

# **EU enlargement and social standards: exporting the European Social Model?**

Maarten Keune

*WP 2008.01*

European Trade Union Institute  
for Research, Education and Health and Safety (ETUI-REHS)

Brussels, 2008

© Publisher: ETUI-REHS aisbl, Brussels

All rights reserved

Print: ETUI-REHS Printshop, Brussels

ISSN 1994-4446 (print version)

ISSN 1994-4454 (online version)

D/2008/10.574/08

The ETUI-REHS is financially supported by the European Community. The European Community is not responsible for any use made of the information contained in this publication.

## Contents

1. Introduction	5
2. The European Social Model	5
3. The weight of social issues in the accession process	7
4. The impact of the social <i>acquis</i>	9
5. The social impact of the economic <i>acquis</i>	15
6. Conclusions	17
References	19
Discussion and Working Papers	23



## 1. Introduction

The European Union (EU) has consistently profiled itself as not only a political and economic but also a social union, as the harbinger of a Social Europe. It claims to differ from the rest of the world because of its European Social Model (ESM), thanks to which – so it argues – Europe enjoys a distinct social quality. Social progress and social cohesion are high on the EU agenda, complementing, in theory at least, political and economic integration. High social standards are defended from a normative but also from an economic point of view, the claim being that good social policy is good economic policy. This social self-assessment places the EU on moral high ground and influences its attitude towards the rest of the world. In today's world, the EU claims for itself a normative role which includes the external dissemination of its social values and standards with the aim of raising social standards in third countries. The European Commission argues, for example, that, 'The EU has a duty, not only towards its citizens and those of the new member states, but also towards its present and future neighbours to ensure continuing social cohesion and economic dynamism (COM 2003: 3).'

In this paper the extent to which the EU is indeed actively disseminating a social model will be considered through the lens of EU enlargement and accession. To what extent or in what ways – we will be asking – has enlargement served as a vehicle for the spreading of EU social standards? The bulk of the analysis will focus on the question of the extent to which the EU has exported a 'social model' to those Central and Eastern European countries that entered the EU in May 2004, and on whether it is possible to observe positive impacts on social standards in the new member states. This will entail an examination of the social effects of the transposition and implementation of the *acquis communautaire*, taking account of the social as well as some of the economic elements of the *acquis*.

The paper is organised as follows. In section 2 the concept of the European Social Model will briefly be considered more closely. What are the characteristics of this model and how is it enshrined in EU regulations and practices? In section 3 the weight of social issues in the accession procedure will be discussed, focussing on the character of the accession criteria with which the candidate countries were confronted, in particular the Copenhagen criteria and the hard and soft social *acquis communautaire*. Section 4 will discuss the impact of the social *acquis* on labour market and welfare state regulations and policies in the new EU member states (NMS) that entered the Union in May 2004. Section 5 will discuss the social implications of some of the economic elements of the rest of the *acquis*, in particular those relating to the Single Market and European Monetary Union. Section 6 presents conclusions.

## 2. The European Social Model

Assessment of the relationship between enlargement and the ESM depends first of all on how exactly one defines the ESM. Though this concept is highly prevalent in academic and political discourse, rarely is it specified what the ESM actually entails, making it into an ambiguous concept to which different meanings are attached and which is used by different actors to express rather different things. Jepsen and Serrano Pascual (2006), in a discussion of these different conceptions of the ESM, identify two

major ways of understanding it: (i) the ESM as a historical *acquis*, characterised by specific common institutions, values and outcomes; and (ii) the ESM as a European political project, conceived in the effort to solve shared problems and work towards a distinctive trans-national model, including common goals, rules, and standards, as well as a certain degree of trans-national cohesion.

Each of these two highly different approaches entails very different questions about the relationship between the ESM and enlargement. The historical *acquis* approach leads to two sets of questions. One is whether the NMS are part of the ESM, whether, that is, they sufficiently resemble the EU15 in this respect, and, if so, how this has come to be the case. Have these countries become part of the ESM through their preparation for membership of the EU? Have they been part of the ESM for a longer period of history? Or can they become part of the ESM only in the future? The other set of questions to emerge from this approach concerns the effect of enlargement on the ESM: will the entry of the new members have a significant effect on the social model of the EU15 and therefore on the ESM? I have discussed this approach in other papers (Keune 2006a; Hemerijck et al. 2006) and will not further address it here.

The political project approach gives rise to entirely different questions. Have the EU's normative aspirations in the social field led to social issues carrying an important weight in the accession process? Has the EU imposed its social model upon the NMS by making the elements of this model part and parcel of the conditions imposed in exchange for membership? Has accession to the EU had an important impact on the welfare states and labour markets in the NMS? These are the questions that form the core concerns of this paper.

Before these questions can be addressed, it is essential to clarify what the ESM actually consists of. What, in other words, are the common goals, rules, and standards set by this distinctive trans-national model? Jacques Delors launched the notion of an ESM in the mid-1980s, '... by designating it as an alternative to the American pure-market form of capitalism. The basic idea of the ESM is that economic and social progress must go hand in hand; economic growth, in other words, is to be combined with social cohesion (Jepsen and Serrano Pascual 2006: 25-26).' The ESM concept was subsequently adopted by the European Commission, starting with the White paper on social policy (European Commission 1994) in which it is defined as a set of common values, including the commitment to democracy, social dialogue, equal opportunities for all, adequate social security and solidarity towards the weaker individuals in society. Since then the European Commission has repeatedly underlined, in numerous documents and speeches, that the ESM is a key element of the European project.

However, how social *is* the European project if we move beyond such blanket statements of support? Has economic integration indeed been accompanied by social integration? What competences does the EU have in this respect and what social regulations have been developed at the European level? And do these European-level regulations constitute a coherent ESM?

