

Insecurity in Europe

Changing labour markets, withering social safety nets and the new wave of populist parties

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The crisis is over

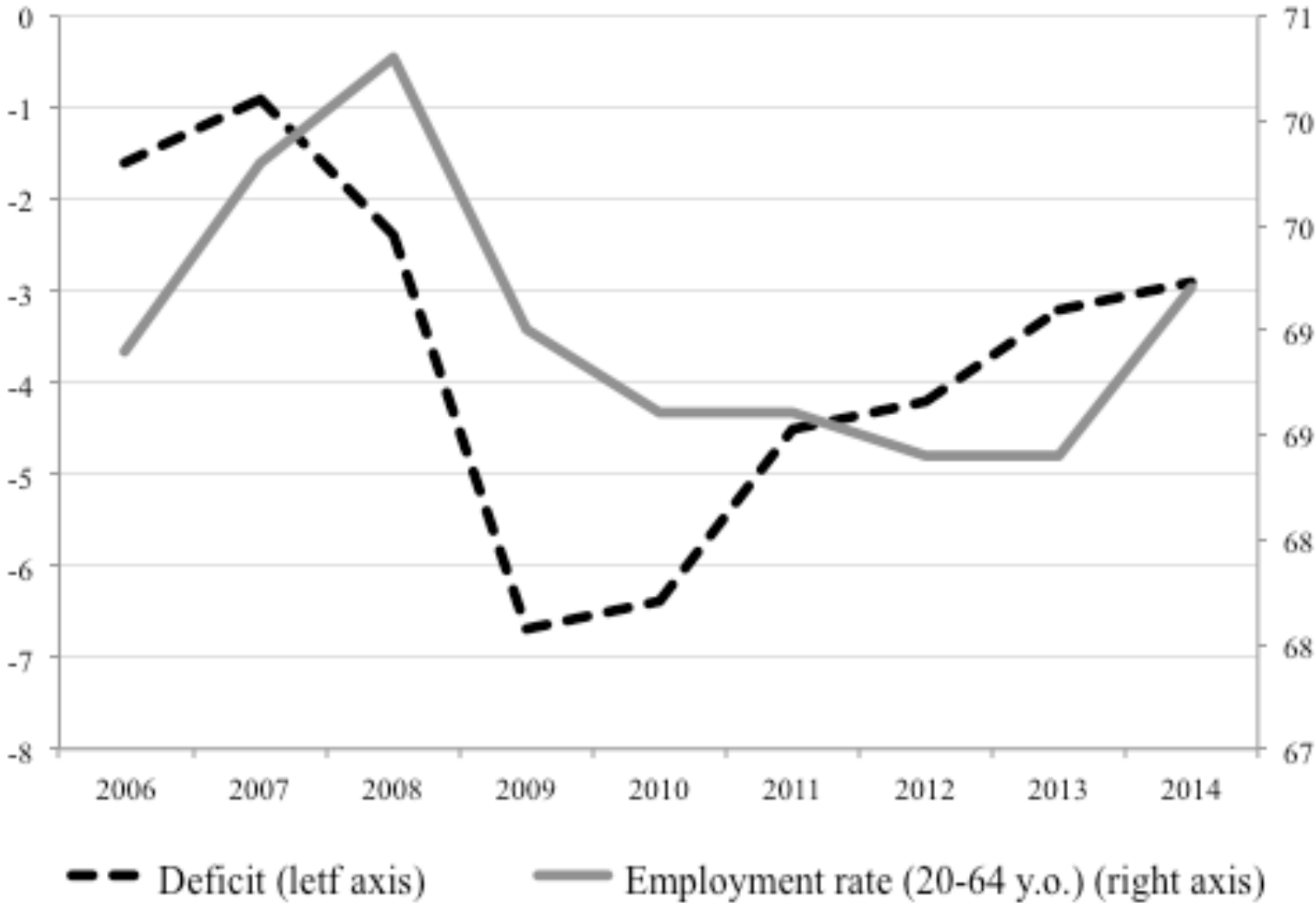
(didn't you notice?)

