

“Labour Administration and Policy: Responding to the Economic Crisis” - Insights from the Prague Seminar on March 2, 2010

On March 2, 2010, the ILO organized a validation seminar in Prague at the Research Institute of Labour and Social Affairs to present and discuss the main contents of a forthcoming publication edited by Mr Luděk Rychlý and Dr Jason Heyes. The publication is titled “Labour Administration and Policy: Responding to the Economic Crisis”. The event was attended by approximately 60 representatives of the Czech Government and social partners, as indicated in the attached list. Among others, Mr Petr Šimerka, the Czech Minister of Labour and Social Affairs, and Mr Vladimír Špidla, the former EU Commissioner for Employment, Social Affairs and Equal Opportunities, took part in the seminar as discussants. The seminar had two main sessions: (1) in the morning in which the Czech Minister of Labour and Mr Giuseppe Casale gave an introductory presentation and speech on the topic followed by Mr Rychlý’s presentation on the contents of the book and; (2) in the afternoon during which prof Dr Gerhard Bosch and Dr Heyes presented their own chapters dealing with, respectively, work-sharing and vocational training and education.

During his presentation, Mr Rychlý pointed out that the book aims to discuss short-term as well long-term changes in labour administration and the factors influencing them. In particular, the draft has three principal aims: (1) to identify and evaluate new developments in labour administration, (2) to provide an international comparative analysis of developments in labour administration, and (3) to develop the conceptual and theoretical content of the analysis of labour administration. In doing so, the book draws on information and examples from a variety of countries and provides information about the different ways in which governments have sought to address common difficulties and highlight potential lessons for policy makers. As Mr Rychlý explained, the opening chapters of the book deal with more general issues such as the role of Governments during economic crises (Nolan), the use and the governance of active labour market policies and programmes (King) and the role of Governments in industrial relation (Hyman). Next, the book examines the various ways in which Governments have sought to respond to the crisis and the consequences for national labour administration systems. This encompasses a discussion on the scope of Labour Law (Freedland and Kountouris), but also more practical topics such as the regulation of executive pay and reward (Prosser), minimum wages (Schulten), vocational training (Heyes), work-sharing (Bosch), social security (Hagemeyer, Woodall and Bonnet) and labour inspection issues (Vega). Finally, particular attention is drawn to vulnerable workers as temporary agency workers (Sanders and Ratti) and migrant workers (Kuptsch).

Prof Bosch gave a presentation on his chapter titled, “Dismissing hours not workers: Work-sharing in the economic crisis”. After an overview of the different types of work-sharing regulations and a comparative analysis of the German and French approaches, he pointed out the most important arguments in favour of this kind of solution, namely that, (a) the production potential can be maintained, so that when the economy starts to pick up, employment can be increased without the delays associated with the development of new production facilities; (b) firm-specific skills are maintained; (c) scarring effects on employees can be avoided; (d) excessive demands on labour market policy in a recession can be avoided; and (e) social cohesion is strengthened if the costs of the crisis are distributed more evenly among a greater number of employees. As Prof Bosch recalled, mainstream economists point out that in a long crisis, short-time work could act as an impediment to structural change, leading in the longer term to reduced growth. However,

there are no indications that this has been the case in the current crisis. For this reason, Governments should call for an expansion of the “retain-first” approach.

Dr Heyes’ presentation dealt with “Training, Employment and Employability”. Even though a few differences remain between the “corporatist/cooperative” (Germany, Austria and Netherlands) and the “voluntarist” (UK) approaches, Dr Heyes noted that vocational education and training measures have played an important role in all Governments’ responses to the current economic crisis. In many countries, specific training measures have been introduced for “vulnerable” workers, such as migrants and young people. In some countries, Government policies have been informed by an analysis of anticipated future skill requirements. In this context, public employment services have played a crucial role, and the inter-play of State, employers and trade unions should be strengthened by shaping the institutional context of skill formation through collective bargaining and social dialogue. Finally, Dr Heyes recalled that Governments should give more attention to the quality of jobs and their skill content, and to new job opportunities such as that of “green jobs”.

A discussion followed each of the three presentations, whose main messages are summarized below:

1. Firstly, the book was very welcomed. In particular, the large scope of the themes was appreciated, not only because it includes key issues such as migrant workers, temporary agency workers (TAW) and executive pay, but also because it makes an important point on the plurality of stakeholders in labour administration. During the discussion, it was underlined that some particular themes, like income inequality, are particularly important for issues not discussed directly in the book (such as pension reforms). The timing of the publication was well-appreciated as it could be a useful tool for policy makers. Nevertheless, Mr Špidla pointed out that maybe the book makes premature conclusions on some subjects, including TAW.
2. A second message stemming from the discussion regarded the economic approach and the role which the State should assume during and after this economic crisis. The Czech Minister pointed out that all the short-term measures taken so far to tackle the current crisis seem to show a return to the Keynesian approach. However, it is not clear how this approach could be further developed in a long-term perspective. What is clear in this current crisis, as Mr Špidla recalled, is that labour market must be understood as an institution with ethical values of which, fairness is one. In this context, a new role of the State in managing the labour market and the economy seems to be necessary. A crucial point relates to the ownership of local banks. As Mr Milan Horálek (former Czech Labour Minister) pointed out, governments of small countries have less space for manoeuvring as there are no locally owned banks.
3. In regard to the role of the State, a few interventions called for a sort of “corporate governance” of the labour market to be enacted and enhanced through social dialogue. In fact, if the role of the State is important, the current crisis has also revealed that social dialogue can play a crucial role in reaching consensus and enhancing joint decisions and measures on economic matters even in those countries which lack institutionalized channels.

