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EXTENDED SOCIAL EUROPEAN SOCIAL POLICY, SOCIAL INCLUSION AND SOCIAL DIALOGUE IN CROATIA AND THE EUROPEAN UNION

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ABSTRACT

The paper discusses aspects of Croatian social policy, particularly social inclusion and social dialogue, in the context of Croatia's status as a candidate country for accession to the EU. It describes the development of a European Social Model demonstrating that, notwithstanding certain problems, significant achievements have been made within the EU. Social dialogue has evolved from consultation to social governance, and the open method of co-ordination is implemented not only regarding employment issues but also in the social inclusion process. Furthermore, European concerns have been extended to the fields of pensions and health care, which will be addressed in future joint EU Social Protection Reports. The paper notes the salience of social policy issues in previous waves of accession. Analysis of Croatian welfare reforms shows that, thus far, the EU impact has been

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very limited. The paper calls for strengthened efforts, by Croatia and the EU, to ensure that aspects of social policy and the European Social Model are more systematically discussed, addressed and implemented as Croatia proceeds towards EU membership.

Key words:

Social Europe, European Social Model, social policy, social protection, social inclusion, social dialogue, open method of co-ordination, accession, welfare reforms, Croatia, European Union

INTRODUCTION

This chapter explores aspects of Croatian social policy, including the process of social dialogue, in the context of Croatia's status as a candidate country for accession to the EU. The concept of "extended social Europe" refers to two dimensions which have been much discussed by scholars and EU policy analysts. The first concerns whether, and in what ways, the EU has a deeper commitment to social issues than in the past. The second concerns the inter-relationship between the social concerns of the EU and the process of the enlargement of the EU.

Social inclusion and social dialogue have, thus far, been paid less scholarly attention in Croatia than other elements of European social policy questions, including employment policies, gender equality, and the development of civil society (Vasiljević, 2003; Vidačak, 2003). In addition, questions of social policy and social protection have tended to be reduced to narrow concerns with poverty alleviation (Bejaković, 2004).

Our argument here is that social policy concerns and social dialogue in Croatia have not been sufficiently developed or discussed in the context of EU accession. Greater efforts should be invested in the elaboration of the core principles of social dialogue and of social policy, in commitments to strengthening social dialogue and to promoting social inclusion, and to measures for implementing social dialogue and strengthening social protection systems. Without these efforts, Croatia risks being unprepared for the social dimensions of EU membership in the short- and medium-term.

In this chapter we focus, firstly, on the context of Social Europe and note shifts in the consideration of questions of social policy and social dialogue. This is followed by a consideration of social policy

processes in different waves of accession including in the new post-communist member states of Central and East European countries (CEEC) and in the candidate countries of Bulgaria and Romania. Section 4 focuses on the relationship between the EU and Croatia, in the context of the wider Stabilisation and Association process (SAP) for the countries of South and East Europe (SEE). Section 5 draws some conclusions and makes some broad recommendations.

Key definitions

In its widest sense, *social policy* is "... any policy developed at supranational, state, local or community level which is underpinned by a social vision of society and which, when operationalised, affects the rights or abilities of citizens to meet their livelihood needs" (ODA, 1995:26).

Social Dialogue according to the ILO, refers to "... all types of negotiation, consultation and information-sharing among representatives of governments, social partners or between social partners on issues of common interests relating to economic and social policy" (Infocus Programme on Social Dialogue, Labour Law and Labour Administration).

Social Inclusion may be defined as "...the process by which efforts are made to ensure that everyone, regardless of their experiences and circumstances, can achieve their potential in life. To achieve inclusion, income and employment are necessary but not sufficient. An inclusive society is also characterised by a striving for reduced inequality, a balance between individuals' rights and duties and increased social cohesion" (Centre for Economic & Social Inclusion, 2002).

Social Protection refers to "...the public actions taken in response to levels of vulnerability, risk and deprivation that are deemed socially unacceptable within a given polity or society" (Norton [et al.], 2001).

SOCIAL EUROPE

A historical overview

In its beginnings the idea of a united Europe was not at all a social, rather, a political and economic project. The political idea of a Europe free from dangerous conflicts was reinforced and strengthened

by the economic need to create a common European economic area as a space for the free movement of goods and workers. Insofar as there was a concern with the social dimension of a united Europe, it was basically residualist and corporatist (Hantrais, 1995; Falkner, 1998; Vaughan-Whitehead, 2003). Social policy questions, restricted largely to those of the workplace, were seen as resolvable through dialogue between workers' and employers' representatives at the level of the firm or, at most, the nation state.

