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EU-Enlargement and the Social
Dimension of the European Union:
The Cases of Poland and Hungary

ESH Working Paper No. 6
Hannover 2004

Working Papers

European Studies Hannover

Fachbereich Geschichte, Philosophie
und Sozialwissenschaften

Institut für Politische Wissenschaft

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ISSN 1860-2142



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1 Introduction

Following the fall of the Berlin Wall in 1989, the Eastern European countries stepped in a period of social and economic transition. Soon it became clear that some, if not all, of these countries would seek to join the European Union (EU). Early, membership in the EU had been a strategic objective of the Polish and Hungarian government hoping that the membership would consolidate the political position of their states within the European and international system and that it would favourably affect the rate of economic development as well as the modernisation of the economy and the legal system, to point out the main aspects.

Before starting the accession negotiations some requirements in the applicant countries had to be fulfilled. Furthermore the EU and its member states had to prepare for accession negotiations. After the beginning of negotiations the applicant countries have to adopt the so called *acquis communautaire* of the EU. One chapter (chapter 13) of the *acquis communautaire* is concerning the area of employment and social policy.

Poland and Hungary are among the most advanced applicant countries, therefore they entail special interest. "Poland was the first country in Central Eastern Europe which launched radical market oriented reforms, and it is also the country in which positive results of the new economic policy initially emerged".¹ Hungary opted for a more gradual approach, but it experimented – different than other East European countries – with economic reforms since the late 1960s.²

Privatisation, liberalisation and stabilisation were the buzzwords at the beginning of the reforms. But the issue of an adequate social safety net was not raised. Rarely it was taken into consideration as a necessary political factor.³ Nevertheless, social policy has undergone major changes since the collapse of the socialist regime.

In the EU social obligations remained largely national issues compared with other areas where competences have been transferred to the European level. However, over the last decades a complex system of social regulations emerged at the European level, the so-called social *acquis* that has to be implemented in the national legislation of the applicant countries.⁴ Besides the legislative activities, social dialogue at various levels is part of the social *acquis*. Beyond this two pillars, redistributive activities via the Common Agricultural Policy or the Cohesion Fund can be regarded as elements of the EU social policy, but we will not focus on them in the following.

The aim is not to explain European integration, instead we will look on how social policies at the European level developed and outline the components which are required in the accession process. We will review how social policies and social dialogue evolved in Poland and Hungary – countries with a socialist legacy – with respect to accession and compare the development in both countries. Special attention is paid to pensions, health care and unemployment benefits, whereas other fields such as housing, family allowance or poverty relief are touched marginally.

In the next section we will first have a look on the process and the requirements of enlargement and the concept of the European Social Model. Section three provides a closer look on the social policy at the European level. Section four contains general considerations about social policy in the transition countries and an overview of the development in the field of social policy in Poland and Hungary as well as a review of the implementation of the social *acquis* in both countries. In section five, we will focus on the social dialogue and industrial relations in Poland and Hungary. Also the

¹ Belka and Krajewski 1995, p. 13.

² Kramer 1997, p. 66.

³ Wedel 1998, p. 75.

⁴ "In the European context, unlike in German usage, the term 'social policy' encompasses not only social security, social justice and social legislation, but also labour law" (Kowalski 2000, p. 12, footnote 2).

participation of the social partners and the assessment of the European Union are mentioned. Section six compares the development in both countries and concludes the findings.

2 The Process of Enlargement and the Concept of the European Social Model

Before 1989, relations between the member states of the European Community and "those of the Soviet Bloc in Central and Eastern Europe were weak, if not non-existent"⁵; only in 1988 official relations were established between the EC and Comecon. After the political turnover in the East, the Western countries started measures to support the transition. In 1989, the PHARE programme (Poland, Hungary, Aid for Reconstruction of the Economy) was set up, initially intended to assist Poland and Hungary, but soon extended to other countries in eastern Europe; in 1990, the European Bank for Reconstruction and Development (EBRD) started to work and following the extraordinary European Council of Dublin (1990) association agreements were signed.⁶ During the early 1990s it became clear that most of the countries of Central and Eastern Europe would seek accession to the European Union. The requirements of the accession to the EU can be divided into roughly two groups: the Copenhagen political and economic requirements and the *acquis communautaire*.⁷ Countries seeking to join the EU have to adopt the so called Copenhagen criteria, issued in 1993 on the Copenhagen European Council. The criteria call for:⁸

- stable institutions guaranteeing democracy, the rule of law, human rights, and the respect for and protection of minorities;
- the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic, and monetary union.

Besides these very general requirements, the applicant countries have to adopt the much more specific *acquis communautaire*.⁹ In order to help the central and eastern European countries (CEECs) to align with EU legislation a pre-accession strategy was decided at the Essen European Council in 1994.¹⁰ At the European Council summit in Madrid (1995), the Council recommended the European Commission to prepare the Opinions on the applications submitted by the candidate countries.¹¹ For preparing the Opinion the associated states received an extensive questionnaire.¹² On the basis of the answers, the Commission noted as a part of the Agenda 2000 package (July 1997) that "none of the candidate countries fully satisfied all the criteria for accession yet" and identified, "for each country, the areas where further progress was necessary to meet the obligations of membership".¹³ It was proposed to open accession negotiations with the Czech Republic, Estonia, Hungary, Poland and Slovenia. The Luxembourg European Council (December 1997) supported the proposals and decided to open negotiations with the five above mentioned CEECs and Cyprus (so called "old ins").

⁵ Kulakowski 1999, p. 25.

⁶ Kulakowski 1999, p. 25. For Details see Sedelmeier and Wallace 2000.

⁷ Vachudova 2000.

⁸ Avery and Cameron 1998, p. 35, DG Employment and Social Affairs 2000, p. 5, Sedelmeier and Wallace 2000, p. 440.

⁹ "The '*acquis communautaire*' comprises the entire body of legislation of the European Communities which has accumulated, and been revised, over the last 40 years. It includes the founding Treaty of Rome as revised by the Maastricht and Amsterdam Treaties, the Regulations and Directives passed by the Council of Ministers, most of which concern the single market, and the judgments of the European Court of Justice. The '*acquis*' has expanded considerably over recent years, and now includes the Common Foreign and Security Policy (CFSP) and justice and home affairs (JHA), as well as the objectives and realisation of political, economic and monetary union." Commission b.

¹⁰ Sedelmeier and Wallace 2000, pp. 442-444.

¹¹ Biegaj 2000, p. 13.

¹² Which the Polish and Hungarian governments answered in 1996.

¹³ DG Employment and Social Affairs 2000, p. 5.

The "new ins" are Bulgaria, Latvia, Lithuania, Romania, Slovakia and Malta.¹⁴ Accession negotiations with the "old ins" started formally in 1998 and were structured around 31 chapters.¹⁵ Negotiations with the "new ins" opened formally in 2000.

Since the first publication of the Commission's Opinions on the progress of the candidate countries in 1997, "the Commission submits regular reports to the Council on further progress achieved by each country".¹⁶ The reports served as a basis for the Council to take decisions on the conduct of negotiations and though the candidates competed with each other to close the most chapters; but other factors also played a role in determining the timing of accession.¹⁷

The European Union is not a social union, since there is no European welfare law guaranteeing individual entitlements against supranational bodies. However "a central feature of the European economic and political system is the welfare state"¹⁸ and the notion of an "European social model" became a constant reference point in the debate on the further development of the EU since the late 1980s.¹⁹ But what is meant by referring to an "European social model"? Often the term "social model" is used without further specification regarding its content and peculiarity. On the one hand, welfare regimes and industrial relations are quite different in the member states. According to Esping-Andersen²⁰ one can distinguish between liberal, corporatist and social democratic regimes.²¹ These specific national structures suggest that the social model is not a description of reality, but "artificial"²². On the other hand, if the existing systems of social welfare and industrial relations of the member states are compared with those of other regional blocs in the world, some characteristics appear to be specific "European".²³ According to Kaelble²⁴, a shared historical and socio-cultural tradition contributed to the emergence of a specific European model that can be distinguished from the Anglo-American and Japanese social cultures. Similar, Kowalsky²⁵ argues that the European social model is a "specific arrangement between the state, market and civil society" – resulting from shared traditions – comprising three elements (political democracy, economic efficiency and social relations between the social partners as preconditions for economic success and welfare state institutions) which at the same time "serve as a normative policy goal". Kowalsky identifies seven "social policy components of the European social model, which also feature individually in other contexts but only embody specifically European characteristics by virtue of the unique manner in which they are linked together."²⁶ Falkner emphasises that – besides the existence of a developed welfare state system – some form of 'social dialogue', "i.e. of more or less formalised institutions with the aim of seeking consensus between management and labour, is another distinctive feature of the member states".²⁷

¹⁴ Turkey is also a candidate country.

¹⁵ For details see Avery and Cameron 1998, p. 30.

¹⁶ Commission a.

¹⁷ Vachudova 2000, p. 65.

¹⁸ Wagener 2001, p. 4.

¹⁹ Falkner 1998, p. 77.

²⁰ Esping-Andersen 1990.

²¹ Besides these regimes, some authors identify a fourth type, the southern European type. See for example Lessenich 1994.

²² Falkner 1998, p. 77.

²³ Cf. Aust et al. 2000, pp. 9-10, with further references.

²⁴ Kaelble 2000.

²⁵ Kowalsky 2000, p. 116.

²⁶ Kowalsky 2000, p. 117: the components are a) an elaborate universal system of social security, b) income distribution, c) state's responsibility for issuing health and safety provisions d) state's shared responsibility for high level of employment, e) cooperation between management and labour, f) plant-level work force representation, g) policy of equality of opportunity.

²⁷ Falkner 1998, p. 77.

In the Commission's White Paper on European Social Policy²⁸ the European social model is characterised by several shared values that include democracy and social rights, free collective bargaining, the market economy, equality of opportunity for all and social welfare and solidarity. Institutional arrangements differ in the EU, and "hence candidate countries are free to choose welfare regimes which they think appropriate for their stage of development and their social culture".²⁹

Albeit, there exists a social *acquis* which has to be adopted in the accession process. Chapter 13 in the negotiations comprises the *acquis* in the area of "employment and social policy". Wagener³⁰ identifies four levels of the social *acquis*:

- "the level of the single market with health and safety prescriptions,
- the level of the social protocol which has been incorporated in the treaty of Amsterdam with working time and equal opportunity regulations for instance,
- the level of the social dialogue rules demanding social partnership e.g.,
- and the level of what is called the 'soft *acquis*', i. e. some kind of European social culture that cannot be made binding for any candidate country, but which it is expected to share."

The key importance of employment and social policy in enlargement was stressed at several occasions by ministers from both the EU and the applicant countries. The same was emphasized by the social partners at high-level conferences held with the support of the European Commission in Warsaw (1999) and Prague (2000).³¹ Odile Quintin³² stated in 2000 that

*"the social dialogue should not be understood purely as a component of the *acquis*, but as a means for bringing this *acquis* into practical effect. [...] The inception of independent social dialogue between social partners depends primarily on the will of their [the candidate countries] governments: they need to lay the legislative and institutional groundwork for this social dialogue. They also need to ensure that social dialogue is launched at company level, through improved worker representation and also by promoting within companies diverse forms of democratic participation – such as information and consultation and financial participation – which also form part of our Community *acquis*."³³*

Before turning to the situation in Poland and Hungary in the field of social policy, we should shortly look back how social policy at the European level evolved during the last decades.

3 The Social Dimension of the EU

Social obligations remained largely national issues, whereas in other areas competences have been transferred to the European level. The Treaty of Paris (1951) – establishing the European Coal and Steel Community (ECSC) – introduced two key aspects concerning social policy: social harmonization and social improvement.³⁴ The main goal was to minimise wage undercutting (the forerunner of what is nowadays usually referred to as "social dumping"³⁵), employment creation, improvement of living standards and working conditions.

²⁸ Commission 1994, p. 5.

²⁹ Wagener 2001, p. 5.

³⁰ Wagener 2001, p. 5. For details on social policy at the European level see below, section 4.

³¹ DG Employment and Social Affairs 2000, p. 5.

³² The then Director-General of the Employment and Social Affairs DG.

³³ DG Employment and Social Affairs 2000, p. 2.

³⁴ Cf. Geyer 2000, p. 21–22.

³⁵ The term "social dumping" is widely used in the debate on European social policy. "Social dumping" – in this sense – occurs, if governments "use social policies strategically in order to benefit their own citizens at the expense of foreigners by offering less regulation and lower social protection in order to encourage inflows of capital" (Bean et al. 1998, p. xv.) Economists may disagree with this definition of "social dumping". For a further discussion see Waldschmitt 2001, p. 35. For details of the debate on "social dumping" in the 1950s see Bean et al. 1998, p. 5.

