
THE EUROPEAN UNION'S EMPLOYMENT POLICY IN THE CONTEXT OF THE PENSION REFORM. ROMANIA AS A NEW MEMBER STATE

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In the context of demographical changes and fierce global economic competition, a more integrated European Union (EU) needs systematic and efficient policies that must act synergically in order to make it the most competitive economy in the world. In this article I only focus on two policies: employment policies and pension policies, underlining that without a substantive employment policy meant to ensure a high level of employment the individualisation of the pension systems can only lead to a high level of poverty of elderly people. In the last part of the article, I analyse the Romanian case, pointing out both its strengths and its weaknesses.

THE EUROPEAN EMPLOYMENT POLICY—BETWEEN MUST AND WINE

As must needs time to ferment in order to become wine, the EU policy in the employment field needs time to become mature and substantive. After more than fifty years of EU/EC history concerned with laying down the rules, the rights, the goals and the guidelines for labour within the common market these issues still raise lots of problems and disputes. The must needs some more time to become wine.

From the Treaty establishing the European Coal and Steel Community to the Council Decision 2005/600/EC that set the guidelines for the employment policy of the Member States (MSs) till 2008, employment awareness has been subject to a continuous development. If at the beginning 'the EU' ground was a political project accomplished with economic means' (Andreescu and Severin, 2001: 31), now the 'EU ground' has an economic and social nature. The EU, according to the frequently quoted Lisbon goals, wants to be 'the most competitive and dynamic knowledge-based economy' with 'more and better jobs' and socially included citizens.

Preoccupation with the employment issue in the context of increasing unemployment caused by the oil crises found its expression in the Treaty of European Union (1992) which calls for 'a high level of employment and social

protection' (art. 2). The Maastricht Treaty points to the need for the development of an employment strategy that should create jobs, especially highly qualified jobs, adaptable to a flexible market and encourages co-operation between the MSs regarding employment policy (art. 125-130). After the Maastricht Treaty, the next step towards building a common EU employment policy was taken by the Amsterdam Treaty with its Title VIa, Employment. Regarded as 'a matter of a common concern' (art. 109o), the employment issue can now be tackled at EU level by the European Council, after a proposal from the Commission and consultations with the European Parliament, the Economic and Social Committee, the Committee of the Regions, the Employment Committee, and social partners. The Council has to draw up with qualified majority guidelines that MSs should take into account in the building up and implementation of their employment policies (art. 109q). Even if in reality the Council prefers to work on consensus (Casey, 2004: 332), the change from the unanimous to majority vote is a significant step towards the strengthening of the common EU employment policy. The difference between the way of voting on the employment guidelines, on the one hand, and on the social security and social protection of workers (even if is quite difficult to draw a clear line between them), on the other hand, shows the reluctance of the MSs to give up their national autonomy in the social field.

The guidelines set by the Amsterdam Treaty in 1997 were anticipated by the five employment goals established by the European Council in Essen in December 1994 (Essen Strategy), which sustained the fight against unemployment, especially through investment in training and the encouragement of the economy to produce jobs, particularly for young people, long-term unemployed and women.

The first EU guidelines were drawn up by the extraordinary Luxembourg Job Summit of November 1997, which launched the European Employment Strategy (EES). Four comprehensive goals were set for 1998 as follows: to improve employability, to develop entrepreneurship, to encourage adaptability in businesses and their employees and to strengthen the policies for equal opportunities. Two characteristics of these guidelines have to be stressed. First, the guidelines contain a mixture of the social and economic means in order to tackle the employment issue, because 'there is no real, lasting prospect of expanding employment without a favourable economic environment ...' (European Council, 1997: paragraph 9). Second, the final goal is a high level of employment (as established in the Maastricht

and Amsterdam treaties) and not full employment as set up in EU Social Agenda for 2000-2005 and at the 2000 Lisbon Council meeting.

The Lisbon and Stockholm (European Council in March 2001) targets are part of the guidelines drawn up for the employment policies of the MSs from 2003, and collected under the title: *'A European strategy for full employment and better jobs for all'*. The ten guidelines are comprised in three broad goals which are no longer so strongly linked to economic policy: full employment, improving quality and productivity at work and strengthening the social cohesion and inclusion.

