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► To cite this version:

Pierre Boyer, Anasuya Raj. European integration and labour market policy: Political or national divides?. 2018. halshs-02520854

HAL Id: halshs-02520854

<https://shs.hal.science/halshs-02520854>

Submitted on 26 Mar 2020

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EUROPEAN INTEGRATION AND LABOUR MARKET POLICY: POLITICAL OR NATIONAL DIVIDES?

IPP Policy Brief

No 30

April 2018

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www.ipp.eu

Summary

This report presents the results of a survey conducted from April to July 2016 among French and German members of parliament (MPs) on European integration in policy fields related to the labour market. In particular, the survey sought the MPs' views on greater European Union intervention in labour market regulation and wage policy in the Member States. The MPs were also asked for their opinions on the creation of a common European unemployment insurance scheme and on the need to make the labour market more flexible. After a descriptive presentation of the responses, the authors show that, for most of the questions, the results reveal greater divergence between political left and right than between MPs in France and Germany. ■

- The authors present the results of the first survey of French and German MPs on options for deeper European integration.
- All the proposals concerning the labour market reveal a partisan divide.
- The questions related to a more flexible labour market and a common European unemployment insurance reveal a consensus between French and German MPs.



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EUROPEAN INTEGRATION: A MAJOR CHALLENGE

Ever since France and the Netherlands rejected the Constitutional Treaty, the European Union (EU) has been going through a series of crises affecting its construction – the United Kingdom's decision to leave the EU in June 2016 being the latest. These crises have highlighted the need for a debate on the competencies to be allocated to the EU. Suggestions for reform are numerous and range from strategies aimed at a federalist union, giving power over more policy areas to Europe, to strategies aimed at reducing integration, giving greater autonomy to the Member States.

The search for legitimacy for EU or euro area decisions is often linked to the need for a broad consensus and greater involvement of national parliaments⁽¹⁾. For example, Hennette, Piketty, Sacriste and Vauchez, in *Pour un traité de démocratisation de l'Europe*, recently proposed greater involvement of national parliaments in the euro area⁽²⁾. Analyses are regularly carried out of EU citizens' preferences regarding integration (see the various Eurobarometer waves since 1973). Obtaining data on the views of national politicians, given the evolving nature of the European project, enriches these analyses and the current debates. With this in mind, we surveyed the opinions of French MPs from the Assemblée Nationale and the Sénat and German MPs from the Bundestag on potential options to increase the EU's competencies.

In view of France and Germany's historical importance in the European integration process and because of the difficulty of obtaining a qualified majority in the Council of the European Union without the support of at least one of these two countries, it is unlikely that reforms that are supported by neither one nor the other of their national parliaments would ever be adopted. A Franco-German consensus is therefore undoubtedly a necessity if reforms related to European integration are to be feasible.

A SURVEY OF FRENCH AND GERMAN MP

Our data come from a Franco-German survey carried out by the École Polytechnique, the ZEW (Centre for European Economic Research, Zentrums für Europäische Wirtschaftsforschung) and the University of Mannheim. The survey sought MPs' opinions on several issues related to European integration, through a series of specific proposals for instruments and options to achieve this. It was carried out between April and July 2016.

The questionnaire was split into three sections: the distribution of roles and competencies in Europe; the European Fiscal Compact; and monetary and financial policy in the euro area.

Out of the 1552 questionnaires that we sent out, 232 were completed (thus leading to a response rate of 15%). There was a response rate of 14% for French MPs (15.3% for members of the Sénat and

13.6% for members of the Assemblée Nationale) and of 16% for German MPs. Of the 232 MPs who responded, 101 were German (out of 630) and 131 were French (out of 922).

To make it easier to compare France and Germany, we classified the national parties according to the affiliation of their members in the European Parliament. The LR (The Republicans) in France and CDU/CSU (Christian Democratic Union of Germany and Christian Social Union in Bavaria) parties are members of the **EPP group** (European People's Party) and the parties belonging to the **S&D group** (Progressive Alliance of Socialists & Democrats) are the PS (Socialist Party) and the PRG (Radical Party of the Left) in France and the SPD (Social Democratic Party of Germany). The other parties (Union of Democrats and Independents, Democratic and Republican Left, Europe Ecology-The Greens, the French Communist Party and the National Front in France, and Alliance 90/The Greens and The Left in Germany) were classified as 'Others' (because of the numbers and response rates of the MPs from these parties, we decided to group them together in order to protect the confidentiality of the responses given. [Table 1](#) presents participation by political grouping).

