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## Problematic Controversies on the European Labor Market

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*When **economic growth** and consequently, **social progress**, is confronted with drastic changes a modification is needed. Mentality, vision or policy change? The principle of the four freedoms (goods, services, capital, labor force) is compulsory and forms a unit, however, the movement of labor constitutes a true "apple of discord" regarding the problem on democratic movements. The idea of equality of Opportunities for all European citizens, without discrimination, is a principle and rises to the level of fundamental European value. Equal opportunities for all represent a desideratum and one of the substance components of everywhere democracy, next to liberty and respect of the fundamental human rights. "**The economic patriotism**" is a formula designed to sensitize the European citizen, in order to block globalization, which penalizes both the market and the citizen itself.*

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### Introduction

The existence of social problems is acknowledged and accepted by any society at any level of development. Economic growth represents the

main factor, which generates, amplifies and mitigates the social problems. Not always, the cash required for partial or total stress relieve of the social tensions are available to economic policy makers, who aim, with priority, the actual economic objectives. Although freedom of movement of labor is a fundamental principle in the EU legislation, the fear that foreign workforce creates imbalances in the European social system and encourages protectionist measures from the traditional EU States.

Following the ascension and enlargement processes, and following the deepening crisis, the European labor market is currently facing with a saturated workforce offer. Maintaining and extending the restrictions imposed on cross-border mobility of workforce within EU conflict with the free movement of labor and hinders the creation of a truly common market. Manifesting of reserves regarding labor market liberalization is linked also with the social issues involved. A primary concern is the realization of direct links between the creation of a real EU labor market and social systems better coordinated within the member states.

## **Economic-social actualities on the EU labor market**

An European retrospective analysis, of the social policies of the XIX<sup>th</sup> century will show in a consecutive manner, the subjective and objective side of all attempts aimed to bring, frequently or not, a solution for the fundamental problems face by society, during that period. More generous or weaker represented, two great systems formed the image for concerns for the social problems of Europe in the XIX<sup>th</sup> century: ***the social assistance program and the aid program***. We must admit that effective social policy formulation, as known today, was not achieved until the 20<sup>th</sup> century, when the state functions enabled the acquisition and total ownership of the protective role toward population.

The historical context, the differentiation of political objectives and the programs of each initiative had, after all, the same level of reference: ***a new policy for social knowledge***. The postwar economic reconstruction was, at European level, the moment of agreement, between social and economic. This agreement, gained, currently, consecration at the same time with the rapid changed occurred in the general development plan of the global and European society.

In this reality of the XXI<sup>st</sup> century, the ***economic policies with social effects*** reenter, with persistence, in the attention of policymakers' concerns and perimeter as a result of the widening socio-economic space in Europe. Convincing arguments in this respect, social issues related to enlargement, the removal of limitations on social rights (especially the eastern population), the protection of the individual to the socio-economic uncertainty exacerbated by the crisis, access to social safety reasons.

When ***economic growth*** and consequently, ***social progress***, is confronted with drastic changes a modification is needed. Mentality, vision or policy change?

It becomes clear that going forward calls for a drastic and elaborated review of the social rights, of their evolution in the new context, and in that spirit economics policy will edify with a more emphasized social purpose. Based on this decisions there are a series of tests and forecasting studies on planetary evolution.

According to United Nation forecasts and analysis, the planetary future will face two major trends: a quantitative one, and the other qualitative. ***First of all***, world population will grow from 7 billion currently from 9 billion by 2050. The demographic evolutions from 8 billion inhabitants in 2023, nine billion in 2041 and 10 billion by 2081 changes, at least presently the possibilities and the horizon of meeting the needs of global population. Population growth will be concentrated particularly in areas belonging to fertile countries from Africa, Asia, Oceania and Latin America. ***Secondly***, life expectancy at the global level, will grow from 68 to 81 years by 2095-2100 years, this qualitative evolution will be due to medical and pharmaceutical discoveries, on treatment for some widespread diseases.

## **Employment, Governance and Economic Growth at the European level**

The principle of the four freedoms (goods, services, capital, labor force) is compulsory and forms a unit, however, the movement of labor constitutes a true "apple of discord" regarding the problem on democratic movements. The ability to guide the European population toward the offers in the South East Europe - irritates the European economic agents, putting in a competitive threat the traditional businesses.

