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REGIONAL STRATEGIES TO MITIGATE UNEMPLOYMENT IN THE WAKE OF CRISES: COMPARING THE EU IN GREECE AND MERCOSUR IN PARAGUAY

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Regional strategies to mitigate unemployment in the wake of crises: Comparing the EU in Greece and MERCOSUR in Paraguay

Stephen Kingah[1]

Abstract

In the wake of the financial and economic crises the ripple effects of which are still felt, the European Commission made efforts to develop novel schemes to address the problem of unemployment attributed to the lack of ample competitiveness within the Single Market. This paper compares the impact of the unemployment mitigation strategies adopted by the European Union (the EU) and the Common Market of the South (Mercosur) between 2008 and 2013. In doing so, it focuses on the respective impact of these policies on Greece (for the EU) and Paraguay (for Mercosur). Some of the ideologically driven responses to the crises in certain countries helped to aggravate unemployment. Also from a comparative perspective and due to its institutional depth the approaches adopted in the EU to address the effects of the crises have been more visible.

1. Introduction

Comparing Greece and Paraguay appears outlandish. Intriguing still is to go a notch upward in an attempt to juxtapose the actions of their respective regional entities. Beyond their perceived economic challenges (which in themselves are not a monopoly of both countries) they share little in common. That they may be regarded laggards by some in their respective regions provides thin justification to elect them as referents for a comparative endeavour.

The main reason for selecting the two countries and regional entities is to probe into the nature of the initiatives adopted by the regional outfits in addressing the issue of unemployment. First both the EU and Mercosur started as mainly economic groupings meant to foster trade between the states parties to the founding treaties of Rome and Asuncion but both organizations now have very ambitious social agendas. This is more relevant especially in situations of crises where social responses beyond national borders tend to be more palatable with the protean nature of the causes of the crises. Second, both entities have core and periphery countries so it is useful to understand how core-periphery ties are accommodated during crises periods especially in a context where some of the core countries (France for the EU and Argentina for Mercosur) are also seriously afflicted. In this regard the comparative approach is a tool not an end. It helps to cast light on an otherwise parochial and insular effort on a singular experience. The substantive relevance of the object of investigation (unemployment) is acute mindful of unprecedented challenges posed governments by high levels of young cohorts of populations that are not in employment, pursuing education or training. It is a situation that some have amply characterized as a ticking time bomb.[2] This is not a problem that is afflicting Europe alone. In many parts of Africa, Asia and especially the Middle East intolerable levels of unemployment are a cause for concern. From a temporal perspective the topic is timely because the

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[2] George Papandreou, Comments: A discussion on the future of Europe. Presentation at the Centre on Global Economic Governance, the School of International and Public Affairs, Colombia University, with Brookings Institution and World Leaders Forum, New York, February 2013.

touted albeit timid recovery chronicled in Europe and the US has been marked by jobless growth. Studies have been conducted on the social impacts of the crises and responses from various states. Little effort has been made to look at what regional organizations have done in responding to the social plight engendered.[3] To balance the scales in this respect the paper presents corroborative evidence to substantiate the patent or latent involvement of regional entities in the area of unemployment.

The paper proceeds by considering the respective regions of the EU and Mercosur focusing on broader aspects that have underlain the responses to the social challenges resulting from the crises. The third part then considers some of the effects of the high jobless rates in the countries studied. Part four compares the impact of Mercosur and EU pro-employment interventions in Paraguay and Greece. What comes out from the paper is that some of the ideologically driven responses to the crises in some countries helped to aggravate unemployment. Also from a comparative perspective and due to its institutional depth the approaches adopted in the EU to address the effects of the crises have been more visible.

2. Regional comparative traits of the EU and Mercosur

The EU is more advanced in its integration forays than Mercosur. Since the entry into force of the Treaty of Rome in 1957 there has been a constant effort to strengthen integration. This has been done through very strong supranational institutions that were gradually mandated over the years to sanction and oversee integration disciplines. Through the successive treaties, the enlargements and critical incorporation of principles such as direct effect and supremacy, the EU is now a very strong supranational entity. Member States are always keen to retain leverage on issues. This could not be otherwise as they are so different and even in the realm of social matters different approaches are still common.[4] The latest treaty (Treaty on the Functioning of the European Union or TFEU),[5] the Treaty of Lisbon, is sensitive to such realities and even tensions between Member States *inter se* and between some of them and the Union's institutions. That is why in matters such as social issues competence is carefully handled in a coordinated manner.

