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European job-killing machine

By Richard W. Rahn
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Assume you were a graduate student trying to make as much money as possible during the summer. You obtain a job at a resort, and you ask the manager the maximum number of hours he will allow you to work. He says you can work seven hour shifts without a break other than for necessities, with 10 hours between shifts, for an average workday of 10-1/2 hours. You agree, with appreciation. In America, you would be praised for your work ethic; but in Europe, you would be engaging in an illegal act.

In the real world, we know employees have widely varying preferences about how long they work at a stretch and how they prefer to bunch their workweek. For instance, we know some workers prefer to work long hours for three or four days and then take extended weekends, while others prefer shorter workdays. Some jobs are physically demanding or mentally intense and require frequent breaks, while other jobs require little in physical effort and only periodically require any activity (such as a drawbridge operator). In many types of jobs, playing the radio or eating while working is perfectly acceptable.

The European Court of Justice has just ordered the British to adopt some of the more rigid work rules of Continental Europe. One reason the British have prospered more and have almost half of the unemployment rate of Germany and France is the British have much more flexible work rules. Now the European Union demands the staff in British firms have at least 11 hours off between work days, a minimum of one day off per week, and an extended break at least every six hours.

Such rules may seem reasonable on average, but they ignore the reality of necessary "crunch time" at many accounting firms at tax time, law firms during intense negotiations, high-tech firms at critical product development times, retailers during the week before Christmas, hotels and restaurants during high season, farms during harvests, and in news rooms during critical events, etc. They also deny employees the fundamental freedom to bunch their working time if they so choose, and to work as hard and to earn as much as they wish.

A major reason the U.S. has grown more rapidly than most other developed countries is that unions and the government have, for the most part, been sensible enough to recognize both differences in job requirements and in personal preferences to allow employees and employers to voluntarily find ways to accommodate each other's needs to everyone's benefit. France, Germany and some of the other European countries have extremely rigid work rules, such as the French requirement that workers not work more than 35 hours weekly, even if they want to, and the almost impossibility of firing workers, no matter how lazy and incompetent. The predictable result is there has been little growth in private-sector employment in these countries -- the U.S., with a smaller population, has created more private sector jobs in the last four years than Europe has in the last 20.

Sweden is often cited as an example of the success of the high-tax high-spend European model. But in fact, Sweden has created virtually no new net private sector jobs since 1950, and has fallen from the fourth-richest, on a per capita basis, member of the Organization for Economic Cooperation and Development (the group of major industrial countries) in 1970 to only 16th now.

Germany has had little economic growth in recent years, yet it has only flirted with economic reform, rather than moving boldly toward reducing job destroying impediments as Margaret Thatcher did in Britain and Ronald Reagan did in the United States. Germany has reduced its corporate tax rate, but is slated to raise its value added tax (VAT) from 16 to 19 percent at the beginning of 2007. This will further dampen consumer demand in Germany, and lead to even lower job creation which it can ill afford with an unemployment rate of more than 10 percent.

The headquarters of the EU in Brussels seem intent upon destroying the remaining vibrant parts of the European economy. They are about to place onerous regulations on the chemical industry (without doing sensible cost-benefit analysis) that will destroy much of it and the workers it employs. The European attempt to stop tax induced capital flight through its "Savings Tax Directive" has predictably failed. It has caused even more capital to flee to places, such as Hong Kong and Singapore where the European governments cannot touch it.

We will know the Europeans have finally become serious about stopping the killing of jobs when the European Court of Justice recognizes the restrictive work rules in France, Germany and elsewhere are a denial of the fundamental human right to earn a decent living and work as much as one wishes. But, as the ruling against the British shows, their European neighbors still seem more intent upon killing success than emulating it.

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