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Low Growth, Falling Competitiveness and High Unemployment as Europe approaches the Twenty-first Century

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INTRODUCTION

The European Council, at its meeting in Copenhagen in June 1993, reaffirmed the growth initiatives endorsed in Edinburgh the previous December and at the ECOFIN meeting in April 1993. The conclusions of the European Council in Copenhagen included a memorandum by the Commission's President entitled 'Entering the Twenty-first Century - Orientations for Economic Renewal in Europe?' In this connection, the European Council asked the Commission to prepare a white paper on a medium-term strategy for growth, competitiveness and employment. Member states were asked to submit to the Commission, before 1 September 1993, proposals for elements that this strategy might include.

The Delors White Paper on growth, competitiveness and employment (CEC 1993a) was published with much fanfare in early December 1993, overshadowing to some extent the Green Paper on Social Policy (CEC 1993b), which was published the previous month by the EU Social Affairs Commissioner, Padraig Flynn, and which covers many labour market issues of relevance to the White Paper. In May 1993, Mr Flynn also published a study plan - the community-wide 'Framework for Employment',

highlighting the key issues of low employment and high unemployment, which were examined in more detail in the White Paper. The objective of this article is twofold: to outline the evolution of the White Paper, identifying some of the main influences which shaped its final form, and to assess the effectiveness of the document in dealing with some of the main issues which it raised.

By tracing the gradual evolution of the White Paper from earlier leaked drafts, this article seeks to identify some of the key forces which influenced the final outcome. Submissions from member states highlight some conflicts of interest existing within the various European political traditions, ranging from the Social Democratic approach of countries like France to the more liberal economic views of the UK government. Tensions within the different directorates general of the Commission itself were also in evidence, with the dominant influence being that of the president, Mr Delors.

Having outlined the background to the White Paper's development, this article considers some of the key issues raised in the document. The focus is primarily on unemployment and on Europe's failure in recent years to translate economic growth into additional employment. This failure is examined in the context of falling competitiveness and productivity within the European economy, which is linked to reduced investment in infrastructure. The absence of flexibility within Europe's labour force, which is also showing signs of demographic ageing, is identified as an obstacle to be overcome. The role of information technology in creating new employment opportunities, particularly in the service sector, is highlighted. Finally, the widely accepted basis for free market economic orthodoxy begins to be questioned towards the end of the White Paper, particularly in relation to the link between growth and the environment.

POLITICAL EVOLUTION

Media coverage of early drafts of the White Paper give some indication of the various tensions which existed in the formulation of the document. The leaking of earlier drafts to the media

facilitated the testing of reaction to the main proposals, and suggested necessary modifications to be incorporated in the published version. Part of the consultative process in producing the document involved each of the member states making a submission to the Commission on the main themes of the White Paper. In the accompanying volume (Section C), which was published with the White Paper, only ten country submissions were included, and it appears that both the Irish and Greek submissions failed to meet the publication deadline.

The tension between the European Social Democratic tradition which characterises countries like France, and the more liberal economic approach of Britain is reflected throughout the White Paper, and the end result is an uneasy compromise between the two. Some commentators suggested that the White Paper provided clear evidence of the debate on Europe's economic problems going in favour of the UK government's submission, which placed considerable emphasis on the need for greater flexibility in the labour market (*The Times*, 10 December 1993).

An example of the fluctuating nature of some proposals, which received more emphasis in earlier drafts than in the published version, is that of work sharing. An early draft suggested that work sharing was of central importance in combating high unemployment. The Netherlands - where by 1991 the average worker was working five hours a week less than in 1983 - was held up as the model for Europe. Employment in the Netherlands increased by 30 per cent between 1983 and 1991, and all new public sector jobs are now limited to a maximum of a thirty-two hour week. The renewed interest in this policy prescription, which has been doing the rounds for some years, has been traced by some commentators to the recent European Socialist manifesto (*Financial Times*, 24 November 1993). The British government, in particular, attacked this prescription as being based on the 'defeatist fallacy', that there was a static economy with a fixed amount of labour to share out. While work sharing does not deal with the root cause of unemployment, nevertheless it was felt that it could make a small positive contribution over the medium term (*Financial Times*, 24 November 1993). Yet the Commission's dismissal of systematic work sharing in the final draft was lauded by some as being realistic (*The Times*, 10 December 1993).

In addition to reflecting the varying views of the member state governments, the White Paper also indicated the existence of tensions within the Commission itself, which were highlighted by Lionel Barber (*Financial Times*, 6 December 1993). For instance, the White Paper emphasises that unskilled labour is being priced out of the European labour market. Yet the nearest the Commission's DG-2 (under Mr Henning Christopherson) would come to supporting the notion of pricing people into work, was to propose an average increase in real wages of 1 per cent a year, less the rise in productivity.

