

Social developments in the European Union 2002

Fourth annual report

edited by
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Observatoire social européen (OSE)
The National Institute for Working Life and
The Swedish Trade Unions in Co-operation (SALTSA)

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Preface

The phrase “Europe is at a turning-point in its history” may seem dated and even hackneyed, having been repeated so many times in recent years whenever the founding treaties have undergone a revision. And yet now, at the start of the 21st century, the European Union really is facing its destiny. It is preparing for enlargement to include the Central and Eastern European countries as well as Cyprus and Malta. In order to guarantee the efficiency of its decision-making mechanisms, it is preparing a root-and-branch overhaul of its method of operation, an overhaul which also implies an unprecedented desire to clarify the political aims of this hybrid entity. Whatever the outcome of the European Convention and the ensuing Intergovernmental Conference, a hitherto unknown degree of participatory democracy will have been attained: never before, without a doubt, has European debate been nourished by such a wide range of political, economic, social and trade union players, be it at European level or at national, regional and local level.

Whereas this “Europe of debate” has the merit of comparing divergent views of the reunified continent’s political future, it nonetheless throws Europe’s divisions into sharp focus. As far as political union is concerned, this was amply demonstrated by the diplomatic crisis over Iraq. In socio-economic terms, the European Convention has revealed all the limitations of the undertaking: even though monetary union has now been achieved, there is still a lack of economic and social policy co-ordination owing to different interpretations of what constitutes ideal co-ordination. It goes without saying that Social Europe is the number one victim of this absence of co-ordination. Although new working methods are currently being implemented in this sphere, the key question of how they should interact with economic policy seems unlikely to be answered in the short term.

It would appear more necessary than ever, in this context of open-ended challenges, to disseminate information and to analyse the changes affecting Social Europe. There seems to us to be an increasing need to create transnational forums of dialogue, not only to feed into the debate but also to attempt to shed light on the weighty developments taking place at present, with a view to influencing policy directions. To this end, the European Trade Union Institute and the Swedish trade union research programme SALTSA have once again joined forces with the Observatoire social européen to produce an assessment of European social policy for the year 2002. This co-operative venture follows on from various joint projects on the part of these partners, and is indicative of their wish to work together as a network. This volume, published in English, French and German, is aimed at a wide readership and seeks to prompt reflection and debate about the state of Social Europe and its prospects. We hope you will enjoy reading it.

Reiner Hoffman (ETUI), Lars Magnusson (SALTSA),
Philippe Pochet (OSE), Christophe Degryse.

Foreword

The year 2002 saw a profusion of political debate about Europe. As far as “social Europe” is concerned, the proceedings of the European Convention, which began in February, fed into the reflection, discussion and often controversy about the nature and purpose of the Union on a daily basis. These debates made perfectly plain – especially during the second half of the year – the extent to which social issues are inseparable from political issues. Indeed, as opinion polls are showing day by day, it is impossible to isolate the prime concerns of citizens: employment and job stability, the fight against social exclusion and discrimination, the smooth operation of public services, etc. But social policy is also closely connected with economic policy. In the words of Jean-Paul Fitoussi (2000), this demonstrates (as if there were a need) that social policy cannot be a mere adjunct of economic policy, but is part and parcel of democracy⁽¹⁾.

Consequently, we believe that there can be no genuine political Europe without a social Europe. Nor, of course, can there be a real social Europe without a political Europe. And yet social affairs did not originally feature in the discussions on the future of Europe within the Convention. It was not until October that, following many differences of opinion, the Convention finally resolved to establish a Working Group on Social Europe. But this illustrates the intrinsic link between social policy issues and the debates on the goals of the European Union.

¹ Fitoussi, J.-P., *Le Monde*, 19 July 2000.

Whereas the Convention has helped to clarify the basic values of the Union in the social sphere, as well as its fundamental objectives, the key question of economic policy co-ordination has still not begun to be answered satisfactorily. This question is in fact closely bound up with social priorities. Economic and monetary policy decisions – be they those of the European Central Bank, tax reforms embarked on or pursued randomly by several of the Member States' governments, investment policies or wage policies – all have an impact on social affairs. Failing to acknowledge this link means confining social policy to an adjustment policy with no bearing on the choice of economic and social model. It is not so much a matter of “reconciling” the economic and social spheres, as proclaimed by the Lisbon summit, but of them both working in concert towards joint objectives.

