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Session 3 : Social Security Reform: Is It a Different Issue for Accession Countries ?

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Social security reform: is it a different issue for accession countries?¹

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First draft

- Is there a “European model” of social security?
- Is social security a basic or a subsidiary issue in the course of accession negotiations?
- Conclusion

- **Is there a “European model” of social security?**

The European welfare states as they evolved after the second World War differed widely. Social policy specialists still debate (indeed, this is one of the favourite topics for debate) to how many types they belong, and how should one label these types. G. Esping-Andersen identified three types of welfare regime in his seminal and widely quoted book², namely the 'liberal', the 'conservative-corporatist', and the 'liberal socialist' types. Since then various other categories have been distinguished, from a Christian democratic type to the Latin rim or South European welfare states.

Despite all historically rooted and ideologically defined differences, the main leading bodies of the European Union (the Commission and the Council) seem to agree on some basic elements. They all affirm that there is a “*European social model*”. I did not find in the official documents a detailed description of the model. Yet many of its constitutive elements are repeatedly spelt out. Let me just remind of those that seem to me of the greatest importance.

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² Esping-Andersen, G. (1990) *The Three Political Economies of the Welfare State*. In : *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press,

- A ***highly developed social protection system***. As late as 1997 the Commission affirmed that “The European social model is valued and should be consolidated. This model is based both on common values and the understanding that social policy and economic performance are not contradictory but mutually reinforcing. Highly developed social protection systems are a major component of this social model”³.
- ***Social rights***. The *Comité des Sages* (mandated by the Commission) prepared a major position paper on the situation of social policy in the Union. The Chair of the Committee affirmed the equal importance of civil rights and social rights “Civic rights and social rights are becoming interdependent. In the European tradition they are inseparable.”⁴ *The Charter of Fundamental Rights of the European Union* now under discussion attempts to work out more guarantees to make enforceable the implementation of social rights.
- ***Some basic social values including positive and negative freedom and solidarity***. The *Comité des Sages* has remarked that “Freedom and the conditions of freedom” are the mirror image of ‘democracy and development’” (Idem, p.5.) The report recognised the importance of a minimum income and strongly advocated it, and it also repeatedly emphasised the dangers of increasing inequality. Solidarity is a key concept recurring in many documents. Its importance is underlined even when the need for modernising the social protection system enters the agenda. “The challenge is to align social protection to the new situation without abandoning its core values of *solidarity* and cohesion”⁵.
- ***Social cohesion and the fight against social exclusion***. The European Council as well as the European Union put the fight against poverty and social exclusion on the agenda in the eighties. The efforts have been relatively slight for long⁶. From the mid-nineties this situation appears to have changed. Social exclusion has indeed become in the last years a primary concern on the Union level as well as in many individual countries. The "Human dignity and social exclusion project" begun in 1995. The *Comité des Sages* remarked in 1996: “Europe was in greater danger than it realised and that the „social deficit” was fraught with menace. Europe cannot be

³ Commission of the European Communities, 1997. *Modernising and improving social protection in the European Union*. Communication from the Commission, p.1.

⁴ European Commission (1996) *For a Europe of civil and social rights*. Report by the *Comité des Sages* chair by Maria de Lourdes Pintasilgo. Directorate-General for Employment, Industrial Relations and Social Affairs. Brussels

⁵ CEC 1997, fn 2.

⁶ See the report of the Intergovernmental Conference, Briefing no. 40 of the European Parliament, March 1997, http://www.europarl.eu.int/igc1996/fiches/fiche40_en.htm?redirected=1

built on unemployment and social exclusion, nor on an inadequate sense of citizenship. Europe will be a Europe for all, or it will be nothing at all". Recommendation 1355 (1998) of the Council spells out the ongoing relevance of the problem: "Poverty and e exclusion must not be the price to pay for economic growth and well-being. Today, social exclusion is no longer a marginal problem in Europe: it is a painful and dramatic reality for millions of people."

- ***The participation of civil society, the importance of civil dialogue.*** A democratic, participative social policy seems to be a main concern of the Union. This is one of the main concerns of a relatively new think tank closely cooperating with the Commission, the European Policy Centre. Over 70 social NGO-s are accredited at the Union level to express their social concerns. The mobilisation of civil forces and civil voices

Romano Prodi subsumed lately quite a few features of the "European model" in his speech on February 15 at the European Parliament. "Europe needs to project its model of society into the wider world. ... The experience of liberating people from poverty, war, oppression and intolerance. We have forged a model of development and continental integration based on the principles of democracy, freedom and solidarity and it is a model that works."

