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Partnership for a new organization of work

Green Paper

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Executive summary

Why a Green Paper?

This Green Paper is about the scope for improving employment and competitiveness through a better organization of work at the workplace, based on high skill, high trust and high quality. It is about the will and ability of management and workers to take initiatives, to improve the quality of goods and services, to make innovations and to develop the production process and consumer relations.

The purpose of the Green Paper is to stimulate a European debate on new forms of organization of work to release this potential. The Green Paper is focused on three questions.

- Why a new organization of work, and how?
- What are the policy challenges of new forms of work organization?
- Is it possible to establish a new partnership for a more productive, participative and learning organization of work?

Towards a new organization of work — why and how?

The traditional organization of work, based on the ideas of industrial mass production, has been questioned more and more during the last 20 to 30 years. A number of organizational changes have been tried in order to improve productivity, quality and working conditions (quality circles, just-in-time systems, team-work).

In parallel with these many different trends there is now a more fundamental change in the organization of work, a shift from fixed systems of production to a flexible, open-ended process of organizational development. This new concept of a process of continuous change is sometimes described as 'the flexible firm' and the workplaces as high trust and high skill workplaces. There is no one model, but an infinite variety of models, which are constantly being adapted to the circumstances of the individual firm and its workers.

The transformation can be explained by three factors representing change: human resources, markets and technology.

There are already a number of case studies demonstrating the potential for productivity and prosperity of a new organization of work. However, the great majority of firms — and public authorities — are still in the traditional form of work organization. The diffusion of new practices seems to be slow.

The policy challenges

The policy challenges could be summarized in one question: how to reconcile security for workers with the flexibility which firms need. This raises a number of issues for the public authorities and the social partners across the spectrum of employment, education and social policy areas:

- how to organize the necessary training and retraining, so that the workforce can meet the increasing needs for skills and competence;
- how to adapt social legislation to take account of new employment trends;
- how to change wage systems along with the organizational structures on which they are based;
- how to adapt working time arrangements in the light of the new situation;
- how to take advantage of the new employment trends with regard to equal opportunities;
- how to develop more flexible organizations in the public services;
- how to provide adequate support to firms, in particular small firms, who wish to change, but lack the resources or expertise to do so.

Building a partnership for a new organization of work

The Green Paper invites the social partners and public authorities to seek to build a partnership for the development of a new framework for the modernization of work. Such a partnership

could make a significant contribution to achieving the objective of a productive, learning and participative organization of work.

The word 'framework' should be given a broad interpretation. It could include everything from the creation of a common understanding of the importance of new forms of work organization, through joint declarations, to binding contractual or legal initiatives. The level and content of such a framework has to

be clarified through discussions in the social dialogue.

The Commission would like all interested parties to develop their views on how these objectives could be reached and how all policies, whether they are public policies or policies for which the social partners are responsible, could be mobilized to create a new framework to modernize work and the economy.

Introduction: What are the aims of the Green Paper?

1. This Green Paper is about the scope for improving employment and competitiveness through a better organization of work at the workplace. This need to improve the employment situation by increasing competitiveness has been at the heart of EU policy and was given added impetus with the publication of the White Paper on growth, competitiveness and employment in 1993. It has been a main theme at all the meetings of the European Council since then and is a central element in the Commission's pact for confidence in employment. In the course of the discussions on the pact, the Commission sent a questionnaire to the social partners and prepared a synthesis of the responses received.¹ More recently, the European Council in Dublin emphasized the importance of adequate benchmarking.

2. This Green Paper has also to be situated in the wider context of the various Community initiatives related to employment, competitiveness and new technologies, for example, the Monti group on taxation, the social security initiatives, initiatives in the area of new technologies, and the Davignon group on workers' involvement in Europe.

3. The European employment strategy calls for an integrated approach, whereby all the relevant policies, including macroeconomic and structural policies, contribute and support each other in the fight against unemployment. Improvements in flexibility of work have been highlighted as essential elements of this strategy. For example, the European Council, meeting in Essen in 1994, stressed the need to increase the employment intensity of growth, in particular by a 'more flexible organization of work in a way which fulfils both the wishes of employees and the requirements of competition'. But while much has been written about the need for flexibility of the labour market and its regulation, much less has been said about

the need for flexibility and security in the organization of work at the workplace.

4. One of the main aims of this document is to redress this balance by concentrating on this aspect of the wider employment debate. An improved organization of work will not in itself solve the unemployment problem, but it can make a valuable contribution, firstly, to the competitiveness of European firms, and secondly, to the improvement of the quality of working life and the employability of the workforce.

5. Research has demonstrated that a renewal of the organization of work is of fundamental importance for improved productivity. The White Paper on growth, competitiveness and employment² highlighted organizational capacity as one of the key components of a firm's competitiveness. The Commission's first action plan for innovation in Europe³ also stressed the importance of organizational innovation for growth in employment.

6. Work organization itself is a broad subject, including, as it does, most aspects of the way work is organized in and between firms, the relation between the social partners, the organization of the labour market, the relationship between work and the organization of society. There is an intensive debate about the role of work in the future and there are many ongoing research projects that will further improve our understanding of the new working life.

7. In particular, the Commission's Green Paper on living and working in the information society: people first, covered a wide range of issues related to the introduction of new technology and the organization of work, some of which are developed further in this Green Paper. At the same time there are issues dealt with in the present Green Paper, which are not related to

¹ This summary was distributed on the occasion of the round table organized by the Commission with the social partners on 30 April 1996 on the pact for confidence in employment.

² *Growth, competitiveness, employment: The challenges and ways forward into the 21st century*, Chapter 2.3 b, Supplement 6/93 to the *Bulletin of the European Communities*.