The new normal

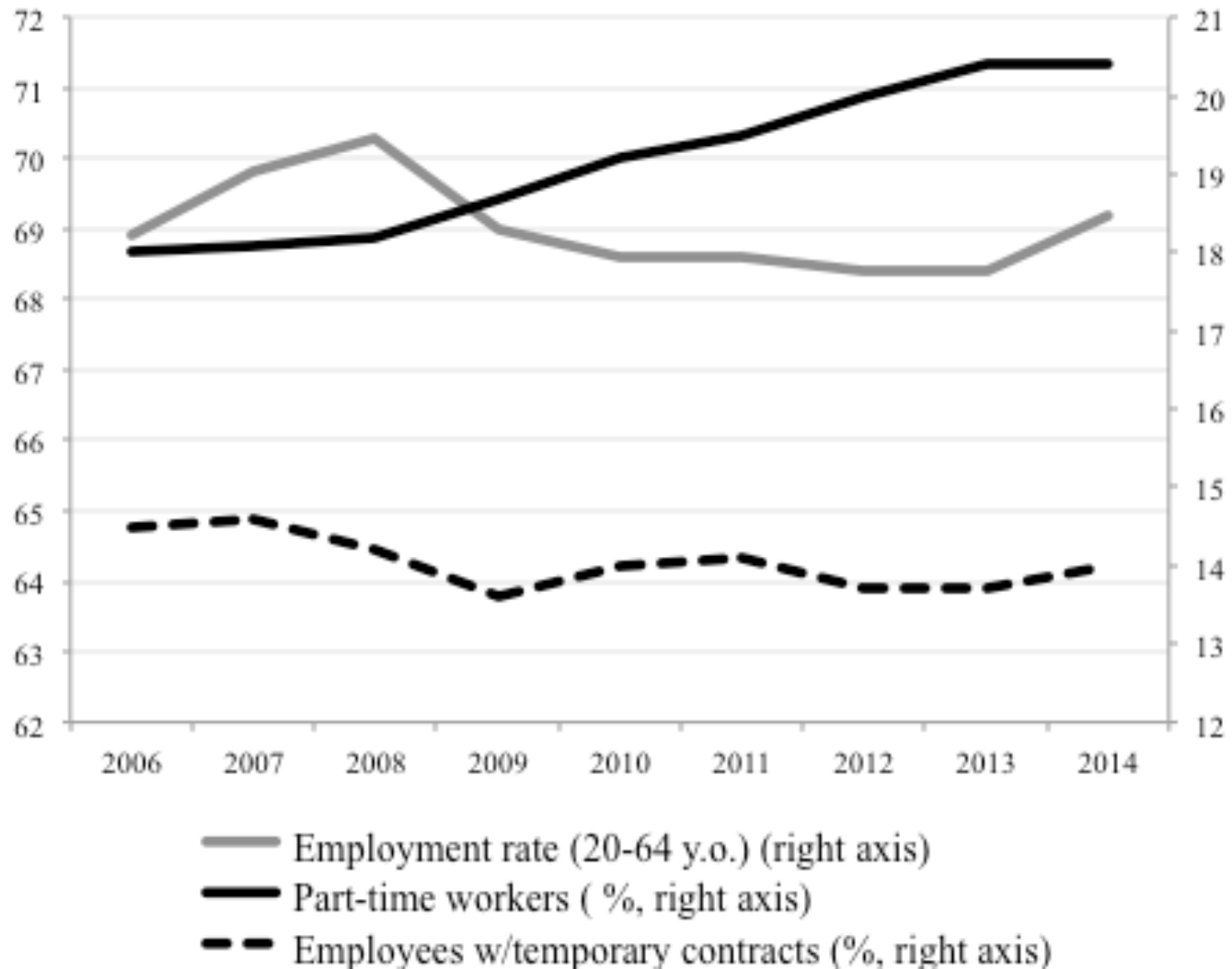
austerity & crisis  **structural reforms & stagnation**