Since its inception, the EU has gradually expanded its competences in the social field. Initially, in the 1957 EEC Treaty, social policy was left to the member states; the Treaty had a pro-market bias and its explicit legislative competences were limited to the free movement of labour (Falkner et al. 2005: 41). Gradually these competences were expanded, however, through the harmonisation of health and safety standards in the Single European Act, the inclusion of a wide range of social policy areas in the 1992

Maastricht Treaty, the employment chapter of the 1997 Amsterdam Treaty and the further possibilities for cooperation between member states regarding all social policy issues included in the 2001 Nice Treaty (*ibid.*: 41-45). Traditionally, social regulations have been ‘hard’ regulations, i.e. Directives. The area most extensively covered by such Directives is occupational health and safety, followed by other aspects of working conditions and gender equality and non-discrimination (*ibid.*: 48). Directives have also dealt with the freedom of movement for workers and the portability of social security rights across borders, as well as some elements of workers’ participation and collective dismissals.

In the past 15 years, ‘traditional’ hard regulations have increasingly been accompanied by soft regulations. These concern, in particular, the Open Method of Coordination (OMC), aimed more at the definition of common objectives, exchange of experiences and learning, and covering areas like employment, pensions and social inclusion (Zeitlin and Pochet 2005; de la Porte and Pochet 2002). In addition, the EU also plays an important role in agenda-setting in the social and labour market field, supporting development of the European-level social dialogue and stressing the importance of social dialogue at the national and sectoral levels.

Even so, in spite of the development of this important body of social regulations and competences, Community social provisions do not add up to anything remotely approaching a coherent European Social Model (Goetschy 2006). National governments have been highly reluctant to abandon their national welfare state arrangements in favour of pan-European solutions. In accordance with the subsidiarity principle, national diversity of social systems is politically recognised. Wages, employment, social protection and industrial relations policies are for the most part outside the competences of the EU and remain mainly matters of national responsibility. European-level regulations in these areas are fragmentary and largely complementary in nature and compared to the national level, the set of social regulations that exists at the European level is very restricted. Accordingly, continuing diversity can be observed between the social models of European countries.

This situation is in stark contrast with the much more profound economic integration of the EU and the very extensive body of economic regulations prevailing at the European level. National governments have been irreversibly committed to European economic integration and have been prepared to transfer much of their sovereignty in this field to the European level. Indeed, European integration has been characterised by a fundamental and constitutional asymmetry between negative integration promoting market efficiencies and positive integration promoting social protection and equality; however, negative integration does have important social consequences in member states (Scharpf 1998, 2002). As will be argued below, this has important consequences for the extent to which enlargement has had a social dimension.

### **3. The weight of social issues in the accession process**

The absence at the European level of a comprehensive ESM enshrined in European regulations and processes of itself sets limits on the potential weight of social issues in the accession process. This does not mean, however, that there has been no social dimension to enlargement, or that the EU has not attempted to impose social regulations on prospective members. On the contrary, during the accession process, the EU has

regularly expressed its ambition to make social standards an important and integral part of the enlargement process.

Even so, the approach taken towards enlargement has been predominantly a narrow, legalistic one, based largely on fulfilment of the Copenhagen criteria and adoption of the *acquis communautaire*. The basic requirements for accession were laid down in the Copenhagen criteria. These state that candidates should be (i) democracies, following the rule of law, respecting human rights, and respecting minorities; (ii) functioning market economies; and (iii) able to take on the obligation of membership including adherence to the aims of political, economic and monetary union. The Copenhagen criteria do not include a specific social component, with the exception of the reference to very basic human rights issues.

The *acquis communautaire* includes a series of social elements, together termed the social *acquis*, which the candidate countries were required to adopt. The social *acquis* consists, first of all, of ‘hard’ elements, i.e. the social Directives discussed above. Their incorporation into national regulations is compulsory. The social *acquis* also includes ‘soft’ elements, referring to the adoption of practices common in the EU as well as (preparation for) participation in EU processes. This refers, first of all, to social dialogue: the EU expects applicant countries to practise meaningful social dialogue and to prepare the social partners for participation in European-level social dialogue (Vaughan-Whitehead 2000). It also includes the capacity to participate in the OMCs related to employment and social inclusion. In addition to these requirements, the EU also offered technical assistance aimed at strengthening the candidates’ capacities to adopt the *acquis*, while financing development projects through the PHARE programme and by other means.

Nonetheless, given the weak social dimension of the European project itself, the social dimension of accession and enlargement has been correspondingly weak, with economic issues having been granted a clear primacy over social issues. Indeed, of the 29 thematic chapters that made up the annual Regular Reports that reviewed the ‘progress’ made by the then candidate countries in their preparation for accession, only one dealt with employment and social policies, while there were individual chapters on taxation policy, monetary policy, competition policy, company law, transport policy, the free movement of goods, etc. This is not to say that there *were* no social accession criteria but rather that the accession process was strongly ‘economistic’ in character. Economic considerations, in other words, completely overshadowed any social dimension.

Moreover, the fact that the EU has accorded only limited importance to social issues has meant that the door was left open for other international players, in particular the World Bank and the International Monetary Fund. Indeed, it has often been argued that the International Financial Institutions, notably the World Bank, have exercised much greater influence than the EU on the reform of social policy in the NMS (Potůček 2007; Müller, 2003; Ferge and Juhász 2004).<sup>1</sup>

---

<sup>1</sup> Another international organisation that played an important role in the NMS has been the International Labour Organisation, in particular in the early 1990s. The ILO’s international labour standards often provided inspiration for the fundamental reforms in labour law in the early 1990s (Keune 2006b) while the core labour standards that had not been ratified earlier were gradually ratified by the NMS in the 1990-2007 period. The ILO was also very active in promoting social dialogue and tripartism to foster negotiated reforms. It did not play a key role, however, in the enlargement process.



