

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC (88) 1148 final

Brussels, 14 September 1988

SOCIAL DIMENSION OF THE INTERNAL MARKET

Commission Working Paper

TABLE OF CONTENTS

	Page
<u>FOREWORD</u>	
<u>INTRODUCTION</u>	1
<u>PART I : PRIORITIES AND INITIAL ACTION</u>	6
1. Social policy priorities	6
2. A new strategy for growth	8
3. The Community's social policy and the "Internal market"	11
4. Community social policy and economic and social cohesion	17
5. Other Community social policy objectives	28
6. Dialogue between management and labour	31

SECOND PART : PROPOSALS FOR ACTION

34

I. Social policy measures for the realization of the internal market

34

1. Measures to reinforce the actual exercise of the freedom of movement of movement and the freedom of establishment

35

2. Measures to give impetus to the new European mobility area

40

3. Measures to facilitate adjustment to completion of the internal market

44

II. Social policy measures to achieve greater economic and social cohesion

45

1. Practical implementation of the reform of the Community's structural Funds

45

2. Measures to promote and improve education and vocational training

46

3. Measures to encourage progressive harmonization of the rules governing working conditions and labour relations

48

III. <u>Other measures to stimulate employment and ensure solidarity</u>	52
1. More detailed analysis of the situation and trend with regard to the main variables in the labour markets of the Member States	52
2. Collection and dissemination of information on the employment policy measures taken by the Member States and on studies assessing the effectiveness of these measures	54
3. Action programme for local economic development	55
4. Action programme of support for the long-term unemployed	55
5. Measures for promoting the employment of women	56
6. Programmes to increase solidarity with "outcasts"	56
7. Analysis of other problems in the Social Security systems	56
IV. <u>Development of social dialogue</u>	57
V. <u>Conclusions : A Community social foundation</u>	59
VI. <u>Annex: Table</u>	

VII. Annex II: Measures concerning the social dimension of the
internal market

FOREWORD

Completion of the internal market by 1992 will mean setting up of a joint economic area without frontiers occupied by 320 million persons and sustained by increased cooperation between the Member States of the European Community. It will provide the Community with the means to achieve greater economic growth and the instruments to master its future.

Through greater efficiency of the machinery of production and a strengthening of the Community's scientific and technological bases, the internal market will make it possible to develop growth potential and thus to improve working conditions, employment prospects and, in short, the standard of living of Europeans in general.

The social dimension of the internal market is a fundamental component of this project, for it is not only a matter of strengthening economic growth and stepping up the external competitiveness of European undertakings, but also of using more efficiently and more completely all the resources available and of achieving a fair shareout of the advantages deriving from the single market.

The single market would be pointless if the standard of living and of social protection attained by the average European were called into question. Indeed, its justification in economic and political terms is to be found in increased social progress and in the advantages which it offers to all citizens of the Community, as the European Council held in Hanover in June 1988 pointed out.

The social dimension of the internal market must therefore help to maximize the gains derived from the single market, by helping to make full use of the available human resources and by preparing for the changes which will come about.

It is not in opposition to nor must it slow down the completion of the internal market.

On the contrary, it is essential if we are to obtain the support of the majority of Europeans for the single market, this major step forward in the building of Europe.

INTRODUCTION

1. The European Community is currently engaged in an ambitious programme to strengthen its basic objectives directed towards achieving a genuine internal market by eliminating the physical, technical and fiscal barriers which still get in the way of free trade and hamper the full exercise of competition on a European scale.

At the same time, the Community has adopted the necessary decisions to reinforce science and technology in Europe with a view to enabling European technology to attain the level of the other developed regions of the world.

The results to be expected of a process of this kind are more solid economic structures, based on more efficient and competitive industry, with increased technological capacity and a better trained workforce at their disposal.

It is only in this way that it will be possible to give a sustained impetus to economic growth and reduce unemployment, the principal economic and social problem facing European countries at present.

2. Achieving these aims means preventing any polarization or accentuation of differences within an economic area which already exhibits widely varying levels of development. On the contrary : it is essential that the benefits of a

stronger Community be generalized and that the result should ultimately be an increase in the economic and social cohesion between all the Member States.

Then again, the very process of consolidating the internal market may entail costs which, while likely to be very limited in time and space, may be considerable. It is essential to take account of these costs and alleviate them for reasons of equity and also to ensure the success of the process of strengthening the Community.

3. All of this requires the active participation of both the national authorities and the Community institutions.

First and foremost, it is essential to set in motion a macroeconomic policy more likely to stimulate production and employment based on cooperation, given that increased economic growth will hasten and accentuate all the favourable dynamic effects which the consolidation of the internal market will bring.

Cooperation, for its part, is particularly necessary at a time when, with the internal market, Member States will be increasingly interdependent.

4. It is also essential to implement an active social policy in view of its fundamental role both in achieving the internal market and in achieving economic and social cohesion.
5. With respect to the creation of the internal market, social policy must, above all, contribute to the setting up of a

"single labour market" by doing away with the barriers which still restrict the effective exercise of two basic freedoms: the freedom of movement of persons and freedom of establishment. It should likewise take on the positive task of facilitating and promoting those other forms of occupational mobility which can help to increase the Community's scientific and technological capacity and develop more efficient and competitive undertakings on a European scale.

Another task of the social policy linked to the completion of the internal market is to cushion the impact of the whole process so as to avoid excessive costs as far as possible and, where this is not possible, to help set up appropriate compensating mechanisms.

Finally, the increase in the Community's general prosperity in the interests of all its citizens, which the European Council held in Hanover in June 1988 underlined as one of the aims of completing the internal market, requires that an active social policy see to it that the economic measures to be taken do not affect the standards of social protection attained in the Member States. It is within this framework that we must fit thoughts about and proposals on social security systems and ways of financing social costs at Community level.

6. With regard to the strengthening of that economic and social cohesion which must fundamentally be sought by means of policies aimed at cushioning the impact of the internal market and based upon the structural Funds, social policy must play a

role of prime importance, essentially through those instruments which are specifically its own, i.e. structural intervention, action in the field of education and vocational training, and legislation relating to working conditions and industrial relations.

7. Furthermore, the economic and social situation requires that social policy should not confine itself to the aims set out above. Assessment¹ of the overall effects relating to the internal market and economic and social cohesion on overall employment levels shows that these will be positive and will entail a significant reduction in unemployment. The economic and social advantages of completing the internal market could include 4.5% growth and the creation of close to 2 million jobs. However, if economic policies aimed at cushioning the impact of the single market are put into effect making the best use of the room for manoeuvre provided by that market, the Community could achieve 7% growth and 5 million new jobs.

Nevertheless, unemployment will continue to be high for a number of years and must remain one of social policy's first priorities. It will be essential, on the one hand, to maintain the job creation programmes and alleviate the situation of the groups most hard hit by unemployment and, on the other hand, to step up all the measures aimed at solving the remaining problems of exclusion and poverty.

8. In this context, social policy must be able to count on the drive and collaboration of both sides of industry. They not only have a direct knowledge of the most pressing problems

1 "1992 Le Défi: Nouvelles données économiques de l'Europe sans frontières". Flammarion 1988. (The Challenge of 1992: new economic data on a Europe without frontiers).

but may also be able to make important contributions in devising and implementing corrective measures. Secondly, the problems to be dealt with concern society as a whole and both sides of industry must assume their share of responsibility for solving them.

9. In sum, social policy is today faced with new problems and new challenges of a magnitude and nature very different from the problems it has been confronted with so far. To help resolve them there are important resources which must be managed with maximum efficiency. A few priority objectives must be carefully selected and the general principles on which any action is based must be clearly defined. On this basis, it will be possible to devise correctly each specific programme with the necessary flexibility to adapt to the changing circumstances of every situation and every moment.

The new problems and challenges referred to above must be judged in the light of the completion of the internal market by 1992. This was the approach of the European Council held in Hanover on 27 and 28 June 1988, at which the Heads of State and Government stressed the importance of the internal market social support programme as an instrument which should enable all Community citizens to profit from the advantages which completion of the internal market will entail. The Hanover European Council (see Annex 1) thus confirmed the Commission's approach and gave a clear and precise impetus to the strengthening of the social dimension of the single market.

PART I : PRIORITIES AND INITIAL ACTION

1. Social policy priorities

10. Any social policy programme must be based on an analysis of the principal problems affecting society at any time. At present, there is no doubt that the most important problem facing society in Europe is unemployment. Over the last ten years, the unemployment rate in the Community has remained almost constant at around 11 % of the labour force, which amounts to more than 16 million Europeans who would like to work but cannot do so because there are not enough jobs.
11. It is possible, moreover, that the unemployment rate does not reflect the real scale of unused human resources.

