Market expansion and social dumping in Europe

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Background of the project and research questions

- the term ‘social dumping’ remains vague, but it is powerful enough to influence public discourses and policy decisions

- research questions addressed in the project:
  - what is social dumping? How to conceptualise it?
  - what is the mechanism/ driving force behind social dumping?
  - which actors are involved in social dumping and what forms can it 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 and 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 the existing social regulations, undertaken by self-interested market participants with and aim of gaining an 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
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 the early 1970s

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

- EU enlargements to the south (1980s) and to the east (2000s) exacerbated regime competition AND stalled regulatory processes at EU level
Plan of the book ‘Market Expansion and Social Dumping in Europe’

- Introduction

- Part 1: social dumping accompanying intra-EU migration, third-country migration and employee posting; formation of social standards in national contexts

- 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 and inter-state rivalry over FDI

- Conclusions
Project’s contribution 1

• varieties of normative/ regulatory systems => varieties of social dumping
  - formal and informal norms; outcome of power struggles in specific national / sectoral settings (Bernsten and Lillie; Arnholz and Eldring; Krings et al.)
  - BUT common mechanism behind SD practices - bringing different phenomena under common analytical category

• addressing the common misconceptions about social dumping:
  - it is not only about migration/ posting (Greer and Hauptmeier, Telljohann, Trappmann)
  - not only low-wage country actors are involved (Kahmann, Cremers, Trappmann)
  - not only firms are involved (Krings et al., Scepanovic, Clua Losada)
  - it does not have to be a cross-border phenomenon (Greer and Hauptmeier, Trappmann)
Project’s contribution 2

- identifying different forms/typologies of social dumping activities
  - norm-based
  - process-based (regulatory evasion; regulatory arbitrage; regulatory compliance – Berntsen and Lillie)

- outlining the consequences of social dumping
  - short-term: pressures on wages and working conditions (Berntsen and Lillie, Cremers)
  - long-term: threat to social cohesion; distortion of social efficiency of markets; disintegration of market order (Guzi and Kahanec)

- future research plans
  - in-depth study of social dumping practices in the transport sector + their relation to supranational and national regulatory regimes
Thank you very much for your attention!

ETUI publications on social dumping, based on book chapters:


Forthcoming publications:
