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SOCIAL POLICY AND THE IGC

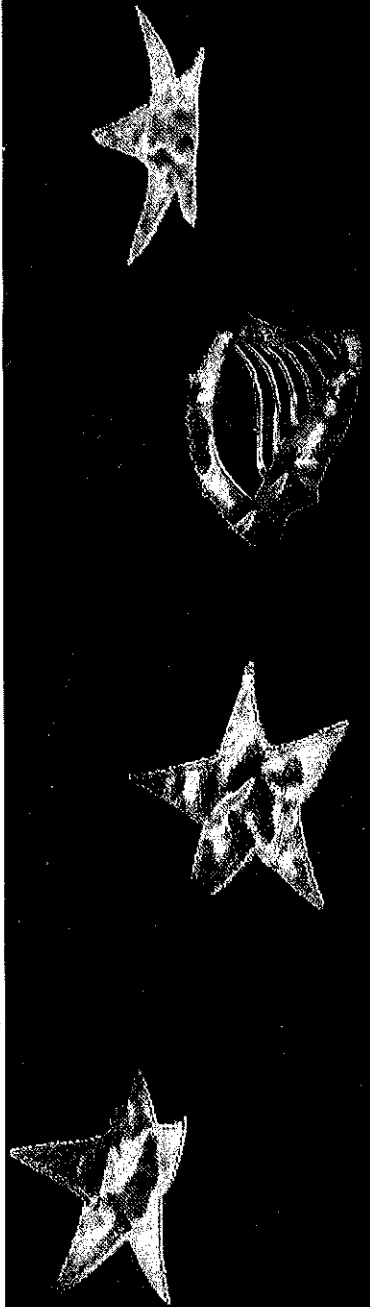
THE MEDIUM-TERM SOCIAL ACTION PROGRAMME

1995-1996

Joe Larragy



**INSTITUTE OF
EUROPEAN AFFAIRS**



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Biography of Author

Joe Larragy is a social policy analyst at the National Economic and Social Council (NESC), which provides a forum for discussion of the principles of the underlying policy for national economic development and social justice. As part of his work at the NESC, he has recently contributed to a forthcoming report on European integration. With Professor Rory O'Donnell, he is co-editor of a forthcoming volume of papers on *Negotiated Economic and Social Governance in Europe*, based on an international workshop held in Dublin in May 1996, under the COST (a7) Programme.

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Foreword

This research by Joe Larragy on social policy and the IGC continues the analysis of social policy in Europe which was initiated slowly after the Institute was founded in 1991. *Social Europe: Social Policy and Ireland* edited by Seamus ó Cinnéide (*Studies in European Union* series No.4). This was followed by a series of events and discussions in the Institute related to social policy, notably speeches by the Social Affairs Commissioner, Pádraig Flynn, and by Allan Larsson, Director General for Social Affairs in the Commission. Joe Larragy as the latest voice to contribute to a key debate about the future of the union.

The reason why the debate is so prolonged and intense is that while the process of European integration is essentially political, the means have been mainly economic. The social dimension, while present, from the outset did not loom large until the mid-1980s. The appointment of Jacques Delors as President of the Commission in 1985 brought a heightened concern, however, for the social dimension, a concern that Delors had shown throughout his life. His major policy objective of completing the single market so as to ensure the free movement of goods, capital, people and services, raised concerns that the social dimension would suffer from neglect. He believed, however, that safeguarding the social fabric of the Union should be a matter of priority, and be complimentary to the economic objective of a single market for Europe.

His response, with the support of the Union's Institutions, was the drafting of the Social Charter of 1989 which, although aspirational in character, led to the Social Action Programme. The Programme was substantially completed when Pádraig Flynn was appointed Social Affairs Commissioner in 1993, although it had not been fully accepted. In response to this situation he decided to launch a Green Paper on the future of social policy. This, in turn, inspired a White Paper and a medium-term action programme in 1995.

Joe Larragy, in this paper, outlines this evolution of social policy up to 1995 and analyses the major forces at work. His examination demonstrates that over the last 40 years progress has been uneven. While there have been significant advances in the implementation of equal rights - in particular in the fields of equal pay, social rights for migrant workers moving within the Union, and health and safety legislation - major gaps remain. It must be acknowledged that the Court of Justice has played a crucial role in the development of social standards in the member states, but not always with their unstinted approval.

The signing of the Maastricht Treaty (on the basis of a special protocol allowing the United Kingdom to opt out of the social provisions of the Treaty) was a watershed in the development of the Union and, perhaps, pointed to a future, whereby the process of integration would allow for a degree of flexibility in terms of the objective to be pursued.

On social policy the debate has moved more centre-stage in terms of the nature of the future Union. There is no black and white solution to marrying economic and social policy, although one can see a range of possibilities from a negligible or minimalistic role for the Union to a Union-wide harmonisation of social policy. This raises the question: is there a role for "Europe" in the field of social policy, or is it a matter better dealt with at national, regional or local level? It certainly can be argued that the principle of subsidiarity should apply, but how far should it go? Should a member state in a single market be able to pursue policies which are believed to give it competitive advantage over other member states?

The ratification process of the Maastricht Treaty showed that the electors were looking to "Europe" to provide answers to their concerns as citizens. These are well known - unemployment, the restructuring of the welfare state (in particular the future funding of pensions and healthcare), the widening gap between rich and poor, the growing number of those "excluded" in our societies. Part of the problem of responding at the European level, however, is the fact that there is a very limited, or indeed no, legal base in the Treaties to deal with social policy. There has been considerable pressure to add new articles, but this will not be easy although there now seems to be a general acceptance that new powers to deal with employment are necessary. At present there appears to be no consensus on what more should be done.

In these circumstances, how can the "European social model" be protected or how should it be adapted to meet contemporary and future challenges? Can it be afforded, given the ageing of the population, or can we afford not to protect it, given the growing exclusion within our societies? What should be the role of the social partners, in view of the new importance of the Social Dialogue procedure in the Maastricht Treaty? Is there a role for the non-governmental organisations (NGOs) in the whole process given that what is now known as civil society has an ever increasing part to play as societies mature? The Social Policy Forum held in Brussels in March 1996 brought together almost 2,000 representatives, social partners and governments, and pointed the way for the involvement of NGOs in future policy-making. There can be no doubt that the NGOs have a major contribution to make in the development of social policy representing, as they often do, segments of society not formally represented by existing structures.

The question is, how can their expertise be grafted onto the dialogue between the social partners? That, and many others, remain to be answered.

This paper is a contribution to the debate on the future of social policy. The Institute intends to issue further papers concentrating on the issues outlined above. The importance of the social policy debate can not be underestimated because the outcome will determine to a large degree the type of society which will characterise the Union and the member states - an inclusive society, close to the citizens and meeting their concerns, or a free-for-all society with growing exclusion, and disillusionment with the whole process of European integration. The task of reconciling inclusiveness and competitiveness was put before us in the Social Charter of 1989. That it remains to be performed is proof of the difficulties involved. This paper is intended to be a contribution to helping us through the maze and directing us towards the goal of the Maastricht Treaty - a Europe closer to its citizens.

