# INTRODUCTION

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## Introduction

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In recent years, employment regimes in Mediterranean Europe have gradually come to the forefront of European politics. An employment regime refers to the prevailing arrangements in a country or set of countries to determine the level of wages, the duration of employment contracts, the conditions governing dismissals, and the proportion worked. In a given geographical area, employment regimes influence the levels of unemployment and legal immigration, as well as monetary fluctuations. In the Euro Area, the Mediterranean includes Portugal, Spain, France, Italy, and Greece. In the Euro Area, Northern Europe today includes Germany, the Netherlands, Belgium, Luxembourg, Austria, and Finland. The specificity of Mediterranean Europe was highlighted during the economic downturn from 2008. When the recession hit European countries in 2009, the economies of Mediterranean Europe were particularly affected. Rising public debts and interest rates in these countries caused a crisis in the governance of the Euro Area. The loss of financial confidence imperilled the credibility of the whole area. The crisis ended with the creation of stability funds for those states having financial difficulty. At their meeting in Deauville, France, on October 18, 2010, French President Nicolas Sarkozy and German Chancellor Angela Merkel agreed on the creation of a permanent support mechanism.[1] The European Council of 24 and 25 March 2011 increased the financing capacity of the new European stability mechanism (EMS) to 500 billion euros.[2] Of this total, Germany assumed the highest proportion (27.15%), followed by France (20.40%).[3] This contribution gave the German government power over its partners to fix the conditions of financial solidarity between the member states of the Euro Area. The German government not only asked other states to restore their budgetary situation so that the mechanism just established to assist states in difficulties need not ultimately be used — it also wanted to tackle what was deemed to be the causes of the indebtedness of those states. The German government demanded the other states of the Euro Area implement structural reforms in

[1] William E. Paterson. « The Reluctant Hegemon? Germany Moves Centre Stage in the European Union », *JCMS*, 2011, Volume 49, Annual Review, p. 70.

[2] Ledina Gocaj and Sophie Meunier, « Time Will Tell: The EFSF, the ESM, and the Euro Crisis », *Journal of European Integration*, 2013, 35-3, p. 248.

[3] European Council 24/25 March 2011 Conclusions. Référence: DOC/11/3. Online : http://europa.eu/rapid/press-release_DOC-11-3_en.htm. Annex II.

order to increase the competitiveness of their firms and the growth of their economies.

The same European Council of 24 and 25 March 2011 defined in the Euro Plus Pact the general outline of the structural reforms that member states agreed to take. The stated objective was the convergence of wage evolution with productivity growth. For this, the European Council agreed that the unit cost of labour should be monitored in each of the countries of the Euro Area and its evolution should be compared between countries of the Euro Area and with major trading partners. This was to ensure that the unit cost of labour would not erode the competitiveness of firms in a particular country. For this reason, the European Council proposed to "review the wage setting arrangements, and, where necessary, the degree of centralisation in the bargaining process, and the indexation mechanisms", for example, on a consumer price index.[4] Council members similarly determined that states should improve the functioning of their labour markets, taking measures to decrease the long-term unemployment rate, the unemployment rate of young people, and to increase labour participation. "Labour market reforms to promote 'flexicurity', reduce undeclared work" were also planned.[5] By these different formulas, reference was made to the categories of workers who suffered from employability problems in different national employment regimes: the long-term unemployed, young workers, and finally undeclared workers. Similarly, reducing labour taxes was encouraged.[6] The exchange between the German participation in the EMS and the commitment of the states encountering difficulties in the Euro Area to transform their employment regimes was reaffirmed on several occasions thereafter; for instance, in the joint letter submitted by Angela Merkel and Nicolas Sarkozy to the European Council president Herman van Rompuy, dated December 7, 2011.[7]

But it was in the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union (TSCG), entered into force January 1, 2013, that this conditionality found its most complete expression.[8] The ratification of the treaty became the condition for the granting of financial assistance under the EMS from March 1, 2013, onwards. The treaty recalled the adoption of the Euro Plus Pact, and, in article 9, the themes it had developed: promoting

