

CONSIDERATIONS ON THE IMPACT OF THE EU ENLARGEMENT TOWARDS CENTRAL AND EASTERN EUROPE ON THE EUROPEAN SOCIAL MODEL

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Abstract

While the European Union keeps taking pride in putting forward the existence of a European Social Model, no study or project was carried out in order to foresee the enlargement effects on this model and mainly how the latter could be successfully implemented by the new Member States, having regard to their own characteristics. It is no coincidence that the references to the European Social Model multiplied during the period when the EU was facing its own enlargement. More and more questions were raised concerning the new Member States convergence capacity, as regards Central and Eastern Europe countries in particular, with all the European Union social rules. The trends in the new Member States, as well as their convictions or their lack of conviction, concerning the European Social Model, have major implications on the tomorrow's social Europe. In which direction is it heading in an enlarged 25 or 27-nations European Union? This study is aimed at answering at this question having regard, in particular, to the economical and social characteristics of the new Member States and to the possible sources that might give rise to blockings in the social field.

Keywords: EU enlargement, European social model, central and eastern Europe

Introduction

In current debates about globalization politicians from the European Union and its Member States often refer to “**The European Social Model**” and argue about its competitiveness in relation to other models at global level. However, they do not offer a clear definition or an unambiguous signification. It is commonly agreed that it encompasses a certain combination of, among others, strong **democratic institutions and processes**, a highly **productive economy**, **social dialogue**, **solidarity**, **equal opportunities for all**, a high level of **social protection**, as well as **education** and **health care for all**.

In order to reach a better understanding of what the European Social Model is, it is only of very limited help to analyse social policies and social protection systems in the individual countries of Europe. This would only lead to a classification of welfare state systems and give more evidence of the differences than of what these countries have in common. Instead, we should look at what the European Union, the most ambitious European economic, political and social integration project, has to tell us on the subject.

Between **Treaty of Rome** and the **Lisbon Agenda**, the constant concern of the European Community for matters related to the social policy led to the creation of a „**European Social Model**”.

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The impact of the EU enlargement towards central and eastern Europe on the European Social Model

The historical experiences of the Member States of the European Union are of course extremely different, however, despite the intra-European differences, reference is often made to the existence of a European Social Model, different from the American or the Japanese model.

From the outset, social policy was not in the limelight of the architects of the European Community, as their main objective was to ensure economic integration of the member states. An interest in social policy arose in the 1970s. In 1972 Willy Brandt, the chancellor of the Federal Republic of Germany, suggested at the **Paris Summit** that social policy should be treated in EU on a par with economic policy and that the 'European Social Union' should be created. The idea of social integration has become a recurrent theme. The development of the EU social policy went through several momentous stages. In 1989 a very important act known as the **Community Charter of the Fundamental Social Rights of Workers** was adopted. It is not a legal document in a strict sense, but it symbolises the recognition of the fundamental social values by the European Community. Another milestone in the development of social policy was the **Maastricht Summit** which took place in 1992. The then adopted **Social Policy Agreement** created a legal framework for the European Social Model. It called for the strengthening of *economic and social cohesion* so as to promote *overall harmonious development* (Articles 2 and 130) in the European Union. The decisions reached during the **Amsterdam Summit** of 1997 led to a rapid development of the European social policy. The Amsterdam Treaty made reference to the **fundamental social rights**. The Treaty (new Articles 136 and 137) introduced major guidelines for the present European policy of combating social exclusion, unemployment and poor working conditions.

The **European Social Policy guidelines** are on the agenda of various UE social initiatives targeted at vulnerable groups, aiming at reducing the labour market exclusion and promoting employment. The EU concerns with poverty have been rising since the mid-1970s and have been closely related to the growth of poverty and social exclusion in the EU Member States. Since the 1970s the European Commission has introduced and funded a lot of social programmes more or less directly dealing with poverty¹.

The references to the European Social Model are more and more frequent. Thus, the **Lisbon Summit** from March 2000 has stimulated an important debate on "Modernizing the European Social Model", which was paradoxically dominated by the very liberal vision of the British Prime Minister, Tony Blair, who recommended the followings: "The European social model, with its developed systems of social protection, must underpin the transformation to the knowledge economy"².

Later on, the **Nice Summit** laid down the **Social Agenda**, which focused on this model, before drawing the following conclusion: The European social model, characterized in particular by systems that offer a high level of social protection, by the importance of the social dialogue and by services of general interest covering activities vital for social cohesion, is today based, beyond the diversity of the Member States' social systems, on a common core of values."³

¹ Jolanta Grotowska-Leder, *Poverty in EU after Enlargement*, The paper presented at the conference "A new All-European Development Model in an Enlarged EU. Social and Economic Aspects", Poznań, May 7-9, 2004, p. 4. http://www.epoc.uni-bremen.de/publications/pup2004/files/Poznan_Grotowska-Leder.PDF

² Daniel Vaughan-Whitehead, *L'Europe à 25. Un défi social*, La Documentation française, Paris, 2005, p. 9.