Admittedly, the new Social Policy Agenda adopted by the Commission on June 28th 2000 is less explicit on some of the principles enumerated above. It emphasizes the "strategic goals" agreed upon at the Lisbon Summit. Among these goals a competitive and dynamic knowledge-based European economy capable of sustaining economic growth gets priority over social matters, yet the objective of "more and better jobs and greater social cohesion" is still there.

The "European Model" of social protection – including broad public involvements in health, education, pensions and other basic services – is widely debated. According to social research, its popularity is not yet undermined despite vigorous attacks on it⁷. Major academics repeatedly call attention to the social drawbacks of non-intervention in matters of poverty and inequality⁸, to the dangers of deregulating labour rights or of the increasing role of targeted assistance⁹.

⁷ P. Taylor-Gooby, presentation on the COST-A 15 meeting, Köln, October 2000.

⁸ Atkinson, A.B. Is Rising Inequality Inevitable: A Critique of the Transatlantic Consensus. (1999) UNU/Wider, WIDER Annual Lectures 3, November 1999

⁹ Castel, Robert, (1996) Pour entrer dans le XXIe siècle sans brader le XXe. *Le Débat*, Mars-Avril 1996, no.85 90-97.

Despite rhetoric to the contrary, there were no major changes until 1997 in the welfare arrangements of Western European countries. As far as the *structure* of social expenditures are concerned, some conditions of access have been made stricter, some benefits have been trimmed, but with the exception of the Netherlands no major overhaul took place. As far as the level of *expenditures* is concerned, a slight convergence may be observed. Cuts occurred mainly in case of the high spenders, while the least developed welfare states – the southern rim – are catching up. (Table 1).

The way forward is fraught with difficulties. Social dumping and a competition towards the bottom in social matters represent probably real dangers within the Union. However the most recent proposals of the French Presidency at the IGC introduce a new note. the Presidency proposes to introduce two additional objectives: the combating of social exclusion (which featured in the Treaty of Amsterdam) and the development and improvement of social protection. According to a commentator “this last point is worth emphasising, be it only for semantic reasons. In place of vague expressions such as “maintenance of the European social model”, or ambiguous terms such as “modernization of social protection systems”, to which we have become accustomed over many years in the European Union, the Presidency has substituted an explicit phrase: the *development and improvement* of social protection.”¹⁰

If this proposal is accepted, the course of the accession negotiations may be changed making my analysis below outdated. I hope this will be the case.

2. Is social security a basic or a subsidiary issue in the course of accession negotiations

The status of issues in the politics of the EU have changed significantly during the past decades. Social policy – as is well known – has gone a long way from the Rome Treaty to the Maastricht documents and the Amsterdam Treaty. However – as the uncertainties and shifts mentioned above suggest – it belongs for the time being essentially to the competence of the national governments. As Anna Diamantopoulou recently remarked commenting on the adoption of the new Social Policy Agenda: “We do not seek to harmonise social policies but to mobilise support towards common European objectives”.

On the face of it, social policy and social protection are also essentially matters for subsidiarity in the accession negotiations. The adoption of the *acquis* is the necessary condition of the accession. The legislation on social protection is (because it belongs to the subsidiarity field) forcibly largely left outside the *acquis communautaire*.

¹⁰ Observatoire social européen. Electronic newsletter on the Intergovernmental Conference edited with the support of The European Commission, Directorate General of education and culture. November 2000 no 3. Chief editor: P. Pochet.

The very high costs of the transition¹¹ may have prompted some agencies to urge for the strengthening of social protection. Thus the European Parliament in its Brief 39 in 1998 “requests the applicant countries to adjust to the European social model if social peace is to be ensured.” The same request was formulated by the president of the European Parliament who “reminded the governments of the applicant countries to consolidate their social protection models. He further stated that the European social model must stay in place throughout the Union”¹². This is not the case with the Commission.

2.1. The Social Topics covered by the Commission’s Reports on the Accession Process

In 1999 the Commission prepared ten *Regular Reports from the Commission on the Progress towards Accession*.¹³ The Country Reports are major treatises. They deal in detail with all the issues belonging to the *Acquis*. They pay particular attention to the progress made, and to the obstacles still existing in consolidating the markets and strengthening democracy.