Responsible factors and policy makers regarding employment and wage for employment manifest anxiety against the influx of Eastern-European workers. Their motive is to find a future job with hope for salary that will cover the needs from home magnified as restrictions on payments become increasingly severe.

Currently, the concerns generated by exiting the crisis, state also changes in the social function of the United States of Europe: measures to protect the population from the impact with the regional and global economic realities. The high level of social insurance offer (by default the number of policyholders) shows growing concern for managing risk and for uncertainties derived from the individual's economic future, emphasized by the crisis.

Since EU, through accession of new member states is in a continuous change, the community social objectives are also changing: pension reform and social security, introducing the principle of social corporate responsibility, more insistent within the economic space, relocation of the payroll system, felxicurity of employment, etc. prove that it is time for social Europe.

The construction and E.U. budget destination for 2012<sup>i</sup>, considered an investment budget, illustrates the community concerns in 3 areas: employment, governance and economic growth. It constitutes the main instrument of E.U. strategy for 2020. The objective is economic relaunch based on five components: employment, innovation, research and development, climate changes and energy, education and social integration.

It should be stated that the European officials manifest a dual attitude: opposition against any attempt to reduce the budget and European support, the correlations among national and Community efforts. Restrictions on free movement of labor should be rejected at the European level due to economic implications; particularly in the receiving countries an economic recovery (growth) was estimated and a decrease in unemployment. However, the European space still manifests reluctance regarding freedom of movement, imposing an extension for implementing these restrictions for another 3 years. It is well known the categorical position of Germany and France who have forced towards 2011 the acceptance of movement of labor. Certainly, the efforts of the Committee on Employment and Social Problems of the European Union are converging

towards lifting the restrictions on free movement of labor. However, following the accession of countries like Romania and Bulgaria who bring with them a multitude of problems related to supply and demand for labor at the national level creates concerns<sup>ii</sup>. The good news is that in the field of research and development and human resources, the absorption of structural funds has been effective. The percentage of contracted projects in other countries is between 48 and 57%, while the amounts contracted compared with the available budget for a period of seven years, are lower in Romania and Bulgaria. Illustrative, in the Central and Eastern Europe midway through the 2007-2013 implementation programs, grants contracted by the 10 E.U. member states amounted up to 110.2 billion Euros<sup>iii</sup>. Most grants, amounting to 81.96 billion Euros respectively 74% of the total contracted grants were directed towards transport, **human resources development**, economic development and environmental projects.

As in other situations, the economic issues, lies at the heart of assessments and consultation at the European level. A conclusion has emerged, according to which the countries from which most immigrants come from are the ones that need the most the development programs. The reasons for immigration are many (some deeply objective, other subjective) but appreciated and felt differently by the individuals. The low economic level of the country, low productivity that leads to low wages- insufficient for meeting their needs, high unemployment rate (due to layoffs caused by closure of jobs due to economic viability demand), lower life standards are reasons for labor migration.

## Restrictions and equal rights

The idea of equality of Opportunities for all European citizens, without discrimination, is a principle and rises to the level of fundamental European value. Equal opportunities for all represent a desideratum and one of the substance components of everywhere democracy, next to liberty and respect of the fundamental human rights. Addressing the **qualitative** side of the labor market requires an interpretative analysis of several components, concerning the qualification level, the creative potential that the individual has, the productivity level, the skills and other qualities that, currently, the bearer of labor must prove. The confrontation between the

workers from the East with those from West, professionally trained differently, as a result of some different political, social and educational systems, reveal contrary if not contradictory qualities and weaknesses, attitudes and behavior, differences from which this competition results and it is manifested between employees for the applied job. Arguments and findings in this direction are supported by the fact that the EU's borders are defined by *value systems rather than geographic criteria*. Or, in this regard, the differences between the performance and competence level of the labor cannot be perceived unless the worker is put to work. But for this he must have the possibility and the right to demonstrate what he is capable of. Retention against their potential, skills and employee qualifications originating from the eastern area are only signal of a segregationist behavior, totally inappropriate and contrary to the values assiduously invoked and proclaimed by the E.U.