Europe still seems not to have found its way from this point of view. Thus the marked economic slowdown experienced in 2002 revealed, among other things, the limitations of a European Employment Strategy which is disconnected from the Broad Economic Policy Guidelines, the inadequacy of the monetary priorities and the lack of a concerted policy of revival. The cries of victory over unemployment, uttered at the end of the 1990s and at the turn of the millennium, suddenly abated. They have since been overridden by weightier debates about the stability pact, economic policy co-ordination and monetary policy guidelines. This may yet prove to be an interesting development, of course, since questions which were thought to have been buried beneath the millstone of neo-liberal “single-track thinking” have resurfaced: what is “good” public expenditure? Should public investment be factored into the calculation of budgetary deficits? Should account be taken of a nominal deficit, or should it be adjusted for economic cycles? And so on. But, at the same time, there are new dangers lurking in the longer term, since in a decentralised monetary union common rules must be accepted and complied with by everyone. Otherwise the slightest crisis (and there are plenty of those looming) may have disastrous effects, where each individual government attempts to cope alone by taking its own decisions without considering their impact on neighbouring countries.

These questions, which go to the very core of economic and monetary union, have so far not been answered, no doubt because they are so highly sensitive. The abortive attempts of both the European Parliament and the Convention to tackle them head-on are tangible evidence of that (see article by Cécile Barbier).

Two shifts

Let us now turn to Community developments more specifically related to social policy matters. 2002 was an important year in terms of recognition for the role of the social partners as front-line players. The Barcelona European Council in March underscored this role and called for them to be more involved in seeking a balance between job flexibility and security, anticipating and managing change, and improving quality in work. The Convention has likewise taken steps towards enshrining recognition of the specific contribution made by employers and trade union organisations in the forthcoming Treaty. This increasingly official recognition is not however devoid of ambiguities. We shall highlight two. Whilst social policy in the Community was long dependent on initiatives from the European Commission, one gains the impression nowadays that the Commission is in a sense taking a back seat behind the Member States and the social partners.

This “shift” in protagonists is intimately connected with a change in the instruments used to develop social policy. Over the years, the classic legislative approach has been supplemented by a multidimensional approach drawing on a series of new tools for co-operation/co-ordination among Member States. The most illuminating example is the Open Method of Co-ordination. Little by little, this method takes us away from the classic pattern: a Commission proposal for a directive, adoption by the Council and Parliament, transposition into national law, and judicial scrutiny by the Court of Justice of the European Communities. This pattern is gradually being replaced in the social sphere by the definition of common objectives (or “guidelines”), the implementation of national action plans, the evaluation of these plans and, where appropriate, the adoption of recommendations. Under this

new procedure, the role of Member States becomes preponderant and that of the Commission less visible, even though in actual fact the latter does continue to “manage the agenda”, lay down technical requirements and ensure continuity of the processes underway. (Its permanence contrasts with the six-monthly rotation of presidencies and with changes of the guard in national capitals.) Since the Open Method of Co-ordination contains no elements that could be challenged in court, the role of the Court of Justice becomes virtually irrelevant. It does nevertheless play a historically important part in the gradual emergence of social Europe (see article by Dalila Ghailani). Lastly, the European Parliament too finds itself sidelined. Its proposals for a better linkage between the Broad Economic Policy Guidelines and the European Employment Strategy are of course an attempt to acquire a place in the process. Inasmuch as co-ordination depends first and foremost on implementation by the Member States, national parliaments constitute the weak link for the time being. The Commission acknowledged this difficulty in its Communication for the 2003 spring European Council. How can national parliaments, as well as all the other relevant players, be more closely involved in making European strategic decisions and in defining and implementing common objectives? This, in our opinion, is the most pressing question at present. It is, in other words, a matter of ensuring that these flexible, adaptable processes reinforce democracy and public deliberation.

In parallel with these developments, another trend, occurring especially since Maastricht, has brought the social partners into the foreground (see articles by Christophe Degryse and Pierre Walthéry). In 1991 the two sides of industry were granted the right to negotiate, at the Commission’s initiative, framework agreements liable to be turned into directives by the Council. Although it was thought during the second half of the 1990s that this new procedure may be able to launch a “legislative” social Europe, it has to be admitted that after three fully-fledged cross-industry framework agreements the process ran out of steam (see the edition 2001 of *Social Developments*). Despite recent difficulties, the social partners have been endeavouring since the Laeken summit to boost their independence from the Commission. In this spirit they adopted a multi-annual work programme in November 2002

aimed at laying down their own negotiating agenda. The Commission was delighted. If the autonomous work programme is put into practice, two fundamental questions will arise. First, will the employers assume their role of social interlocutor in a dynamic fashion? It should be remembered here that, in the past, it was external pressure – in particular the prospect of Treaty reform – that convinced UNICE to negotiate with the trade unions, as pointed out by two seasoned observers of the employers' movement.