³ 'The first action plan for innovation in Europe: Innovation for growth and employment', COM(96) 589 final and Supplement 3/97 to the *Bulletin of the European Union*.

new technologies and the information society, notably those related to the evolution of the workforce and of consumer requirements.

8. The present Green Paper does not seek to cover all aspects of this vast area. Instead it seeks to concentrate on developments in work organization in firms and public bodies in the context of the economic and social environment. Thus, in this paper, work organization is taken to mean the way in which the production of goods and services are organized at the workplace. The focus is on a new organization of work. While there is no one model, this concept implies, in particular, the replacement of hierarchical and rigid structures by more innovative and flexible structures based on high skill, high trust and increased involvement of employees. The focus is emphatically not on short-term cost-cutting measures.

9. It should be emphasized that this Green Paper is concerned with the organization of work in all types of workplace and in all sectors of activity. Though much of the language, much of the experience and many of the examples relate to large firms in manufacturing industry, the new innovative and flexible structures are often just as appropriate in small firms as in large, and in services, including public services such as health, education and environmental services. The development of new forms of work organization in SMEs, in particular, is of central importance, given that they are the main source of new jobs.

10. The modernization of the organization of work can only be achieved by the firms themselves, involving management and workers — and their representatives — and taking into account the diverse nature of the situation in each sector, company or organization and the speed of change.

11. But the new organization of work also poses challenges to policy-makers — whether they be public authorities, social partners or non-governmental organizations — and at all levels: local, national and European. In particular, the challenge is how to develop or adapt policies which support, rather than hinder, fundamental organizational renewal and how to strike a productive balance between the interests of business and the interests of workers, thereby facilitating the modernization of working life. An essential objective is to achieve such a balance between flexibility and security throughout Europe.

12. All Member States are facing similar challenges both with regard to labour productivity, competitiveness and employment and with regard to achieving the right balance between flexibility and security of employment. There is much to learn from progress made in other companies and in other Member States. The Commission hopes that this Green Paper will further stimulate the debate at European and national level on the organization of work among all the actors involved and that the outcome of this debate will be a new framework for the modernization of working life based on partnership.

'A cooperative approach to a different organization of work within the firm will improve industrial relations, allow greater worker participation in decisions and potentially lead to a better product quality. The latter in fact represents an essential component in any strengthening of the competitiveness of the European economy.'
(Ciampi report.)

1: Towards a new organization of work — why and how?

13. For almost a century the organization of work was usually founded on the same basic principle: a hierarchical top-down organization with a high degree of specialization and simple, often repetitive, jobs.

Mass production

14. This type of organization was developed as a tool for the emerging industrial society, the transformation of the economy from handicraft via manufacturing to industrial mass production. Europe can be described as the cradle of the manufacturing society and the USA as the cradle of the mass production system. The ideas were developed originally in the US car industry, which became the role model for successful industries.

15. During the 20th century, this type of work organization spread all over the industrialized world. The rebuilding of European industry during the post-war period was based on the concept of the mass production system. This production system contributed for several decades to an unprecedented growth in productivity and prosperity.

Step-by-step improvements

16. However, during the last 20 to 30 years, the limitations of this way of organizing work have become evident. One major problem has been that under the traditional system the work is split up into narrow functions with short, repetitive work cycles. The way work is done is prescribed in detail. The system does not give sufficient room for a process of upgrading and innovation. For continuous improvement to be possible, it is important to involve the workers themselves and in order to be involved they must have the possibility of exercising judgement, developing social contacts and learning. These are the points where the traditional mass production system becomes too much of a hindrance. The workplace has to be opened up: to flows of ideas, to suggestions, to learning, to

improvement. Initially, this was done through the introduction of a parallel development organization, such as quality circles. The idea was to make step-by-step improvements, day by day, to get visible results over time, instead of waiting for a crisis to occur.

17. The need for such improvements has been more apparent the more the service sector has grown and the more services are integrated into the traditional production of goods. As a consequence, both management and workers have been looking for new ways of improving productivity and working conditions. We have seen a number of efforts and experiments: new forms of teamwork, just-in-time production systems, lean production, 'kaizen' (continuous improvement), total quality management, eco-management, benchmarking, etc.

The flexible firm

18. Both the traditional form of organization and that based on step-by-step improvements still exist and will continue to do so for many years. But in parallel, a more fundamental change in the organization of work is emerging, a shift from fixed systems of production to a flexible, open-ended process of organizational development, a process that offers new opportunities for learning, innovation, improvement and thereby increased productivity.

19. This new concept of a process of continuous change is sometimes described as 'the flexible firm' and the workplaces as high trust and high skill workplaces. There is no one model, but an infinite variety of models, which are constantly being adapted to the circumstances of the individual firm and its workers. The transformation can be explained by three factors representing change: human resources, markets and technology.

□ **Human resources.** In traditional economic thinking, labour is a factor of production similar to land and capital — a cost to be reduced. In a knowledge-based economy, however, people represent a key resource. Organizations are valued not only on the basis of their products

or machines but primarily on the knowledge-creating capacity of the workforce, the people who work for them, how they work, and what work means to them. The rate of innovation and change in products and technologies is so rapid that the competitive advantages of companies and countries will be the capacity of the workforce to create knowledge. The European workforce of the 1990s, especially the younger age group, is much better educated and trained than any earlier generation. About 70% of this young European workforce have an upper secondary level education and about 20% have a university degree.

□ **Markets.** Consumers are more demanding than ever before and they do not accept simple standardized products. They look for innovation, for variety and novelty, for high quality, both in goods and services. Competition in the marketplace forces firms to organize production in such a way that changing consumer preferences can be met. That creates demand for close links between market and production, capacity for continuous innovation and improvement, and a high degree of flexibility in production. Competitiveness and success will be based more and more on the innovative capacity and adaptability of firms, and less and less on the traditional concept of producing more of the same at low prices. The most innovative and flexible firms are more likely to survive and expand.