[4] *Ibid*. Annex I. The Euro Plus Pact. Stronger economic policy coordination for competitiveness and convergence.
[5] *Ibid*.
[6] *Ibid*.
[7] Online: http://elysee.blog.lemonde.fr/2011/12/07/1414/.
[8] Online : http://european-council.europa.eu/media/639235/st00tscg26_en12.pdf.

economic growth, enhancing convergence and competitiveness, promoting employment. Also particularly targeted were states subject to an excessive deficit procedure under the treaties on which the European Union is founded, *i.e.* the states with deficits and debt exceeding the criteria of the Stability and Growth Pact, further specified by the TSCG. For these states, Article 5 of the treaty provided for the establishment of budgetary and economic partnership programmes with a detailed description of the structural reforms to implement. The institutions of the European Union, namely the Commission and the Court, were competent in supervising these programmes. As a result, a triple financial, legal, and institutional pressure was created to transform employment regimes in the states experiencing high levels of deficit and debt.

However, the concern for the monetary implications of EC States' diverging employment regimes is not new. The question was posed in similar terms in the 1970s. Raymond Vouel was the President of the Council of Ministers of the European Economic Community (EEC) and the Vice President of the Government and Minister of Finance of the Grand Duchy of Luxembourg in 1976. He described a similar situation in his speech before the Economic and Monetary Committee of the European Parliamentary Assembly in Luxembourg, on June 3, 1976:

> In recent years, the main global economic indicators [...] recorded very divergent evolutions from one member state to another. These include following indicators: -gross remuneration per employee; -labour costs per unit of output in the industry; -consumer prices; -budget balances; -increased public expenditure; -monetary expansion.[9]

Thus, monetary, budgetary, and employment issues were closely linked. R. Vouel highlighted the divergence between particularly high inflation rates in Italy, the United Kingdom, and France, and lower inflation rates in the Federal Republic of Germany, the Netherlands, and Belgium. Employment regimes in the countries affected by deficits and inflation were directly implicated. When discussing these issues, on April 26, 1976, the ministers of Economy and Finance of the member states emphasized the problem of a discrepancy between the evolution of wages and productivity: "Workers organizations should be aware of the fact that a wage policy incompatible with the evolution of production and productivity is very likely to jeopardize the common goal" said Vouel, summarizing the conclusions of the Council.[10]

[9] Central Archives of the Council of the European Union, Brussels. Red list 40749. La liberté d'établissement, de circulation de la personne traitée par l'Assemblée en général. Communautés européennes-Le Conseil-Bruxelles, le 11 juin 1976. C/33/76 (ASS 14). Note d'information-Travaux parlementaires. Objet : Réunion de la commission économique et monétaire de l'Assemblée (Luxembourg, le 3 juin 1976).
[10] *Ibid*.

The permanence of debates and conflicts in Europe today on these issues invite a study that poses problems in terms both of overall economic and social structures and in the long term. Different elements of the employment regimes in Mediterranean Europe appear as handicaps. A reform of these regimes under German influence is raised. For Germany, the single currency makes these reforms necessary for German prosperity. However, employment regimes also represent major challenges for the actors involved. Upsetting these balances is risky. As a result, understanding the chances of the reforms that are launched and their possible consequences matters. To do so, the formation of the different employment regimes in Mediterranean countries should be studied in order to understand their nature and functions. This purpose underlies each of the contributions in this volume.

The first two contributions analyse employment regimes' divergence in France, on the one hand, and in Germany, on the other hand, from the end of the 1960s, onwards. My chapter describes the developments within the employment regime in France since the end of the 1960s and proposes, from the French case, a general pattern for Mediterranean Europe. Karl Lauschke deepens this presentation by studying how German and French unions diverged during the 1970s. The following two contributions deal with developments in EEC Mediterranean countries other than France. Philippe Martin draws a picture of Spanish and Italian labour law, questioning their origins, characteristics, and recent evolution. Francesco Petrini focuses on the relationship between the Italian employment regime and the international monetary and commercial regimes from the 1960s until the early 1990s.