## 4. The impact of the social *acquis*

What, we may then ask, has been the impact of the accession criteria on labour market and welfare state regulations and policies in the new member states? This is not an easy question to answer. Experience in the older EU member states shows that there is no straightforward answer to questions about the impact of EU regulations on national regulations or their implementation at the national level. Falkner et al. (2005), in a study on the implementation of six social Directives in the 15 EU members composing the Union before 2004, show that there are frequent and various types of implementation failure in relation to these Directives, and that the monitoring and sanctioning of implementation is underdeveloped and often ineffectual. The impact of EU social regulations on national institutions is varied, what is more, because it is mediated by the varying degrees of compatibility between EU and national institutions as well as by varying domestic responses to adaptive pressures (Martinsen 2005). In addition, the transposition of European regulations into domestic regulations is sometimes more symbolic than genuinely geared to effecting a change in national practices (Jacoby 2002). Hence, the impact of European regulations is, to a significant extent, uncertain, both where their 'proper' transposition and implementation are concerned, as well as regarding the manner and the extent to which they undergo interpretation and alteration at the national level. In the case of the OMC processes, and other types of soft regulation, this uncertainty is – given the very nature of this type of process – even more pronounced.

In this section it will be argued that the relationship between the social *acquis* and national practices is also problematic in the new EU members, while the actual impact of the *acquis* varies considerably depending on the specific subject and country context. As a result, dissemination of EU social regulations, as well as their positive effects on standards in the new member states, are called into question.

### 4.1 The hard social *acquis*

Where hard regulations are concerned, it is important first to point out that, during the accession process, all new members underwent a lengthy harmonisation process involving major adaptations of national laws and regulations, subject to close monitoring by the EU. The fact that they were subsequently accepted into membership of the EU would thus seem to constitute reasonable grounds for assuming that the new members have largely and properly transposed EU regulations into their national legislative corpus. Where the social *acquis* is concerned, this assumption is actually confirmed by a number of studies. Falkner and Treib (2007: 9) show that, in the case of a sample of three social Directives (the Working Time Directive, the Equal Treatment Directive and the Employment Framework Directive), the transposition record of four of the new member states (Hungary, the Czech Republic, Slovakia and Slovenia) is good – and actually considerably better than that of the EU15. Leiber (2007) similarly points out that Poland performed extremely well where the legal transposition of a sample of six social Directives is concerned.<sup>2</sup>

---

<sup>2</sup> This does not mean that transposition is perfect and both studies point to some transposition deficits. Also, in certain cases, transitional periods were agreed to allow the new members sufficient time to adapt their national regulations and establish the necessary implementation structures.

A good transposition record does not on its own, however, mean much, for two reasons. One is that it says little about the effect of such transpositions on national regulations, and therefore on national standards. The other is that transposition does not mean that regulations are effectively implemented. These two reasons will now be considered in more detail.

### **Transposition of Directives and national regulations**

Where the effect of the transposition of Directives on national regulations is concerned, no straightforward answer can be provided. To some extent, this is simply because no comprehensive research on this issue is currently available; but it is also because this effect varies depending on the issues at hand and the specific national context. The Directives often leave considerable space to national actors in terms of defining the specific content of national regulations, which can be minimalist or more ambitious. As a result, defining the substance of such a transposition has, on many occasions, led to struggles between political parties and interest groups (Falkner and Treib 2007; Meardi 2007). What is more, national standards may be higher than those stipulated in the Directives, which may provide opportunities for domestic actors to press for downward adjustment in the transposition process. As such, whereas in some cases the transposition of Directives leads to a definite upgrading of national regulations, in others a contrary development can be observed. To illustrate these points, a series of examples will now be considered. Though these do not allow any firm conclusions to be drawn, they do provide a picture of the varied responses to transposition requirements.

An interesting example here is the transposition of the Directive on Information and Consultation. Meardi (2007) argues that in a number of the new member states (including Poland, Slovakia, and Estonia) the transposition of this Directive, officially meant to set a minimum floor of rights for employees in the EU, has been used by governments to attempt to undermine existing employee prerogatives. In these cases the Directive has been used to attempt to replace single-channel representation systems, with the trade unions as key employee representative, by dual systems in which ineffectual works councils would replace trade unions; this would reduce the possibility for employees effectively and collectively to represent their interests (*ibid.*).<sup>3</sup>

Quite to the contrary, in the Czech Republic, where unions were close to the social-democratic government dealing with the transposition in 2000, the transposition of this Directive was designed in such a way that it would have only a negligible effect on industrial relations or on the role of unions at the enterprise level (Keune 2006b). Following the amendment, works councils, previously non-existent in the Czech Republic, can be established but only in undertakings where no trade unions are present. Also, they have no collective bargaining powers, cannot call strikes and can exercise information and consultation rights only within the meaning of the EU Directive. The works councils thus cannot replace trade unions or exercise their core functions. This Czech version of works councils is quite clearly aimed at satisfying the EU without changing national practice in any meaningful way (*ibid.*).

Similarly, the transposition of the Working Time Directive led, in some cases, to fierce disputes at the national level. In Hungary, for example, under the Orbán government

---

<sup>3</sup> These attempts to reduce employees' rights were not always successful since they prompted opposition from trade unions and other domestic actors (Meardi 2007).

(1998-2002), an intense debate took place between the conservative government and the socialist opposition, together with the trade unions, on the way in which the Working Time Directive should be translated into legislation (Keune 2006b). Each side argued for an interpretation that suited their own programmes and interests, which were far apart, and the Directive was worded in such a way as to allow such differing interpretations. In the end, the government used the occasion of the transposition to strengthen the possibilities for management unilaterally to increase working time flexibility. Something similar happened in Slovakia where employers were allowed to negotiate more flexible working time rules with their workers without union participation (Falkner and Treib 2007), while in Poland the transposition of the Working Time Directive was used to reduce overtime payments (Meardi 2007). Hence, in these three cases, the transposition of the Working Time Directive became an occasion to worsen rather than improve the rights and options of employees, thereby lowering rather than improving social standards. In both Slovenia and the Czech Republic, meanwhile, the results of transposition of the same Working Time Directive proved favourable to employees (Falkner and Treib 2007).

