

**CHANGES AND THE CONTINUITIES OF THE EUROPEAN UNION SOCIAL POLICY**

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**CHANGES AND CONTINUITIES IN EUROPEAN UNION SOCIAL POLICY**

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## ABSTRACT

### CHANGES AND CONTINUITIES OF THE EUROPEAN UNION SOCIAL POLICY

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This thesis analyzes the European social policy, which is one of the most controversial issues in the European Union. On the one hand, the critics of common social policy focus on the market efficiency attaining the purpose of single market. The supporters of EU social policy, on the other, focus on maintain market efficiency by considering equality, low unemployment rates and providing social protection for individuals. This thesis argues that, from a qualitative perspective, intergovernmental solution seeking methods in European social policy gained more acceptance by the member states over time. Open Method of Coordination, which has intergovernmentalist and deliberative structure, gives an opportunity to balance the market and welfare goals in the European Union and overall has a positive impact on the European social policy.

Keywords: European Social Policy, Open Method of Coordination, Soft Law

## ÖZET

### AB SOSYAL POLİTİKASINDA DEĞİŞİMLER VE DEVAMLILIKLAR

Bal, Sinem

Avrupa Çalışmaları Yüksek Lisansı

Tez Yöneticisi: Yrd. Doç. Dr. Işık Gürleyen

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Bu çalışma, Avrupa Birliği'nin en tartışmalı konularından biri olan Avrupa sosyal politikasını inceliyor. Bir yandan Tek Pazar amacına ulaşmak için piyasa etkinliğine ağırlık veren ortak sosyal politika muhalifleri, diğer yandan, piyasa etkinliğinin sürdürülmesinde eşitlik, asgari işsizlik oranları ve bireylerin sosyal korunmasını da göz önünde bulunduran Avrupa Birliği sosyal politikasını savunanlar bulunmaktadır. Bu tez, kalitatif açıdan incelendiğinde, Avrupa sosyal politikasında hükümetlerarası çözüm arayışları methotlarının zamanla daha çok kabul gördüğünü belirlemiştir. Açık koordinasyon yönteminin, hükümetlerarası yaklaşımı (intergovernmentalist) ve müzakere edilebilir yapısıyla, Avrupa Birliği'nde piyasa ve refah hedeflerinde bir denge ortamı oluşmasını sağladığını ve Avrupa sosyal politikası üzerinde olumlu bir etkisi olduğunu savunmaktadır.

Anahtar Kelimeler: Avrupa Sosyal Politikası, Açık Koordinasyon Yöntemi, Bağlayıcı Olmayan Hukuk

*To My Parents*

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# CHAPTER ONE

## 1.1 INTRODUCTION

The European Union Social Policy is becoming significant in the integration process, and European Union has been in the process of changing its mode of policy regulation since the 1990s. Starting from the White Paper of Growth, Competitiveness and Employment in 1993, EU recognized that, social policy requires new and modernised methods to accomplish the increasing social problems. Because, there was an unprecedented unemployment problem and it was clear that existing unemployment strategies were inadequate and this problem demanding a Europe-wide response (Trubek and Mosher, 2001).

In 1980s there were two dominant positions regarding the efforts to form an EU level social policy among the member states. The first was the supportive position of leftist government countries such as French Social Democrat Party. On the opposing side, there was UK led by the leader of the Conservative Party Margaret Thatcher. British Prime Minister challenged EC level social policy attempts in order to encourage economic growth. At the EU level institutions, EC Commissioner Jacques Delors tried to create a “European Social Model”, which UK opposed because it was seen as contradicting liberal economic ideals as social policy required centrally enforced social rights.

Apart from such political oppositions, another issue is the difficulty to make a single social entity from separate unites because of diversity of traditions among member states. Each member state has different social policy traditions, and each has broad income disparities “with regards to the social protection, funding mechanism, the

distribution of responsibilities and sector of population covered by contributory schemes” (Hantrais, 2007, 44). Before the 1990s, EU level social policy “lacks the core notions of social protection and redistribution” (Daly, 2006, 464) and it does not conform to social issues in the nation state-level. Due to the effects of economic crises, changing economic policies, globalization, enlargement processes, and increasing unemployment rates, the European Union’s social policy have to be rearranged.

There are two major (and different) measures of law integration in the European Union. One of them is so called “the supranational method” or “Community Method” which bases on “hard law” documents issued by the institutional system of the European Community. This method gives obligatory harmonization of national legal rules. The second instrument is “the intergovernmental method”, based on a political consent of all members’ governments as an agreement for limitation of national independence to create their own law. An intergovernmental approach to creating a social policy prefers centralization of undertaken activities, and means of more extensive decentralization are needed.

European integration has been incorporated with *Community method*, which has a central role of a supranational organ (Dehousse, 2002) in preparing EU social policies and adaptation of binding rules to create a social harmonisation, in five main social areas. They are; free movement of labours, equal opportunity, and equal pay for men and women, health and safety at work, labor law and anti discrimination. Nevertheless, in the other social areas, member states derive much of their legitimacy from national social policy. The traditional working method or supranational method of the European Union is characterized by set of rulings. For instance, adaptation of binding rules, which is controlled by the Commission; transfer of powers from EU to member states; the role of supranational organs; QMV decision-making; and the power of the European Court of

Justice (ECJ) to give punishment where the rules are not implemented as it is supposed to be. The legal sources that Community methods derived from respectively were divided into three groups according to their binding powers. The first is the primary legislation in the form of treaties, the second is regulations, directives, and decisions which have a binding power and which were obliged to implement for member states, called as hard law. Tertiary sources are the advisory characters, which consist of recommendations, resolutions, opinions, communications, and memoranda, which are called as soft law instruments. Regulations have not been introduced in the social field so much except structural funds and free movement of workers realm. Directives which lay down objectives for legislation “but leave individual states to select the most suitable form of implementation, have been exploited to considerable effects in the areas of health and safety at work and equal treatment” (Hantrais, 2007, 19). However, recommendations have an impressive role in the European social policy.

Economic and political processes affect social dimension, and therefore over time, the social policy umbrella expands and new social strategies have been emerged. One of the most important reasons for new strategies is the binding regulatory system that has not favourable results and the supranational method has not met acceptance from the member governments (Jacobsson, 2004). National governments are “reluctant to adopt market-correcting measures at the European level and prefer voluntary provisions that do not bind member states” (Bahr and Treib, 2007, 11). They have historically been “unwilling to delegate any significant degree of decision making authority to the EU in policy domains near the heart of their welfare states” (Tucker, 2003, 2).

Intergovernmental solution seeking methods gained more acceptance by the member states. Also, free market ideology that rose after the 1980s, diversity of the member states’ social structure, limited budgetary of the EC, political opposition of UK,

continuity of unanimity voting in social areas and weakness of social interest groups are the main reasons to explain why European social policy stays in intergovernmental level. Thereby solution-seeking process for the main social problems in EU mostly stays in intergovernmental level.

One of the most important solution-seeking in intergovernmental level for the social problems in the wide scope is Open Method of Coordination (OMC) which is a new mode of governance. It is “new” in EU social policy, because it enlarged the scope of the social policy in EU level by including social exclusion and social protection problem in the EU social agenda. Previously these issues were subject to the national social policies. It is “governance” because it leads to social partners, and local, regional, and national authorities in social policy decision-making process. In 1996 and 1997, European Trade Union Confederation (ETUC) mostly depicted that the employment and growth should be explicit objectives of economic union and institutions should create goals and ensure a role for social partners (Jenson and Pochet, 2002). By the early 1990s, EU social policy encompassed a wide variety of issue areas and “social groups, was supported by a plethora of social policy interest groups, and was even seen as laying the foundation of European welfare state” (Geyer, 2007, 245). Therefore, the form of soft regulation has emerged which also supports convergence in social policy rather harmonisation.

European Employment Strategy in 1997, European Social Inclusion Strategy in 2000 are subject to “various versions of the Open Method of Coordination (OMC) which stipulates common objectives and whereby individual member states can freely choose how they achieve these objectives” (Kvist, 2004, 303). European Employment Strategy (EES) achieved successes as of 1998 by implementing mutual learning process and creating peer pressures for the nation states’ social problems (Tucker, 2003). With EES,

European social policy has been shifted from deepening to widening by using softer policy measures, such as guidelines. Over time, European integration enforced more flexibility in European social decision-making and new practices have been implemented. OMC is also welcomed by the member states as it has a feature of feasible balance between the need to respect diversity (Lendvai, 2004).

There are several reasons for the creation of OMC. The main one was the fact that, member states recognized that social policy needs an important concern in certain policy fields, by considering their social diversity. However, it was difficult for them to pursue or implement the EU level, harmonization-oriented social directives, or regulations. Therefore, a new approach of flexible and open coordination tries to overcome this problem (Radaelli, 2003; Borrás and Jacobsson, 2004; Bursen and Helsen, 2005). Another important reason to use OMC is, it focuses on cooperation, and its main method is the involvement of social partners and the civil society in the coordination process. Besides, the goal is to promote *learning* and *convergence*. With the implementation of OMC, European transformation has started from the issues ranging from employment services to immigration, social cohesion and pension system (Carmel, 2005).

This research serves to explain what are the changes and continuities in the social policy of the EU especially after the 1990s. The main reasons to choose 1990s and after are, social policy came into prominence during the 1990s, as first declared in Jacques Delors' White Paper in 1993, by trying to create an appropriate solution with the soft law instrument, and to change its nature to be favourable for all member states. Before the 1990s, social policy understanding was consisted of the resolutions of problems created by market failures in the areas of public goods, negative externalities. However, after the 1990s, EU lends itself well on the other social issues that were primarily concerned by the national level.

This thesis argues from a qualitative perspective, social policy of the EU, since the foundation of the Community, belongs to the intergovernmental level. Especially, due to the overriding economic integrity, and UK's dissenting opinion for the EU social policy approach, solutions for the EU social policy problems tried to solve in with intergovernmentalist approach, which also seems to be the best choice. It could be exemplified in the OMC that, with the intergovernmental structure, and without a binding regulatory system, social policy requirements in the EU level gain attention. Such a new approach, OMC, as a new mode of governance, with its intergovernmentalist, neovoluntarist, and deliberative structure, gives an opportunity to obtain a balance between the degrees of economic and social integrity in the European Union and has a positive impact on the European social policy. Eurobarometer survey results, Eurostat statistics in the employment and social inclusion areas and Joint reports on Social Inclusion and Social Protection OMC, European Employment strategy and Council decisions will be used to support this argument. The main contribution of this thesis on existing literature is, to analyse the social policy evolution considering not only the changing governance system that seems to be good solution for the existing European social problems, but also taking up the eastern enlargement, its impact on European social policy.

In the second Chapter, thesis will explain primarily the meaning and the origins of the European social policy, which were formed by the treaty provisions, regulations, directives, and decisions. In here, different social policy systems of the European member states will be introduced, which is one of the main factor of the OMC. Because, in the method, it argues that, due to the national diversity in the social policy realm there is need for new policy instruments which would respect this diversity (Pierini and Coyne, 2001). Then, the period between the foundations of European Social Policy until



Maastricht will be explained. During this period, the Community methods were mostly endorsed in the social policy that adhered to social *acquis*. However, after the 1990s, the competences of the some social issues are prevailed from EU level to national, regional and local level. The process has started first with the Jacques Delors' White Papers in the area of employment, and then continued with following treaty Amsterdam and Luxembourg process, which has launched European Employment Strategy. In the last Chapter, firstly thesis will focus on why OMC acknowledged as a new solution and how does it effect European social structure. Why European social policy needs such a method and how member states answer this new method's requirements. Secondly, it will focus on the Eastern enlargement and new member states' social policy adaptation process.

## 1.2 LITERATURE REVIEW

Social policy is defined variously and it has played a mixed role in the European integration theories. Euro-federalists seeking to construct a supranational social entity when intergovernmentalists seeking to protect national sovereignty and find solutions for the social problems with the methods such as OMC. For Euro-Federalist, European social policy has the secondary importance, however, “concentrating on the creation of an appropriate European federal structure” (Geyer, 2007, 247) has major importance. It is obvious that for the construction of a strong and comprehensive social Europe in a federal structure, there is a need for an explicit concern and political will. However, refusal of the Constitution shows that it is too hard to constitute a social policy on federal structure.

Besides, early functionalists see the social issues as the one of the most important component of the European integration process. According to them the real peace and integration would be successful through the functional integration of individuals and interest groups. (Geyer, 2007) Like the functionalist, structuralists also argues that social policy in any case, limited to small number of areas considered crucial for market economy (Hantrais, 2007). However, Neofunctionalists explain social policy with spillover mechanism. According Haas, (1958) the creation of full economic integration involves the construction of common institutions “through which common planning can be undertaken, diverse and entrenched national policies harmonized, and fundamental structural change promoted for the benefit of entire Community” (Pentland, 1973, 139). He assumes a decline in importance of nation states, integration of individual sectors in economy would create a spill over effects, and this effect would create social integration. They are predicting that, EMU would have an important spillover effects for social

policy (Hantrais, 2007; Geyer, 2007). According to them, 'Community Method' or Supranational Method of decision-making, this is the way of institutional work, described with the clear implication that it is a method indigenous and perhaps exclusive to the EEC (Pentland, 1973). That means it is charged with the Treaty requirements but also concerning the national viewpoint with QMV represented by Council of Ministers.

It could be said that, there are two opposite sights in the European social policy, which are neoliberals or market liberals and social democrats. From the neoliberal approach, that became popular after 1970s under the leadership of Thatcher, advocates minimal government and that under the perfect market, government should withdraw its intervention. Regarding social policy, they argue, a minimum social wage would not eradicate poverty but, indeed, actively contribute to its perpetuation. They see social policy as a by-product of economic growth, when social democrat countries in 1980s and 1990s such as France, Italy, Spain, Portugal and Greece see social protection as the productive factor. After the Lisbon Strategy, neoliberals on the Parliament reduce the support for truly sustainable policies in social protection and social rights (Frassoni, 2004). However, Social Democrats, such as Delors in 1990s, argue that, social policy concern is a must (Delors, 1989). Beginning with the White paper in 1994, the Social Democrats consistently stress on the increasing unemployment problem. Hence, beginning with the White Paper and following with EES and OMC, in the intergovernmental level, concern on social problems gained impetus. While creating the single market, the Delors Commission by using the Social Democratic orientation took a procedural approach to ensure that the single market being created would also involve a social dimension (Cram, 1997). Especially after the mid of 1990s, new method have been prepared for the social issues in the EU level which were previously subject to the

member states' social policy. OMC is one of the new methods in intergovernmental structure that emerged as an answer for these social issues that member states face.

Several studies have been made with regard to the European social policy and OMC's structure. Proponents of the OMC such as Portugal and Netherland argue that intergovernmental solutions for the social policy and OMC's soft law legacy create a positive attitude on the social policy evolution. They believe that this new method would contribute on European social policy because during the 1990s, the main problem was not only employment but also income disparities. However, Euro-federalists that are the opponents of the OMC, believe that this new method plays a negative role in two regards: European institutions' competence and in the social policy harmonisation.

Trubek and Mosher (2001), the opponents of OMC and Employment Strategy, criticize that, to use of OMC with social problems in general and employment in particular is controversial. With regard to EES, they believe that, it would create gradual erosion for the European Social Model. They also indicate, existing methods for unemployment does not efficient but also, the problems were about the scope of the problem and the limits of the existing governance methods, because there was not any mechanism available at the Union level to deal with the issues of this nature and substantial resistance to 'Europeanizing' employment policy.

Mosher (2000) argues EU relied on traditional regulation through harmonization directives to coordinate actions of member states and secure regularity uniformity. Although some progress was made, many proposed directives were stillborn. He also emphasizes that post-regulatory governance approach may provide potential functional advantages over traditional regulation. According to some scholars, (Degryse and Pochet, 2003; Erdogdu, 2005) the policies and methods, OMC and EES as well, regards to poverty, unemployment and social exclusion, could not reached the effective prosperous.

However, Jacobsson (2004) argues that these methods are subtle and long-term, thus, it would be misguided to expect rapid solution from the implementation of the methods.