The overarching goals and the benchmarks from the 2003 guidelines can also be found at the beginning and at the end of the 2005 Council decision on guidelines for the establishment of EU employment policy until 2008. But the 2005 guidelines are different from the ones identified in 2003, which gives the decision 2005/600/EC an unorganised and even unclear structure. For 2005-2008 there are 8 guidelines, from 17 to 24. The first guideline, which comprises the three main goals from 2003, can be achieved by focusing on three priorities:

- 1) attract and retain more people in employment, increase the labour supply and modernise the social protection systems;
- 2) improve the adaptability of workers and enterprises;
- 3) increase investment in human capital through better education and skills.

These priorities are the overarching goals for the next 7 guidelines that combine social, economic and educational means. As result of all these efforts a number of benchmarks should be achieved by 2010 regarding employment (an overall employment rate of 70%, a 60% employment rate for women, a 50% employment rate for older workers), education (including training and participation in lifelong learning), the provision of childcare, and the increase by five years of the average effective age when people leave the labour market.

Two questions can be raised in this context. Can the EU cope with the problems of all the social groups which face difficulties integrating in the labour market? To what extent can this policy be made successful at the national level through the guidelines?

We have to point out that the target is to increase the level of employment and not to decrease the level of unemployment, because early retirement could help decrease unemployment but would be counter-productive to the effort of increasing the average effective exit age in the case of retirement. Besides the policy

of keeping older workers in the labour market, the EU policy also tries to control discrimination and to promote access to employment for all the disadvantaged categories: women, young workers, low skilled or disabled people, immigrants and minorities. For older workers, women, and unemployed young people (and not just for the young people) benchmarks have been set for 2010.

Of all these issues, I will focus on the gender equality because, together with unemployment, it is probably the most important issue in the EU employment policy. The issue of gender equality was raised, for the first time, in the Treaty of Rome, where art. 119 advocated equal payment for equal work. Gender equality has not been a charitable problem either at the beginning of the EU or today, but an issue with very concrete political and economic outcomes. If at the beginning, gender inequality had to be eliminated because it created social dumping (Leibfried and Pierson, 1998: 57), now, in the context of demographic change and the individualisation of the pension systems, gender equality is a source of human resources and a way to fight against the feminisation of the poverty (Arber and Attias-Donfut, 2000: 15-16). But, despite the intentions, the policies don't reach the goals and, what is worse, some of them have contrary results. For example, the policy for a more flexible employment through the development of part-time jobs favours the traditional family with the husband as a full-time worker and breadwinner (Guerrina, 2002: 58). According to the Council's Recommendation of 2004 on the implementation of the employment policies by the MSs, the Dutch government is recommended to tackle the reason of the gender pay gap through transition from part-time jobs (involving about 44% of the workforce) to full-time jobs. Thus, instead of strengthening awareness of gender equality, feminists sustain that 'the failure of member states' governments to challenge structural inequalities continues to separate rhetoric from the reality and reaffirms traditional division of labour' (Guerrina, 2002: 63).

The problem that arises in the face of these criticisms is to what extent soft regulations can be expected to have a real impact. If 'those measures [taken by the Council in the field of the employment] shall not include harmonisation of the laws and regulations of the Member States' (Amsterdam Treaty, art. 109r), how can the EU policies have actual effects at the national level? Kerstin Jacobson talks about a 'discursive regulatory mechanism (DRMs), that is a mechanism related to language use and knowledge making and thus fundamentally to meaning making'

(Jacobsson, 2004: 356). This soft and subtle form of determination has more effects today than in the past on the MSs employment policy because of the increased interdependence and the risk of externalities, and because of the fact that 'high regulation is highly politicised and benchmarking and peer-review exercises are at the spring summits lifted to the level of the Member States' (Jacobsson, 2004: 359). The common language, goals, and social indicators, the open method of coordination (OMC) and the pressure on governments for transparency exercised by peer-reviews will lead to the implementation of the EU policy at the national level. We can assume that on the one hand, EU employment guidelines will induce a gradual Europeanization of certain elements in national the employment policies; on the other hand, the NAPs [National Action Plans] will probably encourage national action pacts on employment issues' (Goetschy, 1999: 135).

Even if, compared to OECD, the EU employment policy is more socially orientated (Casey, 2004: 338, Jacobsson, 2004: 360, Watt, 2004: 122), 'at the *substantive* level from the trade union's perspectives, the EES is quite clearly not an encompassing strategy to achieve full employment...' (Watt, 2004: 121).

In spite of the progress achieved in drawing up an employment policy at the EU level, because of the unclear and changeable EESs, the lack of control by the EU over the national employment policies and because of the gap between rhetoric and reality, we can conclude at this point that the EU employment policy still needs time, like wine, to reach maturity.