Many situations statistically classified as employment may conceal, above all in rural areas, a significant under-utilization of available labour capacity. And many people classed as economically inactive are in fact available and would like to work but do not look for a job because they feel there is no point in doing so in the present state of the economy.

12. The situation is extremely serious. It implies, in the first place, an enormous economic waste in the failure to utilize considerable resources which, applied to production, would make it possible to increase the standard of living and well-being of the people to a significant degree.

In addition, it brings with it numerous frustrations, the loss of knowledge and skills and a deterioration in attitudes to work, all of which can have far-reaching adverse effects.

In the same way, it is the main reason for social exclusion and marginalization and the most important factor explaining the worsening income distribution and appearance of new forms of poverty.

In many cases, ultimately, certain forms of violence and criminal behaviour, together with the development of other pathological social behaviour, are clearly linked to the increase in unemployment.

13. Unemployment in the Community is not only very high but also very unequally distributed.

The unemployment rate for those under 25 years is over 22 %, much more than double rate for other workers, from which we may conclude that a very high proportion of young people encounter very serious problems in satisfying their aspirations and integrating into society.

Unemployment also has a very lasting effect on certain individuals if we consider that approximately 50 % of unemployed workers have been unemployed for more than one year and that 30 % have been unemployed for more than two years.

These data reveal the existence of a very important social divide which separates those who are in work, whose situation may be relatively stable and safe, from those who have been unemployed for very long periods.

Lastly, unemployment is very unevenly distributed throughout the countries and regions of the Community. According to the most recent estimates, more than half the unemployed workers live in the 42 regions whose unemployment rate exceeds 12 %. Regional unemployment rates range from 3 % to over 30 %.

14. In view of this situation any social policy, whether Community or national, should be aimed as a priority at helping to solve the serious problem of unemployment and minimize its unequal distribution. In addition, any employment measures which could entail a risk of further deterioration in the overall employment levels or unemployment distribution should be carefully examined.

2. A new strategy for growth

15. If we take account of the conclusions reached by the experts headed by Mr Cecchini (see point 7 above), a major lesson to be learned, i.e. that the European Community is probably the most promising source of growth and employment in the years to come. However, the advantages which may be derived from the completion of the internal market will be all the greater if the Member States grasp the need to cooperate more and to work together for a lasting return to sustained

growth. This economic strategy is that already put forward by the Commission in 1985 as a "Cooperative Growth Strategy for more Employment".²

16. What is needed today is to adapt this strategy to the prevailing economic situation, which is characterized by a return to expansion with favourable effects on employment. However, it is also a matter of optimizing the opportunities it offers by making full use of the growth potential and the room for manoeuvre which will be provided by the completion of the internal market.
17. Completion of the internal market will make it possible to reduce the constraints burdening macroeconomic policies: budget savings will be made and the Community's external position will improve. At the same time, inflationary pressures will be reduced. Macroeconomic policies will thus have more room to manoeuvre in their endeavours to improve conditions of supply and demand while significantly facilitating application of the Community cooperative growth strategy for more employment, which is based on cooperation between the Community, the Member States and the two sides of industry.
18. Implementation of an updated Community cooperative growth strategy for more employment is proving essential in the light of the current economic situation in which European economies cannot hope for positive stimuli from outside,

2 Council Resolution of 22.12.1986.

which means that the Community's economic growth will have to derive essentially from its own internal resources, apart from the fact that the Community will have to make greater efforts to stimulate the growth of other less developed regions and, in particular, contribute to the search for solutions to the problem of debt by making available to the countries in question an external context more favourable to economic growth.

19. A greater effort than in the past as regards coordination of economic policies at Community level is justified by its role as an instrument which should go hand in hand with the synergetic effects of the completion of the internal market and of supporting policies based on the structural Funds, which should help to strengthen economic and social cohesion.
20. In this way the social impact of the restructuring operations, which will be the inevitable counterpart of the gains in productivity and growth potential, can be reduced and it will be easier to overcome the inertia and the resistance which may stand in the way of completing the single market.
21. It should not be forgotten that sensitivity to and perceptions of the unemployment problem vary from Member State to Member State, for not all Member States are equally hard hit by it. It is therefore necessary to find an overall approach to plans to deal with unemployment, as well as the conviction that these plans will achieve distinct and obvious advantages for each and every Member State. The task of analysis and of diffusing information which devolves upon the Commission is thus of primary importance.

3. The Community's social policy and the "Internal market"

22. As part of the programme to complete the internal market, social policy must put into effect a wide-ranging package of distinctive measures.

In the first place, it must complete the process which ensures that freedom of movement and establishment becomes a reality. Although the Community has achieved much over the last thirty years in terms of the actual implementation of such freedoms, there are still considerable restrictions on their exercise in reality. Such restrictions must be eliminated by revising the basic legislation on the free movement of workers and the right of establishment, incorporating, in particular, all the decisions delivered by the Court of Justice of the European Communities in recent years.

23. Secondly, current population migrations and those expected in the future have very different characteristics and pose different problems from the population movements which characterized the sixties and early seventies. It is therefore also necessary to amend the basic legislation on freedom of movement, or to adopt such new measures as may be considered necessary to deal with the particular problems posed by this new type of migration.

24. The contribution of social policy to the exercise of freedom of movement should not be limited to removing obstacles to the actual exercise of such freedom. More active measures should also be adopted to encourage, in particular, the mobility of technical and qualified staff as a vital element in the policy of scientific and technological development which is another essential pillar of the Community's "new frontier".
25. Once the Council has adopted a common position on the draft Directive on a general system for the recognition of higher-education diplomas⁽¹⁾, work should be speeded up on the mutual recognition of professional qualifications as an instrument for creating "occupational labour markets" at Community level.
26. This policy of actively creating "mobility areas" in the Community should help to ensure that these new movements of professional persons and highly qualified staff are balanced in the sense that the places both of origin and of destination are distributed as evenly as possible throughout the Community. If this is not done, there is a risk that a highly polarized process will set up strong resistance and thus call into question the actual opening-up of such markets, or that some areas or countries will be excessively drained of qualified personnel, thus reducing the indigenous

(1) Council Directive on a general system for the recognition of higher-education diplomas awarded on completion of professional education and training of at least three years' duration (ETS 41, EDUC 42).

development potential of those areas or countries. The Commission must analyse and closely monitor these new trends, support the efforts of the Member States to bring about a balance in such population movements and, where necessary, propose such corrective measures as it may consider appropriate.

27. The permanent monitoring of population movements should also be extended to other groups of workers. Although it does not, at present, seem likely that there will be any great increase in the Intra-Community migrations of unskilled workers, it must not be forgotten that Member States have very different population structures. In particular, the continuing fall in birth rates means that, in the not too distant future, some countries will begin to experience serious difficulties in maintaining an adequate indigenous workforce. At the same time, other Community countries will continue to suffer high levels of unemployment. It is already time to begin considering what policy options are available to resolve imbalances such as these so as to evaluate the net social cost of the various alternatives and to propose those which appear most beneficial.

28. In designing social policy it should also be borne in mind that the clearly beneficial effects which will result, in the medium term, from completing the internal market will not be achieved without cost.

Over varying periods jobs are likely to be created and lost and although there will be a steady and regular increase in the number of jobs created the loss of jobs may be concentrated during the initial phases of restructuring.

This means that the time curve representing the effects of the internal market on overall levels of employment will be a "J" curve, although the negative side of the first part of the curve - if it exists - will depend on other factors referred to below.

Nevertheless, the estimates made by the experts in the Cecchini report⁴ show that even in the short term two million jobs could be created overall (in other words even taking into account an initial negative impact which might lead to the loss of 250\000 jobs). In the medium term there could be 5 million new jobs created in the Community and there could be an increase in the Community growth rate of 7% provided the Community implements simultaneously the economic support and structural policies liable to lead to the best possible use of the margins for manoeuvre created by the expansion resulting from the completion of the internal market.

29. In view of this situation, social policy will not only have to implement active measures designed to build a new European social area but will also have to introduce supporting measures. These measures, which will have to be adopted at national as well as Community level, should have a twin objective : to reduce the costs involved in the process and, where this is not possible, to ensure that the burden is shared equitably.
30. The costs of the process may be minimized in various ways without at the same time endangering the achievement of the overall objectives of the process.

4 "1992 Le Défi: Nouvelles données économiques de l'Europe sans frontières - Flammarion 1988 (The challenge of 1992 new economic data on Europe without Frontiers).

In the first place, when devising a particular measure, account must be taken of all the negative effects, including in the short term, which this measure may have and appropriate provisions must be taken to reduce these effects or to spread them over a longer transitional period in order to facilitate the necessary adjustments.