These basic ideas began to be questioned in the 1980s, in the context of an increasing awareness of social problems and social issues throughout Europe; the accession of three relatively poor new members, Greece in 1981, and Spain and Portugal in 1986; and the increasing hegemony of left-of-centre ideas within the EU and, in particular, in the active presidency of Jacques Delors from 1985 onwards.

The increased salience of social policy in this period is shown by the centrality of social policy in key EU policy documents¹ that established a series of fundamental social rights of workers, with the Social Chapter proposing three major changes: an extension of the competence of the Community on social issues; the introduction of qualified majority voting in new areas, such as health and safety, working conditions, information and consultations, and equal opportunities; and a recognition and extension of the role and rights of the social partners (Vaughan-Whitehead, 2003:13).

The early 1990s saw, in a sense, the simultaneous development of two apparently divergent trends. Firstly, in the context of the global hegemony of neo-liberal ideas which sought significant reductions in "non-productive" state expenditures, and the emphasis on "radical" macro-economic policies to move out of widespread recession in Europe, the EU introduced the Maastricht economic criteria which appeared to establish the fundamental pre-conditions for a far-reaching reduction of social rights throughout the EU. Although the academic social policy literature showed the resilience of European welfare states, or, at least, difficulties in promoting and implementing welfare retrenchment measures (Pierson, 1994; Esping-Andersen, 1996), the pressure for a reduction of social protection expenditures and scope seemed quite strong.

On the other hand, work on a new phase of the building of Europe, through the Amsterdam Treaty, which came into force in 1999, stressed also the need for a continuation of efforts to build the social dimension of Europe, following the logic noted above. A concern with human capital in terms of the quality and nature of employment was the

most important development here, as expressed in the new Employment Chapter from the Amsterdam Treaty. The Amsterdam Treaty article 126 states that “Member States shall regard employment as a matter of common concern and shall co-ordinate their actions” (Wyatt, 2002).

The stronger European integration in the beginning of the 1990s contributed to a more integrative approach to the question of poverty and social exclusion. In the Council Recommendation from 1992 the EC recognized that social exclusion processes and risks of poverty had become prevalent and more diversified over the last ten years and that the member states should recognize the basic rights of a person to sufficient resources and social assistance to live in a manner compatible with human dignity (Ferrera, Matsaganis and Sacchi, 2002).

The Amsterdam Treaty introduced, for the first time, a mandate for action by the EU to combat social exclusion and promote inclusion: “This makes it possible to promote the inclusion of vulnerable groups beyond the scope of actions in the context of employment policy. This is based on the recognition that, while work remains the central means of participation in society for most people, directly or indirectly, as individuals and as families, there are many other ways in which people can be excluded from economic, civil and institutional society” (European Communities, 1999:9).

A new phase began with the statement at the Lisbon Council in 2000 where EU member states committed themselves to working towards a new strategic goal for the next decade to “become the most competitive and dynamic knowledge-based economy capable of sustainable economic growth with more and better jobs and greater social cohesion. Achieving this goal requires a strategy aimed at modernising the European social model, investing in people and combating social exclusion” (European Communities, 2000; Begg and Bergham, 2002). The new millennium, thus, sees for the first time the EU extending its concern with macro-economic and employment issues to the broader sphere of social policies. Moreover, the functionalist and residualist notion of social policies has been finally severed. The promotion of policies to combat social exclusion is now seen as a legitimate area of EU concern.

The open method of co-ordination in social policy

The process of elaborating this concern is the Open Method of Co-ordination (OMC) which was first introduced regarding aspects of

employment strategy in the Amsterdam Treaty. The Lisbon Council saw the OMC as a “learning process for all”, opening a policy space between integrative regulation and mere communication and co-operation, designed to spread best practice, be a driver for change, and to produce convergence of vision and agreement on outcomes. The OMC moves the EU into the arena of “soft law” governance processes, respecting national diversity in the means of achieving outcomes and realising the vision. In this sense, the development of organised and reciprocal learning processes to cope with a rapidly changing world is at the heart of the OMC, but it goes beyond a permissive notion of this “by defining European-level guidelines and identifying common challenges” (de la Porte, Pochet and Room, 2001:293), even if the response to these challenges is, to an extent at least, the responsibility of member states.

The clearest statement of the role of the OMC in social policy is provided by Frank Vandembroucke who, as Belgian Minister of Social Affairs at the time of the Belgian presidency of the EU in the second half of 2001, made a crucial contribution to the EU’s focus on social inclusion: “(The OMC) involves setting common objectives at European level, defining appropriate national policies to achieve the objectives, and reporting national policy developments and outcomes. The (OMC) ... is designed to help member states to develop their own policies, reflecting their individual national situations, to share their experience, and to review the outcomes in a transparent and comparable manner. ... What Europe needs is an exercise in ambition in the social policy area. ... But there is not a single best practice: there are different ways to reach excellence ... ” (Vandembroucke, 2002:V-VI).