De la Porte, *et al.* (2001) criticizes the OMC implementation in various ways. First, they argue, OMC suggests that common objectives can be used as the basis for the benchmarking process; according to them, this is a perilous paradigm and could bring the EU institutions into disrepute. The second criticism was about in the OMC, there are no hegemonic definitions on goals and no sufficient political commitments. Dehousse (2002) argues OMC is not efficient in the areas where convergence between national policies is regarded as imperative. She explains the reason of this is the EMU. She stresses that, countries could closely coordinate their policies; however, they could not outline a common policy. Thereby according to her, OMC is too weak to guarantee efficient policy coordination.

However, according to Sciarra (2005), if one bears in mind the original four pillars of the EES, one soon realizes that there has been a convergence of national legislatures towards similar areas of intervention. Nevertheless, she indicates that, member states share common concern, to reduce unemployment and this common concern brought them towards similar solutions. Again both Sciarra (2005) and Martin (2005) point out the same idea that, OMC was created as an alternative for social harmonisation, because at the Nice, “harmonization” was kept out of the Council’s options when dealing with social inclusion and modernisation of social protection issues. (ToN, 2001)

Hemerijck (2002) also mentioned a single ‘European Social Model’ could not exist not only because of the fifteen different social systems but also because of ten new members. According to him, OMC facilitates policy areas where EU competencies are weak and regulation is impracticable. As another proponent, Bouget (2004) argues the same and according to him, the success of the OMC would bring EU renewed notion of

convergence. Similarly, Robert and Springer (2001) state, social policy in the EU is now in a different way and member states are learning more about what other states are doing regarding social policy. According to them, this method, which is characterized by social learning and best practices, works well in an era when fear about centralization in Brussels is widespread. Furthermore, Borrás and Jacobsson (2004) argue that the essential political nature of the OMC and its decidedly non-hierarchical, non coercive mode, gives a breath fresh air to the ‘first pillar’ of the EU, so previously dominated by the Community method.

## **CHAPTER TWO**

### **THE EVOLUTION OF THE SOCIAL ACQUIS**

This chapter aims to examine the European social policy structure from the foundation of European Community until Lisbon Council. The chapter starts with the meaning of the social policy, which is followed by social classification of the European member states. It is useful to understand diversity of the member states in this context. In the following section, the main treaties that carved out the social acquis and the general social atmosphere in Europe with in the context of international and changing economic factors will be analysed.

#### **2.1 CHARACTERISTICS OF NATIONAL SOCIAL POLICIES IN THE EUROPEAN UNION**

The main criteria here is that, between the period 1958 to 2000, social policy was only consist of some specific issues that had been effected by the market failures. This period can be divided into three parts. First part is the period from the foundation until 1973 oil crisis. During this period, due to the low unemployment rates and with Keynesian economic policies, there was not an exact demand for European social policy. However, in the second period, 1973 oil crisis until the Treaty of Maastricht, Community mostly concentrated on creating the common market without responding the social policy problems at Community level. In the third period which from Maastricht to Lisbon, EU recognized the need address this issue.

### **2.1.1 The Meaning of Social Policy in General**

Social Policy emerged first in Germany during Industrial Revolution in 18<sup>th</sup> and 19<sup>th</sup> century and it regarded the social implications of economic activities for human and social life. It has been defined as study of social services and the welfare state. In general, it refers the idea of social welfare, its relationship between politics and society. It considers detailed issues on administration of social services such as housing, education, unemployment, health, poverty, disability, and family policy. It focuses on the social problems from the perspective of economical events and in due course, the realm of social policy has enlarged. Its content expanded due to market liberalization, which started to pressure primarily the working class. Hence, social policy was referenced as an instrument to amend the social shortcomings that social class faced. In its fundamentals, in the 19th century era, social policy used to consist of wage, working hours and job security, but after World War II, its scope enlarged and took on an academic meaning.

The first implementation of social policies started in Germany. The German academic Wilhelm H. Riehl first used social policy as a concept in the mid 19th century (Çelik, 2005). In the following process, German Chancellor Otto Von Bismarck took another important step, the first social insurance system in 1880 in Germany. Social insurance was a real institutional breakthrough in the history of the European nation state and with the insurance system. According to Ferrara (2006), Bismarck's main objective was to enhance the loyalty of the German citizens towards the Reich. This spread out in continental Europe. Due to problems in living and working life, the labour organizations became powerful and this brought along the threat of rising Social Democrat Party. Bismarck put social insurance system into effect to constrain the labour moving towards to left (Çelik, 2005). The systems, which influenced by Bismarck, are principally "reformed by modifying the formula of the basic pension" (Martin, 2005, 261). This



evolution laid a foundation on social policy. First consideration was on occupational hazards then illness, elderliness, and unemployment insurance. The social progress, which were made in 1880s and first started in Europe, ceased during the inter war period. During these times, the political and economic resources had been used to cover the cost of wars. However, later, new social reforms were taken into consideration (Özdemir, 2004).

In the strict sense, social policy was an approach to confront the labour question in Western Countries, especially first in Germany after the industrial revolution. The main aim was to make a more egalitarian and accounting society, protects the working class against social problems, and provides a social equilibrium especially after the damages that were made by rapid industrialization (Koray and Alper, 1987). It could be said that, in the beginning, the meaning of social policy in a strict sense was providing for the working class and their rights against the bourgeois class and their power. In the broader sense, it consists of the entire social events in life. It considers labour's rights as well as artisans, agricultural labour's, consumer's rights, disabled and women's rights, and broad social problems related to them. Generally, the social policy, in its broader sense, came into being after World War II and its field of interest grew beyond its more limited sense, to include housing and settlement questions, health problems, education, and environment problems.

### **2.1.2 Classification of National Social Policy**

There are various types of social policy classifications have been made regards to European member states. The most famous ones are Esping-Anderson and Titmuss' classifications, but in due course, Kleinman and Ferrara made some additions with regards to Latin states. This section will examine the fifteen European countries' social

classifications, so it is before the 2004 and 2007 enlargements. The twelve new members' social structure will be analysed in next Chapters.

According to *Titmuss's social classification*, European member states' social systems involve consideration of the work ethic and institution of the family in the modern society. He also argues that these models would help to see some order in all the disorder and confusion of facts, system, and choices concerning certain areas of economic and social life (Titmuss, 1974).

In Model A, the Residual Model of Social Policy, he stresses in the Residual Model that, there are two natural channels through which an individual's needs are met; the private market and family. Even if these channels break down, then social institutions could come into play however temporarily. The theoretical basis of this approach is traced back to the English "Poor Law" system.

In Model B, the Industrial Achievement-Performance Model of Social Policy gives a significant role to social institutions as adjuncts of the economy. It stresses the basis depends on the social needs and it should be met according to merits such as work performance and productivity. It is derived from the economic and psychological theories that are concerned with incentives, such as effort and reward and formation of class and group loyalty. It has been described, as the Handmaiden Model.

In Model C, the Institutional Redistributive Model of Social Policy, the Industrial Redistributive model analysis social welfare is a major integrated institution in society that provides Universalist services outside the market on the principle of need. It is derived from theories about the multiple effects of social change and the economic system, and in part on the principle of social equality. This model incorporates the systems of redistribution in command-over-resources-through-time.

In *Gosta Esping-Andersen's* classification model shows that each country has a specific national social structure. Thereby it could be said that differences at national levels may led European welfare states more divergence in social policy.

Liberal Regime: This includes countries such as UK and USA. It is characterized by the strong adaptation of liberal values (self-responsibility, strong market economy). It has a residual character and low decommodification\*. In terms of social policy, liberals believed, a minimum social wage would not eradicate poverty but, indeed, actively contribute to its perpetuation. Esping-Anderson argues, unlikely, the worker was ever completely commodified, but liberals advocated the cash nexus and opposed intervention that might disturb the stratification produced by the market.

Corporatist Regime: Germany, Belgium, and France represent this Regime. It has a medium level of decommodification. The state is viewed largely as a minimal interventionist with any welfare allocated firmly upholding the stratification of society or maintaining the hierarchical/patriarchal structure. It believes that the state could interfere when the family's capacity is weakened.

Social Democratic Regime: It is represented by the Scandinavian countries. There is a high level of decommodification and strong commitment to full employment for both men and women. Social democratic theory advocates full employment and promotes equality including the provision of a safety net that no one should be allowed to fall through.

As an addition for the Anderson's classification, Ferrara (2006) and Kleinman (2002) separately have added another model, which regards to southern countries. It represented by the southern European countries such as Greece, Portugal, and South Italy. Ferrara characterized according to the criteria and the conditions under which the

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\* Decommodification means, in market economy, citizens and their labours are commodified.

benefits are offered, on regulations to finance social protection and finally, the administrative-organizational aspects of managing social security schemes. Kleinman's classification show similarities with Esping- Anderson, but he also placed southern countries in another category. He describes these countries with having undeveloped social system, due to the insufficient social security implementations, insufficient social conditions, and lack of exact institutional structures. Traditional support services, and family solidarity is important in this model

These classifications show that, in European Social Model, it is difficult to harmonise due to different social systems. It is too hard to harmonise Scandinavian countries with undeveloped southern countries due to different scales of market, economy, equal opportunity, and solidarity. Hence, this creates gaps in social policy between these countries. Different national economic and social contexts ensure that "common measures produce different reasons, even when goals are similar" (Taylor-Gooby, 2004, 1).

Hitiris (2003) compares the members regarding their social protection spending and shows northern European members spend more than southern. Hitiris questions whether the differences in regimes, institutions, and policies of the member states cause such sharp externalities that they need to be internalized by harmonization or even integration. He provides two answers for this question. First, he states that harmonization is unnecessary. Different social security systems reflect different preferences, though one could endanger the other. Convergence approach would lead to harmonization by its own accord. His second answer is that social integration among the member states that are endowed with different social provisions would converge in a downward direction, because countries with lower social provision would gain unfair competitive advantage.

## **2.2 BACKGROUND OF EU LEVEL SOCIAL POLICY**

In this section, thesis will focus on the social policy concerns in European Community (EC) from the foundation of EC 1957, until 1973 Oil crisis, which affected European economic and social policies. During this period (1957–1973), which is also called Golden Age, Keynesian policies gained an importance and Keynesian approach got a new impetus, after the World War II, overwhelmed the liberals and had its implications on new economic and social policies.

### **2.2.1 Impact of World War II**

Following the Second World War, Europe divided into two ideological blocks. Under these circumstances, the division between Western Democracies and Soviet Socialism shaped world economy. In the post war era, European countries determined to create economic structures, which war destroyed all of Europe and recovery needed, through the Marshall Plan and other aid schemes to finance Europe's economy (Kennedy, 1989). Therefore, a devastated and fatigued Europe had a chance to ameliorate the deficient parts of its economic policies with the Marshall Aid. In 1948, Organization of European Economic Cooperation (which became OECD after 1960) was founded to arrange the Marshall Aid for the economically damaged Western European Countries. This Marshall Aid, first used as a social fund (or so called European Coal and Steel Fund) in the European Coal and Steel Community, that established in Paris Treaty in 1951, to support the coal and steel workers' social problems (European Commission, 2007c). Hence, it could be said that, Marshall Aid was used as the first social fund, and start the common social policy implementations.

In this recovery period, there were two reports that concern both economic and social realms, which are the Beveridge Report and the Keynesian Report. Keynesian

economic approach sees social spending as a useful component in the economic policies. Developed in the early 20th century, his theories consider the need for government intervention to increase spending. Thereby, there would be groundwork for job creation. In post-war period, “in the bigger countries, commercial barriers had been extensively used as indirect instruments to shield national distributive patterns from external disturbance” (Ferrara, 2006, 91).

After the World War II, a major breakthrough came with the *Beveridge Report* in 1942 to create comprehensive plans for European states, and focused on the national insurance system. William Henry Beveridge compiled an important social policy document called ‘the Beveridge Report’, also supported by John Maynard Keynes in Britain in 1908. It guaranteed social security on illness and unemployment. However, it could not be implemented during 1940s. The report was based on three pillars: a) family allowances; b) comprehensive health-care; c) full employment policy. The main legacies of the Beveridge Report were to focus on workers as the principle recipients of benefits on work as a central qualifying condition.

Keynesian economic policy that will be analysed in detail in the next sections argues that increasing levels of wages had also increased the demand for goods and services, thereby full employment could be achieved. The idea that Keynes had driven forward was an “interventionist state” approach which was adopted by the developed Western democracies after WW II. It was mentioning that states would be the main actors in the economic, political, juridical, and social areas. Between 1945 and 1975, welfare state reached at peak and Western states were referred to as Keynesian welfare states. By pursuing the Keynesian Policies, the proportion of the social services in the GDP increased. Thus, the shortcoming of the market “were countered by the development of the interventionist state” (Özdemir, 2004).

## **2.2.2 European Economic Integration Process and Social Policy Context**

In the beginning of the European integration process, by six original, the welfare state mentality based on Corporatist rights and income related insurance contribution. (Hantrais, 2007) Each state has its own social policy system and coordination is difficult, if not impossible, when socialist regimes are in power in some of the member states and conservative parties are dominant in the others. (Kennedy, 1989) Each state has its own social system not only in economic but also in social areas. In Economic integration among the six (France, Germany, Italy, Benelux), there was some concern that different levels of social security systems and wages, as stated in the Gosta Esping's classification (1990), might give some countries a competitive edge over the others. It was the situation much later described as *social dumping*. (Nicoll and Salmon, 2001) Community generally emphasised that, in social aspects, social benefits would be considered after creating a common market. Therefore, it could be said that social policy was the additional part of the European economic policies. During the period between 1952 and 1972, due to the low level of unemployment, European Institutions' number of competence areas was low. Issues such as free movement, Social security rights of the immigrants, social funds, and vocational education remained in the forefront. (Commission, 2007c)

### **2.2.2.1 Social Provisions of Paris Treaty 1951**

In Paris Treaty, *European Coal and Steel Community* (1952- 1957) was established in 1951 and it was for the first time, the six member states (Benelux, Germany, France, Italy) of this organisation surrendered part of their national sovereignty, albeit in a limited field, to the Community. As the post war economic boom

continued, the Cold War intensified, and the “success of the ECSC became increasingly obvious, the founding members of the ECSC took the next step in European integration and created the EEC through the Rome Treaty” (Geyer, 2000, 246).

The purpose of these six countries was to create integration towards the common market. ECSC had to deal with the social impact of structural changes in two major industries and was endowed with funds to cover the resettlement of displaced workers. It also conferred responsibility for looking into the “living and working conditions of miner and steel workers.” (Hantrais, 2007, 2) Nevertheless, the social provisions of the ECSC were restricted to the Coal and Steel industry workers.

Generally, the social articles aimed to find solutions for social effects of structural changes, and provided for allocation of funds, that was provided by Marshall Aid, for workers. This fund was mostly used as an unemployment aid, and resettlement allowances and retraining policies under the Art. 56. Marshall Aid could be named as the forerunner of the European Social Fund. (Commission, 2007c) Other social policy provisions of the ECSC are Health and Safety of workers (coal and steel workers only) under the Art. 3 and Art. 35, Social Dialogue and Wage Levels under the Art. 46 and improving living standards and working conditions in Art. 48. (Treaty establishing ECSC, 1951) In the ECSC the social concern only focused on workers’ health and their working conditions. The restructuring of the coal and steel industries, through the ECSC, involved social measures in aid of training and finance adjustment. There was concern with “negative integration that is, removing barriers to the labour mobility and ensuring that differences in the costs of social protection did not prevent competition in the supply of goods” (Atkinson, 1992, 43).



### **2.2.2.2 Social Provisions of Treaty of Rome 1957**

*European Atomic Energy Community (EURATOM) and European Economic Community (EEC)* is the two treaties that signed under the name of Rome Treaty. Even though, there were limited social provisions of Rome Treaty, the general framework of the social policy was created. EURATOM had included limited social provisions in the treaty. The main areas of its social provision were occupational safety and health for the energy sector workers. Another important pace was the establishment of European Economic and Social Committee. The European Economic and Social Committee is one of the most important European bodies in social policy in the European Community. It was founded to represent various economic and social groups. There are 222 members in the committee from different categories such as commissioners of the employee and employers groups.

