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European social policy

Introduction

Welfare issues in the EU were clearly subordinated to the completion of the European open market. Economic objectives come first although the range of areas covered has expanded through the continuing efforts of the European Commission to enlarge its sphere of competence, reinforced by judgements of the European Court of Justice. Social policy is legitimate as long as it can help promote economic goals, especially the free movement of labour. In the other market-related areas, there has been some developments in relation to health and safety at work, influenced by concern for equal competition, but less activity in pensions, long-term care, social assistance. The EU has been most prone to intervene in labour market policies, which includes female participation in the labour market - through the notion of work-life balance - and to a limited extent in social assistance policies through the Social Action Programmes and the structural funds¹. This review will be divided into three sections. Section 1 provides an overview of the development of EU social policy. Section 2 analyses EU policy in relation to pensions, old age, social assistance and employment policy. Section 3 assesses the impact on EU policies on domestic social policies, with a special emphasis on the issue of social dumping.

I- EU social policy: an overview : 1980s-present

EU policy is essentially not interventionist. Acceptance of the principle of subsidiarity in the Maastricht and Amsterdam Treaties means that Union competence is restricted to areas where national governments cannot meet policy objectives through their own actions. The difficulties encountered in the promotion of the 'social dimension' have led to the abandonment of any direct attempt to 'harmonise' national policies and to the shift to an 'open method of co-ordination'. Policy areas such as public health, gender equality and to some extent disability have attained 'mainstream' status, so that they are included in the general

¹ The structural funds were established to promote 'harmonious development ..economic and social cohesion... and reduce regional disparities ' (Single European Act - SEA - Article 130a) and programmes to promote particular objectives were set up. The relevant structural funds are the Social Fund and the Regional Fund. Over two-thirds of the resources in the funds (totalling about 120 billion Euros in 1989-93 and about 150 billion in 1994-9) was allocated to meeting the needs of the poorer regions (Geyer, 2001, Table 6.1) and specific programmes have been established within the Funds to promote such interests as vocational training (Euroform), the labour market integration of disabled people (Horizon) and women's opportunities (NOW). The Social Action Programmes are smaller initiatives designed to advance particular social objectives, but with an increasing stress on labour market issues.

process of policy-making and discussion. Thus the EU follows both an liberal, open market oriented logic and a social protection course of action.

During the 1980s strenuous efforts were made by the Commission to establish social policy concerns alongside economic issues as EC goals as a 'social dimension' to EU policy. This led to the development of a Social Charter, which listed fundamental rights for workers and was passed as a non-binding 'solemn declaration' at the 1989 Strasbourg summit. The Charter influenced the 1989 Social Action Programme. The Social Protocol of the Maastricht Treaty included a number of social policy advances, including qualified majority voting in the Council for health and safety, working conditions, workers' consultation, equal opportunities and treatment and the integration of those excluded from the labour market, although the UK was permitted to opt-out and a series of political developments. The 1993 Green paper on Social Protection identified a number of objectives at the European level, which included solidarity and integration, equal opportunities, establishing common social standards, and social cohesion alongside growth, human capital and high employment (EC, 1993, part III). The Amsterdam Treaty in 1997 finally incorporated the full Social Protocol and ended the UK opt out. The treaty addressed discrimination (Article 13) but made no new spending commitments and measures for improving the position of the elderly and of disabled people were dropped from the final text. The Fourth Social Action Programme (1998-2000) reflects the labour-market orientation of EU social policy: it stresses 'jobs, skills and mobility' and 'the changing world of work' as well as an inclusive society' as its areas of operation. EU social policy has followed an uneven path of development but has expanded and been consolidated. It is mainly linked to employment rights, and various related activities concerned with specific programmes on poverty, disability, youth and women's opportunities in employment.