TABLE 1 – PARTICIPATION BY POLITICAL GROUPING

Part	Response	No response	Total
EP	88 (13,5%)	562 (86,5%)	650
S&D	110 (17,9%)	506 (82,1%)	616
Other	34 (11,9%)	252 (88,1%)	286
Total	232 (14,9%)	1320 (85,1%)	1 552

This report presents some of the results for questions on the theme of the labour market.

(1) For a history and theory of democratic legitimacy, see the 2013 work by Pierre Rosanvallon, *Democratic Legitimacy: Impartiality, Reflexivity, Proximity* (Princeton University Press).

(2) S. Hennette, T. Piketty, G. Sacriste, and A. Vauchez (2017), *Pour un traité de démocratisation de l'Europe* (Seuil).

POLICIES RELATED TO THE LABOUR MARKET

Policies related to the labour market are a key part of Member States' agenda, and citizens have high expectations regarding their results (the issue of employment is regularly mentioned by citizens as one of their main everyday concerns, [see box 1](#)). Moreover, in a Eurobarometer Special Survey by the European Parliament in April 2016, European citizens included the issue of migration and fighting unemployment among the areas where they want greater intervention by the EU: on unemployment, 83% of French citizens, 70% of Germans and 78% of citizens in the Member States surveyed wanted the EU to intervene more than at present. Reforms are regularly made in this area but they remain the responsibility of the Member States and attract strong criticism. MPs' perception of whether greater competencies should be allocated to the EU in this area is therefore particularly interesting.

Here, we focus on the four issues directly linked to the labour market⁽³⁾:

- **Labour market:** "The EU should be able to make binding guidelines to the Member States regarding the labour market (e.g. regarding the design of dismissal protection or temporary contracts)".
- **Wage policy:** "The EU should have stronger rights to intervene in Member States' wage policies (e.g. regarding the level of statutory minimum wages)".
- **European unemployment insurance:** "A common European unemployment insurance should be introduced to absorb recessions in individual Member States of the euro area".
- **More flexible labour markets:** "For higher economic growth in the euro area it is essential that countries with high levels of long-term unemployment make their labour markets more flexible (e.g. via an easing of dismissal protection regulations or a decrease in the statutory minimum wage)".

METHOD

We wanted to determine the points on which a consensus existed between parties or countries. The variable we used was binary: 1 if the MP agreed with or was undecided about the proposal and 0 if the MP disagreed with it. We analysed the data using a probit model⁽⁴⁾.

This enabled us to determine the factors positively or negatively correlated with the probability of not being strongly opposed to the proposal, while controlling for the MPs' individual characteristics. This also meant that we could establish whether or not the correlations were statistically significant.

We could therefore identify, in the current context, the areas of agreement between the two countries (those for which the differences were not statistically significant) as well as the areas with smaller ideological differences.

We controlled for the following individual characteristics: the MP's sex, age, number of years in parliament, possession of a school-leaving qualification (*baccalauréat* in France, *Abitur* in Germany), possession of a higher education degree.

(3) The possible responses to these questions were rated using a Likert scale ranging from -4 (Disagree) to +4 (Agree). 0 was Undecided.

(4) In the working document mentioned above, we also produced an ordered probit model.

BOX 1 - CITIZENS AND EUROPEAN INTEGRATION.

The Standard Eurobarometer was established in 1973. Each survey consists of 1000 approximately face-to-face interviews in each EU country. The surveys are conducted twice every year.

In 2010, 78% of French citizens, 85% of Germans and 75% of citizens from all the Member States surveyed considered that, in the context of certain measures being discussed to combat the financial and economic crisis, 'a stronger coordination of economic and financial policies among all the EU Member States' would be effective. 33% of French citizens, 34% of Germans and 34% of citizens from the Member States surveyed said that 'A European social welfare system harmonised between the Member States' would strengthen their feeling about being a European citizen.