Secondly, the job creation processes should be accelerated as far as possible. However, apart from creating a suitable macroeconomic climate for growth, as already referred to, the scope for concrete action in this field is much more limited.

Thirdly, measures should be adopted to facilitate and accelerate the necessary processes of mobility between old and new jobs. In this connection, the action of the structural funds, in particular the ERDF, should be directed principally towards accelerating the creation of lasting jobs in the regions concerned.

31. With the help of such measures as these it is very likely that the total job losses which might temporarily result from the completion of the internal market can be considerably reduced without compromising the gains which might be achieved later. It must be borne in mind that the completion of the internal market depends on a very wide-ranging series of decisions, overlapping in time. As a result of appropriate support policies designed to accentuate the advantages of the internal market and attenuate the negative effects on employment (by spreading

them over a longer period of time or by ensuring that the positive effects of some measures offset the negative effects of others), the negative repercussions can be partially or totally balanced out.

32. The most suitable level at which to adopt such corrective measures varies from case to case. The first type of measure should be adopted mainly at Community level as an integral part of the process of drafting and implementing the provisions of the White Paper on the internal market. In this connection, Article 8c of the Single Act lays down that the Commission, when drawing up its proposal with a view to establishing the internal market, must take into account the extent of the effort that certain economies showing differences in development will have to sustain, and that it may propose appropriate provisions.

Measures of the second and third kinds are best adopted at the level of the Member States. However, in the case of the third type of measure, Community action may also be very important, whether in terms of the incentive mechanisms of the structural Funds or by means of publicizing the experiments and innovations which have been most successful in the Member States. In this context, it seems clear that the ease and rapidity with which the adjustments take place is in direct proportion to the educational level of the workforce and the amount spent on education.

33. In spite of all these corrections, some measures may have very severe negative effects on the level of employment in certain areas or among certain categories of people. In such cases, the social policy both of the Member States and of the Community must aim to ensure that the burden of the necessary adjustment is distributed equitably. The Member States may help to achieve this by introducing measures designed to alleviate the burden of adjustment on individuals (early retirement schemes, reinforcement of the social protection mechanisms, etc.). At Community level, provision must be made for such schemes by agreement with, and with the collaboration of, the Member States within the framework of the reform of the European Social Fund and of the other structural aid instruments.

4. Community social policy and economic and social cohesion

34. One of the new Community objectives established by the Single Act is that of strengthening economic and social cohesion, in particular by reducing disparities between the various regions and the backwardness of the least-favoured regions.

Greater cohesion is desirable in itself and the action taken to strengthen cohesion can result in benefits for all regions of the Community, not only for those to which they apply directly. Furthermore, it is an indispensable complement to the process of setting up the internal market in that it makes it possible to compensate for some of the negative effects mentioned above which may occur in certain areas.

35. Although "economic and social cohesion" has not been defined precisely, it clearly does not simply mean greater equality in regional incomes, which could be achieved simply through transfer programmes, but rather greater equalization between levels of development and employment in the various regions.

Nor does "economic and social cohesion" simply imply harmonization of rules governing conditions and terms of work and labour relations, although greater homogeneity of standards could be both a component and a result of greater "economic and social cohesion".

36. Strengthening economic and social cohesion, seen as a process of convergence accompanying progress in the levels of development and bringing into line of the labour markets, is basically to be obtained by lending impetus to the most backward areas' potential for internally generated development. Contributing to this is the chief task assigned to the structural Funds since their reform. It may also be achieved, and simultaneously, by means of mobility of labour, mobility of productive capital or some combination of these two.

37. In view of the levels of development and social protection achieved in all parts of the Community, in spite of the great differences which exist, the contribution of mobility of labour to greater economic and social cohesion will be rather marginal. As was pointed out above, it seems probable that intra-Community migration flows will in future involve a labour force of technicians and highly qualified persons, who, although they have a considerable strategic importance, will be relatively small in number. Furthermore, these new flows will chiefly affect the most developed areas.

38. Regarding the mobility of productive capital, it is logical to expect an increase in this in view of the fact that the completion of the internal market will involve eliminating many obstacles to the freedom of circulation of capital, services and goods.

However, the analyses available on factors determining the location of industry, together with the experience of other economic areas or the internal experience of the Community Member States themselves, show that productive capital does not simply move, as is at times claimed, to areas which have very low wage levels. Although this factor may have a certain relevance, especially in the case of some highly labour-intensive industries, there are other, more decisive factors in decisions on location, such as the supply of infrastructure, the quality of the public services or the availability of a sufficiently well-trained workforce.

The least-developed regions certainly do not enjoy special advantages in all these aspects. Thus a policy of strengthening economic and social cohesion must aim to eliminate these deficiencies, thus stimulating greater mobility of productive capital to these regions, at the same time promoting their possibilities of internally generated development.

39. Among the instruments for strengthening economic and social cohesion, the structural Funds are of special importance, as pointed out and laid down in the Single Act.

The decision of the Brussels European Council of 11-12 February 1988 will increase the Funds' resources substantially, to reach 13 500 million ECU in 1993, i.e. twice the sum now allocated to them in real terms in the

budget. This doubling of resources of the Funds in real terms will be an essential instrument in correcting the conspicuous inequalities which currently exist between the various regions of the Community.

40. However, this will not provide an automatic guarantee that the transfer of these resources to the poorest regions will activate these regions potential for internally generated development.

This will also require changes and improvements in the utilization of these resources. The aim of the Council of Ministers of the Community in approving the Framework regulation on the structural Funds was precisely that of making the changes to the structure and operational rules of the Funds which are required to strengthen their contribution to economic and social cohesion in accordance with the following principles :

- a) Concentration of resources on a small number of simple, clear objectives. These objectives are :

- (i) promoting the development and structural adjustment of the less-developed regions (objective n° 1),
- (ii) converting the regions and areas seriously affected by the industrial crisis (objective n° 2),
- (iii) combating long-term unemployment (objective n° 3),
- (iv) facilitating the occupational integration of young people (objective n° 4),

- (v) with a view to reform of the common agricultural policy, speeding up the adjustment of agricultural structures (objective n° 5a) and promoting the development of rural areas (objective n° 5b).
- b) Replacement of the traditional sector-by-sector approach with an "integrated approach" enabling the resources of the different Funds to be channelled towards one objective, thus increasing the "critical mass", rendering each Fund more effective. Specifically, the three Funds involved in this case (ERDF, ESF and EAGGF Guidance) can contribute to the attainment of Objectives nos 1 and 5b, the ERDF and the ESF to Objective no 2, the ESF to Objectives nos 3 and 4 and the EAGGF Guidance Section to Objective no 5a.
- c) Progressively replacing the management-by-projects approach by an approach based on "multiannual operational programmes", which will on the one hand enable Community activities to be backed up by the activities of national, regional and local authorities and, on the other hand, make possible a more flexible framework for activities and financing which can be corrected as it goes along and will improve the effectiveness of resource utilization.
- d) Establishment of new forms of association and collaboration between all authorities and agents involved in preparation, execution and assessment and monitoring of the execution of the programmes.

The aim of these new forms of collaboration is to enable rigidity and purely bureaucratic formalities to be reduced as far as possible and to lay greater emphasis on the study and preparation stage of the programmes (which can fully financed from the Community funds) and to make possible continual assessment of the effectiveness of the programmes, enabling changes to be made and to allow for changes which may have occurred during the preparation stage or circumstances which were not foreseen at that stage.

- e) Emphasis on the exclusive concentration of the resources of the structural Funds on the adoption of positive actions which will provide impetus to the areas' potential for internally generated development or the elimination of the root causes, such as inadequate education, which can cause special problems for particular communities. Only in this way can it be ensured that the structural Funds contribute to a lasting solution to the current unbalance and inequalities and thus to true economic and social cohesion.

41. The objective of strengthening economic and social cohesion requires, apart from the most effective possible utilization of the increased resources of the structural Funds, the existence of other policies which result in a more balanced geographic distribution of productive activities by means of mobility of capital and unleashing possibilities for internally generated growth.

Among such social policy instruments, special attention must be given to training activities and the harmonization of provisions regarding labour relations and working conditions.

42. The technological developments which result from a Community-wide increase in competitiveness as well as the aim laid down in the Single Act of strengthening the scientific and technological basis of European industry require both higher levels of training for all workers and a strengthening of relations between the educational system and the system of production. The most backward countries in terms of training must also make additional efforts to close the gaps between them and the Community average.

In the long term this is the only way in which greater homogeneity of living standards can be achieved, and it is also the only way in which the intra-European migration flows which are to be expected in the future will be really balanced, which is necessary to avoid provoking resistance which would, in the end, stop them, with the loss of all their beneficial effects.

