

Introduction

2001 was a year of major contrasts – political, economic and social. The year began with a certain degree of euphoria in Europe, as demonstrated by the signs of self-satisfaction emanating from the Stockholm summit, the first spring summit held since that of Lisbon; it ended in a climate of uncertainty and anxiety owing mainly to the repercussions of the attacks on September 11. The Belgian Presidency was supposed to be devoted to a debate on the future of the Union, following the failure of the Nice summit, but this topic quite simply disappeared from the list of priorities. Similarly, the Treaty's rejection at the Irish referendum in June has not appeared to cause any particular consternation.

Whereas in the United States the economic slowdown was already underway even before the terrorist attacks, Europe thought it could continue alone on its trajectory of growth. At their spring summit in March, the Fifteen congratulated themselves on their economic performance. The Union was then experiencing its fourth consecutive year of recovery. In 2000 it had recorded growth of around 3.5% and created 2.5 million jobs, pushing unemployment down to its lowest level since 1991. “*This shows that reform efforts in the Union are paying off*”, rejoiced the Heads of State and Government, anticipating a medium-term growth rate of some 3%, a rate then considered vital to meet the employment and pension funding targets set at Lisbon.

The rest is history: while the international economic environment became ever less buoyant, the September 11 attacks radically changed the picture. Their devastating socio-economic effects very soon came to

light: crisis in the airline industry and insurance sector, financial markets in turmoil, changes in consumer behaviour etc. This shock was not confined to the continent of North America, as demonstrated in spectacular fashion by the almost immediate stepping-up of competition among airline companies on both sides of the Atlantic.

GDP growth rates had to be revised downwards and, as far as jobs are concerned, it took only a few weeks for the optimistic forecasts of reduced unemployment to be invalidated. Thus the Fifteen suffered a severe body-blow shortly after their spring summit. The European Central Bank did of course lower its base rate slightly, in an effort to preserve growth, but was far more cautious than its US counterpart. The increasing slowdown – or, in some countries, the possibility of recession – revealed once again how incapable the ECB is of taking effective preventive action.

Despite these strongly contrasting developments, 2001 saw two major areas of work open up in the social sphere: firstly, significant progress was made as concerns *quality in work*, in the broadest sense ⁽¹⁾; secondly, thanks to the Open Method of Co-ordination it was possible to initiate fresh European-level action on *combating poverty and social exclusion*, and on pensions. Both these areas are examined in detail in this 2001 edition of *Social Developments in the European Union*.

Since social policy is very much part of its geopolitical and macro-economic context, we shall also look in the next few pages at what we consider to be the two main contextual determinants for the future of Social Europe: completion of the Maastricht agenda for the full implementation of economic and monetary union, with the advent of the euro (as we shall see, ‘completion’ here does not in any way mean accomplishment); and preparation of institutional reform with a view to EU enlargement to include the central and eastern European countries (CEEC) as well as Malta and Cyprus.

¹ *i.e.* encompassing the European Employment Strategy, legislative action and the European social dialogue.

Quality in work and social protection

As far as quality in work is concerned, the first point to note is that, in spite of the European Union's optimism in the social arena at the start of the year, a survey by the European Foundation for the Improvement of Living and Working Conditions (Dublin) really set the cat among the pigeons (Paoli and Merllié, 2001). Indeed, this survey showed that the demands made by integration into the world economy and competitiveness had led to an overall deterioration in working conditions in Europe over the past few years. More stress, disorders, occupational accidents and diseases: all of these elements represent a serious downside to the satisfaction expressed at the reduction in unemployment, since it is extremely difficult for the much-vaunted European social model to cope with such a situation.

Politically, this survey was perfectly timed because the Belgian Presidency of the European Union (second half of the year) had decided to make quality in work its number one priority on the social front. However, even before this topic could be broached, another alarm-bell was rung in the social arena: the Executive Committee of the European Trade Union Confederation decided in March to break off the negotiations underway with the European employers on temporary agency work. For trade union representatives to walk out of the European social dialogue is in itself unprecedented; this undoubtedly demonstrates – as we shall see below – that social relations in Europe are not exactly at their zenith.

