

Unemployment in the EU: Some Sociological Footnotes

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1. The labour market policy of the EU

Since the meeting of the European Council in Lisbon in 2001 employment policies are high on the agenda of the European Commission. Every year the Directorate-General for Employment, Social Affairs and Equal Opportunities issues a document about the developments in employment in the member countries, about the policies being pursued, about their successes and failures. This contribution will be mainly a commentary on the document published recently, in 2006, and more precisely on some of the presuppositions it is based on. There is no doubt that this is a most sophisticated document, with the best available statistical data and with the most up to date tools of analysis. However, it is also clearly an economists' document and therefore calls for a few cautious sociological comments and questions. These intend to examine whether the definition of the problem of unemployment is adequate from a sociological point of view and also what its shortcomings might be from a Christian perspective.

In the introduction the Commissioner immediately points to the main theme of the policy line of the present EU leadership: "The Spring 2006 European Council...reiterated the need for more effective and comprehensive implementation of the European Employment Strategy, particularly by emphasising a number of aspects, such as an adequate balance between security and flexibility in the labour market (i.e. "flexicurity"), mobility, education and skills, and a life-cycle approach to labour force participation." What flexicurity means is spelled out several times in the document. Commissioner Spidla himself spells out succinctly four essential elements: flexible contractual arrangements; effective active labour market policies; credible lifelong learning systems; and modern social security systems combining the provision of adequate income support with the need to facilitate labour market mobility and transition." To the unbiased reader flexibility seems to come first, with security meant to facilitate it and to alleviate the hardships that comes with it.

It is not easy to argue with this definition of the problem. It appears to derive from sensitivity to the requirements of international economic competition and adaptation to the rapid technological innovations of our age that tend to replace labour with capital. Somehow the labour market has to follow and the policy options are therefore largely determined by the situation, not by political and ideological discretion. In this frame of reference the first objective is the strengthening of the economic performance of the EU, with full employment in second place, as both cause and effect of this performance. To obtain this full employment one wants to attract as many people to the labour

market as possible, including women and those that would have been admitted to retirement in earlier times. At the same time these members of the expanded labour force have to find jobs that are as profitable as possible without being slowed down by long delays between jobs. The full employment that is envisaged by the EU is, as a result, an economically rational one more than a socially rational one. One cannot fail to observe that the Lisbon European Council of 2000 and the Stockholm European Council of 2005 also mentioned, together with the need for sustainable economic growth and more and better jobs, the objective of greater social cohesion. One wonders what happened to this last objective in later documents about economic growth and employment.

One can therefore have no quarrel with the objective of flexicurity if this means that our labour markets require flexibility and that this flexibility is not to be attained at the expense of security, the former being an economic objective, the latter a social one. However, I would maintain that the costs of flexibility are greater than the document admits and that the compensation by “security” as described here is inadequate.

Let me put my cards on the table rightaway. My first proposition is that the nature of the present unemployment in the EU is increasingly “frictional”, a mismatch between demand and supply. Of course the document wholeheartedly accepts this first proposition. Some time ago frictional unemployment was synonymous with transitional, short-term unemployment, something policy-makers could do nothing about and actually should not worry about. The demand and the supply of labour needed some time to meet each other and this searching time was seen as largely incompressible. As a result a rate of 3 % unemployed was considered to be a state of full unemployment. More worrisome was structural unemployment that occurs, when for some hard to tackle reason, the supply of labour grows too large or the demand for labour grows too small. An example of the first reason for this disequilibrium could have been the entry of many women on the labour market, an example of the second has been the fact that in large areas the coal and steel industries have gone out of business, without other industries to replace them. But this is not the kind of unemployment the Commission is viewing as dominant in its analysis of the contemporary European labour market. This is an optimistic definition of the problem because the challenge of this unemployment is viewed as hard to cope with. More traditionally worrisome has been conjunctural (cyclical) unemployment. Here political action was deemed possible and called for and it could be inspired by either leftist or rightist options. The rightists would claim the equilibrium would automatically be restored if the economic system was given the chance, the leftist would call for an active labour market policy, meaning the consumer demand of the individuals or of the state must be increased, e.g. by fiscal measures.