In the *European Economic Community*, in many respects, the Treaty of Paris, which set up the ECSC 1951, and the treaty establishing the EURATOM in 1957 were “more interested in social policy than the EEC Treaty.” (Hantrais, 2007, 2) It was assumed that matters of social policy fell within the legal competence of the member states, with the EEC acting as a regulatory body in economic matters (Murphy, 2003). Social policy was seen as the last step of the economic integration process, though Treaty of Rome contained few articles belongs to social policy. Twelve of the 248 articles were devoted to social policy. Nevertheless, there were discernable articles, which appealed to large social masses. Regarding social policy, the main social provisions were; in Title Three Chapter One, while article 117 touched upon on the living and working conditions, article 118 touch upon employment. Article 117 and 118 denoted that, throughout the Community they try to provide a mutual coherence between the member states, which came from different social system. Other important social issues were also stressed in

article 119, which was about the equality between men and women. (Treaty Establishing the EEC, 1957)

It was stated in the treaty that, “any harmonization of social policies between member states could be justified only insofar as it was likely to support and strengthen the economic policies” (Hantrais, 2007, 238). Title III is apart from provisions on the European Social Fund and despite having a chapter entitled social provisions, “it contained solemn declarations but very little by the way of a specific mandate” (Falkner, 2006, 80). One year after, due to the increasing immigrant workers, EC concentrated on job guarantee. Thereby regulations were mostly belongs to the social insurance and social security for the immigrant workers or frontier workers. Under its regularity powers, the EC has thus created a “meticulously detailed system for the transfer of entitlements across borders” (Falkner, 2006, 83)

Although EEC decided to leave social policy to the national welfare states, which was commissioned by the ILO, it concluded that social policy differences between member states were sustainable and to endeavour for welfare harmonisation was unnecessary, subsequent years different attempts were yet made to develop an integrated social dimension. (Pochet, 2007) The Treaty of Rome provided for legislative competence with regard to the free movement of workers and social security co-ordination. However, decisions with (OMV) only applied to measures referring to the free movement of workers. Nevertheless, after the Single European Act (SEA) and subsequent treaties, the QMV were used in some social policy fields. For instance in health and safety at work realm, after the SEA, the Community started to take decisions by QMV.

### **2.2.2.3 Social Fund 1957**

By the virtue of Treaty of Rome, the Social Fund, which mainly aimed to finance job replacement and vocational education, was founded. It was established to ease the problems of social integration when people moved from one nation labour market to another. (Teague, 1994) It is one of the important European Structural Fund (ESF) to support economical development and to increase the employment level among the EC member states. After the World War II, Europe received aid from United States in the form of Marshall Plan to recover and rebuilt its infrastructures.

Member states worked together to create a single market, and during that process, European Social Fund was established in Treaty of Rome as a support policy for the community harmonization. It was similar to the assistance mechanism in ECSC, which was created for the unemployed workers and help workers in coal and steel industries to gain a range of job skills. The European Social Fund is the primary social policy instrument, insofar as it “concentrates on increasing less-represented groups’ participation in the European labour pool.” (Edquist, 2006, 502)

In the early stages, ESF was used to help immigrant workers, who left their regions to find a job in elsewhere and “used by EEC governments to deal with the national problems.” (Commission, 2007c, 17) After the 1973 Oil Crisis that effects European labour market, ESF started to concentrate on unemployment problems especially on youth unemployment. The main aim of this fund is to “increase the employment opportunities for the workers and their living standards and to bring them a geographical and occupational mobility.” (Karluk, 2005, 473) During the 1980s, the ESF was focused on two areas. First, it is used for vocational training due to the need of young people with advanced qualification for the industries. Second, it is used for the poor regions of the

member states, especially after the southern enlargement. In the 1992, ESF focused on completing single market and played an effective role. (Commission, 2007c)

ESF is a fiscal instrument that the Community invests for the individuals among member states and an instrument of the structural policies to promote the economic and social cohesion. The fund subscribes belong to the needs of the public organisations or the needs of the Governments. It is administered by a Committee, which consists of employees, employers and government delegates. It helps member states, to develop Europe's workforce, and companies to ameliorate equipped to face new global challenges. Briefly funding is spread across the Member States and regions, in particular those where economic development is less advanced. It is a key element of the EU's strategy for Growth and Jobs targeted at improving the lives of EU citizens by giving them better skills and better job prospects.

### **2.3 FACTORS STIMULATING EU LEVEL SOCIAL POLICY**

Between the years 1970s and 1980s, due to the increasing unemployment, Community mainly concentrated on the employment issue. Total unemployment in the EC “doubled from 6 million in 1979 to 12 million in 1983.” (Commission, 2007c, 22) The main reason that causes unemployment was 1973 Oil OPEC crisis. 1970s oil price crises not only collapsed the Bretton Woods regime but also shifted the nature of the international economy and triggered inflation, demand-gap unemployment and economic stagnation. European Welfare states thus entered the “turbulent 1970s while still enjoying a high degree of domestic autonomy.” (Ferrara, 2006, 111) The Welfare state has been, in most countries, under pressure since the 1970s because of the economic problems, political challenges from conservative parties, critiques by neoclassical economists and

“the pressure of globalisation are among the serious challenges that have placed the welfare state under siege.” (Nordlund, 2000, 31)

In the 1970s, the member states were explicitly tended to be reluctant to adopt the social policy proposals, which they thought seeking to much harmonisation. (Teague, 1994) Although EC tried to rearrange the social breaches with Action Programmes, Hantrais (2006) examines that the 1970s and 1980s saw a growing commitment to the social dimension as a component of European integration and a necessary complement to economic policy. During the 1980s three events regards to European social policy emerged. They are the Southern enlargement, the Single European Act and its influence in European Social Policy, and the Charter of Fundamental Rights of Workers or so called Social Charter.

### **2.3.1 Facing with the Necessity of a Social Action Programme**

In the Paris Summit in 1972, the main task was the necessity of creating a strong action plan in the social area. The member states emphasized that social integration is a prerequisite for economic integration, and that all partners should have an effective role in this process. The main social purpose was to reduce the social and regional inequalities. In the summit, in its final declaration, it was stressed that the social policy was as important as the Economic and Monetary Union of the Community. In addition to the different economic development levels, there were also different and various social systems in the Community. Therefore, it was not easy for the member states to adopt new social policies. The mainspring of this process was, “changing key actors in political arena such as the resignation of De Gaulle in France and the success of Willy Brant in Germany”, (Geyer, 2007, 250) not only workers, but also university students’

movements for rights and social justice, and egalitarian tendencies affected the European social face.

The Community's first SAP of 1974 was in response to a mandate issued by the Heads of States meeting in Paris Summit. (Eurofound) The Social Action Programme (SAP), which was the first major advance (Geyer, 2000) was adopted. It recognized that the Community had an "independent role to play in the formation of social policy" (Atkinson, 1992, 43). 1974 Action programme had been introduced to solve the problems such as poverty and social exclusion. In the late 1970s and in 1980s the European social policy had witnessed new action programmes, which intended to solve the equal treatment and payment problems and gender discrimination. The Programme saw an action in the area of education and training, health and safety at work, worker's and women's right and poverty, leading to the establishment of a number of European Networks to stimulate action and monitor progress in social field. It contained three broad objectives; (SAP, 1974, Eurofound)

*Attainment of full employment;* the EC created a new European Center for the development of vocational training (Cedefop) to increase and reform the European Social Fund. However, no major legislation in this area was passed. Greater involvement of employee and employer organizations in the economic and social decisions of the social Community, and workers in the life of their firm

*Improvement and upward harmonization of living and working conditions of migrant workers;* few directives were passed in the field of labor law, equal treatment for men and women, and health and safety

*Greater involvement of employee and employer organizations in the economic and social decisions of the social Community.*

The adaptation of Social Action Programme reflected that EU member states accepted that “stimulating economic growth through closer European integration required the support of a Community Social Policy.” (Hardy and Adnett, 1999, 128) The most important provisions of the programme mostly concerned unemployment-that increased after the 1973 crisis, improvement of living and working conditions, egalitarianism, and participation of social partners. The article of employment focused on increasing resources for the Social Fund, and for working condition, they focused on health and safety. However, with regarding to social partners, only a limited provision adopted.

In some economical and social contexts, the social action programme of 1974 has remained inefficient. (Eurofound) The reasons are the 1973 oil crisis and effects, the weakness of the European Parliament and Economic and Social Committee, the lack of ETUC power in Europe, existence of the unanimity system. However, under the influence of Social Charter, the second Action Program covers the period of 1998-2000, “extended Community action in the field of European Employment Strategy as stated in the treaty of Amsterdam.” (Hitiris, 2003, 246)

### **2.3.2 The Impact of the Oil Crisis**

The sharp rise in unemployment in the early 1970s followed the first OPEC oil price shock and its deflationary impact on aggregate demand. Following the second shock in 1979, it shows that “macroeconomic policy had to concern itself primarily if not exclusively with the control of inflation.” (Jackman, 2002, 76) When 1970s oil crisis devastated European Economy, the French authorities’ first reaction was to reduce the labour supply by removing older and younger people from the labour market through early retirement and education-training schemes and creating subsidized jobs. (Daguerra

and Taylor-Gooby, 2004) The crisis increased the prices four times, a public deficit had occurred. Worldwide, high-level taxes decreased number of enterprises, but increased unemployment. Sustainability of the welfare state started to be discussed.

In the second OPEC oil shock in 1979, all these directives, and social endeavours of the 1974 SAP proved to be ineffective in economic crisis. (Ferrara, 2006) After 1973, most advanced countries entered a more “uncertain and conflicting period, in which the triumph of modernist welfare states no longer seemed so assured.” (Kleinman, 2002, 342) The crisis of 1973 and 1979 ended the *Golden Age* of the European States, which had been achieved after the World War II with the Keynesian methods.

### **2.3.3 Rise of Neoliberalism**

From the mid of 1970s, the slowdown of the world economy and downturn in social movements reoriented the Social Policy of the Community members. After the 1973 and 1979 crises, Keynesian economy policy and its social approaches was challenged and described as inefficient. The social expenditures that derived from Keynesian economy policies were addressed as the main reason for instability problems in the economy. Hence, to maintain their economic entity and to survive in the competition environment, member states retreated from the social implementations. (Hudson, 2002) Until the crisis, Capitalism and welfare state mechanisms had been developing together.

Increasing government intervention and surplus social welfare state expenditures were seen as the main issues. Another important effect was; social policy implementations could not answer the globalisation process. Indeed, while abandoning Keynesian ideas, some implementations remained such as unemployment insurance, pension fund, and health issues. Between 1945 until 1973, which is so called Golden



Age, it could be seen that in every respect this term was full with economic and social successes with low inflation and unemployment. In that period, which was also described as Keynesian Welfare State, the belief was there would be no crises in those economic successes. With the liberal welfare states, neoliberal type plans for welfare restructuring have commonly been met in the Scandinavian and continental European countries by “much greater degrees of cross-class solidarity, trust and confidence in the existing system, underpinned by inclusive electoral institutions and centralized welfare authority.” (Ferrara, *et al.* 2001, 174)

Gradually, Keynesian Economic policies were wiped up from the economic scene and Neoliberalism overwhelmingly settles to world’s economy. It was the new version of the classical liberalism, which was an alternative for the Keynesian policies. Along with the globalization, free market economy again gained credibility. Neoliberalism established a framework for the globalization process, advocated that under the perfect market, government should withdraw from intervention. After the crises, it could be said that new world order has been established under the neoliberal economic policies. Neoliberal welfare policies gained a strong position in the West in the 1980s. Although neoliberal winds were effective throughout the world, it affected Europe less. Because, “in continental or northern Europe, there are no or positive effects of capital movement. Hence, to undermine the trade unions, derangement of the markets or to reduce the social prices are not effective in Europe” (Özdemir, 2004, 186)

#### **2.3.4 Formation of Single Market**

The main goal of the EC during the 1980s was to complete internal market or single market and move towards EMU. (Ferrara, 2006) The 1980s were the years that the Keynesian Economy policies were abandoned, Neoliberalism policies became

established in world economics, and one of the main goals was to give a new impetus on the social dimension of the EC policies. When the European integration process was revitalized from the mid 1980s around the single market programme, “little attention was paid to employment issues.” (Lovering, 1998, 37) Single Market was assumed as it would lead to create more and better jobs, however, it did not mean that the European authorities would create this job opportunities, states alone were responsible for creating a jobs compatible with the macro economic environment. (Trubek and Mosher, 2001)

From the social perspective, these years can be analysed in two parts. First part is the process 1980-1985 and the second part is the process between 1986 and 1989. Scholars debate whether the first era is *the pause period in European Community* because there was no effective social event in the EC agenda. They also mention that European Community could not make a concrete progress because of unanimity issues in the Council, but after passing QMV (art.118A to 138), in SEA, it created a turning point for the decision making process regarding Social Policy. (SEA, 1987)

Again in this period, the stagflation impressed Europe, and member states maintained their autonomous economical policy strategies. Europe was under the pressure vision of Monetary Union that created serious problems in the economic field, and all these events affected Social Policy. (Scharpf, 2002) Thus, the Social Action Programmes aims could not been implemented, hence, in 1984, Second Action Plan (European Parliament, 1984) was accepted and some policies were carried out. For workers, members were concerned to present youth unemployment. Labour security, new technology input, and social dialogue between social groups are the main topics that Community considered. During the period 1986-1992, “formation of internal market” made its marks on the European Economy. Thereby, national economy policies were

abandoned, and there was increasing acceptance of the free market, successful Commission was lead by the Jacques Delors. (Geyer, 2007)

Secondly, there were some important changes in the mid 1980s. These changes included the abandoning of nationalistic economic policies, the growing acceptance of an increased marketization of society, the continued disruptive nature of US economic and foreign policy, the demand of European business elites, and the activities of the successful EC Commission headed in 1985 by Jacques Delors. (Geyer, 2007) In the 1980s Jacques Delors started a new initiative to “institutionalize corporatist governing modes in European social dimension by launching the so called ‘Val Duchesse social dialogue’ between the European umbrella organizations of labour and capital.” (Bahr and Treib, 2007, 8)

With the prevailing philosophy of revived free market liberalism, weakness of EC Social Policy supporters, and militant opposition of the British Government, social policy in the White Paper (1993) and Single European Act (SEA, 1987) was kept into a minimum. The White Paper only mentioned policies for “encouraging the elimination of barriers to the freedom of movement of workers and creating a true common labor market, while the SEA only altered the EC Treaty in three social areas.” (Geyer, 2007, 250)

Another important issue was the membership of the southern European countries to the Community. In 1981, Greece became the tenth member of the Community. Before the accession of the Greece, five amendments of the basic regulation had been made in the 1981. The main reason for this activity was Greece’s accession and the inclusion of “self-employed people and their family members in the coordination of social security.” (Falkner, 2006, 84)

The same status could also be said for Portugal and Spain, which joined to the Union in 1986. The southeastern countries were the relatively less developed ones in the Community. In the 1980s this enlargement, which also transition from authoritarian system to democracy as well, regarded as fear of social dumps. (Geyer, 2007) In some literatures, which are about the southern Europe, generally indicates that these countries “have caught up from entering the EU as far as the development of their welfare system is concerned.” (Guillen and Palier, 2004, 203)

By the 1980s, worsening economic conditions and growing diversity with successive enlargements refocused attention on the social aspects of European integration. “This generated rhetoric and some policy action around *Social Europe* bolstered by the Single European Act and its emphasis on market integration, along with the introduction of more qualified majority vote.” (Kay and Ackill, 2007, 364)

#### **2.3.4.1 Single European Act 1987**

The Act signed in Luxembourg on 17 February 1986 by the nine Member States and on 28 February 1986 by Denmark, Italy and Greece, is the first major amendment of the Treaty establishing the European Economic Community (EEC). It entered into force on 1 July 1987. The EEC Treaty already regulates social policy, but the act introduces two new articles in this area. Article 118A of the EC Treaty authorizes the Council acting by a QMV in the framework of the cooperation procedure to take the minimum requirements with a view to encouraging improvements, especially in the working environment, as regards the health and safety of workers. Article 118B of the EC Treaty entrusts the Commission with the task of developing dialogue between management and labour at European level. (Official Journal, SEA, 1987)

European Commission sought to remove all barriers to the regional mobility of goods, services and key factors of production, including both capital and labour through the Single Market initiative in 1985 by the Single European Act, and increased receptivity of member-states to developing regional solutions due to the structural changes. (Preece, 2006) The Commission proposals for the Single Europe Act expanded the scope of regional social policy by extending the applicability of OMV to health and safety issues (Art. 118) and the free movement of labour (Art. 48-50), as well as introducing the idea of a European social dialogue.