Furthermore, States should assume a more complex role in dealing with labour policies. Labour regulations and legislations still remain necessary. Prof Bosch explained that a strict employment regulation can cushion the effects of an economic recession on the

labour market. In fact, his comparative research showed that States with stricter labour regulations have been those where the unemployment rate has been growing less during the current crisis. This is the case of Germany, where work-sharing agreements has led to the retention of employed individuals, as firing costs would have been higher.

But, if labour legislations and regulations are crucial, they are not sufficient. Firstly, as a few speakers and various interventions pointed out, labour policies should go beyond labour market and assume a holistic approach, which should include social policy and social justice issues, and also commercial law and bankruptcy legislations.

Second, regulations should go hand-in-hand with the enhancement of proper instruments aimed at co-ordinating the numerous agents, agencies and entities engaged in labour market policies.

In this context, the seminar stressed the need for a renewed role of Public Employment Services, whose main activities should be not only jobs brokering, but also providing information and consultancy for unemployed and career management services. Some trade unions' representatives and Czech civil servants pointed out the urgency to map the need of every local labour market in order to respond promptly and effectively to every specific and different regional need and gaps. Public employment services should also deal more effectively with clients, in order to ascertain employers' needs and to make employees ready and employable when jobs are available. A special attention should be also given to vulnerable groups, especially young people under 25 years old and people over 50 years old. As Mr Vit Samek of the ČMKOS (trade union) pointed out, all these goals can be reached only if labour agencies are given proper and qualified staff.

In this context, one of the main instruments to cope with the jobs crisis still remains qualification, training and vocational education schemes, as Dr Heyes' presentation showed and several interveners agreed upon. This is necessary in order to keep people employed, but also in terms of addressing new professional experiences and new opportunities.

Mr Špidla pointed out that the key weakness of the European labour market is the life-long learning characteristic, which exists only in the Scandinavian countries. Also Mr Horálek, former Czech labour minister, stressed the importance of employability and the urgency to map the needs of the labour market and of the job-seekers, taking into account the regional gaps.

During the discussion, the ability to predict or to ascertain future needs was perceived as also crucial. But this is not possible or even remotely attainable without employers' collaboration. Prof Bosch pointed out that a supply-side approach should be enhanced, in order to translate future trends into future needs and proper training and educational programmes. This could be the answer also for those countries which lack the proper fiscal space to introduce more comprehensive reforms, such as the Eastern-European countries. In this context, a proper balance between higher education and vocational training should be enacted. What is obsolete is the special knowledge, not the general educational one, as Prof Bosh pointed out, and a system of a "second chance" should be created for all workers.

Another message raised in the discussion dealt with the European integration and flexicurity in particular.

As Mr Samek of the ČMKOS pointed out, European integration needs to avoid social dumping by enhancing and enforcing decent work throughout Europe, and by developing, when it is possible, common labour policies at the EU level, as Mr Špidla added. It is true that the existence of three distinct social models still remain an obstacle for this purpose.

For example, in the case of the new Directive on Agency Workers, which is a result of 16 years of compromises, the principle of equal pay can be jeopardized by the same collective bargaining in those countries where trade unions are weak or supported financially by employers. As Prof Bosch stressed, it should be clarified what a union means at the EU level (see also the *Laval* case debate and in general, the weakening of European standards after the rapid extension of the EU).

Regarding flexicurity, Ms Nešporová recalled that flexicurity is a trend which cannot be stopped; however, exaggerated flexibility can be harmful to productivity. A better balance between its two components is necessary, as Mr Špidla stressed. At this regard, Mr Samek of the ČMKOS pointed out that nowadays, flexibility is not a problem as a concept, but its implementation still remains a crucial issue. For this reason, the debate should be holistic and comprehensive, and above all, include input from and consultation with social partners, also at the plant level. The focus should be on workers' career path. Furthermore, its security aspects should be based on European standards. In this regard, minimum wages should be, for instance, the same percentage of wages across all Europe. In the future, more attention should be given to working-time arrangements and its flexibility. However, as Mr Špidla pointed out, nowadays the goal of the European Commission is to provide "mobility" through the Labour Market rather than "flexibility" in the contractual relationship.

Strictly linked with flexibility is the problem of law enforceability, even though it remains an important issue throughout labour law and labour policies debate.