Table 1 below summarises the current status of EC social policy and related areas, and indicates where there has been substantial development. The first area includes public health, poverty and the needs of older, disabled and younger people. The intermediate group comprises policies which developed from both labour market and welfare concerns: the equal treatment of men and women and policies combating racist discrimination. The third group consists of measures concerning with labour market issues, but which have social policy implications - the free movement of labour, the enhancement of social dialogue between unions and employers, stronger employment rights, working conditions, worker participation and health and safety in the workplace.

Table 1: EU Social Policy and Related Measures

	QMV Status	Significant access to structural funds	Funded action programmes	Legislative acts	Probability for future expansion	Consolidated treaties - Articles
<i>Mainly Welfare-related</i>						
Public health	Maastricht (Art.129)	No	Yes	5-10	Medium	3, 152
Poverty	Maastricht Soc Prot (Art 2)	Yes	No	0-5	Low	136, 137
Elderly	Unanimous voting	Yes	Yes	0-5	Low	13
Disability	Unanimous	Yes	Yes	0-5	Low	13

	voting					
Youth	Maastricht (Art 126-7)	Yes	Yes	10+	High	149, 150
Market/social welfare related						
Employment	Amsterdam (Art 109)	No	Yes	0-5*	Medium	2, 125-130
Gender	Maastricht Soc Prot (Art 2)	Yes	Yes	10+	High	13, 137, 141
Racial discrimination	Unanimous voting	Yes	Yes	0-5	Low	13
Mainly Market-related with welfare implications						
Health and Safety	SEA 118a	Yes	Yes	10+	Medium	3, 136, 137, 140
Free movement	SEA (art 7)	Yes	Yes	10+	Medium	3, 14, 39-42, 61-9
Working Conditions	SEA 118a	No	No	5-10	Medium	137
Social dialogue	Maastricht Soc Prot (Art 4)	Yes	Yes	10+	Medium	136, 139
Employment rights	Unanimous voting	No	No	0-5	Low	137
Worker participation	Maastricht Soc Prot (Art 2)	No	No	0-5	Low	137

Source: adapted from Geyer (2000) pp.204,5

* Some of the directives included under youth or disability are primarily concerned with employment for these groups.

II- Specific areas

Social exclusion

The European Commission (EC)'s ambitions with respect to anti-poverty policies date back to the social action programme of 1974 (Geyer 2000: 157-164; Hirtz/Köhler/Schulte 1992; Schulte 1993). Since then three anti-poverty programmes have been implemented. However, the fourth anti-poverty programme has been vetoed in 1994 as Member States argued that the adequate political level to deal with poverty was the national level (the subsidiarity argument).

Social exclusion figured prominently in the agenda of the Single European Market. The Social Rights' Charter of 1989 sought to guarantee minimum standards of social assistance within the EU. In number 25 the charter stated that each worker had a right to adequate access to social welfare when in work, unemployed or retired. The social action programme of 1989 tried to implement the charter through an impressive catalogue number of measures. Some measures dealt more specifically with the issue of social inclusion. In particular, a Council's recommendation established minimum standards of social assistance in 1992. It should be

noted that recommendations do not have a binding character - they are soft law measures - and do not as such involve any clear programme of action for nation-states.

The fight against social exclusion was officially accepted as a EU policy area (Art. 136 and 137 EC Treaty, consolidated Treaty) with the integration of the Social Protocol into the Treaty of Amsterdam in 1997. The EU can adopt directives in order to promote the inclusion of unemployed people into the labour market by qualified majority voting. Moreover, Art 137 explicitly called for measures to support the battle against social exclusion. The "Lisbon strategy", which had been accepted in March 2000 by the European Council, stressed that "modernising the European social model, investing in people *and combating social exclusion*" was one of the three main objectives of the reform agenda (European Council 2000, presidency conclusion). It also decided that the principle of open co-ordination should be applied to social exclusion (point 32). The European Council at Nice (December 2000) defined the priorities of the social policy agenda² and established common targets for implementing a social inclusion strategy:

- Objective 1: facilitate participation in employment and access by all to resources, rights, goods and services
- Objective 2: prevent the risks of exclusion
- Objective 3: help the most vulnerable
- Objective 4: mobilise all relevant bodies

Member States had to write a National Plan against social exclusion (NAP incl) in 2001 which specified the common EU targets. In contrast to the employment policy, the social inclusion strategy does not define a common target for 2010. The Commission proposed in its preparatory paper to the Barcelona summit "to set a target for 2010 of halving the number of people at risk of poverty across the European Union" (Commission 2002b: 16). However, this initiative was not followed through; the definition of concrete targets is left to individuals member states.