43. On-going training must be an essential element in achieving these objectives and must thus be especially encouraged. However, this type of training creates delicate financing problems, as in the case of workers in employment it is important to set up financing mechanisms to distribute training costs between workers, firms and society at large

In a way which follows as closely as possible the distribution of the benefits received from the training in each case. The problem for unemployed workers is different, as programmes can be set up for these workers which provide occupational training at the same time as bolstering the substitute income provide by social protection mechanisms.

It is also important for the training acquired from this type of programme to receive public recognition, as is the case for other types of education, and it could, for certain levels, even become recognised on a Community level.

44. In addition, in view of the aims mentioned above and the current high levels of youth unemployment, another priority area for action must be that of integrating young people into the workforce. For this, more detailed knowledge must be acquired of mechanisms which can facilitate the transition process from school to the world of work. Above all, it is important to prevent the inevitable lengthening of job-seeking periods caused by the high levels of unemployment from causing a deterioration in the knowledge acquired at school.

Advantage might be taken of this longer period to widen knowledge acquired at school and bring it into line with the requirements of the working environment. In this respect, the opportunity for all young people to receive one or more years of further vocational training as recommended into the Adonnino report on a peoples Europe would be a useful way of pursuing this objective. The Council took a decision in this connection on 1 December 1987⁵.

45. The harmonization of provisions regulating labour relations and conditions of work is a topic on which there are highly divergent opinions.

5 OJ L 346 of 10.12.1987, pages 31-33.

On the one hand, there is wide agreement on the fact that, in this sphere, homogeneity is always preferable to diversity in that it can contribute to strengthening economic and social cohesion and bring about a convergence in the conditions under which work is carried out and that the rights and duties of workers are thereby defined and maintained.

It is also desirable because it would help to strengthen the new European "economic area", on the assumption that simplifying the regulatory framework could facilitate the mobility of productive capital and place firms competing with one another under more similar operating conditions.

Finally, greater homogeneity is particularly desirable in view of the extraordinary variety of legislation which exists on this topic from one country to another.

46. The relative importance of such advantages, above all in complex societies and developed economies like those which make up the Community is, however, more questionable.

Firstly, any attempt to establish uniform working conditions, and rights and obligations of workers depends on many different factors, quite apart from the existence of a number of more or less generally applied rules. Particularly important for this purpose is the economic situation, the situation on the labour market and the strength and degree of organization of workers and employers representative bodies.

Secondly, as mentioned when discussing the factors determining the siting of industry, the competitiveness of firms in the more developed economies depends more on the quality of the products or services offered than on labour costs.

Furthermore, labour costs depend not only on wages, but also on productivity levels, which in turn depend on many other factors such as the degree of mechanization and organization of the production process. Labour costs also depend on payroll and other parafixed charges, whose relative importance may or may not show a positive correlation with wage levels. Despite all this, a greater homogeneity of the legal framework does not necessarily imply greater equality in operating conditions for firms.

47. The remarks made in point above do not amount to stating that all differences in labour costs or working conditions are irrelevant to healthy competition and that these do not result in phenomena of "unfair competition" or so-called "social dumping".

However, it does mean that this type of problem is only important in highly labour-intensive industries and where such differences are very large.

48. This is by no means the situation in the Member States.

Quite apart from the fact that the most labour-intensive industries are declining in importance, all the Community countries' institutional systems for governing conditions of work share one common feature far more fundamental than any of the differences mentioned : they form part of democratic political systems in which the legal framework is determined by freely elected representatives and which fully accept workers' freedom of association.

Under these circumstances, the fears of "social dumping" are totally unfounded except in cases where these freedoms cannot be exercised effectively, as in certain forms of the "underground economy".

49. Nevertheless, a degree of standardization is needed on specific facets of the labour market. For instance, it is widely agreed that all workers in the Community should be guaranteed certain minimum health and safety standards. In this connection, Article 118 A of the Single European Act stipulates that the Member States "shall set as their objective the harmonization of conditions in this area, while maintaining the improvements made". The corresponding decisions may be adopted by qualified majority.

50. Not only are the benefits of greater harmonization of regulations debatable, except in the cases mentioned, but also a number of serious difficulties stand in the way of attaining it.

The first problem stems from the fact that in many ways the current diversity is very deep-rooted, inextricably bound up with the history, legal tradition and culture of the individual countries and, hence, not easily changed. As a result, institutions of similar form can have a very different purpose and practical impact in each particular context.

The second problem, far more important in today's circumstances, is that harmonization of certain standards could force some businesses in various countries or regions to close. With unemployment in the Community so high this would be unacceptable. And, in any case, it would run counter to the objective of strengthening economic and social cohesion.

What is more, individual Member States must remain free to make any changes to the institutional framework governing working conditions which they consider necessary in order to produce a more efficient labour market and higher employment levels.

Third, adoption of legislation to govern certain issues could restrict the scope of the talks between labour and management and shift the balance between the two main means of governing the labour market, i.e. between legislation and collective agreements. This is one of the main reasons why any reform in this area requires a broad measure of agreement between the two sides of industry beforehand.

51. These arguments by no means imply abandoning all harmonization in this area, apart from measures directly concerned with health and safety conditions. It means that it is essential to remain highly aware at all times of the balance between the costs of maintaining diversity and the costs of reducing it and that full account must be taken of the fact that since the institutions are more dynamic in some Member States than in others, the impact of every measure taken could well vary too.

5. Other Community social policy objectives

52. Although, as indicated earlier, completion of the internal market and greater economic and social cohesion will be an enormous boost to economic activity and employment in the Community, clearly they will not solve every social problem.

In particular, unemployment could remain relatively high for some years. Assuming, as estimated in the Cecchini report⁽¹⁾, 50% of them for the unemployed and the other 50% for newcomers to the labour force, unemployment in the Twelve would fall by just two points or so which, although considerable, would still leave a massive unemployment problem for a long time to come.

53. This outlook implies that in the immediate future the community's and the Member States' social policy must continue to give priority to programmes to create jobs and promote employment for groups in special difficulty and to social solidarity programmes to soften the impact of unemployment on family incomes.
54. As regards programmes to promote employment, in addition to the above-mentioned measures⁽²⁾ the Community's policy must concentrate on two key objectives : creation of more jobs by promoting new initiatives by business combined with measures to help the long-term unemployed into jobs.

(1) "1992 : The European Challenge - The benefits of a Single Market" : Wildwood House 1988

(2) see points 29 and following

55. In line with the principles set out in the Council resolution of 22 December 1986⁽¹⁾, work must continue on the programmes to support small businesses and to encourage the growth of cooperatives and local employment initiatives. Programmes of this type are important because they can contribute to the development of the industrial and manufacturing fabric of today and of the future by consolidating small businesses which, despite their size, can be highly competitive, long-lasting and, in certain cases, grow into the medium-sized and big businesses of tomorrow. Experimentation is important in this area since failures can teach useful lessons for subsequent initiatives. In other cases, the boost which initiatives of this type can give in terms of the development of rural areas and more balanced land use must also be borne in mind.
56. On the long-term unemployed, the Council resolution lays down a series of principles to guide the action taken, including promotion of schemes to help job-seekers in this category into work and adoption of a Community approach to harness the most fruitful experience gained in each Member State in dealing with long-term unemployment.
57. The significance of these moves lies in the fact that the longer unemployment persists the greater the cost, both to the individuals concerned and to society at large. For instance, many unemployment benefit schemes apply a degressive scale for compensating for loss of income and/or make the payments for only a limited period. Clearly, the longer the claimant remains unemployed, the greater the

(1) Council of Ministers document SOC 407 of 19.12.86

loss of human capital and the less the claimant's motivation, self-respect and determination to seek a job. In other words, this is a vicious circle in which it becomes increasingly difficult to escape from the unemployment trap. In view of this danger, the most effective programmes will detect the individuals most likely to fall into long-term unemployment and find them an activity of some kind before it is too late.

58. Nevertheless, despite all the efforts made it will probably never be possible to find a satisfactory solution to the plight of many of the unemployed. In cases such as this, steps must be taken to strengthen all available means of showing solidarity. One ideal measure would be a guaranteed minimum income for all.

At the same time social welfare programmes must be constantly adapted to any new needs which emerge. Above all, in any event the programmes must do everything possible to solve the root causes of each problem and not just cure the most obvious symptoms.

6. Dialogue between management and labour

59. Over the last few years the Commission has embarked on a new round of contacts and meetings to sound the opinion of both sides of industry on major Community initiatives such as the "cooperative growth strategy", the completion of the internal market and the drive for greater economic and social cohesion in the run-up to 1992.

The Commission is convinced that the dialogue between labour and management has an absolutely essential role to play in building Europe since it provides a means of reaching agreements which can subsequently be turned into proposals for new Community rules. Constant collaboration by workers' and employers' representatives is needed in order to finalize and enforce such rules.