According to David Gardiner, the ideological debate surrounding the White Paper was between those who believe that the labour market will clear itself once a few obstacles are removed, and those who believe that government intervention is required, albeit by following the trend of the market (*Financial Times*, 8 December 1993). As the document progressed, the latter group, represented by Delors and Flynn, seemed to win out. Samuel Brittan detected all the hallmarks of the Social Affairs Directorate (DG-5) in an early draft of the White Paper, which called for compulsory shorter hours (*Financial Times*, 29 November 1993). In this early draft the authors, according to Brittan, tried to be all things to all men: they wanted to defend minimum wages, enforcement of national collective bargaining agreements, heavy overhead employment expenses and labour market restrictions. Commissioner Flynn argued that the White Paper, rather than being about reducing working hours, lowering wages, or destroying social protection, was about investing in life-long learning (*Sunday Business Post*, 2 January 1994).

The prescriptions of Commissioner Flynn, who is widely regarded as a leading defender of European welfare and workers' rights, did form a central plank of the White Paper. Mr Flynn believes that it is no longer sufficient to boost economic growth, since the real problem is Europe's chronic inability to convert growth into jobs (*The Irish Times*, 31 December 1993). He did not accept that labour law rigidities were part of the unemployment problem and stated that deregulation would create insecurity and demotivation, and that it would lower productivity. What was required instead was an updating of regulations ('reregulation') to keep pace with technological change.

The dominant influence on the development of the White Paper came from the president of the Commission. With his strong socialist background, Mr Delors is regarded as something of an ideologue. His sharp perceptions of Europe's problems are not always matched, however, by his remedies, but he did warn at the outset that there were no miracle cures. Barber noted that early drafts of the White Paper had sent ambiguous signals about how far Mr Delors was prepared to compromise on social policies (*Financial Times*, 6 December 1993). A consistent feature of the Delors perspective, however, is his conviction that new technology has a major role to play in restoring Europe's competitiveness. Pointing towards the arrival of the new post-industrial age, and the fact that in fifteen years' time there will be more non-active people than those at work, the White Paper emphasises that the essential element for survival is not labour costs, but the capacity to master technical change.

Despite the rhetoric of President Delors and Commissioner Flynn, the published version of the White Paper reflects a decisive shift to the right of the Delors view of things in favour of deregulating the labour market. Mr Delors had emphasised that while he was prepared to change his opinions on particular issues, he was not prepared to compromise his principles. Yet the compromise which was reached in the White Paper reveals no passion for the Social Charter; EU social legislation appears to be firmly on hold; the emphasis is on job creation and the new watchwords are 'competition' and 'flexibility'. Despite Mr Flynn's eloquent defence of workers' rights, the White Paper identified the following as the main reasons for Europe's poor record in creating jobs: (a) government-erected barriers to hiring; (b) regulations which have priced unskilled labour out of world markets; and (c) the need to overhaul non-wage costs, even if that means lower wages and less job-security for many.

In addition to tensions within the Community itself, and to those which arose from the varying views of the member states, reference has also been made to the possible impact of other vested interests who did not have a direct input into the document's formulation. For example, 'The European Round Table' (ERT), which represents Europe's top forty industrialists, published their own paper on competitiveness in Europe ('Beating the Crisis')

just days before the White Paper appeared (*Financial Times*, 5 December 1993). The ERT paper was produced primarily as an attack on the provisions of the Social Charter, and reflected strongly the UK government's submission to the White Paper.

Having outlined some of the factors which influenced the development of the White Paper, attention will now be turned to the published version.

A NEW DEVELOPMENT MODEL

Much of the underlying thinking of the White Paper is firmly based on neo-classical economic orthodoxy, until one reaches Chapter 10, which is entitled 'Thoughts on a new development model for the Community'. This chapter considers the relationship between economic development, growth, and the environment. Although this chapter introduces a welcome challenge to some of the assumptions underlying the development model presented throughout the White Paper, the placing of it at the end of the document suggests a reluctance on the part of policy makers to incorporate such a radical questioning into their development philosophy.

It is interesting that it has been the environmental issue and its associated questions about pollution, excessive energy use, and the exploitation of natural resources which has prompted this questioning of an economic model which insists that growth must continue at an ever-increasing pace. On the one hand, the White Paper argues that the problem of unemployment cannot be tackled without increased economic growth; on the other hand, it acknowledges that economic growth alone has not been sufficient during the last twenty years to expand employment in Europe. It is reasonable to argue that the prospects of the significant section of the European population who are currently excluded from participating in the labour market are unlikely to be improved in the absence of an increase in wealth creation. Yet many of the key assumptions which underpin our free market economic system need to be subjected to rigorous questioning (Grimes 1992). Among these assumptions are the idea of an ever-expanding market, the thrust of consumerism and the need to create new market opportunities.