Where the EU regulations on equal treatment are concerned, the Open Society Institute (2005), in an overview report summarising the result of country studies covering eight Central and Eastern European countries as well as Turkey, states: 'The EU integration process has clearly been a catalyst for improvements in the legislative framework on gender equality in the New Members and Candidate Countries.' At the same time, Falkner and Treib (2007) show that Christian Democratic parties in both Slovakia and the Czech Republic almost succeeded in opposing the transposition of these same Directives, especially where the rights of homosexuals are concerned, and that, in the latter country, transposition is still incomplete.

Clearly, national responses to transposition requirements vary substantially and so, therefore, does the effect of such transpositions on national regulations. As a result, national social standards are in some cases raised while in others they are hardly affected or show a decline. Though more research is needed to obtain a more systematic view of this issue, it is already clear that the transposition of EU Directives does not always or necessarily lead to positive social effects.

### **Implementation**

As explained above, the fact that a Directive has been transposed does not necessarily mean that the regulations in question are effectively implemented and enforced at the national level. If domestic legislation is not properly respected and applied, the social Directives, transmuted through these national regulations, may not have the intended positive effects on actual social standards. There is indeed little doubt that most new member states face serious implementation and enforcement deficits, attributable to a number of interrelated factors. One such factor is the relatively large size of the informal sector in which economic and labour operations are not necessarily subservient to domestic legislation. Schneider (2003) estimates that, on average, close to 30 percent of GDP is generated in the shadow economy in Central and Eastern Europe, meaning that an important part of these economies and their labour markets are not, or not totally, governed by the constellation of formal institutions.

Another factor is the weakness of trade unions, which suffer from low membership in all new member states, and the low coverage of collective agreements. In both respects,

the new member states are among the worst performers (Slovenia being an exception on both counts). Hence collective interest representation and the defence of workers' rights are limited and often ineffectual, allowing employers to circumvent the law. In addition, implementation and enforcement are also negatively affected by under-resourced court systems and lengthy court procedures, as well as by ineffective labour inspectorates (Falkner and Treib 2007).

#### 4.2 *The soft social acquis*

Concerns similar to those relating to the effects of the hard social *acquis* can be raised in connection with the soft *acquis*, i.e. the various OMCs and the soft requirements in terms of social dialogue. By its very nature the soft *acquis* consists of instruments that aim to influence national regulations and practices in a more indirect way than the hard *acquis*, emphasising agenda-setting, learning and policy transfer. Even so, for the EU, the soft *acquis* is of fundamental importance in achieving its social goals.

#### **The OMCs**

Where the OMCs are concerned, the two most relevant examples here are the European Employment Strategy (EES) and the social inclusion OMC. The EES is regarded as part of the soft *acquis* insofar as it does not aim to impose specific regulations at national level; it is not entirely soft, however, in that participation by prospective member states in EES processes is actually compulsory. The EES is based on the OMC procedure and comprises '... a voluntary adaptation of national policies by involvement in a multi-level process of benchmarking, multilateral surveillance, peer review, exchanges of information, cooperation and consultation (Schüttpelz 2004: 2).' Detailed policy decisions are left to national authorities, so that what is promoted by the EES tends to be a cognitive model that aims to alter the beliefs and expectations of national actors (*ibid.*). Rather than constituting a comprehensive full-employment strategy, the EES emphasises supply-side problems on the labour market, its aim being to increase the flexibility, employability and activation of the labour force in the light of the claim that labour market problems originate largely in the individual characteristics of the unemployed or inactive (Watt 2004).

For the NMS, preparation for EU accession included incorporation into the EES processes. The then candidate countries started to 'shadow' the EES largely as of 1999. Together with the European Commission, they started to draw up their first joint assessment papers (JAPs) of employment policy priorities, signed in the case of most NMS in 2000-2001, and to evaluate their implementation. The JAPs state that they contain '... an agreed set of employment and labour market objectives necessary to advance the country's labour market transformation, to make progress in adapting the employment system so as to be able to implement the European Employment Strategy and to prepare for accession to the European Union.' The JAPs present an analysis of labour market problems as well as a long list of – often vaguely formulated – commitments and tasks for the future.

The EES discourse, structure and objectives have been incorporated, to a large extent, into the employment policy frameworks of most NMS (Ferge and Juhász 2004; Mailand 2005; Schüttpelz 2004). For example, the Polish National Strategy of Employment

Growth and Human Resource Developments 2000-2006 was modelled on the four pillars of the EES (Mailand 2005), while Czech employment policy was also developed on the basis of EES principles (Schüttpelz 2004). To some extent, this is attributable to the requirement that the NMS take part in the EES, but it was also in their own interest to adopt the EES discourse since funding criteria for the European Social Funds were aligned on the EES priorities. Hence, through the EES and the European Social Fund requirements, the EU exerts a clear influence on the new members in terms of agenda-setting, transfer of discourse and the imposition of a framework for national employment policy.

What is less clear, however, is the extent to which the EES has influenced the *content* of employment policy. Because of the relatively recent incorporation of the NMS into the EES process, the impact of this process on actual policy is not currently easy to assess. Mailand (2005) suggests that, in Poland, the impact of the EES on policy content is much more limited than its influence on the way policy is framed and structured. Schüttpelz (2004), meanwhile, argues that, as in the EU15, there is a gap between strategic orientations and implementation. Ferge and Juhász (2004: 242), for their part, show that, although successive Hungarian governments have followed the EES discourse on the importance of giving precedence to active rather than passive labour market policies, the funds spent on active measures are actually quite limited. In Estonia, expenditure on labour market policies was increased after 2004, thanks to involvement of the European Social Fund, and grew by 54.8 percent in 2005, compared to 2004 (Helemäe and Saar forthcoming). In spite of this increase, the proportion of GDP devoted to labour market policies, including EU funds, amounted to a mere 0.15 percent, which is extremely low compared to the average of 2.33 percent for the EU15.

This latter point can be generalised to apply to most of the new member states. Although all NMS, in the context of their participation in the EES, acknowledge the crucial importance of labour market policies, expenditure on such policies, as a percentage of GDP, remains very low and far below the average for the EU15 (with the exception of Slovenia). Nor is there any structural upward trend (Keune 2006a).