In SEA, it was decided that health and safety issue of the social policy would be voted on by QMV. Despite making a few modifications to social policy, it allowed the directives relating to sanitary and security conditions voted for QMV. Çelik (2004) indicates that, SEA inaugurated multi-level governance, which means policy making with the participation of supranational, national and sub-national institutions.

#### **2.3.4.2 The Social Charter 1989**

Social Charter or Charter of Fundamental Social Rights of Workers as a declaration is an object to guarantee that certain social rights are respected in the countries concerned. In the Social Charter 1989, Community defines European Social dimension that regards European social values and European democracy. The approach in Community Charter of Fundamental Rights for Workers were seems to be more pragmatic less legalistic as Hantrais (2007) defines, because the Community encouraged the national policies to converge over the defined objectives. However, in the ‘freedom of movement’ realm the harmonization idea retained.

With the desire of creating “a platform of minimum social rights at the regional level,” (Preece, 2006) all of the member-states except the United Kingdom adopted the

Community Charter of the Fundamental Social Rights of the Worker, or Social Charter, in 1989. However, with the refusal of the United Kingdom to sign on meant that “only minimal progress was made, and the Charter became relegated to merely broad-based goals and objectives” (McCormick, 1996). In addition to the British opposition, according to Hantrais (2007) the language of the Social Charter reinforces its limited impact; by using terms such as ‘adequate,’ ‘sufficient,’ ‘appropriate,’ and ‘satisfactory,’ the Social Charter merely sets out broad objectives without leading to much substantive impact on policies.

It was approved by Economic and Social Committee, and consisted of ordered fundamental social rights and was signed by the member states of the European Community, England which opted out, in 1989. An important attempt that Jacques Delors made was about social dialogue. Jacques Delors tried to create a political and institutional space for European social dimension (Geyer, 2007) in the internal market to guarantee social rights in the national system basement. He intended to make trade unions and employers act as the “initiator of social policy on the understanding that, in return, the Commission would refrain from developing new initiatives itself.” (Hantrais, 2007, 6) Delors had already “unveiled the social charter at the meeting of the ETUC in Stockholm in May 1988” (Nicoll and Salmon, 2001, 271). Fundamental Social Rights of the Workers and Social Policy Agendas reaffirmed that employment, adaptability, training and mobility were to be “the key words for the Single European Market, Economic and Monetary Union and the enlarged Europe in twenty first century” (Hantrais, 2007, 209).

After the Single European Market, Trade Unions started the debate about their future status, and “the Trade Unions expressed the fear that competition in the single market would bring about a downward convergence in social standards.” (Hitiris, 2003,

242) This meant that a single market gave an opportunity for freedom of movement, although this brought the danger of social dumping which means, differences in social systems and working conditions among member states, workers with poor conditions could move to where pay and conditions were better.

The reason of this declaration is to provide the member states' esteem in view of fact the social dimension of the Single European Act. Aforementioned fundamental social rights are the areas of, (Social Charter, 1989)

- Right to freedom of movement within the community
- Employment and remuneration,
- Improvement of living and working conditions
- Right for social protection and an appropriate social assistance with minimum wages.
- Right to vocational training,
- Right of equality of women and men; this article should be guaranteed by all the member states.
- Protection of children, disabled and elderly persons; for children, all those under 16 should be protected by labour rules. For older people, receiving an appropriate pension to maintain their living standards. For disabled people, to provide for them to participate working life
- Right to health protection and safety at the work place, especially it was very successful in the labour health and occupational security areas
- Right to information, consultation, and worker participation; this article should be applied in every company
- Right to freedom and collective bargaining, for not only for every worker.

Action programmes and specific legislative proposals have followed up the Social Charter. The Social Charter and Social Action Programmes juristically do not have a binding power, but there are directives, which were predicated on this programme. The directives consider proof of business relationship, working hours and formation of a European business installation. The Social Charter brought along important changes on social policy, that it provides QMV in five important social categories; information and consultation rights of workers, improvement in the working environment to protect the workers, health and safety, gender equality, integration of workers excluded from the labor market.

## **2.4 EMERGENCE OF THE EU LEVEL SOCIAL POLICY**

This chapter will point out the attempts regard to solve European employment problems and how treaties, in some extent, play a role in this realm during the 1990s. The period between the completing the single market until Lisbon 2000, as Daly (2006) argues, EU started to shift on social policy realm. The main notion of the 1990s, EU faced with the increasing unemployment problem and tries the overcome this problem by using new methods with intergovernmental structure, that started with the EES, in the EU level. In addition, EES, called Luxembourg process as well, which is the first step of OMC, will be examined by concentrating on the changing face of employment issue.

From the foundation of EC until the end of 1980s, European social policy was within the scope of national state boundaries and in the trajectory of economic prosperity. However, the growth of unemployment, and associated intensification of income inequality, poverty, and urban social problems in the EU, has given rise to new demands for an explicit employment policy (Lovering, 1998). As Teague (2001) states, in the European integration, member states attempted to give human face for the social issues



such employment, and in the 1980s EU social policy had exposed between two controversy approaches among UK's intergovernmentalists versus ECJs' judgments and rulings. However, in 1990s all concerns were shifted away from employment to fostering job creation and elites in Europe try to develop 'third way' capitalism. In this period, the European "welfare states were under acute strain, and joblessness had risen dramatically and national social policy indeed were under threat. (Trubek and Mosher, 2001)

Although Single European Act seemed to be a new turning point for European social policy, at the beginning of the 1990s, there were still obstructions. Such as free market ideology, dissimilar welfare structure among the members, limited budgetary of EC, political opposition of UK, continuing unanimity voting in social areas and relatively weakness of social interest groups. (Geyer, 2007) Whereas strong emphasis has been laid on the economic aspect of a common market, the political debate failed to pay as much attention to the social dimension.

The European Social Model started to play some role from about the mid-1990s, mainly in fields related simultaneously to social and the political spheres such as gender rights, minority rights, or the issues of civil and social dialogue. (Ferge and Juhasz, 2004) However, EU has not been very vigorous in enforcing its conditionality in Social Dialogue. (Schimmelfenning and Sedelmeier, 2005) Throughout 1996, the Commission acted to "broker a compromise between the member-states on the regionalisation of social policy, which ultimately resulted in the adoption of the EES and the inclusion of an Employment Chapter within the Amsterdam Treaty" (Preece, 2006, 12).

Another important progress was made with the accession of new member states, (Sweden, Finland, and Austria) which have prominently more developed welfare systems. Both Sweden and Finland entered the Community in 1995, Swedes and the Finns' major goal was "to move European-level thinking about social protection in a

direction that would not threaten their own social model. (Jenson and Pochet, 2002) Social democrats especially from Sweden and Finland, working through the DG Employment and Social Affairs of the European Commission and supported by other ETUC, have a significant concern on defining the initial focus of the European Employment Strategy to support and expand labour standards in the EU. (Preece, 2006)

#### **2.4.1 Expanding the QMV on Social Policy Realm**

The Maastricht Treaty or Treaty establishing European Union was signed in 1992 in Maastricht, and it entered into force in 1993 during the Jacques Delors Commission. In fact, it was a treaty that mostly concern common foreign and security policy, political and economic policies, however, in social realm, the Parliament and Commission stressed that the social dimension of the Community should be reinforced. Nevertheless, the largest change came with the Maastricht Treaty, which enabled legal basis for the regulation of the areas, social security, employment, working conditions and gender equality. Freedom of movement and health and safety at work are the main areas, which entrenched in the EU law and has evolved into substantial fields of legislation and they acquired QMV status with the SEA and Maastricht. (Geyer, 2007)

Due to the UK's opposition, social policy issues had to be put into a protocol and an agreement on social policy, which Social Policy Agreement was annexed to the Social Policy Protocol and then incorporated into the Social Chapter of the EC Treaty through the Treaty of Amsterdam. The Social Protocol (TEU, 1992) has important effects on European social policy in fourfold. First subsidiarity implementation on member states, second, allowing the QMV in more areas, and thereby the scope of Union's competence was enlarged. The third is, the protocol mostly focuses on the individual rights rather

collectives and fourth, “having a social dialogue between trade unions and employer organizations at various levels inside the EU” (Teague, 1994, 10).

*Subsidiarity* lives each member states free to determine, but not individually, the extent of social policy on the basis of the expressed preferences and it implies an emphasis on decentralization and diversity and it limits the scope of supranational organs. Member states have responsibility to prepare and fund their own national social programme and Community acts where member states are unwilling to implement social steps or it is necessary for reasons of effectiveness and scale. (Sakellaropoulos, 2005).

The main change made by the adoption of the Social Agreement was the extension of QMV to a range of labour issues, including gender equality, working conditions, and labour rights, as well as establishing a complementary role for the Community in the development of these policies. With QMV four key directives has broadened the scope of the social policy agenda at the regional level, they are, the European works council Directive (94/45); the parental leave Directive (96/34); the Directive concerning sex discrimination at the workplace (97/80); and the Directive on equal treatment for part-time employees (97/81). Besides, the Agreement rejected the harmonisation of social policy would result from the development of a common market in exchange for the position that social policy is a necessary precondition (Hantrais 2007)

Eleven of the twelve member states of the European Community, admittedly with different degrees of enthusiasm, but accepted that a social dimension to the creation of a European market was necessary and potentially good for business, and this consensus extends to embrace the concept of social partnership. (Robertson, 1992) British Conservatives opted out the social issues regulated with an additional protocol and with a social policy agreement; because they argued it would impose wide costs on British firms and strengthen employment rights at a time of widespread job insecurity.

With the Social Protocol, major bidden directives could be voted by QMV except social security issue. The Community laid down unanimity system for the social security, a sensitive part of the member states. While regulations of social security required unanimity, policy outputs referring to gender equality could be passed by QMV. Measures referring to employment or working conditions had to be adopted either by unanimity or by QMV depending on the specific policy issue. (Erdoğdu, 2005)

The issues which were still admitted by unanimity vote in the protocol were; social security, and social protection of the workers. The point to perceive regarding the Social Protocol is that the EU is granted power to adopt legislation by QMV only on a few new employment and social issues. The issues that would be voted by QMV were; alongside the Safety and Health at Work, working conditions, informing the workers, opportunities in the labour market, equality of women and men in labour market, integration with the workers outside the market. The Agreement on Social Policy, annexed in the Maastricht Treaty, mentioned “neither harmonization nor approximation.” (Hantrais, 2007, 31) Ad hoc, the Commissions ability had been limited and Delors approach about social dialogue was the main component of the agreement.

It is also important to note that *Broad Economic Policy Guidelines (BEPG, 1992)* which are prepared to close the gaps between Single Currency, euro, and national economic policies are adopted in Maastricht Treaty. It could be said that OMC first emerged in the economic arena with BEPG for coordinating national economic policies, than it spread to the employment realm with Amsterdam Treaty. (Scharpf, 2002; Radaelli, 2003; Daly, 2006) The Maastricht Treaty saw the economic policies of the member states as a common concern and coordinated these policies by adopting broad economic policy guidelines in 1993. The Commission reports on and the Council monitors the economic developments. The re-launch of the Lisbon Strategy in March

2005 simplified and streamlined the BEPGs, embedding them within a new set of Integrated Guidelines for Growth and Jobs with peer pressure to euro area specific issues and the involvement of the European Parliament in multilateral surveillance. (BEPG, 2005-2008)

Despite all these evolutions, European social dimension could not be grafted on the internal market. Not only because of the United Kingdom's strictly rejection on various policy implementation, but also, again, the member states have shown a reluctance to transfer EC rules on to their national law and their insistence on national sovereignty; due to the belief that, these rules have the potential to weaken their capacity and to manage their own policies. (Teague, 1994) The past decades have been a transformation of EU engagements with social policy issues "from the Social Protocol in the Maastricht Treaty to the initiation of a new mode of policymaking the OMC" (Carmel, 2005, 39).

## **2.4.2 Generating Solutions for the Unemployment**

### **2.4.2.1 White and Green Papers**

After completing the Single Market, EU started focusing on determining the future of the European social policy. Unemployment issue, indeed, the mostly concerned area. Commission published White and Green Papers to report the problems and guide how to solve them. The Green Paper, by nature, is a consultation about social policy among the member states and tries to provide and to bring out the problems, which social policy could deal in the future. The White Paper on Growth, Competitiveness, and Employment was intended to re-energize efforts to modernise Europe's economic institutions in order to deal with unemployment. (COM, 333 final, 1994) The main unemployment rate was 10% (Eurostat) especially during the period 1990s to 1998. It set off a debate about

European economic and employment strategy and “brought the issue of employment to the top of the European agenda for the first time.” (Trubek and Mosher, 2001, 6)

*The Green Paper* is a consultative document and helps to define the European social problems. The European Commission published it in 1993 after the Maastricht Treaty and its main aim to demonstrate that European social policy remained firmly on the European Agenda, and it provides a consultation for the member states to overcome their social deficiencies. (COM, 551 final, 1993) The Green Paper on European social policy announces a “wide-ranging review of social policy in the Union, the *Acquis Communautaire* and the areas where further action was needed.” (Hantrais, 2007, 13) The document also considers the attendance of the social groups, in social decision-making process (giving suggestions and opinions), and troubleshooting in social areas. The Green paper on social protection identified a number of objectives at the European level, which included solidarity and integration, equal opportunities, establishing common social standards, and social cohesion alongside growth, human capital, and high employment. (COM, 551 final, 1993)

*The White Paper* on Growth, Competitiveness, and Employment which published at the same year, mainly stressed the promotion of monetary stability, an open (EC Bulletin on Growth, Competitiveness and Employment, 1993) decentralized market characterized by greater flexibility and leaning. (Martin, 2005) It also focused on employment as the key to further social and economic integration due to the need to concern labour-market policies and reduce indirect costs and that was connected with the need to improve competitiveness.

The White Paper set the scene for European social policy through to the end of the decade, by providing a “comprehensive statement of policy directions and goals.” (Hantrais, 2007, 13) White paper on *growth* represented the beginning approach, which

than be reaffirmed by the Luxembourg Summit that, “job creation should remain in national responsibility rather supranational.” (Hodge and Howe, 1999, 180) In the 1994 White Paper on social policy asserted that there was a need to achieve convergence of social protection between member states due to the free movement of workers principle. Paper focused on the migration as well for forthcoming CEECs. (Hodge and Howe, 1999) In the 1994, White Paper on social policy had defined the “characteristic features of a European model, while reiterating that total harmonization of social policies was no longer being sought.” (Hantrais, 2007, 32)

#### **2.4.2.2 Essen Conference-1994**

After the White Paper, the leaders attempted to create another employment-related programme in Essen Council in 1994. In the Conference, member states mostly focused on modern employment policies, that nowadays the EU deal with mass unemployment problems, and the summit confirmed that priority of the Union is to boost employment. It defined five policy areas; the development of resources through vocational training, the promotion of productive investment through moderate wage policies, the improvement of the efficiency of labour market institutions, the identification of new sources of jobs through local initiatives, and the promotion of access to the world of work for specific target groups (young people, long-term unemployed, women). (European Council, 1994)

Member states and Commission try to make these objectives a common project; however, there was a significant opposition for further EU level power. (Trubek and Mosher, 2001; Pochet, 2002) Thereby, combating with unemployment issue remained without deep success, and it was lack of peer pressure and control process. (De La Porte, *et al.* 2001) As the non-binding Essen Strategy had “no impact on economic governance

within Europe, the European Commission, in conjunction with a broad coalition of social forces, sought to construct a more formalised policy framework” (Preece, 2006, 11).