³ European Social Agenda, in „Nice European Council: conclusions of the presidency”, 7, 8 and 9 December 2000, annex 1, p. 4.

According to the definition adopted by the **Barcelona Summit** in March 2002, the European social model is based on a good economic performance, a high level of social protection and on education and social dialogue”.

‘The magic triangle’ – growth, stability, and equality – the basis of the European Social Model and the conceptual core of the Lisbon Strategy, is a specific formula which takes into account the social, economic, political and cultural contexts in different regions of Europe. Over time, four social sub-models have been both theoretically and empirically defined: Nordic, Anglo-Saxon, Continental and Mediterranean.

Presently, the Community Social Policy is elaborated much faster than before 1992, in relation to the “new European Social Model”, adapted to the new elements of the European Union economy marked by globalization, the emergence of the information society and by the single currency introduction. This social model is build upon an objective inspired by the **Scandinavian social democratic model** which aims at *using to the utmost the human potential and at involving the public authority, as well as the social partners in order to attain this objective*.

The very existence of the European Social Model has given rise to countless debates and controversies and was often raised for discussion, as a result of the very different national systems of the Member States; thus, the liberal approach taken in consideration by some people, according to the example of the United Kingdom, followed by other people, attached undoubtedly less importance to the social policies and in particular diminished the role of the State in developing and carrying through those policies.

A 'model' is a notion often developed in order to explain what one is *not*, rather than what one *is*. In the case of the European Social Model, many consider the notion – now anchored in EU summit conclusions from Barcelona - as a way of saying that EU work and welfare policy is not the same as, for example, US policy in these fields.

Others consider the notion of the European Social Model as a political counterweight to the EU fiscal rules limiting excessive government deficits, commonly known as the 'Stability Pact'. This interpretation is particularly pertinent in the light of secular ageing of EU populations. This trend is beginning to increase economic dependency ratios (the number of non-workers to be supported by each worker) and thus put a strain on government spending, including on social spending.

However, when pushed to explain **what the European Social Model is**, the same people find it difficult to define it precisely. The truth is that the notion of 'model' is a political term as much as a technical term⁴. The way we design and deliver employment policies is very different in each Member State. Even if the EU issues guidelines for policy and sets targets (such as '70% of all 15-64 year-olds to have a job by 2010'), jobs are not created in Brussels. The way we design and deliver welfare, health and pensions is also very different from country to country. Even if the Commission formally reports to Member States analysing their reforms (and all are reforming) in order to encourage use of best practice. Pensions are not provided by *fiat* from Brussels. But, even if it escapes precise definition, the notion of 'model' is significant because it is 'anticipatory' or 'aspirational'. In other words, like the expressions 'European Union' or 'Common Foreign and Security Policy', the word 'model' hints at a progressive real convergence of views among Member States on the broad objectives they seek to achieve in employment and social policy.

These objectives were spelt out in very specific terms in the conclusions to the Lisbon summit of March 2000 and include full employment, growth to rival that of the United States and a system that allows no one to fall through the net by 2010.

⁴ Anna Diamantopoulou, *The European Social Model – myth or reality?*, Bournemouth, UK, 29 September 2003, http://www.easesport.org/ease/fichiers/File/social-dialogue/ad290903_en.pdf

Comparative data concerning the social chapter in EU and USA	EU -15	USA
Employment rate (25-54)	64	74
Growth rate of the productivity of labour (1995-2000)	1.4	2.0
Ageing rate of the population	35	25
Social security contribution (% in GDP, 2001)	27.5	14.2

Since Lisbon, we have also seen much convergence on the means to achieve the stated objectives. For example, Member States are now acting to reform the way pension systems work, in order to put a stop to fiscal incentives for workers to leave the labour market early.

Having regard to the objectives agreed upon at Lisbon, Romano Prodi admitted that “the major challenge of the tomorrow’s Europe is finding a solution to the problems concerning the need for compatible social security and industrial relations systems of the Member States, meeting at the same time the obligations that the international competitiveness impose to Europe” (Prodi, 2000). Therefore, the main challenge of the EU is to find solutions concerning the European social policies, in the context of the strong economic competition inside and outside Europe.

European Social Model may be seen as a successful concept firstly due to its flexibility. The same recipe cannot be applied in Spain and Sweden, in the UK and Greece, in Germany and Romania or Hungary. The principles are similar, but the public policies are different. Whilst geographic proximity led to an apparent extension of the four recognised sub-models towards the neighbouring newcomer countries in central and south-eastern Europe, this article argues that these former communist countries have actually more socio-economical features in common, and that we can in fact speak about a fifth Social European Model.