The EU has legislative powers and its law (legislation and Treaty law) enjoys primacy in the Member States. Article 4(2)(b) of the TFEU specifies that social policy is a shared competence for the aspects stipulated in the treaty. The specification is made in Articles 151-164. The first part of Article 151 is very instructive. It provides *inter alia* that "the Union and the Member States ... shall have as their objectives the promotion of employment, improved living and working conditions …" Under Articles 153 the EU has limited regulatory competences, encompassing social security and social protection of workers, but not combating social exclusion.[6] Employment policies in the EU are not actually a shared competence in the strict sense, but have a special status under Article 5(2) TFEU. The article states that "the Union shall take measures to ensure coordination of the employment policies of

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3 Cf: Rethinking Regionalisms in Times of Crises: A Collection of Activists' Perspectives from Latin America, Asia, Africa and Europe (Amsterdam, 2013); Regionalizing Global Crises: The Financial Crisis and New Frontiers for Global Governance (Toni Haastrup and Yong-Soo Eun, Basingstoke, Hampshire: Palgrave, 2014).

4 Dagmar Schiek, The EU's socio-economic model(s) and the crisi(e)s – any perspectives? 2 CELLS Online Paper Series (Leeds University, 2013), at 2-3 (discussing some of the socio-economic models in Europe: the Nordic, Liberal, Conservative and Mediterranean models).

5 Consolidated Version of the Treaty on the Functioning of the European Union, OJEU, C83/49 30.03.2010.

6 I am grateful to Professor Dagmar Schiek for her clarifying insights on the specific legal remit of the EU in the area of employment.

Member States, in particular by defining guidelines for these policies." So the EU has the competence to coordinate employment policies of Member States and to define guidelines for them. The picture is slightly different in Mercosur.

Mercosur was created following the signing of the Treaty of Asuncion on 26 March 1991. Amongst the goals are improving efficiency, competiveness and social justice.[7] In December 1994 leaders met in Ouro Preto in Brazil to breathe new life into the process with the creation of a common customs code and new external tariff. Also the secretariat was strengthened and the organization was imbued with international legal personality. In the 1990s there was a slumbering period for the organization. Efforts were then made in early 2000s to revamp the entity following the advent of progressive left leaning governments in many countries in the region. Ever since there have been efforts made to improve the social depth of the organization. For instance in 2006 the Buenos Aires Declaration proclaimed the need for moving "Toward a Mercosur with a human face and a social perspective." In 2007 there were efforts channeled to create the Mercosur Coordination Commission of Ministers of Social Affairs and the creation of a Mercosur Social Institute. In 2010 leaders met at an important meeting in San Juan with the goal of commencing a new stage in the evolution of the organization. Although an imperfect customs union Mercosur has hitherto evolved without developing a strong institutional architecture at the supranational pedestal.[8] Unless expressly stated otherwise rules adopted regionally have to be transposed into national law by national institutions. Over two thirds of rules adopted at the Mercosur level need transposition to take effect.[9] In Mercosur all the rules adopted have to come into effect at the same time and it is the remit of the administrative secretariat to ensure that this is done. That being said, in Mercosur direct effect depends on whether the norms in question relate to the internal functioning of Mercosur (tenable) or to the conduct of member states (non-applicable). While still a contentious issue advisory opinions relating to Paraguay and Uruguay have expressed the principle of supremacy of Mercosur law over national norms. The secretariat which is based in Montevideo is relatively moribund with no robust powers to initiate laws. It is actually regarded only as a technical support unit of the inter-governmental organisation.[10]

The system of dispute settlement in Mercosur is sanctioned under the Protocol of Olivos that was signed on 18 February 2002 and came into force on 1 January 2004. The Protocol of Olivos created Mercosur's Permanent Review Tribunal (*Tribunal Permanente de Revision* or TPR) as the main (quasi) judicial organ of Mercosur's dispute settlement mechanism. Based in Asuncion, the TPR has the mandate to review awards issued by the *Ad Hoc* Arbitrary Tribunals the members of which are drawn from a standing list forwarded from Member States. The TPR is composed of five arbitrators. Apart from reviewing awards from the *Ad Hoc* Arbitrary Tribunals it can also grant advisory opinions that can be sought by Member States, Mercosur decision making organs, national courts and the Mercosur Parliament.

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7 Mariana Luna Pont, Southern American Common Market, in *The Democratization of International Institutions: First International Democracy Report* (Lucio Levi, Giovanni Finizio and Nicola Vallinoto eds., New York: Routledge, 2014), 261-275, at 261.

8 Pont, Southern American Common Market, at 268.

9 Pont, Southern American Common Market, at 269.

10 Pont, Southern American Common Market, at 269.

Mercosur has been taking a path of constant improvisation. It has been hard to reconcile the trade cultures of Brazil and Argentina: its bigger states.[11] But harmonizing these national policies right from the start was simply unrealistic. Mercosur was and has been an instrument of national policies rather than a mechanism for institutional integration.[12] Its jealously guarded inter-governmental praxes have meant it would serve state interests rather than develop its own coherent transnational patterns of interests. It remains an association of states and not an instrument of integration and tends to be at its best when it is used to mobilize Member States against outside competitors such as the US and increasingly China.[13] Unless changed drastically Mercosur will be viewed as an institution in which political influence is used to secure economic favours premised in gaming borders. Piecemeal institutional fixes will be unable to change the trend.[14] As Barral argues there is need for substantive change in the engagement cultures of the big nations. While it is true that there have been some important social initiatives such as the Convergence Fund or FOCEM the impact of the block has not been a complete picture of prowess. Birch's assessment of the block's impact on its weakest link is even more chilling. She argues that the effects of Mercosur on Paraguay have been actually negative noting that "there is no evidence of Mercosur leading to higher economic growth in Paraguay and thus little sign of convergence toward a higher level of per capita income for Paraguayans."[15]