The current period of crisis within the capitalist system presents a good opportunity to seek alternative approaches towards the use of human and material resources for the creation of a better society. While it is true to say that previous efforts to provide an alternative approach to free market economics have frequently been dismissed as Utopian irrelevancies, it is encouraging to observe the contemporary debate taking place within the discipline of economics about the previously accepted orthodoxies (Etzioni and Lawrence 1991). Despite the fact that much of the policy thrust presented in the White Paper is firmly based on the traditional orthodox line of thinking, the fact that some questioning of the suitability of this economic model for the future development of Europe did take place - albeit at the end of the document, and based on the narrower perspective of environmental degradation - is also a source of encouragement.

PRODUCTIVITY

While highlighting a labour productivity gap of 40 per cent between Europe and Japan, the White Paper stresses, nevertheless, the need to turn our attention away from the classical definition of productivity in order to focus more on improving performance, which includes both a quantitative development and an improvement in quality. According to the White Paper 'productivity must increase to guarantee the international competitiveness of a country and to increase the amount of material wealth distributable among the whole community' (p. 43). Few would take issue with this general principle of economic orthodoxy. The White Paper goes on to tell us, however, that the reality in Europe is that 'an increase in productivity results only from a shedding of labour in excess of a decline in production, and does not correspond to any distributable creation of wealth' (p. 51).

This has been the experience in Ireland, where a study of the association between economic growth and employment growth has shown that while productivity has been exceptionally high by international standards, even when adjusted for transfer pricing by multinational branch plants, it has served to reduce the overall employment intensity of economic growth, resulting in 'jobless

growth' (NESC 1992). The NESC study, however, goes on to show that Ireland's high level of productivity derives mainly from the overseas-owned high tech sector, while the predominantly Irish-owned traditional low tech industry is characterised by very low productivity.

GROWTH INTO JOBS

Disparities between wealth creation and job opportunities in different European countries indicate that growth is not itself the solution to unemployment (p. 16). Nevertheless, the paper emphasises that faster growth is a necessary component of any strategy aimed at reducing unemployment (p. 47). The White Paper places the blame for a large part of Europe's structural unemployment - which accounts for about two-thirds of the total - on labour market inflexibility, and specifically points to problem areas such as education systems, labour laws, work contracts, contractual negotiation systems and social security systems (p. 16).

The White Paper points out that the job creation experiences of the EU, the US and Japan have differed strongly in the last twenty years (Table 1).

Table 1: Economic and employment growth in the EU, US and Japan, 1970-92

	<i>EU</i>	<i>US</i>	<i>Japan</i>
Economic growth	81%	70%	173%
Employment growth	9%	49%	25%

Source: White Paper (p. 125)

Twenty years ago, the percentage of the population of working age who were employed was very similar for the US and the EU. Since then the US created thirty million new jobs, three times as many as the EU. The result today is that less than 60 per cent of the total working age population of the EU is in employment compared with 70 per cent in the US (Balls and Gregg 1993). In the US, according to the White Paper, job creation resulted

essentially from a modest rate of output growth and a very high employment content (low average productivity) of that growth (p. 42). Between 1970 and 1990 the number of people employed in the US increased by 52 per cent, while labour costs increased by only 10 per cent; in the EU the situation was reversed with the numbers employed increasing by 10 per cent and labour costs going up by 60 per cent. With the exception of 1986-90, the Community's economy has always been characterised by low employment creation. Japan experienced an employment content of growth lower than that of the Community (a higher average productivity) but it was able to couple that with a much stronger rate of output growth.

A comparison of the poor employment-creation performance of Europe relative to the US is made in the White Paper, based only on the total number of jobs created. The usefulness of comparing an aggregated EU with Japan and the US might be questioned, partly because of the wide variation in economic circumstances within Europe itself, which the White Paper acknowledges. No effort is made to analyse the content of this job-creation. Anybody arriving in Kennedy airport in New York will see evidence of the expanding service sector in the US, when they witness large numbers of young people prepared to work for very low incomes as guides for newly arrived visitors. In fact the real wages of the poorest 10 per cent of workers in the US have fallen by a third since 1970, a factor which has contributed significant pressure towards the need for dual-income households (*Financial Times*, 6 December 1993). In addition to scrutinising the content of employment expansion in the US service sector, one should also be aware of the significant proportion of the urban black population who never entertain the hope of entering the labour market. The much lower level of employment creation in the European service sector may be related to the unwillingness of Europeans to work for the very low incomes which many US citizens are prepared to accept.

