

LABOR IN CONTINENTAL MARKETS:
COMPARING THE SOCIAL DIMENSIONS OF
ECONOMIC INTEGRATION IN EUROPE AND NORTH AMERICA

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Paper presented to the
Third Biennial Conference of the
European Community Studies Association

References in Europe to American practice have long served as a foil in the criticism of domestic social and labor-market policy. In the 1980s, discussion of 'Eurosclerosis,' a critical theme in advancing the '1992' Single Market project, was very largely driven by invidious comparison with the United States. Prodigious US job growth in the Reagan years demonstrated that Europe's unemployed were victims of the excesses of the European social model--a 'discriminating and complex system' of work place rules and social benefits which, limiting 'both the freedom of action of employers and the perceived need for mobility on the part of workers,' prevents wages from performing a market clearing function.¹ Reflecting domestic policy discontents, rather than dispassionate observation, the 'facts' in such trans-Atlantic comparisons are highly selective and stylized to say the least.² Praise for the superior 'flexibility' of the US labor market, disregards some of the more disappointing features of the American experience, of which the most egregious, from an orthodox perspective, was the external financing of a stimulative fiscal policy.

Today, in the United States one finds the same tendency to reach across the Atlantic for purified models of policy, although in the service of a very different ideological perspective. Critics of the prospective North American Free Trade Agreement (NAFTA), cite the European Community (EC) as a model of economic integration which successfully joins considerations of equity and efficiency. Protesting the 'fast track' by which President Bush negotiated NAFTA with President Salinas of Mexico and Prime Minister Mulroney of Canada, they are very willing, for example, to believe that in completing the European Community's internal

market, member states have held 'open negotiations, with democratic participation in each country;'³ and that the result is an agreement which reflects 'the weight of left-of-center opinion across the continent' in its 'emphasis on social justice.'⁴

That parties to a domestic policy debate are uncritical in citing foreign precedents, in itself, may not be of great consequence. We might regard the generosity with which labor movement and 'progressive' critics of NAFTA describe the social accomplishments of the EC as little more than polemical licence. Yet consideration of the EC's 'social dimension,' particularly in the light of the issues raised by so-called 'Hoover affair' of recent months, suggests that the implications of their Europhilism may be more profound. Just as admirers of the 'American model' of employment growth underestimated the task in deconstructing the comparatively dense structures of labor market institutions, norms and convention in Europe, those in the United States who cast an envious eye at the 'progressive' work place rights and social protections of the European worker appear to have a less than adequate appreciation of difficulty in attaching social conditions to an agreement they decry as 'a corporate bill of rights.'

The announcement in January by Hoover, the US appliance maker, of its decision to close a plant near Dijon and shift production to the Glasgow region to take advantage of, among other things, a 63 percent savings in labor costs, provides 'a taste' of what US labor unions anticipate if, as NAFTA intends, they are brought into direct competition with Mexican labor.⁵ In the European Community context, the job relocation represented in

Hoover case may not, in fact, be illustrative of the principal forms of worker dislocation resulting from increased capital mobility within the Single Market. Nonetheless, the furore that resulted from its universal condemnation in France, focussed critical attention on the EC's 'social dimension'--on its excessive symbolism, restrictive mandate and current legislative impasse.

That EC social policy delivers very much less than EC rhetoric appears to promise might be attributed to range of factors, including the veto exercised by Britain in EC councils, the opposition of European employers, and the erosion labor's bargaining power in the face of persistent high rates of unemployment. But beyond this, there is the willingness of labor's social-democratic allies to concede the economic argument which over the past decade has tied the concept of 'Europe' to integration by market methods--to the deregulation of markets and the relaxation of constraints of 'private' transactions. As much is suggested by their embrace, in the 1986 Single European Act and the as-yet-to-be-ratified Maastricht Treaty on European Union, of an agenda which assigns the question of the future labor and social security regime of the Community to a 'social dimension' which, by implication, is distinct from and superstructural to the essential organization and dynamic of an integrated economy. As recession raises unemployment and poverty in the Community to unprecedented levels, the developments highlighted by the Hoover affair indicate that, insisting on 'a division of labor between wealth creation and its distribution,'⁶ this 'social market' approach squeezes

considerations of equity into an increasingly narrow menu of 'market-conforming' policies.