By virtue of their place as leaders in the history of E.U., some of the old E.U. countries have a privileged position; they can afford to take a contradictory position against the European Constitution in the decision-making process, at the EU level. It is known in this regard the critique of the Great Britain on the French policy at the E.U. level on the grounds that the measures imposed by France are contrary to the Community policy, such as imposing some restrictions for the liberalization of labor movement. In the case they continue to consider immigrants as “totally undesirable”, Europe will have very little credibility when we talk about human rights in international for in the future, warns Thomas Hammarberg, commissioner for human rights at the Council of Europe, in an exclusive interview with EurActiv.com (May, current year). “It is proof that Europe is not living up to its own declarations about human rights.”<sup>iv</sup> Keeping the same registry of contradictory points of view belonging to European officials, Chancellor Angela Merkel criticized the holiday schemes and pension systems of the southern European countries<sup>v</sup>. In her belief, there is a discrepancy between the 17 Schengen countries with rules concerning the leave system and the rest of the E.U. countries, where there is less work, and the leaves are longer. The German chancellor said that it is expected that Greece and other countries form the E.U. area to double their efforts. “We cannot show solidarity just like that and say that these countries should continue as before. Germany will help, but will help only when the others try.”

There is, in this direction, formulated a point of view according to which if “economic patriotism” exceeds a certain level (we wonder, which level?) it becomes an impediment to the viability of some economic agents. Through the intervention of governments the market is influenced, the European competition cannot manifest freely and openly. We believe that here, the influence of the political factor can be felt, even if this influence is made with the aid of another government (third party). “**The economic patriotism**” is a formula designed to sensitize the European citizen, in order to block globalization, which penalizes both the market and the citizen itself.

The assessments related to claims of the European employees on wage growth are formulated by the president of the European Central Bank, Jean-Claude Trichet, in a very peremptory manner: Europe cannot afford higher wages if it desires to provide work for all its citizens. If employment is desired (including establishing new jobs for immigrants A/N) must renounce the wage growth claim.

The origin of this contraposition can be found by interpreting the correlation between the degree of the employment and the wage increases demanded by the European citizens. It is acknowledged and appreciated the fact that a moderate increase in labor costs constituted a key factor in the policy of reducing unemployment in Europe. The opportunity costs of such measure require choosing between two objectives. On the same wavelength, another conclusion has been formulated: until 2020, E.U. will need to establish **minimal social norms** (without granting compulsory social benefits) because this provision is the task and the attribute of each member states.

Currently, the fears of many of the old community countries are moving toward increased employment; this avalanche labor in the form of an oversized offer will press on the ability, dimensions and boundaries of European labor market, triggering possible imbalances across the continent. Or precisely these imbalances that are reflected in higher unemployment, alerts the European community environment. Is unquestionable the fact that accessions entail a huge luggage of social issues. If inflation issue was regulated by introducing the euro, the problem of unemployment remains a highly sensitive topic, addressed differently by the Community countries, most often based on national interests.

However, countries like Ireland, Britain, and Sweden have expressed since 2004 their willingness to accept and "swallow" workforce from Eastern Europe, without registering, disturbing effects, or disproportion on the domestic labor market.

Preserving the context, the low mobility of labor flows in the EU (especially between the new and future acceding countries and the rest of the European space) is due to other impediments, non-economic but with great influence on the phenomenon. It's about cultural barriers and social security systems.

If the criteria for, specific, cultural-ethnic can be "demolished" or absolved different social security systems continue to represent a serious problem of reflection and fair decision for the entire European population. Transferring pension schemes will solve the situation of those who performed activities in different countries. But not the same thing is possible for the capitalization of income process. The process is disruptive, and suffers from slow cross-border mobility, inadequate legislation or in the earnings accrued regime. Different transfer rates are influenced by different national economic indicators, while the euro fails to equalize the situations of countries that are part of the EU, or belong to areas outside the European area. Faced with serious eco-social problems due to free movement of labor and to competition for employment in Europe, the EU Commission concerned with the improvement of the tense climate of immigration formulated a series of measures. These measures concern:

- **limiting the access to social security** services except for those already employed and have worked in the E.U. for at least 6 months and are registered as unemployed.
- **granting family allowances** only to workers that own a work permit, older than six months.
- **tax benefits (in the country of residence) for non-EU workers** and their families by recognizing the work performed;
- **pension rights** for workers from non-E.U. countries, at their return to their home countries,
- **in terms of pay and dismissal, health and safety at work and leave.**

