

## General introduction

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European social policy seems to be at a new turning point. The smooth switch to the euro coincided with an almost un hoped-for economic upturn and drop in unemployment in most European Union (EU) countries. A new Commission is in place and the Social Affairs Commissioner, Anna Diamantopoulou, has stressed the need to create good quality jobs and to promote the economic, employment and social aspects in tandem. EU enlargement is also moving forward, as are the discussions on the "European model" and the risks of social dumping. All are good reasons for taking stock of the EU's social dimension and the outcomes of the social action programme 1998-2000.

The report is divided into two broad parts. The first comprises summary articles on three issues, which we see as the main highlights of the past year.

First, of course, is *employment* and the follow-up on the Luxembourg process. Three particular aspects are highlighted here: the first-ever recommendations made by the Commission to the Member States on the implementation of their national action plans (NAPs); the new Cologne process creating a dialogue between policy-makers, the European Central Bank and the social partners; and the use of the Structural Funds (after their reform and Agenda 2000 which set the financial perspectives) to support the employment strategy.

The second tackles *social protection* and its sudden emergence as an issue which could (or should) be on the EU agenda. A Communication put forward at the end of the Santer Commission's term (mid-July 1999) proposed a concerted strategy between the Fifteen on work and income, pensions and pension systems, social inclusion, and health protection. It was adopted at the end of November by the Employment and Social Affairs Council. Rarely has consensus been reached so quickly on an issue which was until recently claimed to be the archetypal province of subsidiarity. A strong focus is put on the contents and proposals of the different players.

The third issue selected is the *Social Dialogue*. Here, too, the overall picture is qualified. Once again, it proved difficult to establish an independent framework for negotiations (one notable exception is the signature of an initial sectoral agreement on working time for seafarers, made the basis of a Council directive). Even so, a series of developments in the Social Dialogue will pave the way for future progress. They include changes to UNICE's internal rules, a major European Trade Union Confederation (ETUC) Congress and the early beginnings of the new sectoral dialogue committees.

Although focusing on topical developments in 1999, these articles also aim to show where the issues have evolved from and suggest what the future may hold. They supplement the second, more technical, part.

Part Two describes the measures taken up to 15 January 2000 under the Commission's social action programme 1998-2000. Each individual measure is presented with a brief background where relevant, and links to other measures in the action programme. We have also added remarks, opinions and reports by the social partners, the European Parliament and the Economic and Social Committee. This does not set out to be a complete picture, but rather to focus on what we felt to be

particularly important or relevant. Also, to keep it simple and down to a manageable length, we have cut many texts back to the bone, but the exact references to the full texts or special Internet sites are included for readers who wish to go into more detail.

## **The measures of the action programme 1998-2000: an overview**

It is difficult to paint a broad picture, made of measures of such distinct shades and colours as the Commission action programme. In fact, the programme falls into four broad headings. The first three relate to the internal dimension - jobs, skills and mobility (comprising 17 measures), changes in the world of work (16 measures), and an inclusive society (21 measures) in that order. The fourth broad heading is the external dimension of social policy (5 measures). Each heading is broken down into lines of action.

A more itemized breakdown of the contents gives a clearer picture of the overall structure of the programme and the number of measures planned.

- Heading One - "*Jobs, skills and mobility*" - is subdivided into two lines of action: the first, "Creating jobs and preventing unemployment" contains fourteen measures; the second, "Promoting free movement", three measures.
- Heading Two - "*The changing world of work*" - comprises four lines of action: "Modernizing work organization and promoting adaptability" (six measures); "Anticipating industrial change" (three measures); "Seizing the opportunities of the information society" (three measures); and "Creating a safe and healthy workplace" (four measures).
- Heading Three - "*An inclusive society*" - is also broken down into four lines of action: "Modernizing and improving social protection" (six measures); "Promoting social inclusion" (six measures); "Achieving equality and fighting discrimination" (five measures); and "Encouraging a healthy society" (four measures).
- Finally, Heading Four - "*The external dimension of social policy*" - is split into two lines of action: "Enlargement" (two measures) and "Promoting social progress on the world stage" (three measures).

Fifty nine lines of action are proposed in all. Some comprise a series of measures, but the biggest focus is clearly on jobs, which accounts for a quarter of all the measures.

While most of the Commission's proposals were put forward more or less as planned, some experienced serious setbacks. As we shall see, this points to a series of vexed issues.

In volume terms, there are as many measures as in the action programme which was intended to implement the 1989 Charter of Fundamental Social Rights of Workers. But the nature of the proposals are strikingly different. Seven distinguishing features can be identified in the present action programme.