Social policy or social protection do not have a major place in the Reports. Figure 1 reproduces the Table of Contents of one country representing (with very minor variations) all of them. The Table of Contents may help to locate social matters. Over and above the introduction and the conclusion, the main text consists of four chapters discussing the criteria for membership. They cover

- Political criteria
- Economic criteria
- Ability to assume the obligations of membership , and
- Administrative capacity to apply the *acquis* .

There is no separate main chapter on social protection criteria. Social issues are dealt with in a relatively concentrated way in three sections, in Section 1.2. on Human rights and protection of minorities, in 2.2. Economic developments and in Section 3.5. on Economic and Social Cohesion. They may appear briefly in other parts of the Report, too.

In Section 1.2. two sub-sections are relevant for social policy, the subsection on Economic, social and cultural rights, and that on Minority rights and the protection of minorities.

¹¹ Ferge Zs. et al. *Societies in transition* (1995) *International report on the Social Consequences of the Transition*. A survey carried out as part of the SOCO project initiated and coordinated by the Institute for Human Studies, Vienna. Cross-national report on five countries, prepared by Z Ferge, E. Sik, P. Róbert, F. Albert. Vienna: Institute for Human Studies.

¹² Also in Brief 39

¹³ The countries applying are Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The present paper is based on the analysis of all ten reports. For the sake of comparison, the research was extended to Turkey, too.

Social rights as rights of minorities are taken very seriously by the Reports. In countries with a Roma minority the plague of the Romas – unemployment, poverty, discrimination – is a cause for major concern, and the governments (Bulgaria, Czech Republic, Hungary, Romania, Slovakia) are forcefully reminded to the importance of improvements, particularly when human rights are blatantly violated. Gender equality, the rights of children, of disabled, of other ethnic minorities than the Romas (Turks in Bulgaria, Russians in the Baltic states) are also passed under review. With the exception of minorities there seem to be no major problems in these respects.¹⁴

The processes likely to affect the budget or related otherwise to the economy (such as unemployment, prices, or privatisation) are handled in the section 2.2. on Economic developments. The rate of unemployment is always noted, and its increase deplored, albeit there are usually no recommendations to change the situation, or to attempt to approach full employment. The main issues of concern for social protection here are financial stability, the level of public expenditures, and the regulation of prices. The main instruments to assure economic growth and financial stability are budget stringency and the privatisation of assets or services, including former public services. The pressure for budget stringency (cuts or such like) is direct in almost all the cases. (I did not find a direct reference only in case of the Czech Republic). In the case of the majority of the countries under review (9 out of ten) the privatisation of pensions is approved of if already legislated about, or encouraged more or less directly. More exactly, in quite a few cases there are only hints: privatisation may not be directly mentioned as a must when the pension issue is discussed, but in quite another context it may come to the fore. In case Turkey this issue is not mentioned at all – a reform of the current scheme is approved of. The privatisation of health is approved of in three countries, and four other countries are given very broad hints to move in this direction. Privatisation is also urged to move forward in other fields connected to social protection. There are variations by country. The target may be public transport, housing, or other public services, for instance education. The privatisation of the energy sector (and of productive assets in general) is considered a matter of course.

Another issue that is consistently approved of if done, or urged if not yet completed is the abolition of price subsidies.

Education is handled usually rather fleetingly in Section 3.2, as a subtopic of Innovation. If educational reforms took place, the fact is mentioned, but the contents of the change are not described. There are – here or elsewhere – few recommendations. Some countries are urged to improve vocational preparation for the market. In others pluralisation, the need for the private sector may be mentioned. The development of knowledge about IT may also be a priority.

¹⁴ In Turkey the situation seems to be much more difficult in this respect, and the Commission has more observations.

There are two more sections apparently dedicated mainly to social issues:

- ***Economic and social cohesion***, with two subsections: *Employment and social affairs*, and *Regional policy and cohesion*, and
- 3.6. *Quality of life and environment***, including *Environment* and *Consumer protection*.