Terry Stewart
Director General
February 1997

SOCIAL POLICY AND THE IGC

1. Introduction

This paper examines recent developments in social policy in the European Union, specifically in relation to the Medium-Term Social Action Programme (MTSAP) covering the period 1995 to 1997. In April 1995 the Commission submitted its proposed new medium-term programme to the Council of Ministers, the European Parliament and the Economic and Social Committee (ESC). The MTSAP is the successor to the action programme based on the 1989 Social Charter. It seeks to "tie up" the unfinished business from the previous programme and other outstanding social policy and legislation. It proposes much in the form of dialogue, debates, research and monitoring activities but contains very few proposals for new legislation. It seeks tighter implementation of directives and regulations which have already been agreed. It makes some important departures; firstly, in developing the potential for social dialogue both in the industrial-relations sphere and, more widely, in the context of community, voluntary and marginalised interests. It proposes a review of the Social Charter with a view to its wider application to areas and interests outside paid employment. It proposes the establishment of a forum on European social policy as one of the vehicles for this, and seeks to pave the way for the future incorporation of this wider social dimension into a future EU treaty, possibly arising out of the 1996-97 Inter-Governmental Conference.

In this paper, it is suggested that the MTSAP has to be understood in the context of the wider process of globalisation, the increasing depth and complexity of European integration and the uncertainties which arise from the current period. That is, with the increasingly free flow of capital around the world, the collapse of the formerly communist regimes of Eastern Europe and the internal pressures on social provision in the welfare states of Western Europe arising from rising unemployment, demographic ageing and social change in the areas of work and family, the focus of EU social policy has begun to change. This is reflected in the new social action programme and statements of policy since the launch of the Delors white paper on Competitiveness and Employment in December 1993.

The more immediate context of the MTSAP is the 1996 IGC. The IGC provides an opportunity to seek treaty amendments which could strengthen the EU's social dimension. These could be of a minor or a major kind, depending on the ability of the member state governments to agree on a collective vision. This IGC differs from previous ones in that it is not required to make major

changes to the economic pillar of the Community. Nevertheless, there are great difficulties to be dealt with. Among these is the need to counter disillusionment with the EU among the citizens of its member states. Social policy plays a key part in this. Indeed, it is the key to how we define the Community - whether as an economic union of pragmatically associated states, or a developing society and community committed to social convergence around agreed objectives. This paper is one contribution to the efforts to review such options in the context of the 1996 IGC. By examining the direction and scope of currently existing social policy, it hopes to provide some background to the discussion as to how it might be developed at and beyond the IGC.

Section 2 of the paper describes a shift in the emphasis of EU social policy, which provided the background to the Social Action Programme and the Green and White Papers on Social Policy. Against this background, Section 3 presents an outline of the scope of the programme itself.

Section 4 seeks to place the current phase of social policy in the wider context of the economic and political process of integration, which in its turn, takes place in a global context of enormous change.

Section 5 questions the view that the plan necessarily signals an indefinite consolidation of the social dimension, thus far achieved, but this will depend upon the effectiveness of new mechanisms being put in place, particularly those which allow new participants in the policy process, and also on the effect of wider developments in the EU.

Section 6 surveys the possibilities for developing the Social Charter, incorporating it into EU law. It also examines the current position in relation to equal opportunities, poverty and ageing. It is argued that the EU ought to maintain its commitment to programmes of action in these areas, if necessary through adding specific competences in the next treaty. This section also suggests that the social policy consequences of EMU require analysis and that important aspects of EU social policy could hinge upon this.

Finally, the paper suggests that failure to adequately address the issue of negotiated social governance at EU level could tarnish the concept of a European social model.

2. Shift in Emphasis of EU Social Policy

It should be stated, at the outset, that European social policy is limited in scope by the Treaty of Rome and subsequent treaties (Single European Act, 1987 and Treaty on European Union, 1991). EU social policy presupposes the existence of national social policy covering such areas as health, education and social welfare. The Treaty of Rome includes articles specifically related to the needs of

completing an internal market. It also extends to cover such issues as working and living standards, equality between women and men and closer co-operation between member states on social issues such as employment, labour law and working conditions, vocational training, social security, occupational hygiene, safety and health and the rights of association and collective bargaining between workers and employers. Some of the limitations of EU social policy have been overcome by resorting to Article 235. This provides for action by the Community deemed necessary to achieve its objectives and is thus sufficiently broad to cover social policy initiatives in areas which were unanticipated and may not have been adequately addressed at national level. The development of EU social policy has been constrained by Community legislation. Nevertheless, in different phases of its growth and evolution, the Community has launched action programmes which have, to a greater or lesser extent, advanced the social dimension of the Community. The first such programme was introduced in the mid-1970s and a second programme followed the launch of the Social Charter in 1989. The new MTSAP covers the period from 1995 to 1997. It provides both a test of new provisions contained in the agreement on social policy attached to the Maastricht Treaty and a useful focus for commentary on the current state of European social policy ahead of the 1996 Inter-Governmental Conference.

The MTSAP was launched by the Commissioner for Employment and Social Affairs on 12 April 1995, and was heralded as a new blueprint for social policy action by the Community. The programme, however, received a mixed reception. In an editorial in the *Financial Times* it was stated that the:

Social Action Programme for the next three years represents an important change in the direction of European social policy towards greater realism. The change has been driven by pressure from many European employers concerned about competitiveness and cost burdens on business, and by high unemployment and budget deficits. The upshot is that there is now much less enthusiasm for the legal imposition of minimum labour standards on all member states. (13 April 1995)

While the new programme was welcomed by employers, it was criticised by the trade unions. The programme was given a cautious welcome by the European Union of Employers' Confederations (UNICE) but the European Trade Union Confederation (ETUC) said that it would seek support to toughen up the programme (*Financial Times*, 13 April 1995). The Irish Business and Employers Confederation (IBEC) welcomed what it described as an "important shift" in the policy emphasis, and said it was pleased that the Commission has departed from its earlier commitment to the strict use of inflexible laws in relation to social matters (*The Irish Times*, 13 April 1995.)

By way of contrast, an editorial in *Network News*, newsletter of the European Anti-Poverty Network, said that:

with every new proposal, the Commission seems to take a fresh step backwards. The White Paper on Social Policy already fell short of the prospects offered by the Green Paper. Now, the Medium-Term Social Action Programme ... is a further step back from the White Paper.

(No. 29, April 1995)

Evidently, there has been a major shift in the emphasis of European social policy in recent years. Although not a new item on the European agenda, the issue of unemployment remains intractable and employment growth fails to keep pace with output growth, even in periods of economic upturn. Therefore, this issue has become increasingly dominant in economic and social policy debate. Unemployment across the twelve member states rose during the 1980s from 5.5 per cent in 1979 to 10.4 per cent in 1985, then declined to 8.2 per cent by 1990, but subsequently increased to 11.5 per cent in 1994 (*OECD Economic Outlook*, No. 57, June 1995). Concern with this intractable problem was expressed in the publication of the Community's White Paper, *Growth, Competitiveness, Employment*, published in December 1993, together with the European Council's action plan to fight unemployment, agreed at Essen in December 1994 and followed up at Cannes (June 1995) and Madrid (December 1995).