#### **2.4.2.3 Treaty of Amsterdam 1997**

Amsterdam Treaty in June 1997, some amendments were made regards to previous treaties. With the Treaty, social policy gained a new impetus because it opened a new Chapter concerning employment and which was included into the Social Protocol in EC treaty, (ToA, 1997) due to the UK’s opposition. However, in the 1997, after the Labour Party came into force with the presidency of Tony Blair, this opposition was dropped out. At the Amsterdam Treaty, Blair argued, “job creation should come not through *Euro Keynesianism* (which Blair’s’ Labour Party had supported only three years earlier) but through Labour market flexibility.” (Lovering, 1998, 39) The most important features of the Amsterdam Treaty are that it established “*a high level of employment* as one of the Union’s specific objectives, the new employment chapter, and the call for coordinated action on employment by member states.” (O’Connor, 2005b, 348)

In 1997, as the new government of UK signed the Social Agreement, allowing it to be included within the Treaty of Amsterdam as Title XI on social policy, education, vocational training, and youth, commonly identified as the Social Chapter. The main four amendments made by the Amsterdam. (ToA, 1997) First, the amendments enshrined a commitment to “a high level of employment and of social protection” within the priorities of the EU outlined in Article 2 of the Treaty on European Union. Second, the Treaty reinforced the commitment to gender equality, as well as expanding the principles of non-discrimination to “combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual discrimination” in Article 13. Third, on the initiative of the British, Dutch, and German delegations (Hantrais, 2007), the



amendments agreed at Amsterdam, also reoriented existing social policy initiatives to bring them in line within the emerging discourse of competitiveness, fourth, the Treaty of Amsterdam also added Title VIII on employment (Articles 125-30) to the treaty framework, directing the Community to contribute to a high level of employment by encouraging cooperation between member states and by supporting and, if necessary, complementing their actions (Article 127). Nevertheless, these changes in responsibility “are all still filtered by the principle of subsidiarity, and provided no clear shift in competencies up to the Community level.” (Preece, 2006, 9)

The new Chapter aimed to safeguard the powers of the member states in the field of employment policy, and focuses on a strategy for employment. The Treaty also created an employment committee, which aims to counterbalance to economic Committee. The requirement of unanimity and the decisions of the British opt-out of the Social Charter, made any directive highly unlikely. Then, the treaty of Amsterdam “incorporated the Social Charter, but without changing the voting rules.” (Pochet, 2002, 12)

In Amsterdam Treaty, it could be seen that, EU institutions and member states mutually created a framework for employment problem. (ToA, 1997) This approach led UK and Sweden to speak (Jacobsson, 2004) of third-way between intergovernmentalism and supranationalism. Because, it is obvious that, EES and OMC systems are formally intergovernmental however, it has a supranational structure such as QMV on recommendations. The recommendations are initiated by the Commission and accepted by QMV in the Council, they are directed to individual member states “when they do not follow the guidelines.” (Roberts and Springer, 2001, 46)

Treaty formalized the coordinating process that started in the Essen, the objectives of the Essen Conference known as the ‘Essen Strategy’, a strategy of coordination of national employment policies aimed at achieving the specified objectives. After failure in

Essen in 1994, in Amsterdam conference, it was underlying that the logic consisted of mimicking the EMU process. (De la Porte, *et al.* 2001)

The introduction of a new 'employment title' into the EC Treaty (Articles 125 and 130 EC), by the Amsterdam Treaty institutionalised this European Employment Strategy, and enshrined in the Luxembourg Process. It was based on employment guidelines that has non-binding character, involves a process for benchmarking, which employment across EU level obligation (Teague, 2001); multilateral surveillance and peer review and puts an invisible pressure on the member states to converge towards the benchmark that has been acknowledged as the ideal goal. The most important feature of the employment guidelines are, it includes measures to decrease taxes in private sector- particularly the service sector, thus new job opportunities could be created. (Roberts and Springer, 2001)

Treaty brought a further broad-based mandate to combat discrimination, by unanimity, so in addition to the ensuring equal treatment for men and women at work, the Community must now combat discrimination on grounds of racial and ethnic origin (Falkner, 2006). Amsterdam Treaty touched upon on the adaptation of provisions, which are related to discrimination and gave a Council competence for any anti-discrimination issue, however, all with unanimity decision making. (ToA, 1997)

In the Amsterdam, to solve the employment problem, it was becoming obvious that, traditional methods, regulatory approaches, and job creating spending did not get attention (ToA, 1997). Thereby, it was clear that, traditional EU methods could not solve the employment problem because many states were opposed to any EU level social spending. (Trubek and Mosher, 2001)

#### 2.4.2.4 European Employment Strategy

The Luxembourg Job Summit, 1997, launched the European Employment Strategy under the framework of *Employment policy provisions* that laid down in the Amsterdam Treaty, in addition, the OMC, (OMC, 2000) as in the other social areas, envisaged in this process. The process involved drawing up annual employment guidelines, national employment action plans and a joint employment report. (Luxembourg Process, 1997) Each year the Council of Ministers sets guidelines for an employment strategy, “and member states indicate how their employment policies would comply with guidelines” (Roberts and Springer, 2001, 46). This was the first step of the OMC. In the summit, the EU has an employment strategy in European, national and social partners’ level. The process is voluntary, and contains no proposals for directives to enforce compliance, because it provides benchmarking with best practices of member states are held as models of others to emulate. (Roberts and Springer, 2001)

In 1997 Luxembourg Summit, European Presidents of states and governments came together to create a more active labour market. The European Employment Strategy also known as the Luxembourg process started with this Luxembourg Job Summit and then became a key component of the Lisbon. This Strategy aims to strengthen the coordination with national employment policies and its essence is to involve Member States in a series of common objectives, by using 19 approved guidelines which are grouped in four pillars; employability, entrepreneurship, adaptability, and equal opportunities, which are non binding and not uniform rules. (EES, 1997) *Employability*; to create more active system for unemployment and to increase the skills of workers, in addition, it implies a supply-side perspective (Jacobsson, 2004) on labour market and has a deep focus on individual nature of unemployed; *Entrepreneurship*, to encourage more businesses and employment friendly tax systems;

*Adaptability*, to increase the flexibility of workers and work organization arrangements;  
*Equal Opportunities*, to promote gender equality.

Every year, each member state has to produce National Action Plan (NAP) to introduce the progresses that the state had done towards the goals sets by the guidelines in prior years. (Trubek and Trubek, 2005) These four pillars became common topics of discussion among Central and Eastern policymakers, as well as also “extremely recurrent themes in the Nation Action Plan.” (Cerami, 2006-7). The basic policy mechanisms are National Action Plans by member states, which report on “how policy goals are being met, followed by a multilateral surveillance of these reports by all member states.” (Carmel, 2005, 40)

In addition, with the Peer Review, member states are reviewing each other performances within the Employment Committee. (OMC, 2000) The results of the cross-national comparisons are published in an employment report-which is called joint employment report includes benchmarking and identification of best practices, to be approved jointly by the Commission and the Council. (Jacobsson, 2004) The Council supervises member states implementation of guidelines and can make recommendations with QMV to member states to adopt their policies according to the guidelines. (Sciarra, 2000; De La Porte, *et al.*, 2001; Trubek and Mosher, 2001; Jacobsson, 2004)

This strategy stresses positive activation, understood as a policy emphasis on “labour market integration through better access to training and employment opportunities, coupled with *making work pay* strategies that increased the incomes available to lower paid workers in comparison with benefits.” (Daguerre and Taylor-Gooby, 2004, 84)

When Employment strategy emerged in 1990s, concern about unemployment “was great, and the EU was getting ready to launch a single currency.” (Trubek and Trubek,

2005, 348) Before, employment policy has been seen as the back door for the member states but during the 1990s, it is noticed that action was needed at the EU level. As Trubek and Mosher (2001) state that, the EU has endorsed the EES and similar new governance arrangements and dubbed them as the OMC.

**In the Cardiff Summit**, in 1998, is the European Council meeting generally focused on the issues of Economic and Monetary Union and Employment, drawing on the Member States' recently submitted National Action Plans for employment and their shortcomings? (Cardiff Summit, 1998) Member states stressed helping small companies and debated on eliminating the barriers against business establishment and reducing bureaucracy to create new job opportunities.

At the **Cologne Summit**, in 1999, the European Employment Strategy was revised and the member states provided a basis for an employment policy. All economic factors that affect employment policy were considered. The main purpose of the Summit was first to stimulate a dialogue environment that all the social partners could participate and second providing mutual trust to create employment, and increased by an economic growth. The Summit also devised an appropriate public and monetary policy mechanism that would balance the macro economic system. (Cologne Summit, 1999)

**In the Joint Employment Reports** emphasis, the carrying out policies as they committed are concerned by the member states. Many of the shortcomings as identified in Cardiff were corrected. It could be seen that in the Joint Report of 1998, (European Council Decisions, 1998) there is a growth even a little, especially in the area of women employment. EU generated 1.8 million job opportunities, but still argued to be insufficient. In addition, in 1999 report, in the education and training area, there is a great success, that EU states could understand the lifelong learning. In 2000, Reports, it is mentioned that, (European Council Decisions 2000) progresses towards creating job and

reducing unemployment concrete, but they touched upon that there are some slow progresses continue. The majority of Member States registered growth rates close to the EU average of 1.4%. It was obvious that, “EU economies have been creating jobs since 1997 more rapidly than over the period 1990-96. In the large majority, this is due to faster GDP growth along with the effects of labour market reforms. *Employment rates are steadily increasing, and in some Member States already exceed the EU target of 70%*” .(Joint Report on employment, 2000, 20) Subsequently, before the 2004 enlargement the Report of 2003-2004 (European Council Decision, 2003-2004) indicated that, in this term, new guidelines were adopted. The new European Employment Strategy (EES) has been designed to support the Lisbon goals, and fix the three overarching and complementary objectives: full employment; quality and productivity at work; and social cohesion and inclusion. Employment growth came to a standstill by the beginning of 2003. The downward trend in unemployment reversed by mid-2001 and levels has *gradually increased* from the 2001 low of 7.3% to 8% in 2003.

#### **2.4.2.5 Fourth Social Action Programme (1998-2000)**

The Forth Action Programme, which was developed from First Action Programme, Employment Process, and Amsterdam Treaty, put forward a new framework to advance European social policy. With the 1998–2000 Social Action Programme, Community seemed to be closer the employment issues rather other social realms. It reflects the labour market orientation of EU social policy, and EU social policy has followed an uneven path of development but has expanded and been consolidated. It is mainly connected to Employment Rights and various related activities concerned with specific programmes on poverty, disability, youth, and women opportunities in employment. The main aim of this programme is to instigate a conscious society, and

prepare societies for a globalised world reshaped by technology. It draws together the key lines of action under three main headings: (Commission Communication, 1998-2000) They are; jobs, skills and mobility, the changing world of work and an inclusive society

This Programme is the most important Commission publication on social policy. It focuses these three main areas and contained the usual array of the social policy proposals, but framed many of them in the light of Employment Policy. With the integration of the employment section into the Amsterdam Treaty and the subsequent creation of the employment policy guidelines, “the Commission clearly saw an opportunity for justifying and expanding social policies through their linkage to employment creation.” (Geyer, 2000, 253)

## **CHAPTER THREE**

### **ENLARGING THE SCOPE OF EUROPEAN SOCIAL POLICY REALM BY USING NEW MODE OF GOVERNANCE**

In assessing the sui generis aspect of European Social Policy, it could be seen that, except some specific issues related to the single market, social policy concern and solution-seeking for the social problems stays at intergovernmental level. This chapter aims to elaborate the OMC, which emerged in the Lisbon Strategy as an alternative solution for the social problems such as poverty and social inclusion, as a form of social policy making on the part of the EU. In order to make to EU the worlds most dynamic and competitive economic area, as agreed in Lisbon, EU made an explicit concern on social issues, which are the sensitive social parts of the national welfare states. The main philosophy of the Lisbon, in social realm, is to promote social inclusion, to modernise the social protection and to bolster sustainability of social benefits. The process of the OMC is rooted “in an understanding of policy making that emphasizes problem solving and policy development and learning through peer review, dialogue, soft incentives, normative reflection, and experimentation” (Daly, 2006, 466). Experimentation and learning in social realm are needed to discover how best pursue multi-dimensional objectives in diverse national contexts. (Zeitlin, 2005)

After the success of European Employment Strategy that rooted in the intergovernmental approach and has the same methodology of the OMC by using soft incentives, it was acknowledged from the member states that social issues should have been concerned within the convergence approach rather than harmonisation. Soft law tools were more welcomed than Community method which was thought as a hard law



“which creates uniform rules that member states must adopt, and also it provides sanctions if they fail to do so, and it will allow challenges for non compliance to be brought in court.” (Trubek and Trubek, 2005, 344)

OMC can be seen as a further transformation of traditional Community Method and it is based on minimal harmonization and more recognition. (Hatzopoulos, 2005) There are two significant reasons that make OMC different from the Community methods; firstly, OMC is aware that goals and the used tools are changing from state to state. Secondly, the term ‘open’ asserts an arguable platform, thereby NGOs can be effective in social decision making as well. Implying OMC as even more social realms, extend the scope of European integration more within intensifying depth.

The method aims to coordinate at European level some policies “considered as falling under sovereignty of member states.” (Martin, 2005, 258) The guidelines on social inclusion and the common objectives, on employment, social inclusion, that are adopted by the European institutions are not on legal basis. Convergence is not a legal purpose, however, this process leads to some convergences in the member states, and it would mean that it is able to produce some kind of binding effects, indeed. In 2000 Lisbon strategy, the main social issues focused on, strengthening gender equality, and fundamental rights, combat with discrimination, modernisation of social protection under the OMC. Furthermore, these issues were agreed to elaborate in the Nice Treaty, December 2000

In this chapter, firstly the main aim is to assert OMC in depth, which is a new governmental approach for the social issues. Second, it focuses on the enlargement process and its consequences on European social policy, and how these countries will adopt European social norms, what the gaps between existing fifteen and these new twelve countries are, and how OMC implemented in the new member states.

There are fundamental two issues in the study of European social policy after 1990s. First is the changing social policy regulatory system from harder to softer, binding to non-binding by the OMC, which is a new mode of governance and widely used in last decade. The second change was occurred after the 2004 and 2007 enlargements of Central and Eastern Countries (CEEC) and their relatively effects on European social policy. CEEC states are lack of creating a powerful legislation of social issues. They have insufficient capacity to “fulfil and evaluate or to monitor the implementation of social legislations, due to weak institutions and limited interest groups” (Lendvai, 2004, 325).

EU determined that with the eastern enlargements they had to create a new agenda in 2005 for the European social policy to reinforce the social dimension. The latest enlargements were seen as the most problematic point of social dimension because of their different social structure. For these countries, membership of the EU creates a difference for national member state social policy practice. European accession has defused the system of governance of candidate countries with their legacies of centralized state structure either vertically with soft law or horizontally with hard law. That means that, “horizontal institutionalization and vertical decentralization is changing the concept and practice of social policy governance in CEEC” (Lendvai, 2004, 320). However, one of the most important feature of the OMC is, it pursues common European concern while respecting legitimate national diversity because it commits member states to work together in reaching the joint goal without seeking the homogenizing their existing policy. This attitude mostly emerges for the post communist countries, which differ both one another and from the original fifteen (Zeitlin, 2005).