- Internal economic developments
 - From financial markets' discipline to the European Council. Monetary policy activism: OMTs and QE made it possible to change policy without Treaty changes
- External developments (global secular stagnation)
 - The EZ (indeed, the EU) is becoming dangerous for the rest of the world. The USA complains about DE's CA surplus; the IMF invokes deficit-financed public investments
- Political developments
 - EPP (exp. within Council) moving to a typically neoliberal stance. A little deficit acceptable if it finances tax reductions; privatizations & deregulation more important than debt

Stagnation makes fiscal consolidation a bit less painful...



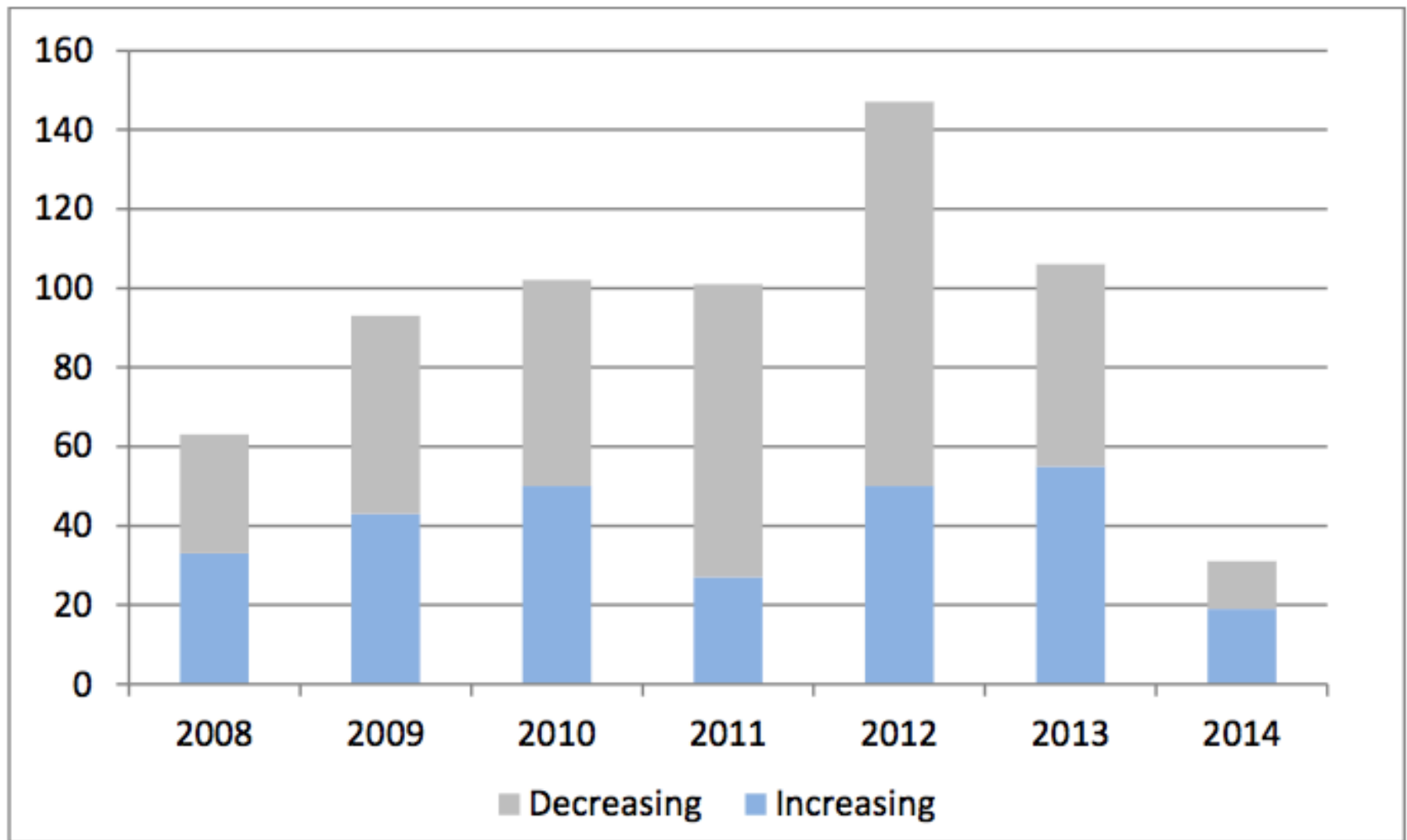
... though at the expense of the quality of labour



