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remarks might frighten away these fragile signs of better times to come. This could indeed be a turning point - especially if the opportunity is seized and not allowed to slip away - but this will not be of much help to the 12 million unemployed. Even in the case of a strong and sound recovery with growth rates of around 3 1/2% (which I fear is already utterly unlikely) employment creation would not be sufficient actually to bring down unemployment. We need something approaching 1 million new jobs to be created each year just to prevent a further increase. There are so many factors in the other side of the balance: a higher growth rate of the population of working age than in the past; a higher female participation rate in the labour market, especially of married women; the labour-saving effects, especially in traditionally labour intensive industries, of the wide-scale introduction of new technologies. All this means that the ideal of full employment as we knew it for those willing and able to work is probably not within reach.

/The figures are

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The figures are bad. But worse is the economic and social damage which they represent for the individual and for society as a whole, which must be the real focus of our concern. There is no need for me to develop the argument in front of this audience. I know you share my anxiety, especially about the consequences for the coming generation of workers - the core of the workforce in 10 years time - of long periods of unemployment and the frustrations of vocational ambitions. About 4 1/2 million young people are currently unemployed.

It is against this background, which I make no apology for presenting to you in brutal terms, that I wish to consider the question whether the introduction of shorter working hours can help to overcome the employment

/crisis by

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crisis by sharing available work among more people. Up to now, the principal aim of a reduction in working time has been the improvement of living and working conditions. This is an entirely worthwhile aim which should continue to motivate us. But our present concern must be with the more urgent need to create employment opportunities. This raises a whole range of different questions and calls for a deliberate policy on working time as such. This policy cannot be successfully worked out without a very fundamental reexamination on all our parts of some longheld beliefs and priorities and a joint commitment to reject the tempting option of simply defending the status quo.

First of all we need greater conviction that the reduction and reorganisation of working time can create jobs. A number of experiences at enterprise level already show that it can. And some nationwide schemes

/- especially in France

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- especially in France, Belgium and the Netherlands - are taking up the idea of trading reductions in working time for more jobs. Your own members in the Netherlands are involved in a very interesting agreement, which contains some welcome special provisions for young people.

These experiences also reveal, however, that in most cases working time reductions cannot be disassociated from other factors - such as the organisation of work, productivity developments, the use of capital equipment, and so on - all of which have an impact on overall costs and revenues. Moreover, much depends on the specific situation of the firms concerned and the prevailing market conditions. This suggests in general that the question is highly complex and more particularly that the issue of wage compensation is less clear-cut in practice than general statements from both sides of industry would suggest.

/When we Look

7.

When we look at macro-economic models, the picture is - not surprisingly - rather unclear. There are so many variables other than working time which may have an important effect on levels of employment. It appears that maintaining or increasing production time is one of the key factors conducive to more employment. The employment effect of wage compensation (wholly, partially or not at all) appears to be very sensitive to what assumptions you make about investment decisions, the substitution of labour by capital, the policy of public authorities and other factors. Whether the management of public expenditure would be such as to maintain or increase demand is obviously a very important unknown factor.

The conviction that adjustments to working time can and will help to relieve the job shortage lies at the heart of the Commission's Memorandum on the reduction and reorganisation of working time which was

/submitted to the

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submitted to the Council in December. This has already formed the basis for consultation meetings with the social partners and has also been on the agenda of the informal Council of Labour Ministers held in Bonn on 21 and 22 February. I detected in Bonn a distinct change in the attitude of Ministers, signalling a growing consensus that a policy of working time reductions and reorganisations is an essential weapon in fighting unemployment.

The meeting which my services held with the EMF's own working party on the reduction of working time identified, I am very glad to say, a good deal of common ground. But I think it would be more useful on this occasion if I were to concentrate on the more problematic areas where a measure of disagreement persists.

/The first and most

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The first and most fundamental point concerns your position that there should first of all be a reduction in working time with wage compensation and that you will then be prepared to consider possible changes in the organisation of working time after that. I must tell you in all frankness that I consider this position to be somewhat unrealistic. I do not think that either governments or employers would agree to such a way forward. Industries with their backs to the wall cannot be expected to survive with fewer man/hours at their disposal and just about the same wage bill; or alternatively with the same man/hours - thanks to new recruitment - and a much bigger wage bill. In fact, what is happening at the grass roots level is very different, with packages being constructed containing a wide range of elements, so that there is something in them for all concerned. To demand a reduction in working time on its own without any further steps<sup>is</sup> to ensure that little will actually happen - and none of us wants that.

