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**EUROPEAN SOCIAL POLICY -
A WAY FORWARD FOR THE UNION**

A WHITE PAPER

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PREFACE

In common with the rest of the industrialised world, Europe is living through a period of profound change.

The globalisation of trade and production, the huge impact of new technologies on work, society and individuals, the ageing of the population and the persistent high level of unemployment are all combining to put unprecedented strains on the economic and social fabric of all the Member States.

These were the challenges addressed in the Green Paper on Social Policy.

Europe needs a blueprint for the management of change. The White Paper on Growth, Competitiveness and Employment set out the important elements of how to combine the macro-economic policies needed for sustained growth with increased competitiveness and the search for more job creation with a high employment intensity of that growth.

Many of the challenges are for individual Member States to face, but the Union can and must play its role.

Social policy at European level has a vital part to play in underpinning the process of change. The Union cannot do everything and certainly should not seek to supplant the responsibilities at national, regional and local level.

This White Paper seeks to set out the main lines of action at Union level for the coming years.

It is based around the principle that Europe needs a broadly based, innovative and forward looking social policy if it is successfully to meet the challenges ahead.

Jobs must continue to come top of the agenda, and the proposals on employment and training in this White Paper are an integral part of the process initiated by the White Paper on Growth, Competitiveness and Employment.

But social policy goes beyond employment. It affects people when they are at work but also when they are not - their family life, their health and their old age. It is clear that the profound changes currently affecting our societies means that the complex interaction of policies that make up social policy will need to develop in new ways in the future.

This White Paper sets out a framework for Union action in the face of these challenges. It aims to consolidate and build on the achievements of the past - particularly as concerns labour law, health and safety, free movement and equal treatment between men and women. And it aims to create a new dynamic by putting forward new proposals in these and other areas, such as social protection, equal opportunities for all and public health.

In doing so, it also seeks to stimulate a new cooperative partnership between Member States, social partners, voluntary and civic organisations, European citizens and international bodies in the process of change.

The objective in the coming period must be to preserve and develop the European social model as we move towards the 21st century, to give to the people of Europe the unique blend of economic well-being, social cohesiveness and high overall quality of life which was achieved in the post-war period.

INTRODUCTION - PRESERVING AND DEVELOPING THE EUROPEAN SOCIAL MODEL

A - SHARED VALUES

1. The Commission's Green Paper on European social policy¹ started by asking the question: "what sort of a society do the Europeans want?" The debate which the Green Paper stimulated has involved the Union institutions, Member States, employers, trade unions and a whole range of other civic institutions, not to mention some individuals who volunteered their views. This White Paper is the result of that consultative procedure. While it cannot pretend to give satisfaction to all points of view, it is an attempt to answer that question by responding to the social goals that the European Union has been given by its Members, of which Article 2 of the Treaty on European Union is the clearest expression:

to promote throughout the Community a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high degree of convergence of economic performance, a high level of employment and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.

2. A society that could provide all these benefits to everyone would be a worthy one. Europe has not yet been able to do that, but it can fairly be claimed that nowhere else in the world has so much progress been made towards such goals. It is also fair to claim that the human face of the Union is more deeply embedded in the life of the Union than credit is given for.

3. The contributions to the Green Paper

confirm that there are a number of shared values which form the basis of the European social model. These include democracy and individual rights, free collective bargaining, the market economy, equality of opportunity for all and social welfare and solidarity. These values - which were encapsulated by the Community Charter of the Fundamental Social Rights of Workers - are held together by the conviction that economic and social progress must go hand in hand. Competitiveness and solidarity have both to be taken into account in building a successful Europe for the future.

4. All Member States have reaffirmed their commitment to the social dimension as an indispensable element of building an ever closer Union, just as a well developed social system is both necessary and desirable in each individual Member State. European social policy must serve the interests of the Union as a whole and of all its people, both those in employment and those who are not. There is widespread agreement that these shared values have to be preserved, even if quite radical changes are required in the way in which they are applied in practice.