Employment

The employment strategy was officially designed in the 1997 Luxembourg summit. The European Council of Ministers agreed that activation - preferably positive activation based on training coupled with making work pay strategies - was the best way to achieve full employment in the knowledge economy. The primary goals of public policy remained low inflation and a balanced budget. Consequently, the removal of structural rigidities in the economic downturn at the end of the 1990s was advocated in order to achieve sustainable economic growth. In 1997, most member states agreed that activation was the best way to achieve full employment. However, there are in practice tremendous difficulties in implementing a coherent EU strategy since each family of nation is prone to a specific trade-efficiency off. The 1997 Luxembourg summit has required each country to devise its own strategy in order to achieve the employment rates targets (EC, 2001a).

The EC White Paper of 1993 recommended that new measures should "promote the development of new employment opportunities ...Public expenditure associated with EC programmes could contribute strongly with jib creation." (EC, 1993: 132). In the late 1990s, the need to implement structural reforms was been more openly acknowledged by the EU

² The European social agenda identified six priorities: 1. More and better employment, 2. A new balance of flexibility and security in the organisation of work, 3. Combating of all forms of social exclusion and discrimination, 4. Modernisation of social protection, 5. Promotion of gender equality and 6. Strengthening the social dimension of enlargement and external relations.

official discourse. One of the goals for the EU agreed upon in the Lisbon European Council is to regain the conditions for full employment and to strengthen regional cohesion. The European Council held at Nice approved the European Social agenda, which specifies that achieving full employment involves structural reform and ambitious policies to reduce economic disparities (EC 2001a: 81). The emphasis on structural development has taken a new turn at the beginning of the 21st century. The *Joint Report on Social Inclusion* (EC 2002) has identified the promotion of the social economy (also known as Intermediate Labour Markets) as one of the best practices for implementing labour market integration.

Female participation in the labour market

Since the mid-1990s, especially in the wake of the Employment Strategy, the EC has been more pro-active in the work-life balance area. The EC has enacted a series of recommendations and directives in order to promote - and even impose- female participation in the labour force. The Social Protocol of the Maastricht Treaty included equality in employment (article 2) and an enhanced equal pay clause (article 6) that provided for positive discrimination. The 1993 Green Paper stressed 'the reconciliation of family and responsibilities and careers, and this theme was also included in the 1994 White Paper on employment. This led to directives on pregnant workers, and recommendations on sexual harassment in the workplace, equal participation of women and men in decision-making and on childcare in 1992. In 1990 the Commission supported the formation of a European Women's Lobby to co-ordinate the activities of the large number of NGOs campaigning on women's issues. In the late 1990s directives on Parental leave (1996) and the Burden of Proof (which out the onus on the employer in sex discrimination cases - 1997) were passed further extending gender rights. However, the issue of child care costs - one of the major barriers to paid employment for female workers - has not yet been addressed at the EU level. There is no European Child-Care directive which defines minimum standards of public childcare provision. This gap needs to be addressed as child care provision is arguably one the major "new" pressing social needs. More specifically, child care needs did exist during the Trente-Glorieuses but massive female entry into the labour force since the late 1960s has tremendously increased the scope of these needs.