The social inclusion regime of the European Union: the five key elements of the open method of coordination

- *Common Objectives on poverty and social exclusion* which were agreed at the Nice Summit in December 2000 (Council of the EU, 2000) and were revised at the Employment, Social Policy, Health and Consumer Affairs Council in December 2002 (Council of the EU, 2002). The Objectives set out an agenda in which member states commit themselves to “take steps to make a decisive impact on the eradication of poverty” by 2010.
- *National Action Plans against poverty and social exclusion*, often known as National Action Plans on Social Inclusion (NAPs/incl). There are the main vehicles through which member states indicate

their response to the Common Objectives. The NAPs/incl follow a common outline and cover a two-year period. The 15 member states submitted their first NAPs/incl in June 2001 and their second in July 2003. The ten new member states submitted their first NAPs/incl in July 2004 covering the period to mid-2006ⁱⁱ.

- *Joint Memoranda on social inclusion*, also known as Joint Inclusion Memoranda (JIMs). These were a prelude to the NAPs/Incl process, outlining the situation and policy priorities regarding poverty and social exclusion in the accession countries prior to their membership. Ten such JIMs were signed by the Commission and the national authorities on 18 December 2003ⁱⁱⁱ. The JIM process remains in place for all accession countries, so that the JIMs for Bulgaria and Romania will be signed later in 2004.
- *Joint Reports on social inclusion*, which represent the response of various EU bodies to the NAPs/Incl. The first such Report was submitted to the Laeken European Council in December 2001 and the second, more detailed, was adopted in March 2004^{iv}. In addition the Commission staff produced in June 2004 a working paper on Social Inclusion in the New Member States, which is a consolidated synthesis response to the 10 JIMs but, also, takes the opportunity to highlight key issues in the further development of EU social inclusion policy as a whole^v.
- *EU Indicators on social inclusion*. The Belgian Presidency of the EU, in the second half of 2001, initiated a process of constructing indicators for poverty and social exclusion. These are sometimes known as the Laeken indicators because they were initially approved at the European Council meeting in Laeken in December 2001 (Atkinson [et al.], 2002). The construction of indicators was agreed to encompass three levels: (1) 10 primary indicators on financial poverty and material deprivation, employment, health, and education; (2) secondary indicators, supporting the lead indicators and supplying greater detail or describing other dimensions of the problem of poverty and social inclusion and (3) indicators which member states themselves decide to include in their NAPs/Incl to help interpret level 1 and 2 indicators and/or highlight specificities in particular areas.

A far-reaching reform, meant to strengthen the social dimension of the Lisbon process and streamline the OMC in social protection, was signalled by the Commission in May 2003 (Commission of the European Communities, 2003a). Essentially, following similar work on

economic and employment policy, the Commission's report envisages consolidating work on social inclusion, pensions and health care under the notion of social protection, based on common objectives (by 2009), National Reports on Social Protection (from 2006) and Joint Social Protection Reports (from 2005). As early as 2005, the first joint report on Social Protection should be issued, with a special focus on social inclusion. From 2006 onwards, the report will be integrated. In the subsequent two years, member states should submit lighter reports, with comprehensive and forward-looking reports produced every three years. Interestingly, whilst welcoming most of these proposals, the Social Protection Committee (Council of the EU, 2003) has signalled its concern that the identity and achievements of the social inclusion and pensions strategies should be maintained. It also recommends referring to the process as that of Social Protection and Social Inclusion.

A number of critiques have been made regarding the process of OMC in relation to social exclusion. Some commentators have argued that a neo-liberal, non-interventionist model of capitalist development remains the hegemonic discourse and practice within the EU. In this sense, social policy is conceived, primarily, in productive terms, with particular emphasis on employment policies. Where other social policies are discussed, these tend to be viewed in terms of minimalist support for the most vulnerable, and are, in any case, governed by the subsidiarity principle so that member states remain largely free to pursue social policies of their own choosing, with little power given to the EU itself. These commentators see the OMC as a weak instrument in comparison with the tougher regulatory powers within the *acquis communautaire* (cf. *inter alia* Taylor-Gooby, 2003; Begg and Bergham, 2002; Ferrera, Matsaganis and Sacchi, 2002).