International Labour Office (2015)

- In developed economies, reforms were mostly directed towards relaxing labour regulation
 - Especially “in countries with high unemployment and low GDP growth” (they are talking about the EU)
- By contrast, in developing economies reforms tended to increase workers’ protection

Figure 1: Number of changes in labour market regulation by year of implementation



International Labour Office (2015)

- Deregulation decreases employment rates in the year after implementation.
- Deregulation also increases unemployment rates in the short-term.
- This is not a chance or an unforeseen byproduct

What sort of “structural reforms”?

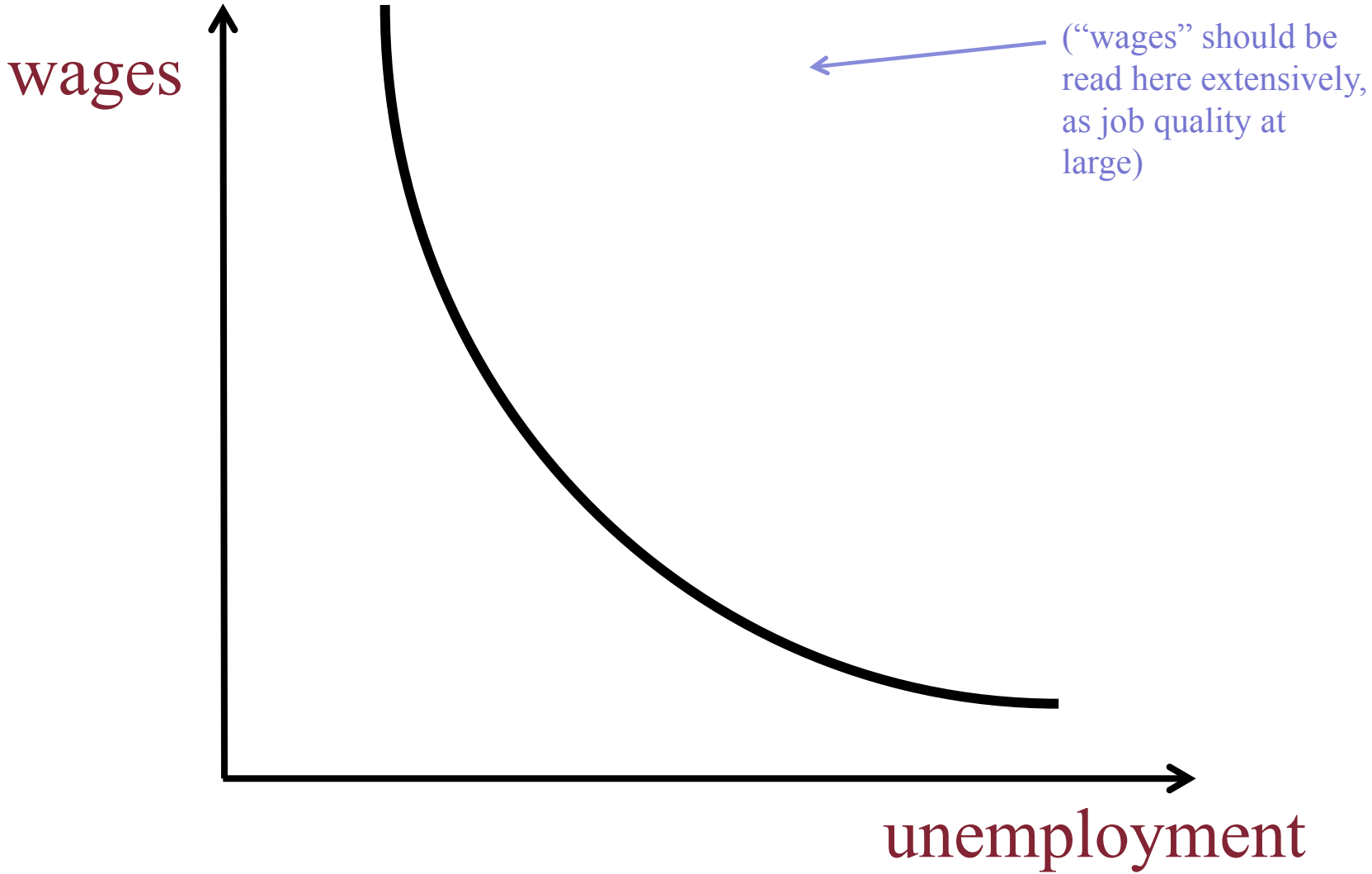
Table 1: Number of changes in labour market regulation by geographical region and area of policy intervention (2008-2014)