### **3.1 ASSESSING THE SIGNIFICANCE OF LISBON COUNCIL**

The Lisbon Strategy, also known as the Lisbon Agenda, is an action and development plan and setting strategic goals for the future status of the European Union, which was launched in 2000. The Lisbon Strategy has broadened social policy domain and take in a number of social fronts strengthening gender equality, and fundamental rights, combat with discrimination, modernisation of social protection. Further, these issues were agreed to elaborate in the Charter of Fundamental Rights of the European Union in Nice Treaty, December 2000. (European Parliament, 2000) Before the Lisbon Council, policy coordination on European Union level was implemented for the multilateral proceeding of the national economies. However, with the Amsterdam Treaty, “this was launched to be endorsed in the employment realm for coordinated strategy.” (Erdogdu, 2005, 29) Amsterdam Treaty’s 136th Article included ‘fight against social exclusion’ as the purpose of the Union; however, in the Lisbon Council social exclusion and poverty issues became a part of OMC. The Lisbon Summit formalized OMC as a “softer alternative to binding forms of governance. The priority given to employment in the consolidated treaty had dominated the social scene in the late 1990s” (Hantrais, 2007, 19)

Council decided on a great number of plans aimed at making the EU the most competitive economy in the world and achieving full employment by 2010. At the Lisbon Summit, in addition to modernise the European Market Commission also launched a consultation for improving and modernising the employment relations with strong emphasis on reinforcing the EU’s social dialogue. This strategy, developed at subsequent meetings of the European Council, rests on three pillars:

- An economic pillar prepared the ground for the transition to a competitive, dynamic, knowledge-based economy. Emphasis was placed on the need to adapt constantly to changes in the information society and to boost research and development.
- A social pillar was designed to modernise the European social model by investing in human resources and combating social exclusion. The Member States were expected to invest in education and training, and to conduct an active policy for employment, making it easier to move to a knowledge economy.
- An environmental pillar, which was added at the Goteborg European Council meeting in June 2001, drew attention to the fact that economic growth must be decoupled from the use of natural resources. (European Parliament, 2000)

European Council identified three broad aims: First, “**More and Better Job Opportunities**”. Under this title, European Council has determined four areas: Increasing the opportunity in job placement and to minimize the occupational differences between individuals; Giving a priority for the actions related life education; Increasing the employment opportunities in Services Sector; Constraining discrimination and unequal treatment. Secondly, **it aims “Modernization of Social Security”**. It stressed that, while passing to knowledge-based Economy, Social Security Systems should also be considered. Especially it should be long term sustainable for old age population, Social exclusion and discrimination should be dispelled, and increasing the quality of health service. Lastly, it identified “**The Fight against Social Exclusion**”. The main aim is to improve welfare level by increasing growth and employment potential. (European Parliament, 2000)

The current employment procedure includes more systematic monitoring and building on more of mutual commitment and political pressure. (Jacobsson, 2004) Thereby, EU tends to include the same system in social inclusion realm. Besides, it also

envisages for education, then extending into the area of social protection and immigration policy. During the European Council of Lisbon, a more complex and comprehensive strategy, the OMC, was introduced to promote the development of the knowledge- based economy in tandem with increased social cohesion and employment and aimed to reduce poverty and social exclusion among the member states (De la Porte, *et. al*, 2001; Wim Kok, 2004)

### **3.1.1 Open Method of Coordination**

OMC is an experimental approach to EU governance based on benchmarking with common objectives and mutual learning. It is a ‘new’ approach because it was the first time social policy scope has been enlarged by including new social titles such as poverty and social inclusion. It has a guideline function for member states for their national law as well. EES has adopted guidelines for defining a number of common objectives. However, in the OMC, the main objective is the most modest one for anti-exclusion policies and even more for pensions, for instance to provide national authorities with tools that they can use for implementing reforms. (Dehousse, 2002; De la Porte, 2001; Pochet, 2003) The method aims at coordinating at the European level with some policies “considered as falling under sovereignty of member states.” (Martin, 2005, 258) It organises a learning process to promote the exchange of experiences and best practices. The guidelines and the common objectives, on employment and social inclusion that were adopted by the European institutions are not on legal basis. (OMC, 2000)

It is based on principles of flexibility, subsidiarity and voluntarism, and forms of policy cooperation between national actors. With the subsidiarity principle, OMC develops as a complementary tool of soft policy on the side of the traditional European method. (Sakellapoulos, 2005) It is based on a voluntarism and commitments that

“accrue out of it are of a political and moral nature and it is characterized as active subsidiarity.” (Sakellapoulos, 2005, 10; Begg and Berghman, 2002) Under these intergovernmental methods, member states would have chance to evaluate each other, which means peer pressure and while intending to produce a mutual exchange of lessons at the same time (De la Porte, *et. al*, 2001), due to the limited surveillance power of Commission. After European Employment Strategy made attempts on employment issue, OMC enlarged this strategy with social inclusion, which concerns some other important social issues. Social inclusion, defined since 2000, consists of issues such as; to combat poverty, social exclusion and homelessness. The main actors of the Social inclusion are, European Commission, National Ministries, and NGOs, which shows the ‘governance’ structure of the OMC, and the main purpose of the social inclusion is to solve the context of either lower income level people or social excluded people via institutional arrangements. Social excluded term is used for the people who face with ethnic and regional diversity, gender discrimination, low educational level, and disabled. (OMC, 2000)

Member states prepare National Action Plans (NAPs) for employment and social inclusion, and National Progress Reports (NPRs) on structural economic reforms, “but so far only more limited National Strategy Reports on pensions.” (Zeitlin, 2005, 7) Not only the member states and European Organs, but also Social Partners and associations are “the actors which are not unfamiliar with participation at the European level, yet their participation under the OMC have intensified” (Gornitzka, 2006, 49). Sciarra (2005) and Martin (2005) indicates that in OMC, ‘Open’ meant that the method had to respect state’s prerogatives and competence, ‘coordination’ could be no more than a mere indication of possible common directions to follow, not how to follow them.

The competences of the member states in the areas such as, employment, social inclusion, social protection, which were included after 2004 with the renewed Lisbon strategy, with the demand of European Parliament, education, youth and vocational training. Member states have to draw up national action plans and decide objectives in these areas, except youth. With respecting legal competencies, a new form of reform was needed in the field of social policy against the challenges of internal market, globalization processes, technological evolutions, and demographical changes. Thereby, OMC seems as a safeguard which provides a political coordination and which is supported by the member states. Because with this method, member states are not exposed against any legacy and that they are free to choose the way in which they can appropriately achieve the common goals by evaluating their efforts. (OMC, 2000)

The main instruments of the OMC are common indicators, which facilitates the measurement of social efforts, and benchmarking, and exchange of best practices. With Best Practice, member states also review each other's plans and exchange ideas. (Trubek and Trubek, 2005) EU member states explicitly could be aware of their weaknesses about the policy area and they can focus on it to recover.

Although it is accepted that OMC first started in Lisbon, Radaelli argues that, it is not, and according to him, Lisbon was only the first step towards coordination. He indicates that, "most policies had already been an object of coordination" (Radaelli, 2003, 17) such as the Broad Economic Policy Guidelines, the EES (Trubek and Mosher, 2001; Radaelli, 2003), the soft law approach to inclusion (Ferrara, *et. al* 2002; Radaelli, 2003) and code of conduct in business taxation. However, the most OMC processes are based on common European objectives, only "European Employment Strategy and Broad Economic Policy Guidelines (BEPG) involve detailed guidelines for their realization by member states." (Zeitlin, 2005, 6)

OMC, which can also be denoted as benchmarking of social Europe, introduced to promote the development of the knowledge, which was based on economy with considering social cohesion and employment. Benchmarking is raised because EU institutions have recognized the needs to work together on policies of social cohesion. (OMC, 2000) It has also enhanced the debates on social indicators, which have become “not only explanatory instruments in the evolution of societies but also instruments of evaluation of social policy differences.” (Bouget, 2004, 132) Thus, it is a means of spreading best practice for achieving great convergence. (De La Porte, *et. al*, 2001) The major aim is to acquire knowledge with exchanging best practices between member states and learn from each other. Another aim is to improve transparency and deepen democratic participation as indicated in 2001 White Paper about European Governance. (De la Porte, *et. al*, 2001)

After the EES, EU decided to move ahead these guidelines with the OMC, and wanted to create similar processes in other social fields. According to the Zeitlin (2005), OMC could be defined as an experimentalist approach to EU governance based on iterative benchmarking of national progress towards common European objectives and organized mutual learning. This method does not involve the subordination of one level of government to another but rather a collaborative mode of governance in which each level contributes its distinctive expertise to tackling the common problems.

For decades, the EC has had very few express power of action in the area of social policy and no explicit mandate at all legislates on it. Early regulations of the European social policy belonged to the migration of workers. Previously further decisions to approximate social legislation in the member states “could only be taken by indirect means, using the subsidiarity power conferred by the treaty (Falkner, 2006, 80)”. The OMC is compatible with the subsidiarity principle, but can also be seen as a way “to



bypass this principle by allowing the EU to initiate co-ordinated action in areas where authority rests exclusively with the member states.” (Borras and Jacobsson, 2004, 191)

“The interpretative framework for Social Europe recognized that the institutional and political diversity of the member states places enormous constraints on the adaptation of policies to harmonise or centralise employment regulation on the EU basis.” (Teague, 2001, 9) OMC is conceived of as an instrument for “deepening the European integration, in conjunction with other instruments from harmonization to loose cooperation.” (De la Porte, *et. al*, 2001, 293) Therefore, the success of OMC as a new instrument of governance the EU renewed the notion of convergence (Bouget, 2004). The convergence process of fiscal policies established in Maastricht was a reference model for OMC. (Dehousse, 2002) By using soft law tools, such as OMC and EES, EU wants to promote joint action, and given the most of the social problems to national and sub-national authorities and upward the convergence.

There are several reasons about why upward convergence could not exist during the 1970s and till 1980s. First, social policy directives were adopted by unanimity; second, after the 1973 oil crisis, member states became pessimist about Europe’s economic future, but more importantly, the important economic recovery programmes taken by EC to rearrange breached economy after crisis, but it did not play an effective role in member states welfare system; third, British oppositions about the social directives. (Geyer, 2007)

### **3.1.1.1 OMC as a ‘New’ Solution Method**

After the Maastricht summit, European integration faced a legitimacy crisis. Danish voters in 1992 rejected the Treaty amendments in a referendum when the French accepted them only by a little majority. At the same time, “the European economy

turned sore and unemployment rose again” (Schafer, 2006). There was a widespread notion that integration was too exclusively focused on market integration, disregarding unemployment as the most pressing problem

Sakellariopoulos (2005) indicates that, there are two main reasons why OMC emerged especially after 2000 as a new solution process. First, one is that the OMC coincides with the plan of EMU and the introduction of the euro; second, socialists headed the majority of European governments in that period. Economic recession and high unemployment rates in Europe did not leave any room for inaction in social field. Such a method (OMC) was already “envisaged in the procedures for coordinating national economic policies under the EMU established in the Maastricht Treaty, and in the employment chapter of the Amsterdam Treaty.” (Borras and Jacobsson, 2004, 187) The European Social Model needed a modernisation and welfare systems of the member states had to be made compatible with the competitive economy. (Jacobsson, 2004) The logic of the OMC is that the policy coordination with a voluntary and gradual acceptance and implementation. The method’s soft tools, such as recommendation, peer review, monitoring, and benchmarking, show similarities with the OECD. (Borras and Jacobsson, 2004; Jacobsson, 2004)

Social Democrat governments (in Germany, UK, Portugal, Greece, Sweden, Italy, Netherland, and Denmark)<sup>1</sup> were more dominant in the EU and they were the main supporters of OMC when it was first introduced. This explains why social policy concern with this new method increased in 2000s. The Social Reformist, increased their repression on restructuring European Social Model, however, it was obvious that the Europeanization mentality on employment and other social issues, as antagonized by

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<sup>1</sup> German Social Democrat Party (1998-2005), UK Labour Party (1997- present), Portuguese Socialist Party (1995-2002), Greek Socialist Movement Party (1996-2004), Swedish Social Democrat Party (1996-2006), Italian Democratic Party of Left (1998-2001), Dutch Labour Party (1994- 2002), Danish Social Democrats Party (1993-2001)

capital groups, and traditional top-down method of the European Union would not be a convenient solution. Thereby, Union tends to create the incentive; semi-voluntary, flexible in an open platform. The inability in dealing effectively with reducing unemployment increased the willingness of member states to consider co-ordinated action and voluntary convergence of social policies. Member governments have acknowledged that improved competitiveness whilst preserving the European model(s) of welfare capitalism may require common responses in areas where legal competences rest with the member state. (Borras and Jacobsson, 2004; Jacobsson, 2004)

The method aims to coordinate at European level some policies “considered as falling under sovereignty of member states.” (Martin, 2005, 258) It organises a learning process to promote the exchange of experiences and best practices. The guidelines and the common objectives, on employment and social inclusion that have been adopted by the European institutions are not on legal basis.

### **3.1.1.2 The Effects of the EMU on European Social Policy**

The implementation of EMU and the latest enlargements have created a climate in which the adaptation and modernization of social protection systems moved onto the political agenda. During the transitional period, most of EMU’s impact arose from the convergence criteria. Behind these criteria was the view that “economic and monetary union should encompass only Member States with similar economic structures.” (Hagfors and Saari, 2006, 14) Member states that tend to adopt the euro have to meet the Maastricht convergence criteria and the Stability and Growth\* ensures that they have to continue to observe them. The parameters of the Stability and Growth Pact greatly influence such factors as the long-term financial sustainability of social and health

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\* The Stability and Growth Pact, that has began in 1997 and enforced by EMU, aims to provide a facility and helps member states to maintain a fiscal discipline after the single currency.

provision. With this Pact, it is expected to provide a price stability and sustainable employment growth. Therefore, its tool is either for restructuring or for European Monetary convergence. The criteria suggest that member states are to arrange their budget deficit no higher than 3% of GDP, and a national debt lower than 60%. However, meeting these requirements led some member states to accept privatization or to change their macro economic tools, because the public debt criterion was especially problematic. (Hagfors and Saari, 2006)

Both with EMU, member states have lost some macro economic policy instruments, (Jacobsson, 2004) and privatization of the public services (Erdogdu, 2005) have deteriorated the social model of Europe, especially in the areas of poverty, social exclusion, inequality and unemployment, where now OMC gives concern. For instance, during the accession period of new ten member states, in the progress reports, European Union recommended these countries to liberalize and privatize their social issues such as health and social security. (Ferge and Juhasz, 2004; Erdogdu, 2005)

It was in considerable measure as a *spillover* from the difficulties in adapting to the monetary and fiscal demands of EMU that “concerted action to address persisting problems of unemployment which was accepted as a political imperative during the mid 1990s.” (De La Porte, *et. al*, 2001, 295) Government used privatization in the 1990s as a means of to shift policy coordination and to be a part of EMU. (Jeronimo, Pagan, Soydemir, 2000) The creation of an integrated market and “a common currency led to a new context for the European social policy.” (Trubek and Trubek, 2005, 345) To develop a method close to the main instruments of the EMU, which are common objectives, criteria, peer control. After having invested much political capital in EMU, it was important for the “left and the centre governments to display their commitment to social issues.” (Dehousse, 2002, 6) As long as national markets are relatively closed and

budgets relatively independent, social policy is a domestic concern, so it could be said that, “social policy can have an important effect on budgets and competitiveness” (Trubek and Trubek, 2005, 345).

### **3.1.1.3 Assessing the Adaptation of OMC before the Eastern Enlargement**

The Joint Action reports, which aim to assess the implementation of the National Action Plans of the member states regarding the OMC’s social inclusion, is composed of the main areas poverty and social exclusion that was published two times in 2002 and 2004 before the eastern enlargement. After the 2004, social protection issue also became a part of OMC. In the 2002 and 2004, Joint reports (European Commission, 2002-2004) draw a picture respectively upon the National Action Plans on Social Inclusion of 2001–2003. Participation in employment is emphasised by most member States as the best safeguard against poverty and social exclusion. Therefore, there is a significant interaction between employment and social inclusion. The reports indicate that there is awareness of social problems related to poverty and social exclusion, however- also it is indicated in the NAPs, it is a challenge to overcome these problems rapidly. Nevertheless, according to the report, the member states are enthusiastic to face with the challenge.

### **3.1.2 Identifying the Objectives of Lisbon**

During the 2000s, an appropriate structural change became compulsory due to some shortcomings in economic growth. It determines social policy general terms and it describes social policy as a productive factor. (COM, 2000, 379 final) In the Social Policy Agenda, social integration, full employment, economical dynamism, and social justice are the essential issues. The European Union’s prior objective was to shift its

economic condition and vision. The Agenda identifies the objectives on issues with regard to employment, the knowledge-based economy, the social situation, European enlargement, and globalisation. The record since 1989 shows that much remains to be achieved to close the *cohesion gap*, which has been one of the points of reference for the Commission's proposals on the future of the EU cohesion policies, presented in its publications.