Others, whose views we share, have suggested that the EU is today much more involved in social policy issues than ever before, that these issues are discussed at the European level where an appropriate policy is formulated, and that they are part of the core of EU concerns. Since 2000 the spring European Council meetings each year have discussed the interrelationships between economic, employment and social policies; this means that social issues are placed high on the European agenda. Indeed, the use of the OMC is being extended as a means of EU governance to areas such as pensions and health, hence covering the wider social policy arena. Consequently, a number of influential commentators have begun to see the EU as a regional force countering globalization pressures, with no evidence of social dumping

or a race to the welfare bottom (Graziano, 2003; Alber and Standing, 2000; Vaughan-Whitehead, 2003).

Social dialogue in the European Union

The Treaty of Rome (1957) established a partnership between the Commission and social partners (Hantrais, 1995; European Communities, 1999; Vaughan-Whitehead, 2003). This was amplified by the Val Duchesse process which established an intensive bipartite cross-industry social dialogue on a series of social issues, including the further economic and monetary integration of the EU and acceptance of *The Charter of Fundamental Social Rights of Workers* (1989). In the course of preparation of the new Treaty in 1991 the social partners agreed about their new role, even extending to legislative oversight, but this agreement was not incorporated into the Maastricht Treaty as a result of the UK objection. Rather, it was adopted as a separate Social Protocol with binding force on eleven of the then twelve member states. Some years later, it was incorporated into the Amsterdam Treaty which became effective in 1999. The Treaty gives the social partners the right to be consulted on a series of social and economic issues, and gives them a legislative and regulatory role in the application of certain EU directives.

In the context of agreements on a range of issues such as parental leave; part-time and fixed-term employment contracts; work councils; and working time, social dialogue has developed from consultation to social governance. Today, it is impossible to envisage policy processes being implemented in any parts of the EU without the serious involvement of the social partners. Social dialogue is seen as a key force for innovation and change (Commission of the European Communities, 2002a). More broadly, social dialogue is increasingly seen as a part of a comprehensive civil dialogue, which involves different civil society actors, such as associations, foundations, non-profit institutions, and civil initiatives.

In order to commit itself to a new way of dealing with public issues the Commission issued recently two important documents: *The White Paper on European Governance* and *Towards a reinforced culture of consultation and dialogue* (Commission of the European Communities, 2002b). These reinforce the idea that social dialogue and extensive consultation are interconnected and that minimal standards are prescribed for the consultation process (cf. Zrinščak, 2004).

Essentially, the Commission is now committed to publishing all open public consultations through a single access point on the Internet.

SOCIAL POLICY REFORMS AND EUROPEAN UNION ENLARGEMENT

The fall of the Berlin Wall represented a new historical moment for Europe. It quickly became clear, however, that the building of a democratic political society with a fully functioning market economy was not going to be without social consequences. In the field of social policy, capitalist-democratic Europe's existing three (liberal, social-democratic, conservative-corporatist) or four (South-European) major social policy models (Esping-Andersen, 1990; Ferrera, 1996), could not be simply applied to post-communist experiences, given their historical and cultural specificities. In addition, of course, the 1990s were not only the years of post-communist transition, but also the years in which trends of globalization, economic pressures, rising unemployment and inequality, and unfavourable demographic patterns limited the space for the construction of "new" welfare states.

The increased range of supra-state actors influencing social policy also made any notion of welfare regime models problematic, since social reforms were influenced, in varying ways, by the mix of international actors, including the EU, the OECD, the WTO, the Council of Europe, the ILO, and, often crucially, the World Bank and the IMF (cf. Deacon, Hulse and Stubbs, 1997).

Looking back, it is clear that the formal influence of the EU on accession states and new members has always been somewhat limited. For the first group of countries, the post-authoritarian states of Portugal, Spain and Greece, the most significant factor was their own orientation to become more "European" in all aspects of social life (Guillén and Matsaganis, 2000). This pointed to what has now been termed "cognitive Europeanization", or "the incorporation of the EU discourse on the fight against poverty and social exclusion, gender equality, conciliation of family and working life, and active employment policies into ... national ... discourse, preferences and aspirations" (Guillén and Álvarez, 2004:298). On becoming members, they posed significant questions about the speedy resolution of significant social problems, such as high poverty rates, lack of social services, the poor position of women in the labour market, and so on.

For the second group, the wave of post-communist accession countries, the EU's direct influence on the contents and overall structure or model of policy has been limited, and certainly low key, whereas the influence on the enhancement of institutional capabilities has been much more intense and meaningful (Guillén and Palier, 2004:206). The Hungarian social policy scholar Zsuzsa Ferge has argued, persuasively, that the EU was largely silent in the face of neo-liberal social policy reforms that certainly appeared to be some distance away from the European social model (Ferge, 2000). The social *acquis* is, therefore, for this group, much less important than the wider project that "transforms perceptions, identities, policy substance and policy formation, institutional structures, discourse and most of all policy meanings" (Lendvai, 2004:330).

