

The EU labour market – between interventionism and neo liberalism

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The “interventionism-liberalism” dichotomy, that defines the EU’s labour markets, is the mirror image of the economic dimension of the European construction approach. The balance is on the neo liberalism part, after the coming of the Barroso Commission and the presidency of Great Britain.

Though the Maastricht Treaty stipulates the creation of a unique European market, including a labour market, the European market was divided in the member states’ markets. Even though that is the case, I will use the term “European labour market” and by it I understand the national labour markets from the 25 member states.

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1. Two different streams

Interventionism means anxiety in the face of danger, while liberalism means courage and taking the risk.

Favouring interventionism we find the combating of **social dumping**, which is an unfair competition from the member states with lower social standards, having a negative influence on the other states.

Another reason for the state or for the communitarian institution to intervene is to stop the **delocalization**. The moving of some jobs in states with more lenient laws contributes to the lowering of the high social standards of other member states.

A third reason in favour of the regulation is the efficiency of the **investment** in labour. Better settlements on the labour market justify bigger investments in preparing the labour and better working conditions. Those investments can only be supervised through the serious implication of the state.

The commercial societies have only to win from the market liberalization at a global level. What the interventionists call “**social dumping**” becomes a production factor of competition.

The neo-liberalists say that the harmonization of the social standards without concern for efficiency is going to affect the firms’ balance. The low income states will suffer too, because their specific competitiveness will drop. In their opinion, the free competition on the market will be affected especially by the unification of the social norms inside the EU, by diminishing initiative.

2. Short history of the labour market in the EU

The labour market has always been one of the communitarian policies and has become one of the four freedoms of the unique market. The actual labour strategy and the continuous preoccupation with flexible labour markets are one of the daily subjects of discussion, especially after the role unemployment played in the failure of the Constitutional Treaty. The free movement of labour overlaps with the free movement of people and that complicates the situation a lot. Different transition periods for the new member states, new immigration policies and the suspension of the Schengen Agreement by France and The Netherlands after July 7th 2005 terrorist attacks from London, affected the labour. Now the labour force is spreading over other European policies with a net of documents and practices.

In short, these are the regulations recorded in the European Treaties, as far as the labour segment is concerned, from the beginning till the Constitutional Treaty project.

2.1 The labour market and the Treaty of Rome

The initial Treaty contained stipulations about the mobility of labour and the amelioration of the working conditions. Some of the *obligatory clauses* are: free movement of labour, the right for residency, equal salaries for men and women, the immigrant workers' right to social assistance.

The *optional clauses* are: paid holiday, commitments to ameliorate the working conditions and professional qualification principles.

The European Social Fund that still exists was created by the Treaty of Rome.

2.2 The unique internal market

The Single European Act from 1986 contains a lot of regulations on the labour market. The objectives of the social policies extended especially by the social cohesion and economic policies and by the beginning of some improvements in the national norms for health and labour safety.

2.3 The Social Charta adopted in 1989 – a dimension of the unique market

This Charta was very generous - 12 base principles with a socialist smell but without an obligatory status:

- The amelioration of living and working conditions;
- freedom of movement;
- Fair hiring and payment;
- The right to social protection;
- The right to free collective wage bargaining;
- The right to professional qualification;
- Equal treatment for men and women;
- The information, consultation and participation of the workers;
- Health protection and labour safety;
- Children and adolescents' protection;

- Support for elderly people;
- Support for disabled people.

2.3 The Maastricht Treaty and the Social Protocol

The Social Protocol was not included in the Treaty because Great Britain did not want to.

With an emphasis on the unique internal market, the Treaty increases the importance of the free movement of workers, of the working conditions and of the industrial relationships. The debates about the European working relations are still amplifying; “corporatists” see it as a way of consolidating social cohesion, while “neo-liberals” see it as threatening the labour market flexibility.

The Treaty gave the social dialog a central place in the working relationships. The European Commission has to consult the employers and the unions before presenting legislative proposals to the Council of Ministers. The member states have to delegate social partners to implement some directives.

2.4 The Amsterdam Treaty from 1997

The Social Protocol that was just an annex to the Maastricht Treaty became a real part of the Treaty after the new British government gave up the “opt-out”.

The Amsterdam objectives are: “encouraging the filling of job vacancies, ameliorated working and living conditions, maintaining a dialogue between the employers and the unions, proper social protection, the development of human resources and the fight against social exclusion”. The EU’s support for social dialogue has consolidated.

2.5 The Treaty of Nice

In accord with the Lisbon Strategy, the Treaty of Nice accentuated European social objectives and created the beginning of a potentially extended labour market. Among the objectives of the Treaty of Nice we find: full employment of the labour force, promoting the social dialogue poverty prevention and fighting the labour discrimination.

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Ignoring the Constitutional Treaty, the sequencings of those precautions suggests that the current debates on the labour market denote a **neo-liberal** approach that marks the labour *flexibility* and *safety*. Out of those last two words a new one emerged in the Northern countries: flexicurity.

3. Immigration of mobility?

The lack of labour is increasing in the EU, the number of the people who work is decreasing. In classic terms – the labour market is becoming more of a “seller” market than a “buyer” market in the times of increased¹ labour penury on the global level. Be-

¹ *Atlas of Prospective Labour Supply*, Gery Coomans, GeoLabour, 2005, detail on www.geolabour.com

tween 2010 and 2030 the EU will lose 20 million people¹ from the labour market; this requires careful meditation on the supplementary resources needed, especially those regarding qualified personnel in the context of a negative demographic projection. *Immigration* is a partial solution, all together with reintegration of the excluded persons excluded from the current labour market and the extinction of the underground labour market.