Like the Treaty of Paris the main goal of the Treaty of Rome (1957) – the foundation of the European Economic Community (EEC) – was the creation of a common market and economic integration. Social policy was a secondary issue, a means to ease the transition to a common market “by helping to assuage the costs and/or fears of the losers in the integration process”.³⁶ The Treaty of Rome reflected the social rights and responsibilities of the Treaty of Paris and extended them only to a minor degree. Equal pay for equal work for men and women (article 119) and the maintenance of the existing equivalence between paid holiday schemes (article 120) were codified.

Until the First Social Action Programme in 1974 there was little progress in the field of social policy, even in areas that were specified in the treaties. Bean et al.³⁷ enumerate four reasons for this. There was no political consensus for harmonization. High growth and low unemployment rates curbed the demand for protection. The demand for protection against “unfair” competition decreased, since the labour costs among the members of the EEC converged. Increasing intra-industry trade (trade in similar products) contributed to the fact, that fewer distributional issues were raised.³⁸

The plan in the early 1970s to establish some kind of a European Monetary Union (EMU), that would have increased competition, led to a political consensus “for some sort of Community-wide social policy”.³⁹ This development led to the First Social Action Programme (SAP) in 1974 with a considerable expansion of social policy. But due to the drop of the EC into a new period of stagnation and uncertainty and due to the developments in the international environment (oil price shocks etc.) the SAP produced only mixed results and the increased demand for EC social policies could not be translated into European social policies.⁴⁰ “Attempts at creating more substantial EC social rights, particularly in the areas of labour rights and participation, were blocked, diluted or abandoned”⁴¹, as the vision of EMU could not be realised.

The 1970s were characterised by “Euro-pessimism”, but in the wake of the revival of the EC in the early 1980s European social policy regained new momentum as well. Member states gave up nationalistic economic policies and an activist Commission launched the “Single Market programme” based upon two main documents: The White Paper on the completion of the internal market (1985) and the Single European Act (SEA, 1986).⁴² The main goal of the SEA was “the elimination of all remaining barriers to the mobility both of goods and services, and of labour and capital, by the end of 1992”.⁴³ There was only a minor role for social policy.⁴⁴ The SEA put measures for securing workers’ freedom of movement and health and safety issues at work under qualified majority voting and invited to strengthen the social dialogue at the European level.

Before 1985, there existed only a small policy legacy in regional redistribution, that could be seen as some kind of social policy: “Socioeconomic divergence, in the absence of federalist-type regulations, is almost certain to enhance existing distortions and cause new ones, in particular to promote downward harmonization”.⁴⁵ In order to prevent any “race to the bottom” in labour standards and labour-market regulations and to prevent social dumping after the accession of less developed countries⁴⁶ the so-called “paquet Delors” (1987) included a “economic and social cohesion programme” reforming the Structural Funds.

³⁶ Geyer 2000, p. 27.

³⁷ Bean et al. 1998, p. 6.

³⁸ For a further discussion on intra-industry trade and distributional issues see Geyer, 2000, p. 217, footnote 5, with further references.

³⁹ Bean et al. 1998, p. 6.

⁴⁰ Geyer 2000, pp. 35–38.

⁴¹ Geyer 2000, p. 40.

⁴² For details on the negotiations of the SEA cf. for example Moravcsik 1998 with an intergovernmentalist approach and Sandholtz and Zysman 1998 with an neofunctionalist approach.

⁴³ Bean et al. 1998, p. 7.

⁴⁴ For reasons see Geyer 2000, p. 45.

⁴⁵ Ross 1995, p. 364.

⁴⁶ Greece in 1982, Spain, and Portugal both in 1986.

As soon as the internal market project seemed to be on track, the Commission, headed by Jacques Delors, proposed in 1988 a "Social Dimension of the Internal Market". EC social policy was seen as "an essential element in the creation of the internal market", not designed "to stop the development of the market, but to facilitate its creation".⁴⁷ This led to the second social action programme and the "Social Charter" in 1989. All member states – except the UK – adopted the Social Charter in a non-binding form. Through the SAP the Commission tried to implement the chapters of the Charter "in the form of qualified majority voting directives under the SEA's Article 118a".⁴⁸ Some directives passed in the wake of the Social Charter and the SAP. In the negotiations on the Maastricht Treaty, there was the attempt to include a "social chapter", since "Economic and Monetary Union represented a further significant step forward in integration and promoted renewed fears for 'social dumping' which the Social Chapter was designed to address".⁴⁹ Due to the veto of the UK, the chapter did not pass, however a protocol on Social Policy was annexed to the Treaty, that led to some directives.⁵⁰ The third Social Action Programme in 1995 had only minor consequences.

In the Amsterdam revision (1997) of the Maastricht Treaty the British opt-out ended and the Social Protocol became part of the new Treaty. The preamble and articles 136–145 of the Treaty of Amsterdam (1997) comprise the joint charter on social rights of employees (1989), the Social Charter of the Council of Europe (Turin, 1961), and the Maastricht Social Protocol (1992). Some areas were placed under qualified majority voting, unanimous decision making was explicitly extended to some topics, but three topics (wage payment, the right of association, and the right to strike and to impose lock-outs) were explicitly declared off limits.⁵¹ Despite these new regulations, the range of active social policy on the European level remains very narrow.

The EU supports and complements the member states with measures under qualified majority voting on the following topics (article 137):

- health and safety in working conditions,
- worker information and consultation,
- integration of persons excluded from the labour market,
- gender equality.

Unanimous decision-making is necessary for the following areas:

- social security and protection of workers,
- protection of workers when the employment contract is terminated,
- collective interest representation,
- employment of third-country nationals,
- financing measures to integrate the excluded.

The Treaty of Amsterdam includes a new title "Employment" (articles 125–130), that recognizes employment as a common concern. Member states commit themselves to a co-ordinated strategy for employment. The European Employment Strategy (EES, also known as Luxembourg process, based on the agreement of the 1997 Luxembourg summit) operates through Employment Guidelines and National Action Plans.⁵² The Commission and the Council examine each National Action Plan, present a Joint Employment Report and may decide to issue country-specific recommendations.⁵³ The goal is

⁴⁷ Geyer 2000, p. 46.

⁴⁸ Geyer 2000, p. 47.

⁴⁹ Bean et al. 1998, p. 8.

⁵⁰ The first use of the Social Protocol was the Works Councils Directive in 1994 in order to promote the participation of European workers, after no agreement was reached between the social partners (Geyer 2000, pp. 96–97). For details on the struggle for the improvement of employees' rights to information and consultation in community-scale firms and implications for enterprises see Nielsen et al. (1997, pp. 312–321) and Kowalsky (1999, pp. 164–176).

⁵¹ Leibfried and Pierson 2000, p. 273.

⁵² For the legal basis and an assessment see for example Kasten et al. 2001, pp. 25–32. For details on the emergence of the European employment policy see van Riel et al. 2002 using an advocacy coalition approach.

⁵³ DG Employment and Social Affairs 2000, p. 12.

not to harmonise the national policies, but to spread best practice and to introduce common indicators or benchmarks for the evaluation of policies.

The EES can be seen as a radical move away from traditional regulatory approaches, a "move from top-down, uniform rules to more flexible and participatory approaches".⁵⁴ The EES operates through the open method of coordination⁵⁵ in order to combine "broad participation in policy making, coordination of multiple levels of government, use of information and benchmarking, recognition of the need for diversity, and structured but unsanctioned guidance from Commission and Council".⁵⁶ This type of governance can be described as "soft law" in contrast to "hard law" (top-down command and control-type regulations backed by sanctions).⁵⁷ This new type of governance involves all players, member states, European institutions as well as social partners (employer and worker representatives).⁵⁸

Up to now, we did not focus on the role and responsibilities of the social partners in the field of European social policy. According to Rhodes⁵⁹ the social dimension of the EU consists of two pillars. "The first, the legislative pillar, comprises substantive and procedural developments (involving EU legislative acts and treaty arrangements); the second, the social dialogue pillar, comprises a potentially important instrument in governance, namely, agreements between the so-called social partners".⁶⁰

Although social dialogue was mentioned in the Treaty of Paris (Article 48), the Treaty of Rome established a first significant institutional embodiment of social dialogue through the creation of the Economic and Social Committee (ESC).⁶¹ The influence of ESC was weak, since a union-wide employers' organization was founded in 1958 (UNICE, Union of Industrial and Employers' Confederations in Europe), but a central European-wide trade union organisation became reality only in 1973 (ETUC, European Trade Union Confederation).⁶² After the years of "euro-pessimism" throughout the 1970s, a new attempt to revive "social dialogue between employer and worker representatives was launched in 1985 when President of the Commission Jacques Delors took the initiative to assemble the social partners in what became known as the 'Val Duchesse social dialogue'.⁶³ The talks between UNICE, ETUC, and CEEP⁶⁴ produced no substantial results and Delors turned back "to a legislative strategy via the Commission and the creation of the Social Charta"⁶⁵, but Val Duchesse brought back together social partners at the European level and article 118b of the SEA enshrined the importance of the social dialogue "which could, if the two sides consider it desirable, lead to relations based on agreements".⁶⁶ Despite the limited achievements of phase one of the Val Duch-

⁵⁴ Trubek and Mosher, 2001, p. 1.

⁵⁵ For an assessment see Scharpf 2001. The open method of coordination was extended to certain other social policy areas by the Lisbon summit. For the influence of the EU on national old age provisions see Eckardt 2002, pp. 349-352 with further references.

⁵⁶ Trubek and Mosher, 2001, p. 1.

⁵⁷ "'Soft law' refers to all non-legally binding provisions – activated through a more subtle technique of governance having repercussions on EU member states – including communications, recommendations, opinions, memoranda, communiqués, codes of conduct, internal rules." de la Porte 2000, p. 311.

⁵⁸ It is worth to note, that European social policies act primarily in favour of workers. First attempts to extend rights to all citizens with the Social Charta failed. But at the Nice Council (2000) the Charter of Fundamental Rights was adopted, including a chapter on "solidarity". This individualisation of rights at the European level is a new feature and it remains to be seen how the European Court of Justice will embrace it. Cf. Behning et al. 2001, p. 471.

⁵⁹ Rhodes 1995.

⁶⁰ Rhodes, 1995, p. 81.

⁶¹ Geyer 2000, p. 25, p. 98.

⁶² For details on social dialogue in the early years see Geyer 2000, pp. 98-99.

⁶³ Commission 1999b, p. 24. For details on the social dialogue after 1985 see Siweck 1999.

⁶⁴ Confédération Européenne des Employers Publics.

⁶⁵ Geyer 2000, p. 99.

⁶⁶ SEA, article 118b.

esse dialogue (1986–1988), it can be seen as a phase of "confidence building".⁶⁷ Social dialogue was relaunched in 1989 ("Palais d'Egmont II") and gained momentum in the wake of the Social Charta "which recognized the social dialogue and promoted the legitimacy of collective agreements"⁶⁸; with the implementation of the Social Protocol this recognition and the legitimacy of collective agreements became part of the Maastricht Treaty. After some irritations and relapses a first directive was passed by the Council in 1996 that used successfully "the social dialogue to create EU legislation through the Social Protocol".⁶⁹ The social protocol was incorporated in the Treaty of Amsterdam whereby the status of social dialogue agreements was reaffirmed. In the following years, the importance of social dialogue was re-emphasised in Commission documents as the Agenda 2000 (1997) and the Social Policy Agenda (2000).⁷⁰ The social partners have become "the main guarantors for application of the principles the European Union adheres to in regard to its workers"⁷¹ and agreements between the social partners may be a means to implement directives at the national level.⁷² The social dialogue takes place at three levels: there is a cross-industry dialogue, a sectoral dialogue and a macroeconomic dialogue.⁷³

The social dialogue is part of both, the legal and the institutional *acquis*. It is part of the legal, since "the need to consult the social partners is present in the texts of *several directives*".⁷⁴ Since the treaties of Maastricht and Amsterdam, social dialogue is also part of the institutional *acquis*. Social partners may choose to interrupt, if they wish to, the legislative process and start negotiations for the purpose of reaching an agreement, that may be demanded to be implemented in European legislation; furthermore, the social partners have the autonomy to initiate at any time negotiations between themselves on a new issue.⁷⁵

To sum up, the EU developed a series of regulations in the field of social policy, but compared with EU activities in other areas or national social policy regimes, social policy at the European level remains very limited. Although the system of EU social regulations are "far from being a real constraint on the present EU members, it *would* constitute a binding constraint"⁷⁶ for the Eastern European applicant countries. Nevertheless, member states welfare regimes are not insulated from the ongoing process of European integration.

Besides the aforementioned direct, "positive" initiatives to implement uniform social standards on the level of the EU, there are – according to Leibfried and Pierson⁷⁷ – two other levels on which direct or indirect pressure is exercised in order to integrate the social policy of the member states. Direct, "negative" pressure is performed via market compatibility requirements.⁷⁸ Indirect pressure is exerted via adaptations of the national welfare states to the changing economic environment.⁷⁹ National welfare states loose on these three levels both sovereignty (legal authority) and autonomy (*de facto* capacity).⁸⁰ On the first level sovereignty is given up voluntarily to European institutions. On

⁶⁷ Rhodes 1995, p. 105, Ross 1995, p. 377.

