

The Great Debate: Should all of Europe draw inspiration from the Schröder-Hartz laws of the early 2000s?

Yves Barou: Today we have set the stage, putting all the macroeconomic and demographic trends on the table. Tomorrow, we will come back to our corporate practices. In between, we have this debate. Honestly, it's not a transition: it's another debate. But we wanted to take advantage of the presence of Peter Hartz to take the opportunity to discuss about this question of what happened in Germany, how is it possible that the rate of employment in Germany went down to 5%. You have to remember that some people don't have the historical background. Between 2002 and 2006, the rate of employment in Germany was 30% over the rate of employment in France. So it is a new phenomenon. The two curves, unemployment in France and employment in Germany, crossed in 2009. Something new happened. A lot of people have said that the reason is clear. It's because the German labour market, thanks to the famous Schröder-Hartz laws, has become more flexible. And this flexibility led to the reduction of unemployment in the context, which is what it is, and which is the same for every country. So we thought to ask Peter to tell us a little bit about the story of those laws and what was the attempt, and what his own thinking some years after. Then we will open the debate with Jozef Niemiec from the ETUC making some comments, as well as Patricia Blancard from the French CFDT cadres (executives' union) and myself, and then of course everybody.

Peter Hartz: This is something that dates back a few years. In Germany, there was an evolution in the labour market and in the beginning, we had some changes and we saw that everywhere in the world, new employment opportunities were created. We analysed what was happening in the different countries, and we saw what the situation was, what the successes were elsewhere. Following this, we were able to draw our own conclusions. Today, we can say this: it was a real success, even though we made a number of mistakes. And we see that the reforms in Germany in fact cannot simply be applied in other countries. We cannot just sell the package because each country, each culture, has its own specificities, characteristics, its own positive elements, and people. And we see that in each country of Europe, it's important to make sure that people can go their own way. But we made a lot of mistakes and we need to make sure that those figures, or mistakes, are not repeated elsewhere. That is, of course, important to consider. Some things went simply wrong, and those elements, we cannot simply repeat. Because we see that Germany cannot simply orchestrate all of that and copy-paste it. The question was as follows: how is it possible to develop such a wilful program? How can we start the program and what is part of that? We see that we try to do this as intelligently as possible and that we need to make sure that the program really functions. We need to take into account, of course, the economic context. In the years 2006-2007, there was an important development in Germany and, of course, we see after the reforms what is happening at economic level. Then we can really measure success. I will not bother you with all the details. I believe that everybody knows what this entails. It was a huge package. There were a lot of articles contained in the legislation. However, four main elements are to be considered. There was a new timeframe. We also had the possibility to create HR agencies, or interim agencies, as well as mini-shops created in the second wave of the legislation. Today, some of those elements no longer exist, which is a shame because it was useful in terms of child illness. And it was something that could be done at European level. Wave three of the legislation was the reform of organizations and it was more about the statute of an employee. The fourth wave of legislation was the most important. It was about social support for unemployment and that was something that divided us. Before we see that the situation was