3. The global financial and economic crises and impacts in Greece and Paraguay

The 2008 financial crisis is regarded as the greatest economic crisis since the Great Depression of the 1930s.[16] In the EU as the financial crisis raged so too reports started to engulf the news waves on the sovereign debt woes entangling countries such as Greece and Italy. At the heart of the problem was the threat of contagion resulting in the lack of confidence leading to higher costs for sovereign loans. In Greece the financial crisis affected its shipping and tourism industries and successive governments borrowed even more to sustain public spending on wages and entitlements. Many jobs were also lost.[17] The country was pushed to the brink as levels of poverty, homelessness, crime and suicide galloped.[18] All this happened meanwhile certain officials in Brussels struggled to paint a positive picture.[19] But Greece and Italy were not the only countries afflicted. In Portugal public spending; an expensive civil service as well as spending on investment bubbles and external consultancies resulted in

11 The admission of Venezuela would further add to the complexities of the entity.

12 Welber Barral, Mercosur at the middle age: Welber Barral on current challenges, 3 January 2013.

13 Welber Barral, Mercosur at the middle age.

14 Welber Barral, Mercosur at the middle age.

15 Melissa H. Birch, Paraguay and Mercosur: The lesser of two evils? (University of Kansas, March 2013), at 24.

16 Paul Krugman, *End this Depression now* (New York: Norton, 2012).

17 Eugenia Fotoniata and Thomas Moutos, Minimum wages in Greece, later published, in : *The Minimum Wage Revisited in the Enlarged EU,* Daniel Vaughan- Whitehead (ed.), Edward Elgar and International Labour Office, 2010, at 4; Franciscos Kotentakis, Unemployment dynamics in the Greek crisis, Paper presented at the Bank of Greece, 27 November 2012, at 2.

18 George Pagoulatos, Desperately Hanging on: A Euro-crisis view from Greece, European Council on Foreign Relations (2013).

19 Giuseppe Carone, Gert Jan Koopman and Karl Pichelmann, Labour market prospects and policies to soften the impact of the financial crisis 1 *ECFIN Economic Brief* (May 2009), at 6.

unsustainable debts. Cyprus was mainly affected because it was highly exposed to Greek debt; was taken unawares by a devastating explosion of July 2011 and above all by slow structural reforms.

The responses from Brussels were legion. The major step taken was to initiate the European Financial Stability Mechanism (EFSM) which was a 60 billion euros pledge by EU members including 7.5 billion from the UK. Portugal and Ireland benefitted. The second tool used to address the sovereign debt crisis was the European Financial Stability Facility (EFSF) (adopted in May 2010). It was a temporary fund for the euro zone worth 440 billion euros. It could be activated on demand and was used for Ireland and Portugal (200 billions) as well as for Spanish banks (100 euros). The ultimate move was the engineering of the European Stability Mechanism to replace EFSM and EFSF as a permanent bailout fund. In terms of the financial and monetary responses one aspect that was crucial was a decision in 2012 by the head of the European Central Bank (ECB) to protect the Euro.[20]

Many effects within the EU resulted from the financial and euro zone crises. First was the adoption of strict austerity measures in many countries including Greece.[21] These measures were adopted as *quid pro quo* for the massive bailout and aid packages that had to come from the Troika (the International Monetary Fund or IMF, ECB and the European Commission). Austerity has had a very negative social impact on the lives of citizens who have been left feeling their elected leaders were keener to rescue commercial banks rather than cater for the basic social needs of the most vulnerable.[22] Some have suggested for instance that austerity actually helped to worsen the situation of unemployment in Greece.[23] The Troika negotiated very tough conditions with Greek leaders. Some of the conditions included adoption of a series of laws to reform the labour market. For instance, Law 3986/2010 reduced the wages of young people below 25 years by 20 percent compared to the level of the minimum wage set by collective agreements.[24] Papadimitriou castigates this law and other similar pieces of legislation as supposedly “national” norms adopted without consultation with Greek social partners. He calls this “a progressive flexibilization of the Greek labor market.”[25] As the crisis intensified focus was placed on reduction of cost of labor and ease to hire and fire. While wages are normally set in Greece by a national general collective agreement the Troika pushed for a minimum wage reduction and this was achieved through Law 4046/2012 following directions from the Troika of a 22 percent reduction from February 2012. For younger workers reduction levels amounted to a 32 percent diminution. What is more, Law 4046/2012 repealed any obligation imposed on the employer to justify any dismissal. Law 3899/2010 scraped severance packages for those who only worked for a period under 12 months. Also, Law 4024/2011 that was adopted at the urging of the Troika put a cap on salaries of those in the public sector. There has been a general decrease of 35

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20 Valentina Pop, ECB to buy Spanish Bonds, but With Strings Attached, *EU Observer* 6 September 2012.