Although the US service sector did create twenty million new jobs over the past decade, a recent analysis of the sector reveals that this job creation was a symptom of the sector's chronic neglect of economic efficiency (Roach 1991). Unlike the manufacturing sector, which increased productivity through labour

saving and therefore improved competitiveness, the dynamics of the service sector have been the opposite with excessive job creation reflecting inefficiencies in existing operators. Thus non-manufacturing productivity in the US came to a virtual standstill in the mid-1970s and only paltry gains have been achieved since then. Until relatively recently the services sector in the US was shielded from international competition, but this competition together with deregulation now threatens the vulnerability of the sector.

In the White Paper the issue of labour market 'flexibility', which is not spelt out quite as clearly as it should, is a recurring theme. It is clear that if union power in Europe was eroded to the same extent as it is in the US, it might be possible to create large numbers of low-income jobs in the service sector. In 1990, only 17 per cent of nonagricultural workers in the US belonged to a union, compared with 35 percent in 1960. This compares with the fact that two-fifths of Italian workers belonged to unions in 1988, as did a third of German workers. In the period 1982-95, a massive increase in service jobs in the US was expected, accounting for 75 per cent of all new jobs to be created during this period (Castells 1992). Most of these jobs would be in low-skill, low-pay occupations, such as building custodians, cashiers, secretaries, waiters, general clerks, etc.

Although employment intensity in Europe has not deteriorated in recent years, it is clear from Table 1 that it has been quite low and needs to be increased closer to US levels. Among the White Paper's prescriptions to bring this about are a lowering both of wage costs and of the non-wage costs of employers, such as social security (p. 43). It acknowledges that this may have some unwelcome social aspects, such as a substantial real decrease in the lowest wages, an expansion of part-time work and even greater social inequality. Compensatory measures would be necessary to avoid the creation of a 'working poor' who would likely end up being socially excluded.

COMPETITIVENESS

Competitiveness is one of the most common terms used to try and explain economic performance. Much of the decline in economic

activity in Europe is explained in terms of a loss of competitiveness, and we are constantly warned of the dire consequences for economic well-being, if significant strides are not made to improve this aspect of industry. With their eyes mainly on Japan - whose manufacturing industries in many sectors are so far ahead of those in Europe in terms of productivity, standards, innovativeness and of course market share - politicians and policy makers exhort their nations to improve their performance in order to compete.

The White Paper suggests that we must increasingly think in terms of competitive rather than comparative advantages, pointing out that competitive advantages are based on and influenced by corporate strategies and by public policies (p. 57). Public policy has an important role in organising the social consensus on the share-out of the value-added. While Ireland's Programme for Economic and Social Progress (PESP) agreements in recent years have provided a model of such social consensus, some would argue that such agreements may have been a contributory factor in maintaining in Ireland one of the highest levels of unemployment in Europe. It has been pointed out that since the long-term unemployed exert no influence on collective bargaining, they therefore impose no moderation on the level of wage claims, yet the strongest argument in favour of the PESP is the inclusion in the agreement of taxation, social welfare, social provision and the exchange rate (O'Donnell 1993).

According to the White Paper, the question of competitiveness must be considered at both the micro and macro levels. At the level of the firm - since between 75 per cent and 95 per cent of the total wage and salary bill is now accounted for by functions linked to organisation rather than to direct production - organisational capacity is one of the key components of competitiveness (p. 62). At the macro level the fall in European competitiveness in recent years is explained, not by the impact of international social cost differentials, but by structural distortions in Europe itself. Among the specific causes of Europe's lower competitiveness are the various statutory charges placed on labour (p. 139). Non-wage costs, such as social security contributions, were 44 per cent of total employment costs in Europe, compared with 28 per cent in the US and 24 per cent in Japan.

Despite the fact that employers' groups in Ireland regularly

single out non-wage costs as forming a major obstacle to employment creation, the White Paper's comparison across member states indicates that Ireland is at the lower end of the scale in relation to these charges, accounting for only 36.4 per cent of GDP compared with 46.3 per cent in the Netherlands. While the cost per unit of labour in Ireland is by no means the highest in Europe, Crotty (1992) points out that the size of statutory charges relative to the non-statutory cost of labour is higher in Ireland than in any other European country. Although the lowering of these charges may be one of the few policy options available to the Irish government, it has been suggested that the removal of non-wage labour costs is unlikely to solve Europe's male non-employment problem (Balls and Gregg 1993).

Despite the White Paper's suggestion of the need to consider competitiveness in a much broader context than has traditionally been the practice, recent analysis of European job losses and employment delocation to cheap labour areas suggests that there will be an increased emphasis on the basic issue of labour costs in the short term. With manual workers in Germany costing £17 per hour, compared with £ 1.10 in Poland, it is little wonder that 30 per cent of German companies are planning to shift part of their production eastwards, mainly to East Germany (*Sunday Business Post*, 2 January 1994). Despite these pressures, however, there is a growing realisation of the need to adopt a more inclusive approach towards 'sustainable competitiveness', which goes beyond focusing entirely on the rights of shareholders, and pays much more attention to the broad range of relationships between companies and employees, customers, suppliers, distributors, the local community and the environment.