⁶⁸ Geyer 2000, p. 100.

⁶⁹ Geyer 2000, p. 101. Agreement on parental leave.

⁷⁰ For an assessment of success of the social dialogue till the end of the 1990s see Degryse 2000.

⁷¹ DG Employment and Social Affairs 2000, p. 7.

⁷² Article 137 (4) Treaty of Amsterdam.

⁷³ For details and results at the three levels see Degryse 2000, pp. 10–16. In 1998, 22 sectoral dialogue committees replaced the previous Joint Committees in individual sectors. The macroeconomic dialogue was set up at the 1999 Cologne Economic Summit. Representatives of the European Central Bank, the Council and Commission as well as the social partners take part in the macroeconomic dialogue.

⁷⁴ Vaughan-Whitehead 2000, p. 391.

⁷⁵ Vaughan-Whitehead 2000, p. 392.

⁷⁶ Bean et al. 1998, p. 93.

⁷⁷ Leibfried and Pierson 2000.

⁷⁸ Pierson 1998, pp. 134–139; Leibfried and Pierson 2000, pp. 276–284.

⁷⁹ Pierson 1998, pp. 139–143, Leibfried and Pierson 2000, pp. 284–286.

⁸⁰ Pierson 1998, p. 125.

the two other levels the loss of control is unintended. Additional pressure may occur through the Eastern enlargement of the EU and lead to an erosion of the social welfare state.⁸¹

Before turning to the development of social policy and social dialogue in Poland and Hungary, we shortly review social policies in socialist regimes and mention actors influencing social policies during the transition period.

4 The Development of Social Policy in Poland and Hungary

After the collapse of the communist regimes the societies and the economies of the east-European countries had to be transformed. Economically, national decision-makers and foreign experts soon agreed how to cope with the new situation: Liberalisation, privatisation and stabilisation seemed to be the adequate measures (so-called Washington Consensus). With regard to social policy, there was nothing like a Washington Consensus. Reasons for this are manifold:⁸²

- west-European welfare systems were in crisis and couldn't be used as blueprints (because reform was needed, too).
- east-European decision-makers were reluctant to continue a "state-paternalistic welfare system", because of financial feasibility and political reasons.

What are the characteristics of the "state-paternalistic system" and what are the differences to other welfare-state regimes?

The communist state promised a complete social provision from cradle to grave.⁸³ But this promise was limited to the "working class", it excluded "unproductive" and "illoyal" persons.⁸⁴ There was no clear institutional distinction between economy and social policy, as we find in Western Europe since the end of the 19th century.⁸⁵ Social benefits were linked to the production process and the work place.⁸⁶ They were not linked to the status "citizen".

According to Götting⁸⁷ the state-paternalistic welfare system consists of "three columns". The first column was the guarantee of a secure employment and a wage, that could ensure the living. This "right to work" (a "duty to work", too) freed the people from a central risk in "working societies": the loss of employment and hence the loss of a regular income. The high labour force participation rate (or activity rate) was the central point of the welfare system. Official unemployment was unimportant. But there was "unemployment on the job" which had severe consequences for the productivity of the enterprises.

The second column consisted of social programs of the state and the enterprise and subsidies to basic goods. State programs comprised old age provision, health care, housing, education, and so on. The distinction between social and economic policy was abolished and political control was exercised over the production process. Interests and competences of enterprises and social services were merged. Social security was an integral part of the production process to ensure the workers productivity and loyalty. In this way state enterprises had to fulfill several functions in the social system. They guaranteed the security of employment, the security in the workplace. They were responsible for housing, recreation, health services and so on, and the payment of the social insurance.

The third column was the shadow economy, since the wage in the official economy could only cover basic needs. Savings were low and charity organizations were rare. The informal sector was toler-

⁸¹ See for example Sinn 2002.

⁸² Tomann and Scholz 1996, pp. 142, 172.

⁸³ For an illustrative overview over history, development, and the functioning of social policy in the Soviet Union and eastern Europe see Connor 1997.

⁸⁴ Götting 1998, p. 57.

⁸⁵ Tomann and Scholz 1996, p. 162; Götting 1998, p. 57.

⁸⁶ Götting 1998, p. 57.

⁸⁷ 1998, pp. 57-84. Cf. also Tomann and Scholz 1996.

ated by the state. These characteristics don't fit in the typology of the "three worlds of welfare" by Esping-Andersen.⁸⁸ Götting proposes a fourth world of welfare regime, the already mentioned "state-paternalistic" regime.⁸⁹

Table 1: Structural characteristics of welfare regime types

<i>characteristic:</i>	<i>liberal</i>	<i>conservative</i>	<i>social-democratic</i>	<i>state-paternalistic</i>
effect of decommodification	small	moderate	strong	total
effect on social structure	exclusion of "unworthy poor"	conservation of economic status	inclusion of all citizens	inclusion of "workers"
welfare mix	dominance of market	principle of subsidiarity	dominance of state	monopoly of state; informal economy tolerated

Source: Götting (1998), p. 84., adapted

Turning away from the former economic system meant that the maintenance of the former welfare regime was no longer feasible. New risks, such as unemployment, emerged and old institutions and forms of organisation failed to meet the new circumstances.⁹⁰ But the question remains what kind of welfare pattern is the right one to choose?⁹¹ One would assume, that the social-democratic model would be the desired model. Since the people might have had a preference for an egalitarian and solidary system and since the transformation process could change their position in the society. Behind the "veil of ignorance" (Rawls) the people should choose a system that is based on solidarity. But in reality, the social-democratic system seemed to be too "close" to the old, discredited system. Decision-makers assumed that such a system was not in the feasible set, because of a lack of resources. It remained the liberal and the conservative models. The liberal model was recommended by experts of IMF and World Bank. According to these institutions the individuals should learn to rely on their own abilities and care about themselves. The state should therefore reduce its responsibility and encourage the people to increase their efforts. The alternative possibility would be to rely on the former arrangements in the east-European countries (in the inter-war period) and to reestablish a conservative-corporatist welfare system. This model would be a compromise between own efforts and a strong state. To a certain degree there is solidarity, but the individual can improve its situation by its own will or ability ("principle of equivalence").

Once the decision is made to initiate reforms, we have to ask who is influencing the transformation of social policy? Götting⁹² enumerates seven factors or actors:

1. economic conditions;
2. external actors;
3. strength (and commitment) of government;
4. administrative capacity;
5. intermediary actors;
6. institutional repercussions;
7. design of reform-program.

⁸⁸ Esping-Andersen 1990.

⁸⁹ See table 1.

⁹⁰ Tomann and Scholz 1996, p. 158.

⁹¹ Cf. Götting, pp. 84-88.

⁹² Götting 1998, pp. 30-41.

Economic conditions play a crucial role in relation to social policy measures. Financing problems restrict the scope of governmental actions, especially in economic slumps. However, crises can also serve as reform accelerators, because the need of reform becomes obvious. External actors like IMF, World Bank, experts or support (for example: PHARE-Program) of the EU et cetera can influence the transformation process through advice, credits, and technical assistance. Reform enforcement depends on the strength and commitment of the government. Is it strong enough to enable reform efforts and are they binding for other actors? Closely related to this argument is the factor administrative capacity. Implementation and enforcement of reforms require qualified and uncorrupt public administration. Intermediary actors such as trade unions and associations of employers or constitutional courts can cushion, conciliate and coordinate far reaching reforms. The social partners can also recognize profound effects of reforms whereas government and administration are not always able to realize or identify possible problems. Nevertheless, strong intermediary actors can slow down or block reforms. In the transformation process, one has to take in account institutional repercussions. Reforms create sunk costs and path-dependencies. Further attention has to be paid to legacies of the pre-reform system. Timing and sequencing of the reform-program is another important factor that can slow down or accelerate reforms.

4.1 Social Policy in Poland

4.1.1 *Overview of the development in the field of social policy*

Between 1989 and 1991 economic reforms (liberalisation, privatisation) started and both budgetary income and expenditure underwent major changes.⁹³ On the one hand there were radical cuts in subsidies to state-owned enterprises and investment outlays, on the other hand there was a gradual increase on social welfare and debt servicing.⁹⁴ Social expenditure from the state budget was affected in three ways. Price subsidies to consumer goods – which had been subsidised in Poland for decades – were systematically eliminated. Expenditure on social services such as education, health care, culture, recreation and sports decreased, whereas subsidies to social insurance and social assistance funds increased. This changing expenditure pattern reflects the conversion of the economic system. In order to replace the previous social policy of real socialism, it was necessary to build almost from zero two large systems of social policy: labour market and social assistance institutions.⁹⁵ In the social insurance area the situation was better: this system was created in Poland in the inter-war period and communist governments did not destroy the insurance system as a whole.⁹⁶ The economic reforms were followed by increasing unemployment. To prevent a further increase in unemployment the pension system was widened through allowing for earlier retirement or disability pension for persons threatened by unemployment.⁹⁷ The rise in expenditures for pensions and unemployment benefits was a heavy burden for the public budget. In the period of 1992–1993 social benefits were adjusted through the reduction of the average benefit level.⁹⁸ Trade unions attacked the government because of these reductions and a new government was elected in 1993. Between 1994 and 1995 decisions in the social policy area changed substantially. They were undertaken by the social-democratic and peasant coalition in government. The coalition stopped to curb social spending. On the contrary, it increased social spending. Economic growth and overcoming of the public finance crisis created such opportunities. The public debate on fundamental reforms in health

⁹³ Golinowska 1998, p. 15.

⁹⁴ Golinowska 1995, p. 143.

⁹⁵ Golinowska 1998, p. 16. For details of the unemployment policy see Firlit-Fesnak 1999.

⁹⁶ Golinowska 1998, p. 16. There was a link between the contribution and the benefit and there was a partial separation from the budget.

⁹⁷ Golinowska 1998, p. 16; Sowada 1999, p. 13.

⁹⁸ Golinowska 1998, p. 16. The following outlines refer to Golinowska 1998.

care, of the pension system and the family policy was renewed in this period. Not only economical arguments were used, but also political, that should legitimise the new government. The political debate dominated the reformatory efforts of the pension system and caused a delay of the reform. In the years from 1996 to 1998 social policy focused on the development of a system change in its core areas.⁹⁹

In the first phase (1990–1992), when the gross domestic product (GDP) declined, social expenditure as a proportion of GDP increased.¹⁰⁰ During the following phases the proportion remained stable at 31 to 33 % of GDP. In absolute terms, social expenditure increased along with GDP growth. This proportion of a third of the GDP is comparable with spendings of wealthy west-European states with well-developed welfare states.¹⁰¹ In the Polish transition, cash benefits became more important due to the fundamental changes in the economic system. Especially, expenditures on disability and old-age pensions as well as other insurance benefits, unemployment benefits and social assistance allowance contributed to the growth of cash benefits. In 1998, 50 % of social expenditures were spent for old-age pensions. Thus, the Polish pension system has been one of the most expensive systems in Europe with a proportion of GDP of 16 per cent in 1996, whereas the average in the European Union amounted to 8.7 %.

The dominant items amongst in kind benefits are the expenditures for health care and education.¹⁰² Expenditures for education increased during the transition period, while health care expenditures declined, especially since 1993. During the communist regime health care was neglected and in 1990 it was in a desolate state.¹⁰³ In 1998, the proportion of state expenditure for health care amounted 4.7 % of GDP. This is comparably low, in Germany the proportion amounted 10 per cent, in the USA 13 % of the GDP. The disregard of the health sector concerns not only the patients but also the employees in this sector: wages were very low and several strikes were organised, which led to a feeling of social threat in this field.¹⁰⁴

In general, one can say that Poland acts as a welfare state mainly in relation to the older generation, that holds smaller chances to benefit from economic liberty.¹⁰⁵ In 1998, several laws¹⁰⁶ were enacted to ensure the long term stability of the pension system, because in Poland the demographic pressure is growing. According to Sowada¹⁰⁷, these rearrangements can assure the steadiness of the Polish pension system. Whereas, in the health and education sector, despite some reforms in 1999, the system was left in a state of "apparent chaos".¹⁰⁸

As already mentioned, the development of social expenditure in transformation states is subject to various factors. Golinowska¹⁰⁹ concludes that the experience during the last decade in Poland points to the existence of the following tendencies:

"Considerable effort is made to maintain, or even extend, the scope of socialist social solutions. This intention is visible in changes introduced to the pension system in 1990–1991 and 1994. [...] There are also great attempts to decrease social expenditure. Therefore, the scope of universal family benefits declined and expenditure for social services decreased. The main reason for their dramatic commercialisation was fiscal. The situation can be characterised by rationalisation of social expenditure, caused by economic changes and social reform concepts. [...] Also of signifi-

⁹⁹ For details see Nelson 2001.

