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The Community role in the field of social and employment policy

speech by Mr. H.VREDELING, Vice-President of the Commission of the European Communities at the London Europe Society and
at the Confederation of British Industry
Mr. Chairman, ladies and gentlemen,

Before describing the social and employment policy of the European Community I would like to make the point that for the moment this area is undeveloped, and accordingly is scarcely accessible.

Of course, I do not mean to say that EEC policy so far has been bereft of social aspects, but we must recognise that to a significant extent the social dimension was not a guiding and motivating element when the Treaties were being drawn up. Given the economic circumstances of those days, this was probably understandable. At a time of strong and vital economic growth and reconstruction, the primary aim was to create an economic community via the customs union and the social provisions of the Treaty were dominated and motivated by that aim.

Not until the first conference of Heads of State and Governments, in October 1972 in Paris, was some impetus given to the development of a more integrated Community social policy. This development has received considerable support as a result of the worsening of the economic crisis and, above all, through the alarming increase in unemployment which we have experienced. Unemployment in the Community increased from around 2 1/2 million in 1973 to a level of 6 million last year. What is even more worrying, of this 6 million around 40% are below the age of 25. In our so-called welfare society we should at

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least be aware of the hardships to our youngsters and the dangers for society itself, if we are unable to create sufficient jobs to the school-leavers and demonstrate our concern by taking all possible measures to diminish unemployment.

Therefore in all the member states much more attention is given to social policy in the last years especially focussed on the reduction of unemployment. Moreover it is becoming accepted that the present-day employment problems cannot be successfully dealt with on a narrow national scale. The causes and results of the economic crisis reach across the frontiers of our countries and even beyond the boundaries of our continent. A broad joint approach is unavoidable and consequently necessary.

The new Commission which came in office in January 1977 under the Presidency of Roy Jenkins has therefore taken up the work of its predecessors and given new impetus to the ideas of Economic and Monetary Union. I do not want to bother you with too much history but already in December 1969 the Heads of State and Government of the six member-states decided that a scheme for the development of EMU should be prepared in 1970. Since then a lot of work has been done, credit facilities created, and instruments for better coordination of economic policy made available. But new initiatives were necessary especially in view of the bad economic situation. President Jenkins speech in Florence in October 1977 got a lot of publicity. He stated that the

was ripe for monetary union. This idea was picked up in 1978 and the proposal for a European Monetary System was launched in Bremen in the meeting of the Heads of State and Government. The proposals were accepted in December last year and after clearing the last hurdles the System will start with 8 of the 9 member-states as full participants.

The United Kingdom, although not a full participant, will also be involved in the further improvement of the System.

As you know, the introduction of EMS has been held up by problems over the system of Monetary Compensatory Amounts, or MCA's. These are a device for ensuring that farmer's incomes are not undercut due to exchange rate movements. MCA's were introduced as a temporary expedient, and they should be repudiated. But this should be done with care, to avoid the collapse of the whole agricultural system. I want to make it quite clear that it is unacceptable that two countries reach an agreement between themselves, and then try to force it on the others. This is happening more and more in the Community on different topics. One possible way to reduce M.C.A.'s in hard currency countries without decreasing the domestic price level would be to have a general price increase in agricultural products, but this would be quite inappropriate in present conditions. The other possibility would be a freeze of the Community price level in which case the reduction of the M.C.A.'s would imply a price decrease in the hard currency countries. This should be compensated for the farmers in those countries out of the

Community budget and on basis of common criteria.

But to return to the EMS. Although it is a monetary system it will not work if the economic conditions are not improved. The decision on the system stated that stronger convergence of economic policy and stability is needed.

But it is also stated, that the economic potential of the less prosperous countries of the Community should be increased. Some measures have been proposed to reach this objective. I think that this is an important development. The European Community was created with a view to a democratic European Society with freedom and well-fare for all. This should be a society with equal chances for all and not too large differences between regions. It is naïve to expect that a free trade area will automatically lead to such a situation. It is not certain at all that the jobless will get employment and that differences between regions or between rich and poor individuals will diminish. Therefore in the framework of further integration attention should be given to measures aimed at reducing these differences. It might be a point if the measures proposed in the resolution on the European Monetary System are sufficient but the principle that more should be done for the less prosperous countries is an important one. But I want to warn you. Even if all the member states are full participants in E.M.S. and the system is working smoothly this will not say that all our problems will disappear. The United States of America are a monetary unit but there is still a high rate of inflation and a high level of unemployment. Besides the U.S.A. has to cope with a very large deficit on the current account of the balance of payments. Another point is that internal developments in the member-states are crucial. A lot of labour unrest and strikes which result in high wage increases will not always benefit the workers. To give an example.