Four partial responses to concerns about quality in work in this generally unfavourable climate were made in 2001:

1. within the European Employment Strategy, a set of quality indicators was drawn up and approved at the European summit in Laeken (see article on “Employment” by P. Pochet);
2. on the legislative front, political agreements were achieved on the subjects of employee information/consultation and protection in the case of insolvency (see article on “The Social Dialogue” by C. Degryse);

3. in respect of collective bargaining, some sectoral agreements between the social partners revealed scope for progress in the European social dialogue, even though it did not produce any convincing results this year at cross-industry level (see article on “The Social Dialogue” by C. Degryse);
4. finally, in terms of prevention, the European Monitoring Centre on Change was set up in October (its establishment was recommended by the High-Level Group on industrial relations and change, and built into the Commission’s Social Policy Agenda in June 2000).

Over and above their actual content, these developments illustrate in themselves a step-change in the manner of building ‘Social Europe’: this is no longer the exclusive prerogative of the classic process of adopting European directives and regulations, but now consists of an array of (ideally) complementary and mutually enriching instruments. Legislative action is coupled with a cross-industry and sectoral social dialogue, which in turn operates in parallel with the European Employment Strategy.

As concerns the Open Method of Co-ordination (OMC) and **social protection**, this has developed in two sectors: action against poverty and social exclusion, on the one hand (see article on “Social Exclusion” by R. Peña-Casas), and, on the other, pensions (see article on “Pensions” by P. Pochet).

With regard to *combating social exclusion*, the first round of the OMC was completed in the year 2001. The common objectives had been laid down in 2000 and the national action plans were submitted to the Commission in June 2001; the Council and the Commission then adopted a report containing a joint evaluation of these national plans. Finally, indicators for monitoring the OMC were adopted at the Laeken European Council in December. If we add the agreement reached between the Council and the Parliament in November on the Community action programme, we can see that everything is now in place for the European fight against social exclusion and poverty to be launched. Yet we are still only at the beginning of a lengthy process whose efficiency will have to improve as the years go by. As pointed out

by R. Peña-Casas, “*the problem of poverty will be magnified in the very near future by EU enlargement to include the central and eastern European countries*”.

Indisputable progress has been made in respect of pensions. At the end of the year, the Economic Policy Committee and the Social Protection Committee agreed on eleven objectives for State pensions, divided into three headings (cohesion, sustainability and labour market change). The Social Affairs and Ecofin Councils, as well as the European Council, endorsed the compromise reached. ‘Compromise’ is the operative term here, so great was the tension between the financial approach to the challenge of pensions and the social point of view. The likelihood of medium-term budget deficits in 2020-2040 gives the Ecofin Council ample leeway to advocate sweeping reforms; the Social Affairs Council, confronted with this attitude, has difficulty in finding common ground on which to tackle this matter in social terms at European level.

Contextual determinants

As indicated above, the political and economic context surrounding the gradual formation of a Social Europe cannot be glossed over. From this point of view, the year 2001 was a crucial turning-point in two senses: firstly, the completion of economic and monetary union through the entry into circulation of the euro on 1 January 2002; secondly, institutional reform to prepare for EU enlargement.

Economic policy co-ordination among the euro zone countries has become an increasingly live issue since the late 1990s, particularly at the instigation of Germany’s Finance Minister, Oskar Lafontaine. A single European Central Bank, sovereign in the field of monetary policy, is faced with (currently) twelve governments all conducting their own tax, wage and – in part – fiscal policies. As recalled by A. Dufresne (see article on “The Macro-economic Dialogue”), a macro-economic dialogue was put in place at the Cologne European summit in June 1999, supposedly to improve co-ordination of these economic policies. What is the verdict, three years on? It is somewhat meagre, from a social perspective. This dialogue appears especially uneven as far as wage policy is concerned, so much so that, according to Dufresne, it would be more accurate to refer to a monologue by the European

Central Bank. For this reason, the trade unions are mounting some new initiatives in the form of flexible co-ordination at the cross-industry, sectoral and transnational levels, which could lead in the long term to co-ordinated wage claims. This must be seen as a consequence of the fact that monetary stability and structural reform have until now regularly taken precedence over European deliberations about income and employment policies. Redressing the balance of economic and monetary union has now become part and parcel of the trade unions' priorities in this context.