In addition, Agenda 2000 (COM, 2000, 379 Final) gave concrete form to proposed regulations for the structural and cohesive funds, and was published by the Commission in 1998. It stressed that an important part of the overall proposal was "to progressive extension of cohesion policies to Central and Eastern European Countries beginning with the pre-accession package in the year 2000." (Hall and Rosenstock, 1998, 636)

It emphasized the positive economic effects of "health and education expenditure and social transfers covering pensions and social security." (O'Connor, 2005b, 349) It made no reference about the harmonisation, ad hoc, it refers about the coordination of social policies as well as economic and employment policies, in the context of internal market (COM, 2000, 379 Final). To work towards common objectives and increase coordination of social policies in the context of the "internal market and the single currency rather aiming social harmonisation is the prior aim" (Hantrais, 2007, 33)

It was a guideline for the principles of employment and social policy issues that had been defined in Lisbon Summit. The purpose was to define common purposes between member states and to further the cooperation of social policies under the framework of single market and single currency. It defines social policy as a productive element and nonetheless considers social policy as continuity of the Lisbon's economical purposes. These areas are: More and better job creation; New safeguarding of job methods for workers; Creating a new balance between flexibility and safeguarding jobs;

Striving for social exclusion and discrimination; providing precautions for an equality between genders. (COM, 2000, 379 Final)

### **3.2 ELABORATION OF THE OBJECTIVES OF OMC**

The Treaty of Nice was adopted by the European Council in 2000 to amend the two founding treaties of the European Union which are Maastricht and Rome Treaties With Nice treaty social policy's character stayed the same, and the subjects (EC Agreement art. 42 and 137), that would be decided by QMV, could parochially enlarged. (ToN, 2001) The elaboration of the objectives on poverty and social exclusion agreed at the Nice (Daly, 2006) and it is agreed that member states should prepare National Action Programmes against Poverty and Social Exclusion by taking into account national, regional, and local differences. (ToN, 2001) Social Policy was the much, debated question in this treaty apart from social security; the co-decision procedure would be used for all other decisions or social policy. At the Nice Treaty, the fight against poverty and social exclusion was elaborated in terms of five general objectives, (ToN, 2001)

- Participation to the labour market and forming sources for all.
- Fulfilling of access to rights, goods and services
- Prevention of social exclusion
- Enhancement of the prevention those who need more protection.
- Mobilization all actors in social protection

The process of coordination involves fixing guidelines for the Union, establishing quantitative and qualitative indicators to be applied in each member state, and periodic monitoring. So a social agenda was adopted and it was the first Social Policy programme that provides an interaction between Economic, employment, and social policies. At the

Nice Council, European Commission was requested to monitor the implementation of social agenda.

In the Treaty of Nice, directing the Community to support and complement the member-states in “combating social exclusion” (Art 137 of ToN), social inclusion, and anti-poverty policies have emerged to be one of the key activities of the DG Employment, Social Affairs, and Equal Opportunities, despite having no clear mandate to do so outline within the Treaties. (Preece, 2006)

Another feature of the Nice Treaty, **the Fundamental Rights Charter** was accepted. (ToN, 2001) It is the most important regional document that had been emphasized in the Nice Treaty. It is consisted of collected rights from various international agreements. It does not have any binding power however; it is a descriptive document that defines individual, political, economical, and social rights. This Charter includes not only individual rights but also Social Rights, this part; however, was the much-debated one. It gathered various agreements, charters, and treaties such as European Convention on Human Rights, Social Charter. The Social Charter is a document that describes the individual’s personal, political, economical, and social rights.

### **3.3 NEW EMPLOYMENT STRATEGY WITHIN THE LISBON AGENDA**

In January 2003, Commission published a new document entitled *The Future of European Employment Strategy: Full Employment and Good Jobs for everybody*. This renewed Strategy was envisaged as an important instrument for supporting Lisbon Strategy after enlargement. It advised to simplify the guidelines, to define the quantitative aims, to implement well-coordinated policies, and to activate the new actors that participated in the application process of the European Employment Strategy.



The Commission introduced three final targets; (COM, 2003)

- Employment: The overall employment rate and the female employment rate to reach 67% and 57% respectively in 2005, 70% and 60% in 2010, the employment rate for older workers to reach 50% by 2010.
- Quality and Productivity at Work: The subjects considered; Safety and health at work, working and wages satisfaction, Quality at work, existence of flexible working organisations, arranged working hours, assurance, and flexible balance.
- Effect improvement on social accordance and to create an inclusive labour market: In this purpose, the Commission focuses on social inequality, social exclusion, long-term unemployment, regional inequality, and the problems in economical and social accordance.

The 2003 revisions of the EES served to further the constrain which types of social policies are considered appropriate. The operation of the EES and the use of social policies became embedded within the discourse of competitiveness, explicitly tied to the quantitative targets adopted during the Lisbon European Council in March 2000 and the articulation of the Broad Economic Policy Guidelines.

### **3.4 IMPACT OF EASTERN ENLARGEMENT**

After the Second World War, there were two major differences emerged in the European continent, one was the member states of Western Democracies, and the other were the European states under the Soviet Union. After the Soviet Union collapsed, Western Democracies mostly focused on the democratization and adaptation of these Post Communist Countries within the context of their membership in European Union. Then, these Countries joined the EU in May 2004, EU achieved its goal and from the

social perspective, new states have been attempting to engage with the European Social Reforms.

The inclusion of Post Communist countries started with the launch of the Copenhagen Criteria of accession. They were asked to reform their national economy to be able to compete with market economies of the existing member states. However, the 2004 Eastward enlargement of the European Union caused various discussions concerning the impact of the change in the EU institutions and in EU economics.

According to Lendvai, because of the absence of a European vision social policy from the transition process, “accession has generated very considerable expectations in the candidate countries.” (Lendvai, 2004, 321) From the 1970s up to the latest enlargements, the EU endeavoured to reshape the European social policy either with the action programmes or with regulations and directives of the Treaties. Scholars argue, however that even though, the Commission tried to create a social dimension, the Eastward enlargement erected barriers against this desire.

Ogg (2005) argues that, the eastern enlargement of the EU has aimed to build a more inclusive Europe and to set a common objective on poverty and social exclusion. However, in the last decade, in the new countries, inequalities have been widening because of internal transformations and the increasing global reach of product markets. Besides, he also stresses that as the EU enlarges and incorporates the transitional eastern European countries with formerly socialist regimes, the goal of broadly harmonising and coordinating social protection policies and creating a European Social Model faces important obstacles. In addition, Sykes (2005) holds opinion with Ogg, believes that membership of the ex-communist countries would create problems. Not only will there continue to be welfare problems in the member states, but also the impact open to the existing member states in terms of social dumping and other socio-economic effects is

likely to create serious difficulties for both European Social Model and individual member states.

However, the Commission Reports and the Joint Reports of social protection and social inclusion and employment demonstrated a different panorama, and they disagree with the opponents of the enlargement. This section aimed at analysing this process in threefold, first one is the welfare system of these new states during the Soviet era, second is the accession process and challenges, and third will touch upon the context after the membership of new member states. Subsequently, it will look at, what commission reports and Joint reports of the OMC tell about these countries social policy changes.

### **3.4.1. Social Policy Approaches of the Central and Eastern European Countries**

While considering the welfare systems of the post communist countries, it is clear that they emerged from a centrally planned socialist system and, generally, their poverty rates are particularly high, especially in rural areas, where farmers are now unemployed or retired. During the Soviet era, the social policies of these Eastern countries were characterised by state bureaucratic collectivism. This could also be referred to as over-institutionalized socialist paternalism. Employment was compulsory, there were virtually “no ways of influencing political decision making process from below, and social policy was highly centralized and run by the Communist Party.” (Potucek, 2004, 254)

Under Communism, their special protection systems and their bureaucratic state collectivist origin had so many issues in common. The former Communist regime was based on egalitarian ideology. Not only did it abolish the legitimacy of wealth, it also “abolished the legitimacy of poverty.” (Sirovatka and Mares, 2006, 288) However, Slovenia’s social system differed from the others since it had a Bismarckian type of welfare state. With regard to the CEEC, the state alone was “the organ which established

the post communist industrial relations framework including *inter alia* the social dialogue.” (Hall, 2003, 63) It was also the state, during the transition period, which was the prime mover in reforming itself, which initiated the accession process and negotiated it, and it was again itself, which was initially and in some respects still is, the employer, since state enterprises still exist in these countries.

At the beginning of the transition period from planned to market economy, “it was considered as necessary to create a separate category of welfare state regimes for ex-communist countries.” (Burlacu, 2007, 305) The southern and eastern enlargements show both similarities and differences in pre-candidacy national social structure. Southern countries had Bismarkian-based social welfare systems. East European Countries also had this Bismarkian system, but these were developed by the Soviet system social structure, characterised by high social spending and low levels of inequality. Thus, they had to reshape their welfare system and economy towards the EU level.

In the post-communist countries, before the Soviet Union collapsed, their social protection systems had their bureaucratic state collectivist origin and welfare, which was provided by the state in common. (Hantrais, 2007) The EU’s initial reaction to the collapse of Communism was one of the general satisfactions and an “immediate offer of financial assistance.” (Avery and Cameron, 1999, 15) The liberalization reforms in CEE at the beginning of the 1990s “lowered the levels of social protection below the levels institutionalized by the EU social legislation.” (Toshkov, 2007, 327)

Belke and Hebler (2002) explain why Central and Eastern European Countries (CEEC) have a different labour market performance. According to them, there are two reasons; first, the transformation recession determined by special factors like collapse of the former Soviet Union which were connected with fiscal and balance of payment problems, wars in the Gulf and obstacles in recovery of labour demand in the Balkans.

The second reason is job elimination and job creations (in CEEC) which are connected by endogenous feedback because of fiscal policy.

### **3.4.2. Accession Period of Ex-Communist Countries**

In the pre-accession period, the EU formed a basis for change for these countries by introducing softer regulations and directions, which were considered appropriate in the process of economic and social transformation. The Council of Europe also played an effective role in the transformation process by introducing programmes for the Post Communist countries. Same mistakes that were made in the “German Unification”<sup>\*</sup> should not be repeated by politicians extending Europe Eastward, and it should not be forgotten that there is significant difference between the 15 members.” (Bekle and Hebler, 2002, 314) Political Democracy, a relatively strong market economy, and the incorporation of the Community Acquis were then the main requirements. Social Policy was for a long time considered by the EU as a subsidiary issue; therefore, the major part of the members’ social legislation did not apply to the Acquis. Consequently, “the ideals and the practices related to the European Social Model paid an unduly modest role in shaping Central and Eastern European social policy during the enlargement.” (Ferge and Juhasz, 2004, 234) The problem of *acquis* is the problem of governance which means institutional framework for “formulating, implementing, administering, monitoring and evaluating social policy schemes, where Central and Eastern European countries is an institutional desert and where their actors are weak” (Lendvai, 2004, 325). Southeastern governments of the late 1970s, East and South-East European “transposition governments faced a similar policy dilemma: [h]ow to respond to demands for better

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<sup>\*</sup> The costs of the German reunification are mainly borne by the 2,3 million unemployed persons in the five new ‘Lander’ and by the tax payers in the whole country. (information has taken by Ansgar Bekle and Martin Hebler, “Towards a European Social Union: Impacts on Labor Markets in the Acceding Countries)

welfare services without endangering the competitiveness of their national economy.” (Sotiropoulos, *et. al*, 2004, 115) They also stressed that when compared with Greece, Portugal, and Spain in the transition period, Southeastern countries entered their transition period equipped with more comprehensive welfare services that had been inherited from the Communist regimes

Considering the 2004 enlargement, Cyprus and Malta adopted welfare systems similar to the existing member states, however, in ex-communist countries, Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, Hungary, and Slovenia, the situation is different from the others. These eight ex-communist countries that had been by the Communism system and their economic and social structure were totally different from the Western European values

The model presented by international finance organs such as the World Bank or IMF; influenced the Welfare structure of the Central and Eastern European countries. In the economic and social development processes of the Central and Eastern Countries, these organs seem to have had more influence on the content of social reforms in Eastern Countries than the EU, even if, “recently the EU appeared more able to influence debates and some policies, such as gender equality, anti-discrimination policies and the fight against social exclusion.” (Guillen and Palier, 2004, 205)

In the Accession reports, there were a few concerns on social policy. Only Poverty had been taken account in the cases of some countries but other issues such as social exclusion, inequality etc. were not mentioned. (Ferge and Juhasz 2004; Lendvai, 2004) PHARE Programmes were one of the key and significant financial instruments during the accession period “aimed to provide provisions of social policy advice for the CEEC.” (Lendvai, 2004, 322)

Kvist (2004) argues that, European Social policy legislations for the accessing countries have been changed during the decades. He supports this idea with an instance. He stresses that there is an important difference about free movement of workers between the southern and eastern enlargement. In the Southern enlargement, all existing member states took the same approach, however in the eastern enlargement EU 15 member states declared that they would make use of traditional periods restricting the free movements of workers. But the length of such periods differs as well as their bilateral agreements with acceding countries.

When preparing the accession to Europe, specific criteria and procedures have been elaborated, known in the CEEC countries as the Copenhagen criteria, only few of these criteria were precisely about social policy. (Guillen and Palier, 2004, 204) The main idea was to push all CEEC for full EU membership as quick as possible. Some of the CEEC countries moved more rapidly than others move and started to adopt the EU's reforms. "Virtually in the trade relations between EU and CEEC has taken a place in trade flows since 1989." (Avery and Cameron, 1999, 19)

However, it could be seen that some member states such as Denmark is reluctant to allow mobility of CEEC workers. They justified that the Dutch Labour Market has already had some problems; the new workers from the eastward would create more detrimental effects. Therefore, "the government and the political parties agreed to review the Dutch Labour market sector by sector and only allow migrant workers in sectors need of labour supply." (Kvist, 2004, 311)

The main goal of the Essen was to intensify the technical preparations for CEEC's membership and hence, "this led up to create the White Paper that would function as a guideline." (Avery and Cameron, 1999, 18) *Guidelines for implementation of Phare programme for the years 2000–2006*, published by the European Commission in 1999,

the chapter on economic and social cohesion explicitly refers to the priority of developing and reinforcing institutional capability in the CEEC's. (Vatta, 2001)

According to Sinn "Europe does not need a social Union," (2003, 36) because he suggests, this would replicate the problem East Germany faced after reunification with the West. In the case, he argues that social union was a disaster, pushing wages above the market clearing level, because welfare state paid high replacement incomes such as unemployment benefits, social assistance and early retirement pensions, and people were unwilling to work for wages below, or equal to, those replacement incomes. Besides, he emphasizes that the membership of the post-communist countries means there would be a migration of unemployed from the low-productivity to the high productivity regions where opportunity for employment is higher. Nevertheless, this migration would not bring about the usual welfare gains, which result from migration driven by competitive wages.

Enlargement also means, new actors started to be involved in the policy making process of the OMC. However, the problem was these new actors have only had vague ideas about how policy coordination works (Horvath, 2007). The countries were sharing the same past or same heritages that were based on the expansive role of the state in economy and society (Lipsmeyer, 2002). They did not derive from European Welfare Model, however, as Manabu (2004) argues, they were influenced by the model presented by international financing organizations which have insisted on conditions for lending money, on the adaptation of privatization. During the transformation period, especially the first five years, the priority of reforms were mostly based on economic and political aspects, but not any social welfare system.(Manabu, 2004; Toshkov, 2007) Hence, CEEC governments as a whole did not prepare any strategy regarding social policy. However,



after the 2000, the structure of the social expenditure has changed to meet the requirements of these countries in new welfare needs.

Manabu (2004) indicates two factors that affect CEEC's welfare systems. These are exogenous and endogenous factors. Exogenous factors are also divided into two, according to their influential type. First is the financial organizations in which effective both on economic and implicitly on welfare systems. These organs are conducted in these countries, in their welfare systems by using some privatization and marketization in health and social care services. Besides, social security funds are separated from state budget and implemented by numerous independent institutions. The second exogenous factor is the effect of the EU on these countries; however, this influence seems relatively more positive than the financial organizations. EU affects these countries with the soft law instruments, except freedom of movement, because it is the first and the binding concern. However, in the other areas, EU, as it did in old member states, chooses to use soft law instruments, such as guidelines and presents the European Social Model as describing the main characteristics of the European welfare system. According to Manabu, the endogenous factors are the political issues inside the CEEC, which consists of first political parties and their approaches on social problems, second is the political priority of the social policy reforms, which are relatively low.

### **3.4.3. European Social Policy within the Context of Eastern Enlargements**

Companies, which aim at competitive advantage, mostly prefer workers from low social wage countries, where social protection is minimal, thus causing social erosion. This problem was first mooted in southward then in Central and Eastern European enlargements. Austria, with its legacy of the Austro-Hungarian Empire and borders of four of the acceding countries, "has the highest population share of persons from the

acceding countries and a large share of total CEEC nationals living in the EU-15” (Kvist, 2004, 308). After the Eastern enlargement all EU 15 member states have either adjusted their social policies or closed their labour market to workers from the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia and Slovakia.