The Fear of NAFTA

Projecting a zone of duty-free trade and liberalized investment of roughly comparable size--encompassing over 6% of the world's population and close to 30% of its GDP--NAFTA is frequently paired with the EC's Single Market. Yet, in at least two respects, NAFTA and the EC appear to be very different creatures. In the first place, NAFTA proposes what no other agreement has attempted--to open the economies of industrialized nations to a major Third World country. In the EC context, Greece and Portugal may carelessly be described as Third World in the their level of development, but they are hardly comparable to Mexico. Their per capita income is only a quarter the size of that of western Germany or the United States, but it is still twice as large as Mexico's and, in any case, together they comprise only 6 percent of the population of the EC. Mexico's 85 million people are almost a quarter of the population of North America. Second, NAFTA, as its authors are keen to emphasize, is a trade agreement not an economic community agreement. Among other features of a supranational regime, it eschews creation of common social and employment policies. NAFTA explicitly reserves the regulation of the labor market and the workplace to national governments.⁷

It is precisely these features of NAFTA--the enormous north-south disparity in incomes and the absence of any positive counterbalancing measures--that creates concern in the US. Free to roam the continent in search of the lowest wage and social

costs, the AFL-CIO argues that transnational corporations will 'hit the jackpot' by paying Mexican workers 'a small fraction of the average U.S. wages,' and supplying no workmen's compensation, unemployment insurance, health insurance, or 'other essentials of civilized life.'⁸

In looking south to a country with much lower wages and benefits than their own, U.S. unions are aware of the Canadian experience. Canada entered a Free-Trade Agreement (FTA) with the U.S. in 1989, the consequences of which Canadians, in a coalition of opinion that has isolated big business and the Conservative government to an unprecedented degree, condemn.⁹ Although it is difficult to disentangle the consequences of free trade from the impact of recession, the FTA is popularly associated in Canada with a more than 15 percent drop in manufacturing employment and with pressure to curtail social programs paid for by taxes. Sharp cuts in social spending, including federal funding for unemployment compensation, have been widely characterized as an attempt to level the 'social playing field' with the United States.¹⁰

The opposition to NAFTA, however, is centrally focussed on trade arrangements with Mexico already in place. For several years U.S. companies have free to export from Mexican border region, paying US duty only on the value added by their Mexican operations. For most of the 2,000 *maquiladora* plants now operating in the five-state border zone, this implies a nominal tariff, cheap labor being the only significant local factor they employ.

Defending an agreement which would effectively extend *maquiladora* system into the Mexican interior, and offer US

investors additional security, the Bush Administration argued that, while dislocation in low-skilled jobs and labor intensive industries was unavoidable, 'production-sharing' with Mexico has the capacity to create or maintain 'thousands of US production jobs' that would otherwise be lost or transferred to low-wage Asian countries. By placing their most labor-intensive and low-paid operations in Mexico, US companies can become or remain price competitive, expand their sales and lines of products, and thus retain and create higher-skilled and more capital-intensive activities in the United States that require higher paid jobs.¹¹ Powered by higher skill levels and infrastructural support, US workers will retain a critical and substantial edge in productivity and unit labor costs. This is very much the theme of the Clinton administration's support for NAFTA. The administration's commitments to employee training and increased access to higher education, reflect the conviction of the new Labor Secretary, Robert Reich, that the maquiladora factories are evidence of an 'ineluctable' movement of high-volume standardized production to accessible areas of lowest labor cost.¹²

Mexico, however, is not Haiti. While the lure for the owners of Mexico's new factories is still low pay,¹³ in recent years their US employees have learnt that the potential competition is not confined to low-skill assembly and processing. US investors have discovered that in Mexico low wages can attract not only unskilled people, but also educated applicants from a comparatively small, but nonetheless rapidly growing, pool. For example, a Ford engine plant in Chihuahua, a provincial capital which boasts a number of public universities and technical schools, is able to hire 700 high school or technical graduates

at \$1.55 an hour for assembly line work, and to train them to work up, at a top rate of \$3, to electrician, machinery repair, computer or mechanic. The company can also employ qualified engineers in Chihuahua for less than one fifth of the \$25,000 to \$30,000 starting salary commanded by engineers newly out of school in the US.¹⁴