In the short term, therefore, participation of the NMS in the EES would seem to have had more impact on discourse than on policy. Of course, in the longer term, participation in the EES may actually change NMS policy-makers' ideas about what constitutes good policy, which could in turn lead to changes at the level of policy content. Experience from the EU15 shows, however, that this is not invariably the case.

Turning now to the OMC on social inclusion, here too the EU has played an important role in agenda-setting and in the transfer of discourse and processes. As stated in an evaluation by the European Anti-Poverty network, this OMC "... permitted also to introduce this crucial issue in the new Member States which has allowed for the first time a full picture of the reality of poverty and exclusion in the new member states. The OMC has been essential for giving a visibility to the issue of poverty and social exclusion within EU debates and developments and for ensuring that there is an understanding of the multi dimensional nature of poverty and not just a focus on employment as the answer to the problem of poverty and social exclusion (EAPN 2005)."

Doubts remain, however, concerning the actual impacts at national level. First, and most importantly, the expenditure on social protection as a percentage of GDP has been, and remains, low in the new member states in comparison with the EU15: the Baltic States

are the lowest spenders in Europe – below 50 percent of the EU average – but Slovakia, Hungary, the Czech Republic and Poland are also among the lowest spenders in the EU (Keune 2006a). Here, as in the case of labour market policies, the sole exception is Slovenia where social expenditure is below but close to the EU average.<sup>4</sup> No positive effect on this low level of expenditure has been recorded as a result of participation in the accession process, the first years of membership, or the high economic growth rates experienced by the new members since 2000.

In the context of their participation in this OMC, the NMS were required to draw up action plans to identify the key problems and policy measures to combat poverty and social exclusion. These plans have not, however, always resulted in clear commitments, detailed policy programmes or allocation of the necessary financial resources, as can be illustrated by the example of the Czech Republic. In a discussion of the elaboration and implementation of the Czech National Action Plan on Social Inclusion, Potůček (2007) shows that the document sums up a range of policies, action plans, strategies, programmes and governmental decrees of relevance to social inclusion. Yet he argues that the ‘... soft spot of the document is the lack of explicit goals, a poorly defined responsibility for implementation, and missing links to the budgetary process (Potůček 2007: 24).’ Hence, without clear goals and allocation of resources, the Action Plan is unlikely to have much tangible impact on social policy. What is more, although the Czech Republic encountered no significant difficulties in participating in the OMC process as such, the likelihood of any real outcome is made even more remote by the presence of serious weaknesses in the Czech public administration’s capacities to develop and implement strategies in this area – weaknesses which include, in addition to those mentioned above, a lack of programme evaluation, poor inter-sectoral coordination, and limited training of civil servants (Potůček 2007).

### **Social dialogue**

In the other major element of the soft social *acquis*, i.e. social dialogue and industrial relations, impacts also seem to be limited. From the very start of the accession process the EU has underlined the need for candidates to strengthen social dialogue and improve the capacities of the social partners. In the regular reports drawn up to evaluate candidates’ progress, the Commission repeatedly criticised a number of the governments of the then candidates for not doing enough to stimulate social dialogue, and demanded additional efforts in this respect. Concerning Hungary, for example, the Commission regularly stated that it judged the state of social dialogue to be insufficient: at decentralized level such dialogue was largely absent; there was a need for sectoral-level bargaining; and the government should take steps to ensure that the social partners would be prepared to participate in the European Social Dialogue (Keune 2006b). Though the Commission also continuously emphasised that the government should make additional efforts to ensure that real dialogue would take place and would be followed up in the appropriate manner, its criticism had little direct consequence – apart from the ‘naming and shaming’ aspect – insofar as no sanctions were attached.

---

<sup>4</sup> In both cases this is a reflection of the coordinated character of the Slovenian model of capitalism (Feldmann 2006) rather than of participation in European processes.

Apart from ‘naming and shaming’, the main EU instruments designed to foster the strengthening of social dialogue in the new member states have been these states’ participation in inter-sectoral and sectoral European social dialogue, the participation of social partners in preparing the National Action Plans (NAPs) required under the EES processes, and the promotion of social pacts in the process of convergence with a view to monetary union (Meardi 2007).

Evaluating these instruments, Meardi (2007) argues that there would seem to be no meaningful social partner inputs in the NAPs for the EES; nor can such input be observed in the national strategies for entry into the European Monetary Union. The participation of social partners in inter-sectoral and sectoral European social dialogue appears to be the only development that may have had substantial effects in promoting social partners’ capacities, especially at the sector level (*ibid.*). All in all, however, the EU’s discourse on the importance of social dialogue and its critique of the actual situation in the new member states have not been matched by correspondingly meaningful sanctions or forms of support likely to result in clear positive impact on the state of social dialogue.

Nor indeed can any strengthening of social dialogue be observed: social partners in most new members are relatively weak; they suffer from low and declining membership, and exercise only limited influence on government policy. The coverage of collective bargaining is also low and collective agreements are mostly concluded at decentralised level, with the sectoral level remaining largely absent. Once again Slovenia constitutes an exception here, and once again this fact has no apparent connection with EU policies and processes.

The soft elements of the *acquis* seem to have been successful in terms of agenda-setting on the issues of employment, social inclusion and social dialogue. While this is an achievement that should not be underestimated, serious doubts can nonetheless be expressed as to the extent to which policy has been substantially influenced or the requisite resources have been assigned to these important areas. This in turn raises questions as to the overall effectiveness of the soft *acquis* in achieving its objectives in the new member states.

## **5. The social impact of the economic *acquis***

A final issue to consider here relates to the (potential) social effects of other elements of the membership obligations that do not directly concern employment or social policies. This applies especially to the economic *acquis* which, as mentioned earlier, is much more extensive, detailed and binding than the social *acquis*. For the present paper two dimensions of the economic *acquis* are of primary importance.