Out of these sub-sections, only *Employment and social affairs* deals mainly with social protection. The objective of this sub-section is to give a brief and neutral overview on the changes in legislation on unemployment, labour law, the social dialogue as a bi-partite or tri-partite affair, the equal treatment of men and women, health and safety at work, public health, and social protection (social insurance and assistance). There are no criticisms, or approval, or recommendations in this section. The *Regional policy and cohesion* subsection refers to regional relationships. Social cohesion does not figure among the topics.

The reports are usually 50-80 pages. Out of them, no more than about 5 pages – less than 10 per cent of the text – touch upon social protection issues or essential social problems.

To sum up this section: social protection as a system is not considered to be an integral part of the conditions of accession. Some of its aspects – mainly those connected with human rights - are included in the *acquis*. Some other aspects may be touched upon even though they may belong to the field of subsidiarity.

2.2. The interpretation of the Reports

▪ Is Social Policy a subsidiary matter?

If we base the conclusion about subsidiarity on **formal** criteria, namely the structural position of the topic in the text, and the number of pages devoted to it, then social policy and social protection look as if there were subsidiary concerns.

However, if an issue is a subsidiary matter it belongs to the competence of the governments. In this case no recommendations should be made concerning the structural changes of social protection. The need for budget stability is of course a legitimate and important condition of access. However, the way to achieve this objective – whether governments would want to increase their income or cut their expenditure, and if the latter course is taken, whether they want to cut price subsidies or any other item – should be left to them.

Thus a **substantive reading** of the Reports suggests that subsidiarity is not real. There is *a not so very hidden agenda* in the Reports that pays practically no attention to the

European model. Instead there are two recurrent topics advising the reconstruction of the present systems of social protection, or the construction of new ones. On the one hand, most of the Reports make overt or covert suggestions aiming at the reduction of the *level* of social protection on grounds of the must of budget consolidation or increasing competitiveness. On the other hand, the majority of the Reports hints to the necessity of changing the *structure* of social protection through the privatisation of pensions, and sometimes of health or other public services.

This hidden agenda forgets about the new concerns of Western Europe such as the importance of the quality of life. The quality of life is reduced in the reports to a few components – environment and consumer protection. The topics are of utmost importance, but they hardly cover a broader and more recent approach. The Quality of life deals with environment and consumer protection. These are of course seminal topics, but they hardly cover all the important aspects of the “quality of life” as understood in the West of Europe¹⁵. “Quality of life” is a broad concept. In the foreword to a recent book on the subject Romano Prodi writes for instance:

Quality conveys the sense of excellence that characterizes the European social model. The great merit of this book *Social Quality: a Vision for Europe* is that it places social issues at the very core of the concept of quality. It promotes an approach that goes beyond production, economic growth, employment and social protection and gives self-fulfilment for individual citizens a major role to play in the formation of collective identities¹⁶.

Even if we consider this approach to social quality a luxury for happier and richer countries (which may be debated), the quality of life encompasses at least physical life chances, within that the number of years one is given. The Commission is obviously aware of this. In case of Turkey the Report remarks that “ On major health indicators, such as infant mortality, maternal mortality and life expectancy, Turkey continues to fare significantly worse than EU Member States.” As Table 2 shows, life expectancy and infant mortality are in most accession countries (with the exception of the Czech republic and Slovenia) far below the OECD level. Yet the issue is *never* mentioned, though.

- Does Social Policy has to be streamlined?

The answer to this question is in principle obviously negative. In the case of Western Europe even harmonisation is rejected as an objective. The Reports however sadly remind one of the “one-size-fits-all” approach. This approach characterised the policy of the monetarist supranational agencies after the transition, an approach which is by now

¹⁵ The European Foundation on Social Quality in Amsterdam produced already two books on Social Quality, and publishes a Journal with the same title.

¹⁶ *Social Quality: a Vision for Europe*, Kluwer Law International, the Hague/Boston, November 2000

heavily criticised even by the agencies themselves. In case of the Reports (only Bulgaria seems to be in some respects an exception to the rule) the very same recipes are advocated independently of the conditions of the country. Privatisation of (part at least) of the health services seems to offer a panacea even to Romania with her poverty and sad health indicators.