In the present, however, frictional unemployment appears to have become determinative of our present labour market and to have increased to the point of becoming structural in nature, that is: a result of lasting developments in our society. There has been an increasing compartmentalisation and segmenting of the labour market. To give one example: in my country the demand for labour is high on one side of the linguistic border (in Flanders) and the supply is high on the other side (Wallonia). The trouble is that it proves difficult to make the Walloon job seekers cross that linguistic borderline. For the EU as a whole the trouble is that there are many and ever more of similar borderlines. They are not mainly of a linguistic nature. The rigidities in the labour market spring from different ill-advised official regulations and even more from the differentiation and the obsolescence of expertise. This is, of course, what the EC sees as the problem. With the right policies it should and could be overcome. Sociologists would reply, though, that there are more and tougher rigidities in the labour market than those considered by many economists. To make matters worse, these rigidities loom larger for the poorly educated than for the well educated.

The policy-makers design strategies mostly based on individualistic premises. Accordingly they tend to overestimate the effectiveness of their proposals, not so much when economic growth is at stake but more so when full employment, including the employment of the long term unemployed and the “unemployable”, is taken as an objective. This shows even in a carefully elaborated document such as the one introduced by Commissioner Spidla. The Commissioner tells us, e.g., that geographic mobility is a crucial element in his strategy to cope with the current challenges in the labour market. This would sound persuasive if people were no more than individuals. Then moving them around would be almost as easy as moving around capital. However, people are not merely separate individuals. They also are participants in enduring relationships, with the gratifications and responsibilities they entail. They are members of network of such relationships: they are members of communities. For them leaving these social networks of friends, relatives and local associations is not an obvious thing to do, especially when they have a spouse and children with them. Leaving them will come at the cost of what sociologists since Durkheim have come to call “social alienation”. We all know the stories of diplomats who have to move from Honduras to Kenya about every five years. They don't like it and they are quite right not to like it.

2. Unemployment as a social problem

In a mainly agrarian society with an undifferentiated economic system unemployment is not seen as a major problem at least not for the political authorities. The talk was about overpopulation and the remedy was that the surplus-population could emigrate or join the roving armies of the European princes as mercenaries, as did those Swiss youth who could no longer make a living on their mountain slopes, or entrust themselves to the charity of their fellow human beings. In an industrial society,

however, with a high degree of functional differentiation, the idea takes root that there must be a job available somewhere in the vast economic system, in which the demand for jobs is almost impossible to oversee and which therefore offers hopes to those who have labour to supply. There the idea of the labour market and the ambition to manage it becomes politically salient. Not finding a job on this market, with all its opportunities, becomes problematic for several reasons. Unemployment attracts sometimes pity, sometimes blame. The reasons for regarding unemployment as a “problem” vary widely and some of them tend to be forgotten too readily.

a) Unemployment is bad for the financial income of the individual, of the state and of society as a whole. This economic dysfunction of unemployment need not be elaborated here. Where there exist generous unemployment benefits the burden of unemployment can be shifted to the state and its taxpayers and thus be redistributed over the general population. But even then it is useful to focus on the financial implications for the unemployed individuals. The loss of employment is disruptive of the life planning of individuals and their families. It is not only the level but also the continuity of the labour wage that matters for them, especially in a society where spending is for a large part based on long-term borrowing. It is understandable that many policy-makers prefer to remedy this problem with income maintenance measures rather than with flat minimum income allocations. In the EU several governments try to cope with this aspect of the problem by stressing “income security”.

b) In many cases individuals not only join the labour market for extrinsic, financial reward but also for intrinsic, “expressive” rewards. Those who hold these intrinsically rewarding jobs view them as formative of their personality and would often be willing to trade part of their financial gains for these psychological benefits. This is the reason why many individuals, especially women and retired individuals, are content with part-time or volunteer work. These persons therefore do not participate fully in the labour market and do not contribute visibly to the economic wealth of society. However, they do contribute to the **quality of life** in society and it would be very unwise to force all of them into the regular labour market. It might even be the case that they too contribute to the economic welfare of society, although in indirect ways.

c) Another psychological dysfunction of unemployment is the discipline it imposes on the life style of the individuals. This is a very ancient wisdom. The Apostle Paul is quoted as having written: Those who do not work, will not eat. This wisdom applies even more stringently in the contemporary world where “work” is so dominant in the time-budget of most individuals. Those who work cannot only eat, they can also participate in the life of society. Those who do not work are more often than not socially excluded. They find themselves as having nothing to do and exposed to unnerving boredom. They might look for some income and for extra excitement in criminal activities. In any case they will be regarded as lazy by those who hold jobs and who assume that jobs are available to anyone who really

wants one. This barely hidden contempt is corrosive for the self-esteem of the unemployed and might turn into a self-fulfilling prophesy. In our society there seems to be something like a class divide between the employed and the (long-term) unemployed. Empirical research has established that unemployment benefits are the least popular sector of the social security system. As a result there is no great outcry when a political party propose a reduction or a time-imitation of these benefits. This is why several governments have preferred to promise “work security”, which would make unemployment benefits useless anyway.