The third case is that of Bulgaria and Romania where, throughout the process of negotiations, social issues, including the extremely high numbers of children in institutions, as well as the issues of street children, people with disabilities, people suffering from mental health problems, juvenile justice, minority (especially Romany) rights, international adoption, and social dialogue, have been high on the EU agenda. Whilst none of these concerns were sufficient, in themselves, to defer the membership of Bulgaria or Romania in the EU, they certainly contributed to the decision, taken at the European Council meeting in December 2002, following the Commission's recommendation in October 2002, to conclude negotiations with ten candidate countries but not with Bulgaria and Romania. Crucially, the severity of the problems, combined with high visibility and successful lobbying by a range of organisations, including international NGOs, succeeded in raising the issues from chapter 13 of the *acquis* to more crucial questions of human rights and political freedoms.

CROATIAN SOCIAL POLICY AND THE PATH TO EUROPEAN UNION MEMBERSHIP

The Stabilisation and Association Process

"The EU is ultimately a union of values. The governments of the region must, and are also increasingly seen to, espouse these values – values related to democracy, the rule of law, respect for human rights,

protection of minorities and a market economy. ... Values do not change overnight, however, and we have to give the countries the time they need – and appreciate that the SAP will not be a quick-fix but it is a long-term policy which will bring about sustainable results” (Commission of the European Communities, 2003b).

This quote very accurately describes the scope and even limits of the Stabilization and Association Agreement (SAA) signed between Croatia and the EU in 2001. It was very important, but only the first step in a long-term transformation process. Therefore, it focuses primarily on the political and economic aspects of changes. In EU reports on Croatia’s progress in 2002 and 2003 only four social policy issues were mentioned, and then only briefly (***, 2002; 2003). In the first Report in 2002, some problems in civil society development were elaborated, and the view was expressed that co-operation between the Government and the trade unions could be better. In the second Report in 2003 the problem of the reduced financial support to civil society organisations was addressed. In addition, the fact that Croatia had ratified the European Social Charter with its three additional Protocols in February 2003 was mentioned. The statement was also made that in 2001 Croatia, with the help of the World Bank, had completed the institutional framework for financially sustainable pension system reform.

These remarks were in accordance with the fact that the SAA itself was silent on social policy issues. Only one article covers “co-operation in the field of social policy” and it stipulates (***, 2002):

- improvements in services of unemployment, promotion of local development and help in restructuring the industrial market and the labour market;
- adjustments of social security systems to new economic and social requirements;
- adjustments of the legal system in respect of work conditions and equal opportunities for women and men;
- improvements in the protection of health and security of workers.

Notwithstanding its vagueness and level of generality, the SAA, together with the new reform-minded public climate, did provide a space for some new questions entering the public agenda, such as gender equality, family violence, and children’s rights. The decentralisation process, initiated in 2001, again notwithstanding its many problems, also opened a space for a range of non-state actors to be involved

in provision, advocacy and, to a very limited extent, policy dialogue in social protection. Beyond this, any broader influence of the EU in the field of social policy reforms is very hard to trace. As mentioned, in 2001 the Government completed the pension reform shaped in previous years and strongly influenced by World Bank ideas, with the EU very much a silent bystander.

Welfare reforms in Croatia

At the same time, because of financial restraints and, in particular, IMF requirements, the Government reduced some social payments, particularly in the field of family policy. In 2002, the Government adopted a “Programme for Combating Poverty and Social Exclusion”. The importance of this document should not be underestimated. For the first time, an official document addressed the question of poverty and social exclusion and outlined the role and tasks of different state agencies in reducing the poverty rate. However, several weaknesses of this document must be noted. The document was entirely drafted and adopted by state representatives with the support of some social policy experts and professionals. No social partner or civil society representatives were included in the drafting process and there was no wider consultation process. The document remained merely declaratory in nature, in part because of a lack of evidence and data – by this time, still only one very limited and dated piece of research on poverty existed, the World Bank study published in 2000, based on a household survey from 1998 (World Bank, 2000). The report appears not to have been written with the process of EU accession in central place – the process of the SAA and the wider Copenhagen criteria are noted only briefly. Therefore, the social inclusion process which was already underway inside the EU at this time, and which is noted above, did not influence the Programme in any way. Crucially, the EU Laeken indicators were neither noted nor utilised. The Programme concludes by stating that a tripartite body for inspection would be established and that it would report once a year to the Government about results and possible changes. Such a body was, apparently, established but no report has yet come to the Government, much less been discussed in public or with the social partners.