□ **Technology.** During the last 20 to 30 years a new technological revolution has begun, based on the introduction of information and communication technologies (ICTs). One of the main effects of the new ICTs has been a dramatic reduction in the cost and time of storing, processing and transmitting information. Such changes have a fundamental effect on the way we organize the production and distribution of goods and services, and thereby, on work itself. At the beginning of this technological revolution, the economic result of the introduction of new information systems was rather poor in terms of productivity growth. But, more recently there is a growing number of examples where the introduction of ICTs has met the highest expectations. The main message from these examples is the need for an integrated approach, linking the introduction of ICTs with the education and training of the workforce and with organizational renewal.

A new organization of work, a demanding change

20. These three factors — human resources, markets and technology — can have a fundamental impact on the way workplaces are organized.

21. The new flexible firm is a demanding form of organization of work. That goes for the introduction of a new organization, as well as for the requirements of skills and competence and the development of industrial relations. In the new decentralized and network-oriented organizations, workers perform a range of tasks, rather than pass the job on from one to another. The skill structure is changing. Good skills in numeracy and literacy as well as with computers, the ability to interact with new technology and with environmental requirements, are becoming more and more important. There is a need not only for higher skills but also for broader skills. That is why continuous learning, the updating and upgrading of skills and competencies, as well as investment in human capital, are of crucial importance for the improvement of the competitiveness and productivity of the European economy.

22. Furthermore, as workers develop a wider range of skills and become more adaptable, the new organization of work will further facilitate geographical mobility. This in turn will enable workers to exploit their potential more fully and exercise their rights in this respect.

23. The new organization of work will challenge industrial relations. The old organization is characterized by specialization of tasks and skills and the separation of design from the production phase. Industrial relations will need, in a new organization of work, to be built on a basis of cooperation and common interest. Therefore, new forms of industrial relations have to be developed, including, for example, greater participation by employees, since efficient production requires enhanced levels of both trust and commitment in firms.

A great potential for Europe

24. European industry, manufacturing as well as services, has many underlying strengths. One such strength is the single market, the

biggest economic entity in the world. Sixteen million firms established in this market have a great advantage in being close to 370 million consumers. The new way of organizing work that is slowly emerging in Europe could be another strength, by improving the ability to adjust production to the new market conditions of ever-changing consumer preference. In this way, the flexible firm could offer a sound basis for fundamental organizational renewal built on high skill, high productivity, high quality, good environmental management — and good wages.

25. It is important to recognize that European companies and public services have already introduced a great number of organizational innovations, which are in tune with European conditions. There are a number of case studies — some examples are presented in the report from the Commission's competitiveness group — demonstrating the potential for productivity and prosperity of a new work organization. The findings confirm that these innovations in the organization of firms lead to improved business performance, better job protection and job enrichment. The same message comes from the German programme on work and technology and the Scandinavian programmes, showing that the firms that have restructured their work organization and industrial relations have been far more successful than those that have attempted to meet the challenges solely through the introduction of advanced manufacturing technology. These programmes also show that trust and commitment can be effectively combined with sound formal and contractual agreements. However, many firms — and public authorities — are still in the age-old work organization: hierarchical, with a high degree of specialization and low degree of integration and product innovation, defensive methods of restructuring and political demands for reduced responsibility in relation to the workforce. The diffusion of new practice seems to be slow.

26. Their traditionally informal structures, coupled with the smaller scale of operations, have enabled SMEs to avoid the organizational sclerosis which has hindered the adaptation of many large firms. However, the informal nature of relationships in SMEs gives rise to a different set of problems in relation to work organization: in particular the lack of resources necessary for systematic organizational planning tends to hinder long-term personnel development. As a result, although SMEs are poten-

tially better able to adopt flexible forms of work organization, further efforts need to be made if they are to exploit fully the opportunities presented.

27. It has to be acknowledged that improvements in productivity can result in a reduction in employment in one part of the production chain. But improved productivity is necessary if real wages and profits are to be increased. Higher wages and profits lead in turn to the creation of employment in a number of ways: in the firm itself, in its suppliers, by increasing demand and by creating the wealth to pay for the employment-intensive services, which are needed in the future: in health, education, leisure and care for the sick and elderly to name but a few.¹

28. The choice is not, in fact, between being more productive or staying as we are. It is between remaining competitive or relegation to the second division. This is not an easy option. There are a number of obstacles to the modernization of firms and one such obstacle is the lack of awareness of the possibilities and of the potential of a new way of organizing work. There is a need for information and debate and for initiatives that can stimulate the development of new forms of work organization, not least among the many SMEs.

29. Furthermore, all change creates turbulence and uncertainty. There are balances which have to be struck:

- between young workers and older workers;
- between the well-educated and the less well-educated;
- between the need for high production levels and the health of workers; and above all,
- between flexibility and security.

Flexibility and security

30. The potential economic benefits of a new form of work organization based on participation and trust are substantial, with potential gains for everyone. Public policies need to be

¹ The employment potential in this area is set out in the Commission's report on 'Local development and employment initiatives: an investigation in the European Union', SEC(95) 564.

built on this understanding. However, it has to be recognized that certain categories of workers in some areas at different periods in the economic cycle will have more difficulty in adjusting to the new situation than others: these include, in particular, older workers, younger workers with low levels of qualification and workers who live in areas of high unemployment and are not mobile. Similarly, while there are considerable benefits for firms and workers engaged in core activities, care is needed to ensure that all workers, irrespective of their contractual status, share in the potential benefits of the new work organization.