d) The job one holds in the labour market is largely determinative of one’s social status. Social status consists of three partially overlapping features: education, income and occupation. It is common knowledge among sociologists and other observers that social status has far reaching consequences. It is a predictor of various kinds of social participation in quite other areas than the labour market. It has, e.g., a strong link with participation in the political subsystem and in other subsystems of society. The job itself allows one to join an occupational network. It is also conducive to other forms of social “networking”. This is one reason why many people would rather stick to one (underpaid) job rather than accepting (generous) unemployment benefits or “golden handshakes”. This is also a very sound reason why many resent to have to switch from one job to another and why “flexibility”, even when softened by financial “security”, may meet with resistance from its victims. Here is a major objection to the policies that advocate almost limitless flexibility and are tolerant of a large rate of frictional unemployment.

e) Changing employment is even more disruptive of social relationships when occupational mobility is coupled with geographic mobility. Taking on a new job elsewhere implies leaving behind a set of relationships in which one has invested heavily, with the precarious hope of establishing new, equivalent relationships there. Of course in an urban society relationships require less local rootedness and are more a matter of ‘associational membership’. The latter basis of relationships is easier to carry with you. But even then being a migrant and therefore a foreigner or a stranger is heavy burden for many, a cost that is not counted in the figures of the official statistics.

3. Rigidities in the contemporary labour market

The most recent data about unemployment in most EU member states force us to the conclusion that this is a new kind of unemployment. It is not the result of downturn in the economic cycle, nor is it merely the outcome of technological innovations that have made many jobs obsolescent (structural unemployment). The demand for jobs is high but so is the supply of jobs. The problem is a mismatch between supply and demand. The fact is that the supply of job seekers and the demand by employers are for some reason unable to meet each other. Policy-makers should therefore no longer give a high

priority to artificial job creation, either by the consumers or by the state, as the Keynesians used to propose. Job creation by the state, e.g., has proven to be a heavy burden on the state budget, to replace more efficient investments elsewhere in the economic subsystem, to invite substitution effects, and not be effective in assuring the transition to regular jobs in the labour market. (We shall take up this argument again later.) Neither can one expect that the equilibrium will be restored automatically, provided that one is prepared to wait long enough. No, policy-makers have to work with the assumption that there are more than enough jobs available but that workers are unwilling or unable to take them. This is indeed the basic assumption of the policies proposed by the EC and endorsed by the European Councils of Lisbon, Stockholm, and later on.

A further assumption is that it is the workers, rather than the employers, who must adapt better to the requirement of the labour market. The latter are constrained by the technological innovations they have to introduce and by the economic competition (resulting from so-called “globalisation”) they are involved in. It is the supply of work that has to become more flexible. What can be done for this purpose and what cannot?

To answer this question we need a clearer overview of the rigidities that obstruct this flexibility. I have mentioned above the existence of linguistic and cultural borders. They are hard to cross, as the example of many immigrants tells us. But that is just one example. Other rigidities are the outcome of earlier regulations and can rather easily be questioned, if not abolished. Some countries have introduced high severance pay and high unemployment benefits, measures that would keep many temporarily unemployed from actively seeking new jobs. Other rigidities are of a more structural kind and more difficult to get rid of. The first of these is obvious: workers prefer going up the occupation ladder and dislike going down. This is not a matter of being spoiled by the welfare state. This is a natural attitude in individuals whose spending patterns are largely based on their ability to borrow. Naturally they wish at least to maintain their income and, if possible, to increase it. Equally important is the fact that there is a growing segmentation of the labour market and, as a result, a growing fragmentation of expertise, mostly at the middle levels of education. The higher levels of jobs in the organisational hierarchy are less vulnerable to this feature of the schooling process, as are the lowest jobs. In the case of the intermediate jobs, people’s expertise lasts, to put it crudely, as long as the tools they are used to working with. From being half-skilled they will be turned into unskilled.