The White Paper on Social Policy followed an unprecedented level of consultation beginning with a call for submissions in April 1993. In response to this, 150 submissions were received from governments, social partners, non-governmental organisations and other bodies. These formed the basis for the publication of the Green Paper in November 1993, in which 65 specific questions on future policy were asked. A further 500 submissions were received in response to the Green Paper before publication of the White

Paper in July 1994. The three main foci of the White Paper are:

- completion of the action programme based on the 1989 Social Charter;
- changes in the legal and institutional framework of Community social policy, most notably the introduction of a set of parallel procedures and objectives applicable to all member states, with the exception of the United Kingdom under the social policy protocol and agreement appended to the Maastricht Treaty;
- the growing problem of unemployment.

Of the three, the issue of unemployment is perhaps uppermost, despite the range of other issues dealt with and the restatement of basic tenets and values of the European social model. The focus has shifted from employment rights to the right to employment. In contrast to the Social Charter, which had an unqualified declaratory style, proclaiming the rights of workers of all ages, gender, nationality and disability to free movement, fair remuneration, improved living and working conditions, adequate social protection, the right of association, vocational training and so forth, the White Paper is considerably more circumspect in its language. It identifies the creation of jobs as a precondition to achieving high social standards and states that jobs depend on achieving competitiveness on the world market.

Where the Social Charter emphasised the convergence of objectives and policies with respect to social protection, the White Paper emphasises that convergence must respect diversity, so that the convergence of objectives and policies is a long-term project. Likewise, compared to the Social Charter's emphasis on common minimum standards, the White Paper stresses that such standards should not over-stretch economically weaker member states or prevent the better-off states from implementing higher standards.

The action programme which followed the Social Charter comprised 47 proposals for action, of which 17 were new and 29 were binding (regulations or directives). It was opposed by both the UK Government and employers, despite being tempered by increasing concerns about subsidiarity and avoidance of such areas as right of association, right to strike and other such matters. The 1989 SAP did not go as far as the Social Charter in relation to subjects such as information, consultation and minimum pay but did include proposals for binding instruments on employment and remuneration, improvement of living and working conditions, equal treatment, and others (Rhodes, 1991:35). In contrast, the 1994 White Paper on Social Policy proposes very few new measures.

While the new programme was welcomed by employers, it was criticised by the trade unions. The programme was given a cautious welcome by the European Union of Employers' Confederations (UNICE) but the European Trade Union Confederation (ETUC) said that it would seek support to toughen up the programme (*Financial Times*, 13 April 1995). The Irish Business and Employers Confederation (IBEC) welcomed what it described as an "important shift" in the policy emphasis, and said it was pleased that the Commission has departed from its earlier commitment to the strict use of inflexible laws in relation to social matters (*The Irish Times*, 13 April 1995.)

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Although the White Paper contains far more proposals (83) than the 1989 Social Charter action programme, few of these comprise binding legislation. One directive covers occupational pensions for migrant workers and another is to amend the 1986 directive on Equal Treatment and Occupational Social Security Schemes. The fate of a number of other directives is uncertain, but it is hoped to steer a number of blocked directives through the new Social Dialogue procedure.

3. Scope of Medium Term-Social Action programme

The new programme (following the lines set out in the Green and White Papers on Social Policy) turns away from the prospect of a raft of new laws, and concentrates instead on tidying up the outstanding business yet to be agreed under the 1989 SAP - and proposals dating back even further - and enforcing the implementation of agreed measures. The Commission commits itself to providing a catalyst for the generation of new perspectives through research, debate and concerted action throughout the Union.

The new action programme follows the Delors White Paper, which prioritised the need to create new employment, while placing the emphasis on the link between achieving competitiveness and social policy benefits. That White Paper put a lot of stress on labour market adjustment and structural policy with a view to providing greater flexibility in order, to encourage employers to offer, and the unemployed to take up, offers of work.

The scope of European social policy is to be enlarged to cover areas outside employment, which have tended to be marginal in the past. In this context, it proposes the amendment or review of the Social Charter to cover rights which are relevant to the elderly, the unemployed, women in the home as well as the existing focus on workers' rights. New competences in the TEU on quality of education, public health, consumer rights and strengthened competence in vocational training are set out as areas for development in the MTSAP.

The MTSAP provides considerable scope for the development of the social dialogue between trade union and employer associations at European level, provided for under the terms of the Protocol and Agreement on Social Policy, appended to the TEU. This is one of the chief means the Commission will use to clear the decks of the backlog of outstanding social policy proposals, many of which have been stalled at the European Council, often due to UK opposition.

As the Agreement does not apply to the UK, however, that difficulty is removed. At the same time, the use of social dialogue serves to deepen the process of European integration by drawing employers' and workers' organisations into partnership procedures at the European level. It contributes towards the growth of transnational relations within the EU, to balance the traditional focus on the EU's political and executive institutions on one hand, and member state governments on the other.

The new Action Programme, by virtue of the very limited promise of new directives and commitment to research and debate, is more flexible than previous ones and could sow the seeds of progress. It describes itself as a rolling programme, which can be revised to include new directives if necessary.

The realisation of an invigorated social policy, with greater and more active participation of non-governmental organisations in the policy process, will depend upon the success of the social dialogue procedures. Although this will be a slow process, it can help to overcome the difficulty of relying solely on inter-governmental agreement and can foster a greater sense of involvement by civil society in political processes. Because of the importance attached to the social dialogue in the new Programme it will be returned to below in more detail.

The overall shape and direction of the MTSAP is in keeping with the shift in emphasis contained in the White Paper. It elaborates on the action to be taken in relation to the many proposals contained therein, largely in relation to non-legislative activity. The content of these non-legislative proposals is, nevertheless, important and will be returned to in sections 5 and 6 below. In addition to this, the next section attempts to sketch out the global context in which European Social Policy is being shaped.

4. Global Context: Growth, Employment and Social Policy

The relationship between economic growth and the creation of employment, on one hand, and the improvement of living standards and services, on the other, is at the heart of any attempt to formulate a perspective on current and future social policy in the European Union. On the one side, it is argued that European economies compare badly with the United States in terms of job creation. There, cost cutting and the achievement of flexibility in the labour market have contributed to employment creation. From 5.8 per cent in 1979, unemployment in the USA did rise to a peak of 9.7 per cent in 1982 but, thereafter, declined sharply to 5.3 per cent in 1989. The rate increased to 7.4 per cent in 1992 but declined to 6.1 per cent by 1994. Proponents of the US model argue that in order to achieve reductions in unemployment,

and particularly long-term unemployment, European member states must embark on major cost-cutting exercises, the deregulation of labour markets and the implementation of flexible working arrangements. A concomitant of this perspective includes a tightening-up of public expenditure and stricter criteria for qualification for welfare benefits, which are viewed as obstacles to employment growth. This perspective implies that improved standards of living and services must be deferred until such time as the economy achieves sufficient buoyancy and competitiveness to sustain such benefits.