21 Costas Papadimitriou, The Greek labour law face to the crisis : A dangerous passage towards a new juridical nature (3 ELLN Working Paper Series, December 2013) ; André Sapir, Guntram Wolff, Carlos de Souza and Alession Terzi, *The Troika and financial assistance in the Euro area: successes and failures* (Policy note requested by the European Parliament’s Economic and Monetary Affairs Committee, February 2014), at 6.

22 Maria Markantonatou, Diagnosis, Treatment and effects of the crisis in Greece : A ‘special case’ or a ‘test case’ ? 13(3) *Max Plank Institute for the Study of Societies* (2013) (arguing that austerity only made the situation worse as even the programs failed to pacify and placate markets).

23 Annie Tubadji, Youth unemployment in Greece : Economic and Political Perspectives (Friedrich Ebert Stiftung, November 2012)., at 26.

24 Papadimitriou, The Greek labour law face to the crisis.

25 Papadimitriou, The Greek labour law face to the crisis, at 8.

percent of public sector salaries compared to the 2010 levels.[26] The labour market situation in Greece has been reflective of the trend in many EU countries. Compared to other Organization for Economic Cooperation and Development (OECD) members the EU have performed poorly on employment and other social indicators since 2011.[27]

The second major impact in the EU has been the numerous changes in governments. There have been multiple changes in governments attributable to the crises in Greece, Italy, and the Netherlands amongst others. A related point is that austerity helped to degrade democratic values in afflicted countries as parliaments witnessed a marked erosion or deferral of their powers to international technocrats.[28] Third in many countries there has been a hardening of the hard right as sentiments against immigrants have increased sharply.

This short discussion on the crises presents one with a good background and vestibule to the more substantive issue affecting the countries that are studied: Greece and Paraguay. But where do these countries stand today? In Greece power is back in the hands of the Centre Right Government after many technocratic experiments fell short. The country is now committed to meeting the stiff targets set by the IMF, the ECB and the European Commission. The conditions under which assistance has been offered Greece have been very challenging including reforming the labour sector and social security.[29] Many assumptions that undergirded the Greek political and economic establishment before the crises in 2008 are now being seriously tested. It is very important to state that the very tough conditions to which Greeks are subject cannot be appreciated or understood in isolation from what is happening in other EU countries. In this case Germany has been crucial and it is difficult to fully understand the decisions that are implemented by the Troika without grasping the political trends in Germany. Before the elections of 2013 Chancellor Angela Merkel was in a coalition with Liberals. This coalition alongside the hard right advocates of the Christian Social Union (CSU of Bavaria) have been keen that the Greek government complies fully with the conditions laid down by the Troika adding that further bailouts are not to be considered. But the new coalition including the Social Democratic Party (SPD) stalwarts may temper the approach from Berlin.

Like Greece, Paraguay has also had its own episodes of political and economic gyrations. The global recession of 2008 slowed the economy.[30] The public sector is notoriously inefficient and President Horacio Cartes (inaugurated in August 2013) is trying to change this. The president may want change but his ruling Colorados party members are still steeped in patronage politics.[31] He is likely to continue with the conditional cash transfer program (Tekoporã) started by Fernando Lugo. Resumption of ties with Mercosur is seen as key following the suspension of Paraguay from the block coming in the heels of the impeachment of Lugo.[32] The ties have just been restored after two years of ten-

26 Papadimitriou, The Greek labour law face to the crisis, at 12.

27 Employment and Social Developments in Europe Report (2013), at 13 and 15. See also, EU Commission, Toward a job-rich recovery, COM(2012) 173 final, 18 April 2012, at 2.

28 Werner Eichhorst, Holger Hinte and Ulf Rinne, Youth Unemployment in Europe : What to do about it ? 65 Policy Paper (Forschungsintitut zur Zukunft der Arbeit/ Institute for the Study of Labor, July 2013), at 15.

29 Papadimitriou, The Greek labour law face to the crisis.

30 World Bank, Country Partnership Strategy for the Republic of Paraguay 2009-2013 (7 April 2009), at ii.

31 Fiona Mackie, Country Report Paraguay (Economist Intelligence Unit, 7 March 2014), at 3.

32 Fiona Mackie, Country Report Paraguay, at 4.

sions.[33] Relations with Mercosur are important for Paraguay even if the government is not that friendly with those in Argentina and Venezuela. Actually Paraguay alongside Uruguay (the smaller members of Mercosur) has expressed an interest in joining the more free trade oriented Pacific Alliance including Colombia, Chile, Mexico and Peru.[34] In terms of the socio-economic realities poverty indicators for Paraguay since 1995 have worsened. The situation is dire for those already living in poverty. From 1997 until around 2010, 600000 new persons entered the job market but only 170000 jobs were available. The economic crisis affected Paraguay through export prices, access to international and regional markets due to profound contraction of credit. As a result of the global crises Paraguay also faced a recession in 2009. Response to these challenges led the government to also consider a fiscal stimulus package.[35]

4. Comparing impact of EU and Mercosur pro-employment interventions in Greece and Paraguay

Many steps have been taken by states to address the problem of growing unemployment. These steps can either be categorised as short term measures or long term ones. The short term measures include increased support in the form of unemployment benefits; the expansion of training opportunities; the ease in terms of hiring and firing and regional stop-gap measures. Increasing unemployment benefits was an approach adopted in many countries in the EU to deal with the crises. In Greece while the pool for beneficiaries widened there was reduction in the average package received. Expansion of training options has been an approach used in many countries. This has been the case of Greece within the EU.