While both the White Paper and the Green Paper on Social Policy note how proud European policy makers are of the record in relation to employment conditions and the protection of employees, they also suggest the need for greater flexibility. Although much of the discussion on this subject centres on negotiations between the social partners about the distribution of profit, unskilled labour in Europe is increasingly being priced out of the market. In the case of France, where statutory charges on labour are relatively high, and where employers must pay a greater proportion of them than in other European countries,

poorly-educated workers are being progressively priced out of work (Katz and Loveman 1990). The increasing difficulty faced by young people entering the labour market is reflected in the following youth unemployment (persons under twenty-five years) figures: 15 per cent in the EU, 28 per cent in Ireland, 30 per cent in Italy, and 37 per cent in Spain.

Small and medium sized enterprises (SMEs) are held up by the White Paper as models of enterprise, embodying operational flexibility and a capacity for integration, which the units which make up the big companies are now trying to imitate (p. 14). SMEs are defined as firms employing fewer than 500 employees. In an Irish context, a more refined definition would be more practical because of the overall size-profile of companies in Ireland, as would a distinction between indigenous and foreign-owned firms. In the Community, SMEs account for 70.2 per cent of employment, and generate 70.3 per cent of Community turnover, with 29 per cent of them employing fewer than ten employees. Despite their strengths, the rate of SME failures is a worrying development, and the White Paper feels there is a need to restore SME confidence in the prospects opened up by the single market (p. 71). In keeping with the vagueness of many of the White Paper's prescriptions, however, it is recommended that the EU should provide support for the participation by SMEs in enterprise networks aimed at introducing flexible and specialised production systems (p. 73).

FOREIGN INVESTMENT

No effort is made at any point in the paper to differentiate between the wealth-creation of indigenous companies and of foreign-owned companies. Various references are made to foreign investment in Europe, but there is no analysis of either its contribution to European economic growth or of the proportion of wealth created in Europe which is expatriated outside the Union. In Ireland's case, for example, which is one of the member states most heavily penetrated by foreign capital, 75 per cent of industrial exports are accounted for by foreign-owned companies, and 60 per cent of the profit on those exports is expatriated (Grimes

1993a). The White Paper adopts a more myopic view of things, and is more concerned about reassuring us that only 10 per cent of Community overseas investment goes to newly industrialised Asian countries and Latin America, while 80 per cent goes to other members of the OECD. This issue of the 'delocation' of European investment to cheap labour areas such as North Africa or Asia needs to be examined in the context of overall global flows of investment. The more pertinent question to examine is the proportion of US investment which is destined for such regions, compared with high cost regions in Europe. Such a perspective was provided in a study which outlined some of the key trends in the shift of investment from high cost regions to the NICs (Dicken 1986).

THE LABOUR FORCE

A major focus of the paper is unemployment and the labour force, and this in turn leads to a consideration of demography, which is treated only in a very cursory manner.² There is a growing concern about the ageing of the European population and its labour force. It is interesting to note that some commentators on European demographic trends have suggested the need to take certain measures to alter trends towards ageing by encouraging higher fertility levels.³ The White Paper also expresses concern about the declining significance of the traditional nuclear family in European society, but it has little to say about how to rectify this development. The approach of the paper is to accept these trends as given, making no judgement about their effect on society, or on the need to make policy adjustments to take them into consideration. The absence of a more integrated policy approach towards promoting all aspects of the common good is clearly reflected in the unwillingness of policy makers to consider the long-term societal effects of current demographic trends.

Although the White Paper and the Green Paper on Social Policy have few suggestions to make about buttressing the traditional nuclear family, which is clearly under significant pressure, there is a clear commitment in both documents to the issue of gender equality. While this is a worthy issue in itself and requires

considerable attention to rectify inequities within social legislation, the balance of the policy thrust appears to be much more strongly in favour of an individualistic approach, rather than giving any legal recognition to the rights of the family. It would appear that pressure groups promoting the more politically acceptable agenda of gender issues are having a greater impact on policy makers than those promoting the rights of the family. The clear policy intention in both the White Paper and the Green Paper on Social Policy is to bring as many women into the workplace as possible, rather than providing any recognition of the value of the work carried out by women in the home.

