Is Community Social Policy Beneficial, Irrelevant, or Harmful to the Labor Market Performance of the European Union?

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Abstract:

After three decades of experimentation, Community social policy remains only slightly less controversial than heretofore. At one level, it is criticized by its friends for not going far enough and by its foes for going too far and as continuing to offend subsidiarity. Under these circumstances, the presumption might be that the stance of policy is about right after all. But the positions staked out in the debate are wider than these stylized representations - and would include the notion that social policy is a veil - and the underlying arguments correspondingly more subtle. Nevertheless, if a position has on net to be taken regarding the charges of 'good,' 'bad,' and 'irrelevant,' we would incline to the last of these.
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1. **Introduction**

Our discussion of the effects of European social policy begins with a review of the history of attempts to introduce pan-European mandates, since one of the more interesting questions that arises is the issue of policy evolution. We can discern some evidence of a shift in the stance of policy, but is this a sea-change, as many believe, or are we being presented with more of the same old wine in new bottles? Having discussed the course of social policy, we turn to examine the arguments favoring intervention. The recherché notion that social policy is a veil to advance liberalization is next considered. We then consider the possible economic effects of policy, and argue that our ignorance of the consequences of Community mandates continues to provide an inauspicious backdrop to social policy, including the policies favored by the new directorate general for employment and social affairs, DG-V, which may be characterized as a leap into the unknown, despite their quasi-scientific cladding. A terse summary draws together the threads of the preceding arguments, while noting the absence of conditions making for a viable social policy.

2. **The Course of European Social Policy**

We are now in the fourth phase of Community social policy. The first phase began more than a quarter of a century ago, with the erection by DG-V of an ambitious social action plan that was somewhat hesitantly welcomed by the Council of Ministers. The successes of this first phase were to be dominated by the failures. The former included three important pieces of equal opportunities legislation, a number of health and safety regulations, and three directives designed to strengthen job rights in the event of collective redundancies, transfers of businesses, and firm insolvency. The failures included major worker participation proposals (Vredeling, the European Company Statute (ESC) that also included in a 1975 iteration provision for European Works Councils (EWCs), and the draft Fifth Company Law directive), as well as various proposals seeking to regulate atypical work.

The twin problems of limited Community competence in matters of social policy and the unanimity principle - underwritten by real diversity in member state practice - help explain the limited progress made. Ratification of the Single European Act in 1987 was to help in both respects, and delineates the next phase of policy, namely, the 'social charter' (COMMISSION, 1989a). Other permissive factors paving the road for the 1989 social charter included the entry into the Community of two low wage countries (Spain and Portugal) and a more obliging set of economic aggregates.

The social charter's action program contained no less than 47 separate initiatives, almost half of which foreshadowed binding legislation (COMMISSION, 1989b). Draft legislation swiftly followed, the hallmark of which was the creative and successful use of Article 118A by DG-V, even if the problem of Treaty basis meant that compromises had to be made on certain of the more controversial measures (e.g. collective redundancies, pregnant workers, and working time). By the summer of 1994 some 18 of the binding measures - which had grown to 26 in the interstices - had
been enacted into law. There was true deadlock on just three substantive measures dealing with EWCs and atypical work.

But our narrative is moving ahead of the next stage of policy. During the 1991 intergovernmental negotiations preceding revision of the treaties establishing the common market, DG-V had sought to extend the reach of social policy and to widen the treaty basis permitting qualified majority voting beyond the tenuous hold of Article 118A (Here I am abstracting from Articles100A, 57(2), and 66.) Its intention was to insert a 'social chapter' into the treaties establishing the European Communities. As is well known, this was not to be: the terms of what was to have been a new social chapter were instead consigned to the Agreement on Social Policy (ASP), annexed to the Protocol on Social Policy appended to the 1991 Treaty on European Union. Despite the emergence of a two-track social Europe - though this development is easily exaggerated, as experience with EWCs was to prove - the ASP marks a watershed in the history of Community labor market regulation both by establishing a firm basis for social policy (by identifying ten areas of social policy, in five of which majority voting would apply) and by integrating the two sides of industry at European level - the social partners - into Community decision making (the latter being the culmination of a process begun some six years earlier at Val Duchesse).