	Collective Dismissals	Permanent Contracts	Temporary Contracts	Working Hours	Other Forms Employment	Collective Bargaining
European Union	39	123	62	75	44	75
Non-EU Developed Economies	0	12	2	2	2	8
Central and South Eastern Europe (non-EU) and CIS	6	16	8	3	2	14
South Asia	1	2	1	1	0	7
South-East Asia and the Pacific	1	6	3	2	0	21
East Asia	1	2	1	0	0	4
Latin America and the Caribbean	0	11	3	0	1	19
North Africa	2	4	2	2	1	8
Sub-Saharan Africa	2	17	5	0	1	19
Total	52	193	87	85	51	175

Structural reforms and austerity aim at the same goal

- Conservative parties and many economists see **unemployment** in peripheral EMU countries as a necessary evil, **a means to an end**. The fairy story is as follows:
 1. Unemployment reduces workers' bargaining power and thus wages
 2. this way it reduces firms' costs and hopefully improves their price competitiveness
 - (technicality: if mark-ups stay at least constant)
 3. Price competitiveness will lower imports and boost exports
 - (this step is especially problematic)
- A typical “mercantilist” small economy, export-led growth strategy (who cares if the EU is the largest economic bloc in the world)

If you should remember one graph, pick this one



The big bargain

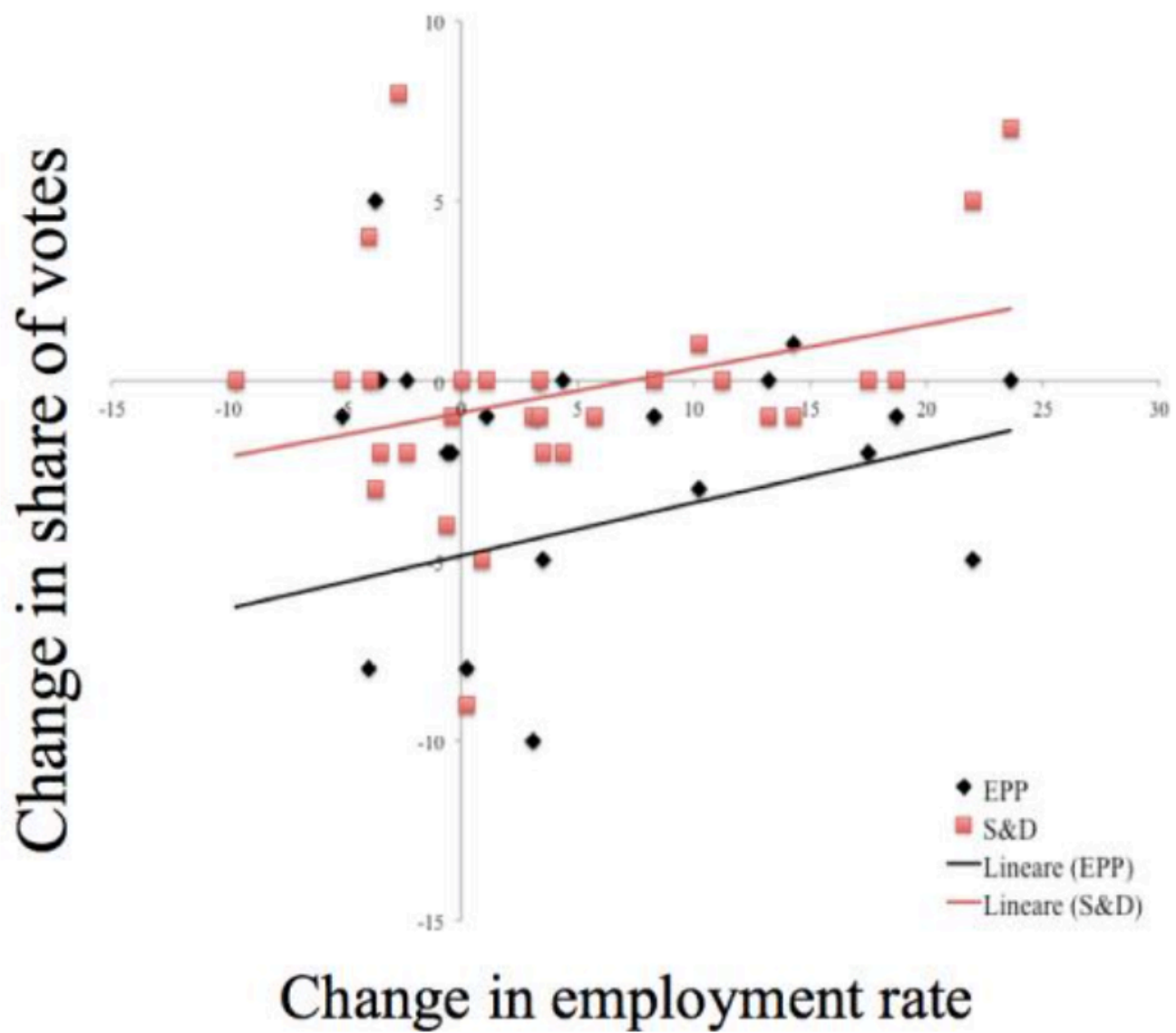
- Let us face it: in the Council and in many MS socialdemocrats have been co-responsible for this conservative strategy
- Often, because neoliberalism is still widespread even among us.
- But in many instances (Italy, France, ...) structural reforms have been enacted (also) “in exchange” for **budget flexibility**, i.e. permission to relax or reduce the pace of fiscal consolidation
- You may see it as an exchange between employment (or less unemployment) and job quality
- Given the political context, such strategy may make sense. Moreover, the economic context (partly created by ourselves) conjured to the same result

An example: the so-called “sharing economy”