different, it was important to consider the changes in this framework and what we wanted to do as separate things. This was one of the results of the fourth wave of the legislation, and the fourth wave of the reform. As to the core topics, what I can say is this, just to refresh your memory. When it comes to the conditions to get a new job, it was important to redefine all of this. But for an unemployed person, what can be done? That was the main question that we tried to answer and we found a new definition according to regional standards. We also tried to redefine the level of income. We wanted to see how people could have a good life, and what level of remuneration, what kind of job were needed for that. We also tried to take into account the social aspects of the problem: what about mobility, how can people manage, single parent families and so forth and so on. So this was all taken into account in terms of defining the criteria. With this new situation, we found that it was required to have a real paradigm shift. Before that, labour agencies had to prove that the benefit was entitled, and now it's the opposite. The unemployed person has to prove why he is entitled to this kind of entitlement. This is important when it comes to defining the new parameters. We also had to develop new regulations so as to be able to remedy the situation. We wanted to define what was possible and we also wanted to do whatever was necessary at the level of companies so as to hire more unemployed people. It was also important to consider the financial tool that I talked about earlier. 460 banks were involved in the project in Germany, and that is something that we encountered a lot of problem with as well. Indeed, some of the banks had accepted the program, and the financial means for the program were, of course, a very important problem. So just when people were building a home and their loan was not accepted, this was a problem. So we need to take into account as well the political and social aspects of the problem. Mini-jobs, that was a very important issue as well. Today, we have about 9 million of them in Germany, and we see that everything has not been achieved yet. The change in lifestyle is also important. There were societal changes. Society is changing continuously. Today, a person has the possibility of using mini-jobs to try to earn a decent wage. Therefore, it's really a very difficult story and there are currently a lot of changes on the labour market. Mini-jobs are just the start. Of course, we can also do a lot in the future, I believe, with this. One of the important ideas was this: unemployed people should be entitled to receive money from the social fund and nobody before did anything about that. So this was part of the system, whereas before this was not the case. Then we saw that this whole process was quite long. I gave you the example of short time employment, which was something also very difficult in Germany. It took a lot of time but however, we see now that it is a very efficient system. It means that people can remain in employment and they can combine different things. This is also one of the major teachings that we can take from this, and which we can continue to develop. Let's take multinational companies. We have about 5,000 companies with a lot of employees, and those multinationals need to be able to use this tool. This is important when you want to preserve the level of employment. Those reforms were accepted, and the government respected their promises as long as they were in power. When you submit something to Parliament, it doesn't always come out the way you introduced it. The same goes for Germany, and that is also something that we saw in the legislation. When we see what happens at the level of unemployment, we see that we need to treat people in the same way. We need to treat unemployed people in our society in the same way, and that's not something that belongs to any specific government. We need to create an alliance, a partnership, and it is something that we have suggested. We want to create an alliance between different organizations at political, corporate, scientific, religious level, and so forth. We want to try and find a common solution. Youth unemployment is, of course, an important problem. Equal treatment is extremely important as well. In the past, unemployment was not really covered by reforms. Some things were not taken into account when the reform was translated into practice.

Today, we see that Germany has one of the highest figures in terms of long-term unemployment, which is a problem. Of course we need to discuss this. Salary is obviously a problem, as well as wage levels. Then we need to consider this, of course, after the reform. The Commission proposed €511 as the average wage, the average financial figure at the moment. There were a lot of discussions w, and finally we amounted to €359 in Germany. In France, the situation again was different, which is, of course, a very important problem. This was a discussion that we shouldn't have had. We see that the forms of other were important and we could have done this differently. But things were started this way, and there was nothing much we could do about that. Of course, these reforms were met with a lot of criticism in Germany, they weren't really popular and, even today, the debate is still going on. Figures are better but there have been a lot of discussions – still are. The basic wage was also important. We made a proposal. When you do reforms like this, you have to see always where you can burn your fingers, which is also very important when you talk about the European level. When we see what is happening in France, for instance, in terms of the basic salary, then of course it's a different situation. And when we take a look at the results of the reform, at the evolution of the economic situation, and how this has evolved, we see that the way unemployed people are treated is very important. It's important to see what can be done. We also need to see how long people can remain in unemployment and which kind of support they can get – after 3 months, 6 months and more. We need to make sure that we can also in the future transform this into legislation, which will enable us to progress. So, that is something that I wanted to say in terms of introduction and now we can discuss this.

Jozef Niemiec: I have to admit that, for me also it's a challenge because you could understand that one of my German colleagues would be in a much better place to discuss the issue. Because they know much better than myself what happened. But perhaps in terms of the consequences for the European Union, I can add something new. Just to start, I would say that from our workers' perspective, this reform was very controversial. We need to recognize that it was a famous one and with some successes. It's obvious when you look at the situation today, and we know what was the starting point. Now Germany has one of the best scores in terms of employment and lower rate of unemployment. Even our colleagues from DGB recognized that some of the objectives were reached. The creation of uniform access to labour market policy benefits for CPNs for instance, but there, they insist that in this context what happened also was that training for the people, something very important and recognized as a key issue for labour markets, was reduced in this context. They also recognized the reduction of unemployment. But they insist that it is statistical and they will explain why, because I am based also on the research done by a German researcher, Matthias Knut, for the employers' group in the Economic Employment European Committee. Our colleagues insist that, as a consequence, wages went too low to allow decent life. By the way, I see that in your presentation. Peter, you recognize also some of these critical points. So, generally, if you look at this independent assessment made by Knut, he insists on a few elements: unemployment fare, employment with mandatory social contributions pick it up. For us, for trade unions, it's an important issue because it helps maintain vital social services. What was perhaps the most famous for this, that the German labour market proved very resilient to the crisis of 2008-9. Regarding successes, our colleagues from Germany but also this independent research shows that, recognizes this improvement. It's always difficult to say "is this a result of the reform, or the consequence also of other factors"? Especially from our trade union side, we insist on other specificities of German labour market – strong participation and involvement of workers, the famous *Mitbestimmung* in the