**1. A notable lack of binding instruments** (directive and regulations). For comparison: nearly 40% of the 49 measures in the 1989 action programme were proposals for directives, 25% of them on health and safety of workers (Pochet, 1991).

The 1998-2000 programme most often focuses on adapting (working time) or expanding (free movement) past laws, but rarely puts forward new legislation (one exception being national rules on information/consultation of workers). And even just adapting past legislation is clearly a daunting task. The most striking example of this is the preliminary discussions for the revision of the European Works Councils Directive, which got under way in October 1999 just after the deadline laid down in the directive itself. Unlike the early 90s, where the tactic was to use the EWC Directive to break the deadlock on other issues linked to informing and consulting workers, there now seems to be no movement on any of the proposals. The position on health and safety at work is worse still.

While specific difficulties can be pointed to for each individual case in this area, the consistent problems and hold-ups seem indicative in themselves. The lack of movement and tangible results on health/safety and information/consultation - both central to (and the most notable successes of) the 1989 programme - are telling.

**2.** The second point is so trivial as to hardly bear mentioning: that is the emergence of employment and the four pillars (employability, adaptability, entrepreneurship and gender equality). The European employment strategy has had major spill-over effects on incomes policy (job creation policies raise labour cost issues), social protection policies (employment activation measures require a rethink of unemployment policies and benefit levels; also, cutting indirect labour costs raises questions about the funding of social protection), family policies (need for child care provision and family support services to increase women's labour force participation rate), and tax policies (public employment policies need extra tax revenues).

On a broader front, there will be piecemeal knock-on effects on Member States' redistributive policies generally, and backwash effects on economic/business performance and growth. Incomes policy has been put on the agenda by the Cologne process; social protection is a process apart; tax policies have again been debated at Community level, although to no avail.

All but a few of the measures in the action programme refer directly or indirectly to the employment strategy and its lines of action. A closer reading, however, reveals a series of particular points.

**2.1.** Firstly, the consistent difficulty of *including employment in the broad economic policy guidelines* (BEPG). A comparison of the employment guidelines - and related reports - and the broad economic policy guidelines clearly shows that approaches to the causes of unemployment and how to solve it are still not completely in line (although no longer totally at odds either). That is clear from the tone and terms used. But it is a key point, because job creation comes about as a result of similar thinking and institutions working hand in glove; notwithstanding all the rhetoric, we are still far from this (e.g., in tax matters). How can tax systems be made more employment-friendly while avoiding harmful competition between national systems when there is no tax harmonization on unearned income or environmental taxes?

**2.2.** The second aspect concerns the *development of indicators* by which to compare and evaluate the performances of the different national systems. Little progress has been made on this front - whether as regards jobs or

poverty and social exclusion - since the Essen Summit (1994). However, practically every European Council has made the ritual calls for rapid progress on the matter. The difficulty as we see it is that this is currently being addressed as a technical issue when the choice of indicators is essentially a political one. Countries may rank significantly differently for long-term unemployment and poverty rates. Also, the further one goes in setting common indicators, the more binding the employment guidelines exercise becomes. This exercise still allows national policies to be slotted within categories set at European level, instead of taking the European guidelines into account when framing national policies. This will become more difficult if a set of indicators is worked out at European level and requires more thought about the consistency and relevance of the guidelines, which seem more the product of a political compromise than a structured analysis of labour market challenges.

**3.** The third point relates to **poverty and social inclusion**. These issues were included in the social action programme (no less than 6 measures planned) but until recently were not really linked to employment. Their return onto the agenda is particularly surprising given British and German opposition to the continuation of the "Poverty" programme (more symbolic than really operational and severely under-funded), and the Court of Justice's blocking of the budget lines for it.

This is a key aspect, because the degree of tolerance of inequality and poverty is a major distinction between the European and Anglo-American models. But this is only one aspect of the European model (which, more broadly, includes extended social protection systems, a vital social partner role in the labour market, and a major role for the State).

It also straddles the dividing line between employment and social security (and is also addressed in the concerted strategy for social security, see below), but with its own specific issues: access to housing, culture, etc.

The Commission has been very slow to act in this area. A Communication on exclusion was not put forward until very late in the day. One reason is that, until the Member States ratified the Amsterdam Treaty, there was no specific legal basis on which to base Community action in this particular problem area, at least until the Treaty's entry into force (May 1999). An informal document was put out for consultation at the start of 1999, however.

The Member States - particularly Belgium, the United Kingdom and Portugal - are driving this matter, and social security matters generally, forward at the moment.