¹⁰⁰ Golinowska 2000, p. 220.

¹⁰¹ Golinowska 2000, p. 220. The following specifications refer to Golinowska 2000, pp. 222–224.

¹⁰² Golinowska 2000, p. 226.

¹⁰³ Sowada 1999, p. 2.

¹⁰⁴ Sowada 1999, p. 3; Golinowska 2000, p. 226.

¹⁰⁵ Golinowska 1998, p. 18.

¹⁰⁶ For details see Nelson 2001.

¹⁰⁷ Sowada 1999, p. 19.

¹⁰⁸ Golinowska 2000, p. 226.

¹⁰⁹ Golinowska 2000, p. 249.

cance is the compensation and social protection for people affected by new social issues – the unemployed and the poor."

4.1.2 Development of the implementation of the social acquis

Profound efforts to rearrange the former socialist social system have been made, but, nevertheless, further reforms were necessary, since, in order to join the EU, Poland had to adopt the social acquis. The progress achieved by the candidate countries in taking on the acquis and their administrative ability to bring it into effect are rated in the regular reports. The 1998 report¹¹⁰ concludes that "little tangible progress has been achieved in transposition. Poland should increase its efforts in the social field, particularly in the areas of health and safety, public health, labour, and equal opportunities. Furthermore, the relevant institutions require strengthening. Poland's administrative capacity requires significant reinforcement in the National Labour Office and with regard to labour inspection."

Despite the above mentioned progress in social policy legislation the 1999 report ends with the same conclusion as the 1998 report. "Limited tangible progress has been achieved in transposition and enforcement capacity still represents a cause for concern. Particular efforts remain to be undertaken in the social field, in the areas of health and safety, public health, labour and equal opportunities. Considerable efforts are required to strengthen institutional capacity in the National Labour Office and with regard to labour inspection".¹¹¹

The overall assessment of the 2000 report¹¹² is that there has been little in the way of alignment with the acquis or in developing the necessary capacity to implement it once adopted. Only two pieces of legislation, in the field of labour law and occupational health and safety, intended to align Polish legislation with the acquis were adopted. Serious efforts are needed in most areas, particularly health and safety at work. The issue of equal treatment for women and men still requires urgent attention. The employment situation deteriorated through 1999. "The labour force survey shows that employment fell by more than 4 % between February 1999 and February 2000, by which the employment rate had fallen to 56% – well below the EU 1999 average of over 62%. Over the same period, the unemployment rate rose from 12.5% to 16.7%, despite a further fall in labour force participation".¹¹³ Although much of the recent increase in unemployment has been cyclical in nature, Poland also continues to face serious structural problems in the labour market. There is a growing difference between regions: "The analysis of the structure of 49 voivodships (now 16) shows that eight of them accounted for 50% of GNP [...]; differences between voivodships with the biggest and the smallest GNP per capita is 250 %".¹¹⁴ In response to this challenge, a national strategy for employment and human resources development has been adopted by the Polish government that is geared to the four pillars of European Employment Strategy (EES) – employability, adaptability, entrepreneurship and equal opportunities – and structured in line with the 22 "Guidelines for Member States' Employment policy for the year 2000".¹¹⁵

The structure of the Labour Office was rearranged and formerly subordinated regional labour offices were replaced through self-government units and local public administration bodies. Nevertheless, consistent efforts will be required to ensure full implementation of the measures outlined in the strategy.¹¹⁶ The Commission requests that, in particular, there should be close monitoring of the

¹¹⁰ Commission 1998a, p. 34.

¹¹¹ Commission 1999a, p. 47.

¹¹² Commission 2000a, pp. 55–57.

¹¹³ Commission 2000a, p. 56.

¹¹⁴ ETF/European Training Foundation 2001, p. 9.

¹¹⁵ Commission 2000a, p. 56. For details on EES see for example Larsson 1999. Further information can be found at DG Employment and Social Affairs' website: http://europa.eu.int/comm/employment_social/empl&tesf/ees_en.htm (08.28.02).

¹¹⁶ Commission 2000a, pp. 56–57.

capacity of the public employment service, in its new decentralised form, to contribute to the delivery of a coherent employment strategy at the national level.

In 2000, the situation on the labour market deteriorated, whereas "[c]onsiderable efforts to align with the EC *acquis* have been undertaken".¹¹⁷ But further efforts are necessary, especially since "implementation of legislation is frequently scheduled to take place at much later stage, and in many cases not until the date of accession"¹¹⁸ which hampers monitoring implementation and enforcement. The Commission's 2001 Report concludes that "Poland is generally meeting the commitments it made"¹¹⁹ and "negotiations on this chapter have been provisionally closed"¹²⁰. In the final comprehensive monitoring report on Poland's preparations for membership (2003) the Commission points out that "Poland is essentially meeting the commitments and requirements arising from negotiations in the areas of equal treatment of women and men, social dialogue, employment policy, social inclusion and social protection"¹²¹, whereas "efforts to reinforce the implementing capacity in these areas are still needed"¹²². In other other areas as labour law and health and safety at work Poland is partially meeting the commitments and requirements for membership; on these areas the Commission is paying special attention.¹²³

4.2 Social Policy in Hungary

4.2.1 Overview of the development in the field of social policy

As in other former socialist countries, the system of social security in Hungary was increasingly linked to communist ideology after 1948.¹²⁴ Since the early 1980s Hungarian economy underwent a long lasting recession related with a growing indebtedness and a diminishing GDP.¹²⁵ To counter the negative trends, reforms allowing private ownership and other economic reforms started earlier in Hungary than in other CEECs permitting a more gradual approach to reforms.¹²⁶ Due to the economic crises and the unfeasibility of maintaining full employment, Hungary was the first country in the region experiencing open unemployment and an unemployment compensation was introduced in 1988.¹²⁷ In the following years the social security system underwent several organisational changes. In 1990, social security funds were separated from the state budget. Facing growing numbers of registered unemployed the Hungarian parliament adopted the Act on Unemployment Insurance in 1991 and separated the fund for unemployment insurance (Solidarity Fund) from the social security system. Also in 1991 the health care and pension system was rearranged on an insurance basis. Until 1993 an independent government institution within the Ministry of Welfare operated the social security system, whereas the unemployment insurance was governed by an administrative body subordinated to the Ministry of Labour. In 1993, self-governing bodies on a tripartite basis were established for the pensions and health care, which were dissolved after the Parliamentary elections in 1998. Since 1998, the new Ministry of Social and Family Affairs (replacing the former Ministry of Welfare and the Ministry of Labour) administers the unemployment benefit system as

¹¹⁷ Commission 2001a, p. 67.

¹¹⁸ Commission 2001a, p. 67.

¹¹⁹ Commission 2002a, p. 88.

¹²⁰ Commission 2002a, p. 88.

¹²¹ Commission 2003a, p. 41

¹²² Commission 2003a, p. 41

¹²³ Commission 2003a, p. 41.

¹²⁴ Kameniczky 1998, p. 94. Historically, an obligatory health insurance was introduced in 1891 and a Bismarckian system developed substantially until 1948 (Kameniczky 1998, p. 94).

¹²⁵ Kamenichky 1995, p. 180.

¹²⁶ OECD 1995, p. 179.

¹²⁷ OECD 1995, p. 70.

well as health and pension insurance.¹²⁸ "The intention behind selecting an insurance-based care system was partly the political objective of a general reduction in state ownership and partly [...] the fact that only an insurance-based approach would ensure the autonomous operation of the pensions and health insurance funds. To this end, the proposal also contained an initiative to place control of the self-governing bodies into the hands of the contribution payers".¹²⁹ In 1998, the funds were "re-nationalised" by the new elected government and, from 1999 on, social security and other tax revenues are collected together in order to raise efficiency hoping that "this package of measures will allow [...] to decrease social security contribution rates and simultaneously maintain or even increase the level of revenues".¹³⁰

After the move to an insurance system the majority of social expenditures (pensions, health care, unemployment benefits, etc.) were financed from revenues largely derived from payroll taxes.¹³¹ But social insurance contributions were not sufficient to cover all expenditures and social security ran a deficit.¹³² Besides the occupation- and earnings based model there existed universal programmes such as family allowances that were mostly financed by local or central general revenues; local governments were responsible for most social assistance payments and most social services.¹³³

During the transition social expenditures increased in Hungary and reached nearly 30 % of the GDP in 1992. This is comparable to the highest levels within the OECD and well above the OECD average.¹³⁴ The transition generated "only minor changes in the relative shares of cash transfer programmes"¹³⁵, but consumption and production subsidies were heavily reduced whereas unemployment related expenditures increased as a percentage of GDP.¹³⁶ The increase in expenditures and the fall in revenues resulted in the largest fiscal deficits compared with the other Visegrád states and Slovenia during the transition.¹³⁷ Not until 1995 this trend was reversed. The then financial minister Bokros introduced the so called Bokros package in order to reduce the budget deficit.¹³⁸ Götting¹³⁹ states that the Bokros package was the central turning point in the Hungarian welfare reform development.

As already mentioned, Hungary was the first former central planned country that experienced open unemployment. In 1990, since labour centres register the number of unemployed, there were 80 000 unemployed (unemployment rate: 1.4 %). The number of registered unemployed increased until 1993 (663 000, 12.3 %) and then declined (1998: about 400 000, 9 %).¹⁴⁰

Pensions accounted for about one third of all social expenditures in 1993 (11 % of GDP) and were thus the largest cash transfer programme in Hungary. Over 25 % of the Hungarian population received benefits of the pension system, benefits are generally low and many of the recipients live in poverty.¹⁴¹ The high percentage of recipients is due to encouraged early retirement and liberally granted disability pensions at the beginning of the transition, partly in order to avoid unemployment of those with few prospects on the labour market.¹⁴² A unfavourable development of the demographic structure (problem of an aging population) contributed to an increase of the costs of the

¹²⁸ For details on the changes in the administrative structures see Kameniczky 1998, Borbely 2001.

¹²⁹ Kameniczky 1998, p. 102.

¹³⁰ ETF 1999b, p. 8.

¹³¹ OECD 1995, p. 15.

¹³² Between 1990 and 1998 (ETF 1999a, p. 78 and Borbely 2001, p. 159).

¹³³ OECD 1995, p. 15.

¹³⁴ OECD 1995, p. 15.

¹³⁵ OECD 1995, p. 18.

¹³⁶ OECD 1995, p. 18.

¹³⁷ Haggard et al. 2001, p. 78-79.

¹³⁸ Haggard et al. 2001, p. 80.

¹³⁹ Götting 1998, p. 277.

¹⁴⁰ ETF 1999a, pp. 35-36.

¹⁴¹ OECD 1995, p. 181.

¹⁴² Nelson 2001, p. 238, ETF 1999b, p. 8.

pension system.¹⁴³ To counter the negative effects, the retirement age for women and men has been raised¹⁴⁴ and a multipillar system was introduced in 1997 – after two years of discussions of reform proposals and strong opposition of the managers of the pension fund.¹⁴⁵ It consists of a means-tested income guarantee for the old, financed from general taxes, an earnings-related pay-as-you-go system financed by contributions, a mandatory, private, and fully funded pillar and a voluntary pillar.¹⁴⁶ This new system “puts an extra burden on public expenditure, because, as some of the new contributors are going to private pension funds, the state has to pay pensions to current pensioners from less resources”.¹⁴⁷

Since 1989, the health care system in Hungary had undergone several changes – besides the aforementioned administrative changes. In 1990, a compulsory insurance was introduced, before the health care system was funded by general taxes.¹⁴⁸ Since 1992, only insured persons are receiving services free of charge, but persons in unfavourable social situations are eligible for assistance from the budgets of local authorities.¹⁴⁹ In 1995, when discussions for a reform of the pension system started, a reform of the health care system was planned at the same time. Whereas the pension reform legislation passed the Parliament in 1997, “the bulk of the planned health reform is still to be implemented”.¹⁵⁰ Nelson points out that pension reform is “easier” than health sector reform since “pension systems are much less complex administratively, nor do they generate large, powerfully organized providers’ associations”¹⁵¹. Furthermore, external forces as the World Bank were less active in asking for health care reform and there was “no dominant model for health-care delivery reforms analogous to the recent international semiconsensus regarding multipillar pension systems”¹⁵² that could serve as blueprint.

