

The race to the bottom within the frames of the EU Eastern Enlargement

Irina BIRSAN*

Abstract

The European Eastern Enlargement has brought major challenges to both EU as a supra national organisation and to each national state member. This paper deals with what the literature named race to the bottom tendency that exists in the old EU members' social policies shortly before and after the Enlargement. The paper is divided in three sections which deal with the circumstances and the possible causes of such a trend that affects both old states and member states alike. The first section explains why there is no distinct European social model and issues that arise from not having a common social policy. The second section deals with the attempts made towards a common social policy and its challenges and the last one deals in particular with the race to the bottom phenomena as a sign of the members states weaknesses and fears.

Keywords: comparative welfare states, race to the bottom, European social model, European social policy

I Why is it so hard to develop a European social model?

The European Union started from economic premises and it developed on that path till recent years when it became obvious that for an advanced and successful economic integration of the member states changes, a more integrated social system at the level of the Union is necessary. As “social policy has always been lagging behind economic policy”¹, the need for it to exist by itself, independent from and unsubordinated by the economic issues has been felt especially within the context of the latest European enlargement. The fears concerning the implications of the enlargement on the EU 15 on the one hand, and on the new members on the other, led to what is now called the Lisbon Strategy which tries to put “the

* Prep. univ., Universitatea Dunarea de Jos Galati

¹ *Report of the High Level Group on the future of social policy in an enlarged European Union* European Commission Directorate-General for Employment and Social Affairs 2004 (p. 5) available at http://europa.eu.int/comm/employment_social/news/2004/jun/hlg_social_elarg_en.pdf

[economic policy and social policy] on equal footing” (*Ibidem*) as the lack of balance between the two affects the well going and the future of the Union.

Far from being ignored, social policy remained a high policy area in the Union and was reserved to the management of the member states as the disagreement on how to build a common policy for the whole Union could not be overcome. The social policy has been already a sensitive issue within the borders of each country and a common policy at the level of the EU could not really be shaped. The main differences between the social systems at least from a theoretical perspective become relevant if one considers the “classical” typology of welfare regimes designed by Gøsta Esping-Anderson: the liberal model, the social democratic and the corporatist one. Trying to achieve the same goal- welfare, the three depart from fundamentally different principles in supporting their strategies of providing welfare.

The liberal (Anglo-Saxon) model supposes “means-tested assistance, modest universal transfers, or modest social insurance” and it provides services “mainly to a clientele of low-income, usually working class, state dependents” (Esping-Andersen, 1990: 26). The stratification is “a blend of a relative equality of poverty” among the beneficiary, the decommodification is minimized and the social policies are residual. United Kingdom and Switzerland would be the representative of this regime in the EU (also United States, Canada and Australia are included by Esping-Anderson within these frames). The social democratic or the Scandinavian model, on the other hand, is characterised both by universalism and decommodification “promoting and quality of the highest standards” as the author puts it. The benefits are both universal and high in comparison with the other two models. The social-democratic model works with redistributive social policies and it is characteristic to the Scandinavian countries – Sweden, Denmark, Norway Iceland and Finland. Finally Esping-Anderson talks about a corporatist or continental type of welfare regime specific to countries such as Germany, France, Italy, Austria or Belgium. It is characterised by “a preservation of status differentials” and “traditional family hood” in which the state has a negligible redistributive impact on the society, and it only interferes “when the family’s capacity to service its members is exhausted” (Esping-Andersen, 1990: 27). As seen so far, EU members are different because they belong to different typologies of welfare regimes and they are also different within the same type of welfare regime. This could be a succinct explanation of why is it so hard to have a viable European model. The tax systems and the percentages in taxes being different make members unwilling to cooperate on this level and find a common solution. Besides this, there is also the claim that the member states by achieving a common policy, might loose some of their sovereignty, through ceding too may privileges in favour of supranational organisations.