The same problem occurs in case of the price subsidies. A remark has to be added there, though. We do not have yet much experience with private health care, but the cut of price subsidies was already carried out in a few countries. The experiences could have been analysed. No doubt, at the beginning of the transition the radical reduction of price subsidies was a legitimate and important element of marketisation because of the former fully distorted price system. The cut of the subsidies without compensation was one of the earliest and more stringent loan conditions of the World Bank in quite a few transition countries. A Hungarian civil report on the social implications of the World Bank loans noted among other things the following:

The abolition of price subsidies was in most cases necessary and rational. Yet, the consequences had to be handled in some way in order to avoid the utter deterioration of the situation of literally millions. Compensation was firmly and explicitly denied. Particular difficulties were caused to families by the withdrawal of subsidies of former (almost) free public services such as water, sewage, school meals, rents, energy and pharmaceutical products.

Ten years later most subsidies are already withdrawn in all the accession countries. If there are still subsidies they belong to one of the above categories. The Reports urge further cuts without mentioning any of the problems encountered in other countries.

2.3. Quotes from the Reports in support of the critical remarks

It is hard to read ten Reports *sine ira et studio*. I certainly tried to avoid a biased reading of the text. That is why the mechanical search program was extensively used to complete the “simple” reading.

The results of the analysis of the text are presented in Figure 2 that shows whether a topic was mentioned at all in the Report, whether it was altogether absent, or whether it was in some way hinted to. This is the simplest possible way of a “content analysis”. Its ambition is only to show that burning social issues that had to influence social policy measures may be left out, (the first part of the figure), or whether elements of a monetarist (not to say neo-liberal) approach to social policy occurred in the text. The conclusion is that many basic issues are left out of consideration, and that the monetarist approach is looming large.

In what follows I illustrate these allegations by some quotes from the Reports.

Before presenting the quotes in support of the Figure let me mention also at this point that the reports are in many cases attentive to the particular problems of a country, and that the recommendations in these cases are often in line with the “European” norms. One example may be the handling of the notoriously dismal child care institutions in Romania:

The Commission will monitor closely recent decisions by the government to provide the necessary budgetary resources and to carry out a structural reform which puts child care in Romania on a secure and decent basis, and in full respect of human rights.

The quotes supporting my opinion about the appeal of the monetarist model are unfortunately more numerous. I just take one or two examples to illustrate each point in Figure 2.

Social policy as an autonomous field

There are no quotes because social policy is practically never seen as an autonomous field. The expression or its synonyms usually occur only in the sub-chapter “Employment and social affairs”. The only exception I found is Bulgaria with a major concern for social programs (see under *Poverty in general*).

Unemployment

There are no quotes because many aspects of unemployment belong to the *Acquis*.

Poverty in case of Romas

Slovakia: The large Roma minority (1.6% of the population according to the last census, but from 4.8% to 10% of the population according to estimates) continued to suffer disproportionately high levels of poverty and unemployment, discrimination, violence at the hands of thugs (‘skinheads’) and lack of protection from the police.

Poverty in gGeneral

Bulgaria: Bulgaria is still confronted with widespread poverty and the situation in the health sector requires an injection of resources. In view of this there is an understandable focus on programmes which alleviate the problems of citizens.

Social Exclusion, Romas

Czech Rep.: The situation of the Roma has not evolved markedly over the past year. It remains characterised by widespread discrimination, as anti-Roma prejudice remains high and protection from the police and the courts often inadequate, and by social exclusion.

Social Exclusion, general

The topic is not mentioned in any Report

Life expectancy, high mortality

The topic is not mentioned in any Report

Income inequality

The topic is not mentioned in any Report¹⁷ albeit income inequalities are escalating in most accession countries

Participation of civil society

Social dialogue as a bipartite or tri-partite issue is part of the *Acquis* and is mentioned in all the Reports. The participation of civil society is mentioned only in case of two countries and not as a substantive issue, albeit the Phare program could allocate money to this purpose. Thus the absence of the issue may be due to the choices about the Phare objectives of the national governments.

Slovakia:

The respect for civil and political rights has improved in Slovakia. A Government Council for NGO's is being created to advise and co-ordinate Government support to civil society. However, the Government has not produced a policy document or adopted any changes to legislation on foundations, non-investment funds and non-profit organisations as had been announced.

Privatisation of pensions (or pension and health)

Poland, Direct allusion to both:

Reforms of impressive scope and depth have been undertaken in the following areas; **health, education, social security system and regional administration. Once fully implemented** the reform process should facilitate Poland's integration into the European Union and its adoption of the *acquis*.