4.2.2 Development of the implementation of the social *acquis*

As in Poland, the former socialist social system in Hungary has been rearranged and several reforms passed in order to adjust social protection system to the new realities. The progress made regarding the adoption and implementation of the social *acquis* can be pursued in the regular reports by the European Commission. The 1998 report concludes that progress has been made, but “efforts to secure adoption of legislation covering the outstanding areas of the *acquis* in the field of employment and social affairs, and of the enforcement across the *acquis* continue to be required”.¹⁵³ The 1999 report states that “Hungary is relatively advanced in terms of legal transposition of the employment and social affairs *acquis*”¹⁵⁴, but attention has to be paid “to the implementation and enforcement of the health and safety at work and labour law *acquis*”.¹⁵⁵

The overall assessment of the 2000 report¹⁵⁶ is that “progress was made in terms of legal transposition in all areas”, but implementation often will take place later on or even not until the accession, so that monitoring of implementation and enforcement is complicated. Whereas labour market pol-

¹⁴³ ETF 1999b, p. 8.

¹⁴⁴ from 55 years (women) and 60 years (men) in 1994 to 62 years for both, ETF 1999b, p. 8.

¹⁴⁵ Haggard et al. 2001, p. 101. The position of the trade unions concerning pension reforms were mixed (Nelson 2001, pp. 248-249). For details on the pension reform see Nelson 2001.

¹⁴⁶ Nelson 2001, p. 252. In 1998 the joint contributions of employers (43,2 %) and employees (11,5 %) to social security was 54,7 % of employee's gross earnings (Borbely, 2001, p. 160).

¹⁴⁷ ETF 1999b, p. 8.

¹⁴⁸ Nelson 2001, p. 254.

¹⁴⁹ Kamenichky 1995, p. 183.

¹⁵⁰ Borbely 2001, p. 144.

¹⁵¹ Nelson 2001, p. 261.

¹⁵² Nelson 2001, p. 259.

¹⁵³ Commission 1998c, p. 33.

¹⁵⁴ Commission 1999c, p. 45.

¹⁵⁵ Commission 1999c, p. 46.

¹⁵⁶ Commission 2000b, pp. 53-54.

icy was transformed in order to adopt the European Employment Strategy, health care reforms are still necessary, especially since "Hungarian health indicators continued to be below those in the EU".¹⁵⁷ In 2001, the Commission stated that "Hungary is rather advanced in terms of legal alignment in all areas"¹⁵⁸, only few efforts are required regarding transposition of the *acquis*, but regarding implementation further efforts are needed in some areas.¹⁵⁹ The 2002 Report concludes "that Hungary is generally meeting the commitments it has made in the accession negotiations"¹⁶⁰ in the field of social policy and employment. The 2003 final comprehensive monitoring report on Hungary's preparations points out that Hungary is "essentially meeting the commitments and requirements"¹⁶¹ in most areas of the social and employment chapter. The Report is calling for only a few legal adjustments and the further strengthening of implementing structures in some areas.¹⁶²

5 The Development of Social Dialogue in Poland and Hungary

Vaughan-Whitehead¹⁶³ identifies three roles of the social partners of the applicant countries that obtain attention and engagement in the accession process. First, in some applicant countries social partners are involved in the negotiation process through the setting-up of tripartite committees. However, social partners are not always involved in a systematical way. Consultations could be more effective, if the social partners are informed well in advance. Second, employer's and worker's representatives play a key role in implementing the *acquis* at the regional, branch, and enterprise level, since they are the closest to economic and social realities. Third, social partners in applicant countries have to bear in mind, that they have to take part in the social dialogue at the European level. Social partners may encounter difficulties to meet these responsibilities. They face many problems in the transition period, since the whole society has to be transformed, so that employer's and worker's representatives have to adapt to the new circumstances.

In the following we will outline the situation of employers' organisations and trade unions as well as the situation of social dialogue in CEECs in general. Measures undertaken by the EU and European social partners to strengthen social dialogue in CEECs will be mentioned. After this introduction we will focus on the development in Poland and Hungary: how are social partners involved in social dialogue structures and in the accession process in both countries? The opinion of the Commission regarding the development expressed in the regular reports on the progress made towards accession is provided after the subsections.

Employers' organisations

In general, the formation of employers' organisations in eastern Europe occurred in a completely different situation than the formation in western countries. Whereas the western employers reacted to an increasing power of trade unions and an increasing pressure from political forces, the eastern organisations emerged in a situation of a massive retraction of the state from social and economic affairs and they met only politically weak trade unions.¹⁶⁴ To set up a tripartite dialogue, as recommended by the International Labor Organization (ILO), employers' organisations were created with large support by the governments.¹⁶⁵ Following Draus¹⁶⁶ we focus below on the legal basis, the rep-

¹⁵⁷ Commission 2000b, p. 52.

¹⁵⁸ Commission 2001b, p. 61.

¹⁵⁹ Commission 2001b, pp. 61-62.

¹⁶⁰ Commission 2002b, p. 86

¹⁶¹ Commission 2003b, p. 36

¹⁶² Commission 2003b, p.36

¹⁶³ Vaughan-Whitehead 2000, pp. 393-396.

¹⁶⁴ Draus 2000b.

¹⁶⁵ Draus 2000b.

representativeness, the institutional resources and the activities of the employers' organisations in Poland and Hungary.

Trade Unions

Generally, trade unions in the applicant countries in eastern Europe emerged on the basis of former communistic trade unions. Reforms led to new structures of organisation that took over the assets and members of the former organisations, however, generally the trade union membership is declining.¹⁶⁷ Politically they became soon important actors. The development in Poland deviates from this scheme, as we can see from the example of the trade union "Solidarity". Concerning legal basis, representativeness et cetera we will proceed as in the case of the employers' organisations.

Tripartism

In most central and east European countries the social partners were involved in national decision making processes and governments promoted actively tripartite structures, so that "tripartite relations represent the most important form of the labour relations structures in most countries of the region".¹⁶⁸ Social dialogue can assume the form of tripartism or bipartism. Tripartism is characterised by the state's or government's direct presence in contacts between trade unions and employer's organisations, whereas bipartism is limited to the relation between worker's and employer's representatives; generally, the link between the two models is, that tripartism presumes a developed bipartite relationship based on "developed enterprise and sector (branch) level labour relations, including collective bargaining and agreements, as well as ... [on] strong trade unions and employers' organizations".¹⁶⁹ This common point of view is challenged on account of the particular situation in the transforming countries in Central and East Europe in which the sectoral level is the weak link in industrial relations and social partnership, since activities at the enterprise level often evade the national trade union.¹⁷⁰

The set up of tripartite structures was particularly recommended and promoted by ILO; Central and East European governments supported this initiative, since social dialogue in these tripartite structures was seen as a means to share political responsibility for privatisation and social reforms, to integrate social partners in decisions concerning economic and social transformation, to maintain social peace and cooperation, to build consensus, and finally to improve the professional quality of administration.¹⁷¹ Others reasons for establishing tripartite structures were according to Due et al. "the labour-market parties' lack of organisational capacity and strength to effect regulation; the countries' tradition of central governance; inspiration and demands from the West."¹⁷² All participants could benefit from taking part in consultations and negotiations: trade unions and employer federations received influence on the processes of transformation at the national level, national governments obtained informations on the social partners in order to assure that they support government policies, and sometimes it represented an opportunity for government officials to shift responsibility for delicate decisions to tripartite bodies.¹⁷³

¹⁶⁶ Draus 2000a, 2000b.

¹⁶⁷ According to Draus 2000b the degree of unionisation reaches 20-25 % in the average in the applicant countries; Kohl 2002 (p. 412) reports degrees between 43 % (Slovenia) and 14 % (Lithuania) compared to levels of 80 to 90 % in the socialist era; Poland (20 %) and Hungary (30 %) can be found between the poles. The degree of unionisation in the EU member states ranges from 10 % in France to 80 % in Finland, Denmark, and Sweden.

¹⁶⁸ Gábor 2000, p. 15.

¹⁶⁹ Hethy 2001a, p. 6.

¹⁷⁰ Draus 2000a, p. 394.

¹⁷¹ Gábor 2000, p. 15, Draus 2000b, Due et al. 2001, p. 4, Hethy 2001b, p. 56.

¹⁷² Due et al. 2001, p. 4.

¹⁷³ Gábor 2000, pp. 15-16, Due et al. 2001, p. 2. For the arising question if tripartite agreements endanger the sovereignty of Parliament see Gábor 2000 (p. 16) and Kurtán 1999 (pp. 129-130).

Compared to present EU members, tripartite structures in Central and Eastern European countries have a disproportionate weight, since in Western European countries "formal tripartism rarely exists and social dialogue at the national level takes place in a more informal way".¹⁷⁴ If tripartite structures are a result of the transformation its central importance should decrease in the next years and be replaced by an independent social dialogue without state interference, which is still lacking in many applicant countries, but a requirement for the accession to the EU.

According to Draus¹⁷⁵ industrial relations at the enterprise (through varying agreements between management and employees) and the national level (through different forms of tripartism) work in some degree well, however, at the sectoral level industrial relations are very rudimentary. He provides two reasons for this poor performance. First, trade unions are mainly present in state-owned or state-controlled sectors in which also employers' organisations exist, but they cannot act autonomously, since they depend on the state. Occasionally, employers' organisations in these sectors have more in common with the trade unions than with the state that leads to a situation in which independent social partnership cannot evolve. Second, trade unions are weak in private economic sectors in which employers' organisations exist that could be interested in developing an autonomous social partnership. But no such action is taken due to the fact, that employers' organisations have no strong counterpart and that they are not primarily interested in reaching agreements, since they prefer individual solutions.

Promotion of the quality of social dialogue undertaken by the EU and the European Social Partners

In order to enhance and to strengthen social dialogue and the implementation of the social acquis in general in the applicant countries the EU set up several programmes from which countries from central and eastern Europe can receive financial and technical assistance (for example PHARE, Consensus III¹⁷⁶, TAIEX¹⁷⁷). In 1998, the Commission emphasised in a document entitled "Adapting and Promoting the Social Dialogue at Community Level" the importance of social dialogue structures and activities.¹⁷⁸ Three major ways are specified to promote social dialogue. First, the Commission expresses its will to "assist the social partners in the European Union in developing links and practical co-operation at cross-industry and sectoral levels so as to encourage the development in Central and Eastern Europe of independent, representative trade union and employers' organisations"¹⁷⁹. Second, the Commission continues to encourage political and administrative decision makers in the respective countries to involve the social partners in the pre-enlargement process and to adapt the national legal frameworks in order to implement adequate social dialogue structures. Third, the Commission has the intention to support "the appropriate forums of the social dialogue to receive social partners from the applicant countries to learn about its underlying principles and working forms".¹⁸⁰

Only few social dialogue projects have been proposed by the applicant countries. For example, one social dialogue project has been set up in Poland; a Round Table for European integration was established assembling the most representative trade union and employers' organisations.¹⁸¹ Aiming to initiate a wide-ranging debate on the role of trade union and employers' organisations in the EU, ETUC, UNICE, and CEEP in cooperation with the Commission and TAIEX organised a conference on

¹⁷⁴ Gábor 2000, p. 16. For a discussion, if these tripartite structures can be labelled as "neo-corporatism" see for example Tatur 1994 and Brusiš 1994.

¹⁷⁵ Draus 2000a, pp. 393-395.

¹⁷⁶ Programme for Social Protection Reform and Social Acquis Implementation. More informations are available at <http://europa.eu.int/comm/enlargement/pas/phare/programmes/multi-bene/consensus3.pdf> (05.21.04)

¹⁷⁷ TAIEX: Technical Assistance Information Exchange Office.

¹⁷⁸ Commission 1998b.

¹⁷⁹ Commission 1998b, p. 17.

¹⁸⁰ Commission 1998b, p. 17.

¹⁸¹ For further details see DG Employment and Social Affairs 2000, p. 20-21.

"Social Dialogue for Success" (Warsaw, 1999) bringing together social partners' representatives from both the EU and the applicant countries.¹⁸² Another conference was organised by the Commission (in cooperation with ETUC; UNICE; CEEP, and TAIEX) in the following year in Prague to give explanations to government officials and the social partners of the candidate countries "about the role of social and employment policies in the enlargement process and their obligations in these areas".¹⁸³ ETUC, UNICE, and CEEP promoted joint initiatives as well as individual initiatives. Trade unions supported their partners in the applicant countries, in particular through the creation of integration committees in each country. Besides these cross-industry initiatives there are several sectoral initiatives for example in the building industry, commerce or banking.¹⁸⁴

5.1 Social Dialogue in Poland

5.1.1 Social dialogue and industrial relations

During the liberation from the German occupation, factory committees emerged spontaneously and were legitimised in 1945 "through the general introduction of an elected workforce representation with far-reaching monitoring and co-decision-making rights".¹⁸⁵ This kind of representation eroded in the period of "sovietisation" and revived in the more liberal period after 1956, but committees were instrumentalised and inadequate to develop positively as the formation of the Solidarity movement showed. Following the worker protest new participation rights were codified in 1981. The new self-administration of the workforce through works councils was not based on traditional trade union structures; a second body – union independent – emerged alongside trade union representation within the company.¹⁸⁶ Since the changes of 1989, works councils lost importance and "most of their powers were repealed by the 1996 legislation on *privatisation and commercialisation*".¹⁸⁷ Due to the historical role of Solidarity the trade union legacy in Poland is different to rest of CEECs. After the return to legality in the late 1980s, Solidarity "became a large political organisation, but with declining union strength."¹⁸⁸ The double role of Solidarity – political organisation on the one hand, trade union on the other hand – causes tensions and the number of its members shrunk to 1.5 million in 1994, whereas the other large trade union confederation OPZZ¹⁸⁹ claims 4 million members.¹⁹⁰ Besides this two large trade unions, there are nine smaller national federations or confederations, over 260 sectoral or professional trade unions and about 2400 local trade unions that are not part of any sectoral or national organisation.¹⁹¹ In Poland exist legal arrangements to found a union that contain special rights and privileges, at least ten persons are required to set up an union in an enterprise and 30 persons to establish a national one.¹⁹² Trade unions are weak in private en-

¹⁸² A report is available at europa.eu.int/comm/employment_social/soc-dial/social/news/varsovie.pdf (08.28.02).