Despite the different views of the Member States, there is an unanimous opinion as regards the common fields where the Community social policy exists and is developed during the European integration, forming what we could call a “European Social Model”. In brief, there are several EU practices and common values that distinguish significantly EU from US or Japan. Also, this model is consolidated and developed in time, modifying at the same time its contents and its operating mode.

The European Social Model could be defined as a **set of legislative rules and practices** in EU and its Member States aiming at promoting a complete and proactive social policy within EU. Not only the Community policy covers a larger range of social fields, but also the national social policies developed by the Member States have, despite their diversity, many common elements⁵.

⁵ Daniel Vaughan-Whitehead, *op. cit.*, p. 10.

Thus, certain **minimal rights** were implemented gradually in many new fields, with a different scope of application: workers mobility, fight against the distortion of competition, promoting equal opportunities or rapid improvement of the conditions concerning health and safety at work.

Also, a **social protection for all**, intended for the majority, is part of the European Social Model. **The fight against poverty and social exclusion** is a constant issue in the EU policy at Community level as well as at Member States level. These social justice principles are in fact entered in the European charters and in many documents of the European Commission. Only the salaries are not yet under the Union's competences but under the exclusive responsibility of the Member States. The majority of the Member States establishes a minimum wage and adopts other measures in order to guarantee decent living conditions, element of the European model recognized by the employers themselves.⁶

Promoting social dialogue as instrument of governance, at Community level, as well as at national or local level, is another prevailing characteristic of the EU, which is, within the enterprises, completed by different forms of **employees direct participation**: ranging from co-determination (employees' representation in management) or cooperative to share-ownership or participation in profits, procedures of employees information and consultation, such forms being often brought together under the term "economic democracy". However such participation forms have benefited lately from new Community legal instruments (e.g. the recent directive of 11 March 2002 on informing and consulting employees within enterprises with more than fifty employees or the directive of 27 September 1994 on the European works council). The involvement of all the actors concerned and the support of the trade unions, of the employers and of all the EU citizens seem to deeply root these practices of social dialogue and sustainable participation within EU. The **civil society** has also become a major element of the governance process, thanks to the role played by the NGOs concerning many themes, so that the new concept of "European civil society" appeared and developed within the EU democratic life.

Finally we must take into consideration the importance given to the **public services and to the services of general interest**, entered in the Article 16 of the Treaty and often reminded on the occasion of different EU summits (in particular the Nice summit from December 2000). The new Constitution of the European Union makes an important contribution to this integration, recognizing a legal basis to the services of general interest. It is essential to underline that when the majority of all these services (e.g. electricity, water, energy) are privatized almost everywhere in Europe and in the world, guaranteeing that at any rate these services, even after their privatization, are under everybody responsibility and are of general interest for everybody is a major achievement that certifies the European Social Model.

For many economic agents and social partners, the European Social Model consists also in sharing some **common values and principles** concerning social issues and in recognizing its importance in the framework of the European integration. It relies upon the conviction, strongly embraced by Jacques Delors at the beginning of the 80s, that the social dimension is of a major importance for the social and economic cohesion and, therefore, for the political stability and economic performances. Briefly, it supposes a society that associates the economic

⁶ For instance, for Emmanuel Julien, deputy director for European and international social matters of MEDEF (Movement of French Enterprises) (who represented also on this occasion the European employers members of UNICE – Union of Industrial and Employers Confederations of Europe), a key feature of the European Social Model or of what he calls an „European social identity” is the existence of a minimum wage, leaving aside its different form within Member States. Speech delivered at the conference organised in Aix-en-Provence, on 10 and 11 September 2001, „Which European Social Model?”.

competitiveness to the concept of social progress, being both considered as interconnected and as mutually reinforcing.

It is important to underline that these common values and practices are not only due to the Community instruments and policies, but also to the Member States individual initiatives. The EU integration and the Member States will to develop common rules, such as the establishment of economic and social coordination, cooperation and interdependence, helped significantly the Member States to keep their engagements concerning the social policy and prevented any attempt of individual conduct, such as social dumping⁷. The contents of these common values are formally stated, for instance in the Charter of Fundamental Rights in 2000, which is laid down in the Constitution.

Beyond the common values, the European Social Model is characterized above all by its **comprehensive nature**, since its objective is to cover all the important social fields and to apply to as many persons as possible. Thus the **social legislation** extended to new fields, such as **equal opportunities** or to new categories of workers, in particular those with an atypical employment contract or those who are excluded from the labor market, especially by implementing a Community policy against social exclusion. The Community legislation has been extended also to **transnational issues**, as in the case of the above mentioned directive on the European works council.