In this connection, the White Paper on completing the internal market states that "the Commission will pursue the dialogue with governments and social partners to ensure that the opportunities afforded by completion of the internal market will be accompanied by appropriate measures aimed at fulfilling the Community's employment and social security objectives.(9)"

60. Article 118 b of the Single European Act institutionalized this dialogue at Community level by stipulating that "the Commission shall endeavour to develop the dialogue between management and labour at European level which could, if the two sides consider it desirable, lead to relations based on agreement."

Finally, in Hannover on 27-28 June the European Council requested the Commission "to step up its dialogue with management and labour".

61. Consequently, a closer dialogue between the two sides of industry is fundamentally important to every aspect of social policy and indispensable to some.

(9) White Paper, point 20.

This applies, above all, to the efforts to achieve more effective cooperation on macroeconomic policy. To launch the European economy on a new path of self-sustaining growth allowing higher employment levels, measures are needed to control the growth of incomes and other labour costs. Experience has shown that dialogue and cooperation are the most effective means of attaining this. As mentioned earlier, the cooperative growth strategy received the backing of both sides of industry thanks to the dialogue started at Val Duchesse. It can only be hoped that all other moves along these lines will rally the same support.

62. The collaboration of both sides of industry is equally essential to promote training to provide a more flexible workforce. In particular, after several years of stagnant or falling investment and employment it is essential to ensure full elasticity of supply in response to faster expanding demand. It is vital to pinpoint and promptly eliminate bottlenecks and other problems in rapidly assembling an adequately trained workforce since these problems could trigger a resurgence of inflationist pressures.
63. The dialogue between the two sides of industry can also make an extremely valuable contribution to the social policy measures to consolidate the internal market. Management and labour can help pinpoint any remaining difficulties in exercising the freedoms of movement and of establishment and in defining professional qualifications.

At the same time, both sides' contribution and active participation is needed to determine and correct the costs of adjusting to the internal market so that the process started can be continued in the sectors hardest hit by the restructuring of the economy now or in the future.

64. Finally, this dialogue has a fundamental part to play in developing Community rules on health and safety and other aspects of industrial relations or working conditions.

Agreement or, at the very least, a far closer convergence of views on these issues is essential in order to formulate proposals with a chance of being accepted.

This would also give the right emphasis to ensure that no-one has to bear intolerable costs of any measure taken towards greater harmonization of working conditions while maintaining the improvements made.

SECOND PART: PROPOSALS FOR ACTION

1. SOCIAL POLICY MEASURES FOR THE REALIZATION OF THE INTERNAL MARKET

65. All the measures which go to make up the social contribution to the building of the internal market may be divided into the following three categories.

Firstly, a number of measures designed to eliminate the obstacles which still hamper the full exercise of the freedom of movement and the freedom of establishment.

Secondly, the measures, by nature more active, with which it is hoped to encourage new types of intra-European labour mobility, which are expected to be consolidated in line with the realization of the internal market : mobility of skilled labour, of members of the professions and of academics etc..

Thirdly, a number of back-up measures for the establishment of the internal market which make it possible to identify in time what it might cost in terms of employment for specific communities or specific regions with a view to taking preventive action as far as possible or, if this is not possible, adopting adequate countervailing measures.

1. Measures to reinforce the actual exercise of the freedom of movement and the freedom of establishment
66. Revision of Regulation (EEC) N° 1612/68 on freedom of movement of workers within the Community and Council Directive 68/360/EEC on the abolition of restrictions on movement and residence within the Community for workers of Member States and their families

The purpose of this revision is to align both these legal instruments to the Jurisprudence of the European Court of Justice as well as to the characteristics of geographical and occupational mobility of the present day which are different from those prevailing in 1968.

With regard to Regulation no. 1612/68 it is necessary :

- to extend the sphere of persons benefitting from Community law, in particular to all the descendants and relatives in the ascending line of the worker and his spouse as well as other dependent members of the family who must have the right to accompany the workers ;
- to establish the principle of equivalence between situations for the granting of social and tax advantages ;
- to strengthen the right of residence of unemployed workers or workers in short-term employment as well as the right of residence of workers who are not employed within the Community but who have a link with a Member State whether it be the place where a contractual tie has been created or the place where it takes effect ;

With respect to Directive 68/360/EEC, it is proposed to extend the validity of EEC residence permits to ten years when they are renewed and to maintain their validity when absences from the host country do not exceed six months. Lastly, it is proposed to remove the administrative complications still applying to the issue of residence documents.

67. Restrictive interpretation of the derogation from the freedom of movement laid down in Article 48(4) of the treaty for employment in the public service.

The European Court of Justice⁽¹⁰⁾ gave a restrictive interpretation of this derogation, confining it to cases where the employment in question included the exercise of public authority or concerned the safeguarding of the general interests of the State.

In line with this decision, the practices of certain Member States of limiting access to employment in the public service to nationals of their own country will be systematically reviewed.

This review will first affect bodies responsible for running a commercial service (public transport, gas and electricity, posts and telecommunications, broadcasting authorities, air and road transport companies); public health services; education in State schools and research, for civilian purposes, in State establishments.

68. Revision of social security rules for certain categories of migrant workers and clarification of the rules governing the taxation of frontier workers.

(10) Case 152/73 - Sotgiu - 12.02.74

Case 2/74 - Reyners - 21.06.74

Case 149/79 - Commission/Belgium 17.12.80 and 26.05.82

Case 307/84 - Commission/France - 03.06.86.

Case 66/85 - Lawrie - Blum - 03.07.86

Case 225/85 - Commission/Italy - 16.06.87

Case 147/86 - Commission/Greece - 15.03.88

Such rules ensure the coordination of national legislation with regard to social security with a view to guaranteeing Community migrant workers, whether employed or self-employed, and the members of their families, the uniformity of the legislation applying to them, the maintenance of their acquired rights and equal treatment of nationals and workers from other Member States. From these points of view, the principal legal lacunae which must now must be filled as a priority relate to unemployed workers and those in receipt of a bridging pension and public sector employees.

As regards unemployed workers and those on early retirement, it is essential for the Council to accelerate its examination of the 1980 proposal⁽¹¹⁾ with a view to removing geographical restrictions on the payment of unemployment benefits. Under present Community legislation unemployed workers are required to remain in the country where they were last employed since their benefits cannot be transferred to another Member State.

Under the Commission proposal workers should retain the right to draw unemployment benefit even if they change their place of residence to another Member State in which they may have more opportunities of finding work. In addition, the Commission proposal regards bridging pensions under these rules in such a way as to permit their exportation to workers who wish to change their place of residence.

In many cases public sector workers are covered by special social security schemes which are excluded from the scope of Community legislation. This exclusion acts as an obstacle to mobility for these workers which is prejudicial,

(11) COM(80)312 final, OJ C 169, 9.7.1980, P. 22

particularly in the case of teachers and researchers. Consequently, the Commission will propose the inclusion of these workers in the personal scope of the Community rules on social security.

As regards frontier workers the main income tax problems derive from the fact that they reside in one Member State but work in another. This can mean that they are treated less favourably from a tax point of view than are those working alongside them. With a view to eliminating this discrimination the Commission put forward a proposal in 1979⁽¹²⁾ in which it opted for taxation according to residence. This proposal is still before the Council of Ministers, but the Commission will continue with its efforts to have it adopted.

69. Introduction of a general system for the recognition of higher education diplomas awarded on completion of vocational courses and of comparability of vocational training qualifications.

At its meeting on 22 June last, the Council adopted a common position on the proposal for a Directive⁽¹³⁾ on the establishment of a general system for the recognition of higher education diplomas for the pursuit of a professional activity which had been referred to the European Parliament in accordance with the procedure set out in Article 149 of the Treaty. This instrument will enable a worker who, on completion of a minimum of three years' duration, has gained a qualification entitling him to pursue a professional activity in one Member State to exercise the same activity in another Member State.

(12) See COM(79) 737 final and OJ C 21, 26.1.80 p.6

(13) Council of Minister Document 7288/88 ETS 41, EDUC 62

With respect to the mutual recognition of vocational qualifications, the recent European Council in Hannover expressed the desire for the necessary conditions to be created to achieve such mutual recognition. The Commission, in the light of the Council Decision of 16 July 1985⁽¹⁴⁾, will accelerate the necessary discussions to draft some mutually agreed descriptions of various professional activities and the requirements of each of them and compile the corresponding qualifications. These discussions relate to the following job categories : the hotel and restaurant trade, car repairs; the construction industry; electrotechnology; agriculture/horticulture/ forestry; textiles and clothing.