It soon became clear that the ASP was to be used to attend to unfinished business. Thus, following ratification of the Maastricht Treaty in 1993, DG-V immediately sought closure on the EWC proposal that had been blocked in Council. Yet in its medium-term action program, covering the interval 1995-97, DG-V disclosed few new directives (COMMISSION, 1995). It noted that, given the achievements of the social charter, there was less need for a raft of new initiatives. Rather, the focus was to be on consolidation, implementation of existing measures, and consultation with the social partners. The policy document is aptly described as a 'rolling action plan,' designed to be added to as circumstances changed and to meet perceived needs.

Symptomatic is DG-V's use of 'potential legislative proposals.' As far as labor standards were concerned, these included consultation with the social partners on atypical work, extension of the social charter's working time directive if the social partners could not reach agreement on the issue, and the draft posted workers directive if this could not be processed through the traditional treaty route. Additional legislation might be forthcoming on such diverse issues as national systems of employee representation and individual dismissals. Even if the legislative cupboard was not exactly bare, the lack of concrete measures vis-à-vis the social charter's action program is palpable.

As it transpired, just three measures were to be adopted through the ASP during this interval of two-track social Europe: the 1994 EWC directive and the social partners' framework agreements on parental leave and part-time work, concluded in 1995 and 1997, respectively. (The social partners were unable to reach agreement on the burden of proof measure or, subsequently, on action combatting sexual harassment at work.) Other measures were also processed through the standard treaty route. Examples include the long-delayed posted workers directive and legislation implementing equal treatment for men and women in occupational social security schemes.

This brings us to the fourth and current phase of social policy, delineated by the Treaty of Amsterdam. Deliberations on revisions to the Treaties establishing the European Community had
begun in March 1996. The May 1997 election of New Labour in Britain meant that a new treaty could be rapidly concluded in June 1997. Under the new treaty, the ASP is transformed into a social chapter after all. There is no extension of qualified majority voting per se, although some real expansion in the authority of the European Parliament is implied since social policy measures subject to majority voting will be covered by the codecision procedure. The second major innovation is the insertion of a new employment chapter, revisited below.

Interestingly, the document describing DG-V’s current social action program is again decidedly thin on detail as far as new labor standards are concerned, although a legislative commitment is made to fair and decent social and working standards' with the goal of ensuring ‘a level playing field of minimum standards across the Union' (COMMISSION, 1998a). Rather it is employment considerations that dominate, it being acknowledged that employment is central to sustaining the core values of the European social model. The convergence of member state employment policies is, then, seemingly accorded higher priority than the convergence/harmonization of labor standards.

The action program has three principal strands (I ignore the external dimension.) These are: 'job skills and mobility,' 'the changing world of work,' and 'an inclusive society.' The central theme of the jobs heading is application of the new employment chapter via the coordinating mechanism of annual employment guidelines, which call on member states to take concrete actions to raise employability, foster entrepreneurship, promote adaptability, and secure equal opportunities. Measures that adapt and update the largely uncontroversial legislation on the freedom of movement of labor are also foreshadowed under this rubric.

The second heading is no less substantive. Its twin themes are the organization of work and the anticipation of industrial change. In both cases, the stated requirement is to 'strike the right balance between flexibility and security.' Social dialogue is seen as having a key role in the process. The proposals dealing with the organization of work are both general and specific. The general component comprises consultations with their social partners on all elements of work organization, with a view to obtaining framework agreements and the identification of appropriate changes in legal arrangements to encourage more flexible contracts. The more tangible elements include an extension of the 1993 working time directive (since enacted into law), consultation with the social partners on the need for Community action on the protection of teleworkers, an instrument to encourage greater financial participation, and new guidelines on training measures at member state level.

In anticipating industrial change, the Commission proposes to pursue the adoption of minimum standards in national systems for informing and consulting workers, to present a report on the operation of transnational works councils, and to follow up on the recommendations of a committee of inquiry into the economic and social implications of industrial change (GYLLENHAMMAR, 1998). The latter is instructive. Among its principal recommendations are the creation of a broader, high quality system of information and consultation (or ‘European framework for information and consultation with employees’); the preparation by companies with more than 1,000 employees of a 'managing change' report, providing information on what structural changes
are foreseen and how they will be managed; underscoring the responsibility of companies for maintaining the 'employability' of their workers through training and learning programs that prepare them for changing jobs, acquiring new skills, and adapting to the labor market and new technologies, with the sanction of a withdrawal of all public monies from those companies that lay off workers without having taken the necessary steps to safeguard this employability; and a widening of the social dialogue to cover preparation for and adaptation to industrial change.

