural and cohesion funds if a Member State fail to follow the Commission's recommendations in the course of a deficit procedure or the MIP. In the crisis, the Structural Funds have become a vehicle of political pressure to implement reforms in the member states. Considering the financial size of the EU funds of 386 billion euros in the funding period 2014-2020, a suspension from the financial resources represents a considerable sanction instrument. For the Eastern and Southern European peripheral countries, in particular, discontinuation of subsidies would have considerable consequences, as they are mostly heavily dependent on European payments.

Apart from the reform of the structural and cohesion policy in 2014, there were no significant changes in the distributive dimension during the crisis. Although the so-called youth guarantee was established in 2013, it had little impact and did not represent any additional financial resources. The 6.4 billion euros came from the European Social Fund and were rededicated

only for the fight against youth unemployment. At the same time, the youth guarantee lacked a clear strategy and objective, which could be understood as a symbolic project of the Heads of State and Government and the European Parliament in times of rising youth unemployment. Accordingly, from today's perspective, the youth guarantee is classified as a failure in academic literature. (Selenko and Pils 2017: 16–17; Tosun *et al.* 2019). Accordingly, the 2014 reform of structural and cohesion policy represents the central change in the distributive dimension of European labour market policy. It completed the long-standing functional transformation of structural and cohesion policy from a redistribution instrument to a financing instrument of European labour and economic policy. (Becker and Müller 2014: 247; Berkowitz *et al.* 2015).

Contrary to the strong expansion of the coordinating and distributive dimension, hardly any new developments can be observed in the regulative dimension as well as in the contractual dimension. The contractual dimension was particularly affected by the crisis-induced shifts. The two most important bodies of the contractual dimension, the Social Dialogue and the Macroeconomic Dialogue, proved to be virtually incapable of action due to the widely diverging crisis interpretations by the social partners. In 2010, The European social partners were still able to agree the implementation of the revision of the Parental Leave Directive and the framework agreement on integrated labour markets in the Social Dialogue. However, this was only possible because the social partners completed the preparations before the outbreak of the euro crisis. (Goetschy 2016). Until 2017, social partners could no longer agree on a common approach. Only the initiative of the European Commission led to a "tripartite agreement" between the Commission, the social partners and the Council and an relaunch of the social dialogue. (Europäische Kommission (COM) *et al.* 2016).

The relaunch led to the adoption of the social partners' framework agreement on active ageing in 2017. However, the question is what effect the agreement has especially considering the "double voluntaristic character" of its implementation process (Leiber and Schäfer 2008). In the course of the "restart of the social dialogue", the social partners were integrated into the newly created structures of economic governance, which has no influence on the concrete design of the European semester in the practical policy process (cf. interview EMCO2; DG ECFIN3).

The macroeconomic dialogue was also revitalised the initiative of the European Commission in November 2016. The initiative was based on the Five Presidents' Report, which suggested a resumption of macroeconomic dialogue. However, as before the crisis, the macroeconomic dialogue is an isolated process. Its decisions are neither binding, nor do they have any appreciable external effect. Proposals to develop it into a steering committee for

macroeconomic coordination for the euro area (cf. Koll and Watt 2018) have been largely ignored so far.

Developments in the regulatory dimension were equally weak. Between 2009 and 2017, the Commission adopted only three relevant directives to labour market policy: Directive on Temporary Agency Work (2008), revised Directive on European Works Councils (2009) and the revision of the Parental Leave Directive (2010), resulting from the social partners' framework agreement of 2009. All three directives were adopted before the crisis-constitutionalist restructuring of economic governance. In 2017, regulatory activities can be registered again by the Council and the Commission, for example the European Pillar of Social Rights (EPSR), the Regulation establishing a European Employment Agency (ELA) and the surprising revision of the Posting of Workers Directive (Seikel 2019). The introduction of a European Unemployment Insurance Scheme, which the Commission has proposed on several occasions, failed because of resistance in the Council (Schneider and Syrovatka 2019).

Following the spectacular labour market policy case-laws of the European Court of Justice (ECJ) before the crisis, it's largely held back during the crisis. The ECJ thus could not continue it's role in labour market policy that it had before the crisis. The ECJ often ruled in favour of existing labour market regulations. Most recently in the TUI case, the ECJ ruled in favour of German employee participation and the retention of the status quo. (Höpner 2018).

The developments in the individual dimensions of European labour market policy in the crisis period can be described as follows: While the coordinating dimension was politically upgraded, equipped with new competencies and coupled with a newly oriented distributive dimension, the regulative and contractual dimensions came to a standstill. From 2017 on it will be possible to register activities in both dimensions again, whereby progress can be seen in the regulatory dimension. For the development of competence in the coordinating dimension, existing labour market policy structures were used to build on these institutionally.