Similarly, the White Paper⁽¹⁵⁾ instructed the Commission to examine the possibility of introducing a European vocational training record and to present a proposal along those lines in 1989. The drafting of this proposal must take account of the agreements being reached on the comparability of vocational training qualifications.

2. Measures to give impetus to the new European mobility area :

70. Introduction of a new system for compiling and disseminating information on working conditions and job opportunities in the various Member States.

The creation of genuine labour markets of European scale calls for a substantial reduction in the costs of information to Community workers who decide to work or seek

(14) OJ L 199, 31.7.1985, p. 56

(15) White Paper, point 90

employment in another Member State. The provision of this type of information is specifically a Community task which must be expanded and adapted to the current circumstances of the labour market.

To this end the Commission has initiated discussions to revise entirely the SEDOC system, whose management and operation should involve the direct participation of the workers' representative bodies.

An efficient information system would have to serve two main objectives. First, it must provide all individuals who have accepted or are considering a job in a Community country other than their own with all the information which they need on living conditions, labour and social security laws, taxation, administrative formalities, etc. Accordingly, before the system can be redesigned a detailed knowledge is needed of the information required by each category of workers.

Second, this system must show the job opportunities available in the Community. Hitherto this has been the principal objective of the SEDOC system. In future more effective methods must be found of pursuing the same objective.

71. Other measures to facilitate and promote occupational mobility in Europe

The Commission has started a series of programmes to promote occupational mobility for selected categories of workers today or in the future with a view to contributing to

scientific and technological development in Europe in certain cases and, more generally, to building a "Citizens' Europe". Four specific programmes stand out :

- (i) The ERASMUS⁽¹⁶⁾ programme to promote cooperation between universities in different Member States, in which students are awarded grants to study at universities in another Community country and financial support is paid to allow greater mobility between universities for students, lecturers and administrative staff alike.
- (ii) The COMETT⁽¹⁷⁾ programme to promote cooperation between universities and businesses in the Member States which aims at providing the training needed to make European businesses more competitive and at stimulating the spirit of enterprise amongst students. Once again grants and other forms of financial aid are awarded to start training programmes to achieve this. The Commission will soon be submitting a proposal for the second phase of the programme which will run from 1990 to 1993.
- (iii) The "Youth for Europe"⁽¹⁸⁾ programme to encourage exchanges of young people aged between 15 and 25, in

(16) OJ No. L 166, 25.6.1987, p. 20

(17) OJ N. L 222, 8.8.1986, p. 17.

(18) OJ N. L 158, 25.6.1988, p. 42.

which economic aid will be granted primarily to exchange projects with an educational purpose, to short study visits and to create non-governmental infrastructure for arranging exchanges of this type. To back up these schemes, young workers will be granted economic aid towards four- to eighteen-month stays in firms or establishments in other Community countries or towards shorter visits.

- (iv) Finally, there is the action programme to develop and improve language teaching in the Community. In the next few months the Commission will be submitting a proposal to improve the quantity and quality of the measures taken by the Community in this field.

72. Coordination of the Member States' migration policies

The Commission will keep up its work to harmonize the Member States' policies on migration from third countries, as provided for by Article 118 of the Treaty.

At the same time it will continue to analyse the Member States' provisions on the subject and make any recommendations which it considers necessary. It will be submitting a new proposal for a Decision introducing a procedure for providing prior notification of provisions on this subject to allow closer coordination⁽¹⁹⁾.

(19) COM(88) 1044 final

3. Measures to facilitate adjustment to completion of the internal market
73. Sector-by-sector observation and analysis of changes in employment due to completion of the internal market or other structural changes in the Member States' economies

The purpose of this exercise is to analyse the impact of completion of the internal market on employment as a starting point for deciding the general direction to be taken by social policy. However, in many cases it will be impossible to differentiate precisely between the effects attributable solely to the internal market and those to other structural changes (technological change, new forms of industrial organization, etc.). For this reason, the field covered should be extended to changes of all kinds.

Above all, these observations and analyses must be conducted sector by sector. In the sectors facing the biggest problems at the moment, or likely to be in the future, these analyses must be carried out in close collaboration with workers' representatives with a view to involving them in formulating proposals for action to facilitate the adjustments needed.

Due account must also be taken of the repercussions of these adjustments on the distribution of employment by geographical region, type of business and occupation.

Finally, as part of the campaign for equal treatment for women a separate analysis must be made of the likely impact of completion of the internal market on jobs for women.

II. SOCIAL POLICY MEASURES TO ACHIEVE GREATER ECONOMIC AND SOCIAL COHESION

74. The Community's social policy has three ideal instruments for contributing towards greater economic and social cohesion. First, there are the Community's structural Funds, notably the European Social Fund. Second, comes an education policy designed to improve the quantity and quality of teaching in every Member State. Third, there are the moves to improve and harmonize the rules governing industrial relations and working conditions, while maintaining the improvements made, with a view to building a Community-wide social base on the foundation laid by the community's wide-ranging past achievements in this area.

1. Practical implementation of the reform of the Community's structural Funds

75. After adoption of the Regulation on the tasks of the new structural Funds⁽²⁰⁾, the main task lying ahead for the Community is to draft the rules laying down the specific measures to be taken to manage each of the Funds and the procedures for coordinating them.

In addition, a series of organizational and management changes will be needed in order to attain the objectives laid down in the basic Regulation as effectively as possible.

(20) Council document 7188/88 FSTR 24.

2. Measures to promote and improve education and vocational training

76. The Commission will collect and disseminate information and arrange exchanges of experience as an active contribution towards raising standards of education and improving teaching in every Community country, particularly in those making a special effort to catch up with the leaders in this field.

Priorities will have to be set. Consequently, the Commission is focusing on two key areas : promotion of in-service training on the one hand and on the other, measures to help young people find jobs sooner, either with the help of grants from the European Social Fund or by other means.

More specifically, the following action has been or will be taken:

- Establishment of the right to special study leave as a means of promoting in-service training, in the light of various experiences of the Member States.

The faster pace of change generated by completion of the internal market combined with the boost to the European economy's technological capacity call for high priority to be given to the new training needs created by this process. To attain this, the Commission intends to ensure that all workers are given an opportunity to take special leave to improve their training.

- Action programme on in-service training for adults:

In the near future the Commission will be submitting a programme taking special account of the situation of small and medium-sized firms and of businesses in the least-developed regions.

- Action programmes on training and job start-up for young people.

The purpose of this programme is to support and supplement the efforts of the Member States to enhance the quality of vocational training and prepare young people more effectively for work, further training and adult life.

In accordance with the Council Decision of 1 December 1987⁽²¹⁾, this involves setting up a European network of training schemes with a view to implementing joint actions at Community level and, at the same time, encouraging youth initiatives in this field.

- EUROTECNET⁽²²⁾

The aim of this programme is to encourage vocational training in the new information technologies by identifying the most innovative experiments and setting up a system for exchanging information gained from such experiments. It also aims to forecast what new training courses will have to be set up.

(21) OJ L 346, 10.12.1987, p. 31.

(22) OJ C 166, 25.06.1983, p. 1.

At the end of this year, the Commission will present a report on the implementation of this programme and will put forward a proposal for a second phase.

3. Measures to encourage progressive harmonization of the rules governing working conditions and labour relations:

77. Proposals and standards relating to improved health and safety at work

The Commission proposals on health and safety assume that the policy pursued so far will be continued but sets it on the firmer basis of Article 118a of the EEC Treaty. The starting point is still consultation with the social partners, taking into account the particular situation of small and medium-sized enterprises.

The concrete measures to be adopted in this field relate to safety and ergonomics at the work station, to health and safety at work and to information and training with regard to health and safety.

In order to improve safety and ergonomics at the workplace, the Commission has sent to the Council six proposals for directives.(23)

It also takes the view that a series of specific measures should be introduced in three high-risk sectors : work at sea, agriculture and the construction industry. The relevant proposals will shortly be put forward.

As regards health and hygiene at work, the Commission is giving special attention to the protection of workers exposed or likely to be exposed to agents having a carcinogenic effect and to biological agents(24), the measures to be adopted with regard to chemical agents(25) and the improvement of medical care at work.

Finally, the Commission takes the view that information is essential to the protection of workers, particularly when they have to deal with dangerous materials or substances. Information should be supplemented by proper training for workers in this respect and by recognition of the status of the specialists responsible.

(23) COM(88) 73 final, OJ C 141, 30.5.1988, P. 1.

COM(88) 74 final, OJ C 141, 30.5.1988, p. 6

COM(88) 75 final, OJ C 114, 30.4.1988, p. 3

COM(88) 76 final, OJ C 161, 20.6.1988, p. 1

COM(88) 77 final, OJ C 113, 29.4.1988, p. 7

COM(88) 78 final, OJ C 117, 4.5.1988, p. 8

(24) OJ C 34, 8.2.1988, p. 9; OJ C 150, 8.6.1988, p. 6.