Finally, the proposals covering social inclusion are more conventional. Apart from legislation coordinating and modernizing social security schemes and new initiatives on supplementary pensions, DG-V will seek to target those at risk of exclusion through employment incentive measures and reforms to social protection systems that improve employability while preserving a safety net.3

Legislation thus far processed during this fourth stage of Community social policy, 1998-2000, is seemingly modest. One limiting factor was that general application of the new treaty would be delayed until its ratification. At one level, namely the position of the U.K., this was to cause no difficulty: the mechanism was to adopt legislation enacted under the ASP on a whole-Community basis (i.e. under the then Article 100). In this way, the EWC directive and the framework agreement on parental leave were extended to the U.K. in December 1997. Similarly, the framework agreement on part-time work and the burden of proof directive were extended to the U.K. in April and July, 1998, respectively. For its part, the social dialogue process yielded, at interprofessional level, a framework agreement on fixed-term contracts in February 1999. (Earlier, at the sectoral level, separate agreements on working time were concluded for seafarers and railroad employees.) However, the social partners were not able to reach agreement to negotiate on national systems for informing and consulting employees, leading DG-V to issue its own proposals in late 1998.

Other measures passed through the then conventional treaty route included updated and consolidated versions of the old transfer of undertakings and collective redundancies directives; a new directive safeguarding the supplementary pension rights of employed and self-employed persons moving within the Community; an interesting directive allowing reduced VAT rates on labor intensive services, to stimulate employment; considerable movement on the employment chapter, which alone of the new Treaty-based procedures was not dependent on Treaty ratification for its implementation; and most recently (April 4, 2000) final agreement in the conciliation committee on extension of the 1993 working time directive to uncovered sectors. No progress was made on worker participation in the form of the ESC (and its proposed sister directives), or on the Commission's detailed proposals on a general framework to be followed in informing and consulting employees in Community undertakings with at least 50 employees.
3. A Shift in Policy?

It is widely claimed that the course of social policy charted earlier provides clear evidence of a change in emphasis on the part of EU policy makers toward a more flexible policy. To be sure there are a number of indications of this. First, and foremost, there is the much enhanced role accorded the social dialogue process itself, which might be expected to provide more flexible solutions than those imposed from above. Second, there is the distinct lull in legislative activity in the wake of the social charter experiment, with more attention being focused on consultation. Third, the actual and proposed mandates that have emerged post-Maastricht seem to offer more scope for local adaptation (e.g. the ECS). Fourth, the labor standards issue seems to have been de-emphasized in favor of the employment chapter. In turn, the hallmark of the employment chapter seems to be benchmarking, which might offer a solution to the perennial problem in EU employment policy formation, namely, how to secure meaningful common action in the face of institutional diversity in national labor markets.

How convincing are these arguments? In the first place, it is obviously the case that the employer side in social dialogue was led to embrace a more thorough-going dialogue because of the fear of more intrusive mandates. At issue is whether the gun-to-the-head approach still dominates. It is of course true that when the social partners negotiate, the specter of Community action is always in the background. At times, that influence has been heavy handed. Perhaps the most blatant example of this is provided by the negotiations on national systems for informing and consulting workers, although there are other examples (including negotiations at sectoral level). But the more important issues here are the ability of the social partners to deliver by virtue of their constitutions, continuing questions as to the representativeness of the social partner organizations, and arguably the use of social dialogue by EU policy makers to make progress along lines of least resistance before returning to the same theme at some subsequent point. To illustrate, note that DG-V has used 'the isolated, fragmented, and limited' reach of existing Community instruments as justification for new legislation.

The lull in activity is of major interest. But it lends itself to a number of interpretations. The backdrop here is the White Paper on Growth, Competitiveness and Employment (COMMISSION, 1993). This exposed Europe's poor job creation record, high and secularly rising unemployment, and declining competitiveness. Although the White Paper addresses the issue of labor market regulation only in the most elliptical manner, while yet calling for increased labor market flexibility, it was clear that in the future DG-V would have to steer a more careful path between the goals of regulation, solidarity, and competitiveness. It can be argued that the rolling action program of the third phase was in the nature of a strategic response by DG-V (the pre-September 1999 body) rather than indicative of a change in heart on the part of an activist agency. Indeed, one might go further to argue that the employment chapter was at least in part conceived of as a means of pursuing an unchanged agenda at a time when unobliging economic aggregates had effectively ruled out frontal social charter-like measures. In any event, the Commission's diagnostics offered during the fourth phase of policy imply major new initiatives. Nowhere is this clearer than in the area of worker involvement, where the COMMISSION (1998b) refers to national legislation as being 'either ritual
in nature or only effective a posteriori.'