31. The key issue for workers, management, the social partners and policy-makers alike is to strike the right balance between flexibility and security. This balance has many aspects. The reorganization of work often causes uncertainty. Workers need, above all, to be reassured that after the changes are made they will still have a job and that this job will last for a reasonable time. At the same time, once the changes are made, the new organization of work can offer workers increased security through greater involvement in their work, more job satisfaction and the possibility of developing skills and long-term employability. This security for workers can also provide employers with increased security in the form of a more stable, versatile and contented labour force. Employers need greater flexibility in order, in particular, to cope with fluctuations in demands for their goods and services. In particular, they are often looking for interchangeable

skills and adaptable working patterns, including working time arrangements. Such flexible arrangements can also have advantages for employees, provided that they are negotiated: for example, working time arrangements which suit their private or family commitments.

32. It is the achievement of this balance between flexibility and security which is at the heart of the partnership for a new organization of work, which is the subject of this Green Paper. So far we have discussed the implications for employers and workers. But if this balance is to be achieved, there is a need to adapt a wide range of public policies accordingly. These policy challenges will be discussed in the next chapter.

Questions

Do you share the views expressed above on the evolution of the organization of work and the main driving forces behind the new developments? Are there other factors that should be included?

What is your experience of firms that have introduced new forms of organization of work? Are there particular experiences in respect of small firms which you would like to mention?

Are there examples of new business strategies which appear more successful in dealing with such changes?

2: Policy challenges and new partnerships

The labour market context

33. There is a broad public debate about the development of labour markets and working life. This debate is linked to new technologies, the globalization of our economies and new forms of work organization.

34. The new forms of work organization are associated with greater specialization by firms, which leads to new employment-creating opportunities for sub-contractors. However, some of the changes that we are witnessing today are caused not by a new organization of work and new technology, but by a lack of adaptation and modernization. The downsizing of many firms is often the consequence of adverse macroeconomic conditions and bad management.

35. Some of the problems are caused by a failure to integrate new technologies with changes in the organization of work and the upgrading of skills and competence.

36. It is difficult to isolate these factors in statistics on the development of the labour market. Therefore, caution is needed when studying such statistics in order to avoid blaming the new organization of work for the problems created by quite different factors.

37. A few facts can serve as a background to the further discussion of the challenges to existing policies and the need to modernize our policies.

□ **Employment has increased** in the Member States of the EU in 15 of the 23 years since 1973. The total increase in these years of employment growth reached 16 million jobs. However, 8 million of these jobs were lost during periods of economic downturn, giving a net employment growth of 8 million. This contrasts with the growth of the working age population by nearly 28 million people over the same period. Thus, the main problem is that job growth has not been strong enough to absorb the growing working age population.

□ **There are many more jobs requiring higher and broader skills;** there has been a marked shift in the structure of employment towards higher-skilled jobs that are, in general,

more stable. Professional, technical and management personnel have grown by 25%, while the number of production workers has decreased. Those who have lost their old jobs have had great difficulties in returning to a working life with new and higher skill requirements.

□ **The level of permanent employment remains high;** temporary jobs account for a relatively small proportion, around 12%, of employees. Such jobs are often important as entry jobs; for example, in 1995, some 50% of the unemployed who found a job took temporary positions. A recent study, undertaken by the ILO, shows that job tenure has not been reduced in recent years.

□ **Working time has become more flexible;** about 16% of employees work part time and such work has become more common. Only 5% of men work part time while 30% of women work part time, mainly in the service sector.

□ **Self-employment has been stable over the last 20 years;** self-employed workers accounted for about 15% of the total workforce in 1975 and that figure has not increased at all. However, if agriculture is excluded, there is evidence of some growth.

38. These patterns are important to recognize as a basis for the discussions on policies supporting flexibility and security in working life. A more detailed description of the trends in the labour market in the Member States is available in the Commission's publication *Employment in Europe 1996*.

Modernizing the legal, contractual and policy framework

Education and training: lifelong learning

39. The new forms of work organization require a much better educated and trained workforce, including, in particular, management. The flexibility and adaptability of skills

are key. Continuous training and retraining are essential: in 10 years' time 80% of the technology we operate today will be obsolete, and replaced by new, more advanced technologies. By that time, 80% of the workforce will be working on the basis of formal education and training more than 10 years' old.

40. Europe needs to develop a new architecture of lifelong education and training which involves not only all parts of education and training systems but also firms and individuals themselves. In addition, a culture of learning and training throughout working life needs to be fully embedded. It is hardly possible to overestimate the importance of action in this area, which has been the subject of a number of Commission initiatives. For example, the Commission's Green Paper 'Living and working in the information society: people first' identified four crucial areas.

□ Laying the best foundations: the foundations of our knowledge and skills are laid during the first years of education, and the education processes involved need to evolve with the development of new technology and with the new requirements for sustainable development. Teachers and trainers, in particular, must be targeted and the quality of their initial training and continuing professional development secured.

□ From teaching to learning: education and training institutions must be swiftly reoriented so that learning institutions are much more responsive to changes in the skill needs of business and industry. One of the key objectives identified in the Commission's White Paper 'Teaching and learning: towards the learning society'¹ was the need to bring schools and the business sector closer together to better complement each other as places of learning.

□ The learning company needs new forms of partnership between business, other organizations and educators to ensure that the new and changing skills required are made available. The crux of this approach is continually to reinforce the employability of the workforce, as well as to increase the competence of managers and decision-takers through training.

¹ 'Teaching and learning: towards the learning society' (December 1995).

□ Lifelong learning for all: there is a strong need to transform passive labour market policies into active policies for human resource investment, in line with the agreement at the Florence Summit, whereas at present not more than 7% of the unemployed are offered training which would help to equip them to re-enter the labour market.

Questions

How can firms which seek to introduce new forms of work organization optimize their investments in human resources?

What are the obstacles, including accounting and tax constraints, to the promotion of investment in human resources?

Labour law and industrial relations

41. The new organization of work calls into question the basic foundations upon which labour law and industrial relations are built.