Citizenship, as a means for European communication has, however, weaknesses. The legislation concerning the limited right to education and training for the non-E.U. workers is applied. E.U. nationals could make an exception for education and those requesting access to university and postgraduate studies that have no direct connection to a specific activity. According to the proposed “single permit” directive, adopted by the E.U. Parliament, in March this year the employed non-EU workers should get equal treatment with EU nationals as regards to labor conditions<sup>vi</sup>. Obtaining work and residence permits come, subsequent, to help also the employers. With all these concerns administrative-legislative decision on admission of workers from third party countries on the European labor market remains a national decision<sup>vii</sup>.

There are at the European level, countries that maintain severe restrictions, in spite of European constitutional law, freedom of movement of labor. The perpetuation of these restrictions becomes disturbing and even discretionary, for the countries of southeastern Europe. For example, Switzerland restrictions imposed on Romanian workers were due to, according to Swiss officials, the influx of migrants. In early may this year, Switzerland has anticipated a narrow transitional period, extended until 2016 (initially until 2014) for the Romanian workers. The argument, **in broad terms**: due to the massive influx from Germany, there are no more jobs. In contradiction, it has been stated, however, that there is demand for workforce in the health sector and informatics<sup>viii</sup>. Such abusive measures, justified or justifiable from the officials’ part, do nothing but to emphasize the state of confusion and uncertainty in regard to a more secure and better paid job. In order to maximize the economic benefits of immigration, the European Commission has initiated and proposed a package of measures to counteract, with the illegal issues, causing discomfort for the European space<sup>ix</sup>.

In essence, these measures relate to: a) a better control of the labor migration phenomenon, encouraging individuals with skills to cover labor shortages and to help balancing the deficit of active population at the European level, b) implementation, by all E.U. states, of practical measures to ensure social harmony in the union, c) a strategic approach to relations with non-EU countries on migration legality and preventing the illegal migration.

Confirmed as a unique method for communication between the E.U. and EU nationals, communication constitutes a means of networking between the E.U. institutions and the citizens from all EU countries. Through this method, it is intended to create a pan-European dialogue between citizens and national and European authorities.

## Conclusions

A real economic analysis cannot be devoid of social context issues, determined by the economic. The implications are reciprocal and the consequences positive or negative arising from the economic protection in a social and moral framework, are found therefore in the social progress integrated in the economic system.

The position of the material component regarding the stratification of society represents the “piece of resistance” used in any characterization on the standards of living, in any interpretation regarding the degree of need satisfaction at an individual level, group or society. Not by accident, when people are tackling economic problems the main topic for discussion, which returns frequently, is the one related to earnings (wage and income level). Naturally, because everyone appreciates the position and status in a society according to the position it occupies on a certain socio-material rung. Unfortunately within the market economy, behavioral assessment based on what and how much the individual gains has become a real behavioral exercise and not by the actual value of the individual. The latter matters least than ever.

The monotony of relations based on fairness and equality is replaced with inequalities, which generate confrontational and contradictory state. The mentality of the individual receives countless hits from the surrounding economic reality; competition, this double-edged weapon with a destructive effect at the social cohesion level but also which creates performance constitutes the economic engine whose fuel is the human with his performance and capabilities.

The market, competition for gaining a better job generates economic tensions that are rapidly converted in social tensions when the material interest of the individual, most often is undermined, infringed. When economic policies instead of encouraging, discriminate, the

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individual becomes frustrated and ready to take any action in order to earn his rights. It's the case of the confrontational situations, generated at an European level by the interdiction measures of on free movement of labor seeking employment.

With all the theoretical and practical efforts, materialized within economic policies, but especially social policies, there haven't been yet created those viable long, short, medium term models where the economic should shake hands in a happy manner with the social creating a so called total welfare. To all these efforts new effects of the economic crisis were added, which, far from being over, generates controversies on the community level.