Although there was a very fast nominal wage increase in the U.K in the period 1971-'77 the average real wage increase was a full percent per year less than the increase in the Community as a whole.

But to return to the E.M.S. , it is important because it might bring the solution of our problems nearer.

Although it is tempting to continue to discuss Community social and employment policy in a more or less philosophic way, I would rather take a pragmatic approach and limit myself to some special topics which explain the importance of the Community role.

First I should like to discuss the Tripartite Conference. As you may know these are conferences at an European level between Governments-Ministers of Finance, Economic and Social Affairs - and both sides of industry. Such Conferences have taken place several times in recent years and the fourth was held in November 1978. The aim of these Conferences is to give the social partners the opportunity to discuss economic and social policies with the responsible government bodies in order to reach some general accepted decisions. The European Commission has the job of preparing these Conferences and it has prepared its contributions in close cooperation with all the participants. In these contributions it has proposed a broad strategy to overcome our economic and social problems. It stated that this overall strategy must be based on a continuing moderation of prices and incomes and the Commission proposed to undertake a series of actions along three main lines :

1. The promotion of selective growth in non-inflationary conditions;
2. The movement towards structural re-adaption in the Community must be pursued;

3. These actions should be completed by a more active employment policy, by pursuing improvement of working conditions, and by a more equitable sharing of work.

To support this strategy the Commission envisaged proposals in the investment field and the social field. It wants to give priority to investment in fields that are essential for the future; to public investment, especially to an infrastructure scheme of Community interest and to an increase in investment with developing countries and in third countries in the Mediterranean area. In the social field, the Commission intends to pursue its actions to benefit those groups most affected by unemployment and develop an active employment policy. In sectors in prolonged disequilibrium, action in favour of the workers affected is being integrated with the general framework of measures of re-adaptation.

On work-sharing the Commission stated that it was seeking agreed solutions which were compatible with the requirements of productivity and competitiveness and that it would make proposals which will be mentioned later.

Although the President of the Conference - the German Minister of Economic Affairs, Count Lambsdorff - concluded: "The participants unanimously considered the document submitted by the Commission to be a good basis for further work in the Community" the Conference was a tough one. For this were two main reasons. First an institutional one. The European Trade Union Confederation was expecting some decisions from the Conference.

In order to reach decisions the Government representatives would have had to take up a position. For this a formal European Council would have been needed and this was not foreseen in the preparation procedure. Therefore the only result of the Conference could be the conclusions of the Presidency which are not binding, and are far from clear decisions. This illustrates how the structure of Tripartite Conferences is inadequate. In the present framework decisions are almost impossible and therefore results will always fail to live up to expectation. Moreover, the trade union delegates were very disappointed by the conclusions of the President.

I want to stress the importance of these Tripartite Conferences. Especially here in London it will be realised that we can have only a united Europe if it is a democratic Europe. The direct election of the European Parliament is of importance for this, but is not sufficient. Democratic developments should take place on many levels in quite different sectors. Democracy cannot be created in one day but is a long term process. Both sides of industry should contribute to the developments in Europe for they represent many millions of workers and many undertakings. Therefore it is urgent that we find solutions for this institutional problem around the Tripartite Conference.

The other reason for difficulties in the last Tripartite Conference was the difference of opinion between both sides of industry on the possibility of introducing work-sharing measures. The E.T.U.C. had specifically called for a reduction of working hours by 10 % in the next four years.

Neither employers nor governments rejected this outright, but both were extremely cautious in their replies. In essence they argued that the link between the reduction of working time and the creation of new jobs was by no means a direct one and that the subject required more study in order to identify which reductions were most effective in creating jobs.

The second specific point on which I want to make some remarks is just this problem of work-sharing. Although I fully share the fear of those who think there is a risk in introducing work-sharing measures in order to reduce unemployment, I am also aware of the dangers of high unemployment. As I mentioned before there were already 6 million registered unemployment in the Community in 1978 of which almost 1,5 million in the United Kingdom. The potential labour supply will increase on average by a million a year in the period 1978-1985, 7 million in total. In this situation it is fair to ask whether we can create enough employment with traditional measures or not. If we decide that this is unlikely we need to look at other possibilities, one of which is work-sharing.