For Ford, as for others in a long list of Fortune 500 manufacturing companies operating in the Mexican border region, the increasing availability of such workers is a critical factor facilitating greater automation and technical sophistication which, regardless of labor cost, is being urged by considerations of international product standards and quality control. Productivity in the Big Three's new Mexican plants is said to be 75 to 80 percent of the productivity in the average U.S. auto plant. Pay, fringe benefits included, however, remain a mere 13 percent of the average U.S. auto wage.¹⁵

NAFTA's critics are unimpressed by the suggestion that, reversing the trend of the past decade, higher levels of productivity and output will raise wages in Mexico and increase consumption of US imports. Optimism on this score discounts several crucial factors.¹⁶ There is an enormous overhang in the Mexican labor market of unemployed or underemployed workers (40 to 50 percent of the working-age population), fed by a high birth rate and by a rural exodus that is certain to accelerate under the impetus of NAFTA's opening of the Mexican market to US corn and grains. In addition there are the repressive policies of a regime determined, as part of Mexico's structural adjustment program (the servicing and repayment of a \$100 billion dollar external debt), to restrain wages and consumption. Through the

labor front of the governing PRI, the government of President Salinas has been enforcing wage pacts set well below the rate of inflation.

US labor groups are convinced that the prospect is of a growing comparative wage-productivity gap which will suck thousands of jobs southward--the AFL-CIO estimates up to half a million.¹⁷ 'Even more damaging,' the AFL-CIO anticipates 'a dramatic lowering of wage levels and living standards' as the employers use the threat of a Mexican operation to prize wage and benefit concessions--an intention revealed by 25 percent of US corporate executives queried in a Wall Street Journal poll last year.¹⁸

'Social Dumping' and the Hoover Affair

Clearly, the contrasts between Glasgow and Dijon are not those between Chihuahua and Dearborn Michigan. Nonetheless, the Hoover case underscored a very real concern in western Europe that the dynamics of the Single Market might promote 'regressive' North American practices. In a context in which businesses have an incentive to concentrate production previously scattered around EC national markets, there is discussion of the American phenomenon, known as 'whip-sawing,' whereby large employers play their various plants off against one another to secure lower pay deals, and of potential for parallels to the kind of intermunicipal and interstate economic competition that has long been a feature of the US economy.

Hoover's planned relocation, according French Prime Minister Beregovoy, was 'a measure of 'where unfettered liberalism gets you.' 'The Scottish workers, a pistol loaded with job cuts

at their heads,' had agreed to 'give up employment rights, the right to strike, and accepted a blow to their pension funds and wage cuts.'¹⁹ The top trade union official at Hoover's Glasgow plant, did report that the company's contract demands were accompanied by an ultimatum: negotiations would be opened with the Dijon workers if the conditions were not accepted within 48 hour. At the same time, a spokesman for Hoover has acknowledged that the company took advantage of Britain's more relaxed labor laws to extract agreements from employees that probably would have been out of reach in France.⁵ In this context, Minister of Labor, Martine Aubry, suggested that 'it is probably not a coincidence' that Britain was the only country refusing to sign the social annex to the Maastricht Treaty. The British government was committed to a policy of 'social dumping,' of deliberately undercutting labor's position and depressing social standards in order to attract foreign investment.²⁰

In response to such charges, the British government has been defiant. Prime Minister John Major repeated the remark, attributed to the EC Commission president, Jacques Delors, that keeping out the UK out of the social chapter had made the UK 'a paradise for foreign investors.' In resisting the extension of majority voting on EC social policy and employment directives, the Government was defending an achievement of 14 years of Conservative rule, a decided shift in the balance of industrial power away from the trade unions and toward employers recorded in the lowest number of days lost from strikes on record.⁵

British Conservatives, evidently, are not embarrassed by the implication that Britain intends to exploit 'regulatory competition' to 'make up for other attractions where [the UK] may

not be so strong,' and it is clear that there are companies that will respond to such a strategy.²¹ As a director of an engineering firm, which recently switched production of drinks dispensing machines from Germany to the UK, explained, in addition to 'significantly lower' social costs, the attraction of the UK can be 'a very flexible and cooperative workforce.' With limited obligations to employees, the company could 'make changes based on management decisions much faster than elsewhere.'²²