life of companies – which we see as also a factor of very high innovation in Germany, especially in relation with the crisis. Internal flexibility, which was from our perspective a major element to keep people at work, to retrain and to be ready when the crisis was not so hard in Germany, to restart work, to be there compared to other parts of Europe where the firing of workers was much more easy. Companies confronted with the coming demand were short of workers. There is also other specificity. Industrial specialization is also something very specific to Germany, especially with machines, allows performance and very high quality, especially in terms of export. So for us it's really a mixture. We do think that, in this context and especially the role of workers, their representative trade unions, and the training system as well, this specific, dual system is very important.

Now I would like to come to the small controversial aspect. I will try to keep it short and speak about the challenges and consequences. But about the controversial things, I do appreciate that, Peter you mentioned already that also you see this and I would like, I would appreciate if you could, in the action after the discussion, tell us what you personally would change in the system. Because I heard that Chancellor Schroeder, last year at a conference in Brussels organized by the Belgian government, himself recognized that, if he were in power, he would change some parts of this reform. He mentioned the aspect most criticized by our colleagues from trade unions, the precariousness of jobs developed in your country, growing inequality, but especially the share of low wages. If I see it from my perspective coming from Poland, where wages are very low but also income is not so far, it's very striking that, in such a rich country, you have as a consequence of all this policy such high figures of poverty spread in growing inequality. In this sense, during this period, if you look at trends in other countries, there less poverty and inequality was identified, whereas in Germany, this rise was very high. Our colleagues insist on this aspect, saying that mini-jobs and temporary agencies lead to non-equal treatment of the people. Their objective was to treat as you mentioned unemployed people in the same way. We should also, and it's our perspective, treat employed people on equal footing and all these reforms, mini-jobs and different types of approach, €1 jobs but perhaps another type of program, lead to unequal treatment in the same place of different workers. I won't talk about self-employment because it is always complicated. Here our colleagues insist on consistent programs, that some of these new jobs are leading to unequal treatment in terms of social contributions. We also need to look at the prospect for the European Union – especially in countries where social protection, as in France, is based on social contributions. So if you look from a more general perspective, I would say that we hear from employers – BusinessEurope and others – that all these flexible forms of employment are the stepping stones to stable labour contracts. Unfortunately, in your reforms, it does not arise. What also was noticed is that these low wage earners do not benefit from the economic upturn. Germany gets better but this group of workers unfortunately does not. So some objectives were achieved while others weren't. Independent research shows more or less the same assessment. Being less critical, I have to recognize that in fact the impact of this wage stagnation, inequalities, increase of atypical forms of employment, started before your reforms. This means that it's something that is coming also to, and dependent on other factors. What you did, in fact, was consistent with the program existing already so it shows that if you look at the future for the Europe, that it's difficult to see any reform, especially in your case, as a model to spread around – we share this point of view. Unfortunately, in recent years, where the government was reinforced on the European level, that Schroeder's successor, Chancellor Merkel, in fact she did it: she spread this approach to all of Europe. As a consequence, precariousness increased. You talked about this shift of paradigm, and something like that applies not only to Germany but also to other countries. You mentioned just the UK, where this