Long term (structural) reforms include changes in minimum wage; the establishment of employment guarantees and changes in the area of better institutional coordination at the regional level. One of the first moves taken by the Greek government in meeting the demands of the Troika for structural reforms was to freeze the increase in salaries of public officials. There has also been action taken to re-evaluate the levels of minimum wages for many countries. In the EU this has taken the form of the Youth Guarantee. Important changes have also been introduced in the area of improved institutional depth and coordination at the regional level. This is all about enhancing collaboration between the key national and regional institutions that are relevant in the area of labour. Such coordination and collaboration has the effect of widening the options of sharing best practices. They are important platforms for information exchange.

4.1 Stop-gap measures

In 2009 the EU Commission took the initiative of outlining how it would respond to the social sclerosis being caused by the crises.[36] It is noted that the greatest impact of the recession is on people and hence there had to be need for greater cooperation to deal with the problems so as to enhance coordination and mutual learning in ensuring sustainable jobs. It also noted that the role of the EU is more important especially in the context of the crises which had left many citizens socio-economically vulnerable. It equally underscored the importance of the European Social Fund (ESF)

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33 Fiona Mackie, Country Report Paraguay (Economist Intelligence Unit, 25 June 2014), at 4.

34 Fiona Mackie, Country Report Paraguay (Economist Intelligence Unit, 25 June 2014), at 23.

35 The Inclusive Development Cluster, Poverty Group, Paraguay – Crisis Poverty and Social Impact Analysis (PSIA), N°7, March 2010, at 1.

36 EU Commission, A shared commitment for employment, COM(2009) 0257 final, 3 June 2009.

and how it helped over 9 million EU citizens annually and hoped to frontload disbursements so they are faster than the 9-10 year circles. The EU used 19 billion for ESF in 2009-2010. While the ESF is the most important tool to deal with employment and social exclusion there are other tools as well such as EU's Program for Employment and Social Innovation, the European Globalization Adjustment Fund, and the Fund for European Aid to the Most Deprived. This Fund for European Aid is very important and could reach 3.5 billion euros in 2014. It will serve as a vital emergency support tool for those hardest hit and for those who are too far away from employment openings and ESF benefits.[37]

Youth on the Move was launched in 2010 and was initiated in application of 2020 Strategy that hopes to make of the EU the most competitive economy. The focus in Youth on the Move was on skills and mobility. In December 2011 the Commission launched the Youth Opportunities Initiative. It promised to refocus money from the ESF on youth employment schemes. Other important transient measures adopted by the EU have included Entrepreneurship in Europe funded through the European Progress Microfinance Facility; Your First EURES Job and Youth at Work. All these efforts were capped by the March 2013 Communication from the Commission that underscores the importance for efforts to be made to avoid a lost generation of young people who tend to be in need of education, employment and training (NEET) and who fall between the 15-24 years age bracket. Although the communication proposes a Youth Employment Initiative that will be co-financed by the Commission and Member States, these efforts have been deemed by some social actors to be inadequate.

So it is clear that there has been a litany of transient schemes adopted by the EU to confront the challenges posed by youth unemployment. What has been happening in Mercosur in this respect? It is worth noting that during the month of December in 2008, leaders of Mercosur held an important meeting. This was done in the sideline of Salvador Bahia Summit of the Heads of State and Government of the Union of South American States (UNASUR).[38] At this meeting they expressly declared that as part of their own response to the crises they would forge the establishment of a joint and shared fund that will address the concerns of small and medium size enterprises.[39] Of greater importance was the promise they made collectively to ensure that robust mechanisms are put in place to protect the poor and vulnerable from economic and social threats.[40] The passing of President Chavez has diluted the passion and zeal to see through the concrete implementation of this proposal. This being said, within Mercosur itself, common approaches to deal with the crisis as such were absent. Rodriguez argues that "little effort has been made to develop common positions on how to address the crisis and to consolidate social, migration, employment and social security policies that would help countries to join forces to face the consequences of the global economic and fi-

37 Laszlo Andor, Towards a more effective and efficient ESF, ESF Conference 2014-2020, Brussels, 6 February 2014, at 3.

38 For more on UNASUR, see Carlos Alonso Bedoya, "The Pacific Alliance and UNASUR: Integration and disintegration in South America," in: *Rethinking Regionalisms in Times of Crises: A Collection of Activists' Perspectives from Latin America, Asia, Africa and Europe* (Amsterdam, 2013), 25-29.

