Social Dumping and the EU Integration Process

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Background of the project

- the term ‘social dumping’ used in popular debates, policy-making circles and academia; vague but powerful enough to influence policies

BUT not defined, mechanisms not specified =>

- sole focus on low-wage country actors (Eurofound 2012)
- use of counterfactuals: standards ‘lower than what they would have been’ (Alber and Standing, 2000; Sinn 2003)
- Incomplete definitions enumerating social dumping risks in specific contexts (Mosley, 1995)
Project’s research questions

- What is social dumping? How to conceptualise it?
- What is the mechanism/ driving force behind social dumping?
- Which actors are involved in social dumping practices?
- What forms can social dumping take? In what fields/ spheres of activity do actors get involved in social dumping?
- What are the short- and long-term consequences of social dumping?
Competition in capitalist markets

- ‘invisible hand’ paradigm: free market exchanges benefit market participants and the society

- Frank (2011): the very logic of competition might constitute a market failure
  - it is often relative, not absolute performance that matters
  - focus on positional goods might lead to wasteful spending or under-investment in non-positional goods, without changing rivals’ relative position
  - collective action problem: no incentive to unilaterally withdraw from positional competition
Regulation as a solution to market failures

- bans harmful activities or removes incentives to get involved in positional competition
- corrects other market failures:
  - makes up for informational asymmetries
  - prevents the abuse of market power and state capture
- provides a frame for contractual exchanges between market actors

=> well-functioning markets are constructed
Social regulations and ‘beneficial constraints’

- Polanyi (2001[1944]): people are not commodities, cannot be fully subject to market forces

- Markets to be ‘embedded’ in a system of regulatory checks and controls; need to preserve institutions governed by non-market logic…

  …both in the interest of the society and the market

- Streeck (1997): social constraints might enhance firms’ economic performance – are beneficial in the long term
Market expansion and the appeal of social dumping

- capitalism’s tendency to expand and subsume societal activities not operating in line with its logic

- market expansion/marketisation: both spread and increasing depth of commodification

- marketisation viewed as a result of policy decisions inspired by neoliberal ideology – ‘top down’ perspective

BUT marketisation also follows from strategic choices of market participants:
- short-term market logic – social norms as obstacles to profit maximisation
- at the individual level, incentives to undercut/evade social constraints
Social dumping - conceptualisation

- social dumping conceptualised as ‘the practice of undermining or evading social regulations, undertaken by self-interested market participants with an aim of gaining a short-term advantage over their competitors’

- ‘top-down’ marketisation and ‘bottom-up’ social dumping initiatives are mutually reinforcing:
  - spread of social dumping might induce normative and/or regulatory change
  - policy initiatives to expand markets might encourage social dumping
Postwar (Western) Europe

- high levels of economic growth and rapidly increasing living standards

- ‘European social model’ – vague term, but shared logic: protection from ‘bare’ market forces; combining economic efficiency with social cohesion

- since early 1970s:
  - growing reliance on market
  - deregulatory pressures

both at national and supranational levels
EU Internal Market agenda

- free movement of goods, services, workers and capital

- market-building not matched by the development of joint social norms and regulations => asymmetry between ‘negative’ and ‘positive’ integration (Scharpf, 1997)

- market-making EU institutions are supranational – act promptly and are not subject to public scrutiny

- regulatory compromise difficult to reach in the Council due to differences between EEC/EU member states

- national-level regulatory activities stalled in view of capital flight and ‘regime shopping’ threats
EU enlargement to the south and to the east

- substantial income and wage gap between the ‘old’ member states and the newcomers => fertile ground for rule evasion

- growing heterogeneity makes regulatory compromise over social issues even more difficult (Posted Workers Directive, Services Directive, Laval case, PWD Enforcement Directive)

⇒ exacerbates regime competition AND stalls regulatory processes at EU level
⇒ ‘top-down’ marketisation providing incentives and strategic opportunities for social dumping

BUT

- social dumping not unique to the EU integration process
Conclusions/ contribution

- Identifying the mechanism behind social dumping makes it possible to bring different phenomena under a common analytical category.

- The new conceptualisation dispels common misconceptions about social dumping:
  - it is not only about migration and employee posting
  - not only low-wage country actors are involved
  - not only firms are involved
  - it does not have to be a cross-border phenomenon

- outlining the consequences of social dumping
  - short-term: pressures on wages and working conditions
  - long-term: distortion of social efficiency of markets; disintegration of market order
Thank you very much for your attention!

Comments welcome!
Plan of the book ‘Market Expansion and Social Dumping in Europe’

- Introduction

- Part 1: social dumping accompanying intra-EU migration and employee posting

- Part 2: social dumping in manufacturing sectors: internal organisation of labour, outsourcing and cross-border investment strategies

- Part 3: ‘top down’ marketisation and its impact on actors’ strategies: national and EU-level deregulatory measures fostering norm evasion

- Conclusions