The same reasoning can be used to explain the seemingly greater recognition of subsidiarity in actual and proposed mandates during the third and fourth phases of policy. It should also be noted that it is particularly difficult to ascertain just how flexible the various instruments are from the wording of the directives.

Finally, returning to the employment chapter, many would consider the focus on real labor market problems as the key indication of a policy shift. In addition to the cautionary remarks made earlier, we would simply enter the following observations at this juncture. In developing its guideline proposals, DG-V had initially sought to fix targets for employment and unemployment. Specifically, the aggregate employment rate was to be raised from 60 to 65 percent in five years, and the unemployment rate to be reduced from 10.6 percent to 7 percent over the same interval. These proposals were not acceptable to member states. However, over the first two full cycles of the employment strategy, the Commission was to issue individual recommendations to member states in a blunt manner. The efficacy of its underlying analysis is commented on below.

The bottom line would appear to be that the old DG-V had by no means lost its reformist zeal, or heavy handed touch for that matter. Rather, it had been forced by economic circumstances to be more circumspect. At issue is whether the new Commission will behave differently and adopt a framework of coordination that helps member states progressively to develop their own practices. Not in doubt is the greater sophistication of the new DG-V - note the new emphasis on delivering a combination of flexibility for enterprises and security for workers - but that is not necessarily a distinction of substance.

4. The Case For Intervention

The basic argument in favor of social policy at European level remains social dumping or unfair competition, even if the force of this particular argument has receded somewhat in recent years with the new emphasis placed on getting Europe back to work. But observe that conventional social policy remains a central component of each of the four pillars of the employment guidelines.

The most sophisticated version of the social dumping argument begins with the statement that economic integration, although beneficial on net, creates a subset of losers (e.g. the least skilled workers in the more advanced nations). In normal circumstances, nations may be expected to offer relief to those disadvantaged by heightened trade through redistributive social measures. But a more politically appealing solution may be a protectionist route. Governments in an economic union might thus seek to offer less social protection or to shade taxes on capital so as to attract industry. Beggar-thy-neighbor policies of this sort may be expected to produce like reactions from other countries. The result is a bidding down of taxes/social protection in a race to the bottom.

Accordingly, a case can be made for the supranational coordination of social policies and regulatory frameworks. Note the use of the word 'coordination' rather than 'harmonization.' It is now
more conventional to use the former term, given the growing recognition that common standards are not appropriate for countries at very different stages of economic development, while even richer countries may evince very different tastes for regulation. One hears increasingly less mention of harmonization in European policy-making circles these days, too, but the proof of the pudding is in the eating. But the basic point of the argument is this: if member states do have different policies, effective coordination to prevent a race to the bottom cannot be left to the market, and some form of pan-European regulation setting minimum standards is necessary. Absent this, so the argument runs, bad policies will simply drive out good ones.

This variant of the social dumping argument calls for a light touch, even to the extent of erecting standards that may not currently bind member states. Note also that although the goal is to preserve the gains from economic integration, the policies must be appropriate to begin with. That is, they must redress market failures and/or protect those more deserving of assistance (those most at risk).

These arguments are well rehearsed by BEAN et al. (1998), who rather interestingly also make some comparisons with the United States, where it is argued that institutional structure and jurisdictional competition play an important role in the supply of social provision. The authors argue that tax competition is a potent force in the United States and produces a suboptimal provision of social spending. It is asserted that what rescues social spending from race-to-the-bottom pressures is the fact that much of the spending is federal. Lacking its own supranational support system by contrast the EU is said to need a coordinated policy of broadly the form that it has taken.

The analysis of Bean et al. is representative of a wide body of opinion in the EU and clearly accords with the notion of a European social space. It will mollify some waverers by (a) suggesting that the European institutions seemingly deliver about the right amount of legislation (in defense of which argument, the authors point out that unanimity still governs much social policy legislation and also refer to the 'consensus mechanism' of the social dialogue), while (b) recognizing the need for a further deregulation of European labor markets.