The five instruments of the European Social Policy

1. **Legislation:** it allows extending the more constraining conditions in the social field. It consists in Community directives and regulations that should be transposed in the Member States.
2. **Structural funds:** elements of social solidarity and redistribution among EU nations and regions. They exist since the beginning of the Community integration.
3. **Open method of coordination:** very useful complementary coordination instrument in order to cover new fields. Adopted in 1998, at the Luxembourg Summit, with a view to elaborating an employment strategy that covers since then fields such as social inclusion, pensions and social protection.
4. **Social charters:** by means of these charters, certain social rights were included within the institutions or in the Constitution. After the European Convention on the Protection of Human Rights (1951), the European Council Social Charter (1961, revised in 1996) and the Charter of the Social Rights (1989), due to the new Charter of the Fundamental Social Rights (2000), integrated in the draft constitution for the EU, we could place on the same footing the social rights and the human rights.
5. **European Social Dialogue:** it represents an autonomous and bipartisan process between the union trades and the employers' organizations. Initiated in 1980, it acquired new initiative competences by means of the social protocol annexed to the Amsterdam Treaty.

⁷ The social dumping could be defined as the breach of the social rules (e.g. a collective labour agreement) by an entrepreneur with a view to taking a competitiveness-price advantage in comparison with its competitors.

One of the key features of the model is its organization on **different governance levels: national, sectoral, local**, as well as at **Community level**. While developing new instruments, the EU always fulfilled the **principle of subsidiarity**, so that the efficiency of the European Social Model wasn't due only to the elaboration and the compliance with some common values and rules, but also to the rich tapestry of cultures. Escaping to the dissociation between a **centralized regulation model** and a **neo-liberal regulation model**, the Social European Model is a sort of **synthesis between the two models** that enables it to continue the guidelines and to maintain a strong action framework, leaving a significant autonomy to the economic agents and to the social partners. Thus, an overall social cohesion could be guaranteed. At the same time, a rapid adaptability to the more and more complex industrial and economic changes is encouraged.

Nevertheless, despite the progress towards a Social Europe achieved at Community level in many Member States, the importance of the **social issues** hasn't been widely recognized. Many Member States have indeed constantly tried to bring forward the social achievements that seem very expensive for the enterprises and that generate, in particular, many constraints on the labor market.

The **EU enlargement process** towards Central and Eastern Europe that brought ten new Member States in May 2004 is undoubtedly different from other enlargements. Firstly, because it was carried out on an unprecedented scale: it has led to a 28% growth of the EU population and has reached, by its 454 million people, the symbolic threshold of 500 millions⁸.

For the first time EU brought in ten new countries through only one enlargement. Besides the EU founding members, there was no enlargement to more than three countries as it happened in 1973 (Denmark, Ireland and United Kingdom of Great Britain integration) and in 1995 (Austria, Finland and Sweden integration).

Eight new Member States are from Central and Eastern Europe and belong to the ex-communist block. Therefore, this enlargement has a strong symbolic value as it turned an important page on the history of Europe and of its "iron curtain". Finally, the integration of two new Mediterranean countries (Cyprus and Malta) contributes to a geographic averaging not only towards the East, but also towards the South (after the last enlargement from 1995 towards Nordic countries) and represents another step towards Turkey's possible accession.

There is a **social and economic gulf** between the new Member States and EU-15, so that, according to the most optimistic scenarios, more than 15 or 20 years are necessary in order to bridge this gulf, even if the new Member States have a significant growth of 4% on average by year, as compared to 2.5% for EU-15. The GDP per capita has fallen by 12.5% (see table 2) following the enlargement from 15 to 25 Member States. The 2004 enlargement was unprecedented with regards to the number of new countries entering the EU as well as the large gap in the standard of living between the EU-15 and the new Member States. The average income per head of the ten New Member States was well less than half of the average income level in the EU-15. Also the employment rate, still low with 64.3% in 2002 for the EU-15 was reduced to 63% for the EU-25; as the ten new Member States reached an employment rate of 62.4%, taking the enlarged EU even further from its 70% employment target. Therefore also the enlargement itself, which increased diversity in the EU, inspired a rethink of the Lisbon strategy and its policy orientations, to ensure that the goals meet the ambitions of all Member States.

Poverty and inequalities, as well as regional differences, have increased automatically and significantly as a result of the ten new Member States accession. 92% of these countries population (69 millions of the 74.5 millions of new EU citizens) lives in regions where the GDP per capita amounts to less than 75% of the EU 25 average (two thirds of the population live under

⁸ Daniel Vaughan-Whitehead, *op. cit.*, p. 26.

half of this average). By comparison, only 15% of the EU 15 population had a GDP under 75% of the Community average (of the EU 15). As a result of the accession, the number of citizens living in these less-favoured areas has increased, therefore, from 73 millions to 123 millions, according to the European Commission, *Third report on economic and social cohesion*, 2004.

The social protection systems and the legislation concerning the employment relationship within Europe are relevant examples of policies belonging to the European Social Model. We should specify that the major intervention of the (superstate – supernational) European bodies is limited to the relationship on the labour market whilst the so-called basis of the welfare status, the education and the health programmes are still influenced directly by national governments. We should also remind that some sporadic attempts were initiated at Community level and in the social exclusion field, but they show a lack of consistency and uniformity, the main reason being the fact that every Member State had a rather hostile position.