approach that could be seen as a positive, or making work pay, could also be seen as a negative, do everything to force people to work, to take any work at any price just to keep them working. And it's not something we could share. Our colleagues tell us that the shift of paradigm perhaps helped workers keep their jobs, accept some concessions but as a result, we can't establish trade union positions, especially in the system where negotiation as a base of decision-making process for economy, for wages, it's very dangerous. This role is not only limited to Germany but especially in terms of impact because it was a pillar of the European model. So when you come to the European dimension of consequences, we do see this shift in paradigm and this process is going on, especially in South of Europe but not only. In fact, it's very similar without enough support, enough social protection, enough institutions, leading to the development of a low-paid sector, limited social benefits, with dramatic consequences. If you look to the statistics, to the figures, opposite to US, we are still in difficult situation in terms of growth – very uneven, fragile – but especially for employment, we have no job creation at all. Market reforms facilitate labour market transitions but unfortunately do not create jobs. From a European perspective, pressure on wages and the development of low-wage sectors have a perverse effect, as wages are disconnected from productivity, and unemployment is exported to other countries. One country can do this, and could be successful but we are in the European Union, especially in Eurozone, we are dependent on each other so this kind of policy, if applied to all countries, grows enormously and becomes a real problem. But it started before and it's not linked only to your reforms, but what we identified as problematic that this depression on salaries created the risk of deflation, and the ECB as a follower of the Bundesbank cut interest rate very low, which was accommodated to the German economy, but unfortunately very harmful for the rest of the Eurozone – especially in the South where companies and even public sectors contracted enormous debts, paying now the price of this, which is destroying demand. So this process with the pressure on low wages is very dangerous for the Eurozone and created real problems where flexible labour markets unfortunately can do big efforts. I would say that we cannot follow the same rules as the Germans. We need to share our economic policy and adjust this. From this perspective at the ETUC, we are much more in favour of a different approach, trying to improve the situation starting from the point of view that wages normally should follow the increase of productivity and that every country should do the effort to adjust their policies. In this sense, labour market reforms could be helpful when trying to put on equal level our workers and if we continue what European Commission unfortunately proposes, saying there is no alternative, and the Council is the same. It has already happened in France, because of this policy. Wage depression in Spain, in rest of the South under the pressure, and even France followed this approach. They will come as a boomerang hitting Germany, which will be obliged to lower wages to stay competitive, which will lead to more inequalities, kill growth and this aspect of insecurity, of poverty, we are risking the future, and European solidarity. It will be very dangerous for companies as well, even in Germany. We need to rescind this policy, taking into account what everybody could do, thinking about our own possibilities of job creation, of investing into people, and building also our future not only on export – export is only toward the external world, it's only 17% and the rest is the exchange between Member States – if we kill wages, we kill also demand. Perhaps it is less dangerous for big companies but small and medium-sized enterprises recognize that the main problem is the lack of demand.

Patricia Blancard: I think we should head towards flexisecurity more. Yes, the German reforms have had a positive impact in reducing the number of jobseekers but they have also led to more precariousness and unfairness. We should rely on jobseekers' skills more, we can't force them to

accept any job. The job offered must match the jobseeker's skills insofar as it is possible. We not only need to mention social employment policy but also the content of the job. The German model is much more positive as social dialogue is effective, something that's missing in France. For social dialogue to be effective, trust is necessary. Yet, there is currently no trust in France where two population models coexist, namely 'insiders' with a full-time job and 'outsiders' for whom the solutions offered are not acceptable for unions as jobs must be paid with fair remuneration. This is why it is essential to get back to skills as I have a hard time accepting that a job paid €1 is a job paid with fair remuneration. Besides, I believe we should anticipate more (early workforce planning) to avoid letting people go into unemployment because they don't have the skills the labour market needs. I am part of an organization that is in favour of the responsibility pact, which also means a commitment from employers to accompany their employees.

Yves Barou: For the macro-economist I was before becoming HR Director, it is hard to understand how unemployment rate went from 11 down to 5% in only a few years. German social dialogue and the specialization of German businesses may seem like parts of the answer but they already existed before. However, this decrease can be explained by the fact that the Lisbon Treaty, by opening the European economic area, favoured the stronger player. I have personally examined three elements that could explain this decrease:

- Pressure over jobseekers into accepting a job. In France, I am not shocked by this pressure as policies on the subject are too generous and too permissive. This way of managing unemployment isn't unhealthy but I don't believe for a second that it can create jobs. I am rather in favour of that form of management but it does not lead to a decrease in unemployment.
- Wage costs. Between 2000 and 2012, there has only been a 20% gap in wage costs between Germany and other Eurozone countries. This means that Germany lowered its wage costs by 20% compared with other European countries and chose labour over pay. Yet, my biggest criticism towards unions in France is that they give more weight to pay than to employment. The balance between pay and employment is a choice, and Germany has made that choice.
- The notion of employment. I believe we are making a mistake in measuring employment with the number of jobs created, as employment is measured with the number of hours worked in a country. Yet, the current number of hours worked in Germany has not increased. On the other hand, the composition of employment is different, with the creation of mini-jobs. Therefore, Germany isn't the world champion of flexibility but of the variable duration of employment. Thus, the phenomenon of the decrease in unemployment isn't linked with the number of hours worked but to the composition of employment. Is that good or bad? Personally, I think that, for a young person, it is better to have a job, even if it isn't paid well, than to be unemployed. I can already hear union criticism saying that this would create a two-tier system in terms of social protection or pay, but I believe that a two-tier system with unemployment is much more violent. In the end, I concluded that we should probably examine the details of the German mini-jobs.