42. The concepts of workplace, firm, factory and, in particular, the notion of employer are undergoing a process of diversification, leading to an erosion of traditional employment relationships. Downsizing, outsourcing, subcontracting, teleworking, networking and joint ventures bring new dimensions to the world of work for which traditional labour law provisions do not appear to have adequate answers.

43. All this raises fundamental questions concerning the balance of regulatory powers between public authorities (legislation) and the social partners (collective bargaining) and between the social partners and individual employees (individual employment contracts). In particular, the possibility of derogating from legislation by collective agreements and the scope for individual contracts versus collective agreements are central issues on today's European industrial relations agenda.

44. In this context, the likely development of labour law and industrial relations from rigid and compulsory systems of statutory regulations to more open and flexible legal frameworks may pave the way for a new balance of

regulatory powers between the State and the social partners, in particular in the areas connected with the internal management of firms. Within this framework, the relationship between employers and employees becomes a key factor as firms move from traditional methods of organization to more flexible internal arrangements. The role of workers in decision-making and the need to review and strengthen the existing arrangements for workers' involvement in their companies will also become essential issues. The Commission will launch, in the coming weeks, consultations with the social partners on the advisability and direction of Community action in the field of information and consultation of employees at national level.

45. The participation of employees in profits and enterprise results could also assume greater importance. In this connection the Commission recently prepared a report¹ on the ways Member States have promoted the participation by employees in profits and enterprise results. This shows that in all cases profit-sharing is associated with higher productivity levels no matter what methods, model specification and data are used. Other positive effects of the schemes are on wage flexibility, employment and employee involvement. The development of financial participation schemes is, however, strongly influenced by government action, in particular by the availability of tax incentives.

Questions

How should the current legal framework be modernized to take account of new employment trends?

Which types of workers' involvement mechanisms could contribute to successful strategies on technical and organizational change?

How would the development of direct worker participation affect the role of bodies or organizations representing workers?

¹ 'Pepper II: promotion of participation by employed persons in profits and enterprise results (including equity participation) in Member States', COM(96) 697 final of 8.1.1997.

Wage systems

46. Pay is, of course, at the heart of the contract between employers and workers. But some of the pay systems in use today were developed 40 or 50 years ago. Frequently they provided only for payment for a specific job in a hierarchical organization with a rigid division of labour. Such wage systems are now proving an obstacle to the introduction of more flexible company structures. It is precisely in the most up-to-date companies that traditional pay differentials between manual and white-collar workers, between women and men, or between members of the same team are no longer workable. Wage systems are the financial expression of organizational and status structures within a company.

47. New wage systems, compatible with the flexible firm, have been introduced into many firms, in both manufacturing and services and in large, medium-sized and small firms. The characteristics typical of these new payment systems are broader job descriptions and a corresponding decrease in the number of pay grades, incentives to acquire extra qualifications, higher valuation of new job requirements (such as cooperation, responsibility, decision-making, problem solving, etc.), supplements to the basic wage paid according to results or for continuous improvements, establishment of internal job equity for blue and white-collar employees, for time and piece-rate workers, for part-timers and full-timers and equal pay for women and men.

Questions

What experience do you have of changes in payment systems?

What innovations are taking place, in particular by means of collective bargaining?

Working time: a new approach

48. Working time is at the centre of the public debate on the organization of work. In particular, the European Parliament adopted last year an important resolution on a reduction and

adaptation of working time,¹ based on the Rocard report. The debate is about two separate questions. One is about working time flexibility: the adjustment of working time arrangements to the needs of firms or the needs of individual workers. The other question is about working time and employment: can a shortening of working time create more jobs?

49. Many innovative working time arrangements are being introduced in firms throughout the EU, both on the initiative of the firm concerned, and as the result of pressure or incentives from the Member State. Such arrangements can take a number of forms, including:

Changes in the length of the working week

50. An important development in recent years has been the decoupling of plant operating times and shop opening hours from individual working time. This has allowed firms to increase the utilization of expensive equipment, or to meet shoppers' wishes more effectively, while reducing individual working time, often at no cost. In this context, some research has shown that firms may employ more workers as a result of reducing working time, provided that certain conditions outlined below (box) are met.

Conditions which may need to be satisfied for working time reductions to have an impact on employment

Reductions in working hours should take place in the broader context of a better balance between flexibility and security: reducing working hours while maintaining the same pattern of work organization will be counter-productive.

The way work is distributed has to be planned and working time patterns have to be adapted to the new situation.

The redistribution of working time should be accompanied by an active training policy. Otherwise skill shortages are likely to arise. The speed with which they arise

depends on the nature of the work and the quality of the available labour force.

Barriers to recruitment should be low. In this context there is a need to look, in particular, at the effects of taxation systems on working time and to make the necessary adaptations to social security systems.

Cooperation between the public authorities, trade unions and the various training bodies with interests at plant level is important.

Working time reductions should be incorporated into long-term bargaining packages. Many working time reductions in recent decades, for example in Germany, Belgium and the Netherlands, have been traded against long-term wage moderation. Such long-term packages have the advantage of making it possible to use productivity increases to reduce working time over a period of several years, while at the same time reducing the wage increases needed to offset the reduction in working time.

Annualization of working time

51. There has also been a trend in recent years towards coping with fluctuations in demand by calculating working time on an annual basis rather than on a weekly basis. Agreements to this effect usually provide, within certain limits, for the workers to receive a regular salary, rather than one which fluctuates week by week or month by month. It can also enable workers to better organize their time between work and leisure. For employers it allows for greater flexibility in the organization of production and avoids expensive overtime premia.