The strong competition within Europe following the removal of the internal borders, the free movement of goods, services and persons generates a great pressure over the national protection systems in order to reduce the social expenditure.

The “solution” found by the European bodies in order to eliminate unfair competition was the **harmonization of the national social systems**, in particular with respect to labour law. Certainly, after the accession of the ten countries, the Eastern countries fiscal competition generated pressure concerning the tax rate reduction in EU-15. Such competition could be considered as unfair and is therefore possible to deal with **two scenarios**⁹. The first scenario regards the fiscal harmonization at direct taxes level, so that we could avoid the entrepreneurs’ mobility from one region to another and, implicitly, the employment issues in fiscally unattractive States. The second scenario consists in the adoption of tax cut policies by the old Member States. Thus, the aggregated offer gives an impulse to the economic growth. However, it seems that the first scenario is more convenient for the European structures. In the *Social Charter*, decisions have been laid down concerning the rights of workers less than 18 years old, equal rights for workers from another State compared to workers which are citizens of the State where they work, the right to integrate the family of the workers that work in another State etc. The titles given to some documents or institutions are sound arguments in this regard. For instance, the original title of the *Charter of the Fundamental Rights of Workers* was the *Community Charter of the Fundamental Social Rights of Workers* (unaccepted by the States signatory to the charter) and the title of the 13th Chapter of the EU integration was *Social and Employment Policy*.

The gaps between the “Old Europe”¹⁰ and the “New Europe” could therefore play an important role and create a lot of concern as regards unfair competition coming from the new Member States. This concern is often expressed by the concept of „**social dumping**”, even if it is used most of the time to describe very different situations and has generated many confusions and populist speeches.

The social dumping¹¹ is a compulsory theme within the framework of this paper: the social Europe future in an enlarged Europe. This is without doubt the reason why this concept generates

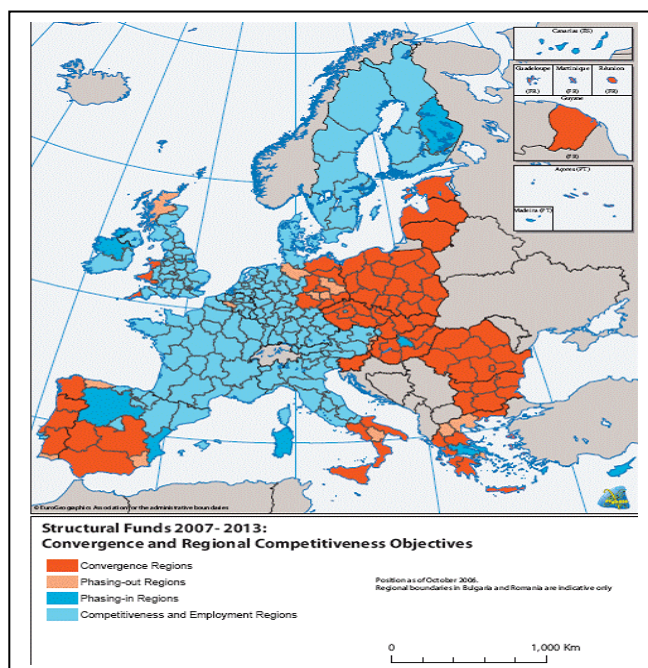
⁹ Liviu-Cătălin Moraru, Gabriel Staicu, *Modelul social european între descriptiv și contrafactuală*, „Economie teoretică și aplicată”, nr. 3/2006 (498), p. 100, <http://www.ectap.ro/articole/61.pdf>

¹⁰ *Old Europe* is a term that was popularized in January 2003 after then – U.S. Secretary of Defense Donald Rumsfeld used it to refer to European countries that did not support the 2003 invasion of Iraq, specifically France and Germany.

¹¹ However, the concept belongs to economic sciences (in particular as regards trade) and defines the practices consisting in export sales of products or services below (national) market price. This definition was taken over by WTO and by the Community bodies, in particular by the European Council, in order to establish anti-dumping rights. In certain economy manuals, the definition was extended and included also the practices consisting in selling the products below the production costs. No matter what their benchmark might be, the purpose of these policies is,

difficulties for many actors in this field (the European Commission included) and it gives an explanation for the reason why, besides the lack of a definition, we didn't carry out many studies in this regard.

As compared to the challenges of the poverty and social protection issues in Central and Eastern Europe, the difficulties arising from reforms such as Hartz IV in Germany seem rich people issues. The real poverty has become nowadays a major issue in Europe and it is no longer a marginal event in a growing community promising wealth for everybody. The benefits from the common agricultural policy and the transfer of the European social and regional policy didn't bring any fundamental change.