The momentum and direction of reform has come from elsewhere and has not, in any sense, borne the marks of EU influence. The

social welfare reform project, led by the then Ministry of Labour and Social Welfare, began in April 2002, with the first phase, lasting a year, financed by the World Bank, the UK's Department for International Development (DFID) and the Government of Japan. In addition to work on the reform of social services, social assistance, and labour market policies, one part of the project was devoted to the problem of monitoring poverty and, in particular, strengthening the institutional capacities for measuring poverty. Very specific recommendations were developed and, in 2004, the Croatian Bureau of Statistics for the first time issued data on poverty which included some, although by no means all, the Laeken indicators.^{vi} The future of the entire reform project, based on a World Bank loan, remains unclear, including the development of data on poverty and social exclusion.

Social dialogue

Prospects for social dialogue were also partly improved after the election of the new Government in January 2000 although, again, without significant EU influence or involvement. In 1999 the biggest trade union federation, the SSSH (Savez samostalnih sindikata Hrvatske) signed an Agreement for a Legal Croatia with the then six opposition parties (Cimeša and Marinković Drača, 2002; Cvitković, 2003). This contributed to the victory of the six in the elections in 2000, and led to high expectations of a change in the relationship between the Government and the trade unions. Subsequently, the institutional framework for social dialogue was improved through three events: the adoption of the Agreement about the Economic-Social Council and other forms of social partnerships; the adoption of the agreement "Partnership for Development", signed by the Government, the employers federation (HUP) and four trade unions; and the establishment of the Office for Social Partnership in Croatia. The latter, in particular, received substantial support, both financial and technical, from USAID.

Changing the institutional framework does not in itself guarantee changed practices, of course. The trade unions quickly abandoned their pre-election Agreement and became vocal opponents of aspects of Government policy. In addition, at the micro-level, different analyses have shown that at the level of industrial sectors or of individual companies, partnership between employers and trade unions is almost non-existent (Zrinščak, 2005). In this sense, the recent EU conclusion, in the

avis, that social dialogue is “quite developed“ in Croatia does not appear to be justified. In this respect the Croatian situation is very similar to that found in other post-communist countries: “The annual reports on the achievements of the *acquis* concentrated on the existence of the legal grounds of social dialogue. They rarely produced a critical assessment on the implementation of the legislation. ... Lacking the obligatory nature of rules governing this field, the efforts of EU agents proved insufficient to overcome the impediments to establishing effective social dialogue” (Ferge and Juhász, 2004:238). Unlike Hungary, however, where there was a degree of EU financial support for social dialogue, the strong role of USAID in Croatia has, at least implicitly, tended to push policy transfer in the sphere of social dialogue based on the somewhat different US experience.

Social policy and the CARDS programme

To support the SAP, the EU makes available considerable project-based funding. In March 1995, a decision was made to include Croatia in the PHARE programme of assistance. However, before this began in earnest, the decision was revoked following Croatian military actions in August 1995. EU financial support for Croatia was then limited, with Croatia receiving only a total of 33 million euros in 1999 and 2000, mainly for projects promoting refugee return.

Under a European Council decision of 5 December 2000, a new programme of financial support to the countries of the Western Balkans as well as a regional programme was introduced. The CARDS Programme was envisaged as running from 2000-2006, within an overall financial envelope of 4.65 billion euros. Under the programme, Croatia received 60 million euros of assistance in 2001, 59 million euros in 2002 and 62 million euros in 2003, some 9.4% of total allocations^{vii}. In the light of the positive *avis*, Croatia’s 2004 allocation has been revised to 76 million euros, covering five priority areas: Democratic Stabilisation (17.5 million euros); Economic and Social Development (17.75 million euros); Justice and Home Affairs (21.85 million euros); Administrative Capacity Building (15.1 million euros); and Environment and Natural Resources (3.8 million euros) (Delegation of the European Commission to the Republic of Croatia, 2004).

Within the CARDS programme as a whole, very limited attention has been paid to issues of social inclusion or social dialogue, for

any of the countries individually or in terms of the regional programme (Stubbs, 2004). Whilst it could be argued that, implicitly at least, social dimensions are important within the CARDS programme support for the revitalisation of Croatia's war-affected areas, it is significant that social policy concerns are singularly absent from 2004's social development priorities (which focus on adult learning, training for the unemployed, and university co-operation) and from administrative capacity building (focusing on public finances, regional development, and telecommunications).

Currently, the only CARDS-funded initiative with an explicit social policy focus in Croatia is the ongoing support for capacity building and grants to NGOs involved in the social sector, through the newly established Foundation for Civil Society Development. The project is likely to have some impact in terms of promoting a "welfare mix", but it is of relatively small size, and still mainly focused on war-affected areas. In addition, it makes too few connections with any broader process of building strategies or promoting social dialogue in the field of social inclusion.