Pensions and old age

The competencies of the EU in relation to pensions were limited from the outset (Geyer 2000: 180-187). The social charter of 1989 mentioned the rights of older people in paragraphs 24 and 25. Since then the issue has gained more prominence due to rising concern concerning the costs of old age at the EU level as recent EC statements make it clear. The European Employment Strategy (EES) calls for the abandonment of early retirement policies and advocates the implementation of active ageing policies, i.e., the integration of older workers (55 year old) into the labour force. The European Council at Stockholm set the target of increasing the employment rate of older people (55-64 years) to 50% by 2010 (37% in 2000). Likewise, the Broad Economic Guidelines (BEG) stressed the importance of sustainability in relation to pensions. In addition the Commission included the issue of pensions reform in its 1999 communication on the modernisation of social protection (Commission 1999).

At present European member states must provide a first national strategy report on pensions by September 2002 which should include contains a pension reform strategy. The Commission and the Council will have to write a joint report on pensions by 2003. The report should assess national strategies and identify good practices. In addition, this report should

develop appropriate indicators to sustain the open method of co-ordination. Despite this recent emphasis on better co-ordination, both the Commission and the Council strongly emphasise that pension policies remain national policies where the EU has no need to interfere.

III- The impact of the EU on domestic social policies

It is increasingly accepted that national policies in Europe can no longer be analysed without reference to the EU. The nation state must be analysed as the most important actor in a multi-tier political system (Marks et al 1996). Likewise, social policies are increasingly affected by the EU social agenda. The national welfare state has faced a transition from a sovereign to a semi-sovereign welfare state (Leibfried/Pierson 1995). Beyond the social policies of the EU - positive integration - it is the direct and indirect pressures resulting from the process of market-integration that erode the capacity of the national welfare states to pursue autonomous social policies. Table 2 lists the actors and processes which have an impact on domestic social policies.

Table 2: National welfare states transformed through European integration: processes, actors and examples

Processes	Key actors	Examples
Direct pressures of integration -> 'positive' integration to develop uniform minimum standards	Commission, expert committees, ECJ, and since 1992 institutionally entrusted corporate actors	Gender equality, health and safety; Social protocol 'corporatism' since 1992, generalised 1997, with expansion of competencies and QMV, incorporated in Treaty of Amsterdam
Direct pressures of integration -> 'negative' policy reform via market compatibility requirements	ECJ, Commission, Council, national legal institutions	Labour mobility, since the late 1980s freedom to provide services, combined with impact of European 'competition regime'
Indirect pressures of integration -> adaptation of nat. welfare states	Market actors (employers, unions, sensitive sectors: private insurance, provider groups) Council, individual national governments	'Social dumping', EMU, harmonisation of tax systems, single market for private insurance

Source: Leibfried/Pierson 2000: 269.

One of the most disputed influences of the EU on the national welfare states are the consequences of the transition towards a European Monetary Union and the indirect effects of market liberalisation (Scharpf 1999, 2000; Leibfried/Pierson 2000; Streeck 1995, 1998, 2000). The Maastricht Treaty involved some crucial conditions with regard to fiscal and monetary policy the member states. These convergence criteria established the overall target all national governments adhered to. According to Article 109j these are:

- (1) a high degree of price stability,
- (2) the sustainability of the government financial position. This condition is fulfilled when annual government borrowing is not above 3% of the GDP and total public borrowing does not exceed 60% of GDP, although this last rule is flexible.
- (3) exchange rate stability and
- (4) durability of convergence which is measured by nominal long-term interest levels.

The convergence criteria had required the implementation of spending cuts and retrenchment measures in most member states. Stephen Gill (1998) therefore describes the Maastricht Treaty as a major element of the new "disciplinary neo-liberalism" that was institutionalised by the European Union.

Table 3 shows that while in the first half of the 90s the public balance worsened and the debts increased, since 1995/96 all EU member states successfully turned to a policy of fiscal consolidation. From 1996 to 2000 all EU member states significantly reduced their annual budget deficit. The growth and stability pact (1997) and the annual economic guidelines provided the mechanisms to guarantee the primacy of sound fiscal policies within the EMU. The stability pact created a gradual system of sanctions if member states had a budget deficit of more than 3%.