The first concerns the overall importance attached to the development of the Internal Market through the liberalisation and deregulation of the national economies, the ‘four freedoms’ (free movement of capital, goods, services and people) and the fostering of competition. The advancement of this type of economic integration has led to pressure on wages and working conditions in Europe (see the contributions in Galgoczi et al. 2006; Keune, 2006c; Bohle forthcoming). On the one hand, this pressure derives from the strengthened exit options available to capital, in particular multinational companies, through relocation. By threatening to relocate their activities, companies increasingly and successfully demand concessions from workers in terms of wage moderation,

increased flexibility and extension of working time, in exchange for job security. This kind of scenario is not restricted to the western European countries but increasingly affects the new members too as multinationals threaten to move their activities even further east. Increased economic integration thus, in such cases, weakens the bargaining strength of workers, leads to downward pressures on wages and working conditions, and makes it more difficult for workers to share the benefits of economic growth.

This pressure is further strengthened by the fact that the EU's economic model fosters regime competition, i.e. competition between countries and regions for investment. A major element of this regime competition is a drive to offer investors a more deregulated labour market with a cheaper and more flexible labour force. Indeed, many governments have attempted to liberalise labour regulations to this end, in particular in the larger new member states which are in fierce competition with each other (Bohle forthcoming).

The second highly relevant dimension of the economic *acquis* is European Monetary Union (EMU). All new EU members are required to enter EMU at some point, even though no specific entry date has been set, and recently Slovenia was the first NMS effectively to join. Preparation for and participation in EMU is a serious challenge for the new members and is having, or is expected to have, a profound impact on their policies, politics and public institutions (Dyson 2006). Two of these effects are of particular interest for the present paper.

One is that entry into EMU means that the individual countries lose certain instruments for adjustment to economic imbalances and shocks, in particular the exchange rate and the interest rate. As such, they will have to rely more on other available adjustment mechanisms in case of asymmetric shocks, in particular wage flexibility, labour market mobility and/or fiscal policy (Dyson 2006: 20). Insofar as this means pressure for greater flexibility in collective bargaining and in the labour market, it poses an obvious challenge to social solidarity (*ibid.*), the likely effect being that the weaker groups on the labour market will see their relative position worsen, with the ensuing risk of increased working poverty and social polarisation.

The other effect is that EMU entry implies strict inflation, public expenditure and public debt criteria. The inflation criterion as such adds to the above-mentioned pressure for wage moderation, which is further increased, where the public sector is concerned, by the deficit and debt criteria. In addition, as shown by Rhodes and Keune (2006), the EMU criteria put pressure on public expenditure in general and social expenditure in particular. Hence, decreasing social expenditure and a subsequent increase in poverty and inequality are some of the possible effects of preparation for and entry into EMU. This applies particularly to the new members that suffer from the combination of high budget deficits and/or high public debt with high social risks, i.e. Poland, Slovakia and Hungary. It comes as no surprise that these countries have recently begun to delay their planned entry into EMU because of opposition from certain sections of the population to the austerity programmes required to meet EMU criteria.

The new members without serious problems in terms of deficits and debt, i.e. the Baltic countries, face less pressure of this kind. However, considering that today their levels of social expenditure are very low and their levels of inequality and poverty are among the worst in Europe, EMU entry may well foreclose the future option of increasing welfare spending and improving these countries' social situation in this way.



## 6. Conclusions

The EU claims it wants to play a role in advancing social standards in today's world and in providing a social dimension to globalisation. But to what extent does it really do so? In this paper this question has been considered in the context of the EU's largest ever round of enlargement in 2004, aiming to clarify to what extent the EU has exported a 'social model' to the countries concerned and whether this has positively affected social standards in the new members. A number of conclusions can be drawn from the above analysis.

First, in line with Scharpf's argument on the asymmetry between negative and positive integration (Scharpf 1998, 2002), it was argued that the European project in general, and enlargement in particular, are dominated by the concern to achieve profound economic integration, and that social integration has meanwhile been piecemeal. Social regulations are largely a national affair and European social regulations are fragmentary and largely complementary to national regulations – they certainly do not add up to anything approaching a 'social model'. Since the accession process was based largely on the transposition and implementation of the *acquis communautaire*, the weight of social issues in this process has, from the outset, been limited.

Secondly, it was argued that the available evidence suggests that, as in the EU15 (Falkner et al. 2005; Martinsen 2005), the impact of EU-level social regulations and processes on national regulations and practices is subject to a series of implementation failures and is mediated by the particular responses of domestic actors to the accession requirements. Indeed, where the hard *acquis* is concerned, EU regulations have proved themselves open to domestic interpretation and have sometimes become sites for domestic struggle between actors with differing ideas or opposing interests. What is more, while transposition of the social *acquis* has in some cases led to a raising of standards, in others standards have declined or remained unaffected because of 'pro forma' transpositions. In addition, although domestic actors have participated in the processes stemming from the soft *acquis*, and have in many cases adopted the corresponding EU discourse, they have often not translated this into domestic policy changes. Such national responses are possible because of the very nature of the hard and soft social *acquis* as well as of the absence of effective monitoring and sanctioning mechanisms. Accordingly, national actors may be in a position to seriously limit the impact of the social *acquis* in their domestic context.

This impact is further restricted by the fact that in the new member states the informal sector is relatively large. National regulations are not properly respected in this sector of the economy, thereby further limiting any potential impact of EU regulations.

Finally, it was shown that the adoption of other elements of the *acquis communautaire*, in particular the requirements related to the Internal Market and to EMU, have led, or are likely to lead in the near future, to serious negative social effects in the new members. These include pressure for wage moderation and further flexibilisation of the labour market, a weakening of the bargaining position of workers and pressure on social expenditure.

These effects, combined with the limited weight of the social *acquis* and its implementation problems, suggest that the requirements stemming from EU membership, rather than improving social standards in the new member states, are likely to exert downward pressure on these standards. And there is no sign that this has been different in the recent enlargement round including Romania and Bulgaria or that

this will be different in future rounds. Indeed, in the context of enlargement the EU emerges as a weak transnational actor in the social field; one with a mixed record where the export of social standards is concerned, and whose main emphasis remains consistently set on economic integration to be achieved by liberalisation, deregulation and competition.