Peter Hartz: I agree with most of what was said – the reforms were not complete. There are still a lot of things that need to be done. Concerning the importance of that, it's very important to consider it very carefully. Jozef talked about different elements in terms of the government, the employer and the trade unions. We, in Germany, have a trade union movement that is really positively geared towards the economy. In the 70s, the trade unions recognized the fact that economics and profit

were important and linked to the labour market. The trade unions saw the world and reality as it was. Companies simply need to produce results. Before the situation was different. Today, accounting policies are transparent in companies, we can see where profit is going, and that is a major change. The trade union movement in Germany has recognized this, and the fact that profits are unavoidable and important. They have also developed a second position towards that: a job is the most important thing there is. Labour is the right of men, it's the self-realization of development of men, it's a perspective. If I have a job, then I can develop myself in the right way and what is positive about having a job is the fact that was recognized by the trade union movement in Germany. We see that in major and average companies where trade unions have influence. There are no longer unilateral redundancies. Having a job is really the most important element, and this is recognized as such. These elements are important to consider. When trade unions see that a company is making money, they expect it to treat people in such a way that they are not made redundant. That is the issue of flexibility and the basis of the time models. That is also what happened in Germany at Volkswagen. There were 30,000 surplus workers and the question was: will we make them redundant or will we do something else? We decided to keep them and negotiate lower wages, 15% lower, as well as shorter working time, and we also talked about the family aspect. We asked workers and their families what they wanted. Do you want to keep your job, or do you want to be made redundant? The results were crushing: everybody wanted to keep their job and everybody accepted this. In Mexico, we also had 15,000 surplus workers. And as a global player, we offered the same option as we had in Germany. The work council in Mexico said that the surplus workers had to be laid off, it was a totally different situation, because it is a totally different culture. This is a very important development. Of course, in Germany, we have what we call *Mitbestimmung*, and that's important because trade unions participate in the highest level of the board of directors. They are represented and they also have the possibility of seeing what's happening in terms of the results of the company. I believe that this is a very important element and a lot of the things we have been discussing today can be developed in terms of wages, and so forth and so on. We can do this when we take a look at the results of companies and the results are split up in an adequate and fair way. In doing so, I believe that we can improve employment and that is also something that can meet the challenges of the trade unions and the requirements of the trade unions. This is also happening in the automotive industry. When we see what is being paid in terms of results and compensation, we see that it's important to correct things. We need to make sure that wages are at an adequate level. For their part, mini-jobs are dictated by the market. As companies, trade unions or governments, we cannot say, 'we want to create this many jobs'. It's the market that is prepared to pay as much, or not, or else there are no jobs. When we see what is happening in terms of mini-jobs, and we see that it creates more employment, we see it as a positive development, and it was also important for women who wanted to find a new job after having and raising their children. This way, they could be employed again. Mini-jobs were also important in terms of demographics. A lot of people volunteered for this. More than 50% of those 9 million mini-jobs are people who decided to do this spontaneously. People wanted to work, to have an extra job, and they wanted to benefit from that. The difference is that somebody who used to work for 28 hours before, can now work for 45 hours. We see this as a positive development. The question is, why are we only criticizing mini-jobs, why can't we consider them as interesting? We believe it is because in Germany we have a lot of people who found new job opportunities because of that. And this, of course, is a matter of labour law as well. Before, it cost €100 billion per year. Today it's less than half thanks to this development. When we take a look at social security, we see that there are major consequences for that as well. I am not only merely defending this process. I just want to say that this presented a lot of opportunities, and I believe that this was important at the