(25) OJ C 326, 5.12.1987, p.5; OJ C 349, 31.12.1985, p. 32

78. Proposals under study relating to other rules laid down in labour law

The Commission is also considering proposing other generally-applicable rules relating to the basic labour rights of workers, taking into account the movement towards completion of the internal market (namely greater work mobility, an increase in the number of firms practising in Member States other than their country of origin) and the new trends on the labour market or the proliferation of types of work contract.

In this context there will be proposals relating to the right of all workers to a written work contract stating the basic features which define the worker's particular labour relations; the definition of certain minimum common characteristics for work contracts which differ from what is normally considered as "typical", i.e. full-time and for an unlimited period; and finally, the obligation to inform and consult workers in the case of important changes which may affect the firm.

It also seems desirable, in the light of experience, to revise the rules which form a part of the Community patrimony as regards equal treatment for women and men. The proposed Directive⁽²⁶⁾ concerning the burden of proof in the area of equal pay and equal treatment for women and men and the preparation of a code of conduct regarding pregnancy and maternity are two examples of initiatives adopted or to be adopted in this field.

(26) OJ C 176, 5.7.1988.

Another important area for action concerns the proposals relating to a new legal framework for public limited companies in the Community, in particular in respect of worker representation on the management boards of the firms which have this status.

79. Comparative study of the basic rules governing working conditions and labour relations in the Member States

In accordance with the decision taken at the European Council in Hannover on 27 and 28 June 1988, the Commission has begun preparatory work on a detailed comparative study on working conditions and labour relations in the Member States.

The purpose is to analyse both the theoretical structure and the actual functioning of the various institutions and, particularly, to study their operation with a view to identifying problems which might arise from the point of view of social progress as well as the possible lines of convergence or divergence in the development of such institutions in the various countries.

The conclusions of the study could, if appropriate, be used to formulate new Commission initiatives and proposals.

80. Study of the obstacles to the completion of the internal market presented by the different methods of financing Social Security

The structure of Social Security financing varies greatly not only from one Member State to another but also, in a given Member State, between the various branches of the system. It is not clear what impact these differences may have on the completion of the internal market and they should therefore be studied. The comparative effects of the

various types of financing on variables such as competitiveness or the overall level of employment should also be analysed.

III. OTHER MEASURES TO STIMULATE EMPLOYMENT AND ENSURE SOLIDARITY

81. In spite of the economic advantages to be derived from the completion of the internal market, unemployment has reached such levels in the Community that it will probably remain a dominant problem in the short term. Accordingly, all the efforts currently being made to combat unemployment should be maintained, in particular the more novel and experimental schemes and those intended to alleviate the situation of the people most severely affected by the unemployment problem.

Such efforts will, however, not be sufficient to deal with all the cases of need and measures to combat the various forms of poverty should therefore be maintained.

Finally, rising unemployment and other important social phenomena, in particular the birth and death rates, are creating new problems for the traditional Social Security systems, and these must be taken into consideration.

1. More detailed analysis of the situation and trend with regard to the main variables in the labour markets of the Member States

82. The persistence of high levels of unemployment and the prospect of its remaining at relatively high levels for the next few years makes it necessary to undertake more rigorous analysis of the current situation and the non-structural changes in unemployment at Community level.
83. To this end, the Commission has made a start on the preparatory work for a periodical report on the situation of the labour markets in the Member States. This report will examine, in particular, the situation and comparative changes in the main variables of the labour market (activity, employment, and unemployment) broken down by region, branches of activity and occupations and in terms of the personal characteristics of the workers. The report should focus particular attention on the emergence of new trends and the assessment of the effects of the policies being implemented, so that - on the basis of this analysis - proposals for action can be formulated. Furthermore, the report must incorporate the main results of the work of monitoring the effects of the internal market on employment already mentioned, as well as the case studies commissioned on all the variables mentioned by the Commission.

The report will be analysed at the meetings of the heads of the employment departments of the Member States, and will be used as a basis for drafting the annual report on social development which the Commission must present under Article 122 of the EEC Treaty.

84. On the same topic, the coming months will see completion of the analysis of the underground economy requested by the European Council of 26/27 June 1986, as indicated in the Resolution of 22 December 1986⁽²⁷⁾.

2. Collection and dissemination of information on the employment policy measures taken by the Member States and on studies assessing the effectiveness of these measures.

85. The Commission will pursue its work of collecting and disseminating information on the special employment programmes introduced by the Member States, using the MISEP system. The content of this information is to be increased and it is to include the results of the cost-effectiveness assessments carried out on each programme in each State. It is also intended to disseminate the information more widely by publishing it in the nine official languages and actively seeking new potential users.

86. At the same time, the Commission has established a system for monitoring the employment policies of the Member States and the degree of compliance with the recommendations of the Resolution of 22 December 1986⁽²⁸⁾ as provided for in that Resolution. It has written the first two half-yearly reports and has begun drafting the third report.

(27) OJ C 340, 31.12.1986, p. 2

(28) OJ C 340, 31.12.1986, p.2

3. Action programme for local economic development

87. The aim of this programme, which was started in 1986, is to promote employment growth at a local level on the basis of the analysis and dissemination of various experimental projects on the topic.

Experiments conducted in 24 areas with widely differing characteristics (urban, rural, mixed, etc.) have been considered in detail and the results of this analysis have been disseminated in conferences, exchange visits, special reports, etc. The first conclusions to be drawn from these experiments will be presented to the Council at the end of 1988.

4. Action programme of support for the long-term unemployed

88. In its Resolution of 22 December 1986⁽²⁹⁾ the Council called upon the Commission to present an action programme with the aim of identifying and disseminating the most positive experiences of the national programmes for the long-term unemployed, and thus to develop a "Community approach" for dealing with this problem.

The Commission has prepared an action programme which it hopes to start up in September 1988. This programme will enable the experiences of the Member States to be considered and the most interesting projects to be selected. The results of analysis of the projects will be disseminated by various means (reports, exchange and technical assistance visits, etc.).

(29) OJ C 340, 31.12.1986.

5. Measures for promoting the employment of women

89. Among the measures provided for in the medium-term Community programme for 1986-1990 for equality of opportunity for women⁽³⁰⁾, there are various proposals on promoting the employment of women and reducing discrimination against women in the labour market, which have already been initiated. This is true of the special aid programme for the establishment of firms by women and the promotion of positive action to increase occupational mobility of women within firms.

In 1989 there is to be a complete assessment of the implementation of this programme, and on the basis of this assessment, proposals should be drafted for future action.

6. Programmes to increase solidarity with "outcasts"

90. The Commission's activities in this field will concentrate on the following programmes:

- Analysis of the problems of an ageing population
- Completion of the action to combat poverty⁽³¹⁾ and initiation of a third programme for 1990-1993 based on new principles and more positive action.
- The Helios Programme⁽³²⁾ for promoting the social and economic integration of disabled people.

7. Analysis of other problems in the Social Security systems

(30) Bull. EC Supplement 3/1986

(31) OJ L 2, 3.1.1985, p.24

(32) OJ L 104, 23.4.1988, p.38

91. Apart from the direct and indirect repercussions of the unemployment situation on current Social Security systems, these must be adapted to take account of certain very important social changes such as those undergone by the family.

The Commission's action in this field is concentrated, on the one hand, on analysis of social changes such as those mentioned and, on the other hand, on collection and dissemination of information on the changes which the Member States are making to their social protection systems to adapt them to the changes.

On the basis of these analyses, and taking account of Community rules, the Commission is formulating the recommendations which it considers appropriate. This is true, for example, of proposals for ensuring equal treatment of women in Social Security matters.

IV. DEVELOPMENT OF SOCIAL DIALOGUE

92. Since 1986 the Commission has engaged in an examination in two working parties, together with the two sides of industry, of problems in implementing the strategy of cooperation and the introduction of new technologies. This action by the Commission was confirmed by the Hanover European Council of June 1988, which invited the Commission to step up its dialogue with the two sides of industry in accordance with Article 118b of the Single Act.
93. Four common positions have now been arrived at. In the first two, the European Trade Union Confederation and UNICE have approved the strategy of cooperation for growth and

employment proposed by the Commission. The two others are concerned with training and motivation of the workforce and with the information and consultation which must accompany it. Management and labour will probably finalize a common position on the adaptability of the labour market when new technologies are introduced, both inside and outside the firm.

94. The Commission will shortly be examining a draft Directive on information to, and consultation with workers, an extension into legislation of the agreement reached between the two sides. Other proposals for legislation are under preparation (on working conditions, worker participation, etc.).

95. By the end of this year there needs to be detailed consideration of the specific requirements for organizing a European working relations area.