This suggests that the EU is in dire need of a strengthening of its social dimension, if it indeed wants to fulfil its normative role of a promoter of high social standards, both within and outside the EU. This could also help avoiding further alienation by the public from the project of European integration, demonstrated for example by the French and Dutch rejection of the Constitution. To this end, the European Social Model, more than words should be given substance, through more attention to the social defects of economic integration, through European level social regulations and policies that truly promote social progress and through effective implementation of such regulations and policies at the national level.

## References

Bohle, D. (forthcoming) 'Race to the bottom? Transnational companies and reinforced competition in the enlarged European Union', in: Van Apeldoorn, B., Drahokoupil, J. and Horn, L. (eds) *Neoliberal European Governance and Beyond – The Contradictions and Limits of a Political Project*, Basingstoke, Hampshire: Palgrave/MacMillan.

COM (2003) *Communication from the Commission to the Council and the European Parliament. Wider Europe— Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*, Brussels, 11-03-2003.

Dyson, K. (2006) 'Euro entry as defining and negotiating fit: conditionality, contagion and domestic politics', in: Dyson, K. (ed.) *Enlarging the Euro Area. External Empowerment and Domestic Transformation in East Central Europe*, Oxford: Oxford University Press.

European Anti Poverty Network (EAPN) (2005) Response to OMC questionnaire on Social Protection and Social Inclusion, [http://www.eapn.org/module/module\\_page/images/pdf/pdf\\_publication/EAPN%20Publications/position/ResponseOMC\\_en.pdf](http://www.eapn.org/module/module_page/images/pdf/pdf_publication/EAPN%20Publications/position/ResponseOMC_en.pdf)

Falkner, G. and Treib, O. (2007) *Three Worlds of Compliance or Four? The EU15 Compared to New Member States*, Political Science Series Working paper No. 112, Vienna: IHS.

Falkner, G., Treib, O., Hartlapp, M and Leiber, S. (2005) *Complying with Europe. EU Harmonisation and Soft Law in the Member States*, Cambridge: Cambridge University Press.

Feldmann, M. (2006) 'Emerging Varieties of Capitalism in Transition Countries. Industrial Relations and Wage Bargaining in Estonia and Slovenia', *Comparative Political Studies*, Vol. 39, No. 7, 829-854.

Ferge, Zs. and Juhász, G. (2004) 'Accession and social policy: the case of Hungary,' *Journal of European Social Policy*, vol14, no 3, pp 233–251.

Galgóczi, B., Keune, M. and Watt, A. (eds.) (2006) Jobs on the move – the challenge of relocation, special issue of *Transfer, European Review of Labour and Research*, Vol. 12, No. 4.

Goetschy, J. (2006) 'Taking stock of social Europe: Is there such a thing as a Community social model?', in: M. Jepsen and A. Serrano (eds.) *Unwrapping the European Social Model*, Bristol: Policy Press.

Gradev, G. (2005) 'Social dialogue and trade unions in enlarging Europe: losers among winners?' in: D. Dimitrova and J. Vilrocx (eds) *Trade union strategies in Central and Eastern Europe: towards decent work*, Budapest: International Labour Office.

Helemäe, J. and Saar, E. (forthcoming) 'Estonia – The ongoing search for flexibility', in: Jepsen, M. and Keune, M. (eds) *Europe on the road to flexicurity? Assessing the weight of flexibility and security in the reform of European labour markets*, Brussels: Peter Lang.

Hemerijck, A., Keune, M. and Rhodes, M. (2006) 'European welfare states: diversity, challenges and reforms', in P. Heywood, E. Jones, M. Rhodes and U. Sedelmeier (eds) *Developments in European politics*, Basingstoke, Hampshire: Macmillan/Palgrave.

Jacoby, W. (2002) 'Talking the talk and walking the walk: the cultural and institutional effects of western models', in F. Bönker, K. Müller and A. Pickel (eds) *Postcommunist transformation and the social sciences. cross-disciplinary approaches*, Lanham: Rowan and Littlefield Publishers.

Jepsen, M and A. Serrano Pascual (2006) 'Deconstructing the European Social Model', in: M. Jepsen and A. Serrano (eds.) *Unwrapping the European Social Model*, Bristol: Policy Press.

Keune, M. (2006a) 'The European Social Model and Enlargement', in: M. Jepsen and A. Serrano (eds.) *Unwrapping the European Social Model*, Bristol: Policy Press.

Keune, M. (2006b) *Creating Capitalist Labour Markets: A Comparative-Institutionalist Analysis of Labour Market Reform in the Czech Republic and Hungary, 1989-2002*. PhD thesis, Florence: European University Institute.

Keune, M. (2006c) 'Collective Bargaining and Working Time in Europe: An Overview', in: Keune, M. and Galgóczi, B. (eds) *Collective Bargaining on Working Time: Recent European Experiences*, Brussels: ETUI.

Keune, M. and M. Jepsen (2007) 'Not balanced and hardly new. The European Commission's quest for flexicurity' in: Jørgensen, H. and P. K. Madsen (eds.) *Flexicurity and Beyond*, Copenhagen: DJØF Publishing.

Leiber, S. (2007) 'Transposition of EU social policy in Poland: are there different "worlds of compliance" in East and West?', *Journal of European Social Policy*, Vol. 17, No. 3: 349-360.

Lendvai, N. (2004) 'The weakest link? EU accession and enlargement: dialoguing EU and post-communist social policy', *Journal of European Social Policy*, vol 14, no 3, pp 319-333.

Mailand, M. (2005) 'Implementing the revised European Employment Strategy – North, South, East and West', Working paper, Copenhagen: FAOS.

Martinsen, D. (2005) 'The Europeanisation of welfare – the domestic impact of intra-European social security', *Journal of Common Market Studies*, vol 43, no 5, pp 1003–30.