The other significant new dimension of the European political scene is the preparations being made for future reform of the European treaties (see article "The Future of the Union" by C. Barbier). A quick glance in the rear-view mirror will remind us that the founding treaties have been revised no fewer than three times since the fall of the iron curtain (and hence the inevitable prospect of the continent of Europe being 'reunified' in the medium or long term): Maastricht at the end of 1991, Amsterdam in 1997 and Nice in 2000. In terms of the challenge of enlargement, the first of these revisions managed to initiate political consolidation of the EU (foreign policy, security, justice and home affairs). The second failed in its attempt at institutional reform. The third managed only to adapt the internal balance of power within the Community institutions to a future Europe of 28. But what political intent will this enlarged Europe have? What will be its social and economic ambitions? What will be the degree of integration? These are just a few of the questions now requiring answers from the Member States. The lack of clarity here is without doubt attributable in part to the Irish rejection of the Treaty of Nice. The referendum held by Dublin in June 2001 should – at least in principle – have been a mere formality. It came as a surprise to everyone when the Irish public, net beneficiaries of EU membership, turned their backs on Europe, provoking palpable dismay in all the European capitals. Having said that, the matter seems rapidly to have been dismissed as a domestic problem for Ireland to deal with.

At the European summit in December 2001, the fifteen Heads of State and Government adopted the "Laeken Declaration". This text is

intended to guide the work of the Convention around three main axes: the division of competencies in the European Union, simplification of the instruments of the Union and, last but not least, the question of a possible European constitution. C. Barbier explains in her article the major implications of this fourth institutional makeover in ten years which is intended, after the fashion of Maastricht, to have a strong political outcome liable to guide negotiations at the Intergovernmental Conference in 2004. Without being overly optimistic, we would point out that each reform of the European treaties has brought about a greater or lesser amount of progress on the social front. In order for the same to happen in 2004, an in-depth analysis of the processes underway, the existing balance of power and the possible scope for progress must be undertaken as of now. The European social partners have made an initial joint contribution to the debate and intend, under the Danish Presidency, to set out their positions with a view to the Intergovernmental Conference. This is important in the light of the transformation through which the European social dialogue is currently going.

Finally, even though these points are indirectly covered in the articles, we should like in our introduction to stress four events which we regard as determining factors: the joint statement by the European social partners, the abortive debate around European governance, and the two social topics of healthcare (which seems to be more complex than, but in the same mould as, pensions) and services of general interest.

a) Joint contribution by the social partners ⁽²⁾

Ten years after the Maastricht agreement which provided for “framework agreements” to be concluded among the social partners, the latter set out to identify the major challenges for the future. They singled out three: the debate on Europe’s future and governance; enlargement; and completion of economic and monetary union and the associated co-ordination of economic, employment and social policies.

² This subject is also dealt with in the contribution on the social dialogue and the Cologne process.

This last priority would necessitate a repositioning of the social partners, who resolved in their joint statement of December 2001 to clarify the functions of the social dialogue and its interaction with the different aspects of the Lisbon strategy and the spring European Councils (ETUC *et al.*, 2001).

They call in particular for the development of a more autonomous social dialogue, based on a work programme which would be built on a spectrum of diversified instruments (various types of European framework agreement, opinions, recommendations, statements, exchanges of experience, awareness-raising campaigns, open debates etc.) and “*would comprise a balanced range of themes of common interest for employers and workers*”.

Moreover, the social partners call for the establishment of a single forum for concertation to encompass the overall European strategy defined in Lisbon. They believe in fact that the Standing Committee on Employment (SCE) does not meet the need for coherence and synergy between the various processes in which they are involved. ETUC, UNICE/UEAPME and CEEP therefore propose that the SCE be replaced by a tripartite concertation committee for growth and employment which would examine the Community’s entire economic and social strategy.

Lastly, looking ahead to enlargement, they draw the European public authorities’ attention to the weakness of the social dialogue in the candidate countries and the need to help them “*foster the development of strong and autonomous trade union and employer organisations capable of engaging fully in the European social dialogue as soon as their countries accede to the European Union*”.