The *communitarian preference* principle works extremely well inside the EU member states' labour market. It is important for this principle to work inside the new member states as well, so that before joining, **immigration** might become **mobility** of the labour force inside the EU with all the benefits this mobility brings.

4. "The kangaroo" against "the crocodile"

Among the different kinds of groups formed inside the European Parliament there are two pro-Europe, a *federalist* one favouring political integration, the other sustaining integration *through the market*.

The self-proclaimed "**Kangaroo Group**"² considers that the European integration should be achieved step by step by the unique internal market, including the labour segment.

On the opposite side, "**the Crocodile Group**"³ thinks that the right way to the EU's integration is federalism.

The dispute between the two groups looks like the **interventionism vs. neo-liberalism** debate, with multiple complex political and institutional aspects. The kangaroos want Brussels to create the place where the hidden "hand" of the market works. The true political power is at the national level not in Brussels; thus, the liberalization of the markets has to be done at this level.

This implies a challenge for the institutions from Brussels to identify the formula for determining the necessary capital to liberalize labour. Something similar happens in the financial sector, except for the fact that in this sector there is already a project on a directive (the Bolkenstein Directive). Will the 26th regime provide a solution for labour liberalization?

5. The regional market – the global market

If we accept the term "European labour market", let us see how logical the term "global labour market" is. The Internet services are an example of a global labour market where nobody cares about national frontiers.

The McKinsey Global Institute estimates that 11% of the services can be provided from a distance, without the worker crossing the border to the beneficiary.

¹ from the speech of Franco Frattini, the vice president of the European Commission, at the launch of **The Green Card of economic migration**, January 2005, Brussels

² The name comes from the handbag Ms. Dieter Rogalla wore when she came back from Australia in 1979, the kangaroo signifying the jump over obstacles.

³ The name comes from a restaurant in Brussels where the members of this group used to meet in the 70s.

The noncommercial¹ services do not compete on a global market. They are strongly fragmented in regions and countries, and like on any market, the competition leads to dynamism and vitality.

As a regional market, the European labour market, with its national fragments, manifests common tendencies, similarly to other industrialized states. For example, the most wanted jobs in the EU in the last years are: nurses, social workers, network experts, IT consultants, therapists and software and system engineers.

The jobs that need technical support are sensitive to automotive technology and de-localization, which is not the case for nurses.

Regarding the future of the labour market in the EU, one has to consider that the states are not willing to give up their prosperity for the sake of the unique market, as evident from the referendum organized in France in May 2005. The integration can advance only if prosperity propagates in other countries without affecting the ones that have obtained it already. The national internal politics of the EU states have an effect on prosperity, so the integration progress depends on them.

6. Comparisons between Romania and the EU

The statistical data about the labour force are insufficient, vague, incomplete and vary according to the source. The fluctuations in the labour force have security connotations especially after the Madrid and London terrorist attacks. But it is known that, for example, 3.6 % of the labour force from the EU-15, in 2002, was from abroad.

If the difference in the employment rate is almost nonexistent (Romania 66.8%, the EU 67.1%), the sector rates show that Romania possesses a fundamental disadvantaged structure, as opposed to the EU. The population that works in agriculture is 7 times bigger in Romania than in the EU. I suppose there is a masked unemployment here, but there are no statistics about it. In the services sector, the one that promotes the technical progress, Romania has only half of the entire active population, 35% from the total, compared with almost 70% in the EU.

The qualification structure also shows a serious discrepancy. The most significant discrepancy is in the “white-collar” sector, with a 48% of the EU labour, compared with the 24.4% in Romania.

Not even the evolution in time gives us more optimistic perspectives. Between 1998-2003, the employment level decreased in Romania by 2.6%, while it increased by 1% in the EU. In order to see how much we have to recuperate, we have to look at the whole picture, which we can obtain if we add the percentage of the inactive population, 62.9% in Romania and only 51.6% in the EU.

The distribution of population according to gender and environments also shows the need for serious amelioration in Romania.

¹ Other services than the commercial ones

The conclusion is that the European labour market is not integrated and its faith is in the hands of the member states' policy.

What kind of union will Romania join? One thing is for sure: we will join a broken market, partially integrated, where the labour does not move freely, while the merchandise, the capital and a big part of the services are already integrated. Such a "partial unique market" creates a confusing environment for the free competition. To criticize the unique European market or to see its deficiencies does not mean to deny its existence or the virtues of the European integration. It rather means keeping in touch with reality.

In a book¹ that was published after the French rejection of the European Constitution, such criticism can be readily seen. The euro-sceptic current does not have anything to do with those critics who are only willing to show the weaknesses of the European integration, but with good intentions.

Twenty years ago, when stuff like coffee or blue jeans were banned in Romania, there were groups who created an underground profit by bringing those forbidden products in the country, to the disadvantage of the consumers. Similarly, the "Polish plumber" will find a way to bring its services inside the EU if the labour market does not liberalize.

The disloyal competition of those who will use contraband labour will bring them "illegal" profit and a huge loss for the consumers.

The enlargement of the EU is a complex economic exercise with social implications, not just a simple administrative and political enlargement of the EU's frontiers. The motivation behind the EU enlargement is larger than a simple defending of the frontiers, as Ecaterina the Great said: „I have no other choice to protect my own frontiers, but to extend them.” The great European ideals need a certain level of integration of the labour markets, which would allow everyone's access to wealth, indiscriminately. There are no unique solutions to this complex challenge.

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¹ *Les maitres de l'Europe*, Jean Quatremer, Yves Clarisse, Editions Grasset