Meardi, G. (2007) 'More voice after more exit? Unstable industrial relations in Central Eastern Europe,' *Industrial Relations Journal* Vol. 38, No. 6, 503–523

Müller, K. (2003) 'The making of pension privatization in Latin America and Eastern Europe', in R. Holzman, M. Orenstein and M. Rutowski (eds) *Pension reform in Europe: process and progress*, Washington: the World Bank.

Open Society Institute (2005) *Equal opportunities for women and men. Monitoring law and practice in new member states and accession countries of the European Union, Overview*, Budapest/New York: Open Society Institute.

de la Porte, C. and Pochet, P. (eds.) (2002) *Building Social Europe through the Open Method of Co-ordination*, Brussels: P.I.E.-Peter Lang, Brussels.

Potůček, M. (2007) *Welfare State Transformations in Central and Eastern Europe. Public Policy and Forecasting Series, No. 023*, Prague: Charles University.

Rhodes, M. and Keune, M. (2006) 'EMU and Welfare State Adjustment in Central and Eastern Europe', in: Dyson, K. (ed.) *Enlarging the Euro Area. External Empowerment and Domestic Transformation in East Central Europe*, Oxford: Oxford University Press.

Scharpf, F. (1998) 'Negative and positive integration in the political economy of European welfare states', in: Rhodes, M. and Meny, Y. (eds.) *The future of European welfare. A new social contract?*, Houndsmills, Basingstoke and London: Macmillan Press Ltd.

Scharpf, F. (2002) 'The European social model: coping with the challenges of diversity', *Journal of Common Market Studies*, Vol. 40, No. 4: 645-670.

Schneider, F. (2003) 'The Size and Development of the Shadow Economies and Shadow Economy Labor Force of 22 Transition and 21 OECD Countries: What Do We Really Know?', in: Belev, B. (ed.) *The informal economy in the EU accession countries. Size, scope, trends and challenges to the process of EU enlargement*, Sofia: Center for the Study of Democracy.

Schüttpelz, A. (2004) *Policy Transfer and pre-accession Europeanization of the Czech employment policy*, Discussion paper SP III 2004-2001, Berlin: WZB.

Spieser, C. (2007) 'Labour Market Policies and Union Politics in Post-Communist Poland: Explaining the Peaceful Institutionalisation of Unemployment', *Politique Européenne* 21 : 97-132.

Trubek, D. and Trubek, L. (2005) 'Hard and Soft Law in the Construction of Social Europe: the Role of the Open Method of Co-ordination', *European Law Journal*, Vol. 11, No. 3: 343-364

Vaughan-Whitehead, D. (2000) 'Social dialogue in EU enlargement: acquis and responsibilities', *Transfer, European Review of Labour and Research*, vol 6, no 3, pp 387-398.

Watt, A. (2004) 'Reform of the European Employment Strategy after five years: a change of course or merely of presentation?', *European Journal of Industrial Relations*, vol10, no 2, pp 117-137.

Zeitlin, J. and P. Pochet, with L. Magnusson (eds.) (2005). *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies*, Brussels: P.I.E.-Peter Lang.

## Discussion & Working Papers

*Reiner Hoffmann and Otto Jacobi*

**Bridging gaps. Strengthening Social Europe**

WP 2007.04 (EN, DE)

*Béla Galgóczi, Maarten Keune and Andrew Watt*

**Relocation: Challenges for European trade unions (Second, updated edition)**

WP 2007.03 (EN, FR, DE)

*Thomas Blanke and Jürgen Hoffmann*

**Towards a European Social Model. Preconditions, difficulties and prospects of a European social policy**

WP 2007.02

*Maarten Keune and Maria Jepsen*

**Not balanced and hardly new: the European Commission's quest for flexicurity**

WP 2007.01

*Pragma Consulting*

**Acquis Communautaire related to pensions**

DP 2005.02

*Béla Galgóczi, Maarten Keune and Andrew Watt*

**Relocation: Challenges for European trade unions**

DP 2005.01

*Mariachiara Esposito and David Mum*

**Pension funds in the European debate and within the multilevel decision-making of the European Union**

DWP 2004.02.02

*Malene Nordestgaard and Judith Kirton-Darling*

**Corporate Social Responsibility within the European sectoral social dialogue**

DWP 2004.01.01

*Jürgen Hoffmann*

**Co-ordinated continental European market economies under pressure from globalisation**

DWP 2004.02.01

*Marcus Kahmann*

**Changes in national trade union structures – Organisational restructuring by mergers in Central and Eastern Europe, Germany, the U.K., and Australia**

DWP 2003.02.02

*Marcus Kahmann*

**Trade unions and the growth of the information economy**

DWP 2003.02.01

*Marcus Kahmann*

**Trade unions and migrant workers: Examples from the United States, South Africa and Spain**

DWP 2002.02.03

*Marcus Kahmann*

**Trade unions and young people – Challenges of the changing age composition of unions**

DWP 2002.02.02

*Anne Dufresne and Emmanuel Mermet*

**Trends in the coordination of collective bargaining in Europe**

DWP 2002.01.02 (E-F)

*Stefan Clauwaert*

**International / transnational primary and secondary collective action**

DWP 2002.01.01 (E-F-D)

*Jan Kunz*

**Labour mobility and EU enlargement – a review of current trends and debates**

DWP 2002.02.01 (E)

*Thorsten Schulten*

**A European solidaristic wage policy? Conceptual reflections on a Europeanisation of trade union wage policy**

DWP 2001.01.01 (E)

*Céline Lafoucrière*

**Selected extracts from NAPs for employment 2000 and preliminary overview**

DWP 2000.02.02 (E)

*Winfried Heidemann*

**Lifelong learning and employability – is the European model of vocational training in crisis?**

DWP 2000.02.01 (E)

*Grigor Gradev*

**Employer function and its representation: The specific pressures in Bulgarian transition**

DWP 2000.01.05 (E)

*These publications can be downloaded free of charge from our website.*

*Please visit: <http://etui-rehs.org/research/publications>*