The differences between the three worlds are, in Esping-Andersen's theory "the result of the cumulative effects of a number of interdependent causal factors" (Pierson, 2000: 809). Quoting Shalev (1999), Pierson agrees with his statement that the welfare regimes are "a limited number of qualitatively different configurations with distinctive historical roots" (2000: 809). Furthermore, "different welfare state configurations are the products of complex conjunctural causation, with multiple factors working together over extended periods of time to generate dramatically different outcomes" (Pierson, 2000: 810). These different and independent historical roots could be considered one argument in explaining the difficulty of the EU to harmonize the policies and its choice to adopt the coordination strategy alternative instead.

II A tendency towards the creation of a European economy-independent social policy

Welfare related issues in the European Union had not have a place of their own in the Union's policy but, as stated before, they have been subordinated to the fulfilment of the single European market. Social policy areas have developed in relation with the stimulation of economic purposes mainly the enhancement of free movement of labour. The development of the single market dragged on its way the need to make adjustments in social policy so it would become effective and independent from the subordination to the economic goals. The question of a European social policy as a distinct area in the EU's policy making became imminent. But, as the EU always regarded itself as conducting a non-interventionist policy, avoiding any pressure on its member states, these difficulties led to the "abandonment of any direct attempt to 'harmonize' national policies and to the shift to an open method of co-ordination" (Aust et al., 2002: 2).

Though, the necessity of distinct social policy areas created by the development of the single market and the high interconnectedness between the member states in other areas than economy lead to the first visible attempts to deal with social policy issues independently, which started in the 1980s when the Social Charter was developed that included a list of "fundamental rights for workers and was passed as a non-binding solemn declaration at the 1989 Strasbourg summit" (Aust et al., 2002: 2). The Green Paper in 1993 included goals at the European level such as integration and solidarity, common social standards, social cohesion and equal opportunities. These steps were followed by the including of a full Social Protocol in 1997 in the Amsterdam Treaty, though without including specific commitments on spending or particular improvements. The Fourth Social Action Programme (1998-2000) reflected "the labour-market orientation of EU" by pointing out issues like jobs, skills, mobility, the "changing world of work" or an inclusive

society.² The table below shows the slow rhythm in which small steps towards a integrated social policy are made.

	QMV Status	Significant access to structural funds	Funded action programmes	Legislative acts	Probability for future expansion	Consolidated treaties - Articles
<i>Mainly Welfare-related</i>						
Public health	Maastricht (Art.129)	No	Yes	5-10	Medium	3, 152
Poverty	Maastricht Soc Prot (Art 2)	Yes	No	0-5	Low	136, 137
Elderly	Unanimous voting	Yes	Yes	0-5	Low	13
Disability	Unanimous	Yes	Yes	0-5	Low	13

Table 1

*Source Aust et al. *European Social Policy*³

All these steps made by the EC towards the shaping of a European social policy by emphasizing what is known as the social dimension of the EU policy were done very slowly as they faced forceful opposition from the part of the member states who considered that this area should remain a concern of and be dealt with by the nation state. As an example of such disjunctions between the EC's goals and the member states is the reaction of the member states to the EC proposal of anti-poverty policies which started in 1974. Three anti-poverty programmes have been agreed upon by the states but when it came to the fourth, the member states claimed that "the adequate political level to deal with poverty was the national level (the subsidiarity argument)" (Aust et al., 2000: 3). The Council also has been reminded by the member states that its recommendations on agreeing upon a "minimum standard of social assistance" (1992) cannot force the nation states to act accordingly as recommendations do not have a binding characters but 'soft laws' which do not impose any particular or clear strategy for the nation-state to follow⁴.

² A more detailed presentation of these events and their changes in the EU's social policy is done by Aust et al. (2002) *European Social policy* University of Kent available at <http://www.kent.ac.uk/wramsoc/workingpapers/>

³ The table is originally taken and adapted from Greyer (2000) p. 204-205.

⁴ More details in Aust et al (2000) *European Social policy* University of Kent available at <http://www.kent.ac.uk/wramsoc/workingpapers/>

With all these disagreements and with the liberty of the member states to block the initiatives of the EU for as to promote the social model, the process of building a common social policy system for the whole EU is very slow and its achievement is still uncertain. With an agreement on the definition of European social model or better said European social goals, the social policy is still mainly in the hands of the nation-states which control and decide by themselves for themselves. “The European social model is based on good economic performance, a high level of social protection and education and social dialogue.”⁵

III Is there a race to the bottom?