Currently, in the context of the regional programme, the European Commission has a consultancy which is designed to increase the responsiveness of the CARDS programme to social policy concerns, particularly in relation to administrative capacities. However, in view of the time lags and inevitable delays involved in EU programming, this seems unlikely to be a catalyst for greater alignment of Croatia with EU work on social inclusion in the foreseeable future.

It is interesting to compare the CARDS programme with PHARE which was also seen as having a limited social policy dimension (de la Porte and Deacon, 2002:29). Two of the three factors which are said to account for this, that TORs were written by experts with little understanding of "the political context and priorities of the recipient countries", and "poor project design and selection of inappropriate experts for implementing the projects" (ibid:28), still remain the case, relating to wider concerns with the EU's sub-contracting regime. In theory, the third concern, that inputs, or actually getting a project done, are seen as more important than the project's "long-term relevance and sustainability" should have been partly offset by the introduction of strategically focused multi-annual programming and a strengthening of in-country management capacity. However, whilst this has occurred in areas such as regional development and civil society strengthening in Croatia, it is far from the case regarding social policy, social inclusion, and social dialogue.

In addition, the failings of the PHARE programme in regard to social policy were explicitly recognised in rationale for the launch, in 1995, of the CONSENSUS programme which, for all its faults, many of which also related to sub-contracting and choice of experts, did serve to advance the external dimension of EU social policy and facilitate a dialogue between member states' and accession countries' welfare ministries and officials of the Directorate General for Employment and Social Affairs (ibid:31). The goals of CONSENSUS were to assess the state of accession country social policy, to promote a dialogue concerning social protection and social policy, as well as signalling priority areas for further work in the future. It thus represents a precursor to the OMC. The demise of CONSENSUS in 1999 can itself be seen as "indicative of a lack of consistent external policy thinking on the part of the Commission" (ibid:42), and leaves the CARDS programme without any similar counterweight in terms of social issues.

The avis and the European partnership agreement

The opinion or *avis* regarding Croatia's application for EU membership, issued by the Commission in April 2004, states that social dialogue is "quite developed" in Croatia although it also suggests that "efforts towards the creation of an autonomous bi-partisan dialogue, especially at branch level, should be strengthened" (Commission of the European Communities, 2004a:86). In contrast to Romania and Bulgaria, there is an absence of discussion of social issues within broader political criteria. In terms of social protection, the report calls the system "generous" when compared to the size of the economy (ibid:88). Echoing the point about data made above, although not explicitly referring to the Laeken indicators, the *avis* states clearly: "An area where further progress is needed is the introduction of internationally comparable qualitative and quantitative indicators of social exclusion and poverty, as well as methods for its calculation..." (ibid:88) with more analysis needed of the issue particularly in relation to future policies for vulnerable groups and the war-affected areas. Overall, the *avis* suggests that "considerable and sustained efforts" will be needed to align legislation with the social *acquis* and effectively to implement the provisions in the medium term. In addition, Croatia needs to prepare itself for communication processes at the EU level on employment, social inclusion and pensions.

In the light of this, it is perhaps surprising that the EU Partnership Agreement with Croatia, issued at the same time as the *avis*, is virtually silent on social policy issues. The document sets out the priority areas for Croatia's preparation for further integration with the EU based on the *avis*, in terms of short-term (1 to 2 years) and medium-term (3 to 4 year) priorities. There are no social issues listed in the short-term priorities. In the medium-term, there is a concern with alignment of social and economic policies with EU law, and the importance of administrative regulations for the co-ordination of social security. In addition, the document calls on Croatia "further to develop the capacity of the social partners, notably in bipartite social dialogue, to develop and implement the *acquis*" (Commission of the European Communities, 2004b:13). There is no mention in the document of issues of social inclusion or of the importance of aligning Croatian statistics and procedures with those of the EU, regarding poverty and social exclusion or social protection as a whole.

CONCLUSIONS AND RECOMMENDATIONS

The European Social Model has been intensively developed amongst member states in the 1990s and has been further developed in the new millennium. A more active role for the EU in social policy and social protection, based on the OMC, is now at the heart of Social Europe. With the exception of Bulgaria and Romania, this has not, thus far, been an important element of the pre-accession process for aspiring new member states. It was only in the latter stages of the accession process, with completion of the Joint Inclusion Memoranda, that the eight post-communist countries who joined the EU in May 2004, first encountered these processes in earnest. However, because of the latest development of the European Social Model, it may well be that Croatia will encounter more demands during the pre-accession phase.