As can be seen, this joint contribution relates in the main to procedural questions and institutional mechanisms. The social partners plan to present substantive proposals under the Danish Presidency during the second half of 2002.

b) European governance

The Commission has unveiled a White Paper on European governance (see article by C. Barbier). According to the Commission, “*governance*’ means rules, processes and behaviour that affect the way in which powers are exercised at European level, particularly as regards openness, participation, accountability, effectiveness and coherence” (European Commission, 2001a). This document is based on five political principles (openness, participation, accountability, effectiveness and coherence) and is intended mainly as a guide to the EU in organising its operational methods. Generally speaking, however, the reception it got both from political players and from the academic fraternity was rather – not to say very – critical. It is interesting to note the very cautious stance taken by the White Paper on the Open Method of Co-ordination, as well as its defensive position in respect of the traditional Community method, to which the adjective “renewed” is now attached. The ‘failure’ of the White Paper is that it does not identify the main challenges: the functioning of an asymmetrical monetary union, and enlargement. On this last point, the Commission is evidently going in for autosuggestion: “it will succeed because it will succeed”.

c) Healthcare

The issue of healthcare has made a dramatic entrance into the European debate. First of all, following the well-known Kroll and Decker judgements, the European Court of Justice expressed its view on some aspects of this matter in July 2001, in the form of the Van Braekel and Smits-Teerbooms rulings (for a detailed assessment, see article by D. Ghailani: “Overview of case law by the ECJ”). Thereafter, the Economic Policy Committee quickly followed up its first report on medium-term sustainability of pensions systems with a second report, issued at the end of 2001, raising in addition the issue of healthcare and how its costs will be affected by population ageing (EPC, 2001).

Added to these developments, there is the Commission’s Communication on healthcare (European Commission, 2001b), which sets out three major aims – accessibility, quality of care and financial

viability – and also the conclusions of the Laeken European Council ⁽³⁾. It therefore becomes apparent that after employment, pensions and action to combat social exclusion, it is now the turn of healthcare to find itself at the centre of European debate. The Social Protection and Economic Policy Committees have drawn up a report which was submitted to the Barcelona European Council in March 2002. For once the Social Affairs Ministers seem not to be lagging behind their Economics and Finance colleagues ⁽⁴⁾.

d) Services of general interest

Services of general (economic) interest are another theme which has gradually been surfacing in recent years. The first step was taken with the Amsterdam Treaty, Article 16 of which refers to shared values and the role played by these services in promoting social and territorial cohesion. More recently, the Charter of Fundamental Rights stressed, in Article 36, that “*the Union recognises and respects access to services of general economic interest as provided for in national laws and practices, in accordance with the Treaty establishing the European Community, in order to promote the social and territorial cohesion of the Union*”.

The Commission published in 2000 an important Communication on services of general interest in Europe, and followed up these thoughts in 2001 with the adoption of a report on the same theme (European Commission, 2001c). The Nice Council had for its part noted “*the Commission’s intention to consider, in close cooperation with the Member States, ways of ensuring greater predictability and increased legal certainty in the application of competition rules relating to services of general interest*”. The European Council had also called for more regular evaluation of services of general interest. This will be done from 2002 onwards: the Commission

³ These call for a report to be produced on healthcare and care for the elderly, and indicate that “particular attention will have to be given to the impact of European integration on Member States’ health care systems”.

⁴ A major conference on this topic was organised by the Belgian presidency in December 2001, with the aim of taking stock on all of these issues.

will produce a working document to be attached to its Cardiff report ⁽⁵⁾. Finally, the Belgian Presidency charged the Commission with putting forward in 2002 a framework directive specifying the principles relating to services of general interest. This will be no easy task, so diverse are the sectors in which these services operate.

Overall, therefore, a number of important social developments took place during the year 2001: quality in work, the social dialogue, the fight against poverty, co-ordination of pensions systems, healthcare, public services etc. The precise significance of these developments will become clear only in the medium or long term. Nevertheless, the European Union's social players must seize on these ongoing debates as of now, especially in the light of the forthcoming reform of the European treaties in 2004.

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⁵ The assessment will cover three areas: monitoring of structures and market performance; an economic assessment of public service obligations; and citizens' opinions on the impact of liberalisation of services of general economic interest.

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