Table 3: General public debt (percentage of GDP)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
France	39.6	45.3	48.4	54.6	57.1	59.3	59.5	58.5	57.4
Finland	40.6	56	58	57.2	57.1	54.1	48.8	46.8	44.0
Germany	42.9	46.9	49.3	57	59.8	61	60.9	61.3	60.0
Spain	46.8	58.4	61.1	63.9	68.1	66.7	64.6	63.1	60.4
Sweden			76.2	76.2	76	73.1	70.5	65	55
Switzerland									
United Kingdom	39.2	45.4	48.5	51.8	52.3	51.1	47.6	45.2	42.4
United States	74.1	75.8	75	74.5	73.9	71.1	68.8	67.8	63.9
EU 15			66.3	70.6	72.5	71.1	68.8	67.8	63.9
EU 12	60.4	66.2	68.9	73.5	75.1	74.9	74.1	72.5	70.1

Source: Eurostat, <http://europa.eu.int/comm/eurostat>;

Moreover, welfare states had to adapt to the neo-liberal institutional framework. The process of European integration has created a politico-economical structure with a weak political authority and strong constituent member states in which the national welfare states have to compete with each other. Streeck calls this structure "regime competition" (1995: 420ff). "Regime competition" is argued to be particularly damaging to social-democratic welfare states that are committed to policies of redistribution between social classes (Rhodes 1995, Streeck 1995, 1998, 2000; Ferrera et al. 2000, for a discussion: Geyer et al 2000). The extent to which to assess this process is actually taking place is difficult to assess. Effects of "regime competition" on the national welfare states may be more visible in certain areas than others (*social dumping and tax dumping*)³. However, both the social and tax dumping arguments have been severely questioned by the mainstream of the literature (for social dumping, see Alber/Standing 2000; for tax dumping see Ganghof 2000 and Genschel 2000).

Whilst there is no strong empirical evidence for a "race to the bottom" in the EU, there is nevertheless a strong pressure to re-calibrate national welfare states in a more neo-liberal fashion. Modern social democrats (the Third Way) have acknowledged the need to adapt the welfare state to the challenges of globalisation. The issue of competitiveness, once

³ "Dumping" processes might occur in the field of incomes policy as well. It may even be argued that income policies get more important in an institutional framework of EMU. Incomes policy is one of the policy area that may be decided on the national political level without interference from the EU level (pay is explicitly excluded from the EU competencies, Art. 137 EC Treaty, consolidated version). This might explain the rise of "competitive corporatism" which involves a policy of wage restraints in Western Europe (Rhodes 1997, 2001).

disregarded by the Old Left, has become crucial to Third Way thinking (Giddens 1998; Streeck 1998, 2000) and to the elaboration of an European social model. In their report for the Portuguese Presidency, Ferrera, Hemerijk and Rhodes (2000) emphasise the need to reconcile historically strong commitment to social solidarity and new policies such as wage restraint, labour market flexibility, activation policies as well as calling for an overall shift towards the protection of new social risks.

Conclusion

New developments in the social doctrine of the EU are of crucial importance to the purpose of the research project. Two points are worth noting here. First, despite the original restrictions on EU social policies, the EC is gaining increasing power and influence in several policy areas, especially since the late 1990s. Indeed, the EU may have a moderating influence on member states with a more neo-liberal political agenda such as the UK. Second, there is no clear European social model because Member States and other various key policy actors are torn between conflicting policy objectives, that is, the need to increase economic competitiveness and the need to maintain popular social benefits (including the old social risks such as pension rights). Policy discourses at the EU level point out into the same direction, i.e., an enlightened capitalism model that mitigates the potentially destructive effects of the market. In this sense, the EU social model, as vague and elusive as it may appear, is still very distinct from the American model whereby the market and the family are the main providers of people's welfare, with little role for national social policies.

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