5. Shifts in policy orientation

However, the shifts in the European labour market policy cannot be reduced to institutional changes in the ensemble of labour market policy instruments. At the same time, the crisis led to a shift in the political-strategic orientation of labour market policy. The concept of economic resilience is an example of this (Syrovatka 2020). However, this does not constitute a “paradigm shift” in the sense of a "Third Order Change" (Hall 1993: 279–280). Rather, “resilience”

represents a radicalisation of the market-liberal approach that was already pursued in the European labour market policy before the crisis. (Joseph 2013).

The term, derived from psychology, generally describes the ability of a system to react to external shocks. While the term was mainly used in the political context of security and environmental aspects, it was increasingly transferred to economic systems during the crisis. The OECD, in particular, began to speak of the resilience of economic systems, whereby the term was also adopted into the EU's economic policy language (Caldera-Sánchez *et al.* 2016).

Labour market regulation in the individual member states play a central role in the European concept of economic resilience. The European Political Strategy Centre defines (2018: 22) the increase in unit labour costs and wage growth as well as the deviation of wage developments from productivity as key indicators of macroeconomic resilience. However, labour markets should be designed in such a way that they can react "responsively" to economic developments. Such labour market regulations provide for flexible working hours and wages, as the Commission (2017: 7) has proposed in a working paper for the Eurogroup:

“Properly functioning labour market institutions responsive to business cycle conditions may dampen the effect of shocks on employment and are important to enhance the responsiveness of competitiveness. [...] Responsive institutions to cushion shocks include for example existence of flexible working time arrangements and flexible wage-setting mechanisms, which may reduce the impact on headcount employment levels.”

In European understanding, economic resilience primarily aims for the deregulation of labour markets and making their specific regulations more flexible. In terms of regulation theory, a resilient economy is not compatible with a monopolistic regulation of the wage relation, since this prevents a rapid reduction of wage costs and personnel capacities due to its structural inertia.

In contrast to the flexicurity concept, the employment and planning security of employees is only a marginal issue. Wages and personnel capacities become specific variables in the resilience concept, which can be shifted flexibly and quickly in the case of a crisis. The imperative of economic fluctuations thus becomes the central structuring factor of labour market regulatory activities, in its dynamics and its contingency. Economic resilience describes the Marketisation of labour policy regulations and instruments.

In European practice, this understanding of economic resilience is linked to the demand for "structural reforms³ that promote resilience" (Europäische Kommission (COM) 2017: 9) which primarily means the decentralisation of wage formation systems and the flexibilisation and reduction of workers' rights. (Europäische Kommission (COM) 2017: 7).

In its 2012 report "Labour Market Developments in Europe 2012" the European Commission's Directorate-General for Economic and Financial Affairs (DG ECFIN) already outlined what is meant by structural reforms that promote resilience. The report justifies the different effects of the economic crisis in the EU states with the divergent responsiveness of the European labour markets (European Commission (COM) 2012: 21). The DG ECFIN interpreted high unemployment in some countries as an expression of their inflexible and encrusted labour markets, which were not resilient to prevent external shocks in economic crisis. Accordingly, DG ECFIN proposed several reforms, such as the dismantling of workers' rights, the introduction of temporary and agency work and the decentralisation of wage bargaining. In addition to the above points, DG ECFIN stresses that a stronger resilience of European labour markets must be accompanied by a "general *reduction in the wage-setting power of trade unions*" (European Commission (COM) 2012: 104[Highlighting in the original F.S.]⁴).

The concept of resilience was embedded at an early stage in a competition-oriented framework that declared the monopolistic forms of wage regulation in the European member states to be the cause of the crisis and the greatest obstacle to a resilient, i.e. responsive, labour market. The competition-oriented framework already existed before the crisis and did not represent an innovation for European labour market policy. Therefore, we cannot speak of a "paradigm shift" or a "Third-Order-Change" (Hall 1993). However, the form of embedding changed. The flexicurity concept justified making labour market regulation more flexible primarily by reducing unemployment.

In contrast, the resilience concept presents the flexibilisation of labour market regulation as a fiscal policy necessity to be prepared within an uncertain and contingent economic environment. The labour market policy reference became a fiscal policy reference. It is important to respond adequately to external shocks and to maintain (price) competitiveness on the world market. Due to the contingency of future events, economic success is understood as

³ The Commission (2017d) defines economic structural reforms as "the main drivers of growth through the liberalisation of labour, product and service markets".