The reactions in the Central European countries are various. On the one side, they all suffer from the disastrous legacy of the welfare State, in its communist version, which is a financial and, in particular, a **psychological legacy**. The major entrepreneurial dynamics that inspire the energetic side of the post-communist societies doesn't regard old, vulnerable and unqualified persons. On the other side, these countries, influenced by international bodies such as the World Bank or the International Monetary Fund, have carried out reductions and modifications of the social protection systems that no Western government would try to initiate. These measures lighten up public budget but they heighten poverty issues. In some countries such as Estonia or Slovakia some liberal-orientated governments lay down drastic reforms of their social and fiscal policy. They rely upon the market growth power and upon the comparative advantages in order to attract investments competing with other more "social" European countries. Slovakia's example

however, always the same: to gain market shares and/or to acquire a dominant position. This policy should be followed until the position considered is consolidated enough or until it could no longer be supported by the enterprise as regards the rate of return.

seems to confirm this assumption. The EU hasn't yet found a method to block off adequately the social dumping.

Within this framework, it's not surprising that the European citizens have the feeling that there is something hidden and that **three major concerns** have developed in their mind: above all, **the fear that many enterprises will relocate from West to East**, motivated by lower expenditures on wages and by less favourable working conditions; then there was the **fear of an immigration wave invasion** from the new Member States¹², from the **East to the West** this time, due to better working conditions and social protection; finally, the fear of **more market shares and the ruin of Western enterprises** by the new Member States, which benefit from these differences. These concerns are undoubtedly exaggerated, but these risks cannot be ignored, so that some precautionary measures should be laid down.

Much of the resentment that has been building up in the old EU is fuelled by false perceptions about cheap **Polish plumbers and Latvian builders** 'stealing' West European jobs by undercutting local wages and disregarding social standards. Workers in slow-growing Germany and Italy may be jealous of the new Members' apparent economic success. Many think that this success has been achieved by luring investment and jobs eastwards with the help of 'unfair' tax competition and 'social dumping'. Some West Europeans worry that enlargement has forced the EU into a 'race to the bottom' in wages, taxes and social standards. The East Europeans, it is said, are "unfamiliar with the solidarity of the European social model". Most people in Germany, France and Italy would place the new Members firmly in the 'Anglo-Saxon' camp of liberal capitalist economies – an impression that has been reinforced by Eastern Europe's close political ties with the UK and the US.

Even in those countries where all restrictions were dropped, the number of job-seekers from Eastern Europe has remained limited. In Sweden, only 22,000 people from the new Members have applied for residency permits between May and December 2004, a rise in the workforce of only 0.07 per cent. Ireland registered an increase of 85,000 in the 12 months following enlargement – the largest relative to its domestic workforce. And Ireland continues to actively recruit East Europeans to alleviate local skill shortages¹³. The UK reported in November 2005 that 290,000 people from the new Member States had registered for work after May 2004. Since around 40 per cent had already been in the country before EU accession, this suggests worker immigration of around 10,000 people a month – hardly an uncontrollable flood in a country of 60 million. Although the absence of restrictions has turned the UK, Ireland and Sweden into popular destinations, many East Europeans still prefer to join the much larger immigrant communities in Germany and Austria. The Polish foreign ministry reports that after accession around 30 per cent of emigrant Poles went to the UK and Ireland in 2004, while around the same share moved to Germany despite continued restrictions (comparable figures for the other new Members are not available). Many of those going to Germany are thought to be working in the burgeoning black economy. Others have set up small businesses under EU rules for the 'freedom of establishment' which, unlike those for the free movement of labour, are not subject to transition periods.

¹² The Italian government has tightened its immigration policies in the wake of some serious crimes committed by immigrants, including a Romanian who allegedly beat to death the wife of an Italian naval commander on the outskirts of Rome. The Italian government has made it easier for local authorities to expel EU citizens considered dangerous. But some observers say the move was mainly targeted at the 560,000 Romanians living in Italy. It has also required an obligatory minimal income for the EU citizens living in Italy and tightened restrictions for the reunification of immigrants' families.

¹³ *Julianna Traser, Who's afraid of EU enlargement? Report on the movement of workers in EU-25*, European Citizen Action Service, September 2005.

A number of East Europeans work in the old EU on the basis of temporary contracts, hired out by service companies from their home countries (under the EU's 'posted workers directive'). The number of East Europeans working on such contracts is small, but they have caused a disproportionate amount of political upheaval in France, Germany, Sweden and elsewhere. The alleged job competition from cheap Polish plumbers fuelled anti-EU sentiment during France's referendum on the EU constitution.

The example of the Polish plumber¹⁴ has become the device of the objectors to the Bolkestein directive who transformed this issue in one of the controversial subjects of the campaign for the referendum concerning the Constitution of the EU. Published with the title "*Directive on services in the internal market*", the Bolkestein directive, presented in March 2005, aimed at allowing the European enterprises to apply the regulations of the country of origin rather than the regulations of the countries where they are established. Thus, an enterprise with the registered office in Poland could have chosen to apply the Polish social rules on building sites in France or in another EU-25 country.