As it stands at the moment, social protection and social dialogue are not priority areas in the EU's relation with Croatia. This is in part, perhaps, because other issues, many of which include a social component, of course, such as the questions of regional and local development in the context of geographical inequalities, the development of the war-affected areas, refugee return, minority rights, and the workings of the legal system, are seen as far more pressing problems. It is also, perhaps, because, in terms of the scale of social problems, Croatia appears to

resemble the eight countries of Central Europe rather more than it does Bulgaria and Romania. Still, the *avis* regarding Croatia's application for EU membership asks, as we noted, for considerable and sustained efforts to align Croatian legislation with the social *acquis* and, moreover, to effectively implement it.

This chapter has, therefore, demonstrated that there is no cause for complacency in Croatia. Above all, in the context of the EU's concern not only with alignment of legislation but, also, of implementation and the development of excellence, Croatia's lack of strategic direction in the social sphere, the lack of leadership, as well as a lack of broader consultation and public awareness, are major deficits in the path towards European integration. In addition, the lack of a statistical base for work on social inclusion suggests a high degree of unpreparedness for what will, by 2007, be a strengthened and more holistic EU approach to social policy within its member states.

In the context of possible revisions to the CARDS programme, the EU needs to take a much more proactive role in debates and in programmes regarding social policy and social dialogue in Croatia. The profiles and assumptions of external agencies such as the IMF, the World Bank and USAID are too dominant in Croatia, and the need for an active EU engagement is necessary in the short- and medium-term.

In addition, the Government needs to begin now to prepare for the obligations of membership in terms of the broad sphere of social protection. This should start with the elaboration of statistics, data bases, and indicators for social exclusion, as well as for pensions and health, based on the EU indicators. Beyond this, processes of consultation regarding Croatia's obligations in this sphere and the strengthening of the role of social partners including trade unions and civil society organisations need to begin now. Greater public awareness of issues of social inclusion and of social dialogue needs to be fostered.

The mechanisms for social dialogue need to be improved at national, regional and at sectoral and firm levels. Importance should be placed not only on what is happening in the field of consultations with social partners at the national level, but also at other levels. It has been confirmed that trade workers' representatives are largely marginalized at sectoral and firm levels. More than this, the climate for social dialogue needs to be considered. If social partners cannot undertake their roles inside an effective consultation process, the path towards the new governing process (inside which they are legislators who decide about implementations of certain decisions) will not be possible at all. This

also relates to civil society organisations as the social and civil dialogues are considered parts of the same process.

In fulfilling many of its international obligations on questions of social policy, most recently in terms of the Millennium Development Goals, Croatia tends to be minimalist in its production of reports, which resemble internal governmental or expert documents, rarely conceived as a part of a wider process of awareness-raising and of consultation with stakeholders. The lack of strategic direction in social policy, the failure to resolve key issues such as the role of the state through Centres for Social Welfare and the role of non-state actors, both in civil society and in the private sector, and the absence of decentralised, meaningful social planning mechanisms are key weaknesses in current policy. In addition, there appears to be little or no discussion of the importance of community-based provision over and above institutional care. There are also no short-, medium- or longer-term outcome indicators for future social protection in Croatia. The co-ordination of different policies, including recently developed family policy, is also not well developed.

In short, Croatia on the path to EU membership faces a number of so far largely hidden deficits in the field of social policy and social dialogue. In the context of the EU's increasing emphasis on actual implementation and changes in practices on the ground, over and above legislative changes, these deficits could be treated as more significant by the EU in the future for new candidate countries, including Croatia. Unless they are remedied quickly, EU accession will simply render these deficits visible and show the distance still needing to be travelled to embrace the emerging European social model, promote high standards in social policy and social dialogue, and demonstrate a degree of strategic vision not seen in the recent past.

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- i *These included The Charter of Fundamental Rights of Workers (1989), The Social Policy Agreement (1991) also known as The Social Protocol or The Social Chapter, The White Paper on European Social Policy (1994) and The Resolution on EU Social Policy (1994).*
 - ii *Full texts of all NAPs/Incl can be found at: [http://europa.eu.int/comm/employment_social/news/2001/jun/napsincl2001_en.html].*
 - iii *Full text versions of the JIMs can be found at: [http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/jim_en.html].*
 - iv *The two reports are available at: [http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/joint_rep_en.htm] (accessed 30 August 2004).*
 - v *The report is available at the JIMs web site (endnote iii above).*
 - vi *See: www.dzs.hr.*
 - vii *Source: [http://europa.eu.int/comm/europeaid/projects/cards/financial_en.htm].*

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