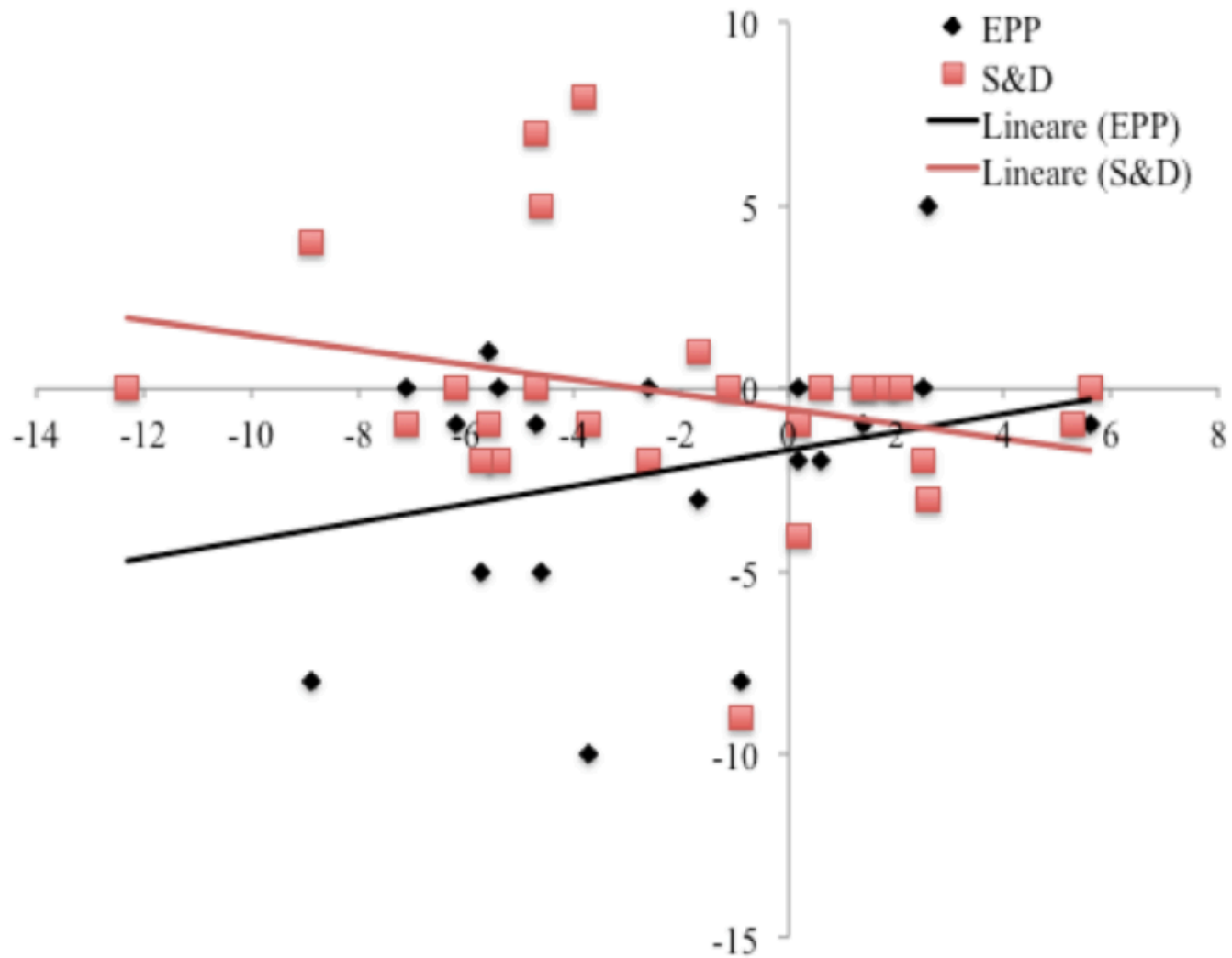
- As companies loosen their ties to employees, permanent staff are replaced by freelancers
- 22 October 2014 the first strike of the “sharing economy” (against Uber) in five cities
 - An estimated 20% of Uber drivers work full time
 - Uber already lost a case in San Francisco. The California’s Labor Commissioner agreed a former driver should be treated as an employee, arguing that Uber was *involved in every aspect of the operation*, including vetting drivers and controlling payments.
 - Other drivers launched a class action lawsuit.
- Shyp, Instacart, Munchery, and Hello Alfred moved to turn informal contract workers into part- or full-time employees
 - Estimated rise in costs 20% to 30%. Will they remain competitive?

what are the consequences?