¹⁸³ DG Employment and Social Affairs 2000, p. 19. Further details can be found there.

¹⁸⁴ For further details on cross-industry and sectoral initiatives see DG Employment and Social Affairs 2000, pp. 13-17.

¹⁸⁵ Kohl et al. 2000, p. 401.

¹⁸⁶ Kohl et al. 2000, p. 401; Due et al. 2001, p. 13.

¹⁸⁷ Kohl et al. 2000, p. 402. According to Due et al. (2001, p. 13) the possibility of re-establishing works councils is debated. He also indicates that the applicant countries have to accept in any case "works councils in the form of European Works Councils which must be established at all multinational companies in the EU" (p. 13).

¹⁸⁸ Gábor 2000, p. 14.

¹⁸⁹ OPZZ is an organisation of the former communist trade unions.

¹⁹⁰ Gábor 2000, p. 14, Sztanderska et al. 1999, p. 50. Sztanderska et al. 1999 point out that "there are no credible statistics concerning membership in individual trade unions and the so-called degree of unionisation" (p. 50), since the government agencies do not provide informations concerning trade union affiliation; furthermore a large number of trade union members are pensioners.

¹⁹¹ Sztanderska et al. 1999, p. 50; Draus 2000a, p. 387.

¹⁹² Draus 2000b, ECOHSE (European Centre for Occupational Health, Safety and the Environment).

terprises; according to Draus¹⁹³ the degree of unionisation reaches 20–25 % in the average, compared to levels of 80 or 90 % in the socialist era, Kohl¹⁹⁴ reports a degree of 20 % for Poland.¹⁹⁵ To take part in tripartite negotiations there is no legal criterion, important is the official political recognition.¹⁹⁶

In Poland exist over one thousand employers' organisations that are divided in two categories: there are about one hundred employers' organisations and several hundreds of entrepreneurs' organisations.¹⁹⁷ The difference is legal in nature. "Employers' organisations, which are formally registered as such, have the exclusive right to conclude collective agreements, and also to present employers' interests to State institutions. This latter right can be exercised by taking part in tripartite structures, or by giving advisory opinions, which are applied in a manner which is also determined by law".¹⁹⁸ There are no criteria of representativeness; according to estimations, employers' organisations comprise 30–40 % of industrial enterprises or 2–5 % of all enterprises.¹⁹⁹ Entrepreneurs' organisations are based on the general law on associations, they are not entitled to conclude collective agreements.

In 1993, the Tripartite Commission for Social and Economic Affairs – the main national tripartite body – was established after tripartite negotiations that started in 1992.²⁰⁰ This – compared to other Central and East European countries – late emergence is due to the fact of the double role of Solidarity: the political movement Solidarity was in power in 1989–90, while at the same time it remained one of the two large trade union confederations in Poland. The idea to establish a tripartite body was raised, but it did not seem to offer any benefits to the government and tripartism started only after the right wing coalition overtook power in 1992.²⁰¹ The interweaving of politics and trade union movement leads to tensions and to a weakening level of representation of Solidarity within the workplace.²⁰²

The tripartite body was not very successful in reaching agreements on decisions and in 1999 the other large trade union besides Solidarity, OPZZ, withdrew from the Tripartite Commission for the following reasons:²⁰³ OPZZ felt unprivileged by the government vis-à-vis Solidarity, OPZZ claimed that the government had no real interest in involving the tripartite body in the formulation of government policies, and it claimed that the government did not take appropriate measures to solve the Polish social problems.

In 2001, an Act on the Tripartite Commission for Social and Economic Issues was adopted and two sectoral bodies were established.²⁰⁴ Besides the above mentioned national tripartite bodies, there can be found regional and local tripartite bodies that are engaged in issues of the working environment, labour-market policy, etc. In addition to the social partners, the regional tripartite bodies cover representatives from government administration, local administration and agricultural organisations, so that they could be labelled multilateral bodies.²⁰⁵

¹⁹³ Draus 2000b.

¹⁹⁴ Kohl 2002, p. 412.

¹⁹⁵ According to ECOHSE two-fifths of the employees in publicly owned industries and about one-third of employees paid from the central budget are union members.

¹⁹⁶ Draus 2000b, Draus 2000a, p. 392.

¹⁹⁷ Draus 2000a, p. 387–388.

¹⁹⁸ Draus 2000a, p. 388.

¹⁹⁹ Draus 2000b. This estimations apply to all CEECs.

²⁰⁰ Due et al. 2001, p. 7. There are also specialised tripartite bodies, like the General Employment Council, the Committee for cooperation with the ILO, the Social Assistance Council and the Commission for Collective Labour Agreements (Due et al. 2001, p. 7).

²⁰¹ Hethy 2001a, p. 13.

²⁰² Gábor 2000, p. 14.

²⁰³ Due et al. 2001, p. 7.

²⁰⁴ Commission 2001a, p. 67.

²⁰⁵ For further details see Due et al. 2001, p. 8.

Social dialogue at the branch level plays a minor role compared with the social dialogue in the national tripartite bodies. In 2000, there were 15 sectoral agreements, but some of them date from the 1970s and are regarded as "being out of touch with today's reality"²⁰⁶; their degree of coverage is unknown (20 % of all employees are estimated, Kohl²⁰⁷ reports a coverage of 30 % compared to coverage rates in EU member states from 95 % in Finland to 40 % in UK). At the enterprise level, collective bargaining is regulated in the "labour Code", estimations on the coverage of employees by collective agreements vary between 20 % and 30 %, but some go up to 90 %. Collective agreements are most widespread in public sector and at large state-owned or privatised enterprises, while small and medium sized and foreign-owned enterprises are barely covered.²⁰⁸

5.1.2 *Participation of the social partners in the accession process*

The social partners in Poland are involved in the accession process through thematic working groups established by the government and through consultations in the National Council of Integration. The majority of this Council is formed by "well known personalities", and also the presidents of Solidarity and OPZZ on the one hand and presidents of employers' organisations on the other hand take part. There exists another forum (EU-Poland mixed consultative committee) which is composed of a delegation from the European Economic and Social Committee and a Polish delegation that comprises the social partners and other interests groups. As well as the Polish trade unions, the Polish employers' organisations support the complete adoption of the social acquis, since employers' organisations receive it as "a means of liberalising and rendering more flexible labour relations in Poland".²⁰⁹

In 2002, a Social Dialogue Round Table for European Integration was founded as a result of an agreement between the social partners organisations and an agreement for the development of social autonomous dialogue was signed.²¹⁰

5.1.3 *Assessment by the EU*

In the negotiations with the applicant countries, the Commission attached great importance to promoting social dialogue structures in these countries.²¹¹ Social dialogue is part of the legal acquis as the requirement to consult is to be found in numerous Community directives as well as an integral part of the institutional acquis²¹², which has become a means for promoting the European social dimension.²¹³ Over the years the representatives of management and labour have become the main guarantors for application of the principles the European Union adheres to regarding its workers; the social dialogue has become a means for implementing these directives at national level.²¹⁴ Achievements of the applicant countries concerning the development of the social dialogue are assessed in the Regular Reports of the Commission.

The 1998 report and the 1999 report on Poland's progress towards accession²¹⁵ conclude that "[t]he social dialogue needs strengthening particularly in regard to employers' organisations." Although a new national employers' organization (Polish Confederation of Private Employers) was established in January 1999, social dialogue "continues to be hampered by the withdrawal in April 1999 of the

²⁰⁶ Due et al. 2001, p. 10.

²⁰⁷ Kohl 2002, p. 412.

²⁰⁸ For further details see Due et al. 2001, p. 11-13.

²⁰⁹ Draus 2001. All informations about the participation of social partners are drawn from Draus 2001.

²¹⁰ For future developments: see press releases of the Polish Office of the Committee for European Integration at www.ujie.gov.pl (08.30.02).

²¹¹ DG Employment and Social Affairs 2000, p. 7.

²¹² See above, section 3.

²¹³ See DG Employment and Social Affairs 2000 for details.

²¹⁴ DG Employment and Social Affairs 2000, p. 7.

²¹⁵ Commission 1998a, p. 34; Commission 1999a, p. 47.

OPZZ Union [National Agreement of Trade Unions], whose absence means that the Commission's decisions are no longer binding on the government"²¹⁶ and the 2000 report calls for "considerable" further effort and the reinforcement of the government's administrative capacity in order to "better follow and motivate autonomous social dialogue"²¹⁷, especially at the sectoral and enterprise level. The assessment of the 2001 report is the same, further efforts are needed with special attention to bipartite social dialogue structures and a better linking of "consultations at the national level and other decentralised collective bargaining and social dialogue".²¹⁸ Furthermore, the report calls for introduction and development of forms of workers' participation and information/consultation as well as assistance of the social partners "in preparing them to the active role they will be called to play in the EU context".²¹⁹

5.2 Social Dialogue in Hungary

5.2.1 *Social dialogue and industrial relations*

During the revolution in 1956, a "free" trade union movement emerged, based on self-administration by worker councils. This movement was banned, but the concept of freedom of trade union organisation was ratified in Hungary in 1957 and following 1968 trade union influence on company management decisions as well as on the state was increasing. Since 1987 free trade unions and umbrella organisations emerged and led to an excessive pluralism on the employees' as well as on the employers' side.²²⁰ Today there are six national trade union confederations²²¹ recognised as being representative; this pluralism was characterised by strong rivalry in the beginning, but confederations seem to become more cooperative recently.²²² In Hungary trade unions are based on the general law on associations. The official political recognition as well as formal statistical aspects are important to negotiate collective agreements and to take part in tripartite bodies.²²³

The biggest trade union (MSZOSZ, a reformed successor of the former communist SZOT) reports 720 000 members; ASZSZ (222 000 members), SZEZ (530 000 members), and ESZT (95 000 members) splitted from the monolithic bloc of SZOT. Two other trade unions, the Democratic League of Independent Trade Unions (LIGA, 98000 members) and the National Association of Workers' Councils (MOSZ, 70 000 members) have no roots in the communist system.²²⁴ This structure is different from the Polish structure, where new, alternative trade union (Solidarity) became a rival of the old trade union. It is also different from the Czechoslovak model, where the old trade unions were dissolved.²²⁵ Like in Poland unionisation is decreasing and trade unions are weak in private enterprises. According to Draus²²⁶ the degree of unionisation reaches 20–25 % in the average; Kohl²²⁷ reports a degree of unionisation of 30 % for Hungary.

In Hungary, several hundreds of employers' organisations exist, thus their density is comparable to that of the Polish employers' organisations, if taken in account the differences in geography, de-

²¹⁶ Commission 2000a, p. 55.

²¹⁷ Commission 2000a, p. 57.

²¹⁸ Commission 2001a, p. 67.

²¹⁹ Commission 2001a, p. 67.

²²⁰ Kohl et al. 2000, pp. 403–404. For details on the history of the trade unions in Hungary see also Tóth 1998.

²²¹ This six confederations were members of the National Council for the Reconciliation of Interests.

²²² Draus 2000b.

²²³ Draus 2000b, Draus 2000a, p. 392.

²²⁴ Gábor 2000, p. 10. Tóth (1998, p. 129.) reports, that in 1993 MSZOSZ still claimed 1.2 million members and ASZSZ 410 000.

²²⁵ Gábor 2000, pp. 10–11, Hethy 2001, p. 8.

²²⁶ Draus 2000b.

²²⁷ Kohl 2002, p. 412.

mography, number of enterprises etc.²²⁸ As the trade unions in Hungary, employers' organisations operate on the basis of the general law on associations. There is no such differentiation between employers' and entrepreneurs' organisations as in Poland: generally, they "represent both employers' interests, that is those relating to the problems of professional relations and of social policy in general, and the interests of entrepreneurs, i. e. those relating to economic, tax, and trade policy".²²⁹ But, as Draus states, employers' organisations tend to direct their activities more towards representing entrepreneurs' interest and neglect the difficulties of professional relationships. According to Draus²³⁰ estimations report, that employers' organisations cover 30-40 % of industrial enterprises and 2-5 % of all enterprises.