/Let us look

10.

Let us look, then, at the other elements in the package, in particular at the reorganisation of working time - an aspect which causes anxiety. You are understandably concerned that a greater flexibility of manpower allocation risks leading to a deterioration in working conditions, to a breakdown of protective legislation and to an undermining of fundamental social rights. I understand and share this concern. Employers struggling for profitability are bound to favour more flexibility for the whole work organisation. They would argue that it would enable them to adapt more efficiently to changing market situations without committing themselves to higher employment levels. But it is, of course, far from the Commission's intention that employers should be given a free hand in this respect and we have never suggested this, as the Memorandum makes clear.

To argue this one through, we have to get back to the main aim of the policy which is - as far as I

/am concerned

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am concerned - employment for more people. To achieve this, reductions in working time will need to be accompanied by an obligation or (a strong incentive) on employers to recruit. But recruitment can hardly take place - for example, for a workforce of 175 doing 40 hours a week to be replaced by a workforce of 200 doing 35 hours a week - without reorganising work schedules, even assuming the same production level. And maintaining the same level of activity overall must be the very least of our ambitions. A policy which actually leads to a fall in the total amount of employment available is not in the interests of any of us. If, by contrast, activity is to be increased and with it employment, ways have to be found, for instance in the case of manufacturing, of using fixed capital more efficiently and thus improving the competitiveness of the product. This lengthening of production time would also inevitably mean a reorganisation of working time.

/The substantial

12.

The substantial reduction in working time which the Commission has advocated cannot therefore be dissociated from the reorganisation of working time if we are to reap the potential fruits this policy offers. In many cases, indeed, a reorganisation of work will be a key factor in creating more employment, as revealed by a number of actual experiences at enterprise level. This may not, of course, be possible in all branches of industry, and in small enterprises especially there may be major problems in increasing the workforce. But the possibilities for creating jobs in any circumstances will be enhanced if we can achieve greater flexibility in the use of manpower.

I am aware that the unions and their members will be asked to make sacrifices, but there are important gains at stake too and the extent of

/the sacrifices

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the sacrifices need not in my view touch the irreducible core of workers' rights established laboriously and sometimes painfully over a long period, rights which you (and I) - are committed to defending. Unions at many levels are now negotiating agreements which reinforce my view that we can achieve our aims without dismantling previous achievements; and that to ask for some sacrifices in order to relieve the burden which at present falls on the backs of the unemployed, is (as in the past) a request which will not go unanswered.

The question of Pay is perhaps the most controversial aspect of this whole debate. I should make it clear that in my view sharing work necessarily means sharing income. Although I know that the problems of working time reductions and their impact on production costs is by no means a new subject in the collective bargaining

/process

14.

process, I think that there are encouraging signs that many unions recognise the need for a new approach. With many companies simply not in a position to survive cost increases and with an urgent need to create more jobs, full wage compensation is possible. simply not ~~not~~ At a time when some unions must have almost as many members out of work as in, this difficult truth is finding increasing acceptance.

I am very conscious of the argument that this is not the time to cut purchasing power. Indeed, I entirely share the view that it is necessary to sustain positive demand expectations and that we cannot necessarily rely on adjustments in public policy to achieve that. But the conclusion I draw is that wage compensation must be handled in a way which maintains aggregate purchasing power if a reduction in working time is not to risk creating a deflationary spiral. This is not, of course, the same as maintaining the purchasing power of every individual. Indeed, the wider distribution of jobs

/implies that

implies that individual purchasing power will have to undergo a reduction or at least a smaller increase than would have been the case otherwise.

While employers and employees must both play their part in efforts to sustain demand, it is important, in my view, that public budget policy should also support these efforts. Money released as a result of falling unemployment payments will need to be channelled back into the economy in various ways. The difficult problem will always be to strike a right balance between cost, price and income developments in a way which reduces the number of the unemployed. It is sound (and social) economic policy to spend money helping to finance the reintegration of the unemployed into economic and social life instead of just paying for them to remain on the sidelines.