Part-time work

52. There are now 24 million people working part time in the Member States. This form of work represents both opportunities and risks. From the employer's point of view it provides the flexibility which is necessary to meet changing consumer demands, especially in services. From the worker's point of view it also provides a flexibility that makes it easier to

¹ OJ C 320 of 28.10.1996, p. 97.

combine work with other responsibilities, for example studies or housework. The problem is that conditions of employment, for example social protection, for part-time workers are often limited when compared with those for full-time work. This crystallizes the need for a new balance between the interests of employers and workers, which would have positive benefits for both sides and could lead to the integration of part-time workers into the labour market, in particular by making their work less precarious. The social partners are now negotiating at European level on the basis of the Commission's consultation document on flexibility in working time and security for workers. A European agreement on this would make an important contribution to the development of flexibility and security in working life.

Flexible leave arrangements throughout working life

53. A number of interesting experiments are being undertaken in Member States and in individual firms to allow workers to take career breaks for family, training or other reasons. The recent framework agreement on parental leave concluded by UNICE, CEEP and the ETUC¹ is a good example of progress at Community level.

54. Such working lifetime policies may reduce unemployment and improve the quality of life by humanizing the world of work and, above all, its compatibility with private life.

Questions

What contribution do you consider that a reduction and adaptation of working time can make to the improvement of growth, productivity and employment?

What is the scope for agreement at sectoral level on working time arrangements? Are other levels more appropriate?

¹ Annex to Council Directive 96/34/EC of 3.6.1997; OJ L 145/4 of 19.6.1996.

Taxation

55. The existing taxation systems are not normally designed to cope with the new flexible work organization. On the contrary, taxation systems may give employers a financial incentive to employ people in traditional work arrangements and therefore act as a barrier to a more flexible work organization.

56. Taxes, including social security contributions, falling on labour are often related to employees' income levels. Some taxes may distort employers' choices on organization of working time as the imposition of the taxes can give incentives to work either more than a certain level or less than a certain level. For example, some taxes may have a ceiling which can be an incentive for employers to hire only one employee whose salary exceeds the ceiling, and beyond which no additional contributions are payable, compared to hiring two part-time employees whose individual salaries would be below the ceiling and whose combined contributions would be greater than for one employee. Such ceilings may also give incentives to employers to use overtime instead of hiring extra people.

57. Other taxes may have a tax-free floor which gives an incentive to employers to employ part-time workers below a certain number of hours per week. Some taxes are a fixed amount per employee, irrespective of the level of earnings, and consequently give an incentive for employers to use as small a number of employees as possible.

Question

What reforms are necessary to taxation systems, in order to avoid the disincentive effects?

Social security

58. At present, most European social security systems are based upon a model of employment which assumes that the 'normal' pattern of employment is lifelong and permanent, with retirement from the labour market taking place at the end of the employee's working life. Benefits are therefore predicated upon a contri-

butory insurance model and eligibility often depends upon continuous service.

59. If, as predicted, 'traditional' work structures are to continue to change over the next few decades, the implications for social protection policies in the longer term are enormous. The most frequently-advanced change scenario envisages the replacement of the 20th century linear career concept by a norm of a varied working life.

60. Such changes should not be perceived as a threat to social security: flexible working can be both beneficial to European economies and attractive to individual employees. Therefore, the latter should not be penalized for adopting such working patterns. This means that the multitude of different forms of employment, which employees may increasingly experience, must be supported by appropriate social protection systems.

61. However, it is vital that mechanisms be found for adapting European social protection systems to take account of these new patterns of work. Obviously there are no easy solutions to this complex problem. Therefore, in October 1995, the Commission launched a debate on the future of social protection which addresses among other things the implications of changing work patterns for social protection. A communication¹ taking stock of the debate during 1996 and proposing appropriate follow-up has recently been published.

Question

What adaptations are necessary to social security rules to stimulate more innovative forms of work organization?

Health and safety at work

62. There is an important body of Community legislation in this area, which already makes a significant contribution to the health and safety

¹ 'Modernizing and improving social protection in the European Union', COM(97) 102 of 12.3.1997.

of workers.² These measures may need to be strengthened and adapted in order to take account of changes in work organization.

63. In this context it should be noted that it is the employer that has the duty of managing the prevention of occupational ill-health. The growing importance of SMEs as employers, including sub-contractors, raises important health and safety issues. Furthermore, new employers often lack knowledge of health and safety risks, and frequently have neither the time nor money to rectify this. Some initiatives have already been undertaken to address this information gap,³ but further measures may be necessary. In addition, the incorporation of health and safety within early education and within the lifelong learning approach will be increasingly necessary to ensure that workers are adequately trained.

Environmental issues

64. The development towards a more flexible organization of work is likely to have effects on the natural environment, for example by changes in transport demand. These effects can be positive or negative, depending, in particular, on individual working time arrangements, the transport infrastructure and the location of the work. It will be necessary to identify the environmental impacts of new forms of work organization more accurately in order to develop approaches which are compatible with sustainable development and which are beneficial for the whole of society.

Question

What impacts, both favourable and detrimental, are the new forms of work organization, flexibility in working time and employment contracts, having on the health, safety and job environment of workers and for the management of these issues?

² See in particular Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers (OJ L 183/1 of 29.6.1989) and subsequent individual directives.

³ See *Self-audit handbook for SMEs on safety and health at work*, European Commission, 1995.

Mainstreaming equal opportunities policies

Women and men

65. The new developments in relation to work organization present a challenge and an opportunity with regard to equal opportunities for men and women. Employment is declining in typical traditional male jobs with traditional work organization, such as heavy manufacturing industries, and growing in the service sector, where women have a stronger position and where new ways of working are more developed. The question is whether the new organization of work, emphasizing social skills, broader skills and multi-tasks, can contribute to the promotion of equal opportunities.

