Social Dumping and the EU Integration Process

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Background of the project

- the term ‘social dumping’ used in popular debates, but also in policy-making circles and academia

BUT not defined, mechanisms not specified =>

- used (and abused) by actors in ways that are convenient to them
- still, powerful enough to influence policies
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?
Regulation as a solution to market failures

- ‘invisible hand’ does not always lead to efficient outcomes

- regulation as solution to market failures
  - removes incentives for positional competition
  - makes up for informational asymmetries
  - prevents the abuse of market power and state capture

- regulation 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 the existing social regulations, undertaken by self-interested market participants with an aim of gaining a competitive advantage’

- ‘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
Europe: from social model to social dumping?

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

- growing reliance on market since early 1970s

- EU Internal Market
  - asymmetry between ‘negative’ and ‘positive’ integration (Scharpf, 1997)
  - national-level regulatory activities stalled in view of ‘regime shopping’ threat

- EU enlargements to the south (1980s) and to the east (2000s)
  exacerbated regime competition AND stalled regulatory processes at EU level
Conclusions

- varieties of norm systems => varieties of social dumping

BUT
- identifying the mechanism behind social dumping activities makes it possible to bring different phenomena under common analytical category

- common misconceptions about social dumping:
  - it is not only about migration and employee posting
  - not only low-wage countries are involved
  - not only firms are involved

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

Our publications on social dumping:


Forthcoming edited volume:

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
- Conclusions