While as a prospective French presidential candidate, Delors appears to have drawn by the furore over the Hoover decision (he attacked Britain for 'job poaching'), the EC Commission tends to discount the danger of a generalized pattern of social dumping.²³ Indeed, somewhat greater weight is given to the counterpart to arguments about social dumping--the fears expressed by the less developed economies of the EC that there are a range of locational considerations (including sub-contracting networks, research facilities, financial and administrative services, and cultural amenities), which eliminate their advantage in nominally lower labor costs, and promote the concentration of higher value-added industries and services in the core regions of the Community.²⁴

The job flow between France and Scotland has not been one way. While Hoover intends to move from Dijon to Glasgow, Nestle, the Swiss-based food company, is in effect doing the exact reverse: pulling out of Glasgow and beefing up production in Dijon. As a Scottish member of the European Parliament noted in debate, this is not without precedent. In recent years the Glasgow also lost Caterpillar and Massey Ferguson to France.²⁵ Indeed, despite the noise they have made over Hoover, OECD

figures for inward investment suggest that (in aggregate) the French have little reason for complaint. In the first half of 1992, while investment in the UK fell almost 30 per cent, in France it rose 31 per cent. For the first time, foreign direct investment in France is bigger than French investment abroad.²⁶

Increased investment in the favored regions, however, does not, according to the Commission, preclude a serious deterioration in conditions of employment. In pressing the case for the Social Charter of 'fundamental rights' for workers, the EC's Social Affairs Directorate placed less emphasis on the dangers of 'social dumping,' than on the prospect of a 'further splintering of working patterns and contracts in the higher wage economies and the emergence of a two-tier labor market.'²⁷ For many years, the flagging job-creation content of economic growth in the more prosperous 'northern' regions of Community has been boosted by the growth of low-skilled and low-wage 'half jobs'--part time and temporary contract work--particularly in services industries,²⁸ and often performed by women who, in the Commission's view, generally have no choice but to accept 'atypical' employment.²⁹ (Of the 9 million additional jobs created in the Community between 1985 and 1990, one in three was part time--one in four a part time job for woman).³⁰ Cross-border mergers and intensified competition within the single market would enlarge and accelerate the trend by focusing investment in the tradeable goods sectors on further 'rationalization.'

Among the sectors which are judged most vulnerable to the impact of '1992' are 'competitively weak industries,' which in the northern economies, include industries both high-tech and capital-intensive (computers to railway rolling stock) previously

protected by public procurement policy, and those, notably consumer goods, where changes in the distribution system 'could be considerable.' Labor-savings in these areas would involve the loss of regular full-time jobs, an increasingly scarce commodity. In an estimate, that has since been overtaken by the impact of recession, the Commission calculated that as many as two million jobs were 'at risk.'³¹ Intensified rationalization can also contribute directly to the 'destandardization' of contracts. It concentrates attention on core activities, encouraging companies to contract out functions, such as security and catering and other marginal or irregular activities, to specialized, mostly smaller companies that will frequently employ on a temporary or part-time basis.³²

But regardless of whether the mechanism of dislocation is social dumping, business rationalization or, as appears to be the case in the Hoover decision, both (while production is to increase, 600 jobs in Dijon are reduced to 400 jobs in Glasgow), there is little in either current, or draft, EC legislation that would control or blunt the process.

A Social Europe?

Notwithstanding the promise of 'open negotiations' and 'democratic participation' which NAFTA critics are tempted to project upon the European Community, the 1986 Single European Act (SEA) emerged from its own 'fast track,' little altered from the blueprint first drawn by the European Round Table, an organization of the largest EC-based transnationals.³³ The effort to attach a social dimension to the single market program has been very much a rearguard action, with the deregulatory thrust

of the SEA defended by conservative governments (stridently, in its opposition to social policy emanating from Brussels, by Britain) and by a powerful lobby of European and transnational employers.³⁴