66. Women have made great progress in the labour market during the last 10 to 20 years, but there is still a big gender gap in employment and persisting segregation in the labour market. The difference in employment between men and women is 25 million, 85 million men and 60 million women work. Women's working patterns are also sometimes different from those of men and that may also affect the development of work organization. In order to realize this potential it is necessary to organize not only firms but the whole social infrastructure to support men and women on a more equal footing. That includes, for example, training, child care, transportation, gender balance in decision-making, individualization of rights and so on.

67. Mainstreaming, which is the guiding principle of the fourth Community action programme on equal opportunities for women and men (1996-2000),¹ aims to promote the integration of equal opportunities for women and men in the process of preparing, implementing and monitoring all policies and activities of the European Union and the Member States.

¹ Council Decision of 22.12.1995, OJ L 335 of 30.12.1995.

Questions

What more can be done to ensure that a better gender balance is achieved through the development of a new organization of work?

How far will the growing participation of women in the labour market have an impact on work organization?

Immigrants and ethnic minorities

68. New developments in relation to work organization also present risks and opportunities for workers from immigrant or ethnic minority backgrounds. Businesses and other organizations are operating in an increasingly multicultural environment, with customers, suppliers and employees from diverse national, ethnic and cultural backgrounds. Success in the marketplace increasingly depends on the ability to integrate this potential to best effect.

Integration of people with disabilities

69. A better organization of work can improve job opportunities of people with disabilities. In particular it can help to ensure that workplaces and work arrangements are adapted to their needs. Measures involving working time organization have also proved to be essential to in-company reintegration. The same consideration applies to the effect of the introduction of new technologies. Teleworking can expand dramatically the employment opportunities of a wide range of people with disabilities, in that it can overcome or remove barriers and problems relating to health conditions, safety, fatigue and stress, the need for personal assistance, inaccessible transportation or architectural barriers. Considerable human resources, which are today non-productive and have to rely mainly on social assistance, can be released in this way for employers and in general for the benefit of all society.

Question

What practical steps can be taken to ensure a better use of the potential of all our people in the new organization of work?

Labour market policies

70. Labour market policies play an important role in the development of the new organization of work, reconciling flexibility for firms and security for workers. First of all, there are huge financial resources spent on passive policies, that should be activated. Secondly, the new concept of 'job rotation' offers opportunities for firms as well as for jobseekers. Job rotation means on the one hand upgrading the existing workforce in order to achieve better quality, higher productivity and new forms of work organization, on the other hand a need to recruit substitutes, while the workers are being trained. This recruitment could provide good entry jobs for young and unemployed people. Such a shift from passive to active measures, based on the job rotation idea, is in line with the European Council agreement on a selective restructuring of public expenditure to stimulate growth and employment.

71. Most of the initiatives for the modernization of work organization must be taken at a local or national level. However, these initiatives can get support from the European Union, through the European Social Fund. Objective 4 of the Structural Funds has as its aim to 'facilitate workers' adaptation to industrial changes and to changes in production systems'. Created for the current programming period 1994-99, it is a new and challenging objective in so far as it deals primarily with people in employment as compared with the traditional target groups of the Social Fund, namely the unemployed. Objective 4 (together with the ADAPT Community initiative) carries a budget of about ECU 4 billion, which when married with Member State and private funding makes it a European fund for supporting industrial change of about ECU 7.5 billion over the five years of its operation. The actions supported are to a major extent concerned with training and retraining, but within an overall context of organizational change within and among companies.

72. During the remaining period of current programming (1997-99), the interventions under Objective 4 and ADAPT will be pursued with specific aims which support the process of improving work organization. An improved use by the relevant bodies of the opportunities offered by Objective 4 and ADAPT will be a key demonstration of their willingness to improve work organization.

73. In addition, the Leonardo da Vinci programme supports experiments and the launch of particularly innovating projects in this area. The fifth framework programme for research and development could also make a contribution in support of research on new methods of organization of work.¹

Question

How do you consider that the contribution of the Structural Funds, and in particular Objective 4, could be optimized to promote a better organization of work?

Modernization of the public sector

74. The public sector employs a significant proportion of the EU labour force. For example, over 9 million people are employed full time in local government alone. Within these public organizations there are increasing pressures to get value for money both in order to keep public expenditure in check and to improve the quality and flexibility of service which the public expects. There are a number of examples where public sector bodies have developed innovative forms of work organization, with the active participation of trade unions, but both employers and trade unions are conscious of the fact that more needs to be done. Indeed, in November 1996, the social partners at European level adopted a Joint Declaration² on the modernization of public services which recognized *inter alia* that the reorganization of work processes and administrative structures is often the main instrument for adapting to the changing environment. They emphasized that this requires a long-term commitment to employment and the development of professional skills, and that management of change demands cooperation between management and labour in all organizations. The parties stressed their striving for reconciling efficiency with a high quality of working life: 'In an open and secure climate the move towards a

¹ 'Towards the fifth framework programme: scientific and technological objectives', COM(97) 47.

² Joint Declaration of the CEMR Employers' Platform and the European Federation of Public Service Unions, Brussels, November 1996.

learning organization may be a natural outcome of the adaptation to the continuous change'.

Telework

75. Telework comes in a variety of forms — home-based telework, alternating telework, multi-site telework, freelance telework, mobile teleworking and telework from relocated back offices. Its central features involve the use of telecommunications and advanced information technologies and the performance of work at a location other than the traditional workplace.

76. Although the spread and penetration of telework remains unclear, the current numbers of teleworkers do not seem to meet the expansive forecasts made in the 1970s. However, the falling cost of telecommunications, changes in managers' and trade unions' attitudes towards telework, as well as new practices in respect of alternating telework, are strong indications that the number of teleworkers will increase substantially in the coming years. Telework is particularly evident in industries and occupations which are information intensive.