Against this view - drawing on evidence from certain member states (for example Germany) and non-member states such as Japan (where unemployment varied between two per cent and three per cent during the 1980s) and influenced by writers such as Michael Porter (1990) - it has been argued that competitive advantage may be achieved without necessarily resorting to a low wage, price competitive, strategy. In the context of economic globalisation, newly industrialising countries in east and southern Asia and in the post-communist central and eastern European states pose a threat to industries (and possibly services) dependent upon relatively low pay and low skill labour, that are based in European countries. Within this perspective, the prospects for price competition are poor given the very large wage differentials which exist between developed and other countries. In line with this view, an alternative approach to competitive advantage is to concentrate productive effort on innovative products of a high quality, and products which are differentiated from those of competing producers not on the basis of price, but of quality. Due to the fact that such products command a higher price, it becomes possible to sustain higher levels of wages. Indeed, the capacity to produce differentiated and innovative products of a high quality presupposes a labour supply characterised by high levels of education and training, capable of contributing actively to product innovation and loyal to the companies for which they work. Within this model, with due regard to the need for cost efficiency, but in contrast to the previous model, expenditure on wages and social programmes (education, health, and so on) are considered necessary investments, indeed preconditions, for the achievement of competitiveness. Thus, a theoretical basis is provided for the view, expounded by the Commission, that:

European social policy cannot be based on the idea that social progress must go into a retreat in order for economic competitiveness to recover.
(Green Paper, p.7)

The Culliton report on Industrial Policy in Ireland endorsed the strategy of seeking competitive advantage by the upgrading of product and skills in indigenous industry. The full implications of this for industrial relations practice and social protection policies need careful consideration (Roche, 1996).

A European Model for Employment Growth and Social Security?

Since the early 1980s, the approach within the EC to employment creation and maintenance has been debated intensely. The UK, in particular, under Mrs Thatcher, led the fight for removing market rigidities and reforming social welfare systems. This project was pursued vigorously within the UK, and the European policy of the UK Government echoed its domestic practice. While it has had a definite impact on European employment policy, it has met with some resistance and has been criticised for ignoring the new requirements of "post-fordist" production methods, whereby a premium must be put on innovative flexibility as distinct from numerical flexibility, on multi-skilling and "economies of scope". This is as distinct from deskilling, casualisation and traditional "fordist" economies of scale (Kosonen, 1994; Chandler, 1990). Although the employment creation record of the UK has received some acknowledgement in very recent years, Germany has had comparable success. The difference lies in the quality of employment and the respective industrial policies of the two countries, which have different implications for living standards in the long run. In this context, the "down-side" of the American model of employment creation is a focus of debate. The *Financial Times*, commenting in November 1995 on the US Council on Competitiveness report, "Human Resources Competitiveness Profile", had this to say:

The final test of a nation's economic strength is the prosperity of its people ... The supposed decline in the American standard of living is a familiar and hotly contested topic. While the average hourly wage, for instance, has fallen by one per cent per year in real terms since 1974, adjustment needs to be made for non-wage benefits such as pensions. Even so, it seems clear that the real income of the average family has remained flat for two decades ... Meanwhile, the US infant mortality rate is among the highest in the world. America's school children rank the last among the big industrial nations in their grasp of science and mathematics. And while America's post-graduate education remains among the world's finest, the cost has risen by at least a third in real terms since 1980, far outpacing the average family's capacity to pay for it.

Defenders of the European social model cite not only evidence of this kind, but also the fact that European industry as a whole seems to do better in global trade than the USA (Larsson, Director General, DGV, December 1995). Within the EU, there is no evidence that countries with high social expenditures have poor employment creation records, or are particularly lacking in competitiveness. The only clear conclusion is that a weak social safety net has severe social consequences, as demonstrated in the US.

The emphasis in European social policy is on the development of a high-tech economy with high living standards, based on cumulative innovation and production of sophisticated goods and services. In the UK itself, the Labour Party, under Mr Blair, is seeking to reorientate policy in this direction, and there is a strong probability of closer collaboration between the UK and the EU if he succeeds in being elected by 1997. His appointment of Lord Gilmore, at the end of 1995, to head up a new Labour think tank - the Centre for European Reform - reflects the more positive European orientation of the British Labour Party. The report of the Commission on Social Justice - another Labour Party initiative - during 1995, appears to endorse the high investment, high skill model of economic development, which emphasises "life-long learning", quality employment and social consensus.

For most EU countries, this overall economic and industrial policy entails a commitment to investment in education and training as components of greater productivity and greater competitive advantage globally. Investment in research and development in emerging sectors of economic life is vital. These objectives, however, at least in the short to medium to long-term, may conflict with redistributive goals in areas such as social security, health care and housing, which do not have the same potential "returns" as educational, training or research spending. Nevertheless, it is hoped that this medium to long-term strategy provides a more solid basis for improving these services than a strategy for employment creation, which is largely based on reducing real labour costs and the deregulation of labour markets.

Most member states are, nevertheless, implementing labour market measures with an immediate focus on employment creation. These policies, at national level, have been co-ordinated increasingly under the Essen process. Each member state is now required to implement a multi-annual programme on jobs and, because the degree of structural adjustment required in some member states could be significant, consultation of social partners is emphasised.

Much of EU-level social policy has been focused on market harmonisation. Free movement of labour, equality of opportunity, and health and safety at work have been key areas of interest. The structural funds are aimed at maintaining infrastructural development on one side, and, particularly in the case of the European Social Fund, re-equipping labour through training and support and maintaining employment in a changing industrial landscape on the other. Thus, areas such as health and social security, housing and most of education, have largely remained the responsibility of member states, and have tended to be subject only to the requirements of market integration. The MTSAP makes little impression on this tendency. Indeed, it would be surprising if it did, given the processes of welfare state reform underway at national level in many member states at present.

The MTSAP contains a full section on job creation and it hints at the implications of this for social protection policy. Obstacles or incentives to the creation and take-up of employment, arising from tax or social security, are to be highlighted as a result of social policy being linked to reiteration of Article 103 of the Treaty of Rome on economic policy, and the concerns and priorities expressed at Essen in 1994. What seems to emerge is that in the medium and long term, policies will be a boon to positive developments in the labour market. The biggest problem is high unemployment, and the perceived drag-effect of the welfare state on attempts to secure its reduction in the short to medium term.

The MTSAP is not explicit or elaborate in its comments on employment generation and take-up. It avoids any interference in national systems of social protection and plans to initiate a period of joint reflection between the Commission, the member states and the social partners on common concerns. The example of ageing is cited as a common concern, but even more immediate is the issue of unemployment. In the conclusions of the Madrid Summit, job creation was described as 'the principal social, economic and political objective of the EU'. The summit reaffirmed the Essen conclusions on co-ordinating the views of the Social Affairs Ministers and ECOFIN Ministers.