The preamble to the SEA does state that EC members have a commitment 'to improve the economic and social situation by extending common policies and pursuing new objectives,' and for the first time the Act extends the principle of qualified majority voting in European Council to an area of social policy-- worker health and safety. This is language and precedent whose interpretation the Commission has stretched in efforts to advance a range of social policy initiatives.³⁵ Nonetheless, as yet, there is nothing in the social arsenal of the Community or, notwithstanding the controversy over Britain's social policy opt out, in the protocol signed by the eleven at Maastricht, which could have prevented Hoover from taking the decision that it did.³⁶

After talking to shop stewards from Hoover's Glasgow and Dijon plants, Delors conceded that the Commission was powerless to act. 'There is no infraction on competition grounds, it is a case of differences in labor costs.' He did suggest, however, that the row over whether the UK was downgrading workers' rights and benefits to secure investment might have been avoided if the Commission's works council directive was law. The directive, which has been blocked in the EC Council of Ministers for over two years, would oblige companies employing over 1,000 people in more than one member state to consult workers' representatives on issues such as job cuts, new work practices and technology. But there is skepticism, even among union officials who strongly

endorse the directive, that a works councils would have affected the outcome at Hoover. They candidly admit that, in itself, a consultative works council is unlikely to have resolved conflict of interests between the French and Scottish workers over the transfer of jobs although, conceivably, if it improved their communication it could have made it more difficult for the company to play them against one another.³⁷ If union officials in Dijon are to be believed, 'the Americans' would never have made them accept the terms imposed on the Scottish workers.³⁸

The fact remains that the critical issues of labor costs are beyond purview of Commission. On pay, the 1989 Social Charter states (Point 5) that 'all employment shall be fairly remunerated' and that 'workers shall be assured of an equitable wage, i.e. a wage sufficient to enable them to have a decent standard of living.' But the Action Program, which aims to put the Charter into effect, states that wage-setting 'a matter for Member States and the two sides of industry alone,' and that 'it is not the task of the Community to fix a decent reference wage.' The Maastricht social policy agreement, while it provides for possible qualified majority voting on directives relating to 'working conditions,' specifically (Article 2.6) excludes pay from the field of Community competence. At the same time, the agreement provides labor no guarantee of collective bargaining, or the right to effective industrial action. In excluding pay, it also excludes 'rights of association' and 'the right to strike.'

Turning to elements of labor costs other than direct pay, that there have been 'virtually no attempts' to harmonise national provisions on matters such as paid vacation, redundancy compensation, vocational training costs and other social

expenditures.³⁹ The Commission has argued that a harmonisation of employee rights is required to prevent a 'distortion' of competition. In the wake of the Hoover dispute, Karel van Miert, the Belgian socialist heading EC competition policy, affirmed that social policy had to be factored into the barrier-free single market to ensure a 'level playing-field.' The UK, by opting out of the Maastricht protocol, was 'playing football with its hands as well as its feet.' But an attempt to advance a harmonisation directive under Article 100a of the SEA, which provides for qualified majority voting in cases of laws essential to the completion of the single market, was rejected in November 1990 by a majority of the member states.⁴⁰ Under the Maastricht 'social chapter,' legislation on social security and the social protection of workers would continue to require unanimous approval.

The only related measure issued under the Action Program--a Council Recommendation on the convergence of social protection objectives and policies--explicitly excludes legislation on an issue critical to Hoover's cost calculations. It rules that it is 'for Member States to determine how their social protection schemes should be framed and the arrangements for financing and organizing them.'⁴¹ In moving to the UK, Hoover was able to unload the costs of employee health care, financed in France through statutory employer contributions, onto a tax-supported national health service.

While the Commission may be powerless to prevent or control job or contract losses resulting from relocation and labor-shedding rationalisation, members of affected households, particularly women, may find the EC legislation does have an