Mitigation attempts were many; they reflected, by turns, different points of view, opinions of the supporters of some economic trends and of some politicians busy formulating economic policies specific to a particular stage of national economic and European community development. All of them were based on a well-defined complex of interests, different in time and space, which highlighted the role of social actors and especially the state's position on the issue of employment, of emigration and immigration. Inequity and the issue regarding the unequal rights are interdependent because both refer to the individual status within the society, the discontents, his frustrations and desire to overcome his condition. The inequality subject at in the competitive society is nothing new for scholars especially since the existing factual material of the European space offers never exhaustible examples and interpretations.

Of course, Europe has evolved; the economic progress so desired by the integration processes, supported through different models of economic growth remains further "nicked" in several places. "The islands" sensitive to an economic underdevelopment especially social, constitute, at the same time, regrettable and disturbing issued. As in other occasions the question remains: can inequality be reduced or more easily accepted? What factors can influence the decision of a society when opting for one of the two options? What type of economic policies accompanied by social policies should be designed and implemented in order to reduce the gaps between individuals or to modify the mentality in terms of acceptance and tolerance of inequalities?

If we consider that between the two concepts competition-inequality there is interdependence, as one without the other may not manifest then the claim that the economy's destiny depends on the opportunity cost of the choice made by the society is natural. Of course, this choice bears the political print of a specific moment in the history of that nation, but it will have effects that people are not always ready to bear. We can also formulate: selection effects are not always correctly estimated, poorly predictable, or that the population was not sufficiently prepared in terms of economic and social consequences of this choice. Economic discrepancies due to different economic development rates are exacerbated by economic policy mistakes, which are becoming increasingly unbearable for the population.

In this case, "... inequalities will always exist and will seem unfair to those who suffer from these inequality, failures that will seem unfair and wrongful twists of fate" - used to say Hayek in "The Road to Serfdom." Poverty is reproduced through inequality perpetuation, and correcting inequalities becomes a difficult exercise if we consider the difficulty of grounding social policies. "The inequalities accumulate on a circular path; in each stage of life, a disadvantaged social position from the start gives less chances of success, and less chances of success reduce the social advancement expectations"<sup>x</sup>.

Resistance of social structures depends on a complex of economic factors and not only. Of these, social cohesion expresses the relations that ensure durability as well as "flexibility" of society faced with the current major problems. Globalization, European integration, alarming environmental changes, population growth and association with the Malthusian principle, the failure of economic and social reforms undertaken by governments from different parts of the world, absence of equal opportunities in employment are the emergency of the present society.

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<sup>i</sup> EurActiv 25 march 2011

<sup>ii</sup> EurActiv, May 17, 2011 - Romania and the countries from Central and Eastern Europe have suffered a significant reduction in foreign investment since the beginning of the crisis, as investors have fled emerging markets, heading towards rapidly developing economies (BRIC). On the first places, in terms of absorption, of the European Funds, Latvia and Lithuania are situated, while Romania and Bulgaria argue over the last places.

<sup>iii</sup> This amount represents 53% from the total budget for the period 2007-2013. By the end of 2010, an amount of 36.3 billion Euros (17%) from the available budget and one third of contracted grants had been reimbursed to the beneficiaries

<sup>iv</sup> The commissioner for human rights criticized the recent reintroduction of controls at internal borders with the Schengen, arguing that E.U. sends negative signals to the rest of the world. Without nominating France or Italy, he criticized the actions of governments, saying that the actions of governments saying they have been in contradiction with the already agreed human rights standards.

<sup>v</sup> Euractiv 18 may, current year "should citizens from countries like Greece, Spain, Portugal, not retire earlier than in Germany; alternatively everyone should try to make the same effort". The official retirement age in Germany will be raised to 65-75 years in order to keep more people in the system. German employees are entitled to at least 20 days of leave per year.

<sup>vi</sup> This legislative draft aims at simplifying the administrative procedures relating to the status of immigrants

<sup>vii</sup> These new regulations will not apply to employees of multinational companies who come to work in one of the company's offices in the EU, the so-called "persons transferred within the company."

<sup>viii</sup> Access to the Swiss labor market will remain restricted until at least the end of May 2014 for Bulgaria and Romania, once the Federal Council (Swiss Government) has confirmed the extension of the transitional period for citizens of these two states.

<sup>ix</sup> Euractiv 4<sup>th</sup> may 2011

<sup>x</sup> Michel Didier-Economy: the rules of the game ", Humanitas publishing house, Bucharest, 1994, page 244.