5. This is essential because the efficiency of our societies as a whole conditions how competitive they may be and the growth they can deliver. If economic growth is to increase human well-being, it must also take into account social and environmental concerns. Equally, the pursuit of high social standards should not be seen only as a cost but also as a key element in the competitive formula. It is for these essential reasons that the Union's social policy cannot be second string to economic development or to the functioning of the internal market. Growth in the numbers of the poor and of the

unemployed, the possible emergence of an underclass, increasing pressures on social services (eg. unemployment and health services) and increasing criminality all drain the resources available. The financing of social security now poses major challenges for all Member States. In the Union, increased confidence can come only from a reconciliation between economic growth policies and their translation into higher social development with upgraded living standards for all. Knowing that this may give the Union its competitive edge will also equip the Union to have a stronger external influence on the world stage.

6. This White Paper seeks to set out the Commission's approach to the next phase of social policy development (1995-9) during the final years of this century. It provides the opportunity, requested by several Member States, for the other Union institutions, the Member States and all other interested parties to discuss the proposals in the second half of 1994, before the incoming Commission issues its definitive work programme in this field in the course of 1995.

7. The technique of using a Green Paper to provide a structured opportunity for consultation on policy options prior to the elaboration of proposals represents one of many examples of the Commission's determination to ensure that the added-value of its actions is widely appreciated and its initiatives transparent to the public.

8. The Commission is encouraged by the fact that there was a wide ranging debate within Member States and beyond on the Green Paper. The European Parliament and the Economic and Social Committee examined the text and issued their opinions on it, and in all, more than 500 reactions have been received from a wide variety of sources. At the invitation of the Commission, the European Foundation

for the Improvement of Living and Working Conditions has prepared a synthesis of the different submissions. This synthesis - together with the responses received from the Member States and the Union Institutions - is published as an accompanying volume to this White Paper.

9. The Commission's White Paper on Growth, Competitiveness and Employment² and the European Council's conclusions about it (December 1993, Brussels) marked a turning point in the development of concerted Union action to tackle European employment problems as part of a broader economic strategy. It raised a number of fundamental questions which are central to the future development of social policy, notably that competitiveness is crucial for wealth and job creation and that labour market policies in particular need to be reoriented. The principles set out in the White Paper need to be borne in mind in the formulation of future Union social policy, as do the Union's macro-economic guidelines.

10. The White Paper and the Green Paper have therefore provided a valuable complementary focus in the debate about the need to create more jobs and at the same time preserve the basis of social protection which the people of Europe have come to prize. The two documents have been considered together in the drafting of this White Paper, in the light moreover of the conclusions of the European Councils adopted in Brussels in December 1993 and Corfu in June 1994, and this White Paper seeks to facilitate the implementation of the action plan agreed at the Brussels European Council, in the context of the future development of the Union's social policy.

11. The issuing of this White Paper 6 months prior to the forthcoming enlargement of the Union in 1995 is also designed to facilitate the entry of the new

members into the Union on the basis of a clear overall vision of the future. As the Green Paper made clear, the Union has already developed a substantial "acquis" of measures in the social field, stimulated in particular by the adoption in 1989 of the Community Charter of the Fundamental Social Rights of Workers and the Commission's subsequent social action programme. This paper is intended to set out how to build a dynamic link between the existing "acquis" and the agenda for the future.

B - GUIDING PRINCIPLES AND OBJECTIVES FOR THE FUTURE ROLE OF THE UNION

12. Social progress can be achieved only through a cooperative partnership between the European Union, the Member States, the social partners and European citizens. The key to this must be a positive and active conception of subsidiarity. This means that the Union shall take action only if, and in so far as, the objectives cannot be sufficiently achieved by or within the Member States themselves and can, therefore, by reason of the scale or effects of the proposed action, be better achieved by the Union. Activities should be selected on the basis of prior appraisal and should yield a Union added value while achieving maximum cost efficiency.