In our paper for the Tripartite conference we have made some suggestions on specific work-sharing measures. Now we are preparing proposals for actions which should partly be general and partly sectorial :

- to limit systematic overtime working ;
- to eliminate the abuse of temporary work;
- to develop non-discriminatory forms of part-time work ;

- to reduce annual working time;
- to re-arrange shift work, especially through creation of additional shifts;
- to increase the possibilities for short time work;
- to develop more flexible retirement systems;
- to increase vocational training opportunities for the young and adults.

But I should like to underline that the European dimension is of importance. For sometimes it might be difficult to take work-sharing measures because of its effect on the international competitiveness but this is a lesser problem if comparable measures are taken in the European Community. The E.T.U.C. proposal of a reduction by 10 % of working hours in the whole Community has this advantage. A reduction by 10 % seems very substantial, but if we take into account that in the last 15-20 years a reduction of working hours by an average 1 % a year has taken place in the Community a continuation of this trend should have given a reduction of 10 % in the period 1978-1988. If by accelerating this development unemployment can be somewhat reduced, this chance should be taken. Nothing irreversible will take place for after some years it seems possible to return to the old trend. In such an approach the member states and both sides of industry can choose the measures which are optimal in their situation.

A third field where social and employment policy are going together is the restructuring of sectors in difficulties. We have plans available to add a social dimension to projects for restructuring industrial sectors which are experiencing difficulties.

An initial proposal, relating specifically to the social aspects of restructuring in the steel industry has already been submitted and has been received favourable by the Consultative Committee of the Coal and Steel Community. Similar plans for other sectors such as shipbuilding, will follow.

In fact, it is a question of having to ensure that at Community level no restructuring of a sector is undertaken without an accompanying social programme being drawn up, again at Community level.

This programme should be primarily motivated by the desire to avoid dismissals. In the case of the steel industry we regard an improvement in the distribution of working time as one means of achieving that aim, or at least of bringing it within reach. We are thinking here of a reduction in the number of hours worked per week, restrictions on systematic overtime (which could be subject to a maximum limit), early retirement of older workers and the introduction of an extra shift-measures which at all events would have to be introduced with financial support from the Community. However, should dismissals prove unavoidable under a restructuring plan, in spite of these efforts, then our social programme must provide for funds to alleviate and mitigate the consequences.

At the same time, I shall not attempt to depict matters as being more promising than they are. The Community's opportunities for contributing financially to an active employment and labour market policy are very limited. Apart from the special possibilities provided for under the ECSC Treaty, the EEC only has the resources of the European Social Fund available.

Up to and including 1978 the Social Fund could only contribute indirectly to solving the problems of unemployment, by granting subsidies to vocational training projects. This does not mean to say that the Social Fund is not of importance. The number of persons benefitting directly from new programmes approved in 1977 is estimated at about one million. However, starting in 1979 a very interesting development will take place, whereby for the first time the Social Fund will be able to help create employment, through the special programmes for young people which the Council agreed in November 1978. It will then be possible to grant employment premiums to firms creating additional jobs for young people and to begin subsidizing social service projects in which young people are put to work. As far as we can see at present, in 1979 at all events the sum of 72 million EUA (about £ 48 million) will be available for such projects. This represents a breakthrough for young people in the sense that the field of operation of the Social Fund is extended. The next step will be taken via the social measures accompanying the restructuring of industrial sectors. In this connection shipbuilding will be the first sector involved.

In member states labour legislation has an important influence on social developments and employment. For a long time it was questioned both whether there was a need for Community legislation. Finally both questions were answered in an affirmative manner and a Directive on the approximation (or bringing together) of the laws of the member states relating to collective redundancies was adopted by the Council in February 1975. Since that time, the Commission has extended its activities in the field of labour legislation.

A number of other statutory instruments have been adopted : a Directive on the safeguarding of employee's rights in the event of transfers of undertakings and mass dismissals; Directives on equal pay and equal treatment for men and women with regard to social security and access to the labour market, and a proposal for a Directive on the protection of employers in the event of the insolvency of their employer are currently before the Council.

In the framework of the Tripartite Conference something has already been said about the importance of Democracy for the developments in the Community. Another way of stimulating this is more workers participation.