Fannon describes the problems of European social policy model after the enlargement in threefold. She touches upon the problem first starting from the social *acquis*. Not only new member states but also original 15 are struggling to implement the social *acquis*. For example, social dialogue structure is not strong enough to implement in new member states. Secondly, she stresses that there is a problem, which is derived from the European institutions’ lack of competence on social protection. The third and the last problem that she argues is the challenges of harmonizing a complex body of legislation. (Fannon, 2005) After the 2004 enlargement it was conferred that, the average of GDP per capita for the new member states was 44% of the EU level. That means, some countries have had a long way to reach three quarters of the per capita GDP of current EU member states. Therefore, some member states and organized labour have started to implement the social *acquis* in the CEECs. (Sissenich, 2005)

It is obvious that, either most of the European states or the CEE adopt themselves in the context of globalization. As for the eastern countries, it is a great challenge to reform their social systems in order to fit the rules of the market economy. (Martin, 2005) After the 2004 enlargement, it could be witnessed that, these new ten countries differ widely from one another in their levels of economic development, labour-market institutions, and social welfare structures. They have lower employment rates and higher rates of income poverty. They lack of either an effective social partnership institution or collective bargaining coverage. However, they share the same problems with the existing 15 about some social areas. About the pensions, health care and social protection issues

are the example issues where they need an urgent reform as well. OMC seems to be an appropriate recovery instrument for them.

The entrance into the OMC for the new member states has been the preparation of the Joint Inclusion Memorandum (JIM). The JIM, which aimed at preparing the new member, states for the participation in the inclusion. In the NAPs on Social Inclusion, which refers wide ranging, and all-embracing policies, all member states have been called to express their targets in the line with national and EU priorities however; these priorities have tended to match more with the eastern countries (Cerami, 2006).

The implementation of EMU and the latest enlargements have created a climate in which the adaptation and modernization of social protection systems moved onto the political agenda. After the latest enlargements, EU set up Social Protection Committees\* in which member states representatives argue on guidelines, and opinions on specific issues. This could be seen as the effectivity, and legitimacy of the OMC. (Horvath, 2007; Mosher, Trubek, 2003; Zeitlin, 2005)

However, both in the JIMs and provisionally first NAPs demonstrated that, there is a lack of methodology to implement EU level OMC in social inclusion, which is an unusual term in new member states' social systems. (Lendvai, 2004) There was a need to use an appropriate guideline in order to reach a wide consensus between new states and old states. Nevertheless, another problem was that, these countries were also lack of any social statistics and data, where social indicators and appropriate data were a 'must' in social knowledge in preparing the guidelines.

In the case of **Bulgaria and Romania**, before their membership in the EU, on 1 January 2007, both countries not only showed relatively small expenditure on social policy but also lagged behind the EU average and most other post-communist east

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\* This Committee is established in 2000, and re-established in 2004, and responsible to streamline the cases social inclusion and social protection

European countries. Bob Deacon classified the welfare structures of the East European Countries transition in four types. (Sotiropoulos, *et al*, 2004) They are post-communist conservative corporatism, conservative corporatism, social democratic type, and liberal capitalist type. According to him, Bulgaria and Romania were classified as the post-communist conservative corporatist type, which meant that “socialist values remained even after the initial transition which had taken place and, social pacts had been agreed upon between the government and major labour unions.” (Sotiropoulos, *et al*, 2004, 117)

### **3.5 REGENERATING THE OBJECTIVES OF LISBON**

Globalization, demographic ageing, and changing family structures face with European employment and welfare regimes with new challenges. Hence, national governments find themselves under pressure to reform their social and labour market policies. Revised Lisbon Strategy in 2005 as to find a response for these problems and established two parallel processes. First is the Lisbon Growth and Job strategy concerning employment and economic, second is streamlining objectives for social inclusion and social protection, concerning, social inclusion, pensions, health and long-term care. (Spring European Council, 2005) In 2006 March, objectives regard these areas are agreed by EU Spring Council. The definition of social protection varies according to the “national context and they are embedded within specific institutional structure.” (De la Porte, *et. al*, 2001, 297)

Especially after the latest 2004 enlargement, it is important to notice that the demographic ageing of the European citizens will change in 2010 and EU Lisbon strategy 2000s objectives need a reform and streamline. It is important to consider, long-term viability through the reforms of the social security and pensions systems, the healthcare system and labour market. (Monne, 2006) One of the main elements of this

five-year new strategy plan is “to strengthen citizens' confidence in accepting the changes needed to cope with new challenges such as increased global competition and Europe's ageing population.” (Spring European Council, 2005) This also led to modernise social protection systems and it was agreed to proceed the progresses regarding to health and long term care, pensions and creation of an annual Joint Social Protection and Social inclusion Reports together, which are separate reports under the OMC. In addition, Social Protection issues will be reflected in the National Action Programmes. The main objective of the Health and Long-term care is, “member states agreed that the streamlined OMC can usefully be applied to these areas to stimulate policy development, highlight common challenges, and facilitate mutual learning.” (Monne, 2006, 6)

By preparing the revised new Social Agenda in February 2005, the Commission intended to focus on growth and employment as primary objectives and strengthen the social dimension of the strategy at the same time. It embraces a roadmap for the European social policy until 2010.

The main objectives of the Revised Agenda; (Spring European Council, 2005)

- To improve and modernize the European Society Model
- Commission’s guiding the member states to reach the social objectives. The main philosophy that the Commission stress is meeting urgent targets is equally important as improving social targets.

The main priority areas of the Social Agenda are, (Spring European Council, 2005)

- To devote oneself to full employment
- To prompt a fair social structure between the member states.

The Social Agenda for 2005–2010, reflected the newfound confidence in the ability of the Union’s institutions to “carry forward the process of mainstreaming social

policies, adapting, and modernising social protection system.” (Hantrais, 2007, 243) It serves as a guideline on how to modernise European social policy to make it better in international competition, Technology advances and according to changing demography. It also reaffirmed that the coordination of social security schemes and other social policy areas, social dialogue would continue to be premised, are to be subject of OMC and the good practice will be the main concept in the European social policy. By the 2006, a new version of OMC which had been extended its scope\*, and “described as *third way*, “was to serve as both a supplement to hard law and substitute for it.” (Trubek and Trubek, 2005, 363)

### **3.6 ASSESSING THE IMPLICATION OF OMC BY SOCIAL INDICATORS**

Joint Action on Social Protection and Social Inclusion during the period 2004 and 2008 are the main indicators when assessing the areas “where the joint action mode is applied by soft law are employment policy, social exclusion, the modernisation of social protection systems and intensive measures to combat discrimination” (Bahr and Treib, 2007, 4). The primary social indicators are poverty, income inequality, and regional variation on employment rates, long-term unemployment, joblessness, low educational qualifications, low life expectancy, and poor health. A range of indicators was reported in the Joint Reports on Social Inclusion. In the recent report, Council of the European Union Joint Employment Reports indicates that (2007/8, 4), although youth unemployment problem still could not be exactly solved, “nearly 4 million new jobs and unemployment has reached the lowest levels in years. Part of this is cyclical but there are good reasons to believe that the European Employment Strategy and the integrated Lisbon strategy are showing results and that structural reform are starting to pay off. This

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\* In social protection system, social inclusion, education, research and development, immigration, pensions, health and long-term care.

achievement could be also seen at the Joint Report on Social Protection and Social Inclusion in 2008. (European Commission, 2008) In this report, it is indicated that, in recent years social protection reforms and active inclusion policies have contributed to higher growth and more jobs. Employment rates have risen for all categories.

Eurostat is another statistical source to examine the progresses in the OMC areas. First of all, there is “At the Risk of Poverty by gender”, which is the main area of OMC, the percentage before the social transfers was 26%, however in 2005 and 2006, these results have been increased to 16% after the social transfers. Secondly, there is Lifelong Learning, which is the prior aim of the Lisbon Council and a specific area of OMC, helps to assess the education and training levels. By gender, percentage of Adult population aged 25 to 64 participating in Education and Training was 7,1% in EU 15 before the latest enlargements, but with consideration especially 2007 enlargements, the percentage increased 9,5 %. Thirdly, there is Employment Growth, as one of the main component of the EES, in 2003 among the EU 15 was 0,5 %, however in the 2007 with the EU 27, it increased to 1,8 %. Employment Rate also demonstrates the same attitude, when employment rate in 2000 in EU 15 was 63,4%, in 2003, 64,2% and in 2007 with the EU 27, 67,0%. Lastly, there is Long-Term Unemployment Rate, is another main aim of the EES is to decrease the unemployment rates. While considering them in 2000 with EU 15, it was 3,4 %, again in 2007 in EU 15 it was 2,8 % , in EU 27 in 2007, it was 3,1% . In the Unemployment, 2000 with EU 15, it was 7,7 %, again in 2003 in EU 15 it was 7,9 % , in EU 27 in 2007, it was 7,1%

These are the specific areas of the OMC, which helps to assess the evolution and positive impact of OMC on the Employment, Unemployment, Education, and Poverty. In addition, in Petrasova’s (2008) statistical analyses, it is indicated that, social protection system of the member states has witnessed a significant increasing period. Especially

after new OMC that agreed on renewed Lisbon strategy in 2005. In 2005, expenditure on social protection accounted for 27.2% of GDP in the EU-27.

Eurobarometer Surveys and EU citizens' attitude on 'Employment and Social Policy' also helps to assess the see the effects of the OMC. In the results of the 2004 Eurobarometer surveys on Employment and Social Policy, (European Commission, 2004a) "a large majority of Europeans believe that the European Union has a positive impact on access to education and training (79%), which is one of the basic area of the OMC. The creation of new jobs and the fight against unemployment (72%) is another important component of OMC. (Eurobarometer survey, 2006, 13) This results shows that, the areas where OMC implemented made itself apparent in a positive way in public opinions.



## CONCLUSION

When assessing the fifty years of the European social policy, it can be argued that, the diversity of the social policy, with regards to different demography, economic challenges, has been increased with the latest accessing countries, and the social realm of the Europe has become more hybrid than ever. European eastward enlargement's consequences seem to be an uphill battle either for EU or for eastern countries, because it is not easy for the EU, to overcome the social burden of 27 member states. As Lendvai argues that, "enlargement puts a mirror to EU social policy and what the mirror shows is rather controversial." (2004, 330)

Broad disparities between member states and their national institutions and political systems, using binding legal procedures could create negative effect in the social dimension of the EU. It is too hard to arrange institutional and political harmonisation between member states, due to two reasons. First is the historical, cultural, and institutional social diversity of the member states, wherefore, in Lisbon strategy, it is aimed to implement a concept that respects "nation state notion" and flexibility. Diverse levels of socioeconomic development among EC member states, "the social dimension constitutes one of the most difficult aspects of European integration." (Campbell, 1990, 3) That is why EU tends to use soft law instruments. Second reason is the diversity of the economic and social purposes or structures among the member states. Some states support neoliberal approaches, such as UK, that concern social policy when it has positive effects on competitiveness; however, some support social policy as a prior concern and support the idea that social rights have the same importance with economic goals.

The EU is characterized by a relative absence of a centralized common social protection and policy framework. Nevertheless, debates, guidelines, directives, and regulations on several aspects of social policy have shaped a distinct quasi-European social policy framework and reinforced the debate on the present and future of European social model. Social dimension became the central element of the EU, especially after 1990s. The prior goal of the Union is to transform the EU into the less unemployment, capable of developing and maintaining a high level of social cohesion and environmental sustainability. The substantial and ongoing enlargement process shows that European social policy has had to be reinterpreted by national governments, European policy-makers, social partners, and interest groups.

National policies and national interests, especially those of the more powerful member states, restricted the Union's ability to develop its own social policy. For instance, "some action programmes were delayed to the veto of individual member states" (Hantrais, 2007, 253). Teague (2001) gives an example about the member states' opposition on social policy and exemplified UK. For instance UK has adopted a positive approach to EU health and safety initiatives and more stringent than the other member states, however, it did not show the same attitude in the regulation of working time and information and consultation of workers issue. Because according to UK, there is an administrative opposition to EU measures, as they conflict with the domestic employment regime.

Reluctances of the member states and the growing social challenges with regard to the subsequent enlargements and its social consequences, globalisation process, new technologies, continuing unemployment problem and demographical problems etc, compelled the EU to use new methods to solve these problems. OMC, which was enshrined in Lisbon Strategy, seems to be a response for these problems. It can be

characterized as a “post-regulatory approach to governance, in which there is a preference for procedures or general standards with wide margins for variation, rather than detailed and non flexible (legally binding) rules.” (De la Porte, *et. al*, 2001, 302)

The main feature of the OMC is that, it is an experimental approach for EU governance and that it commits member states to work together towards shared goals without homogenizing their traditional welfare systems and institutional arrangements. It has a deliberative problem solving mechanism with mutual learning. The problem solving of OMC cannot be provided by hierarchy, also academicians still could not agree on whether OMC is top-down (Jacobsson, 2004) bottom up learning (Scott and Trubek, 2002). Because there are EU goals, convergence, and guidelines that member states should implement, however, from another point it also indicates mutual learning and domestic policy developments that should be directed by Brussels. OMC is both a cognitive and normative tool. It is cognitive because “it allows the member states to learn from each other. It is normative tool because common objectives embody substantive views on social justice.” (Radaelli, 2003, 28)

G. Trubek and L. Trubek (2005) focuses on the six different ways that could occur as a result of the OMC, they are shaming, diffusive, through discourse, deliberation, learning, and network. They are mostly focused on “shaming.” Because according to them with the issue of shaming, member states would seek to comply with the guidelines in order to avoid negative criticism in peer reviews and Council recommendations. The key concept of the OMC in the further terms is not to leave any groups or people behind the social process and try to respond each problem. Besides member states, EU institutions, and the social partners all play important roles and have gained power in policy making and policy implementation. This structure of the OMC as Radaelli (2003)

argues, led to deliver 'better governance' and it is not a second best option to hard legislation, it is a better way forward

The OMC has shown to have a positive impact on policy making in only some countries. After the review held in 2005 it was decided that the indicators used in the OMC should be simplified and the efficiency of incentives for cooperation between the Member States should be improved. It is also reported in Working Document in 2008 (Commission, 2008) that, from 2000 the OMC has successively been applied to social inclusion policy, to pension policy and to health and long-term care policy. In this report, Commission also indicates that, the overall assessment of results of OMC by different actors involved process has been largely positive. The main reasons of the positive impact of the OMC, as examined in the report, are first it gives an impulse to the modernisation of social protection, and it has supported mutual learning and promoted wider involvement of stakeholders.

Although OMC has some undeveloped parts, with benchmarking, and best practice methods, with using transparency to create peer review, and with its deliberative structure, it has created gradually maybe slow, as seen in Eurostat analyses, but a positive effect in member states social policy. First, it is important to note that, it is well received from the member states, as they use soft instruments. Secondly, its naming and shaming structure, trigger member states to implement the social policy requirements.

The main continuities in the European social policy can be grouped in three parts. First is the continuity of the supranational method or Community method decision making restricted only in the areas, which are labour law, free movement, equal opportunity or anti-discrimination and their subtitles. Because these issues are part of economic policies, and during the emergence of single market these are the common and essential problems of the EU member states. The second continuity of the EU social

policy is the reluctance of the member states in adapting any hard law regards to social policy. UK's opposition and its intergovernmental approaches for the social issues and continuity of unanimity voting system could be shown as an example. The third continuity is the diversity of the member states' social policy. Especially after the latest enlargements, the structure of the social policy became more heterogeneous and that makes hard to create a unique social entity.

The main changes of the European social policy could be defined in threefold. First is the increasing social concern especially after the 1990s due to the increasing social problems. Starting with the Maastricht Treaty, some social policy issues gained QMV and following with the White Paper EU made an exact concern on employment issue and tried to create solutions. The second change came with the OMC, which enlarged the social scope of the EU and has an intergovernmental approach. With the implementation of the OMC, social exclusion, poverty and social protection issues gained an EU level attention. The third change is the latest enlargement of the EU in 2004 and 2007 and its effects. The membership of the eastern countries changed the nature of the EU social policy due to their different social policy tradition. This change not only reflects to the EU-15 but also effects new member states social structure. Due to this heterogeneity, EU tries to create new solutions with the social agendas to accomplish this problem.

In the European social policy, policy-making process mostly stays at the intergovernmental level. This thesis asserts that intergovernmental approach on European social policy is more welcomed by the member states. OMC, which has a supranational structure, creates common rules and provides sanctions to the member states if they fail to abide these common rules. Hence, intergovernmental methods are better suited than Community Methods in the realm of European Social Policy.

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