77. Any consideration of telework at regional, national or European level should be strongly influenced by the need for job creation, increasing employment opportunities, environmental improvement and regional development. The central question here is how can we use telework and related techniques to bring about a net increase in work opportunities for Europeans in such a way that the overall quality of working life is enhanced.

78. The transnational dimension of ICTs, and in particular the fact that electronic commerce on the Internet goes beyond geographical borders, brings to the fore the issue of transnational teleworking, international private law and transnational industrial relations.

79. In 1996, the Commission undertook comparative research and an analysis of labour law, health and safety and social security legislation and collective bargaining practices in Member States in respect of telework. As a result of this a number of issues were identified for consideration by the public authorities and the social partners (see box).

80. It is necessary to assess what measures are necessary to facilitate the development of telework, whether the existing rules are appropriate and what the respective roles of the different

actors are. These issues will be further assessed in the context of the follow-up to the Green Paper on living and working in the information society: people first, and in relation to the development of trans-European telecommunications networks.

Issues concerning telework practices

Contractual status (employed/self-employed teleworking)

Voluntarism and teleworkers' right to return to the company's premises

Written information on working conditions

Equality of treatment between on-site workers and teleworkers

Teleworkers' involvement in information, consultation, participation and negotiation

Teleworkers' training rights and skill development

Social security issues

Data protection issues

Environmental impact

Inviolability of home and the employers' access to it

Working time, availability and work load

Pay systems

Infrastructure, equipment and expenses

Teleworkers' involvement in the company's affairs

Separation of working and living environments

Health and safety issues, including isolation, stress, checking and control

Social implications of trans-border teleworking

Legal framework applicable to freelance teleworking, including trade union rights

Building a partnership for a new organization of work

The challenge to the social partners

81. The role of the social partners, in firms, at sectoral, national and at European level, is crucial in the development of a new organization of work. But both sides face challenges.

82. For management, the challenge is to achieve a fundamental renewal of their organization in such a way that they create a climate of trust and partnership, based on the concepts of flexibility and security. For trade unions, the challenge is to ensure that they exercise a constructive and active role in the innovation and modernization process within the firm and so achieve a sustainable balance between their social and economic objectives.

83. In a number of Member States, the social partners have shown their readiness to adapt to profound changes taking place in organizational structures, management style and industrial relations practices in both the private and public sectors.

84. This experience leads the Commission to invite the social partners and public authorities to take part in a discussion about partnership. The concept of partnership includes, first of all, workers and managers in the firm. The renewal of the organization of work can only be achieved by the firms themselves, involving management and workers and their representatives. In addition, the social partners and the public authorities can facilitate this work by improving awareness of the potential of a new organization of work.

85. This could lead towards a partnership for the development of a new framework for the modernization of the organization of work, taking account of the interests of both business and workers. The word 'framework' should be given a broad interpretation. It could include everything from the creation of a common understanding of the importance of new forms of work organization, through joint declarations, to binding contractual or legal initiatives. The level and content of such a framework has to be clarified through discussions, in particular in the social dialogue.

86. Such a partnership could make a significant contribution to achieving the objective of a productive, learning and participative organization of work. It would be based on European values, which combine competition between firms and solidarity between citizens.

The challenge to policy-makers

87. The European institutions — the Commission, the Parliament, the Council of Ministers, the Economic and Social Committee and the Committee of the Regions — can stimulate the debate, give political support and organize an exchange of information and knowledge about the introduction of new forms of work organization, on the basis of both the results achieved and the problems that have arisen. However, policy-makers in European institutions, as well as in national and regional parliaments and governments, need to understand what is happening in firms so that they can support the public debate in a well-informed way and take these developments into account, when formulating policy and modernizing legislation. Therefore, this Green Paper is also addressed to policy-makers, to increase awareness of the potential and of the need for renewal of public policies.

Questions on Chapter 2

What actions are appropriate at the different levels: the firm, local, regional, sectoral, national and European?

Under which conditions, which will vary from country to country, could decentralized negotiations at firm level be developed to cover several aspects of work organization?

How could agreement be reached at sectoral or occupational level on framework guidelines for the organization of work, which could be applied, at the same workplace, to workers with different types of contractual arrangements?

Which are the most appropriate ways in which this process can be supported at EU level, for example, support from the Structural Funds; support for train-

ing policies and innovations in them; dissemination of information, in particular in relation to good practice; medium-term social policy analysis and research, adaptation of the legal framework; other action?

How can we best mobilize our resources to realize the potential gains for both firms and workers, which could arise from a new organization of work?

How can we give particular support to SMEs?

What should be the respective roles of the main actors who might be involved in such a partnership, i.e. the social partners, the public authorities, NGOs, in supporting the development of a productive, learning and participative organization of work?

3: The consultation process

88. As stated in the introduction, the main aim of this Green Paper is to raise awareness and stimulate debate on new ways of organizing work. The Commission does not wish to pre-judge the outcome of that debate by making concrete proposals for action at this stage.

89. The Green Paper is being given a wide circulation and it is hoped that it will be discussed at local and national level, as well as at European level, in particular within the social dialogue.

90. The Green Paper includes questions directed to the social partners, to the Member States' authorities and to the European Union institutions. The Commission welcomes comments also from individuals and from institutions, from practitioners and from researchers, from NGOs active in the social and health fields, from people who have experience of new forms of work organization as well as from people who are preparing to step from old forms of work organization to new ones.

91. Written comments should be sent by 30 November 1997 to:

European Commission
Directorate-General V
Rue de la Loi/Wetstraat 200
B-1049 Bruxelles/Brussel

92. Comments can also be sent by E-mail to:

DG5-Partnership@BXL.DG5.CEC.BE

This document is accessible at the following address: internet <http://europa.eu.int/>

The DG V homepage is accessible through the following path: Welcome, Policies, Employment and Social Policies, on which page there is a link to DG V.

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