Any remaining aspiration to bring about the harmonisation of social security payments, or create a community-wide payment, is now subordinate to reforming the system of social protection from an income-maintenance perspective for the unemployed, to promoting active measures designed to return unemployed people to work as quickly as possible. Long-term unemployment appears to be more difficult to reduce than to prevent. Targeted measures are being promoted, aimed at getting the long-term unemployed into employment. On the broader front, the Commission has also been examining proposals designed to address what some have described as a "two-speed labour market". This term denotes the

idea that the changing composition of labour demand, due to economic transformation, new technology and global competition, is running way ahead of the required transformation in labour supply, through the upgrading of the labour force, to provide the new skills required in a changing global environment.

Against this background, aspects of the current design of the social security systems are perceived as inhibiting employment growth and take-up (Larsson, 1995). In light of this, the Commission has launched a Framework for Debate Initiative on social protection, designed to encourage member states jointly to reflect on possible measures to address these community-wide problems. The Madrid Summit ensured that employment policy is top of the agenda and has given a new impetus to Council recommendations adopted in 1992 on Convergence of Social Protection objectives and sufficiency of resources for social protection systems.

During 1996 too, the focus of policy reform has been on adapting social protection systems to influence the promotion of employment. This followed the commissions November 1995 communication on the future of social protection, which set out a framework for debate. This debate led to the adaption of a resolution at the Dublin Social Affairs Council 1996 on the role of social protection systems in promoting employment.

5. Social Dialogue

The medium-term programme puts the emphasis on activating the social dialogue at several levels. This is firstly an end in itself, which is sought because it is a feature of many individual member states which, therefore, is a desirable aspect of the European social model and one worth replicating and developing at Community level. It is also a means to an end, in the sense that the major problems facing EU member states need to be addressed through the achievement of a consensus between management and labour, the employed and the unemployed, women and men, the old and the young, the disabled and the able-bodied, as well as between national interests or governments. In this sense, the use of the social dialogue is an alternative to either a dirigiste approach to social policy by Brussels, on one hand, or a deregulative, neo-liberal strategy (a la US/UK) on the other.

Under the MTSAP, several draft directives will be withdrawn, assuming that the social partners can arrive at an agreement to be implemented in member states. The provisions for organised social dialogue within the European Union were extended under the terms of the Agreement attached to the Social Policy Protocol of the Maastricht Treaty. This Agreement applies to all member

states except the UK, so any agreements implemented will not be binding upon the UK. The new procedures for the social dialogue are contained in Article 4(1) of the Agreement.

The concept of a social dialogue is not new. For example, the Economic and Social Council (ESC), the Economic Policy Committee, the Standing Committee on Employment (to the Council) and several other mechanisms exist to draw advice from different socio-economic interests. The limitations of these bodies should, however, be acknowledged: the ESC, for example, is appointed by national governments and is not representative of corporate (employer or labour) interests. It also lacks power and is usually consulted after the Commission has taken a position.

The concept of the social partners was given a boost at the 1972 Paris Summit, when it was recognised that consultation with unions and employers was necessary in relation to social and employment issues. For several years thereafter a series of tripartite conferences took place between social partners, community institutions and member states. Following a lapse in the social dialogue, the 1984 Social Action Programme created a renewed impetus, and from 1985 Jacques Delors promoted the social dialogue through the "Val Duchesse" process, which generated several joint opinions, statements and declarations from the social partners on a variety of macroeconomic, labour market and other issues.

Under the Single European Act (Article 118b), the Commission was obliged to "endeavour to develop the dialogue between management and labour at the European level which could, if the two sides consider it desirable, lead to relations based on agreement". Finally, in October 1991, ETUC, UNICE and CEEP jointly set out their view of the role of the social dialogue under the new Treaty being negotiated. This view was reproduced almost word for word in the Social Policy Agreement attached to the Protocol on Social Policy of the Maastricht Treaty.

(i) Social Partners and New EU Law

The Agreement obliges the Commission to consult the social partners before introducing proposals in the social field; firstly as to the overall direction of community action; and secondly, if it proposes to influence on the course of action or the context of the envisaged proposal. Under the procedure the social partners may, at the second stage and as an alternative to action by the Commission, enter into a collective agreement. Such agreements may be enacted into community law. Lastly, the social partners may be entrusted with the implementation of directives at

national level. Under the MTSAP, frequent recourse is made to the social dialogue procedure, as set out in the Agreement on Social Policy. Below, three important examples of its use in generating Community legislation are outlined. These are atypical work, parental leave and the burden of proof in cases of alleged sex discrimination.

Atypical Work

In the case of the draft directive on contracts and employment relationships other than full-time open-ended contracts (atypical working), which has been blocked at the Council, the Commission has decided to launch consultations with the social partners with a view to deciding what further action to take. The directive, covering part-time, fixed-term and temporary work, was drafted in 1990. The Commission hoped that the social partners could agree, as a first step, the content of a directive on part-time work. The first stage of consultations with management and labour began in September 1995. Following further deliberation, the social partners have agreed to proceed to the second stage, in which they have nine months to formulate concrete proposals on the action to be taken.

Parental Leave

A similar situation arises in connection with the draft directive on parental leave, dating back to 1983. In this case, the Commission launched consultations with the social partners under the Agreement on Social Policy in early 1995 in order to consider the possibility of negotiating an agreement on the reconciliation of professional and family life. In the words of the Commission, 'the aim of such a proposal will be to promote equal opportunities and encourage the introduction of new, flexible models better suited to the changing needs of European society' (Social Action Programme, para. 5.1.2). Having launched this consultation process, the Commission's existing Proposal on Parental Leave will be overtaken and ultimately withdrawn. In July 1995, following completion of the first stage of consultation, the social partners (ETUC, UNICE and CEEP) wrote to the Commission to say that they would seek to reach an agreement on the issue, and to request that the legislative procedure be suspended, pending their agreement. In October 1995, a draft agreement between the social partners was concluded. This case may be instructive as to the potential for the success of the social dialogue in other areas.

The social partners - especially the employers - were keen to approve the new arrangements themselves partly because, under the Maastricht Agreement on Social Policy, the Council of Ministers could approve such a measure by qualified majority. As Ireland and Luxembourg (and the UK, which falls outside of the

agreement's scope) were the only signatories without parental leave legislation, Irish employers were aware that some new provisions were unavoidable. Now, instead of a directive, they have been given an opportunity to influence the joint UNICE/ETUC draft of an agreement, which potentially can accommodate many of the aims of the Commission and the interests of employers. From the perspective of the trade unions, the draft agreement may also be seen as a success. Following over ten years of paralysis on the issue, they have been able to achieve something through negotiation at European level which failed to be provided by the Council. Another facet of the agreement is that, although the UK is outside of the Agreement on Social Policy, many member companies of the British CBI with European interests would be covered by the Parental Leave Agreement. Finally, endorsement of the draft agreement between the social partners at European level will lead to the drafting of legislation in the member states.