The main growth in female activity in the labour force throughout Europe has been among women aged between twenty-five and forty-nine - the age span when, for a great many women, taking care of a family and running a home tends to conflict most with the pursuit of a working career (CEC, 1993c). During the 1980s the rise in labour force activity for women occurred much more among women with children than among those without. The level of participation for married women between twenty and forty-five years of age, varies considerably at present from a low of about 40 per cent in Ireland to about 90 per cent in Denmark. No effort is made to examine what type of repercussions these different levels of participation have on the nature of society in these countries. Such a question seems outside the remit of the policy agenda of the White Paper. Yet how would a higher participation rate of married women in the workforce help to improve the overall employment situation in a particular region? Would it involve significant replacement of males by females in the workforce? One likely scenario would be the new market for kindergarten and *creche* facilities created as a result of higher female participation levels. Another likely policy perspective is that households with unskilled male heads who are unemployed, could be helped by the female spouse taking up part-time work in the service sector.

The extent of replacement of males by females in the labour force is indicated by the fact that, between 1965 and 1991, there was an increase of thirteen million females in the EU workforce and a decline of one million men (CEC 1993c). Similarly in Ireland between 1971 and 1992, women accounted for 65 per cent

of the total increase in the labour force (Walsh 1993). Despite the expansion of female participation, however, the growth in the importance of part-time working has reinforced the segregation of women particularly in services, with many working as cooks, waitresses, cleaners and shop assistants. In the US the majority of women continue to work in low-pay, low status jobs, with the result that full-time female workers earn only about 70 per cent of the earnings of comparable male workers (Sidel 1992). While increased female participation in the labour force is the result of many factors, a major consequence of this phenomenon is a significant contribution towards labour market flexibility.

One of the deficiencies of many recent analyses of labour force change is that unemployment rates do not take sufficiently into account the sexual revolution which has affected the labour forces in many advanced countries. The authors of the White Paper appear to lack an awareness of the dramatic shift which has occurred from unskilled male employment to educated female employment. During the 1980s, declining male employment among the unskilled has increased the number of families with no access to earned income, while rising part-time employment and employment of highly educated women has increased the number of families with more than one earner. In the words of Balls and Gregg (1993), the trend is a growing divide between 'work-rich' and 'work-poor' families. This trend is also clearly related to the significant spatial variation in unemployment rates between urban neighbourhoods.

While some countries like the UK have managed to share work around in the 1980s, by encouraging part-time and flexible working, the benefit system effectively stops unemployed households from taking part-time work (Balls and Gregg 1993). Many of the women who have been drawn into the labour force in the UK and in the US have taken part-time and poorly paid jobs in the service sector, and most of these jobs are taken by women from households with at least one other working member. Balls and Gregg (1993), therefore, suggest that in order to contain the trend towards more multi-income families and move rather towards fewer no-income families, a public policy priority should be to make it easier for women from unemployed households to take part-time work. In this respect, it is interesting to note that in

addition to the falling birth rate and the growth in real wages, Walsh (1992) points out that the marked increase in the real value of unemployment benefits to which married women are entitled, was one of the factors accounting for the significant increase in female participation rates in Ireland during the last twenty years. Since this improvement, however, was the result of an adjustment in equality legislation, it is unlikely that there will be a repetition of this large increase.

The bigger policy challenge, however, is to find ways of subsidising the growing numbers of unskilled men who are shifting from being 'unemployed' to being 'economically inactive'. Between 1977 and 1991, the proportion of low-skill men in the UK who were employed fell from 88 per cent to 76 per cent (*Financial Times*, 18 January 1994). Many of the relatively well-paid jobs for unskilled men in traditional industries have disappeared, and displaced unskilled men are reluctant to take low-paid jobs in the service sector, and it would appear that employers in this sector regard female workers as being more flexible and productive.

It might be useful to speculate on some of the consequences for European society of encouraging much higher participation rates of married women in the workforce than currently exist. In 1992, *Fortune* magazine examined some of the effects of such high numbers of working mothers in the US. It would appear that many of the consequences of trying to reconcile care for a family and participation in the workforce were quite negative. While mothers of children under six years of age has been the fastest growing segment of the US labour force in the 1980s, many have to struggle to find child care solutions for their eleven million children, and 1.3 million 'latchkey children' aged between five and fourteen are left to fend for themselves. Apart from the growing problem of single-parent families, cultural changes have also affected intact families by sending millions of mothers into the workforce. While the economy may have gained from this trend in the labour market, *Fortune* argues that many children are disadvantaged by the absence of their mother and that this partly accounts for high rates of delinquency and criminality.

TRANS-EUROPEAN NETWORKS

While the White Paper is primarily about labour markets, the issue which caused most political controversy was that of 'trans-European networks'. It was argued that reduction in investment in rail, roads and telecommunications infrastructure in Europe during the last decade was a major cause of the decline in competitiveness. The Commission, therefore, proposed investing Ecu 100bn in these networks over a five-year period. While there was general approval for the proposal, a problem arose with the suggestion that a significant part of the funding would be raised on the open market by the Community itself in the form of 'Union Bonds'. Although the Commission insisted that there was no direct link between this infrastructural investment and the goal of creating fifteen million new jobs by the year 2000, the EU finance ministers were reluctant to agree with this new form of raising funds. Strong opposition came from the UK and Germany, which weakened greatly the macroeconomic significance of the Delors plan.