The difficulties that arose from the discordances between the social policy goals of the EU as a supra-national ‘block’ of institutions and the reticence of the member states to cope with those goals have been sensed largely on the occasion of the 2004 EU Enlargement. Around the finalisation of the enlargement, a big debate cropped up in the EU 15 around the effects it would have on their societies especially at the economic level. The discussion was already at a high level in the acceding countries due to the major changes that were required by the *aquis communautaire*, and all other rules and regulations that were imposed in order to be accepted in the Union. In the EU 15 the ‘fears of the enlargement’ were expressed mainly on three key topics: social dumping, migration and economic restructuring - de-localization (*Ibidem*: 11). On the one hand the EU 15 welcomed the new members and on the other hand they showed major reserves and adopted restrictions when it came to including their members.

The process of restricting the entrance of workers from the CEEC member states in the EU 15 states or the adjustments done in their social policies in order to control and limit the availability of their markets is known in the literature under the name “race to the bottom”, which “points to a downward bias in benefit levels caused by each state caused by not being as generous as it would have been without concerns over welfare migration [from the new member states]” (Kvist, 2004: 302). All the old EU member states had shown this tendency being also under pressure from the media and the public opinion that condemned the governments that didn’t take any attitude for protecting the social system. Once again the pressure came from two sides: from the outside, in the sense that the member states’ representatives in the EU for as agreed together on welcoming the new states and declared their openness and willingness to help and support the new comers, and from the inside in the sense that the populations and politicians of each member state feared the way

⁵ *Report of the High Level Group on the future of social policy in an enlarged European Union* European Commission Directorate-General for Employment and Social Affairs 2004 (p. 5) available at http://europa.eu.int/comm/employment_social/news/2004/jun/hlg_social_elarg_en.pdf

the influx of people from the CEEC will affect their economies and social systems. A good example is the contradictory declarations of Denmark's politicians on the occasion of completing the accession agreement in 2002 and a year later when the Agreement among the Liberals, the Conservatives, the Social Democrats, the Social People's party, the Social Liberals and the Christian Democrats concerning the access to the Danish labour market after the enlargement of the European Union on 1st Mail 2004. On the first occasion the Prime Minister considered the Enlargement to come a "great moment for Europe" as the common wish for the EU 15 was "to make Europe a continent of democracy, freedom, peace and prosperity" aiming to a "One Europe"⁶.

A year after, the Danish Minister of Employment stated that the "Danish employees can now sleep safely. EU enlargement will not result in undue pressure on wages. Firms can be happy that they will get access to labour from the new EU countries. And we can all be happy that we have put a fence around the Danish welfare schemes" (*Ibidem*: 302). The agreement that the Danish political parties arrived to, planned to "reduce the possibilities for unintended use of Danish social benefits" prospecting a "stagnation in workforce"⁷. This is only one example of such change of political attitude towards the new members, determined by the fears of enlargement.

All other old member states took similar attitudes in a snowball technique, one after the other, trying to justify their concerns more or less in the same way. The Guardian published on several occasions articles which discussed the attitude of the EU 15 members towards enlargement in the beginning of 2004. "Of the existing 15 members, Germany, Italy and Austria are likely to ban migrants from the 10 new EU states until 2011, as they are entitled to under EU rules. France is expected to take a similar line. Even liberal countries such as Sweden and the Netherlands imposed restrictions. Britain and Ireland stood alone in their willingness to open their borders to workers from the new EU member states" says Steven Morris in one of his articles published in *The Guardian* (23rd feb. 2004). Tony Blair declared that "we will take whatever measures are necessary in order to make sure that the pull factor, which might draw people here [Great Britain] is closed off"⁸. With statements like these, one wonders where the One Europe purpose disappeared. As Jörg Huffschmid put it when discussing the question of multi speed integration, the danger is that a

⁶ In Kvist Jon (2004), "Does EU enlargement start a race to the bottom? Strategic interaction among EU member states in social policy" in *Journal of European Social Polic* Vol. 14 (3), Sage Publications. p. 301.