⁴ After numerous protests from European trade unions and DG EMPL, DG ECFIN rowed back a few months after publication of the report and explained the recommendations on taxonomies of the observed national strategies. The report has been amended to include a corrigendum (COM 2012: iii - V).

permanently uncertain. This understanding is illustrated by the statements made by the former Commissioner for Economic Affairs, Pierre Moscovici:

“Today's policy advice from the Commission is about ensuring it stays strong and becomes more resilient – because in an increasingly uncertain global context, we cannot take anything for granted. A sustainably prosperous euro area needs not only sound public finances but also competitive economies and inclusive societies.” (Europäische Kommission (COM) 2018)

The market is normatively declared to be an independent variable, to whose possible eruptive development individual economies should be able to react flexibly. Accordingly, European labour market policy no longer aims to create a "balance" between flexibility and employment security, but rather flexible structures to be able to react quickly in an economic crisis and maintain or even improve economic competitiveness.

The radicalisation of the European labour market strategy becomes clear in the labour market policy measures which the European member states have been recommended every year since 2011 by the European Commission within the framework of the European Semester. Between 2011 and 2017, almost every EU country received labour market and wage policy recommendations that urged them to loosening of existing regulations:

“Similarly, labour market reforms carried out since the start of the crisis broadly reflect the need to modernise existing policy and regulatory settings, with a view to improve the resilience and flexibility of European labour market [...] In line with EU recommendations, reforms tended to be more macro-structural in nature, focusing on employment protection legislation (EPL), the design of automatic stabilisers and wage-setting frameworks.” (Canton *et al.* 2014: 3)

In concrete terms, between 2011 and 2018 the Commission formulated labour market policy recommendations for 21 member states and aimed for either a decentralisation of wage formation, deregulation of labour law, lowering of the minimum wage or moderate wage development or the reformation of unemployment insurance.

In those countries that have taken out loans from the European Union or have been affected by the informal conditionality of the ECB the focus is even more drastic on the regulation of wage relations. Similar to the letters of the ECB, the so-called Memoranda of Understandings of the Troika contained the requirements of decentralisation of wage bargaining, abolition or suspension of fundamental trade unions, collective bargaining rights and security functions. (Syrovatka *et al.* 2018).

Table1: Labour market recommendations 2011-2018; European Commission

Country-specific recommendations of the European Semester 2011 - 2018

Deregulation and decentralisation of wage negotiations	Belgium, Spain, Italy, France, Luxembourg, Malta, Cyprus, Finland, Croatia, Portugal
Easing of job protection laws such as the dismissal or working arrangements	France, Cyprus, Hungary, Portugal, Italy, Croatia, Netherlands, Slovenia, Lithuania, Spain
Reduction of minimum wages or recommendation for moderate development	Bulgaria, France, Portugal, Slovenia, Romania
Reduction of employment insurance benefits and implementation of activation and sanction mechanisms	Bulgaria, France, Portugal, Slovenia, Slovakia, Italy, Romania, Belgium, Cyprus, Czech Republic, Finland, Spain, Ireland, Lithuania, Hungary, Estonia, Latvia, Luxembourg, Netherlands
Labour market policy recommendations of the ECB under the SMP program	
Deregulation and decentralisation of wage negotiations	Spain, Italy
Easing of job protection laws such as the dismissal or working arrangements	Spain, Italy
Reduction of minimum wages or recommendation for moderate development	
Reduction of employment insurance benefits and implementation of activation and sanction mechanisms	Italy
Agreements and requirements under the MoU or the balance of payments loan	
Deregulation and decentralisation of wage negotiations	Greece, Portugal, Romania, Cyprus
Easing of job protection laws such as the dismissal or working arrangements	Romania, Ireland, Greece, Portugal
Reduction of minimum wages or recommendation for moderate development	Greece, Ireland, Latvia, Portugal, Romania, Cyprus
Reduction of employment insurance benefits and implementation of activation and sanction mechanisms	Spain, Hungary, Ireland, Latvia, Portugal, Greece, Cyprus

6. Conclusion

During the crisis, the European labour market policy transformed, affecting institutional instruments and regulations on the European level and the political-strategic orientation. In the terminology of Peter Hall (1993: 281–287) such a change can be described as a "Second-Order-Change" since the crisis has not resulted in an incremental adjustment of existing instruments ("First-Order-Change"), but also a comprehensive change of instruments with the same target.

At the same time, no "paradigm shift" could be identified in labour market policy. Instead, the concept of resilience manifested itself as a radicalisation of existing market-liberal ideas.