A major concern of some member state leaders centred on the constitutional implications of the Delors strategy, which was apparently trying to assume more of the fiscal powers of the member states. Criticism was also based on the view that the proposed networks were regarded more in terms of being inherently desirable rather than proceeding from clearly identified needs. It was suggested that a greater emphasis should be placed on opening the provision of such infrastructure to competition. While the legacy of Thatcher's Britain in promoting the privatisation of state utilities may not be politically sustainable in some parts of Europe, the White Paper suggests that the time has come for such liberalisation in order to open up new market opportunities. It also suggests that certain services for which the state has been responsible hitherto, could be transferred permanently to the market.

The move towards the liberalisation and privatisation of telecommunications, transport and energy industries - all of which are predominantly state monopolies - is being held up by the significant power of trade unions representing the large numbers of workers involved. While creeping privatisation, even on a

partial basis, within state and semi-state organisations is increasingly evident in many European countries, the immediate prospects of adding significantly to the already high levels of unemployment ensures that these developments must take place gradually. Considerations of national security together with the need to provide services in non-profitable market sectors are also important in the slow move towards privatisation.

THE INFORMATION ECONOMY

For many years social scientists have been waxing lyrical about the emergence of the 'information economy', and literature emanating from Brussels supporting various EU programmes has not been slow to adopt the terminology and conceptualisations of the so-called 'information age'. What is less apparent in the White Paper, however, is the growing scepticism among social scientists, based on the observable gap between the glowing expectations of the new technologies and the reality on the ground, particularly, in terms of questions related to regional development (Feme 1993). In this respect, the White Paper is more reminiscent of what might have appeared in social science journals about five years ago.

Typical of this uncritical approach to these issues is the claim made on page 13 of the document, and repeated on page 22, that six million people are already involved in teleworking in the US. The problem with this statement, apart from the extravagant claim in terms of numbers, is that it is not clear at all what is meant by 'telework'. What is most likely to be the case is that six million Americans carry out some of their work at home, perhaps using personal computers. It is doubtful that such a large number are working primarily at home and depending on information technology links to do so. In a consultancy report on teleworking published by the Commission (CEC 1992) the authors claimed that there were 5.5 million people currently telecommuting in the US. 'Telecommuting' involved the partial or total substitution by telecommunications technology, with or without the aid of computers, for the commute to and from work. Despite the many reports during the last decade suggesting the enormous potential

of teleworking, one estimate for 1987 claimed that only about 15,000 people in the UK and 100,000 people in the US were working at home in this way (Mulgan 1991).

The White Paper notes that the shift towards a knowledge-based economy is reflected in the outsourcing of certain activities by industrial firms and by the faster growth of services (p. 62). It refers specifically to the 350,000 jobs which have resulted from Minitel services in France, which undoubtedly has been one of the most successful experiments in the diffusion of information technology. The paper also refers to the signs that growth in service industries will no longer be possible on the levels previously achieved (p. 127). Since services now represent such a large share in all developed economies, income arising from productivity gains in manufacturing industries will not be sufficient to finance employment gains elsewhere in the economy, and further income gains will have to come from productivity gains within the service sector itself (p. 128).

The White Paper makes a number of questionable assertions about the impact and potential of information technology in economic development. It suggests that these technologies are resulting in major gains in productivity in industry (p. 92). A recurring theme, however, in assessments of the role of IT is the poor level of return on investment in terms of productivity. Despite an annual investment of \$100 billion by the US service sector, and the fact that the sector accounts for 85 per cent of America's installed base of information technology, this huge investment has not improved productivity, mainly because it has not improved the productivity of the workers who use it (Roach 1991). A major reason for the low level of productivity is that the new technologies are being applied in business contexts which are still organised on the old Fordist paradigm of mass production (Sweeney 1993). Some studies, which have developed strategies for IT applications based on radically new forms of organisation, suggest significantly lower levels of employment as a result (Hammer 1990). Thus while there is considerable ambiguity among researchers about the role to date of information technology, the White Paper is correct in alerting policy makers to the considerable potential of this technology to bring about radical change in the organisation of economic activity.

To be fair to the White Paper, it emphasises that the crux of the matter is not technology, but organisation (p. 97), and it cautions that the overall impact of the new technologies on employment depends to a large extent on how competitive the European IT industry is (p. 93). It also warns that the penetration of IT is not an unmitigated success story, since it places severe demands on adaptability, increases the risk of exclusion as a result of inadequate skills, and increases the likelihood of a two-tier society emerging.