level of industrial development. In terms of the change of paradigm, I believe that the results are speaking for themselves. When an unemployed person is offered a job, before the person could simply not show up. Today, when the person is not turning up, it's a totally different situation. I just wanted to talk about the major aspect of this in terms of the wages, in terms of wage negotiations. The major objective was to prevent unemployment and preserve employment. Patricia was also talking about inequality, social dialogue, and so forth. Trust, as you mentioned, is a really important issue too, as well as the partnership between companies and employees and trade unions. In Germany, this has been well organized. It's something that certainly bears its fruit. The decrease in unemployment is very important, and the basis of this is quite clear. I'm not part of those who start criticism, but there is a new government doing totally the opposite. There, of course, I have some questions some doubts about that. What we tried to build very painfully, they are now deconstructing, they are trying to change and I don't want to pronounce and get involved in this. But I have some responsibilities and today I am just an observer so I will not comment on this. But don't worry: costs will go up in Germany so the rest of Europe needn't worry. We are in the same boat. This subject, in terms of employment, and the fact of knowing what the perspectives will be for people, is something that we can see also in terms of long-term unemployed people. We think there are a lot of changes at the level of society, at the level of family, structure and so forth and so on. Perspectives are important. When there are no perspectives, there is a consequence for children, for the family as a whole. I believe that we need to really take into account the importance of having a job. I hope that you share this with me. We made a lot of mistakes and there are a lot of things to be done yet. But we did something.

Steve Bevan: This debate has a lot of resonance from the UK's point of view. The thing that characterizes the UK situation is that there are some parts of the UK where there's only one group of people who are more despised than migrants. And that is people on unemployment and welfare benefits. The political climate in the UK is supportive of punitive approaches to active labour market policy, despite the evidence that it's not cost effective. In the UK, we have a very interesting debate that's been going on for some years about which approaches to helping people who are unemployed to find work best. You can take a supply point of view with the notion that it is the individual's fault that they are unemployed and that they need to try harder. They need to get their CV working. They need to practice their interview skills. If that happens, and somehow that individual deficit they have in the labour market will be closed, then a job will magically appear. You can also take a demand side view, which is if you have economic policy that creates demand, rather than sucks demand out of the economy, such as austerity, then you have a situation that creates jobs. But Yves commented on the precipitous fall in unemployment in Germany. In the UK, we've also seen quite a big fall in unemployment over the last couple of years. It's worth bearing in mind that 40% of the new jobs created are self-employed jobs, where people are working part time on less than £13,000 (€16,343) a year. Also there is a rise in precarious employment, a very big rise in one and a half million zero hours contracts, not all of which are bad but that forms part of a contingent workforce where the headline rate of unemployment is coming down to 6.8%, that masks big precariousness and contingency in those new jobs. They are not sustainable jobs. Very high proportion of people are working part-time when they would prefer to work full-time, and so one of the reasons that we see big drops is that we are seeing the slack being taken up as economic growth starts to take off. But of course, we know – present company excepted – that many employers behave unscrupulously during a period of labour surplus. That needs to be factored in to these discussions, it seems to me. I was interested that Yves said that requiring people to do job searches is not unhealthy. I'm afraid the