Nevertheless, at issue is whether the the authors' diagnosis of the association between social policy and economic integration is correct, and whether the practice of social policy conforms to their rather sketchy depiction of it. On the first question, there is scant historical evidence to suggest that coordination/harmonization is a logical (or moral) precondition of economic integration, or instead its final consequence. Further doubt has also to attach to the argument that increased trade is primarily responsible for widening skill differentials and/or for the secular increase in unemployment. The distinction drawn between coordination and harmonization is also vague - based as it is on the assumption that Community labor standards are minimal - while the important role of national tastes for regulation is at times downplayed (though interestingly enough, rather less so in the authors' overall discussion of the United States’ situation).

Nevertheless, in discussing social policy, it is assuredly correct to dispense with the fiction that all mandates are bad (see ADDISON and HIRSCH, 1997) Thus, mandates can be justified on externality grounds, adverse selection/information asymmetries, and imperfectly competitive markets. Most of the mandates offered by DG-V can be contextualized in one or more of these
market failure arguments. (Equity considerations also cast a long shadow, although as we shall argue the disadvantaged are often hurt by measures placing a floor under working conditions, so that remedies other than mandates are often more appropriate for unskilled and disadvantaged groups.) That being said, it is one thing to deploy a broad market failure argument, another to demonstrate its relevance to the proposed legislation, and yet another to design a labor standard. What is required is a formal analysis of individual pieces of legislation (for one such approach in the context of an advance notice mandate, see ADDISON and CHILTON, 1997). Supranational mandates complicate the picture but do not change the analysis. That being said, Bean et al. do distinguish some bad (and good) mandates: as examples of bad mandates they cite the posted workers directive and (in part) the application of the pro-rata principle to part-time jobs (potentially good measures include the EWC directive and measures fostering mobility).

With few exceptions the Commission has not explicitly phrased its mandates in terms of remediating individual market failures, but has fallen back on the general notion of destructive competition and, implicitly, equity concerns. Formal arguments have thus to be found elsewhere. This is particularly problematic, because the case for coordination/harmonization hinges on the policies serving a socially useful purpose.

5. Counterpoint

At this point, it is interesting briefly to consider the argument that European social policy is simply a veil. The main protagonist of this view is STREECK (1998). Streeck argues that the multi-level polity of an integrated Europe has established itself as a 'liberalization regime' dedicated to enhancing competition and freeing market forces from political interference. Social protection will not become a centralized supranational responsibility.

Streeck takes as his pallet industrial relations, which has become a multi-level system that matches and complements the multi-level institutions that have come to govern most of policy making in Europe. Industrial relations has become Europeanized but not supranational. The distinction between harmonization and coordination is again echoed in Streeck's treatment: harmonization suspends international regime competition, while coordination does not. In practice, supranational intervention in national systems of industrial relations is limited to their coordination. Thus for Streeck legislation on, say, EWCs is really no different in kind from measures promoting the mobility of labor. The EWC legislation is said to avoid interference with national systems of workplace representation. Rather, it supplements them with 'largely firm-specific, representation arrangements for non-domestic European workers at the headquarters of multinational companies' (STREECK, 1998, 13). In this way, national systems are extended into their European environments.

On this view, (selective) supranational centralization and institution building is seen as actually dedicating supranational institutions to purposes of market making. Meantime, social regulation is to all intents and purposes left as a national responsibility. European integration is said
to locate national systems of industrial relations in an international market, making them more sensitive to the needs of market forces. Regime competition makes national industrial relations more voluntaristic and less obligational.

Within this framework, the social dialogue in particular is seen as either leaving national systems unchanged or 'defending their integrity,' and is not an instrument of supranational social policy at all. Indeed, STREECK (1998, 25) goes so far as to argue that the mechanism allowed the Commission (and Council) to relieve itself 'of an intractable set of issues by moving them to a politically less exposed new arena.'

Although there is much of interest in the industrial relations component of Streeck's analysis, his diagnosis of the social dialogue process is flawed. It makes the useful observation that the social partners do possess 'agenda power,' but it ignores the point that the content of framework agreements is not independent of the Commission. As we have argued, the social partners have to take into account the terms of the directive that would be passed if they did not participate in the process. But if not exactly a vehicle for maintaining the status quo, it has also to be admitted that the social dialogue has had little substantive impact on collective bargaining, the focus of which remains firmly domestic (see MARGINSON and SCHULTEN, 1999).