Within this framework, Philippe de Villiers declared that: «This matter is very serious, as, due to the Bolkestein directive, a Polish plumber or an Estonian architect could offer their services in France, with the salary and the social protection rules of their country of origin. 1 billion jobs over 11 billion occupied persons in the field of services are threatened by this directive. There is a dismantling of our social and economic model.»¹⁵

Fears of the mythical 'Polish plumber' have also fuelled opposition to the Commission's proposal for a further opening of EU services markets through its 'services directive'. The services directive would make it easier for Polish architects or Slovenian consultants to work across the EU because all Member States would have to accept qualifications gained in their home country. But it would not allow East Europeans to generally undercut West European wages. Local minimum wages and sectoral wage rules would continue to apply for all workers, irrespective of their origin. The reason why German abattoir workers lost their jobs to cheaper competitors is that, unlike the UK, Germany does not have a country-wide minimum wage, and there was no sectoral minimum wage for slaughter houses.

Nevertheless, most workers in the old EU countries are not looking forward to the day when restrictions on the free movement of labour are lifted. Migration flows are notoriously difficult to predict but many researchers think that between 100,000 and 400,000 East Europeans will head West every year once they gain the right to apply for jobs in the old EU. Assuming that most of those who want to move will do so within a decade or so, they predict that maybe 2-3 million people from the new Member States will be living in the old EU by say, 2020. That sounds a lot, but it only amounts to 0.5-0.8 per cent of the EU's current population. In the medium to long term, however, the new Members will not be a source of large-scale labour migration. In most Central and East European countries the demographic trends are even more worrying than in Western Europe. While life expectancy is rising, birth rates tend to be extremely low, so societies are ageing even faster than those in the old EU. The UN predicts that the populations of Latvia and Lithuania will shrink by one-third by 2050, while the number of Hungarians and Czechs will fall by more than one fifth. So the new Members will themselves have to admit larger number of

¹⁴The *Polish plumber* (*Polski hydraulik*) is an expression popularized in France in spring 2005 on the occasion of the debate concerning the Constitutional Treaty draft, with reference to the very unpopular draft directive submitted by the ex-commissioner Frits Bolkestein. The expression was ironically used by Philippe Val in Charlie Hebdo of December 2004. Philippe de Villiers has given the important media coverage to the concept. Frits Bolkestein uses this expression in the newspaper *Libération* of April 2005, saying that the reason why he proposed the draft directive was the difficulty he had in finding a plumber for his house in Ramousies in the Northern France.

¹⁵ Villiers, "*La grande triche du oui*", Interview by Philippe de Villiers, Le Figaro, 15 March 2003.

immigrants to help sustain economic growth and patch up national pension systems. But many of these countries are not used to dealing with large numbers of foreign workers. Hungary is currently host to only 50,000-80,000 foreign workers, mostly from neighbouring Romania. But the country may need as many as two million immigrants over the next five years to make up for the fall in its indigenous labour force.

The enlargement brings EU at a crossroads (see Table 1). Taking into consideration the gaps existing in an European Union with 27 Member States (see Table 2), the social Europe plays a very important role. The negotiations with the EU would have led to a rebalancing of the process. To join the EU, a new Member State must meet the three Copenhagen criteria: stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; acceptance of the Community *acquis*: ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

The perspective of joining EU contributed above all to a better assimilation of the democratic values by these countries, the youngest new republics included. At economic level, even if these countries lag behind the old Member States, they all undergone the process of transition to a market-oriented economy and have met the “economic” criteria of Copenhagen. Finally, as a consequence of the accession negotiations, EU required these countries to transpose the *acquis communautaire*, including in the social field, very constraining as regards health and safety at work. Thus, in just a few years, the candidate countries have implemented the necessary legislation in order to take its place into the European set.

West European concerns about enlargement – from labour migration to low-cost competition – are mostly related to the big income gap that persists between the old and the new Members. In principle, therefore, the old Member States should support the newcomers’ wish to catch up with EU-15 income levels. So far, **catch-up** has been rather slow, despite rapid productivity growth, because too many people from Estonia to Slovenia are not productively employed. To speed up income convergence, Eastern Europe needs to sort out its labour markets¹⁶.

Even if it is still difficult to assess the performance of east-central European countries in the context of their adjustment to the European Social Model, the **need for modernisation within the framework of the European Social Model** is now widely recognized¹⁷. Areas where responses and solutions are urgently needed are: reforms of the various social security systems including updated concepts of sustainability without losing solidarity; new orientation in employment policies including adaptation of work related regulations; new responses to demographic changes and enabling family and youth policies; courageous designs in immigration and integration policies; forward looking strategies for education, cultural identity and active citizenship.