impact on working conditions in the kinds of employment upon they are likely to increase their reliance. In the overlapping areas of equal rights for women (a principle enshrined in the Treaty of Rome--Article 119) and the protection of 'atypical' workers, the EC has issued a number of Directives which in the case of some member states (notably Britain) represent an improvement on national standards. Perhaps the most important is a recent Directive, passed despite protracted opposition from the UK government, dealing with the protection of pregnant women at work. Its provisions, including benefit entitlement, apply to both part-time workers and full-time employees. On the whole, however, conditions for working women are little changed from the situation outlined by the Commission in 1981 in its first Action Program for equal opportunities:⁴² 'the majority of working women are in precarious forms of employment, no... in the unskilled sector and part-time and temporary work . . . The situation for women is exacerbated by the effects of public expenditure cuts on social infrastructure . . . and by the introduction of manpower saving technologies in areas . . . where female labor predominates.' In these circumstances, they remain subject to the forms of discrimination implied by both the tone and the content of Britain's official *Employment Gazette*. On the supposition that they work 'mainly because they enjoy it, and because it gives them the companionship of other adults,' it advertizes women part-timers as not only 'cheerful' but also as 'cheap.' With money and job security 'lower priorities,' they 'put up (more or less) with being erratically covered by job protection legislation and cut out of pension schemes (nine out of ten women part-timers); training (seven out of ten) and sick pay (one out of three).'⁴³ A

draft EC Directive extending other pro-rata benefits and protections to temporary and part-time workers has been effectively blocked.

The Hoover affair renewed the popular focus on Britain as the principal obstacle to 'social harmonisation.' In France, for Socialist leader Laurent Fabius, to restore a measure of confidence it was only necessary to recall that 'there exists in England a movement, and not only of the Labour party, for London's acceptance of a social Europe.'⁴⁴ For the same reason, there are those in the British Labour party who were actually heartened by Britain's opt-out at Maastricht. Having 'dramatically broken free from the serious constraints that the United Kingdom's governmental policies were imposing on the full implementation of the Social Charter,' the eleven could 'proceed to develop social policy measures on a considerably wider front,' effecting progress to which eventually the UK would be obliged to accede.⁴⁵

The belief that the eleven are substantially keener than Britain to advance draft Directives which, in the business press, have been characterized quite simply, as '1992 in reverse,' may be based on a serious misapprehension. It is quite possible that the continued sensitivity of John Major's government to Margaret Thatcher's nightmare of 'socialism by the back Delors' has been convenient to its continental partners. The *Financial Times* suggests, that while a Labour Party victory 'should have been more to their liking,' the 'more cautious European labor ministries' greeted the Conservative victory in the April 1992 UK election 'with quiet relief.' By playing up the possibility of 'social dumping' on Britain's part, they can argue that changes

in the employment field should be limited until the UK can be persuaded to join in. Consequently, a Conservative victory allows them 'to pay little more than lip-service to "social Europe," if they choose to do so.'⁴⁶

There does seem to be a growing reluctance in Brussels to press new social and employment legislation on the Council. Leading strategists within the EC's Social Affairs directorate are reportedly speculating about a less ambitious approach, concentrating their attention on the idea--included in the social chapter--that EC legislation emerge from consensus between the ETUC and the European employers' body UNICE, with the Commission itself merely laying down general objectives. The ETUC, while gratified that a major international treaty accords recognition to 'the social partners,' regards as obstructionist an approach that would grant UNICE an effective social-policy veto. In agreeing to a joint consultative role with the ETUC within the framework of the Maastricht treaty, UNICE made it very clear that 'there is no support for a side extension of collective bargaining over social and employment directives,' and that 'on the contrary, UNICE wants to put strict limits on the scope for EC intervention in this area, whether by law or agreement.'⁴⁷

'The trouble,' according to Jean Lapeyre, the ETUC's deputy general secretary, 'is that European employers are only willing to negotiate with us if there is a threat of legislation.'⁴⁸ Last year, the Commission withdrew a health and safety directive on transport because it was not 'flexible' enough. Even more shocking to the unions were comments by a senior Commission official, Hermanus van Zonneveld, who appeared to suggest that the EC was losing interest in legislating on European works

councils. The ability of the Maastricht treaty to deliver on European-scale works councils had been critical in persuading union leaders around Europe to give their qualified backing to Maastricht.

Recognizing that wages and employment will take the strain of adjustment under the Treaty (in Italy and Spain attempts to apply its anti-inflation and anti-devaluation principles have already triggered a wave of industrial protest), the unions, reportedly, are feeling 'exposed on their Europhile flank.' The 'social dimension sweetener' is proving a disappointment.⁴⁶

The Limits of Supplementalism

An obvious problem for labor, highlighted by the Hoover affair and more generally by the present deceleration of the European 'social dimension,' is the difficulty, particularly in time of recession, of achieving international trade-union solidarity and of building the kinds of cross-border 'distributional' coalitions that could bring effective pressure to bear on both Brussels and the national capitals. One reason why European unions are so obsessed by Europe-wide works councils--IG Metall, the main German union, claims that it is ready to 'drive tanks into Brussels' to make sure that the commitment to the consultative bodies is maintained--is that they offer an institutional first step toward the goal of cross-border collective bargaining which their own initiatives have so far failed to provide. Despite the growing role of the ETUC and its affiliated sectoral European Industry Committees, the European Community's drive toward economic and political union has not led to comparable advances in multinational unionism.