⁷ Agreement among the Liberals, the Conservatives, the Social Democrats, the Social People's party, the Social Liberals and the Christian Democrats concerning access to the Danish labour market after the enlargement of the European Union on 1 Mail 2004 p 25-26.

⁸ In Patrick Wintour & Ian Black (5rd feb. 2004) "UK may tighten benefit controls to deter new EU immigrants", in *The Guardian* 5rd feb. 2004.

“sharpening of the already existing divides and resentments amongst certain groups of members” (2004: 2).

This trend was initiated by Austria and Germany as being the closest to the CEEC new members. These two countries were expected to receive around two thirds of the migrants, and the rest of the EU 15 members would share the rest in different proportions, Ireland and Portugal being the least affected. All the old EU members took advantage of their right of imposing a transitional period on the workers coming from the new members varying from the minimum of two years to the maximum of seven years. Denmark has temporary residence permits conditioned by getting a job during the transitional period. The residence permit is lost once the migrant loses his/her job. Spain, Finland and Belgium have chosen a two year transitional period followed by evaluation and an eventual extension. Austria and Germany, like Denmark, have opted for the maximum allowed – a seven year transitional period. France has a transitional period of five and bilateral agreements with some of the countries which allow professionals to get seasonal work. Ireland and United Kingdom were the only EU 15 members which chose not to impose any supplementary restrictions on the free movement of people as they claim that the migrant work force will not harm but, on the contrary will have a positive impact on the economic growth.

With every EU 15 member adopting measurements of protecting its labour markets and social systems, the discussion spilled over the other members, causing tensions and public debates which led to the adoption of restrictive measures. A good example is how the ‘U-turn’ in Swedish politics caused debates in Norway and Great Britain. Resisting the pressure from the public opinion, the Norwegian politicians gave up the idea of keeping their country restrictions-free as “the pressure on Norway would be enormous if Norway was the only country without such arrangements”⁹ Such perspective turns show that, within the European Union, the interconnectedness is very deep and that one change of optics in one of the members can produce a chain reaction from the part of the other members. But then a new question arises: whether these kinds of policy changing decisions can be made in such a manner, under the pressure the public opinion or influenced by the decisions of other member states or the decision should be based on a thorough analysis and on specialists’ suggestions.

Practically if the EU 15 members were to follow the results of various researches done in order to estimate the enlargement’s impact on the old members, this phenomenon should not have happened, as statistically and through the experience EU had with the former enlargements, no such high trends of migration

⁹ The words of the Norwegian Minister of Local Government in Kvist, J. (2004) “Does EU enlargement start a race to the bottom? Strategic interaction among EU member states in social policy” in *Journal of European Social Polic* Vol. 14(3), Sage Publications p. 312.

flow would arise after the CEEC had joined the Union. Yet, the EU 15 members reacted quite violently to this challenge because of the ‘fears of the enlargement’.

Migration was one of the main concerns in the old EU members as they consider their economies and social systems as attractive, a pull factor for people from the new member states. Yet migration flows did not grow significantly in the southern enlargement and research suggested that no such fear should be expressed in the Eastern enlargement. The increase in the movement of people will not be so significant so to require restriction from the part of the old members. Because the flow of migrants has changed in recent years, like the southern EU members developed from emigration to immigration countries, it has been suggested that “it would be more appropriate to speak of mobility into an enlarged EU than about immigration from the new to the “old” Member States as free movement of persons and non-discrimination on the basis of nationality for all EU citizens are fundamental principles underpinning European integration”¹⁰.

Social dumping was also on top of the list of fears of the EU 15. It is understood as “low wage competition and low labour and social standards, major migration flows from the East to the West, and the reallocation of investment and production, also commonly referred to as ‘de-localisation’” (*Ibidem*: 11). This concern was comprehensible as the economic gap between the old members and the new ones is considerable. Social dumping is expressed in two ways: “business as a product factor that leaves the country” because of the increased competition from abroad and “business as a product factor that enters the country” when workers come into the EU 15 countries and establish themselves as self-employed people or entrepreneurs¹¹.