evidence is completely the opposite. It's pretty clear, there is some fantastic data from Australia which informs this debate about whether any job is a good job. Because instinctively, and several people here have said it, that being in a job has to be better for you than being unemployed. And if there is a good pathway from being unemployed to a good job, a job that uses your skills, a job that pays you well, the sort of thing we all aspire to, then that works. But in Australia, the data which has looked at the relationship between your employment status and your psychological health shows very clearly that being unemployed is better for your psychological health than being in a very bad, precarious, unsecure job. Now there are the reasons of course to take a low paid, insecure job, if it presents a pathway to a more secure, more permanent and full-time employment. But my reading of the evidence of the mini-jobs is that actually that hasn't happened to the extent that was forecast. In fact, the outcomes for women are even worse. Same points about the issue of wage cost reduction, as one of the factors of the success. Of course, there are lots of different forms of flexibility in the labour market. Between 1999 and 2010, pay levels in Germany for senior members of staff went up by 25% and those in the lower quintile only increased by 7.5%. The OECD report in 2012 shows that Germany was the only country in the OECD between the mid-90s and 2010 where wage inequality grew. So what you could argue, and this is a feature we have seen in Australia, the USA, and some other countries including the UK, is that we sacrificed the headline rates, a drop in the headline rates of unemployment, by increasing insecurity. Essentially the risk is borne by the individual rather than by the State. The other problem we see, both in the German model and some of the other examples that we can quote from some developed Western economies, is – because you have a low-wage approach to this – that the State is subsidizing low wages for employers. Essentially government is giving money to employers to keep wages low. Now that, for me, isn't the market working. That's a market intervention that is essentially keeping wages at very low level, which improves the demand for low-wage workers, but at the same time doesn't remove them from low-wage status into higher-level jobs, because the demand doesn't work that way. That's not how employers behave, by and large. If they are going to have a job subsidized by low wages, of course they are going to employ people but they want to maximize contingency by making sure they have flexibility in the way they can deploy their staff. There is a whole range of issues here, which make me wonder – and I sort of agree with what Patricia said – why the German model didn't look at, or perhaps it did look but chose not to adopt it, something more along the line of Danish flexibility, flexicurity model, where wage replacement rates were much higher, that the cliff edge between employment and unemployment was far less harsh. Unemployment was treated as a career transition, where the active labour market policy was much more positive, much more supportive, including vocational support, and there was an expectation you wouldn't be unemployed for long. Going back to what our colleague from the OECD said earlier, Denmark has the smallest gap between the skills required of jobs and the skills of the workforce. So job mismatches are very narrow. Denmark always scores – and there was a big survey by the European Working Conditions Survey a few years ago that showed that skills utilization in Denmark was extremely good, and match between the skills and demand was very good. So it does seem to me that part of the problem is that we are basing some of these active labour market policies on presumptions that many people are unemployed because of their own fault. They lack some sort of attitude and motivation, and therefore we need to give them a helping hand. It also seems to me that in the debate we have in the UK about for example senior executive pay, and the argument is in order to make very top managers, including HR directors, work very hard, we need to pay them a lot. In order to make unemployed people work a lot, we need to take money away from them. I'm not sure how we can square that circle. And whether or not the

philosophy underpinning the active labour market policy is one based on punishment rather than support.

Hervé Dufoix: In France, there is a system whereby employers can hire foreign students for about €400, with an obligation to train them, and it is quite successful. In Germany, I have the feeling that the system includes mini-jobs with no training obligation. Peter, if you had to do it all over again, would you do things differently?

Besides, France proposes the *Revenu de Solidarité Active* (RSA), allowing employees without a job to stay in touch with the labour world. It amounts to €430, which is close to mini-jobs. However, RSA benefits are paid for a longer period than the 12 months of unemployment benefits in Germany. For seniors, this period was reduced to 18 months. Would you make the same decisions if you were in the same position? Would you keep these durations?

Peter Hartz: I believe that, when it comes to unemployment models, today they are not being changed. We are talking about 18 months and I believe that is something that is officially recognized as being the right timeframe during which people are entitled to unemployment benefits. Then, afterwards, there is a second system that can be applied. Mini-jobs are popular system because they cost €450 net. That is something that the person really receives, and the employer will pay 13% to cover all the other expenses. That is the most interesting model for both parties. €450 net is a certain amount, of course, and for the employee, it can play a very important role in the life of a person. In Germany, a lot of people work on the black market. About €400 million, that's the amount that it represents. This has been reduced because today people have a lot of possibilities through those mini-jobs, with a totally different social system. The danger is this: the employer could try to avoid full-term employment, and that's a real danger of course. The employer could favour mini-jobs, and it was not, of course, part of the plan. We didn't foresee this. So when there are different mini-jobs, several mini-jobs, we see this as the American system being introduced in Germany. It has consequences at the level of social insurance and social security. If there is development in terms of social security, then of course there is no basis to this part. It's a question that is open for debate. We need to try to take people's lifestyle into account, as well as societal changes. In Germany, more than 50% of families are one-parent families. When you take a look at services, at consumption, and needs, basic needs, this opens up new market perspectives, which will lead to new employment.