The Commission has frequently stressed the importance it attaches to the promotion of greater participation by employees in decisions affecting the future of their undertaking - on the one hand by measures designed to increase their influence at the level of the undertaking itself and on the other hand by the creation of structures for tripartite and bipartite consultation.

For this reason it deplores the lack of progress, not only in the Council of Ministers but also in Parliament, on its proposal for a Statute for the European Company and the so called fifth Directive. Both proposals try to establish amongst other things workers participation in Company Law. They do not cover the multinational company. Those companies have production units in a number of Member States, the major decisions on company policy are taken at the top - and this level is often inaccessible to the workers and their organisation. The Commission is preparing a proposal for a binding Community instrument concerning the information and consultation of workers in multinational companies.

Though the immediate objective is rather limited - information and consultation - I think this is a first and vital step to the ultimate objective of industrial democracy on a Community level. I think it is not necessary to explain why.

Another aspect of social policy which is of importance for many workers is fair labour standards. This is the promotion of minimum standards for working conditions and the social protection of workers, particularly in the third world. The application of these standards is unfortunately not merely of theoretical importance. So many people still earn their daily bread under miserable conditions. Child labour and forced labour still exist.

The standards which we proposed to the Council, at the beginning of November 1978, concern the elimination of discrimination on grounds of sex, belief or race, a maximum working week (48 hours), a minimum age for people working in industry (14) and health protection and safety measures at work. I am aware that in some quarters the application of these standards is regarded as a hidden form of protectionism, but I should like to contradict this view. The aim of our proposals is not to erect a wall to protect our market from the competition with which the poorer countries, with their low wages, threaten the western economies. All the same, it is true that one motive for these standards is to improve the mutual competition between the poorer countries themselves. The application of these standards will put an end to the advantages which some countries derive from the exploitation within the production process of workers who are without rights. To say it in other words, we sometimes need protection but not protectionism. Therefore I am not in favour of taking such measures in the framework of the GATT as proposed by the United States of America for I have the impression that this might increase the danger of protectionism.

A further area of social policy which I cannot leave unmentioned concerns the migration of workers within the Community - topical again now that there are plans to enlarge the Community to take in three new Member States : Greece, Spain and Portugal. The free movement of individuals within the Community is a fundamental right and one of the foundations of the Treaty of Rome. It is difficult to do adequate justice to this right, but this should not stop us from keeping a watchful eye on the dangers involved in its regular and uncritical application, including as regards the enlargement of the Community.

First and foremost, it is the new migrants themselves who are threatened. Not very much imagination is needed to picture what the large number of unemployed Portuguese and Spanish workers can expect to find when, exercising their right to free movement once their homelands have joined the Community, they set off to seek their fortunes in the affluent North. Experience has shown that migrants such as these end up where wages are lowest and the work to be done is the dirtiest and hardest. In addition to being exploited the migrant is also threatened by the resentment of a society which has to face a high level of unemployment at home.

Freedom of movement is a very good thing and a right which must be respected. But it is a right which can only be enjoyed freely and without fear if workers do not feel themselves forced by unemployment and poverty to seek their living elsewhere. The Commission considers the problem of migration also as a problem of labour market policy. This is a problem not only related to the problems of one country. I have the firm opinion that Member States should consult and coordinate their policies.

To this end I want to present a communication to the Council of Ministers to get its support. We need a policy especially taking into account the enlargement of the Community. Faced with the accession of new Member States, the Commission wants to devote its efforts first and foremost to regional development in these countries in order to provide opportunities for training and the development of employment for the workers.

In this context, I feel bound to comment on what the Council has decided in this connection. While the Commission view was that the free movement of workers should be introduced gradually, the Council decided that free movement should not be introduced for seven years. This means that there is to be a freeze during the transition period instead of a gradual adjustment. The Council's view also differed from that of the Commission as regards equal treatment for purposes of social security. Without going into details, this means that a Greek and an Italian, both working in the Community will receive different amounts of family allowance in respect of their children living at home with the mother in Greece or Italy. This means that during the transition period there will be discrimination between Greek workers and the workers of other member states.

Ladies and Gentlemen,

I have already taken up a lot of your time and as your Chairman informed me beforehand that you would like to put some questions, I shall finish now in order to give you this opportunity. But before I give the floor to you Mr. Chairman, I want to stress that I have very much appreciated your kind invitation. For I like to speak about this very important topic for further development towards an integrated Europe. Europe will only exist if there is a social dimension.