The economic restructuring fear has no support yet as there has not been identified any clear “evidence of any overall tendency for the new Member States to specialise in particular market or industries”¹². A tendency towards intra-industry

¹⁰ *Report of the High Level Group on the future of social policy in an enlarged European Union* European Commission Directorate-General for Employment and Social Affairs 2004 (p. 5) available at http://europa.eu.int/comm/employment_social/news/2004/jun/hlg_social_elarg_en.pdf

¹¹ In Kvist, J. (2004) “Does EU enlargement start a race to the bottom? Strategic interaction among EU member states in social policy” in *Journal of European Social Polic* Vol. 14(3), Sage Publications, p. 306.

¹² *Report of the High Level Group on the future of social policy in an enlarged European Union* European Commission Directorate-General for Employment and Social Affairs 2004 (p. 14) available at http://europa.eu.int/comm/employment_social/news/2004/jun/hlg_social_elarg_en.pdf

specialization has been sensed but it does not threaten the already existing economic structures.

All these trends in the old EU members' attitude towards the new countries that joined the Union could be considered consequences of an empirical, unsustainable but understandable fear at the EU 15 level that their well being especially in economy might be in danger proving that there is a thin equilibrium in the Union that can be easily destroyed. This is explicable if one considers the contradictions between the member states as EU members that plead for the idea of One Europe and the member states as national states that want to keep their sovereignty and freedom in the decision making process untouched. This paradox is visible at all levels of policy making in the EU and it challenges all member states.

Conclusions

The race to the bottom tendency, even if it has no empirical grounds, has become a reality in the old member states after the Eastern Enlargement. A European social model as pointed out in this paper is hard to achieve, therefore social policy related issues even if developed strongly compared to the early years of the European Union, are still underdeveloped as they do not offer viable solutions to the problems that the EU faces.

Because of the particularities of each social system, a common system is unlikely to be agreed on in the near future. The race to the bottom phenomenon that grew in the old EU members is a vivid example of the inability to agree upon a common strategy in the social policy, and it affects both the non-nationals who migrate from east to west as their way is restricted in a Union that claims to aim to a high level of unity and the nationals as, in accordance with the principle of non-discrimination between EU citizens, they will have to experience the cuts in the benefit ranges of any kind. As said in the Report of the High Level Group on the future of social policy in an enlarged European Union: "European social policy should define common objectives and not try to harmonise the social systems, which is both impossible and incompatible with the European political framework. It makes it all the most important to promote good governance at EU level as well as in each Member State".

Bibliography:

Aust et al (2000), European Social policy University of Kent available at <http://www.kent.ac.uk/wramsoc/workingpapers/>

Esping - Andersen G. (1990), Three Worlds of Welfare Capitalism. Princeton, Princeton University Press

Kvist, J. (2004), "Does EU enlargement start a race to the bottom? Strategic interaction among EU member states in social policy" in Journal of European Social Polic Vol. 14(3), Sage Publications

Patrick Wintour & Ian Black (5 feb. 2004), "UK may tighten benefit controls to deter new EU immigrants" In The Guardian feb. 5 2004

Pierson, P. (2000) Three Worlds of Welfare State Research , In COMPARATIVE POLITICAL STUDIES, Vol. 33 No. 6/7, August/September 2000 791-821 © 2000 Sage Publications, Inc.

Agreement among the Liberals, the Conservatives, the Social Democrats, the Social People's party, the Social Liberals and the Christian Democrats concerning access to the Danish labour market after the enlargement of the European Union on 1 Mail 2004

Report of the High Level Group on the future of social policy in an enlarged European Union European Commission Directorate-General for Employment and Social Affairs 2004 available at http://europa.eu.int/comm/employment_social/news/2004/jun/hlg_social_elarg_en.pdf

<http://community.middlebury.edu/~wpyle/Comparative%20Economics/Badescu/Comparative%20Welfare%20States.htm>