In 2016, 21% of French citizens, 13% of Germans and 15% of citizens from the Member States surveyed cited unemployment as one of the two most important issues facing Europe (compared to 29%, 19% and 24% in 2015). Immigration and terrorism held significant weight too.

From 2010 to 2016, unemployment remained the main concern of French citizens for their country (mentioned by 57% of those surveyed in 2010, 66% in 2013 and 52% in 2016), despite an increasing concern about terrorism (which rose from 2% in 2010 to 30% in 2016). The percentage of Germans surveyed who found unemployment was one of the two most important issues facing their country fell from 41% in 2010 to 9% in 2016.

RESULTS OF THE ECONOMETRIC ANALYSIS OF THE SURVEY

Our results reveal preferences of members of parties on the right and left for European integration are not aligned. This left/right split is often more marked than the Franco-German divide. On binding guidelines related to the labour market and wage policy, there are fairly marked differences between France and Germany. On the other hand, common

unemployment insurance and greater labour market flexibility constitute potential areas of agreement between France and Germany.

Table 2 below presents the results of the probit model.

TABLE 2 – PROBIT MODEL: MEAN MARGINAL EFFECTS

	Binding guidelines	Wage policy	Unemployment insurance	Labour market flexibility
FR (French v. German)	0.250*** (0.074)	0.330*** (0.071)	0.110 (0.073)	0.024 (0.062)
S&D (S&D v. EPP)	0.180** (0.072)	0.250*** (0.069)	0.400*** (0.073)	-0.640*** (0.058)
Sex	0.140* (0.080)	0.093 (0.077)	-0.040 (0.085)	0.017 (0.074)
Age	0.006 (0.004)	0.011*** (0.003)	0.001 (0.004)	0.000 (0.004)
Years in parliament	-0.011** (0.005)	-0.012*** (0.004)	-0.003 (0.005)	-0.001 (0.004)
School-leaving qual	-0.250** (0.120)	-0.250* (0.130)	-0.110 (0.180)	-0.035 (0.170)
Higher education	0.320** (0.160)	0.270* (0.160)	0.140 (0.180)	0.088 (0.150)
Observations	183	182	182	182

Note: The variable 'FR' is 1 if the MP is French and 0 if the MP is German. The variable 'S&D' is equal to 1 if the MP belongs to the S&D group and 0 if the MP belongs to the EPP group. The variable 'Sex' is 1 for a woman, 0 for a man; the variable 'School-leaving qual.' is 1 if the MP obtained their *baccalauréat* (in France) or *Abitur* (in Germany) and 0 if not; the variable

'Higher education' is 1 if they have a higher education degree, and 0 if not.

NB: For example, we can interpret the first figure in the table as follows:

all other things being equal, on average, the probability of a French MP agreeing with or being undecided about the proposal 'The EU should be able to make binding guidelines to the Member States regarding the labour market (e.g. regarding the design of dismissal protection or temporary contracts)' is 25% higher than for a German MP. A positive effect for political affiliation means that S&D MPs are more in favour of the proposal than EPP MPs, or vice versa. A positive effect for nationality means that French MPs are more in favour of the proposal than German MPs, or vice versa.

Sources: Authors' estimate based on the survey results.

Standard deviations are given in brackets

***p<0.01, **p<0.05, *p<0.1

There are significant positive effects for political affiliation for all proposals except the one concerning labour market flexibility, where the effect is negative but still significant. There are significant positive effects for questions related to binding EU guidelines regarding the labour market and wage policy in the Member States. The effects are not

significant for the proposals concerning European unemployment insurance or greater labour market flexibility (Figure 1).