Burden of Proof - Sex Discrimination

Finally, there is the draft directive on burden of proof (in relation to sex discrimination cases), dating from 1988. A failure to resolve issues at the Council has led the Commission to opt for consultations with the social partners, under the Agreement on Social Policy, on possible actions in this area again leading to the withdrawal of the pending 1988 proposal as the process gets under way. Initial consultation between the social partners on this issue began in July 1995. Second stage consultations began in February 1996. However, the social partners agreed that this matter was not appropriate for social dialogue procedures. The Commission has, therefore, submitted a new proposed directive on the subject.

(ii) European Corporatism?

The social dialogue, therefore, appears to have received a considerable boost, firstly under the Protocol and Agreement on Social Policy attached to the Maastricht Treaty and, secondly, in a more concrete - though experimental - way, under the MTSAP. Apart from the obvious limitation that the Social Protocol excludes the UK from its terms, it is not yet clear how successful the developing social dialogue will be in the period ahead. Some commentators are optimistic about the prospects for developing social partnership, while others are much more sceptical. One basic question is whether the procedure outlined in the Agreement will ensure the development of corporatist decision-making procedures at European level. Obradovic, summarising differences of opinion on this question, suggests that the:

crucial problem is that the current structural network of employers' and employees' organisations at European level fails to provide the institutional

prerequisites for a system of collective negotiations as designed by the Maastricht Treaty ... Essentially, it lacks two crucial prerequisites for a corporate design: (i) a mandate to represent national constituent units; and (ii) a state licence to representational monopoly. The institutions of organised business and labour at the European level are neither authorised by their national members to represent their interests, nor recognised or licensed by the Union authorities as the social partners par excellence" (1995: 267).

Aware of this, UNICE and ETUC have been endeavouring, in recent years, to strengthen their mandate to negotiate on behalf of constituent national organisations, and to develop the authority they require to bind their members to agreements collectively entered into at European level. Neither UNICE nor the ETUC has a monopoly of the representation of national confederations, but share the arena with other confederations, some of which have applied to the European Commission to be recognised, alongside the ETUC, UNICE and CEEP, as parties to the social dialogue.

Apart from the practical difficulties of representation and mandates, and the implementation and enforcement of agreements collectively entered into, it is still by no means obvious that the social partners can achieve agreement where the full European Council has failed to do so. For example, in June 1994, the Social Affairs Council adopted the Information and Consultation Directive following consultation with UNICE and the ETUC, but without achieving an agreement between them. The passage of the directive through the Council succeeded, of course, under the terms of the Protocol on Social Policy, which does not apply to the UK (Employment and Industrial Relations International, July/August 1994: 7-8).

Nevertheless, as noted above, there are signs that since the launch of the new SAP, the social dialogue has begun to show some promise. Much depends on the capacity of the Commission and Council to proceed with legislation they believe to be necessary, even though the social partners fail to agree. This is not as easily achieved in the EU as it might be in a member state with corporatist institutions. This could imply selectivity or dilution in relation to the corporatist agenda at EU level (Vobruba, 1995). Streeck (1994) has set out a quite sceptical view of the promise of the Social Dialogue. He makes several points including, in particular, the view that the strengthening of territorial subsidiarity sets limits to the development of functional subsidiarity. In the present context, in other words, the retention of key political resources by member states on the Council enables one, or a combination, of them to block the development of trans-

national forms of collective bargaining and social policy development. Another question which he asks is to what extent employers can be expected to commit themselves to forms of institutional bargaining unless they can identify clear benefits. However, he finishes, at least, by stressing that the Social Policy Agreement is "a reminder of what should, and indeed must, exist for European society to defend itself against being devastated by the anarchy of an ungoverned international market".

Considerable doubt has thus been expressed about the potential of the social dialogue to generate corporatist-style policy formation at a European level. Nevertheless, the Commission and Council needs to recognise the potential benefits of involving the social partners in the resolution of important macroeconomic problems, such as unemployment, incomes policy and inflation-issues which are part of the corporatist agenda at the national or European macro-level. The absence, therefore, of an institutional set-up comparable to that which has underpinned corporatist arrangements at national level in several European countries, will certainly inhibit the achievement of binding collective agreements which operate at a European level. This does not, however, exhaust the possibilities of the social dialogue at a European level. It is possible that, through the dialogue, principles can be agreed and procedures laid down to guide the achievement of agreements at other levels in the European Union, that is at national or sectoral levels. Obradovic has identified in the social dialogue, as set out in the Agreement:

a framework for the transformation of the legal premises into formal procedures for self regulation of social policy in the Union ... the Agreement is designed to operate principally by shaping the organisation of collective bargaining, defining procedural norms, and limiting or expanding the competences of the social partners ... the aim of the Agreement is neither to develop its own proposal nor to decide on goal conflicts between competing policies. It is to facilitate co-ordination processes and to encourage the negotiation of an agreement (1995, 277).

This type of agreement has been termed soft law, or reflexive law, in that it sets out general principles to be followed, leaving the finer details to be resolved in different situations at a lower level.

What, therefore, are the implications of this reading of the social dialogue for its proposed application in the Social Action Programme? Although this can only be a matter for some speculation, the prospects are that the type of agreement achievable at European level between the social partners will tend

to be of an indicative, norm-setting, or abstract character. Thus, the social agreement will probably lead to the emergence of soft-law: something a lot less copper-fastened than EU regulations or directives, but with potentially more influence than opinions, declarations, or even recommendations. Given the log-jam experienced at the Council and the opposition of employers to directives applying across the EU and sectors, and given the renewed emphasis put on subsidiarity in recent years - as well as the diversity of collective bargaining arrangements in the EU member states - it is possible that the protocol signatory states may collectively achieve some progress with outstanding business through a furthering of the social dialogue.

The emergence of the social dialogue, particularly as it succeeds where other mechanisms have failed, will inevitably show up weaknesses in other, more established, forms of tripartism in the Community. When the IGC comes to consider institutional reform some attention, therefore, should be paid to this issue. In particular, the role of the Economic and Social Committee ought to be reviewed, with a view to developing the input of the social partners in macro-economic and strategic policy matters within the Community. This is something which will become increasingly urgent in the context of monetary union.

6. Developing the Social Dimension

(i) *The Social Charter*

The European Parliament, in its response to the White Paper on Social Policy, expressed the view that the revision of the Treaty on European Union in 1996, and the likely consequences of monetary union at the end of this decade, are a sufficient reason to give the Union a genuinely social dimension by incorporating the Social Charter and the Social Policy Agreement in an amended Treaty, and to extend the application of qualified majority voting and the co-decision procedure to cover more - if not all - social policy matters (EP: Resolution on the White Paper on "European Social Policy - A Way Forward for the Union" 19/1/95 [in O.J. No. 43/63, 20/2/95]).