To adapt the supply of labour the EC and most experts bet heavily on the education factor. They are evoking the necessity “of a life long learning process”. The more the labour force has learned, the more they will be able to learn even more and so to adapt to technological innovations and to ever new and changing jobs. The rationale behind this new educational policy is, so we are told, that in the not so distant future all or most jobs will be temporary and that the sensible thing to do is to ensure a rapid

transition between jobs, within the firm and between firms. This is how many employers think already, in managing the personnel within their own firm. They tend to offer jobs to overqualified newcomers rather than to applicants with the right immediate qualifications. The drawback of this recruitment practice is that the turnover among these overqualified workers tends to be high. Nevertheless high pre-job qualification is being preferred as a guarantee for the success of later on-the-job-training.

One of the dysfunctions of this strategy is that poorly educated workers are being relegated to the margins of the labour market. They not only remain unemployed for a longer period of time, they tend to become unemployable. This results from more than sheer prejudice. The poorly educated tend to be unspecialised or to be specialised in a very narrow segment of the expertise required by the labour market. A plumber is not a carpenter. As these segments are very different from each other, mobility is rather difficult. The same rigidity cannot be found among the non-manual, highly educated workers, especially in the booming service sector. Here education opens the doors to many employment opportunities, aided by on-the-job-training. There is something to be said for the received wisdom in the British civil service: reading classics in Oxford enables one to take on almost any job, provided that one gets offered long-term career prospects.

Much attention has been paid to the plight of the poorly schooled in the contemporary “knowledge society”. Employers are willing to recruit them only for jobs without tenure or with precarious tenure. Could they do otherwise? Enterprises need to be more adaptable to ever more turbulent circumstances. The best managerial practice appears to be to maintain a core of full-tenure employees and to support them with short-term personnel whose expertise will erode rather rapidly or who might become expendable for other reasons, e.g. when the enterprise performs poorly. Not coincidentally this practice is now being applied even in the civil service of many countries. There you find now a top layer of genuine civil servants with full career prospects, and a layer of “contractuals” with a flat and short-term career but attracted by the faint hope of one day jumping to the superior status of the regular civil servant.

The compensation for this new recruitment strategy (that increases the number of precarious jobs) consists in assuring a swift transition from one job to another. This the public authorities can do by easing the restrictions on hiring and, especially, firing; and even more by offering adequate learning opportunities. At the same time the EC document emphasises the need for security as much as the need for flexibility. However, this “security” is a watered down version of the job security we have come to expect. True, by this “security” more is meant than income maintenance for workers who happen to be out of a job. It points to adequate information about learning facilities and job opportunities by the public authorities, so as to shorten the search by the individuals in the dense forest that has grown on the public square of the labour market. The authorities have very good reason to invest heavily in this

kind of intermediation and dispatching. Having more people at work and fewer on the dole is a good thing for the state budget, especially now that the population is aging and the social security system absorbing a greater share of the state revenues.

It is generally recognised today that this strategy is to be preferred to the now discredited effort to introduce a redistribution of work by limiting the weekly hours of work (see the controversial 35 hours week in France). The latter measure was bound to fail because there is a strong tendency for some people to work harder (because they have an important job and are eager to build up a career at whatever cost) and for many others to work less. This strategy is also to be preferred to the subsidizing of the recruitment by private firms: in that case, firms would evidently recruit subsidised workers as long as the subsidies last and dismiss them when the subsidies end. It is, finally, to be preferred to the creation of jobs by the political authorities. These jobs tend to have little added value for the general performance of the economic system: they do seldom respond to a genuine demand for labour, they just hide the structural or conjunctural unemployment that continues to exist. They also tend to create a substitution effect: the public sector gains the jobs that are lost in the private sector. And, finally, they prove to be a heavy burden on the state budget, preventing investments that would be more profitable in the long run.

4. “Unemployment policies” on the local level

The analysis presented thus far presumes, however, that unemployment is principally a matter of knowledge and intelligence, and that the remedy is learning. If this were the final truth this would open the perspective on a dual labour market with a divide pitting the intellectually privileged against the intellectually underprivileged. This new meritocracy would be even harder to contest than the old one based on economic privilege. However, when we turn to the so-called “unemployable” we cannot but notice that learning is not sufficiently effective. The evaluation of ‘off-the-job’ learning is more often than not disappointing. On-the-job learning, coupled with experience on the work floor, produces better results. This factor suggests that more is involved here than a lack of intellectual capabilities. The problem is also about a lack of motivation, which cannot however be ascribed to laziness. Many individuals are not easily motivated to participate in the labour processes as proposed by the demand of the regular labour market. In a study of local politics, we discovered that it is one thing to participate in small-scale political processes embedded in the local community, and quite another thing to participate in the large scale political processes of the anonymous society. Citizens who participate in the latter are of course perfectly capable of participating in the former; but the reverse is not true. Some individuals feel too weak to face the challenge of the complex society in its political and also in its economic system.

