

Bulletin
of the European Union

Supplement 4/97

Partnership for a new organization of work

Green Paper

Document drawn up on the basis of COM(97) 128 final

April 16, 1997

Blank page not reproduced: 4

European Commission

Cover: © Eureka Slide/Charrondière.

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (<http://europa.eu.int>)

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1997

ISBN 92-828-0511-5

© European Communities, 1997

Reproduction is authorized, provided the source is acknowledged

Printed in Belgium

Printed on chlorine-free bleached paper

Contents

| | |
|----------------------------------------------------------------|----|
| Executive summary | 5 |
| Introduction: What are the aims of the Green Paper? | 7 |
| 1: Towards a new organization of work — why and how? | 9 |
| <i>Mass production</i> | 9 |
| <i>Step-by-step improvements</i> | 9 |
| <i>The flexible firm</i> | 9 |
| <i>A new organization of work, a demanding change</i> | 10 |
| <i>A great potential for Europe</i> | 10 |
| <i>Flexibility and security</i> | 11 |
| 2: Policy challenges and new partnerships | 13 |
| <i>The labour market context</i> | 13 |
| <i>Modernizing the legal, contractual and policy framework</i> | 13 |
| Education and training: lifelong learning | 13 |
| Labour law and industrial relations | 14 |
| Wage systems | 15 |
| Working time: a new approach | 15 |
| Taxation | 17 |
| Social security | 17 |
| Health and safety at work | 18 |
| Environmental issues | 18 |
| Mainstreaming equal opportunities policies | 19 |
| Labour market policies | 20 |
| Modernization of the public sector | 20 |
| Telework | 21 |
| <i>Building a partnership for a new organization of work</i> | 22 |
| The challenge to the social partners | 22 |
| The challenge to policy-makers | 22 |
| 3: The consultation process | 24 |

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