¹⁶ The European Social Fund is the European Union's main financial instrument for investing in people. It is devoted to promoting jobs and helps Member States make Europe's workforce and companies better equipped to face new, global challenges. In short: 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. Over the period 2007-2013 EUR 76 billion is being distributed to the EU Member States and regions to achieve its goals. This represents around 10% of the total budget of the European Union. The European Employment Strategy (EES) brings together the 27 Member States to work at increasing Europe's capacity to create more good jobs and to provide people with the skills to fill them. It guides the ESF which spends European money on achieving these goals.

¹⁷ Dirk Jarré, Walter Schmid, *The future of the European Social Model. Considerations and challenges*, ICSW Strategy paper, p.10, http://www.stkl.fi/icsw_strategypaper.pdf.

APPENDIX

Table 1. Employment rate on categories in EU Member States, Romania and Bulgaria in 2003 (in %)

Country	Employees-total	Men	Women	Young employees (15-24 years)	Age of employees (55-64 years)
Germany	65,0	70,9	59,0	44,5	39,5
Austria	69,2	75,8	62,8	51,0	30,4
Belgium	59,6	67,3	51,8	27,4	28,1
Denmark	75,1	79,6	70,5	59,6	60,2
Spain	59,7	73,2	46,0	33,4	40,8
Finland	67,7	69,7	65,7	39,7	49,6
France	63,2	69,4	57,3	30,5	36,8
Greece	57,8	72,4	43,8	25,4	42,1
Ireland	65,4	75,0	55,8	48,0	49,0
Italy	56,1	69,6	42,7	25,2	30,3
Luxembourg	62,7	73,3	52,0	26,4	30,0
Netherlands	73,5	80,9	65,8	67,9	44,8
Portugal	67,2	74,1	60,6	38,7	51,1
United Kingdom	71,8	78,1	65,3	55,5	55,5
Sweden	72,9	74,2	71,5	41,2	68,6
UE 15	64,4	72,6	56,0	39,9	41,7
Cyprus	69,2	78,8	60,4	37,6	50,4
Estonia	62,9	67,2	59,0	29,3	52,3
Hungary	57,0	63,5	50,9	26,8	28,9
Latvia	61,8	66,1	57,9	31,5	44,1
Lithuania	61,1	64,0	58,4	22,5	44,7
Malta	54,2	74,5	33,6	47,2	32,5
Poland	51,2	56,5	46,0	21,2	26,9
Czech Rep.	64,7	73,1	56,3	30,0	42,3
Slovakia	57,7	63,3	52,2	27,4	24,6
Slovenia	62,6	67,4	57,6	29,1	23,5
NEM 10	55,8	61,6	50,2	24,3	31,7
UE 25	60,9	68,2	53,7	33,7	37,7
Bulgaria	52,5	56,0	49,0	20,7	30,0
Romania	57,6	63,8	51,5	26,4	38,1
UE Objectives -for 2005 -for 2010	67,0 70,0	- -	57,0 + over 60,0	- -	- 50,0

Table 2. EU 27: Statistics 2007

	Country	€	Population *	c	GDP PPP*	c	GDP/h PPP *	c	Date
1	Germany	€	82	1	2 632	1	31 900	9	1957
2	Austria	€	8	15	284	10	34 700	4	1995
3	Belgium	€	10	11	343	8	33 000	6	1957
4	Bulgaria		7	16	79	20	10 700	26	2007
5	Cyprus	€**	1	25	18	26	23 000	17	2004
6	Denmark		6	17	202	15	37 100	3	1973
7	Spain	€	40	5	1 109	5	27 400	14	1986
8	Estonia		1	24	27	25	20 300	19	2004
9	Finland	€	5	19	175	17	33 500	5	1995
10	France	€	61	2	1 902	3	31 200	12	1957
11	Greece	€	11	9	257	11	24 000	15	1981
12	Hungary		10	13	175	18	17 500	22	2004
13	Ireland	€	4	20	181	16	44 500	2	1973
14	Italy	€	58	4	1 756	4	30 200	13	1957
15	Latvia		2	22	37	23	16 000	23	2004
16	Lithuania		4	21	55	21	15 300	24	2004
17	Luxembourg	€	1	26	34	24	71 400	1	1957
18	Malta	€**	0	27	9	27	31 300	11	2004
19	Netherlands	€	17	8	530	7	32 100	8	1957
20	Poland		39	6	555	6	14 400	25	2004
21	Portugal	€	11	10	210	13	19 800	20	1986
22	Romania		22	7	202	14	9 100	27	2007
23	United Kingdom		61	3	1 928	2	31 800	10	1973
24	Slovakia		5	18	99	19	18 200	21	2004
25	Slovenia	€	2	23	47	22	23 400	16	2004
26	Sweden		9	14	290	9	32 200	7	1995

	Country	€	Population *	c	GDP PPP*	c	GDP/h PPP *	c	Date
27	Czech Republic		10	12	226	12	22 000	18	2004
	EU- 27		488		13 359		27 403		
	Eurozone to 15 Member States		318		9 728		30 564		

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