Political consequences: a look at EP elections (2009 and 2014)

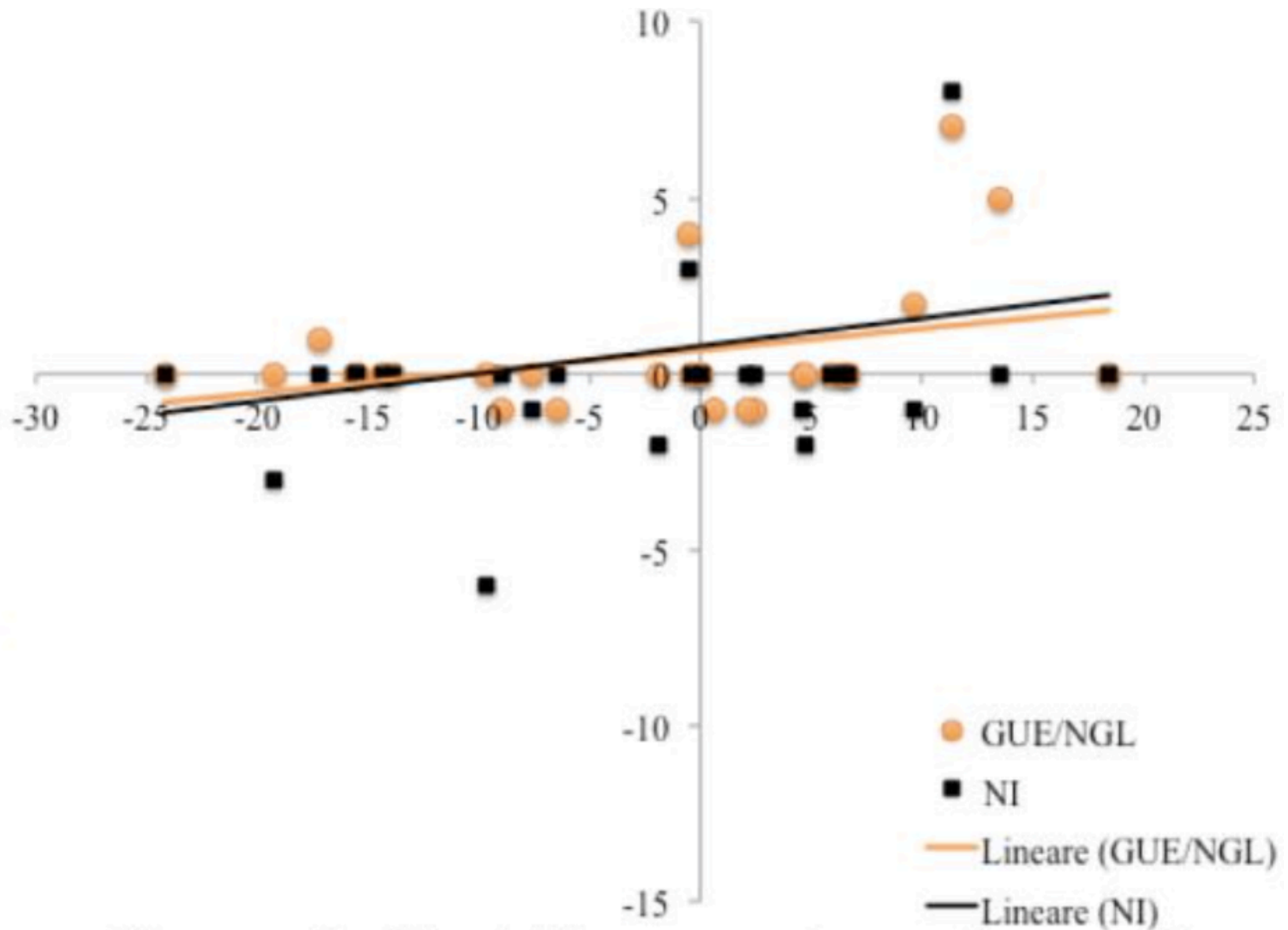


Change in share of votes



Change in inequality (Gini index)

Change in share of votes



Change in "inability to make ends meet"

As usual, the issue is how to change the context:

the principles we believe in
require economic growth

Thank you

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