13. Achieving a Europe of opportunities for all requires change. While employment growth in the European Union has been weak as compared with the United States and Japan, levels of social solidarity have been higher. But such solidarity has been mainly passive. It is devoted to maintaining the incomes of large groups in society - by providing cash benefits through the redistribution of income, shouldered to a large extent by an ever declining active population - without preparing them or encouraging them sufficiently to contribute to economic activity.

14. The resources transfer now has to be gradually supplemented and substituted by a better distribution of opportunities. The two objectives are closely linked, but the accent has to be shifted to the second if the human and social costs of the structural changes are to be reduced, and a shift from a passive to a more active approach achieved. The accent has to be shifted from the objective of assistance to the objective of employment generation.

15. The principles and objectives which should inspire the action of the Union in achieving this are:

Social and economic integration: employment is the key

16. Unacceptably high levels of unemployment, poverty and social exclusion are in conflict with the Union's commonly agreed goals in relation to employment, social protection and equal opportunities. The financing of social policy systems across the Union depends on jobs. For the Union to reconcile high social standards with the capacity to compete in world markets, it is therefore necessary to give the highest priority to creating new jobs, enabling everyone to integrate into the economy and society.

Competitiveness and social progress: two sides of the same coin

17. Continuing social progress can be built only on economic prosperity, and therefore on the competitiveness of the European economy. The key to this is continuing productivity gains, which will enable the Union to reconcile high social standards with the capacity to compete in global markets. Europe needs to move towards an efficient, quality-based economy with a high rate of investment in new technologies. The key resource will be a well-educated and highly motivated and adaptable working population. While wealth creation is essential for social

progress, the social environment is also an essential factor in determining economic growth. Progress cannot be founded simply on the basis of the competitiveness of economies, but also on the efficiency of European society as a whole. In this context, account also needs to be taken of the linkages between environmental and social policies.

Convergence which respects diversity

18. All the comments on the Green Paper stress the need to respect the diversity of European societies. The future development of the Union needs to build on the richness of its diversity, which adds to the quality of life and to the vigour of socio-economic systems in the face of new and unforeseen challenges. This diversity means that total harmonisation of social policies is not an objective of the Union. However, the convergence of goals and policies over a period of time by fixing common objectives is vital, since it will permit the co-existence of different national systems and enable them to progress in harmony towards the fundamental objectives of the Union.

A level playing field of common minimum standards

19. Minimum standards are needed to preserve the cohesion of the Union, having regard to differing national systems and needs, and to the relative economic strengths of the different Member States. They should not over-stretch the economically weaker Member States, and they should not prevent the more developed Member States from implementing higher standards. The establishment of a framework of basic minimum standards, which the Commission started some years ago, provides a bulwark against using low social standards as an instrument of unfair economic competition and protection against reducing social standards to gain

competitiveness, and is also an expression of the political will to maintain the momentum of social progress. The continuing aim should be to develop and improve standards for all the Members of the Union.

C - THE INSTRUMENTS FOR ACTION

20. In seeking to put these principles and objectives into practice, the Union intervenes in a variety of different ways, which are often but not always interactive, and which must be deployed in a policy mix that constantly evolves to meet changing needs.

Legislation and Community-level collective agreements

21. The Treaties provide for a range of legislative powers to achieve common goals. These powers are exercised in accordance with the principles of subsidiarity and proportionality, which require an assessment of both the need for and the intensity of action at the Union level. This implies that the Union would propose the form of legislation most compatible with the aims to be achieved. It requires the Union to respect Member States' choices about how to achieve their goals, and equally the Member States to respect Union-wide objectives and standards.

22. Given the solid base of European social legislation that has already been achieved, the Commission considers that there is not a need for a wide ranging programme of new legislative proposals in the coming period. Legislation will be considered only when strictly necessary to achieve the objectives of the Union and when the issues addressed cannot be solved at Member State level. Proposals and adopted legislation should continue to seek to promote a framework in order to allow for the diverse national systems to determine detailed methods of

implementation, and will be preceded by an evaluation of the economic and social costs and benefits to all concerned. Proposals will also take account of the potential impact on the competitiveness of industry, with particular regard to the needs of SMEs.

