

# **Migrations and the « race to the bottom » of European Labour Standards**

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# Introduction

- EU member states are ambivalent towards migrations
  - they recognise the need to host migrants and refugees for humanitarian reasons
  - they may need for migration for socio-demographic reasons
    - to fuel their labour market or to contribute to finance their pension system
  - but they think they cannot host newcomers by numbers for economic and social reasons

# Methodology and outline

- Are migrations threatening labour markets and welfare standards?
  - are migrant attracted by generous welfare provisions?
  - are they challenging non-migrant workers?
- Exploring the litterature regarding migrations and labour market reforms
  - 1) Migrations have rather positive economic impacts on receiving countries
  - 2) Labour market and welfare standards are rather threatened by the EU economic gouvernance and « structural reforms »
  - 3) In the French case, labour market and welfare reform have rather deteriorated the relative situation of migrants

# I. Are migrants threatening European welfare and labour standards?

- Neoclassical theories tend to predict a negative impact of migrations on welfare and labour standards
- As well as raising far right parties

# Yes, according to neoclassical theories...

- Theoretical models of the LM (Dustmann *et al.*, 2008)
  - Immigration increases the supply for labour
    - negative impact on wages (if flexible wages)
      - especially for unskilled workers
    - or higher unemployment rates (if inflexible wages)
- Welfare theories (Borjas, 1999)
  - Immigrants choose States offering higher welfare benefits
    - « welfare magnet » effect attracting (poor) migrants
  - States may react by entering a « race to the bottom » to avoid welfare magnets

# ...But not in the real world

- According to the UNPD report (2009)
  - an increase of the population by 1% increases the GDP by 1% (in 74 countries from 1980 to 2005)
- According to the OECD (2014)
  - migration « contributes to spur innovation and economic growth »
  - migration « help address labour market imbalances »
  - migrants « contribute more in taxes and social contributions than they receive in individual benefits »
- In France (Chojnicki et al. 2009)
  - cost of migration for the state budget: Eur 47.9 billion
  - receipe: Eur 60.3 billion
  - credit balance : Eur 12.4 billion

# II. The economic governance of the EU against solidarity and employment

- If migrants do not challenge labour market and welfare standards, why are they challenged in the EU
- Is social Europe really inclusive ?
  - « The European Commission supports and complements the Member States' policies in the fields of social inclusion and social protection »
  - « The Europe 2020 strategy for smart, sustainable and inclusive growth sets targets to lift at least 20 million people out of poverty and social exclusion and to increase employment of the population aged 20-64 to 75%. »
  - Migrants are identified as a vulnerable group (among others)

# Fiscal discipline

- Reinforced fiscal discipline
  - Stability and growth pact (997/2005)
  - Fiscal compact (TSCG, 2012)
    - debt/GDP <60 %
    - « structural deficit » <0.5% GDP (golden rule)
- Treaty on the functioning of the EU
  - employment and social policies: defined at the national level but (softly) coordinated at the EU level
- Fiscal discipline leaves little room (if any) for independent macroeconomic
  - as well as for inclusive social and employment policies



# Labour market reforms

- Liberal and supply-side policies
  - Reduction of the labour cost
    - wage moderation, reduction of employer's taxes or social contributions
  - Flexibility (« flexicurity »)
    - more flexible contracts (short-termed, part-time, flexible-time, *etc.*)
    - easing lay-offs (with poor and delayed counterparts in terms of security)
  - Activation
    - supporting job-search
    - making work pay (& unemployment compensation or income support pay less)
- Neoliberal reforms
  - employers benefit from many exemptions compensated by the state
  - workers suffer from increasing precariousness and social cuts
- « Structural reforms » actually play against employment, inclusion and solidarity

# III. Migrants and Labour market reforms. The French case

- France has slowly but deeply reformed its employment policies
  - changes in the labour Code to increase flexibility
  - activation reforms
- These reform are not neutral for migrants
  - exposed to precariousness, social cuts and dedicated (discriminatory) atypical employment

# Reforming the Labour code...

- Since the 1980's flexible contracts have been made more attractive for employers
  - temporary, seasonal, part-time jobs
- These reforms have slowly fueled the labour market with precarious workers
  - Young people are particularly concerned
    - mostly employed in atypical jobs
  - But also women
    - one third work part-time
  - Migrants are particularly concerned
    - high unemployment and underemployment rates

# Migrants in the French labour market in 2011 (Minni, Okba, 2012)

- 4 million migrants aged 15-64, 10 % of the working age population
  - 30% born in the EU, 31 % in Maghreb, 15 % Sub-Saharan Africa
- Same activity rate for men, inferior for women
- Overexposed to unemployment
  - 23 % for those coming from Maghreb or Sub-Saharan Africa vs. 8.5 % for non-migrants
- Overexposed to underemployment and precariousness
  - interim, short-termed, part-time jobs
- Concentrated in a few activity sectors
  - construction, hotels and restaurants, security, personal services to individuals

# Posted workers

- EU directive of 16 December 1996
- Atypical job (++++)
  - Worker from an EU country posted in another EU country by decision of the employer
    - equal working conditions, equal pay
    - reduced social contributions (and social protection) in line with the country of origin
    - construction, industry and interim work
  - fraud is frequent, as well as undeclared posted workers
    - 2011 : about 145 000 official posted workers but up to 300 000 could have been illegal posted workers
  - social dumping and legal discrimination
- A recent French public report has demanded a revision of the 1996 directive

# Activating the non-employed

- In line with the making-work-pay strategy
  - and to ensure the cost-containment of social expenditures
- Slow upgrading of unemployment and income support allowances
  - downgrading when compared with the minimum wage
  - unemployed and income support recipients increasingly exposed to poverty
- Migrants especially concerned
  - eligibility conditions hardened for newcomers
  - the fear for a magnet effect is pregnant in policy debates

# Example : The active solidarity income

- Income support less and less inclusive for migrants and foreigners  
Math (2014)
  - RMI (1989): foreigners with a 10 years resident card (standard resident card) or with 3 years of legal residence and work authorisation were included
  - but this card became an exception, excluding more migrants from the RMI
    - the condition of residence became an indirect discrimination violating the European social charter
  - RSA (2009): the condition (10 years resident card or 5 years of legal residence and work authorisation) is extended to the partner of the RSA claimant and to lone parents (finally exempted)
    - A discriminatory condition violating the European social charter and other EU or international directives
- Policy debates : the condition of residence turned out to be a sort of national preference reflecting a « State xenophobia »

# Concluding remarks

- Migrations have a positive (economic and demographic) impact on receiving countries
  - but most of EU member states fear that their labour markets and welfare systems cannot include new flows of migrants and refugees
- Migrants are not the cause but among the main victims of labour market and social protection reforms
  - the cause lies in austerity policies and neoliberal labour market reforms
- Migrants are also the victims of the economic governance of the EU leaving no room for solidarity
- Policy makers even tend to exploit migration to promote neoliberal reforms
  - Jean Tirole, « Nobel » price said that flexible labour market perform better to include migrants so that there is a need for structural reforms in France...