The Polish authorities have started to implement a series of major social and structural reforms **in the area of pensions, healthcare and local government, to be followed later this year by education.** Combined with an ambitious privatisation agenda, these reforms should lead to a more efficient allocation of resources and a greater share of the private sector in the economy but they entail sizeable budgetary costs in the short run.

Romania, hints to both

Romania still has to design and implement structural reforms crucial for controlling public expenditures in the medium term, including the overhaul of the

¹⁷ It has to be added that in case of Turkey the problem is mentioned: "The uneven distribution of income and the huge regional disparities impede sound economic development."

health and social security systems and the reform of the tax structure. In these areas, progress has been mixed. **Important steps were taken in the area of health system reform, with a view to increasing privatisation and decentralisation.** Health insurance houses were created, which are free to sign contracts with various providers of medical services. A new global income tax system is scheduled to enter into force as of 1 January 2000. **However, in the area of pension reform, the government has not been able yet to move beyond the definition phase of a new, multi-pillar system to replace the current pay-as-you-go scheme.**

Estonia, direct allusion to slow pension reform:

In 1997, the authorities chose to reform social security by introducing a three-pillar system. **Important steps were taken in early 1998, but since then progress has stalled. In July 1999, the authorities announced some of the details linked to the introduction of the second pillar (mandatory and fully funded).** In spring 1999, the first pension fund under the third pillar (fully funded and voluntary) was granted its licence and started to collect funds. Despite favourable tax treatment, the level of contributions has been modest.

Latvia, broad hint:

In order to control expenditures further, at the same time as submitting budget amendments, the Government also presented **reforms to the pension law to reduce the pension bill.** However, at the initiative of several parties, a petition has been started to hold a referendum on these changes - it remains to be seen whether the necessary number of signatures will be collected, but in the meantime the changes to the law cannot take effect. ... **Moreover, Latvia's past progress in establishing the framework legislation for the introduction of a full three-pillar pension system** should help in managing public finances over the medium-term.

In case of the Czech Republic and Slovenia the Report does not discuss in any depth that the privatisation of pensions was broadly debated but was rejected during wide-spread public discussions. The Trade Unions were instrumental in shaping public opinion against privatisation. If the topic is brought up at all the legislation is criticised for the slow reform:

Slovenia: The lengthy legislative procedure and difficulties within the coalition are sources of delay in the adoption of reforms and often result in a softening down of important reforms, such as the pension reform.

Privatisation of health

Slovakia, hint:

There remains a pressing need to bring forward reforms in the financially very unstable health insurance system. The pension system also needs to be made more sustainable.

Hungary, more than a hint:

The Health Fund continues to overshoot... Plans for the **overhaul of the health sector** and the approval of an economic strategy have suffered delays....Overall, Hungary has made further progress on structural issues, particularly in the area of fiscal reform. **Reform within the state owned enterprise sector has continued, but the pace of privatisation is slowing as an inevitable consequence of the significant progress made in previous years. However, progress on health sector reform has been disappointing...** The deterioration of the fiscal deficit needs to be addressed. Priority should be given to health sector reform which continues to be a major drain in the fiscal accounts¹⁸.

Poland, interesting hint:

In January Poland started implementing the reform of the social insurance system and the reform of the **health care system**. The reform of the health service sparked **widespread social unrest** among medical professionals, which led to serious disruption of hospital and emergency care. The changes involve the organisation of health services, access to benefits, the definition of the new role of the state, in particular in the field of **health policy, and strengthening** citizens' responsibility for their health.

Privatisation of other public assets

Latvia:

The privatisation process in Latvia is close to completion. ...Much work still remains on land and **apartment privatisation**.

Lithuania:

Economic restructuring is advancing. However, the picture across sectors remains mixed. **Progress is relatively fast in industries such as textiles, where privatisation began early, and should pick up in the services sector (insurance, telecommunications and transport).**

Price subsidy (to be) abolished

Bulgaria, more than a hint:

After the significant liberalisation measures taken in 1997-98, the prices of most goods and services are determined freely by market forces. The share of administrated prices in the CPI basket stood at 17.4% in early 1999, virtually at

¹⁸ The public expenditure on health is between 4 and 5 % of the GDP, much less than in Western Europe, while the GDP itself is about one third of the Union.

the same level as a year earlier. Substantial progress continues to be made in bringing administered prices closer to market determined levels. This is particularly true for energy prices which are expected to be liberalised by 2001 as part of the reform of the energy sector. The system of monitored prices, which allows the government to influence price setting, subsists only for two types of goods, i.e. water and pharmaceuticals.