In Central and Eastern Europe national tripartite institutions emerged at the end of the 1980s, in 1988, the transitional Németh Government in Hungary established the first of these institutions (National Council for the Reconciliation of Interests, later it was re-named as National Labour Council), soon followed by Czechoslovakia and other countries.²³¹ Different from Poland that followed an economic programme widely known as "shock-therapy" based on a neo-liberal philosophy, the transitional Németh Government and the following conservative Antall Government (1990-1994) realised a more gradual reform reflecting the philosophy of the social market economy and taking care of the victims of economic processes by introducing a strong social safety net.²³² The conservative Antall Government facing the legacy of the Németh Government had to decide whether to keep the National Interest Reconciliation Council and "to confirm it or to limit its authority or even to eliminate it".²³³ After some hesitations tripartite practices were revived in 1990 and in the following years a whole system of tripartite institutions developed in Hungary.²³⁴ In 1992, the Interest Reconciliation Council for Budgetary Institutions was established to cover the public sector, especially public services like education, health services, cultural institutions, etc.; in 1997, the Labour Market Fund Steering Committee was established by the socialist-liberal Horn Government "to manage the financial resources of the Labour Market Fund allocated to employment policy"²³⁵; between 1993-1998, the Self-Governing Bodies of Health and Pension Insurance provided another possibility to trade unions and employers' organisations to influence public policies concerning the Health and Pensions Insurance Funds and social policy formulation and implementation.²³⁶

The public interest in the Interest Reconciliation Council (IRC) increased during the taxi and lorry drivers' blockade in autumn 1990 and IRC gained status and prestige when several agreements were achieved under both the conservative and socialist-liberal governments and new tripartite bodies were established.²³⁷ Social dialogue or national interest reconciliation in Hungary was challenged twice, in 1991, when the conservative government initiated two trade union laws and in 1995,

²²⁸ Draus 2000a, p. 387. Nine employer's organisations were members of the National Council for the Reconciliation of Interests (for details see Kurtán 1994, p. 19).

²²⁹ Draus 2000a, p. 388.

²³⁰ Draus 2000b

²³¹ Hethy 2001a, p. 5. The Interest Reconciliation Council in Hungary "provided an institutional framework for national wage negotiations and for pre-legislative consultation and agreement on labour and economic legislation" (Gábor 2000, p. 15). Later on, it "provided the institutional framework for trade union participation in preparing labour legislation such as the Labour Code, the Act on the Legal Status of Public Servants, the Employment Promotion Act and also the amendment of the Privatisation Law" (Gábor 2000, p. 15). The succeeding National Labour Council "discusses labour issues including wages, but not ... budgetary, tax and social insurance regulations" (Commission 1999c, p. 45). For details also see Kurtán 1994.

²³² Hethy 2001a, p. 7.

²³³ Hethy 2001a, p. 12.

²³⁴ Hethy 2001a, pp. 12-13.

²³⁵ Hethy 2001b, p. 55.

²³⁶ Hethy 2001b provides an overview, for details see Hethy 2001a. These Self-Governing Bodies were bipartite, not tripartite, but closely related to the tripartite structures (Hethy 2001b, p. 56).

²³⁷ For further details see Hethy 2001a and 2001b, p. 57-59.

when the socialist-liberal government introduced an austerity package.²³⁸ The conservative Orbán government (1998–2002) restructured the tripartite bodies; the Interest Reconciliation Council was abolished and substituted by two new bodies – the National Labour Council (NLC) and the Economic Council (EC)– that took most of the IRC's functions.²³⁹ NLC remained a tripartite body, but with limited functions compared to the former IRC. The EC was set up as a multilateral body encompassing now besides the social partners, the chambers of economy, multinational companies, organisations of investors etc. and its meetings have been nicknamed 'audiences' by the social partners, since there is rather a transfer of information from the government than a real dialog.²⁴⁰ Other measures of the government such as the modification of the Labour Code and the Employment Act as well as the dissolving of the Self-Governing Bodies of Health and Pensions Insurance weakened the social partners in addition and reduced their influence as actors in national politics.²⁴¹

According to Hethy²⁴², the main accomplishment of the Hungarian tripartism was the maintainance of social peace in an extremely turbulent period of political, economic, and social transformation: he reports about twenty "mostly insignificant instances of industrial action, except two or three bigger and longer railway strikes – and the taxi and lorry drivers' blockade of Autumn 1990" since 1989. The strategy of the trade unions, especially of MSZOSZ, to concentrate on the protection of the welfare state and to offer a broad social consensus has given them a certain legitimacy, but the coverage of unions is declining and there is a growing representation gap at the sectoral and enterprise level.²⁴³

Employees are represented through three channels at the workplace.²⁴⁴ First, works councils are mandatory in enterprises with more than 50 employees. They have information and consultation rights, but not the right "to conclude agreements on terms and conditions of employment".²⁴⁵ Second, there are workplace union organisations which have the exclusive bargaining right at the enterprise level under certain circumstances. Third, multi-employer collective bargaining is possible; collective agreements could be extended "to firms not directly covered, if the bargaining parties had representative status in the industry".²⁴⁶ The main area of collective bargaining is the workplace-level, whereas multiemployer bargaining "plays a supplementary role in a few industries".²⁴⁷ Between 1992 and 1994, the coverage of workplace agreements decreased to estimated 25 % and the coverage of sectoral agreements declined from 40 % of employees in manufacturing and services to 11 %.²⁴⁸

Draus²⁴⁹ points out that recently a new phenomenon developed in Hungary: employers' organisations and certain trade unions at the national level are signing bilateral cooperation agreements, that could lead to an institutionalised and autonomous partnership through regular meetings and exchange of information.

²³⁸ For further details see Hethy 2001a and 2001b, p. 59–61.

²³⁹ Hethy 2001b, p. 61–62. Reforming the social dialogue structure was already discussed under the Horn government, since the Social and Economic Agreement failed, based on the consensus with the social partners; the Orbán government executed in a – "in the view of many, arrogant and aggressive" (Hethy 2001b, p. 61) – way. The Interest Reconciliation Council of Budgetary Institutions was abolished in 1999, so that national wage negotiations for public services ceased (Hethy 2001b, p. 64).

²⁴⁰ Hethy 2001b, pp. 63–64.

²⁴¹ Hethy 2001b, pp. 66–68.

²⁴² Hethy 2001b, p. 57.

²⁴³ Tóth 1998, p. 130.

²⁴⁴ All informations about collective bargaining and representation of employees at the workplace are drawn from Tóth 1998.

²⁴⁵ Tóth 1998, p. 125.

²⁴⁶ Tóth 1998, p. 126. For details of the impact of these institutional arrangements on trade unions and representation of trade unions at the workplace see Tóth 1998, pp. 126–129. Probably it slowed down de-unionisation.

²⁴⁷ Tóth 1998, p. 129.

²⁴⁸ All figures are taken from Tóth 1998, p. 129. Kohl 2002 (p. 412) reports a coverage rate of 40 %.

²⁴⁹ Draus 2000a, p. 394–395.

5.2.2 *Participation of the social partners in the accession process*

According to Borbély²⁵⁰, several tripartite bodies were established that deal with EU integration. Within the framework of the Interest Reconciliation Council an International Working Group was operating between 1997 and 1999, due to the restructuring of the social dialogue in 1999, it was replaced by the European Integration Council encompassing besides the social partners delegates of the government, economic chambers and guests. In 1997, a joint committee with the Economic and Social Council of the EU was established. These two institutions – the European Integration Council and the Joint Committee – “are characterised by an *overrepresentation* of politicians and top-level leaders of interest organisations, so these fora are rather limited to briefing by the government or to very general declarations by the social partners”.²⁵¹ In 1996, six national trade unions set up the National European Integration Commission of Hungarian Trade Unions (MSZEIB²⁵²) to establish “a co-ordinating and information role for the trade unions on EU issues” and “to generate a specific trade union strategy and analysis on European integration”.²⁵³ Despite these possibilities to exert influence in the accession negotiations and to express their opinion, the Hungarian trade unions failed to act in this way, due to organisational weaknesses and inter-union differences.²⁵⁴ Regarding the employers’ organisations, Draus²⁵⁵ states, that they are “more active” in committees and working groups than the trade unions.

5.2.3 *Assessment by the EU*

In the 1999 Regular Report the Commission states that in Hungary with six national trade unions and confederations and nine national employer organisations represented in the National Labour Council their number “remains too high to facilitate effective social dialogue”.²⁵⁶ As described above, restructuring of the social dialogue started in 1998 and in 2000, when the effects of the new structures became apparent, the Commission assessed the situation as following: “Social dialogue is not accorded the requisite importance and this situation need to be addressed. The new structures need to be used in a way that permits effective social dialogue. There is a need to actively promote sound developments in social dialogue within the country. The lack of effective consultations at national level is harmful to social dialogue, not only at the European level, but also at the decentralised level (sectors, regions and enterprises). Hungary needs to take steps to strengthen autonomous social dialogue at these levels”.²⁵⁷

The 2001 regular report criticises the lack of confidence and trust between the government and the social partners resulting in difficulties to realise an effective tripartite social dialogue; furthermore the weakness of autonomous social dialogue at the sectoral and enterprise level is mentioned.²⁵⁸ The Commission’s recommendations are: “Sound developments in social dialogue should be actively promoted. Strengthening the administrative capacity of both social partners and the government would help them to find ways of progressively operating more effectively. To this end, the planned government-training programme should now be implemented with a view to helping social partners to build up their own research and negotiation capacity. [...] Autonomous social dialogue, especially

²⁵⁰ Borbély 2000, pp. 98–99.

²⁵¹ Boda et al. 2000, p. 423.

²⁵² More informations are available at www.konfoderaciok.hu/mszeib/ (05.21.04). Its regular bulletin IntegRáció can also be found there.

²⁵³ Borbély 2000, p. 101.

²⁵⁴ Borbély 2000, p. 98, Boda et al. pp. 430– 433.

²⁵⁵ Draus 2000a, p. 395.

²⁵⁶ Commission 1999c, p. 44.

²⁵⁷ Commission 2000b, p. 53.

²⁵⁸ Commission 2001b, p. 60.

at the sectoral level, should be promoted."²⁵⁹ Besides the recommendations to the government to ensure due process on the tripartite level, social partners are asked to use "their autonomy to conclude agreements among themselves".²⁶⁰

6 Comparison of the Polish and Hungarian Approach

Overall, Poland and Hungary have adopted similar approaches to social protection policy since the onset of transition. Both countries abolished the former state-paternalistic welfare regime and disconnected institutionally economy and social policy. Nevertheless, some important differences have emerged due to various factors. In both countries emerged developed social protection systems that are – regarding generosity – comparable to wealthier Western European countries. Social spending as a percentage of GDP increased during transition, although subsidies have largely diminished.²⁶¹ Especially expenditure for pensions contributed to the increase. Unemployment benefits and active labour market policies played a minor role in burdening the budget. Whereas the Polish transition took the form of a "shock-therapy" the Hungarian approach was a more gradual one. Concerning social dialogue, Poland and Hungary experienced different developments. Hungary was the first country in the region that set up a national tripartite institution. Poland was a late comer in this respect due to the double role of Solidarity: on the one hand Solidarity was a political movement, on the other hand it was a trade union confederation.

6.1 Social Policy

Concerning the pension system, the Hungarian and Polish system had some features in common. They were based on a pay-as-you-go approach financed by a combination of payroll taxes and transfers from the general budget; early retirement was encouraged during the first years of transition resulting in decreasing numbers of contributors and rising numbers of recipients leading to deficits of the overall budget.²⁶² Shortcomings of the pension system had been long recognized and debated, but reforms had to wait in both countries till the mid-1990s. According to Nelson²⁶³ ministries of finance then focused not only on short-run fiscal issues, but began "to spearhead radical changes in the long-term design of pension systems"²⁶⁴; also by the mid-1990s, "direct and indirect international influences [...] heightened pressure for radical pension reform".²⁶⁵ Trade unions in both countries were not entirely against reforms and the then governments in both countries "were controlled by post-Communist parties with strong ties to the post-Communist labor federations"²⁶⁶ enhancing the possibilities of reform. The outcomes in both countries were similar – in Hungary a multipillar system was introduced and in Poland a second pillar was added offering a choice for

²⁵⁹ Commission 2001b, p. 62.

²⁶⁰ Commission 2001b, p. 62.

²⁶¹ Götting (1998, pp. 264-268) argues that the increase of social expenditure does not signify a more "generous" regime, since GDP declined. If real social expenditure remains equal, the share of GDP will increase. Beyond, the percentage of social expenditure might have increased, because of the restructuring of the economy; social expenditure were "hidden" in other titles of the budget. Another reason is that the number of recipients increased during transition and the average of benefits was reduced in almost all cases.