OTHER POLICY ISSUES

Very occasionally, the White Paper acknowledges the extent to which the present problems are the result of inadequate policies in the recent past. Thus the problems of employment and competitiveness are the result of developments which have been witnessed for a number of years but have not provoked an adequate political response (p. 40). It suggests that flexibility deteriorated under the effects of an accretion of partial measures which were designed to reduce registered unemployment (p. 39). Among the main causes of unemployment was the suboptimal macroeconomic management of the economy, and the insufficient adaptation of the Community's economic structures to the changing technological, social and international environment (p. 39). While the recent reform of the Common Agricultural Policy, and the doubling of Structural Funds for less developed regions are welcome developments, the inertia in reorienting the Community's budget away from the wasteful subsidisation of unwanted food production towards badly-needed employment creation, has added little to public confidence in the competence of the Commission (Table 2).⁴

One of the main reasons attributed to the ineffectiveness of Community decision making is its lack of legitimacy and authority (O'Donnell 1993). The authors of the White Paper are conscious of the need to increase the credibility of policy makers, and to eliminate conflicts among policy objectives (p. 50). They are also aware that it is sometimes not very useful to make general statements, since the individual situations in member states are very different. In referring to the familiar 'insider-outsider'

Table 2: Composition of the EC budget 1973-1994

	<i>as % of total</i>				
	1973	1980	1992	1993	1994<D
EAGGF guarantee	76.8	68.6	51.6	51.6	51.7
Structural funds					
of which:					
- EAGGF guidance	0.2	1.9	4.7	5.1	4.7
- European Regional Development Fund (ERDF)	0.0	4.8	14.1	13.1	10.9
- European Social Fund (ESF)	1.0	4.3	7.1	8.0	8.1

Source: CEC (1993), The Community Budget: Facts in Figures
(^Preliminary draft budget 1994

analogy, the paper suggests that 'those in employment must be convinced that the measures called for will work, and that the solidarity they show in accepting some sacrifices will effectively result in those now deprived of gainful employment being given a real chance' (p. 50). Having exhorted the faithful in this manner, they cover their tracks by stating that 'the success of such a policy course in restoring growth depends, however, on various factors which are to a greater or lesser extent outside the control of policy-makers' (p. 53).

CONCLUSION

In attempting to tackle the most serious social and economic problem facing Europe at present, the White Paper initiative is to be warmly welcomed. The difficulty of reaching a successful and workable compromise between the twelve member states, is illustrated by the background to the paper's development provided in this article. The task of producing prescriptions which, on the one hand, preserve the hard-won rights of European employees, and on the other, create more flexible conditions which would encourage employers to take on large numbers of new workers, is truly a daunting one. One of the few specific proposals put forward by the White Paper to boost economic growth - to greatly increase investment in infrastructure- met with severe opposition from some quarters.

Europe's economic weakness is analysed in terms of falling competitiveness and low productivity. Compared with the US, in

particular, Europe has failed miserably to translate economic growth into jobs. No attempt is made in the White Paper to disaggregate the sources of this growth in Europe between indigenous and foreign-owned companies. Much of the employment growth in the US has been in the service sector, and the White Paper argues that information technology has an important role to play in expanding opportunities in this area. The uncritical analysis of the American experience, however, could result in some deeply flawed policy prescriptions. By encouraging one of the strongest current trends towards greater labour market flexibility - the increased participation by married females in the labour force - rather than giving some recognition to the work carried out by women in the home, policy makers may contribute towards increasing inequity in the distribution of employment, between households, and indeed between neighbourhoods, and lead to long-term social problems such as the further weakening of the nuclear family.

In examining issues such as competitiveness, productivity and labour market flexibility, the White Paper's thinking is firmly based along the lines of traditional economic orthodoxy. The only deflection from this way of thinking comes towards the end of the document when the link between economic growth and the environment is examined. This article argues that a much more integrated approach towards the social and economic development of Europe is required, which goes beyond the narrow definition of competitiveness, which underlies the thinking of the White Paper.

NOTES TO ARTICLE

¹ A significant move to provide an alternative to neo-classical economic orthodoxy in the social sciences is the emerging area of 'socio-economics'. (See Etzioni and Lawrence, 1991.)

² A more detailed analysis of demographic and labour market trends can be found in the Commission publication, *Employment in Europe 1993*.

³ While both a pro-immigration and

a vigorous pro-birth policy are likely to be pursued by policy makers, a fundamental change in attitudes towards family policy is required before a significant impact is made on fertility levels in Western Europe (Grimes 1993b). The slowness of the Commission in reforming the CAP was to some extent a result of its desire not to weaken its bargaining position in the ensuing GATT negotiations.

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