Czech Republic, open criticism:

Market forces freely determine the prices of a vast majority of goods; administered prices form 18% of the consumer price basket. **However, price liberalisation in regulated sectors has almost completely stopped under the new government, maintaining the market distortions in energy and housing.**

Budget cuts

Estonia:

Strict control of public expenditures over the medium term is necessary in order to reap the full benefits of the proposed reforms in tax policy, public administration and the health sector.

Lithuania:

The government tried to cushion the social and economic consequences by sharply increasing public expenditures. This may have delayed some of the immediate impact of the Russian crisis, but by doing so the government was also using **scarce financial resources for the support of inefficient enterprises rather than for promoting investment and structural reform.** The result of this policy choice has been a rapid deterioration of public finances.

3. Conclusion: Double standards, or “deux poids – deux mesures”?

The Reports are seminal landmarks to support the building or safeguard of democracy and of the market in the accession countries. They are much less encouraging in their approach to social policy.

In the first section I presented the state of art in Western Europe. The well developed systems of social protection are based on labour rights, social rights and citizen's participation. They increasingly emphasise (particularly in Third Way countries) individual responsibility and the balance between rights and responsibilities, but the scope of public responsibility is almost unchanged. The system tends to handle most important “risks” of life. If adequacy is not always assured ¹⁹, it is always a matter of concern. Many important

¹⁹ Veit-Wilson, John (1998) *Setting adequacy standards. How governments define minimum incomes.* Bristol: The Policy Press.

actors – from the the French Presidency to a majority of citizens in most countries - opt for the maintenance of this system even if the adjustment to new conditions is a must. (Incidentally change was always a must and it was ubiquitous.) According to this section a well developed and right-based social protection system is a European achievement that should be maintained. If many elements are subsidiary, there is strong pressure to maintain or develop this model in all the member countries.

In the second section the Reports of the Commission on the accession countries was analysed in some depths. The conclusions are not rejoicing. Social policy or social protection is a subsidiary matter on the face of it: it is not considered in its entirety, there is no separate main chapter devoted it, and the part of the Reports devoted to social issues is small. In reality there is a clear open or hidden agenda. The agenda is not far removed from what is usually termed the neo-liberal agenda.

It is rather close to what the World Bank stands for in case of the accession countries. In a relatively recent paper²⁰ both the opportunities and the costs of the accession are described as seen by the Bank. The opportunities or advantages of the accession are economic and to some extent political. Three such opportunities are presented:

- (Accession) will facilitate foreign investment, international capital flows and know-how, vital for rapid growth.
- It will make these economies much more open to trade and provide them access to a large single market, with the benefits that ensue.
- It enables political leaders to build consensus around the reforms needed for accessions

The costs relate mainly to the need of change in regulations, and to more complicated or new rules, albeit it is acknowledged that “Some EU regulations, such as the agricultural price supports or labor standards of Western Europe may not be welfare-enhancing, especially in the middle income country context.” It is understandable that the Bank proposes to operate mainly in the economic field. Inasmuch as social policy is touched upon, the Bank’s role in the privatization of pensions is highly appreciated, and continued efforts are foreseen in this field.

I had the task to answer whether “Social security reform is a different issue for accession countries than for Western Europe”. On the basis of the accession Reports the case seems to be clear-cut. Yes, the accession countries are allowed to reject the European model. This

²⁰ Hana Polackova, The World Bank (1998). World Bank Support to the EU Accession Process. “Why And In Which Way Is The World Bank Involved In The Eu Accession Process?” Paper at the CEEP Annual Conference on Economic Transition And European Integration, December 4-5, 1998 in Portoroz, Slovenia

would be acceptable if it would be based on their “free choice” as a subsidiary matter. Yet, they are not left to themselves in this choice. Open recommendations and broad hints are given to cut back the domain of public concern, and to introduce private markets in the heart of social concerns.

The implication of the open or hidden recommendations of the reports concerning privatisation is the *systematic destruction of collective structures* (Bourdieu:1998). This is certainly a step towards the individualisation of the social, the deprivation of the citizens of those instruments which could help them, including the weaker groups, to fight for themselves even when they would be unable to do so individually. This allegation is supported for instance by the fact that the Commission approved of the abolition of the independence of the Hungarian pension fund and of its multi-partite body of democratic governance²¹.