EU PENSION POLICY—FROM BISMARCK AND BEVERIDGE TO A MULTI-PILLAR SYSTEM

Developed for the first time in Germany by Bismarck, who considered insurance as a way of making workers obey the monarchic authority, too (Esping-Andersen, 1997: 40), social insurance after World War II, should be interpreted as a solidarity instrument to fight against the five 'Giant Evils' of Want, Disease, Ignorance, Squalor and Idleness as stated in lord Beveridge's report (1992). In the context of the economic boost, the high birth rate, the low level of unemployment, and the small number of retired people, the mandatory pay-as-you-go (PAYG) system worked. Today, because of the high rate of dependence (the rate between the number of pensioners and the people between 16 and 65) and the huge pressure on welfare states caused by the globalisation of the economy, the national states should reform

their pension systems through parametric changes (within the PAYG systems) and develop fully funded pension schemes.

In spite of the wide recognition of the need to build a multi-pillar system (European Commission and European Council 2003, World Bank 1994, Gillion et al., 2000), there are arguments that the individual funded schemes are not a panacea for the crisis of the pension system. Nicholas Barr, Joseph Stiglitz and Peter Orszag consider the idea that the pension fund is a solution for demographic pressure to be a myth (Barr, 2001: 96, Stiglitz and Orszag, 1999: 8). What is more, the individual accounts will not ensure a bigger rate of return than the PAYG schemes, will not increase the national savings with great positive effects for the economy, and will not diminish the role of the state (and the corruption) in the new pension system.

Instead of adopting these sceptical attitudes, the EU MSs have implemented the parametric and systemic reforms (European Commission and European Council 2003, Nordheim, 2004, Zaidi et. al, 2006). The EU calls for a multipillar pension system in which the first pillar is a public-earnings related scheme, the second is a private occupational scheme, while the third is an individual retirement provision (European Commission and Council, 2003:6). In accordance with the Lisbon goals, the OMC and the principle of subsidiarity, the European Council launched 11 common objectives under three headings: adequacy, financial sustainability, and modernisation (responding to changing needs) at the Laeken summit, in December 2001.

Analysing the EU's common pension objectives, we can draw at least 3 conclusions:

- 1) The EU does not abandon its social dimension, i.e. sustaining solidarity from the first pillar, but, at the same time, it calls for the development of a fully funded system. The EES ask for a 'right balance between flexibility and security', where active employment policy should not hamper economic competitiveness (European Council, 2003: paragraph 12, European Council, 2005: guideline no. 21).
- 2) Out of the 11 pension policy objectives, 4 are, at same time, employment policy objectives, too. Objective 4, raising employment level, is the main goal set in the employment guidelines. Objective 5, extending working life, corresponds to the EES benchmark of increase by five years the EU effective exit age till 2010. Objective 9, adopting more flexible employment and career patterns, can be found in guideline 21 of the EES for 2005-2008. Objective 10, struggling for greater gender equality, is, as we have seen, an issue addressed in all the EU policy areas, even if there are criticisms for the lack of substantive outcomes.

- 3) Both policies contain references to a common 'language' and a common 'knowledge base' that can create a common 'discursive regulation mechanism' in order to achieve the EU's common goals at the national level.

ROMANIA—LOOKING FOR ITS WAY

Starting with 1st January 2007, Romania will be a Member State of the EU. Three years after the last enlargement wave, when 10 ex-communist countries joined the EU, Bulgaria and Romania will share the same common policies with all the other MSs. Before adopting the EU employment guidelines, Romania, as a MS, should go through a period of transition. For this purpose, the Romanian government drew up a Joint Assessment of Employment Priorities in 2002 and in 2002 and 2004 the National Action Plans for Employment (NAPE) for the periods 2002-2003 and 2004-2005 respectively. In its 2004-2005 NAPE, Romania engaged in taking active measures in order to implement the 10 EU guidelines established in 2003.

In the field of pensions, the Romanian reform is lagging behind hindered by electoral implications. The parametric reform of the PAYG system started only 10 years after the fall of the communism (with the Act on Pensions 18/2000), while pillars two and three are still in the shape of bills.

