Recent developments in the EU single market suggest an increasing hostility towards labour market regulation

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Can workers still fight for wage increases and the protection of their rights during times of economic crisis? The current mood of austerity in Europe means that this is becoming much more difficult. Yet, **Anneliese Dodds** *argues that just as responses to the financial crisis are socially constructed rather than being 'natural' or 'inevitable', the same applies to pressures on workers and capital to become more mobile and flexible; nothing should be taken for granted about the impact of the financial crisis on social and labour rights.*

Is the EU's single market promoting, or inhibiting, employment and social rights? That was the question facing politicians, academics and trade unionists at a seminar by the Foreign Policy Centre, TUC and European Commission in Birmingham held last month. All speakers agreed that a 'Social Europe' had existed, at least during the period of Jacques Delors' presidency of the European Commission from 1985 to 1994. They differed over whether it was still alive and kicking and indeed, whether resuscitation was wise during a period of Europe-wide economic stagnation.

Given static and – in many nations – declining wage levels and collapses in public sector headcounts, the promise of a Social Europe had gone sour for Rob Johnston, Midlands TUC Regional Secretary. He argued that, despite sounding like a 1970s pop group gone wrong, the Court of Justice's decisions on Viking and Laval had removed some of the capacity for collective action. These judgements clarified the extent to which collective action could be used to resist social dumping within the EU of labour from one country with high labour costs, to another with lower costs. ForJohnston, higher wages would need to be fought for by workers in the face of tough opposition. Lorely Burt, Chair of the Liberal Democrat Parliamentary Party, shared this view that employers and employees often had different interests. She maintained, however, that wage increases could threaten rather than promote economic recovery.

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The debate around the relationship between competitiveness on the one hand and the protection of labour and social rights on the other hand, is perennial. It has become shriller and arguably less reflective in the current context of economic decline. Labour rights have certainly been reduced in many nations, including theUKin relation to unfair dismissal. Wages in both the public and private sectors have been squeezed acrossEurope.

So what is the EU's role in these developments? For the Conservative Party MEP Malcolm Harbour, austerity was not a 'policy' designed to reduce living standards, but the only feasible approach to prevent prolonged recession. The question for him was not about more or less regulation, but the quality of enforcement of existing regulations, with arbitrariness and regulatory uncertainty inhibiting growth.

Nonetheless, it appears clear that recent developments in the EU do suggest increasing hostility towards labour market regulation, aside, perhaps, from in the field of family-friendly policy. As Mario Monti suggested, Viking and Laval exposed 'the fault lines that run between the single market and the social dimension at national level'. Nonetheless, as Court of Justice decisions, it could be argued that they may not be entirely reflective of all EU institutions' positions. Giandomenico Majone famously described the EU as a predominantly 'regulatory state' due to its lack of fiscal powers. However, the EU's various bail-out mechanisms have given it some financial clout, which is predominantly being used as a carrot to promote *reductions* rather than increases in labour market regulations. In addition, the 2011 'Euro Plus Pact' included requirements to review wage-setting arrangements and the relationship between public and private sector wages, and prioritised the reduction of 'taxes on labour'.

Why has the EU adopted this predominantly deregulatory approach? Emma Reynolds, the Labour Party's Shadow Minister for Europe, suggested this linked to different parties' attitudes towards the EU. Whereas 'Social Europe' had reduced Euroscepticism within the Labour Party, it produced exactly the opposite effect amongst Conservatives. With the Centre Right in political ascendancy across Europe, at least until recently, it is perhaps unsurprising to see EU institutions promoting reductions in labour and social regulation.

Aside from measures for posted workers, temporary and agency staff, however, it is arguable that the EU has lacked high-profile political leadership promoting social and labour rights for some time. This has occurred for a variety of (contested) reasons. Increased worker and capital mobility has been viewed as leading, inevitably, to reduced social protection (and the logic of Viking and Laval seem to confirm this). Nonetheless, until recently, it was the most 'open' small economies which also had the closest relationships between social partners and some of the highest levels of social protection. Relatedly, many have argued that population diversity reduces trust and imperils support for collectivist policy approaches. Yet it was Belgium- a nation so deeply divided that its parties could not agree to form a government for over 500 days – that was one of the strongest opponents of threats to collective bargaining contained within the Pact.

Just as responses to the financial crisis are socially constructed rather than 'natural' or 'inevitable', the same applies to pressures from worker and capital mobility and population diversity. In an article published in the journal Public Administration, Colin Hay and Nicola Smith suggested, on the basis of compelling survey evidence, that policymakers frequently publicly portray globalisation as necessitating reforms, even when they privately acknowledge their contingency. In the current, politically polarized EU context, nothing should be taken for granted about the impact of the financial crisis on social and labour rights.

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