39 S. Kingah, Regionalizing global social policy in times of crises: Comparing the European Union and the Common Market of the South, 4(1) *Regions & Cohesion* (2014).

40 M.E. Carranza, MERCOSUR: The global, economic crisis and the new architecture of regionalism in the Americas. *FLACSO/LATN Working Paper, 125*, (2010), at pp. 11-12, available at *http://www.iadb.org/intal/intalcdi/PE/2010/05920.pdf*.

nancial collapse."[41] This could be attributed to the parallel processes of integration in the region especially in terms of UNASUR which is a bigger organization with a more ambitious social agenda.

Beyond Mercosur but still within Latin America important transient measures have been adopted by the Inter-American Development Bank (IDB) in which all Mercosur states are shareholders. The IDB and Microsoft are to contribute seed money to fund a program that will help train 6000 youth in the region of Latin America.[42] They will put resources in a Youth Technology for Job Insertion Fund meant to expand IT skills especially for the disadvantaged youth in the region. The jobless rate of those under 30 (making up 40 per cent of the population) is twice the rate for those over the age of 35. Therefore funds will be used to finance capacity building, mentorship and job insertion programs. The fund will be sequel to the Youth Fund that had been created in 2007 by Multilateral Investment Fund (MIF) and Microsoft benefitting 3000 youth in a direct way.

During the Clinton Global Initiative meeting in Rio de Janeiro in December 2013 the IDB announced that through its New Employment Opportunities (NEO) initiative it will provide high-impact training and placement services to 500,000 youth in the region over the next five years.[43] It is a scheme developed by the IDB's MIF in partnership with the International Youth Foundation, Arcos Dorados, Caterpillar, CEMEX, Microsoft and Walmart. Amongst the beneficiaries are local public and private partners in Paraguay, Uruguay and also Brazil. NEO targets those between the ages of 16 and 29 years.

At an event in the US Congress IDB's MIF presented a report entitled "Give Youth a Chance: An Agenda for Action" which outlines some of the main initiatives hitherto developed by MIF in favour of opportunities for the youth.[44] As Nancy Lee of MIF noted "there is no other issue on which the interests of government and the private sector are more aligned than addressing youth unemployment and creating economic opportunities for young people." But it is also worth noting that MIF has financed over 120 youth employment and entrepreneurship projects since 1994. It has trained about 235000 poor and low income youth in various countries of the region.

Given the foregoing, Mercosur does not need to look farther to the EU to consider some of the transient customized solutions adopted in Europe. Rather there are insights to be gleaned from the approaches of the IDB of aggressively partnering with corporations, foundations and other non-governmental organizations as well as local authorities to create better openings and opportunities for the youth.

4.2 Employment guarantees and coordination

The increased crescendo of deregulation of labour markets in the past two decades has made the transition from education to a full time job very hard. In many instances even when young people find jobs they are trapped in a permanent condition of temporary work and very low pay. The situa-

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41 Graciela Rodriguez, "MERCOSUR: What kind of integration is possible?" In: Rethinking Regionalisms in Times of Crises: A Collection of Activists' Perspectives from Latin America, Asia, Africa and Europe (Amsterdam, 2013), 19-23, at 19-20.

42 IDB Press Release, IDB and Microsoft to triple funding for a youth training program for Latin America and the Caribbean, 24 March 2011.

43 IDB Press Release, IDB commits to addressing youth unemployment at Clinton Global Initiative Latin America Meeting, Wednesday, 11 December 2013.

44 IDB, Discussion on Economic opportunities for Latin American and Caribbean youth comes to Capitol Hill (IDB, 14 September 2012).

tion in Greece and Spain are particularly bad with rates of above 50 per cent of youth unemployment. The more the situation is allowed to continue the more it will be hard to redress it.[45] In addressing the long term aspect of youth unemployment the EU has leaned on the job guarantee approach.

The job guarantee in Europe has taken the shape of the Youth Guarantee (YG). The YG initiative aims to provide opportunities for jobs, apprenticeship or further education within four months of completing studies for those between 15 and 24. It is a program that was initiated by the European Commission in 2010. But before then other countries such as Austria, Denmark, Finland and Sweden had been experimenting with the idea. The main text outlining the European YG was adopted by the Council in 2013.[46] The Council stated that the unemployment situation was so dire for the youth that 30.1 per cent of those under-25 years in the Union have been unemployed for more than 12 months.[47] It defined YG as "a situation in which young people receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education."[48] Member States hoped that in adopting the text, YG would help in meeting three of the Europe 2020 strategy targets.