Second, how can a more autonomous course be charted unless the negotiating hand of the trade union side is strengthened at the same time? Aside from some recent important but isolated demonstrations by the trade unions, the balance of power in European social negotiations operates to the detriment of the unions, as has already been pointed out.

Ultimately, the new relationship between the social partners will pose questions about the interaction between the European and national levels. This interaction is likely to be intensified, in that voluntary agreements signed at Community level will be implemented nationally, the obvious risk being that implementation will be uneven, depending on the strength of the national players concerned. What is more, this new momentum could mean that the social dialogue is burdened with full responsibility for social Europe by the world of politics which then, as it were, washes its hands of the matter. After all, some members of the Convention objected to reinforcing the social provisions of the Treaty on the pretext that it was now up to the two sides of industry to deal with social affairs independently.

The first clear-cut effect of this twofold shift, in players and in instruments, was to reopen political debate about issues which seemed to have become taboo. Here is Europe beginning to talk about pensions, healthcare, combating social exclusion, migration policy, etc.: all subjects that have been painstakingly avoided until now. Questions can however be asked about the momentum behind these different processes, their relevance, their coherence and their legitimacy. If the Open Method of Co-ordination is to be extended, its scope should at

least first be clarified. As we shall read in the following pages, such questions cut right across the processes underway in the field of employment (see article by Philippe Pochet), healthcare (see article by Rita Baeten) and pensions (see article by Caroline de la Porte). These studies reveal that there is not just one method of co-ordination but several, and that they vary especially in terms of intensity and implementation.

Another major theme of 2002 was services of general interest. Our assessment of EU action in this area is equivocal. On the one hand, some headway has been made thanks to an active minority within the European Council and the Council of Ministers, which has gone to great lengths to safeguard the durability of public services. But, on the other, liberalisation is progressing inexorably and eating away day by day at the foundations of public service, replacing it with universal service, a derivative and inferior variant of public service. As for the Commission, its actions show little evidence of consistency. One moment it champions services of general interest; the next moment it argues for a very restrictive notion of State aid and refuses to establish a watertight distinction between non-market services of general interest and market service of general economic interest.

A “social model”?

The three main pillars of our national social models are now clearly at the very heart of European debate: the social dialogue – including trade union rights – social protection and public services. This raises two questions. Firstly, assuming of course that we rule out the hypothesis of merely transferring what happens nationally to the European level, how are these matters to be handled at this level? There will undoubtedly be no cut-and-dried answer. The social dialogue has developed patchily at Community level, and it remains to be seen what will come of the new phase of autonomous development in social partner negotiations. As far as social security is concerned, unanimous voting remains the rule for all legislative activity, but the new co-ordination processes pave the way for Member States to set themselves convergent national objectives; these give an indication of what may become common principles

throughout the European Union. In the case of services of general interest, even in spite of recent occurrences we are still a long way from defining a European service of general interest, all the more so since efforts to do so are thwarted by the unwavering pursuit of liberalisation.

Our second question is this: what impact are these various developments likely to have on national social models? Any impact may as yet seem somewhat limited in the case of the social dialogue, even though the probable signing of voluntary agreements, and their implementation by national confederations, will lead to greater involvement of the national social partners. One might therefore expect a strengthening – albeit an uneven one – of the interplay between national and European social negotiations in the years ahead. In respect of pensions and healthcare, it has to be admitted that the European debate has not yet percolated through to national political debate (in fact the opposite is more apparent). Conversely, the issue of services of general interest, which are scheduled to open up to competition over the next ten years, is making a strong impact on national priorities.

Finally, as we stressed at the start of this Foreword, the economic sphere is keeping its distance from the social sphere at Community level. Even now there is still no structural link between the European Central Bank and the social partners. Indeed, the latter are almost the only stakeholders to have no say on wage policy, a topic about which the Commission, Ecofin Council and European Central Bank are prone to speak at length.

Brussels, February 2003