As a European actor, labor is afflicted by a number of specific disabilities which, while they may be present in the business community, do not affect it to the same degree.⁴⁸ Business, for example, is much less hampered by divisions between different political orientations such as those, on the labor side, that have divided communists, catholics and social democrats and, of course, generally it is much more adept at cross-border coordination and international communication. But, clearly, the more decisive factor is labor's enduring weak economic position, the product of the high level of long-term unemployment and the emerging dual labor market.⁴⁹

Labor groups and public-interest coalitions opposed to NAFTA's boardroom priorities in the United States are certainly conscious of their comparative weakness in this regard, although in number of obvious respects the political context of their struggle in North America differs markedly from the situation confronting partisans of social regulation in the twelve-nation EC. But the European portent may also highlight a barrier to their ability to influence the terms of economic interdependence, particularly if this is to take of form suggested by the Clinton Administration of 'side agreements' or 'supplementals,' that is a more profound, in the sense that it implies a conceptual, as well as political, task.

Since passage of the Single European Act, there has been less talk within the EC of following an American lead, which, in part, does appear to reflect a new sensitivity to the potential social costs of growth and employment patterns associated with growing income inequalities. Nonetheless, the 'rebaunching of Europe,' on the basis of a single-minded pursuit of US scale

economies, marks a shift in the contours of politics and ideology that endures. How ever much current editorial opinion in Europe regrets the substitution in the 1980s of a 'politics of greed' for a no less distasteful 'politics of envy,' the conviction remains that there is an inescapable trade-off between efficiency and equity, a trade-off which, openly acknowledged by Europe's trading partners, places her industries at a competitive disadvantage. Thus, if the eighties are to be faulted it not because the removal of 'artificial props' to labor's bargaining power and to social security is false economy, but merely because the belief took hold that 'wealth creation is all.'⁵⁰

Over the past decade Europe's socialists have been engaged in extensive reviews of policy and purpose. The discussion is frequently inventive in re-establishing a link between the desire for greater personal autonomy and choice, identified as the dominant cultural motif of the resurgent Right in the 1980s, and collective provision (in education and training, health, and consumer and environmental protection), but it has largely failed to restate an efficiency case for the redistributive interventions of the welfare state and of trade unionism--to refute the charge that, at the risk of inducing unproductive market 'rigidities,' social policy and collective bargaining merely redivide national income.

In this sense, 'Delors's logic,' as George Ross has remarked, 'is clear.' Integration in the Community involves 'first and foremost, freeing up market space in Europe ['allowing new play to market forces'] to win new international competitiveness Desirable social consequences, including the feeding and care of a 'European model of society' [with 'its

humane systems of social protection and industrial relations'] come only second.⁵¹

Following this sequence, Delors and his fellow social democrats who, in the past, seized upon the underconsumptionist suggestion of Keynesian theory to argue the urgent contribution of social equity to economic growth and efficiency, are today confined to advertising opportunities for secondary redistribution permitted within the framework of prevailing definitions of 'market flexibility.' The narrowness of this framework is underscored in the recent announcement by Delors of a wide-ranging study of European unemployment whose brief appears to revive the themes which, in the 1980s positively recommended the more 'flexible' less regulated American labor-market model. Reportedly, it will consider 'problems of excessive non-wage costs, particularly among the lower paid,' and is likely to tackle the automatic right to social security and the commitment to minimum wages. While Commission officials stress that 'there is no desire to create a American-style society in Europe,' and that the study is an academic exercise only,⁵² the announcement does reinforce the impression that market-led economic integration inexorably drives its own social agenda.