23. The Agreement on Social Policy introduced by the Treaty on European Union provides a new basis for Union action, and the Commission intends to use both this and the other Treaty provisions to ensure a dynamic social dimension of the Union. The Commission's Communication on the application of the Agreement³ explained that the Commission intends to decide on a case by case basis, in the light of objective criteria, when it should make use of the Agreement. This Communication has now been examined in the other institutions of the Union, and the approach it proposes has been broadly welcomed by all concerned. The Commission has noted the strong desire of all Member States to proceed as 12 wherever possible and it hopes that Union social policy action will in the future once again be founded on a single legal framework. This is vital if the integrity of the law and the principle of equal opportunities for all in the Union are to be upheld. However, the desire to act as 12 cannot be used as an excuse for standing still.

24. Given the new possibilities which the Treaty on European Union opens up for collective agreements, it is also clear that a new balance needs to be struck between the legislator at Community level and collective agreements between the social partners, and between the European and national levels for such normative actions.

Financial support and incentives

25. The Union also provides financial support to achieve its objectives. The

Structural Funds represent the main Union instrument for promoting cohesion within the Union. Action, especially by the European Social Fund, will be developed in an integrated and comprehensive approach (see Chapter II). Most aspects of social policy are affected, including combating unemployment and exclusion, promoting equal opportunities, supporting the integration of young people, promoting the mobility of workers and their adaptation to industrial change, and, in the regions lagging behind, strengthening education, science and technology services and training for the health sector. In addition, the Union also provides financial support to many valuable pilot projects and programmes in the social field, and promotes the exchange of experience and information through programmes such as LEONARDO (see Chapter II).

Mobilisation and cooperation

26. The Commission has a role in the mobilisation of efforts to achieve common goals within an agreed framework, leading to the convergence of objectives and policies, such as in the fields of employment and social protection. The Commission recognizes that there is a need for better synergy between the Union's efforts and those of the Member States, and for more cooperation and concentration of the action involved. For this mobilisation role to be effective, it will increasingly be necessary to define the agreed goals with more precision, including the definition of quantitative targets when appropriate, and for Member States to take action to meet the agreed objectives. A clear example of such mobilisation has been provided by the Commission's White Paper on Growth, Competitiveness and Employment.

27. It is also necessary to promote more and better structured cooperation and exchange of experience on matters of

common concern, which may be decided by the Member States according to need, and for which the Commission can usefully provide the framework and technical underpinning.

28. Furthermore, social policy depends for its success on a wide variety of actors and organizations especially at local and regional level. The Commission will assist these groups to establish stronger cooperation via networks across the Union, or parts of the Union, and to stimulate their contribution to achieving the goals of the Union, especially through actions which are both innovative and cross-national.

Information

29. The provision of clear and accessible information on developments in the social field is essential if social policy is to have a real impact on people's everyday lives. The Commission will therefore seek to provide more and better information to European citizens concerning their social rights and opportunities and developments in the social sphere, to help achieve transparency and better understanding of the Union's actions. In addition to the specific proposals elsewhere in this White Paper (particularly Chapters IV and X), the Commission will also seek to enhance the role of its Information Offices in the Member States in the provision of information in the social field.

Analysing future trends

30. It is increasingly clear that the process of change requires collective reflection and coordinated action across a whole range of issues. Important questions are being raised about the future of work itself, and the impact that the Information Society will have on work and on people's everyday lives. Examples of this include changes in the organisation of time, the balance between work and

leisure, and the social consequences of changes in different work sectors as the boundaries between work and qualifications become increasingly blurred. The process of managing these changes will need to be taken forward in synergy with the social science elements of the Union's research programme, and the Commission will seek to develop its medium term research capacity in the social field.