The background to the document has a longer history marked by the keen involvement of the Commission, the European Parliament and the European Council. In its "Youth on the Move Communication" of 15 September 2010 the Commission encouraged Member States to introduce YGs. But the implementation has so far been very timid. The Council's recommendation was a reminder for Member States of the importance of implementing YGs in their various countries. On 18 April 2012 through an important Employment Package, the Commission proposed via a communication "Toward a job-rich recovery" that there should be a strong mobilization of Member States and social partners to address the current unemployment crisis in the Union especially amongst the youth. Within the framework of an important resolution of 24 May 2012 the European Parliament called on Member States to take prompt steps in their various countries to make sure that young people are either in decent jobs or retraining within the period of four months after leaving school. In another Communication of 10 October 2012 that dealt with "Stronger European industry for Growth and economic recovery", the Commission highlighted six areas of priority that were and are promising in terms of industrial innovation. In the Commission's Communication on "Annual Growth Survey 2013" issued on 28 November 2012 it underscored that Member States needed to put in place mechanisms for smooth school-to-work transitions for young people noting the need for a quick implementation of YGs. It is vital to note that in its conclusions of 8 February 2013 the European Council made a deliberate decision to forge ahead with a Youth Employment Initiative worth 6 billion euros to cover the period 2014-2020. The goal of the move is to support the Commission's Youth Employment Package which the Commission had proposed in December 2012.

An internal Commission document has revealed that in Greece there have been challenges in mapping out the ways of implementing the YG with problems of lack of consultation between labour

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45 European Youth Forum, A Youth Guarantee for Europe: Towards a Rights based Approach to Youth employment policy (European Youth Forum, Brussels, 2012), at 7 and 8.

46 EU Council, Council Recommendation on establishing a Youth Guarantee, 2013/C 120/01, 22 April 2013.

47 EU Council, Council Recommendation, at recital 4.

48 EU Council, Council Recommendation, at recital 5.

and education ministries being singled out.[49] With youth unemployment at 55.3 per cent it is hoped that the scheme will help Greece address this conundrum with its allocated 160 million euros. But Cholezas is less sanguine. The author argues that introducing YG is likely to be met with challenges given the unfriendly economic and institutional environment in Greece and the fact that low labour demand could lead to the scheme being overwhelmed.[50]

From a broader perspective while reviews of the YG have mainly been positive, voices are now being raised to the effect that the age range for those considered under the program be expanded to 30 rather than 25.[51] This reflects a broader criticism of the criteria and considerations factored when selecting the age thresholds for purposes of sustainable employment schemes. Some have also suggested that the program is simply too costly and cannot deliver what it promises.[52] For these authors it will bind resources in unquestionable ways and distract from the core tasks. Their suggestion is movement more toward the German model for instance of dual apprenticeships. They recommend temporary wage subsidies to employers that can be helpful especially in short term. They also propose start up subsidies especially for the youth. Finally they suggest low or no interest free loans to finance education and mobility.[53] Other challenges to the scheme includes addressing issues of diversity of the unemployed cohort as well the huge discrepancies caused or facilitated by informal labour.[54] For the European Youth Forum important conditions are needed for the YG to work well. These conditions are not all in place. They include adequate funding; timing; age (under 30); accessibility; partnership; recognition and commitment.[55]

In Mercosur such a long term approach in the form of guarantees has been absent. This could be attributed to resource constraints and the keenness of leaders to maintain a tight grip on labour matters. However some efforts have been made in terms of coordination. These are now presented. Emphasis in this respect is paid only to Mercosur. It is taken as an anodyne assumption that institutional depth and coordination on labour matters take place in the EU especially given the demands of the employment provisions in the TFEU. The initiatives presented in terms of the short and long term strategies are amply corroborative in this regard.

Mercosur has been active on the issue of labour relations and the situation of employment in the Member States since the beginning of the integration process in 1991. With the advent of progressive governments in many countries at the beginning of the last decade, this trend accelerated.

In fact, Mercosur has addressed the issue of employment on a general basis for the Member countries by establishing a regular meeting of the national Ministers of the area and furthermore by

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49 European Commission, Youth Guarantee Implementation (17 December 2013). The beneficiary regions selected in Greece for the YG program include: Anatoliki Makedonia - Thraki, Attiki, Dytiki Ellada, Dytiki Makedonia, Ipeiros, Kentriki Makedonia, Kriti, Notio Aigaio, Peloponnisos, Sterea Ellada, Thessalia, Voreio Aigaio.

50 Ioannis Cholezas, Youth Guarantee in Times of Austerity: The Greek Case (Friedrich Ebert Stiftung, November 2013), at 11.

51 Cholezas, Youth Guarantee in Times of Austerity, at 13.

52 Werner Eichhorst, Holger Hinte and Ulf Rinne, Youth Unemployment in Europe : What to do about it ? 65 *Policy Paper* (Forschungsintitut zur Zukunft der Arbeit/ Institute for the Study of Labor, July 2013), at 16.