Table 1. Fulfilment of the EU pensions objectives in Romania (Frunzaru, 2006:210)

Objectives	Fulfilment Yes/No	Observations
Adequacy		
1. prevent social exclusion	Yes	The poverty rate for elderly people is equal or smaller than in other age groups, but, compared to the EU, the poverty rate for elderly people is very high.
2. enable people to maintain living standards	No	There is no second pillar. The replacement rate is under 40%.
3. promote solidarity	Yes	The public pension system promotes inter and intra-generational solidarity.
Financial sustainability		
4. raise employment levels	No	Seemingly, the employment rate is close to the EU average, but, if we figure out the large number of persons working in agriculture, the situation changes dramatically. It would be more relevant to use the number of salaried persons.
5. extend working life	Yes	This was possible because of the new pension law 18/2000. It's on the agenda to equalise the retirement age for women and men.
6. make the pension system sustainable in a context of sound public finances	No	High rate of dependency. The state will continue to support the budget of the public pension system. There is no buffer fund.
7. adjust benefits and contribution in a balanced way	Yes	The burden of the pension system in crisis is shared by all social groups: employees, employers, pensioners, and other citizens.
8. make sure that private pension provision is adequate and financially sound	-	No private pensions exist so far.
Modernity		
9. adapt to more flexible employment and career patterns	Yes	All persons with an income higher than three average salaries per year can get insured. But for the people working in agriculture there are no incentives to pay insurance because they don't share it with an employer (the contribution is about 30% from the insured income).
10. meet the aspiration for greater equality for women and men	Yes	Law encourages equality, more specifically: <ul style="list-style-type: none"> • the unemployment rate is lower for women; • the legal retirement age is lower for women; • the employment rate is higher for men; • the average income is higher for men compared with women.
11. demonstrate the ability of the pension system to meet the challenges	No	The public pension system is not transparent. The only forecast is made by the World Bank.

In Table 1 we can find an evaluation of the Romanian pension system from the EU's perspective. It is very difficult to answer questions regarding the fulfilment of the objectives that don't involve benchmarks and to compare the Romanian figures with the EU average while ignoring EU diversity. As it is almost impossible to answer in a Manichean way with yes or no, the question whether Romania has

fulfilled the EU's pension objectives. I have attached observations to the answers, which should qualify them.

Taking into account the information given in Table 1 we can draw up three conclusions regarding employment, pensions and the poverty risk of future retired persons in Romania:

- 1) Even if, according to the figures provided by the Romanian Ministry of Social Welfare and Family, the overall unemployment rate was 5.1% in June 2006, and only 4.5% for women, Romania faces big challenges in the field of employment. Firstly, about 35.6% of the labour force work in agriculture, compared to less than 5% in the developed countries (Romanian Government, 2004:5). These people increase the rate of employment figures, but they are low skilled and, in general, not insured. Secondly, a huge number of Romanians have emigrated to richer countries (especially to Italy and Spain) in the hope of a higher quality of life. Many of them live and work unofficially, and for this reason it is impossible to give a reliable figure regarding their number (according to unofficial data, about 2 million Romanians work currently abroad). All the Romanians who do undeclared work, outside and inside the country, will face a big poverty risk when they get old. The emigration of mainly younger people is one cause of aging and increases the rate of dependence.
- 2) Romania does not have a multi-pillar system yet and it introduced a parametric reform of the state pension system very late. Even if the PAYG system is now entirely career-related, it remains of a welfare type and depends on state subsidies. The development of the funded schemes will lead to the individualisation of the pension system; the first pillar should ensure only a minimum standard of living.
- 3) Undeclared workers and agricultural workers will face a high poverty risk when they get old. Without any pension or with only a small one, they will be the clients of the future social welfare system. Women, because of the gender pay gap, and the workers with low salaries and/or career breaks will receive smaller pensions.

CONCLUSIONS

The EU has a great ambition to become 'the most competitive and dynamic knowledge-based economy' with socially included citizens, by 2010. To reach this goal, it has to solve at least two problems: the high level of unemployment and the ageing of the population. The MSs' pension reform, even if it does not eliminate solidarity (from the first pillar), will introduce more individualistic schemes. EES tries to increase employment rate and eliminate the gender gap, but until it succeeds, if it ever does, the low and/or interrupted contributions to the pension systems will cause low pension benefits and high risk of poverty.

For Romania, this risk is even higher. The large number of people who work in agriculture and the emigrants who do not contribute to the pension system will need, in their old age, social security benefits. The unfinished transformation of the Romanian pension system will end up with more earning-related pensions. In the current employment context, the new pension system will bring poverty to a high number of old people.

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