²⁶² Kramer 1997, pp. 82-85; Nelson 2001, pp. 238-239.

²⁶³ Nelson 2001, pp. 239-241.

²⁶⁴ Nelson 2001, p. 240.

²⁶⁵ Nelson 2001, p. 240.

²⁶⁶ Nelson 2001, p. 249.

workers in the middle generation – and left opponents of a multipillar system as well as supporters of a more rapid shift dissatisfied.²⁶⁷

The development of the health care sector in Hungary and Poland bears resemblances. Both countries had the legacy from the socialist era: a health care system providing universal coverage but with major inefficiencies. Whereas in Hungary a compulsory insurance was introduced in 1990, in Poland "a bill establishing the broad outlines of a new national health-insurance system was approved by the legislature"²⁶⁸ only in 1997. Despite some action and demand for health care reform in both countries, the outcomes are very moderate. Nelson²⁶⁹ concludes that health care reform is harder to conduct than pension reforms since there are multiple powerful interests difficult to conciliate, external actors are less active in this area and no "blueprint" for reform is available that provides broad consensus.

Both, Poland and Hungary, had to deal with rising rates of unemployment during transition. Whereas the situation in Poland worsened, unemployment in Hungary reached a peak in 1993 and then declined. As open unemployment was practically nonexistent in the socialist era, unemployment compensation programmes akin to those in Western Europe were launched when economic reforms started. In general, these assistance programmes were generous at first, but had to be cut back as soon as the rates of unemployment rose and became a financial burden for the budget.²⁷⁰ Unemployment benefits absorbed most of the resources and active labour market policies were neglected in both countries; another common feature of the labour market in Poland and Hungary is the increasing number of long-term unemployed, especially problematic for the low skilled.²⁷¹

6.2 Social Dialogue

Regarding labour relations and social dialogue, Poland and Hungary have some features in common, but there are also differences. Company and sectoral levels in both countries are less developed compared with most current EU member states, whereas the sectoral level is the least developed one. At the macro level, where tripartite structures prevail, differences with current member states are less pronounced.

A common issue is a decreasing level of unionisation. Reasons are similar in both countries. Trade union representation is weak in self-generated small and medium sized enterprises and in privatised enterprises, particularly in those "where foreign capital was involved".²⁷² Due to the disintegration of former state-owned enterprises a large number of employees was lost to the trade unions and trade unions could not regain members in private small and medium sized enterprises, probably since "trade union strategies were not properly adapted to the new challenges of a transformed economy".²⁷³ Sometimes employees are reluctant to reorganise trade union activities and to become members of trade unions; factors contributing to this phenomenon are that trade unions are not very popular and that there is a lack of confidence in formal institutions in general and trade unions in particular.²⁷⁴

As already mentioned, company and sectoral based industrial relations are relatively weak in both countries. Since works councils in Poland have been established in the socialist era to counter the

²⁶⁷ Nelson 2001, p. 253.

²⁶⁸ Nelson 2001, p. 256.

²⁶⁹ Nelson 2001, pp. 257-261.

²⁷⁰ Kramer 1997, p. 87-88.

²⁷¹ Kramer 1997, pp. 87-95.

²⁷² Gábor 2000, p. 16.

²⁷³ Gábor 2000, p. 17. Gábor sees this lack of an effective strategy in the "socialisation of trade union officials, which [...] have roots in previous economic structures" (p. 17).

²⁷⁴ Draus 2000b, Kurtán 1999, p. 120.

power of Solidarity, they were discredited after democratisation and trade unions were granted a monopoly of interest representation at company level.²⁷⁵ But due to the split of the union movement a "dual" representation of interests by two parallel trade union blocks in one company²⁷⁶ emerged. In Hungary, trade union representation at the workplace was challenged through the 1992 act on works councils.²⁷⁷ The 1999 amendment of the Labour Code constitutes a further threat to the trade unions, since works councils have now the possibility to lead negotiations and to sign collective agreements in unorganised companies.²⁷⁸ Employers are reluctant regarding this – from their point of view – "mere 'duplication' of interest-representing bodies".²⁷⁹

Labour relations at the sectoral level are rather reminiscent of the Japanese or US models; Kohl et al.²⁸⁰ enumerate several factors leading to this apparent weakness compared to standards in the EU: the trade union movement is splitted, governments (or parts of them) are not eager to bolster trade unions, there is a lack of employer's associations and there is a general pressure through unemployment that hampers collective agreements.

At the macro level, Poland started relatively late to bring tripartism into operation, resulting from the "fundamental split between relatively intransigent trade union blocks and the absence of organised employer associations".²⁸¹ Since the two blocks have strong party political affiliations, both trade unions are sceptical about discussions at the national level.²⁸² In Hungary the situation is different, it was the first country that established tripartite negotiations. The union movement is highly fragmented as well as the employer's associations; as a result it is difficult to agree on a common strategy and wage policy, but nevertheless tripartite structures appear "to be a particularly useful tool in Hungary as a means of ensuring a smooth transition to the targeted objectives on various levels".²⁸³

7 Concluding Remarks

As already mentioned, social policy appears lower-ranking in the sequencing of reforms, even when reformers at the beginning of the transition period were eager to break up instantly the old system. Major systemic reforms in the welfare regime take time, do not contribute immediately to the predominant stabilisation objective and other reforms have to be in place first. This general statement is applicable for both countries, albeit the interacting actors and factors – aforementioned in part four²⁸⁴ – operated in different ways regarding both countries and various policy areas. Economic conditions influenced social policy in Poland and Hungary. Whereas in Poland the economic crisis at the end of the 1980s resulted in cuts of welfare programmes, the situation in Hungary was more favorable and sharp cuts could be postponed in Hungary until the mid 1990s when the budget deficits became as large that the previous policy was no longer sustainable.²⁸⁵ Strength and commitment of governments is an important factor, but there is no simple relationship between strength (and commitment) and success of reforms. As Haggard et al.²⁸⁶ point out, "despite a larger number

²⁷⁵ Kohl 2002, p. 411, p. 413.

²⁷⁶ Kohl et al. 2000, p. 408.

²⁷⁷ For details on history and experiences of works councils in Hungary see Kisgyörgy et al. 2001.

²⁷⁸ Girndt 2001, p. 15.

²⁷⁹ Kohl et al. 2000, p. 408.

²⁸⁰ Kohl et al. 2000, p. 409.

²⁸¹ Kohl et al. 2000, p. 410.

²⁸² Kohl et al. 2000, p. 410.

²⁸³ Kohl et al. 2000, p. 411.

²⁸⁴ Cf. also Götting 1998, pp. 30–41 and 274–281.

²⁸⁵ But the Hungarian experience provides no "model" as to derive a general threshold at that reforms should be initiated.

²⁸⁶ Haggard et al. 2001, pp. 105–106.

of veto gates and very fractious multiparty politics²⁸⁷ Polish governments were able to initiate a pension reform at the same time as Hungary with institutional features guaranteeing more "stability". They attribute this success partly to international pressure and the packaging of reform attempts. In general, there was rather a "soft"²⁸⁸ influence of external actors in the area of social policy through advice and technical assistance than "hard" guidelines, certainly due to the fact that social policy reforms are administratively complex and that there is less technical consensus on them compared to other policy areas.²⁸⁹

Nevertheless, pressure for reforms was exercised through opportunities to enter the EU and reform attempts may be driven less by institutional arrangements and party politics in this candidate countries; concerning the implementation and enforcement of the social *acquis* there are little possibilities for derogations.²⁹⁰

In this respect, the administrative capacity plays an important role. The lack of administrative capacity is repeatedly addressed in the regular reports by the Commission for both countries. Alike, the Commission points out in the reports that further effort is needed to involve the social partners and to establish a social dialogue, especially at the enterprise and sectoral level. At the beginning of the transformation bargaining power of social partners were weak. Both, employer's associations and trade unions had to find strategies to cope with the new situation. Tripartite structures were introduced to share political responsibility and to maintain social peace in the transition period. The involvement of social partners sometimes slowed down or blocked reforms.²⁹¹ Path dependencies played an important role in the transition period, since the legacy of the socialist era had to be taken in account. Adaptions of established structures as the pension system and the health care system were protracted undertakings, whereas re-arrangements of newly introduced protection structures as unemployment benefits were "easier" to conduct.²⁹² As already mentioned, social policy reforms appear to be "second (or third) generation reforms".²⁹³ Since economy and society had to be transformed as a whole, a sequencing of the reform agenda seemed appropriate and usually social sector reforms were postponed; also in order to achieve acceptance in other policy fields.²⁹⁴ Postponing might have led to missed opportunities of "easy" reform²⁹⁵, when opponents of reform were weak, but contributed to maintain social peace and, for example, the establishment of the self-governing bodies in Hungary contributed to a democratisation of the society.²⁹⁶

The European Union is not a social union, nevertheless many scholars point out that there is a "European Social Model" distinct from other arrangements. Beyond, over the last decades the European Union developed a complex system of social regulations and the social *acquis* is an essential pillar in the accession negotiations.

Since the late 1980s, Poland and Hungary transformed their economies and societies and opted for European-style welfare state regimes (or conservative corporatism) instead of a US liberal kind, even

²⁸⁷ Haggard et al. 2001, p. 105.

²⁸⁸ Götting 1998, p. 277.

²⁸⁹ For an overview of the conflicting influences of global agencies in Eastern Europe see Deacon 1996 and Deacon 2000.

²⁹⁰ In a position paper for the accession negotiations the Polish government accepts and expresses the will to implement in full the *acquis communautaire* in the area of "employment and social policy" (chapter 13) by 31 December 2002 and not to request derogations or transition periods, with one exception concerning work equipment (Commission c; for details see UKIE 2000, p. 265-276.). Hungary declared to be able to apply all existing social legislation before accession with one exception regarding the tar yield of cigarettes (Rothbacher 2000, p. 24-25).

²⁹¹ Götting 1998 (p. 276) notes that constitutional courts as intermediary actors besides the social partners modified reforms especially in Hungary and Poland.

²⁹² See Kramer 1997, p. 53, with an institutionalist approach. Götting (1998, p. 264) points out that unemployment provisions remained narrow as percentage of the budget.

²⁹³ Nelson 2001, p. 236.

²⁹⁴ Götting 1998, pp. 279-280, Kramer 1997, pp. 103-104.

²⁹⁵ "The early windows of opportunity are now gone" as Kramer (1997, p. 107) expressed it.

²⁹⁶ Götting 1998, p. 280, Kramer 1997, p. 105.

if struggles between the regime types continued in the late 1990s.²⁹⁷ Reasons for these development are that the want of delimitation from the old system decreased during the transition period, the number of proponents of a pure liberal agenda declined²⁹⁸ and the influence of the World Bank – demanding residualisation – is challenged by the “Social Democratic and Christian Democratic ideals within the EU”.²⁹⁹

As described above, social regulations at the European level emerged in order to prevent “social dumping” and a “race to the bottom” in labour standards and labour-market regulations as well as to ensure workers’ freedom of movement, to encourage member state and interest group cooperation, and to promote “best practice”. Both, Poland and Hungary, implemented the regulations of the social acquis in their national legislations. Chapter 13 has been closed provisionally in March 2001 concerning Polish negotiations and in November 2000 concerning Hungarian negotiations.³⁰⁰ But, whether this regulations will be enforced in an adequate way remains questionable, since social standards are costly. Poland and Hungary already devote a high share of public expenditure to social protection which might be unfavourable regarding employment and foreign direct investments and favour the informal sector. Despite this fact, labour costs and living standards are quite below the EU average and probably they will remain below this level in the near future.

Both, Poland and Hungary, started with a socialist legacy, but during the transition period there were differences and similarities. To sum up, Poland and Hungary are among the most advanced applicant countries and should be able to become full members of the European Union concerning the social acquis, albeit shortcomings resist in the area of the social acquis, especially regarding social dialogue.

Other related issues were not discussed here. The possible problem of a migration from the new member states to old ones was not mentioned. Repercussions of the eastward enlargement for current members states is another area that was not focussed. What could be the consequences of an enlargement for the social policy in the nation states? Are further improvements in the area of social policy at the European level feasible or necessary? Is the institutional framework adequate for an enlarged Union and what are the consequences for redistributive activities at the European level? Our focus was not to answer such questions; instead we reviewed the development of social policies at the European level in order to highlight the requirements in the accession process and outlined the changes in social policies and social dialogue in Poland and Hungary during transition. Certainly, changing economic environments and a deepening integration will challenge both, applicant countries and present member states, in the field of social policies.

²⁹⁷ Deacon 2000, p. 156.

²⁹⁸ Götting 1998, p. 283.

²⁹⁹ Deacon 2000, p. 159.

³⁰⁰ Commission c.

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