Following the goal formulated in the Lisbon Strategy of becoming the most competitive area in the world, the EU has used the crisis to renew and expand its labour market structures. The fiscal significance of labour market policy and wage policy measures was enhanced by greater integration into European economic policy. As outlined above, the co-ordinating dimension of labour market policy has been significantly strengthened by linking it to the reformed economic governance and the distributive level. This close link between economic governance and the Structural and Cohesion Funds is a crucial innovation and a powerful tool for implementing labour market reforms.

On the one hand, the integration of the coordinating labour market policy instruments into the European Semester and, on the other, their linkage to the Structural and Cohesion Funds led to a higher binding character of the labour market policy recommendations. While the labour market policy recommendations were symbolic before the crisis, the institutional shifts made them considerably more binding. The more binding character of the recommendations is primarily due to the possibility of sanctions, for example, within the framework of the MIP or structural and cohesion policy. Soft recommendations became hard goals (cf. I/DG EMPL2).

The institutional transformation of European labour market policy thus led to a direct and indirect transfer of competences to the European level. In terms of regulation theory, there was a partial Europeanisation of the regulation of wage relations. This Europeanisation is particularly evident from the fact that, since the outbreak of the crisis, the EU has been active in areas in which it has no formal competence, such as wage policy. European labour market policy, in particular, the institutionalised forms within the framework of the European Semester, force national labour market policies into a "fiscal corset" (I/EMCO2).

European austerity policy and the competition-oriented imperative of European policy define a market-liberal corridor in which national labour market policy should act.. The definition of economic indicators makes an independent national labour market policy impossible and disarticulates alternative approaches (cf. I/Cabinet of Barroso 2).

Roland Erne (2019: 2) called this form of European influence "*vertical hierarchical integration*". This new model of Integration is based on *governance by number*, i.e. a specific type of corporate governance as it is typical for transnational companies. (Erne 2018: 240). The new mode of European integration established during the crisis is characterised by permanent

monitoring and control of the Member States and their punishment in case of misguided developments of specific economic indicators. (Schulten and Müller 2015; Seikel 2016). This form of vertical integration complements the existing forms of horizontal integration with the freedoms of the internal market, which has not replaced but rather radicalised the competitive mode of integration.

At the same time, studies show that this form of vertical integration has different effects on the European member states. It has to be mentioned that the New European Labour Market Policy is breaking down with the central-peripheral division of the EU. Studies show that the influence of the New European Labour Market Policy is stronger in the Southern and Eastern European countries than in the European centre (Bieling and Buhr 2015; van Gyes and Schulten 2015). Table 1 shows the labour market policy recommendations of European integration and confirms the different influence. In this way, Table 1 shows the lack most of the (north) central European Economies. It should also be stressed that the New European Labour Market Policy does not operate according to a top-down principle. Qualitative country studies show that the European recommendations, in most cases, coincided with the interests of the dominant capital fractions. (Sacchi 2016; Syrovatka 2018). Accordingly, the new European labour market policy works as an interplay of European and domestic reform pressure. (Syrovatka 2016: 218).

The political-strategic orientation of European labour market policy appears stable and has not undergone any major revision during the crisis. On the contrary, the approach of a labour market policy focused on strengthening competitiveness was further developed. With the introduction of the resilience approach, the contingency and dynamics of the market became the leading motive for the specific configuration of the European labour markets. This leitmotif further strengthened the market-liberal character of European recommendations in the field of labour market policy and underscored their importance for fiscal policy.

The introduction of the resilience approach represents the ideological framework for the institutional shifts. It makes it possible to establish comparability between the member states and to legitimise the required structural reforms within the context of a radicalised competitive narrative.

However, you can observe a counter-movement to the shifts outlined above after the crisis. Mainly since Jean-Claude Juncker took office in 2014, more space has been given to social Europe. From 2017 onwards, in particular, the European Pillar of Social Rights seems to be a serious attempt to upgrade the European Union in social policy terms. The development is also supported by the expansion of competences in the sector-wide Social Dialogue, the

establishment of a European Employment Authority and the revision of the Posting of Workers Directive. Even the ongoing discussions about a European unemployment insurance system gives optimism, contrary to the general trend.

However, despite all optimism about recent developments, some caution should be exercised. Not only because the initiatives for a social Europe in the past were quickly tiring or lacking commitment (Crespy and Menz 2015) but in particular because there is a real danger that established forms of national regulation could be broken up with European initiatives and be replaced by market-centred forms of regulation. One example is the pillar of social rights, which so far only had a non-binding, symbolic character and concentrates mainly on individual rights. (Seikel 2019). There are no collective rights insight the EPSR, such as the right to strike or the right to collective bargaining. Wigger and Horn (2019: 186–187) accentuate the competition orientation of the social rights postulated therein, which should be in line with the competitiveness approach. Therefore, doubts should be allowed.

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