6. Economic Effects

If the effects of social dialogue on collective bargaining have been muted, what of the economic effects of Community social policy? Abstracting from the dubious argument that social policy has facilitated economic integration - on the benefits of which, we do of course have some information - there is little hard evidence on which we can draw. For its part, DG-V has not offered any meaningful impact statements, despite being formally required to do. Measurement and evaluation techniques are frankly primitive in the Community. Note that there is no European counterpart of the U.S. Congressional Budget Office, which is charged with the duty of estimating the costs of mandates. There are of course some indicative cost estimates available at member state level (e.g. DTI, 1998), but to my knowledge no published formal analyses of the slew of mandates resulting from, say, the social charter's action program and more recent initiatives. (However, I believe that some computable general equilibrium models incorporating some elements of Community-determined social protection have been developed by the Danish authorities.)

What accounts for this dearth of information? In part, it must be due to the fairly recent vintage of many of the more controversial mandates, accentuated by their uneven application at member state level, and issues of derogations and the like. There is also the awkward issue of enforcement, which can blunt the effects of intrusive mandates but which few seek to publicize. More importantly, however, the impact of social policy has been viewed as marginal by economists more concerned with evaluating the labor market consequences of the tax wedge, the disincentive effects of unemployment insurance and domestic welfare policies, and the impact of globalization on the wage distribution and unemployment.

Nevertheless, economists have examined the broader issues raised by Community social policy. For example, there has been considerable research into the effects of employment protection
on employment. In seeking to infer the effects of analogous policies pursued by the Community, social policy proponents and opponents alike have chosen to draw upon on this very literature.

What does the employment protection literature suggest? An early cross-country analysis by LAZEAR (1990) seemed to indicate that the effects of dismissals protection were markedly unfavorable. That is, more generous dismissal rules on individual dismissals (although DG-V has yet to propose any such directive) were found to be associated with reduced employment and elevated unemployment. Disquiet over the use of a single measure of employment protection and the parsimonious representation of employment determination in the Lazear model (plus other potentially severe statistical problems - see ADDISON, TEIXEIRA, and GROSSO, 2000) led other economists to experiment with more encompassing measures of employment protection and a more comprehensive index of employment protection (see, in particular, OECD, 1994) and a much wider array of control variables. The results have been mixed. Thus, a recent and controversial OECD (1999) study reported statistically insignificant associations between its comprehensive index of employment protection and employment and unemployment. That said, the preponderance of the modern evidence would seem to suggest that more restrictive employment protection regimes tend to have lower employment, reduced participation rates, higher structural unemployment, and lower employment growth (see DI TELLA and MCCULLOCH, 1999; GARIBALDI and MAURO, 1999, ELMESKOV, MARTIN and SCARPETTA, 1998; HECKMAN and PAGÉS, 2000).

However, the implied adverse effects of employment protection are not always large, while the impact of employment protection on the unemployment and employment aggregates is necessarily somewhat indirect and difficult to isolate from other causal factors. The evidence would perhaps be more compelling if the research focus was directed to the point at which employment protection might be expected more directly to affect behavior (i.e. linked to job flow data and/or the speed of employment adjustment to demand shocks).

As noted earlier, some have sought to argue from the mixed evidence that regulation of the type favored by the Commission is economically benign after all. This is a mistake for two reasons. First of all, even if the tradeoffs may differ among individual nations with much the same order of employment protection - for both observed and unobserved reasons - this result offers no justification for one-size-fits-all mandates, earlier favored by DG-V. Second of all, research is much more unified in suggesting that some groups (typically youth and older workers) are adversely impacted by employment protection. Unless one wishes to argue that it takes another mandate (the employment chapter?) to sterilize these negative effects, the observed distributional consequences are not such as to inspire much confidence in such measures.4

Some comment is also required on the employment chapter because we are told that it is the exemplar of the flexible and modernizing approach to labor market policy now being followed by DG-V. I think we can all welcome the attempt to identify best practices and to stimulate experimentation. But basic descriptions of individual member state practices falls far short of proper evaluation techniques based on experimental methods. Here again the contrast with the methods used to evaluate U.S. manpower instruments is striking. This failure to quantify is especially worrisome when the Commission is criticizing the manpower policies of individual member states.
Vulgo: the radar chart approach used to benchmark seems something of a gimmick.