The MTSAP promised a public hearing, jointly organised by the European Parliament and the Commission, to review the Social Charter adopted by eleven out of twelve states in 1989, and which has now been adopted by the three new member states (Finland, Sweden and Austria). The non-binding status of the Social Charter, as well as its limitation to the rights of workers, is a source of continuing dissatisfaction. Commissioner Flynn, at the hearing which took place in May 1995, suggested that certain

aspects of the Social Charter could be incorporated into EU law after the IGC in 1996. In particular, he argued, generally binding principles on discrimination could reduce the need for detailed secondary legislation. Incorporation of aspects of the 1989 Social Charter in a new treaty might be affected by the existence of the UK opt-out in relation to the Social Agreement. However, the opt-out of the UK from the Maastricht Social Policy Agreement might lead to complications. There might be a tendency to consider amending the Social Policy Agreement to incorporate elements of the Social Charter, thereby getting around UK opposition, but at the price of reinforcing the existing parallel community that was created by the Social Agreement. On the other hand, in a similar way to the working of the social dialogue, the member states might settle for significant advances in social rights in fourteen member states as an alternative to little or no change at the level of the whole community.

Thus, the idea of a strengthened Social Charter accompanying EMU is gaining support, though it may still be resisted by some employer interests and certain member states. At the end of March 1996, a meeting of the Forum on European Social Policy was concerned with wider consultation on the possible extension of the Social Charter to cover a wider range of individual rights and responsibilities and, in particular, on the provision of increased rights for non-workers. The provisional agenda for the Forum, nevertheless, had quite broad themes, covering equal opportunities (in the widest sense), employment, social protection, and the future of working life in the "information society". As the Forum was carried out over two days, involving approximately 1,000 people, and dealing with such broad themes, it is difficult to see how it could arrive at its objective of producing definite conclusions concerning the Social Charter. However, it certainly provided an outlet for the views of non-governmental organisations representing groups and interests such as the elderly, the unemployed, the excluded, women, disabled people and ethnic minorities. The Forum, therefore, acted as a barometer of the feeling among such diverse constituencies, and provided a timely stimulus ahead of the IGC.

The first European Social Forum had at its disposal the report of the special "Comite' des Sages" on the future of the civic and social dimension of the EU, which made a number of important recommendations on social rights. It proposed the adoption of a core set of fundamental civil and social rights to be put into the revised Treaty in the form of a "Bill of Rights", covering all forms of discrimination. These rights would be complemented by a more integrated set of social clauses in the revised treaty (incorporating the Social Agreement and Social Charter into a single treaty), much wider application of qualified majority voting in social policy

areas, a statutory recognition of associations and social partnership, a chapter on employment and a clearer role for the Community in combating social exclusion. The report of the *Comite des Sages* also coincided with a series of position statements from the European Commission and Parliament, the main social partner bodies at Community level and member states. In March, the UK restated its opposition to these types of reforms, while France issued a strong statement of support for the European social model. For the community, voluntary and NGO sectors throughout the EU, the challenge now is to use the Forum as a basis for developing a wider civic dimension through new forms of dialogue and opinion formation at a transnational level. Such a dimension is a key part of any attempt to achieve a developed political and democratic culture. The EU, through its institutions, has the capacity to stimulate such a process.

(ii) Poverty

In September 1993 the Commission placed a draft-decision on a Fourth Medium-Term Action Programme to Combat Exclusion and Promote Solidarity. This proposal has been blocked at the Council by Germany and, since July 1995, Germany has been joined by the UK. Germany's opposition appears to revolve around the legal basis, or competence, of the EU to extend the scope of EU social policy into this area. In addition, Germany has suggested that, under the subsidiarity principle, individual member states should be responsible for this area. The Irish Government's 1996 White Paper on Foreign Policy conceded that Poverty IV would not go ahead, but promised to use the presidency to explore new approaches to the issue.

Whatever the technical reasons advanced by Germany, the absence of a fourth poverty programme is an uninspiring and perhaps demoralising signal to those working at national level in NGO's or statutory agencies. The subsequent action taken by the UK to the European Court of Justice on the legality of disbursing the funds which had been allocated to *Poverty IV* is, for many, perhaps the final straw. On the face of it, there appear to be both practical and political grounds for continuing with a European-level poverty programme. There is a certain artificiality about appealing to the principle of subsidiarity in the context of a programme which is more of a catalyst to national initiative and a source and wellspring of expertise, and which can generate considerable additional effort at national and local level in exchange for a relatively small input. As a highly visible programme with a high profile among the socially excluded, the European poverty programme offers to the Community's leaders an opportunity to demonstrate, particularly in the context of the drive for a single currency, that member states will, collectively, do

all in their power to minimise the harmful consequences of deeper unification. The Combat Poverty Agency in Ireland originated out of the first EC poverty programme, and has been encouraged and informed through its contact with colleagues across Europe during the course of Poverty III. The poverty programmes are perceived in Ireland as playing a practical role in supporting new ways of combating poverty at national or local level. Thus, even without a Poverty IV programme, there will be a necessity to maintain the mechanisms and networks through which ideas and experience may be exchanged between member states.

On the positive side, the Community Initiative on Employment has been respecified through the establishment of INTEGRA, a new strand to take effect from 1997. INTEGRA will address the integration of marginalised groups including the long-term unemployed and people in areas or circumstances of disadvantage. Previously, these sectors were covered under the HORIZON strand, which will now concentrate on disabled people. The EU's contribution to the overall budget for the unemployment initiative is to be increased by ECU 300 million, from the original commitment of ECU 1.535 million, up to 1999. As these initiatives are funded under the European Social Fund, this new tranche may provide the focus for future initiatives to combat poverty and social exclusion.

(iii) Ageing

Proposals from the Commission to the Council to sanction a series of actions in favour of older people have run up against objections from Germany. Apparently - once again - this is related to the absence of a specific legal basis or competence under which to institute such programmes, and on the basis of an appeal to the principle of subsidiarity.

In view of the demographic ageing of the European population, and the medium and long-term implications of this for pensions, healthcare and other policies, the European Community instituted an initial series of actions on ageing which culminated in European Year of Older People and Solidarity Between Generations in 1993. The programme achieved a high profile, raised awareness of the implications of ageing, and stimulated the formation of networks between governments, NGOs and elderly people themselves across Europe. Many of the key issues highlighted by the programme overlap with the equal opportunity agenda, particularly in so far as they concern older women workers, and women as the main carers of the dependent elderly.

The programme highlighted not only the needs of an ageing population, but the resource which older people constitute. Over 75 per cent of the elderly are living independent lives, sometimes

actively involved in mainstream activities, particularly voluntary work. It behoves the Community to promote inter-generational solidarity, not merely out of a commitment to fairness but because older people are a valuable resource. Apart altogether from the value of networking, which a follow-up programme would facilitate, the implementation of a programme could help to build greater legitimacy and solidarity in the EU, as it seeks to deepen Economic and Monetary Union.

(iv) Equal Opportunities

The Commission has drafted a proposal for a Fourth Equal Opportunities Action Programme, to run from 1996 to 2000. The object of the programme is to consolidate the notable gains that have been made over the last 20 years and to provide for initiatives required to respond to radical changes in the labour market, demographic structures, relations within the family and between generations and social policy. The programme seeks to achieve change through partnership between the key actors in social and economic life. It seeks to promote desegregation of labour markets through the use of structural funds, to foster policies aimed at reconciling family and working life for women and men in member states, to promote gender balance in decision-making and to identify and disseminate good practice. Under the authority of the President, a group of commissioners is now responsible for building equal opportunities into all of the commission's policies and initiatives.