31. The various Observatories which the Commission operates in the social field⁴, in collaboration with the Member States, provide a valuable instrument for the collection, analysis and dissemination of information, a function which is becoming increasingly important in view of the need to understand and assess the rapid changes currently taking place in the field of social policy, especially in the labour market. This information is an important element of the policy formulation process. The Commission will also use the Observatories to produce accessible and informed analyses of specific problems, and will promote a greater synergy and interplay between the different Observatories, so as to develop a greater capacity for inter-disciplinary analysis of social policy issues.

32. In this context, the Commission will also continue to develop its sectoral reports, such as the annual Employment in Europe Report (Chapter I), the proposed annual Equality Report (Chapter V), the annual report on demography (Chapter VI) and the Social Protection report (Chapter VI) to provide a forward looking analytical underpinning to its work in the social policy field.

33. Furthermore, the Commission will also keep under review the role of the relevant agencies, especially the European Foundation for the Improvement of Living and Working Conditions and the European Agency for Health and Safety. In

particular, building on its work to date, the European Foundation for the Improvement of Living and Working Conditions has an important role to play in analysing the key developments and factors of change concerning living and working conditions in the Union. In this context, the Foundation, taking account of its tripartite structure, can play an essential role in the dissemination of information and exchanges of experience.

34. The Commission will seek to improve its links with the Foundation and to reinforce cooperation for the future in order to exploit fully the specific contribution that the Foundation can make. In particular, the Foundation will be invited by the Commission to develop further its capacity for comparative analyses and promoting exchanges of experience.

I - JOBS - THE TOP PRIORITY

1. The pursuit of more good, stable jobs is both a central objective of the Union and a means of addressing more effectively many of the Union's wider social objectives. To this end, employment policies need to adapt. For too long, Europe has focused on the management of unemployment instead of promoting job creation as the top priority.

A - UNION EMPLOYMENT INITIATIVES

2. Unemployment in the Union now stands at 11% and has averaged close to 10% for a decade. It is seen as the gravest social problem throughout the Union. Special concern focuses on the lack of prospects for new entrants to the labour market - young people and women especially - and on those who have become excluded from regular work particularly when they are long-term unemployed. Overall EU employment performance is markedly worse than in the US or Japan. The Union's employment rate has declined steadily since 1960 and is now less than 60% of the working-age population while that of the US has steadily increased to over 70%. EU-wide youth unemployment stands at over 20% for example, as against 13% in the US and 5% in Japan. The share of long-term unemployment stands at over 40% of the total in the EU, but 11% in the US.

3. Policy initiatives within the Union with regard to employment have been developing progressively over the past year, reflecting the shared preoccupation of all Member States to find new ways of creating and preserving employment. In May 1993, the Commission proposed an Employment Framework Initiative which set out the basis of a concerted strategy for employment. The major step forward came in December 1993 with the Commission's White Paper on the interrelated issues of

Growth, Competitiveness and Employment, which developed that employment strategy in the wider economic, industrial and social context of Union. The Union strategy was endorsed by the European Council at Brussels in December 1993.

4. Member States now all recognise that dynamic structural changes, as well as stronger economic growth and increased labour market flexibility, are urgently needed if the Union is to break out of the low employment, high unemployment trap, and to broaden access to work and spread income more widely. It is also recognised that stronger partnerships between national, regional and local levels and between different actors of society - and at Union level - are necessary in support of that strategy, and in support of the wider development of the Union labour market.

5. The European Council in Brussels identified seven areas for particular attention by the Member States in its action plan resulting from the Commission's White Paper:

- (i) improving education and training systems, especially continuing training;
- (ii) improving flexibility within enterprises and in the labour market;
- (iii) the reorganisation of work at enterprise level;
- (iv) targeted reductions in the indirect costs of labour (statutory contributions), particularly of less skilled work;
- (v) better use of public funds set aside for combating unemployment;
- (vi) specific measures concerning young people without adequate training;
- (vii) developing employment in connection with new requirements.