Since I have alluded throughout to the poor state of economic knowledge as to the impact of individual measures pursued by the Commission, it is only fair to point out that industrial relations scholars have been less reticent to evaluate those measures with a bearing on their discipline. The best example is provided by the 1994 EWC directive. The evaluations of industrial relations scholars are almost uniformly pessimistic. Thus, it is reported that firms see the EWC as badly suited to their circumstances, and that companies typically 'bolt on' the apparatus to their existing structures so as to comply with legislation. Dissimilarities between countries in systems of production, technology, and union relations, together with diverse local regulation, are reported to limit the practicability and desirability of central policies on employee involvement.

These are the responses of management. The interpretation of the plurality of industrial relations experts is different. They would argue either that management is underestimating the value of EWCs as a device for, say, greater transnational coordination of employee relations policies, or that management is deliberately limiting the flow of information and generally behaving opportunistically. Be that as it may, the same scholars have also reported that the existence of formal channels of employee involvement is not to be equated with the degree of employee involvement, and further that the link between these channels and firm performance (e.g. labor productivity and profitability) is not well determined (see, for example, O'CREEVY et al., 1998).

Some will be relieved that their worst fears about EWCs do not appear to have been borne out. That is, there are no signs of rent seeking based on 'knowledge is power' grounds or by reason of the stimulus given to European collective bargaining. But the main lesson of the industrial relations research is minimally that it calls into question the design of the mandate. For example, it might have been more appropriate to fix the information and consultation procedures at international business division level rather than group wide.

7. Interpretation.

How then are we to answer the questions that motivated this paper. It seems that the association between Community social policy, as practised, and the performance of the European labor markets is not intimate - in other than the sense in which unobliging economic aggregates serve as a powerful brake on the ability of DG-V to pursue its agenda. The large number of mandates introduced over the last thirty years have probably not had a dramatic effect one way or another, although they may conceivably have discouraged experimentation with national systems of employment protection and to this extent elevated joblessness and retarded employment growth. There is no sign that they have facilitated the process of economic integration. At an individual level there are clearly some bad mandates that are justified neither on efficiency or equity grounds. By the same token, there are potentially some good ones, even if the political process that delivers them is increasingly remote from the economic arguments that should guide if not determine legislation. It is of course
worrisome that there has been little economic analysis of any of the measures.

The predominant impression that one comes away with is, then, that EU social policy has been largely irrelevant. This is not to say that the various measures are without cost, but rather that the issues they have addressed are marginal to performance. One cannot help but be reminded of the worker participation debate here.

It does not follow that the various mandates that have been enacted or proposed will be less intrusive in the future. Nor for that matter does it follow that the quest for a European social space differentiated from the American model is without merit. As regards the first question, increased mobility within the Community for example could make the posted workers directive considerably more costly. However, it is rather the increase in Community competence in matters of social policy, the extensive array of producer interests in favor of regulation, the large body of extant Community legislation on which to build, and the fractionalized nature of decision making that are of concern. In short, much of the criticism that has been levelled by its opponents at Community social policy has been more premature than wrong headed if our diagnosis that the shifts in policy are largely cosmetic is correct.

Finally, despite my pessimistic interpretation of the outcome of EU social policy, it is palpably the case that Europe, including the U.K., seeks to occupy a distinct social space. I find this entirely appropriate given the different tastes for regulation in the two blocs. The problem is that to be politically viable and stable any redistributive system in a given geographical entity 'must be backed up by an "extent of morals" that covers the whole of the respective entity' (PAQUÉ, 1997, 113) The facts of the matter are that there is no such consensus at European level. The reference point is always the nation state. There is patently a disconnect between the two levels. The tensions between the two entities explain the course of social policy, and the enduring controversy that attaches to it and indeed to most of its component parts.
Footnotes

1. In what follows, our references to and criticism of 'the' Commission pertain exclusively to DG-V and not to any other Commission directorate. Indeed, we have elsewhere suggested that efficiency audits of social policy mandates might be conducted by other such directorates (see ADDISON and SIEBERT, 2000).


3. In addition, the Commission offers potential legislation and other initiatives geared to the achievement of gender equality, as well as the implementation of a framework action program combatting all forms of discrimination.

4. For an interesting spin on the employment protection literature, see LARSSON (2000, p. 5).

5. A brief review of the literature - and an analysis of the determinants and effects of Article 13 EWCs - is contained in ADDISON and BELFIELD (2000).
References


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