Rainer Gröbel: I want to add something to Peter. There isn't just one way, there are lots of things we did in recent years in Germany. As unions, we have criticized a lot of parts of the Hartz reform, but we also recognize that it was necessary to have more flexibility. The greatest pressure for unions is unemployment: unions are weak. When you compare this in Europe, it is obvious. The German instance is for me a lot of things but the most important is the *Mitbestimmung* – co-determination. Unions sit in supervisory boards, they decide managers' salary. Can you imagine this in France? You have the *patrons*. I think it's different there and we have now for 40 years had the right to *Mitbestimmung*. At IG-Metall, we have 1,200 officers. 450 sit in supervisory boards. They are engaged in globalization, in finance, in innovations, and so on. That is one of the reasons why we have today another understanding of the industry. We have public unions, and we have the industrial unions. But we have now 45% of industrial and we want to save the industry. And we have learned for example that globalization is not only a problem for workers in Germany. Our medium-sized and larger companies all produce in the world. In the beginning, we had a lot of problems with this. But now we know, when our companies produce in China, in Eastern European countries, in the USA,

then normally we have a better situation for the German jobs because the companies grow. From my impressions, unions in Europe are too weak.

Jozef Niemiec: I would like to comment on what Yves said regarding unions' position and the fact that employment should be more important than pay. If a country adopts this approach, then other countries in Europe will feel obligated to do the same, which creates a vicious circle and doesn't let countries think for themselves.

Claude Mathieu: At the end of the day, what matters is the competitiveness of a country or of a company in order to create jobs and pay salaries. For sure what has been done in Germany, to lower cost by 20% in 10 years, positions the industry in terms of globalization, on the global market, to sell your products. Then you can send all the social treatment, all the trainings, all the pension of your employees. What happens in UK is also another way to adjust production costs to a global market. The question in France is how we are going to adjust our production cost. We may have different ways – because of our very specific social culture– but at the end of the day, if we don't adjust our social production cost, we are in a vicious circle. And to build on Jozef's comment, I would love to be in a stand-alone Europe and able to adjust our cost in our 28 countries. But I'm afraid that we are in more global system and can't just expect that we can monitor our cost within Europe. So in countries where it hasn't been done, and France is one of them, we need to adjust our production costs: Spain, Greece, the UK, Germany, Denmark did it. We need to do it our way.

Steve Jefferys: In relation to the economic crisis, when you look at the difference between unemployment over the seven years up to 2006 and over the six years from 2006 up to the present, what you find is that the decrease in unemployment was 48% in Poland, 31% in Germany, and 30% in Bulgaria. Now the point is, before the crisis and after it, these were three countries which in their different ways were least exposed to the banking crisis. One of the things behind the German model and the success is actually a much closer, possibly one might even say saner, banking system than in some other countries. Notably Britain but also France has been heavily hit by banking scandals. So one thing is we must stand back a little and look at that. The second thing, looking at unemployment for people under 25, whereas I said it fell between these two periods by 31% overall in Germany, in fact for people under 25, it only fell by 20%. In other words, concerns were raised that the model may not be effective in getting young people into the labour market. Unemployment as a whole did fall but it did not fall as much as the average, which does suggest that there are still significant problems with the way that system is working.

Patricia Blancard: To give an answer to what was said, I would like to confirm that I am not opposed to some pressure on jobseekers as long as they are not alone. We must stop believing that all jobseekers want to remain unemployed and refuse to work. For instance, jobseekers over the age of 45 are not called much: less than 13,000 executives over 45 were recruited in 2013 (most of them going from one company to another without being unemployed), whereas APEC (a French association for the employment of executives) has listed 65,000 active jobseekers over 45. I also agree that a true part-time job is better than unemployment. But that doesn't mean that jobseekers should accept any job because, if they take a precarious job, they will enter precariousness. Besides, I think it's high time we invested into businesses, which have been the great losers these past 30 years. Finally, I would like to end with the example of Bosch in Venissieux, France, where my organization

fought to maintain employment, cutting costs by 15 percent when the company wanted to close production lines 10 years ago.

Jean-Christophe Dumont: I would tend to be rather cautious regarding the number of hours worked in Germany as one needs to take account of the combined impacts of the crisis and of the reform. Regarding the impact of women's labour, it would be interesting to know if studies have been carried out on its net effect. Finally, regarding the risk of these reforms spreading to other European countries, I think it also depends on the share of jobs concerned by mini-jobs affect exchangeable services. If they are not exchangeable services, then the risk of propagation is quite limited. I also wonder to what extent this kind of model is compatible with free movement, in a situation where the differences of income within the European Union are important. In other words, has the number of nationals from other European countries taking mini-jobs in Germany been counted?