A decision to ratify the fourth programme on equal opportunities was taken by the Council during December 1995, following considerable effort by the Commission. This positive decision would seem to indicate a continued commitment by the Community, not merely to uphold existing equality provisions, but to demonstrate its commitment to an innovative approach to maintaining and developing equal opportunities in a changing society. For example, the concept of parental leave and policies to reconcile professional and home life, which are of recent origin, will have increasing relevance to carers of the dependent elderly as well as to carers of children.

Part of the difficulty would seem to have arisen out of the Commission's decision to base its proposals on Article 235 rather than on Article 119 or a combination of the two. Article 235 has been a focus for objections to Poverty IV and a second series of actions on ageing. If it proved, once again, to be an obstacle to launching a Fourth Action Programme for Equal Opportunities, this would inevitably have increased the number of voices expressing concern that the Community has lost its soul. Thus, in the context of equal opportunities, poverty, and ageing, the

implementation of the new social action programme is beginning to run into difficulties, or potentially so. This poses a difficult challenge for the IGC, should the member states wish to vindicate their commitment to furthering the social dimension, albeit with due respect for the principle of subsidiarity, by creating specific competences in these areas, as part of a new treaty.

(v) EMU and the Social Dimension

The prospects for monetary union are the subject of much debate. However, this debate has not yet extended into a more general consideration of the implications for the social dimension of creating a stable single currency. There are both technical and political ramifications.

On the technical side are the effects of the stringent Maastricht criteria on national spending. Following the locking of currencies there will be constraints on the spending activity of member states within the system. But the move to EMU, as a whole, implies that a great deal of political trust and decision-making will be centralised in the Community. Inevitably, this will throw into relief the need for a credible commitment to sustaining and developing its social dimension.

The social policy ramifications of EMU will be greatest at the national level. Both prior to and following the currency link-up, member states will need to gain internal consensus if they are to achieve and sustain fiscal stability, while surrendering control over their exchange rates. The French public-sector crisis illustrates how damaging the consequences can be when mechanisms for achieving social agreement are absent. Indeed, the French currency is so important to the success of EMU that the latter is unlikely to proceed without it. However, EMU and the path towards it, post-Maastricht are merely aspects of the underlying project for the completion of the internal market. It is the latter process that has the most far-reaching consequences for the economic, regional and social cohesion of the Community - both in terms of promised benefits of growth and prosperity, and the distribution of the associated costs and benefits. It was in this context that social dimension was made a focus by Delors in the 1980s. Aspects of the social dimension, such as solidarity between regions and between individuals, will inevitably come to the surface to test the political cohesion of the Community once again.

Underlying this is the question of what kind of Europe is being created, and what guarantees can it offer to the citizens of its member states? This aspect of the internal market and EMU has

not been adequately addressed. Not only social protection and equality issues arise here, but European governance itself. It is necessary to ask not only what role the EU will play in relation to social protection across the Community, but what steps it intends to take in order to underwrite the consensus that it patently needs in order to achieve its goals. EMU provides a great test of the Community's ability to develop the forms of negotiated governance required to realise the "European social model". In this paper, the current state of social policy debate was examined in the light of the Medium-Term Social Action Programme (MTSAP) 1995-1997. The purpose of this analysis was to provide some background to the 1996-97 IGC, which will consider, inter alia, the EU's social dimension.

The MTSAP was discussed in a global context, particularly against the background of high and lingering unemployment. The paper argued that the MTSAP reflects the shift in social policy witnessed since the beginning of the 1990s, from "rights at work" to the unemployment problem - or "rights to work". Also, the programme has been viewed in the more immediate context of monetary union and the 1996-97 IGC, which is to follow-up the Maastricht Treaty. The MTSAP is "medium-term" because it seeks to complete the outstanding issues left over from previous programmes within a short time schedule, and, perhaps more importantly, because there is much to be resolved before it is feasible to map out a broad outline of the social dimension that will emerge following EMU. It has opened new discussion, through the European Social Policy Forum, the *Comite' des Sages* and so on, on the issue of the future development of "Social" Europe.

The MTSAP has utilised whatever opportunities were provided by the Protocol and Agreement on Social Policy, appended to the Maastricht Treaty. In particular, it has sought to develop the social dialogue between the main social partners, giving a new impetus to the embryonic process of negotiated industrial relations at EU level. There is considerable potential for this process to be extended and deepened. Similarly, the MTSAP has committed the Community to extending its consultation procedures on social policy through mechanisms such as the Forum on Social Policy. This can only be described as a beginning, an experimental-scale development of negotiated policy development. Apart from this, the programme has added some momentum to calls for the tightening up of the Social Charter - to give it wider scope in and beyond the labour market - and seeking to give it binding status as an integral part of a new treaty. The concept of inscribing fundamental human, social and civil rights into the Treaty is being debated.

CONCLUSION

Nevertheless, there are signs of a lack of determination to address social policy questions at Community level. Firstly, the long-standing difficulty over the UK's social chapter opt-out remains unresolved. Secondly, the persistent objections to Poverty IV by some countries, the difficulties with approving a second series of actions on ageing and signs of a weakening commitment to the promotion of equality, are somewhat ominous.

The appeal to the principle of subsidiarity is not altogether convincing, particularly given the small scale and role of such programmes, which can only be said to complement and support initiatives at member state level. The problem is not resources: the total budget required by Poverty IV would amount to ECU 120m over five years - equal to only ten per cent of the annual expenditure under the European Social Fund. The validity of the subsidiarity principle is predicated on the capacity, appropriateness and commitment at national level to the maintenance, or initiation, of social programmes and policies. Increasingly, however, the role of the Community in co-ordinating, and in reinforcing and diffusing good practice, not only adds value but becomes indispensable to the success of national programmes. The fear of an open-ended EU-level commitment to developing social protection could be addressed, however, by specifying its competences in more definite and positive terms. By creating such competences there would be less likelihood of conflict or confusion over the use of "saving clauses", such as Article 235.

Meanwhile, the Community is rapidly approaching a dramatic stage in its evolution - monetary union. This stage has powerful technical, fiscal and social ramifications for each member state. Member states will lose control over exchange rates and be obliged to meet stringent fiscal and monetary policy targets. Yet there has been limited analysis of the social consequences of EMU. In this paper it has been suggested that not only social protection but also the issue of social participation and governance needs to be addressed in developing the EU's social dimension. The IGC, therefore, should carefully examine this issue, particularly in light of the difficulties already being felt in some member states. Without this, the concept of a "European social model" could stagnate or even be viewed as a shibboleth, while the ground once gained for the social dimension at a national level is threatened, rather than consolidated, by European integration. The legitimacy of the EU itself is at stake if it is perceived in this way by the citizens of the member states. This points to the central importance of values and norms of social justice and social cohesion in shaping the future of Europe.

Just as important as creating the market is the task of correcting it and generating solidarity. Market correction is a key purpose of social policy which has as yet remained largely a matter for member states. However, against a further and potentially major loss of sovereignty following monetary union, the issue of market-correcting social policy may be propelled to the fore at European level.

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