It might be wise to apply the same hypothesis to the unemployed in the labour market. This might explain why a surprising number of the unemployable can be activated by their insertion in small, cooperative-like experiments. These experiments rely more on relational networks existing in the local community. They bring the demand of labour closer to the supply of labour, rather than the other way round as is more common. In this way they hope to stimulate motivation in the first place and intelligence only in the second place. Of course, they cannot succeed without the guidance of a few professionals and the strong commitment of some volunteers. However, this style of labour-demand is able to attract the supply of labour from (especially young) people who proved hard to motivate and teach in relation to the regular labour market. More often than not the initial tasks entrusted to them require little or no expertise. This they acquire after a while, thanks to their growing work experience among colleagues with whom they maintain close, trustful interpersonal relationships and thanks to the support of the local community. These experiments are surprisingly successful in that they ultimately prepare these “unemployable” to claim their place in the regular labour market.

The drawback of this “small job” strategy is of course that it is very labour intensive. It requires the assistance of volunteers and sponsors, certainly in its initial phase. But if these initiatives could be multiplied with the assistance of local authorities, local associations and - why not?- local enterprises, it could prove very productive for tackling the anguishing problem of many unemployed/unemployable. In particular local authorities would seem to have a stake in this strategy. Unemployment is locally contagious. So is employment. From this one could conclude that the national (or supranational) authorities should be called on to support, not to supplant, these local initiatives. To some extent the EU already does so. There is something called “structural funds”. It is surprising to find no trace of the possible use of these funds in the document of the EC about unemployment, especially as unemployment is largely an epidemic that tends to fester in certain regions. Perhaps the Commission would retort that is primarily concerned with the big numbers of economic growth and unemployment. This, however, would be a poor excuse for not dealing with the plight of those excluded by the logic of the present labour market. It is a matter of justice that there should be some kind of redistribution between those who take the profits from this logic and those who have to pay the costs.

5. A Christian endnote

It is hard to blame the European leaders for the labour market policies they propose. It is a rather natural thing to emphasise the necessity of further economic growth. The EU could do with a higher employment rate, a lower unemployment rate, a higher level of labour productivity and, as an end result of all this, with some more economic wealth, if only to combat the poverty in several areas of the Union and to cope with the challenges to the social security system. However, the entire Commission project seems to be focused more on economic power than on economic wealth. It is about maintaining Europe's position in the competition between the once and future economic power blocs. Even here it is hard to blame the EU for wanting to play this game. It is forced to do so. But to Christians this cannot but inspire some regrets. Do these restraints of international economic competition have to mean that the maximum of labour market mobilisation is also the optimum. Is the quality of life in a society not better served by some more leisure time and by some more voluntary work? Does this entail that all the specifics of the proposed policies have to be accepted without objections? In the preceding pages it has been suggested that some of these specific features have at least to be regretted.

What would be the optimal level of mobilisation? Should such a mobilisation lead to more night shifts and to more Sunday work? Apart from religious considerations, this would further reduce the time available for "social activities". It is true that much of the recent gains in the employment rate have been achieved in the form of more part-time work, especially for women who want to devote some time to their family life.

Another regret concerns the fact that the further mobilisation of the individuals for participation in the labour market might prove easier for the highly skilled and the poorly skilled than for those in skilled manual occupations. This may at the end lead to a polarisation, or "dualisation", of the occupational structure in society. This is not a society to look forward to. The problem is not only the lack of unemployment but also the inequality of unemployment that result from the recent trend to meritocracy. If employment is indeed linked more and more to education, those who have good jobs will come to be seen as deserving them, and those who have bad jobs as similarly deserving them.

The main regret is that the flexibility of the labour market is to be expanded at the cost of existing and possible interpersonal relationships. The commissioner deplors that there is still a mobility gap between the EU and the US. This gap indicates that "there may be a potential for higher mobility in the EU". The more geographic mobility the better... Here our regrets converge with those about the loss of social capital voiced in Robert Putnam's "Bowling Alone". Putnam does not assert that insertion in, and flexibility on, the labour market is the main cause of the contemporary loss of social

capital. However, social and especially geographic mobility contribute to it. Moving your home to another place to take up a new job or commuting from your home to a job farther away and spending more time in your car, both have social externalities that tend to be underestimated, even ignored. From a Christian perspective it should be added that the weakening of interpersonal relationships runs counter to a worldview where enduring and intense friendships are the closest human beings can come to love and charity.