Issues that divide French and German MPs

FIGURE 1: BINDING GUIDELINES RELATED TO THE LABOUR MARKET AND WAGE POLICY

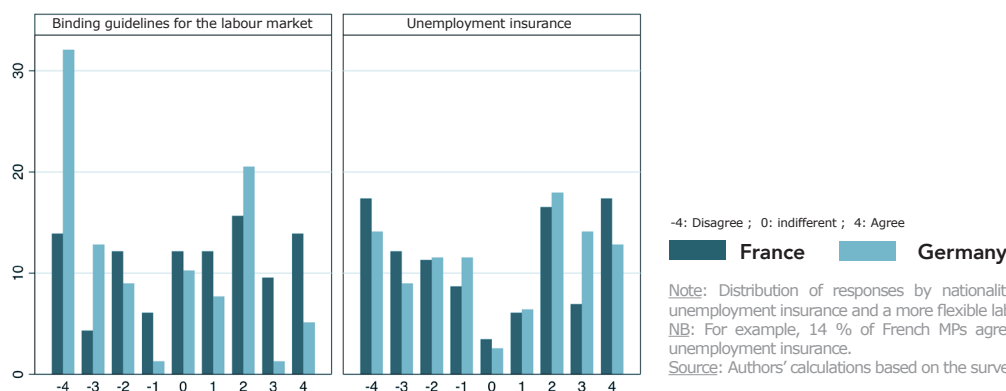


For the questions on the EU being able to make binding guidelines to the Member States regarding the labour market and on the EU having more right to intervene in the Member States' wage policies, we obtained a significant effect for nationality and political affiliation. Both effects are such that, all other things being equal, the probability of an MP agreeing with or being undecided about the

proposal in question increases if, on the one hand, the MP is French and, on the other, the MP belongs to a left-wing party. However, the effects of both variables are similar in scale for the first proposal –whereas for the question on wage policy, nationality has a stronger effect than political affiliation (Figure 2).

Franco-German points of consensus

FIGURE 2 : MORE FLEXIBLE LABOUR MARKET AND COMMON UNEMPLOYMENT INSURANCE



The introduction of a common European unemployment insurance scheme constitutes an option for a mechanism to share the risks caused to Member States by shocks affecting countries differently in times of crisis. The results of our analysis show that, all other things being equal, the probability of an MP agreeing with or being undecided about the proposal is higher if the MP belongs to a left-wing party. There is no significant difference between the probability of French MPs and German MPs agreeing with or being undecided about this proposal. **This seems to suggest that opposition to the allocation to European level of mechanisms to share national labour market risks stems more from a partisan divide.**

Finally, structural reforms aimed at greater labour market flexibility typically represent a supply-side policy. The divide on this issue is exclusively partisan: all other things being equal, the probability of agreeing with or being undecided about the proposal strongly increases with membership of a right-wing party. We thus observe a strong right/left polarisation. The MP's nationality does not play a significant role in responses to this question.

PERSPECTIVES

This report presents the results of the first survey conducted among French and German MPs on the future of the European project as regards the labour market. We would like to extend it to more European countries over the next few years.

The proposals to set up a European unemployment insurance scheme and to make the labour market more flexible reveal a left/right divide rather than a Franco-

German one and thus reflect two potential areas of agreement between the two countries in this area.

There is no alignment either between countries or between parties on the issues of binding guidelines regarding the labour market and wage policy. However, on binding guidelines on the labour market, the partisan divide is smaller than on the rest of the issues. These results resonate with those of Alesina, Tabellini and Trebbi⁽⁵⁾, where the authors focus on a sample of European Union countries and find that cultural differences are sometimes bigger within one country than between different countries.

The strong left/right divide on certain issues suggests that the Euroscepticism sometimes observed in political discourses may be due primarily to political divisions rather than entrenched opposition to European integration.

Study reference: This report is based on the paper: *Intégration européenne et politiques du marché du travail : Quel consensus entre parlementaires français et allemands ?* Sebastian Blesse, Pierre C. Boyer, Friedrich Heinemann, Eckhard Janeba and Anasuya Raj, 2017. *Revue d'économie politique*, 127 (5), 737-759.

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Support

We would like to thank the German Research Foundation (Deutsche Forschungsgemeinschaft), in the context of the interdisciplinary programme on the Political Economy of Reforms at the University of Mannheim (SFB 884), and Investissements d'Avenir (ANR-11-IDEX-0003/Labex Ecodec/ANR-11-LABX-0047) for their financial support.



Gefördert durch
DFG Deutsche
Forschungsgemeinschaft

(5) Alesina, A., Tabellini, G. and Trebbi, F. (2017). *Is Europe an Optimal Political Area?* NBER Working Papers 23325, National Bureau of Economic Research.