I have already referred to the encouraging signs that employers and employees are demonstrating

/greater concern

greater concern for the consequences of their actions for the whole economy and particularly the employment level. I have been particularly interested to hear of cases where employers make firm commitments to recruit more staff as a counterpart for moderation in pay demands, even when bigger pay increases are an entitlement. I am less convinced that the thinking of governments has sufficiently shifted in this direction. There are some honourable exceptions and some governments are already offering financial aid. The clearest example so far is the French Government's contribution towards employers' social security payments when new jobs are created. I very much favour these forms of government support and shall be urging other governments to follow suit. Such expenditure is an investment in the future as well as making an immediate contribution to bringing down unemployment now.

/I know that

17.

I know that it is easier said than done to be flexible and open-minded when economic times are hard and when we are in any uncertain area of policy innovation. And I know that there has been a certain suspicion that the Commission has lent too much towards the employers on this subject. But I would like to assure you of the Commission's sincere effort to adopt a balanced approach.

You and we both want a reduction in working time. Perhaps you put more stress on the aim of improving working conditions and <sup>I</sup> on creating more jobs, but we both share the two aims. Neither will be realised except at a price. The price may be paid in money terms: employees will have to bear at least a share of the cost; or in terms of greater inconvenience for workers: more weekend working, or working hours that begin earlier in the morning or end later at night. But of course the Commission is not advocating a cut in pay for the lowest paid workers; or such flexibility of working arrangements

/that workers

18.

should stay at home and wait until they are called; or part-time work on other than a properly protected basis; or the dismantling of the redundancy payment system. None of these things is proposed, as a reading of the Memorandum shows. On the contrary, the approach which the Commission has adopted and will continue to advocate is carefully balanced. I understand, for instance, the aversion of workers to the idea of shift-work. Equally, I understand the preoccupation of employers with the need to contain production costs, and of course all these things need to be discussed and worked out. <sup>But what</sup> I am convinced <sup>of is</sup> that there is a package to be constructed which will achieve both our basic aims and in which the really fundamental interests of all concerned will remain intact.

I would urge employers and employees alike not only to be open-minded about the content of the package, but to continue to contribute more directly by actually

/doing

doing at branch or plant level some of the things which we are all talking about. What is happening already on the ground in a number of Member States not only has a real effect in terms of jobs saved and even new recruitment, but it also provides invaluable material for policy makers at the national and Community level.

I would like to end by saying a few words about why we need a policy at the Community level and about the timetable over the next few months. The general arguments that a Community-wide approach promotes economic convergence and allays anxiety about possible distortions in competition are valid in this area. But I attach more importance to the role the Community - and more particularly the Commission - can play in stimulating debate, in exploring innovative theories and practices and in airing ideas which may represent difficult and controversial ground for the other parties concerned. I would like to see the Community adopt this year a broad framework or consensus

/which would

which would provide both stimulus and support for more specific national provisions and detailed branch or plant arrangements. It is a question of setting the tone at Community level and of creating the conviction that the reduction of working time really can work as an instrument of employment policy.

I should of course have liked to build this on the basis of a consensus between the social partners at European level. But as we made clear in December, the Commission is prepared to go ahead with proposals, even in the absence of such a consensus. I have recently found Ministers much more receptive to the idea of Community action in this field than in the past. Nevertheless, I very much doubt that we can achieve the adoption of binding Community instruments in this area. Such instruments could in any case

/pose difficult

21.

post difficult legal problems in a number of Member States and might be hard to reconcile with the need for a wide-range of differentiation in the measures to be adopted. I would hope to put my proposals to the Commission in May so that they will be available for the Council of Social Affairs Ministers in early June.

The proposals - like the Memorandum - will cover a number of matters which I have regrettably not had time to talk about today. Some of them are very important. I would quickly mention in particular ideas which would involve a reduction of time worked over the whole length of a working lifetime: that could mean early retirement, but not necessarily. More interesting perhaps is phased retirement with more part-time jobs available for older workers. The fact that I have hardly mentioned these matters today is certainly not due to any under-estimation on my part of the contribution they can make.

/Overtime is also

22.

Overtime is also an extremely important subject to which I would have liked to devote some time. It is a vital element in the package on which I believe there is a large measure of agreement on ends, but not on means. It is really high time we sat down and worked out how to achieve those ends.

But I think it is time I gave other speakers a chance to take the floor. I would simply like to emphasise once again how important I consider this debate to be in economic, social and political terms. I believe that if we do not succeed in finding ways to offer work to more people, the democratic institutions of our societies risk being undermined and the social fabric destroyed. I find the challenge which the question of working time presents an exciting one and I look forward to working with you to seize the opportunities it offers.