**4.** Point four is the sudden rise to prominence of **social protection**. The Commission Communication on social security adopted in July 1999 set a reference framework and common challenges (monetary union, employment strategy, enlargement), and proposed a concerted strategy for modernizing it<sup>1</sup> built on four pillars:

- making work pay and providing secure income;
- making pensions safe and pension systems sustainable;
- promoting social inclusion; and
- ensuring high quality and sustainable health care.

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<sup>1</sup> "A concerted strategy for modernizing social protection", COM (99) 347 of 14 July 1999.

These different issues each have their own momentum. Pensions are addressed in the action programme, while the second and third pillars were on the Community agenda even before that. What is new is the increasing focus on the prospects for population change. This is usually the “neutral” angle of attack taken to address the funding of public pensions. While some consensus is emerging around social exclusion (see above), pensions remains very much more of a battleground, and one in which players like the European Central Bank and European Round Table of Industrialists (ERT) have stepped in. Pensions are also on the agenda in different Member States, especially Italy.

**5.** The fifth feature is **public health**. This, it will be recalled, was included in a half-hearted and limited way in the Maastricht Treaty. For many years treated as a marginal issue, a series of very different occurrences combined to bring it to the foreground. Firstly, the “mad cow disease” and the dioxin crisis pointed up the health hazards of an agri-business system which seemed to have run out of control. Then, the Court of Justice ruling in the *Decker* case showed that the courts could be expected to take things in hand in this sphere. Thirdly, the debate on the ageing population has been focused on pensions, but that of the health costs of an ageing population lurks immediately beneath the surface. Finally, health has become bound up in the procedure for concerted strategies in social protection.

It is worth mentioning that the Commission documents in this area seem more alive to the issues of enlargement and the risks of two-tier health care systems.

**6.** The sixth feature is the **information society** (now being called “the knowledge-based society”). To observers of the debates five years ago on information superhighways and the information society, “the knowledge-based society” seems like an echo from a past agenda, while slogans like “*An Internet connection in every school*” and “*An e-mail address for everyone*” strongly resemble the old “*A computer in every classroom*” of ten years ago. Here again, apart from the paper for the Vienna European Council and the more recent but fairly general Communication on “e-Europe”, it is surprising that the Commission seems not to have foreseen the re-awakening of this issue.

The more specific Communication on employment in the information society was presented only in early February. However, the allocation of responsibilities means that the European Union has very little say over education. But the divide will be less between the “information rich” and “information poor” than between those able to sift out useful information, and those who will be submerged by poor quality information.

**7.** The seventh point relates to the **external dimension** of social policy. Social aspects are notable for their absence in the fairly half-hearted preparations for enlargement. And yet the social agenda, free movement, social dumping, international relocations, and so on are the focus of current public concern. Also, there is no clear European dimension to applicant countries’ reforms to their social security and health care systems. The *Consensus* programme set up to handle these issues has had little effect in an area where pressure from international institutions has been strong. Clearly, this is not a real Community priority.

## Evaluation

The evidence of an analysis of the measures taken during the first two years of the action programme suggests an approach with no real core theme. In some ways, it bears the hallmarks of a transitional programme. Traditional issues have been ousted for a stronger focus on employment. The guidelines addressed a series of issues already dominant in the 90s. But that has not given overall consistency because the employment guidelines deal with a range of issues without any obvious order of precedence (apart from three headline-grabbing ones on employability). However, a return to growth, falling unemployment, budgets moving into balance - if not surplus for six Member States - are redrawing the map, and the debate is shifting from job creation to the quality of the jobs created. We shall now look at two distinct angles: the players and the future.

## The players

The **Commission**, it can be said, has dealt effectively with the jobs issue and its various strands. It has emerged as a credible player and managed to give the makings of consistency to the layouts of national action plans. The remarkable feat it pulled off with the draft recommendations to Member States on implementing their NAPs has given it a powerful weapon for the future, although one which it is likely to use sparingly. The attempt to pull the different procedures into line is also an internal exercise in joined-up working between the different Directorates General. Romano Prodi's idea to have the Commission working in subunits, one handling employment, is directed towards that end.

Some of the edge is taken off this undoubted success, however, by the Commission's performance in a series of live issues which will, or are set to, have a major impact in the future debate. In all of these, the Commission has more often than not taken a back-seat role, so far at least. It has first of all failed to produce a Communication on the social aspects of globalisation. A Commission opinion before the WTO ministerial conference opened in Seattle would have been helpful. Concerning the knowledge-based society, the Communication on the employment aspects was not published until early February, i.e., very late in the day to influence matters at the Lisbon Extraordinary Summit. Likewise, the Communications on social exclusion were put forward just a month ahead of the Lisbon Summit. Given the pace of this ongoing debate, this is a surprising failure, unless it is a deliberate strategy to distance itself from issues espoused by certain Member States.