53 Werner Eichhorst, Holger Hinte and Ulf Rinne, Youth Unemployment in Europe.

54 Cholezas, Youth Guarantee in Times of Austerity, at 13.

55 European Youth Forum, A Youth Guarantee for Europe: Towards a Rights based Approach to Youth employment policy (European Youth Forum, Brussels, 2012), at 14-15.

adopting a work program with the objective of monitoring the situation of employment in all the countries and adopting measures to counteract possible surges in unemployment at the national level. This work program required the Ministers of Labour to meet periodically and submit policy proposals for adoption at Mercosur level by the Common Market Council that is the governing body of the Mercosur pursuant to the Treaty of Asuncion. However, the national governments of Argentina, Brazil, Paraguay, Uruguay and now Venezuela have not expressed agreement or consensus on the way to address unemployment in each of the countries.[56] Therefore, the Mercosur work carried out by the Labour Ministers has not been enough for the national governments to adopt "common policies" regarding unemployment.[57]

5. Conclusions

In the context of the crises the excesses of some of the financial institutions warranted ample media and governmental attention. But in a sense this attention has been exaggerated at the expense of the real crisis being faced in the real economy by the unemployed. The nature of institutional depth and supranational density in the EU explains the fact that it has had an important role in terms of the impact of the employment policies and measures adopted. It is partly correct to state that institutional actors such as the EU Commission have been keen to ensure the flow of capital through recapitalization of financial institutions as the major step in responding to the crises. But it will be unfair to aver that the social dimension especially focus on unemployment has been completely derelict. This becomes ever patent if one compares what has been developed in the EU as juxtaposed with responses in Mercosur: the entity that comes closest to the EU in terms of social institutional aspirations. In confronting the challenge of unemployment many programs and initiatives have been adopted at the EU level. What is crucial now is that the long term oriented scheme or the Youth Guarantee be fully implemented especially in a country such as Greece. The approach being taken by the EU tends to tally more with that of the European Youth Forum that views employment as a right. This is the underlying precept of the EU's Youth Guarantee initiative. In Mercosur, some cosmetic institutional coordinating measures are in place but real action and concrete initiatives have emanated from elsewhere: the Inter-American Development Bank. It could therefore be useful for Mercosur's political masters to embrace some of the approaches of the IDB. Even though attention was placed on Greece and Paraguay leaders in places such as France and Brazil also have to grapple with serious youth unemployment issues. They are well advised to also look at some of the regional initiatives which their own sherpers have devised regionally. In terms of cross-fertilization the important role played by the IDB is significant. The European Investment Bank may also provide openings for youth employment from which the Commission could tap.

56 Adrian Makuc, Director of Trade Policy in the Ministry of Economy, Buenos Aires, Argentina (Adrian Makuc has been in charge of Mercosur negotiations at the technical level for many years), Correspondence: 10 March 2014.

57 Adrian Makuc, Director of Trade Policy in the Ministry of Economy, Buenos Aires.

Annex: Differentials in key indicators between Greece and Paraguay

	Greece	Paraguay	Total[58]
Corruption Perception Index TPI (2013)[59]	80	150	177
Ease of Doing Business (WB 2013)[60]	72	109	189
Competitiveness (WEF 2013)[61]	91	119	148
Innovation Index (WIPO, Insead, 2014)[62]	50	89	143
GNI per capita[63] in US dollars 2013 (WB)	22530	4040	-
Population Profile in millions[64] (WB)	11.03	6.802	-
Area profile in KmSq[65] (WB)	128900	397300	-
EIU Democracy Index (2012) [66]	33	70	167
Freedom House Classification 2014[67]	Free	Partly free	-
Human Development Index (HDI) (UNDP)[68]	29	111	156

Sources: From TPI, WB, WIPO, Freedom House Classifications as adapted by the author

58 Total indicates the overall number of countries assessed for each of the indices, if applicable.

59 TPI stands for Transparency International. Available at *http://www.transparency.org/cpi2013/results*

60 WB: World Bank. Available at *http://www.doingbusiness.org/rankings*

61 WEF: World Economic Forum. Available at *http://www3.weforum.org/docs/GCR2013-14/GCR_Rankings_2013-14.pdf*

62 WIPO: World Intellectual Property Organization, INSEAD Business School Paris and Cornell University. Available at *http://www.globalinnovationindex.org/content.aspx?page=data-analysis*

63 GNI: Gross National Income. For Greece available at *http://data.worldbank.org/country/greece#cp_wdi* and for Paraguay available at *http://data.worldbank.org/country/paraguay*

64 Population Profile source World Bank: For Greece available at *http://data.worldbank.org/country/greece#cp_wdi* and for Paraguay available at *http://data.worldbank.org/country/paraguay*

65 Area Profile source World Bank: *http://data.worldbank.org/indicator/AG.LND.TOTL.K2*

66 EIU: Economist Intelligence Unit. Available at *https://portoncv.gov.cv/dhub/porton.por_global.open_file?p_doc_id=1034*

67 FH: Freedom House. For Greece available at *http://freedomhouse.org/country/greece#.U-STUtr8K70* and for Paraguay available at *http://freedomhouse.org/country/paraguay#.U-STlNr8K70*

68 HDI is conducted by the United Nations Development Program (UNDP): Available at *http://hdr.undp.org/en/data*

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