The low concern of the Commission is matched by the absence of public discourse on the social aspects of integration. In the dominant public discourse the main social gain of the accession, the gradual adoption of the European model is *never* mentioned. The other side of this coin is that the social costs are very partially presented. This leaves the field *to the right and the extreme right* that are only too keen to emphasise the negative aspects of the transition.

The implicit model for Central Eastern Europe is different from the European model. *The consequence may be that the countries that would like to join the Union* may destroy institutions which might ultimately become conditions of admittance.

Table 1 . Public Expenditures as % of the GDP
Ranked according to the % in 1997

	1985	1990	1995	1996	1997	1985-1997 Increase +, or decrease – of the rate
Sweden	65,2	61	68,1	68,3	65,6	–
Denmark	58,6	68,4	62,7	62,7	61,6	+
France	52	49,4	53,6	54,2	53,7	+
Belgium	61,3	54,7	54,5	54	53,6	-
Austria	49,7	47,9	51,7	51,4	50,6	+
Italy	49	51,7	51,4	50,6	49,6	–
The Netherlands	55,7	53,4	51	50,5	49,6	–
Germany	46,3	44,7	49,2	49,2	48,9	+
Finland	45	46,6	58,6	57,3	46,4	+
Greece	43,1	48,3	46	45,5	44,8	+
Portugal	39,5	41,4	43,9	44,1	44,4	+
Spain	40,3	42,2	44,7	43,9	43,4	+

²¹ That is the implication of the following assessment of the report: The 1999 budget law contains a number of noteworthy improvements, such as the combined collection of tax and social security obligations

Ireland	52	41,8	43,1	42,3	41,9	-
Uk	43,7	38,8	42,6	42,2	41,4	-

OECD, Economic Outlook, 1996, forecast for 1997

Table 2.

Country/Region	Under-5 mortality rates, 1998	Life expectancy at nirth, Years, 1998	
		Males	Females
High Income countries*	6	75	81
Bulgaria	15	67	75
Czech Rep.	6	71	78
Estonia	12	64	75
Hungary	12	66	75
Latvia	19	64	76
Lithuania	12	67	77
Poland	11	69	67
Romania	25	66	73
Slovak Republic	10	69	77
Slovenia	7	71	79
(Turkey)	(42)	(67)	(72)

Source: World Bank: World Development Report 2000/2001. Chapter 12, Selected World Development Indicators.

*Over USD 9266. All of Western European countries belong here

Figure 1.

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Figure 2.

Condensed results of multiple searches on issues handled
in the National Reports from the European Commission

	BG	CZ	EE	HU	LV	LIT	PL	RO	SK	SV
SOCIAL CONCERNS MENTIONED										
Social policy or social protection as an autonomous field of interest	0	0	0	0	0	0	0	0	0	0
Unemployment	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Poverty, Romas	Y	0	0	Y	0	0	0	Y	Y	0
Poverty, General	Y	0	0	0	0	0	0	Y	0	0
Social exclusion, Romas	Y	Y	0	Y	0	0	0	0	0	
Social Exclusion, General	0	0	0	0	0	0	0	0	0	0
Life expectancy, High mortality	0	0	0	0	0	0	0	0	0	0
Income inequality ²²	0	0	0	0	0	0	0	0	0	0
Civil participation, NGO sector	0	0	Y	0	0	0	0	0	Y	0
THE LIBERAL AGENDA MENTIONED WITH APPROVAL, OR CRITICISM BECAUSE OF SLOW IMPLEMENTATION OF THE LIBERAL AGENDA										
Privatisation of pension	H	0	H	Y	Y	H	Y	Y	Y	Y

²² High income inequality and high mortality are mentioned in case of Turkey as issues of accession.

Privatisation of health	H	H	H	H	0	0	Y	Y	Y	0
Privatisation of other public assets, services (energy, housing, transport,)	Y	Y	0	Y	Y	Y	Y	Y	Y	Y
Price subsidy abolished (no compensation mentioned), criticism of slow abolition of subsidies	Y	Y	Y	Y	Y		Y	Y	Y	Y
Budget cuts approved or urged	Y	0	Y	Y	Y	Y	Y	Y	Y	Y

0= Not mentioned

Y= Mentioned

H= Hinted to