On other fronts, the Commission has given an effective impetus, only to be sidelined later on. Fundamental rights, where the Council is providing the secretariat, are a case in point. It is significant that information and documents submitted on a matter of such immediate public concern should be housed on the Council's rather than the Commission's Internet site. Likewise social protection, where the high-level group, having put forward a far-reaching document, is now housed on the Council's rather than the Commission's site. This, too, is illustrative of the member states' will to regain control of the reins.

In these cases where the Commission shares the initiative with the Member States, some countries, namely Finland, the United Kingdom, Belgium and Portugal, have been particularly proactive. The Portuguese Presidency in particular has commissioned an impressive number of high quality studies.

Most striking about the **Member States** was the increased number of individual - but more often joint or three-sided - policy positions issued. The British government heads the list, issuing joint statements with Spain, Italy, Germany, Sweden and Belgium which itself put out a statement with France and Italy (which had previously published their own joint statement) plus Luxembourg. In short, the social agenda started moving after being stalled for several years. However, it is hard to see what results these many statements have had, apart from on tackling poverty and promoting social inclusion.

The **social partners** made little progress towards a free-standing Social Dialogue. Both sides seem to be sticking to their traditional positions, with the ETUC holding out for a free-standing framework for bargaining, and UNICE agreeing to negotiate only under the threat of legislation (and not always even then, as the national information/consultation episode showed). On the different procedures, while there is discernible progress on jobs and the macroeconomic dialogue, their involvement (or rather that of the unions, as the employers were concerned and involved from the word go) in the Cardiff process is hard to identify. On the other hand, both seem to have been sidelined in the fresh impetus in social security, which is disturbing given the importance of their role in this area. Finally, none of them (public authorities, employers, trade unions) seem to have a very clear role to play in a series of measures on modernizing work organization.

The **European Parliament's** role seems to have diminished. Its very few legislative proposals have been first mooted by the social partners. The new procedures, such as in social protection, assign it a marginal role, as do the BEPG. As regards the welter of Communications setting the future agenda, all the EP can do is to add its rhetoric to that of the Commission, which often appeals directly to the people for a verdict, as with "e-Europe".

Just as employment must be regarded as a cross-cutting policy since the Amsterdam Treaty, other players have also stepped in. Clearly so in the case of the broad economic policy guidelines, but also in promoting entrepreneurship. This aspect is often downplayed, but there are policy debates (around SMEs) and practices (not least legislative simplification) which are spilling over into other spheres of European activity. It has moved from the clash between the Ecofin Council's economic approach and the Social Affairs and Employment Council's social stance to a debate around the problems and challenges facing business. Like the Cardiff process on the goods and capital markets, it is a debate in which the trade unions are not actively involved.

## **The future**

Recent trends are clear. The highlights include the Commission proposals based on article 13 (non-discrimination) and especially the movement on poverty and social inclusion, as well as developments in social security. The British proposal included in the Portuguese Presidency's background paper for the Lisbon Extraordinary Summit on cohesion, employment and the knowledge-based society to "eradicate child poverty" by 2010 is particularly noteworthy. The Community social agenda is clearly

now taking shape around issues which not so very long ago were unmentionable at European level. It could be a fresh attempt to give Europe a social face.

But is it enough? Rising employment and the prospect (being talked-up at least) of a return to full employment puts the type of new jobs and working conditions back on the agenda. Granted, action for inclusion and the focus on non-discrimination have spin-offs on working conditions, but that does not go to the heart of the problems and situations of insecurity. A study by the Dublin Foundation shows that working conditions worsened generally between 1991 and 1996 (a new survey is under way). Also, the quality of food, life, and work have come back to the fore; so a wider agenda than that of employment relationships proper may be emerging. All these elements are still scattered, fragmented, and not joined up between the different social players, but they could be brought together. There are also strong parallels with the period 1987-88, and the spate of studies and statements on a common European framework for labour laws, which eventually led to the social charter. That, too, was a time of economic euphoria.

History is not repeating itself, but there is a directionless search for a new all-embracing concept in the air. "Quality" could become the keyword of the quest for that new social and societal agenda at national and European level to cancel out the emerging counter-agenda of increased competition between national systems and minimum rules at European level.