Notes

1. OECD, *The Economic Outlook* (Paris, July 1982).
2. Manfred McDowell, 'Europe 1992, the Left and the Politics of the "American Model,"' *Current Politics and Economics of Europe*, 3/4, (1991).
3. Mark Breslow, 'How free trade fails,' *Dollars and Sense* 180 (1992)
4. Mike Coyne and Francis Green, 'How P.C. is the E.C.? The European Community strives to foster growth with social justice,' *Dollars and Sense* 181 (1992).
5. Joel Havemann, *Los Angeles Times*, (March 3, 1993).
6. Peter Jenkins, *The Independent* (May 16, 1990).

7. Unlike the EC, NAFTA does not propose a single labor market. Immigration restrictions remain in force. In practice, however, this may be a relatively trivial distinction. Together with less extreme north-south disparities in income, linguistic and cultural barriers in the EC appear to have largely confined the cross-border mobility of EC nationals to intra-company transfers of technical and managerial staffs, movement of a kind that will be permitted under NAFTA. See, *Employment in Europe 1991* (Brussels, Commission of the European Communities), pp. 84-88. On the other hand, both western Europe and the United States are absorbing large numbers of immigrants, legal and illegal. Four hundred thousand Mexicans cross annually into the United States, a figure which US officials, NAFTA or no NAFTA, anticipate will rise for some years to come. Gary Clyde Hufbauer and Jeffrey Schott, *Nafta: An Assessment* (Institute for International Economics, Washington, DC, 1993), pp. 34-35.
8. William Cunningham of the AFL-CIO quoted by Jonathan Schlefer in 'What price economic growth,' *The Atlantic Monthly* (December 1992), p. 116.
9. A poll conducted in June 1992 by the Angus Ried Group found that 66 percent of Canadians still opposed the FTA, and that only 6 percent believed that Canada had won any benefits at all from the accord. Clyde Farnsworth, *The New York Times* (July 22, 1992).
10. See, John Cavanagh et al., *Trading Freedom* (San Francisco, Institute for Food and Development Policy), 1992.
11. 'North American Free Trade Agreement,' *US Department of State Dispatch* (February 17, 1992), p. 117.
12. Robert Reich, *The Work of Nations* (New York, Vintage Books, 1992), p. 210.
13. See, Jim Carlton, *Wall Street Journal* (September 24, 1992).
14. Louis Ochitelle, *The New York Times* (March 21, 1993).
15. Karen Lissakers, *Wall Street Journal* (November 19, 1992).
16. See Cavanagh et al.
17. Keith Bradsher, *The New York Times* (September 11, 1992).
18. Thea Lee, 'Happily never NAFTA,' *Dollars and Sense* (January/February 1993), p.13.
19. William Dawkins, *Financial Times* (February 5, 1993).
20. 'Martine Aubry: contre les bas salaires, pour des salaires qualifiés,' *Le Nouvel Observateur* (February 10, 1993).
21. William Pitt, *The European* (February 11-14, 1993).
22. Tony Jackson, *Financial Times* (March 9, 1993).
23. Social dumping, however, is not a subject on which the Commission is consistent. In 1988, the Commission issued a working paper, *Social Dimension of the Internal Market* (Commission of the European Communities, Brussels, 1988) which appeared categorical on the subject--'fears of "social dumping" are totally unfounded' (p. 26). Yet, in a latter passage it concedes the possibility of dumping, arguing that rules relating to health protection and safety in the workplace 'will have to be reinforced to prevent the freedom of movement of goods and services evolving under circumstances which would lead to a deterioration in living and working conditions' (p. 60). See also, *Employment in Europe 1989* (Brussels, Commission of the European Communities), pp. 68-69.
24. See Harvey Armstrong, 'Community regional policy,' in Juliet Lodge ed., *The European Community and the Challenge of the Future* (New York, St Martins Press, 1989).

25. European Parliament: *The Week* (February 8-12, 1993), p.40.
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27. John Gapper and David Buchan, *Financial Times* (October 16, 1989).
28. See *Employment in Europe 1989*, ch. 6.
29. See *Employment in Europe 1989*, ch. 7, and *Employment in Europe 1990*, ch. 6.
30. *Employment in Europe 1991*, p. 10.
31. *Employment in Europe 1989*, ch. 5.
32. *Employment in Europe 1990*, pp. 104-105.
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