Two ways of achieving this could be explored at the same time:

- consideration of matters more directly linked with the large internal market (e.g. social protection, equal opportunity, correspondence of qualifications, training);
- decentralization of the dialogue to the sectoral level, to enable the implications of the Val Duchesse agreements to be better translated into practice (by branch, sector and firm).

V. CONCLUSIONS: a Community social foundation

96. The changes of all kinds which will have to be implemented to take account of the social dimension of the internal market, outlined in this communication, will gradually evolve over the years as the internal market is completed.

They are the responsibility of the authorities - both of the Member States and of the Community - and of employers and workers at company, sectoral and inter-sectoral level.

97. However it is essential that by 1992 a Community social foundation should be laid, by means of priority initiatives, which will show that the social dimension of the internal market is being completed at the same time as its economic dimension.

98. First and foremost, an ongoing process of observation and dialogue needs to be developed between the various interested parties. The observation of the changes and adjustments necessary for the completion of the internal market, a project of growth and dynamism, should make it possible to define and take the appropriate social measures to draw maximum benefit from what has been achieved. This involves engaging in a determined offensive to create employment.

99. Workers must then be assured that the freedom of movement of persons which goes hand in hand with the free movement of goods, capital and services can in fact be put into practice.

To this end, family regrouping must be permitted and all those moving within the Community (workers, managerial staff and self-employed workers) must be guaranteed adequate social protection. Similar training opportunities will have to be made available to everyone and the problem of the recognition of diplomas and the equivalence of qualifications will have to be solved.

100. The rules relating to the health protection and safety of workers at the workplace will also have to be reinforced to prevent the freedom of movement of goods and services evolving under circumstances which would lead to a deterioration in living and working conditions.

While still pursuing the objective of improving workers' health, it will also mean ensuring that the directives which guarantee the free movement of goods take account of the associated safety requirements.

101. The process of developing the internal market will, no doubt, be accompanied by important changes in the organization of firms. A new approach to company law is bound to ensue, whether at national or at European level. It is therefore necessary at the same time to reconsider the provisions governing working conditions and labour relations.

102. The reinforcing of economic and social cohesion which must go hand in hand with the completion of the internal market will unfortunately not prevent substantial unemployment persisting and certain people being excluded, sometimes for a long time, from the labour market.

Solidarity will therefore have to be shown, mainly at national level, but also by means of Community initiatives relating above all to those affected by the new poverty or extreme poverty or those suffering social marginalization, without losing sight of the problems posed by the growing number of elderly persons who, in the case of those over 65, will account, in the social context of the year 2000, for more than 15% (23% in 2040) of the Community's overall population.

103. All the considerations and initiatives mentioned above will assume their full significance only in so far as the social partners maintain an ongoing dialogue at all levels - firms, sectoral and inter-sectoral national and Community - on the means to be implemented gradually to ensure the completion of the social dimension of the internal market.
104. Maximization of gain by an active employment policy and by ongoing observation, means of ensuring freedom of movement in practice, the reinforcing of workers' health and safety in the work environment, labour law, solidarity, social dialogue, all of which, in the eyes of the Commission, are the essential elements on which the Community social foundation is based, and which could be embodied in a European Charter of Social Rights, to be transmitted to the Council and the European Parliament in due course.

105. The Commission has already presented a number of proposals for directives to the Council with this in view. It will put forward others this year and next. A list of these proposals and measures is annexed.

ANNEX I

European Council, Hanover

Conclusions of the Presidency: Social Aspects

The European Council stresses the importance of the social aspects of progress towards the 1992 objectives.

It notes that, by remo(v)ing the obstacles to growth, the large Single Market offers the best prospect for promoting employment and increasing the general prosperity of the Community to the advantage of all its citizens.

The European Council considers that the Internal Market must be conceived in such a manner as to benefit all our people. To that end it is necessary, besides improving working conditions and the standard of living of wage-earners, to provide better protection for the health and safety of workers at their workplace. It emphasizes that the measures to be taken will not diminish the level of protection already attained in the Member States. It welcomes the initiatives already taken on the basis of provisions in the Treaty and in particular in Article 118a, and requests the Commission and the Council to continue in this direction.

The European Council considers that the achievement of the large market must go hand in hand with improved access to vocational training including training linked with work, in all the Member States. In this connection it expressed the wish that the conditions be met for mutual recognition of qualifications. It emphasizes the importance of informing and consulting management and labour throughout the process of achieving the Single Market. With that in mind, the European Council requests the Commission to step up its dialogue with management and labour, paying special attention to the provisions of Article 118 B of the Treaty. The Commission will make a comparative study about rules applied in the various Member States concerning working conditions.

VII. ANNEX II: MEASURES CONCERNING THE SOCIAL DIMENSION OF THE INTERNAL MARKET

I. LIVING AND WORKING CONDITIONS IN THE ENLARGED MARKET

1. Freedom of movement

(**) Revision of Regulation (EEC) No 1612/68 on freedom of movement for workers within the Community

(*) Revision of Council Regulations (EEC) No 1408/71 and No 574/72 on the application of social security schemes to employed persons and their families moving with the Community (family allowances)

(*) Proposal for a Council Regulation amending Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community (non-contributory benefits of a mixed type)

(**) Revision of Council Regulation (EEC) No 1408/71 and No 574/72 on the application of social security schemes to employed persons and their families moving within the Community (pensions)

(**) Revision of Council Regulation (EEC) No 1408/71 and No 574/72 on the application of social security schemes to employed persons and their families moving within the Community (general updating)

(*) Proposal for a Council Directive on a right of residence for nationals of Member States in the territory of another Member State in which they are not yet or no longer employed
COM(79)215

(**) Proposal for a legal instrument on occupational medicine services

(**) Proposal for a legal instrument concerning the recognition of the status of safety at work instructors

2. Work organization and relations

(**) Proposal for a Directive on the establishment of a form evidencing contracts of employment and employment relationships in the internal market (standard contract)

(**) Proposal for a Directive on contracts of employment and employment relationships not relating to full-time employment of indefinite duration

(**) Proposal for a Directive on procedures for informing and consulting workers

(**) Comparative study of the Member States' rules on working conditions (European Council in Hanover)

V. SOCIAL FOUNDATION

(**) European Charter of Social Rights

(**) Proposal for a Council Directive concerning the minimum safety and health requirements for workers in the fishing sector

(**) Proposal for a Council Directive concerning the minimum safety and health requirements for agricultural workers

(**) Proposal for a Council Directive on the implementation of measures to promote improved safety and health for workers in the construction industry

(-) Proposal for a Council Directive on the protection of workers by the proscription of specified agents and/or work activities
COM(84)456
OJ L 179/88

(*) Proposal for a Council Directive on the protection of workers from the risks related to exposure to benzene at work (fifth individual Directive within the meaning of Article 8 of Directive 80/1107/EEC)
COM(88)650 final
OJ C 349/1985

(*) Proposal for a Council Directive on the protection of workers from the risks related to exposure to carcinogens at work (sixth individual Directive within the meaning of Article 8 of Directive 80/1107/EEC)
OJ C 34/1988

(**) IRIS programme on the vocational training for women

IV. WORKING CONDITIONS AND WORK ORGANIZATION

1. Health and safety

(*) Proposal for a Council Directive on the introduction of measures to encourage improvements in the safety and health of workers at the workplace
COM(88)73 final

(*) Proposal for a Council Directive concerning safety and health requirements for the workplace
COM(88)74 final

(*) Proposal for a Council Directive concerning the minimum safety and health requirements for the use by workers of machines, equipment and installations
COM(88)75 final

(*) Proposal for a Council Directive concerning the minimum requirements for the use by workers of individual protection equipment at the workplace
COM(88)76 final

(*) Proposal for a Council Directive concerning the minimum safety and health requirements for work with visual display units
COM(88)77 final

(*) Proposal for a Council Directive concerning the minimum health and safety requirements for handling heavy loads where there is a risk of back injury for workers
COM(88)78 final

(**) Proposal for a Council Directive on minimum requirements for dispensaries on board (fishing vessels)

2. Education and training

-
- (**) Proposals to promote student mobility and collaboration between higher education establishments in the various Member States (second ERASMUS programme)
-
- (*) Proposal for collaboration between higher education establishments and industry in advanced training in the new technologies (second COMETT programme)
COM(88)429 final
-
- (-) Programme for the promotion of youth exchanges in the Community (YES for Europe)
OJ L 158, 25.6.88, p. 42
-
- (**) Fourth programme for the exchange of young workers
-
- (**) Proposal for a legal instrument on the teaching and learning of languages in the Community
-
- (**) Medium-term programme in the field of education
-
- (**) Action programme on adult training in firms
-
- (**) Proposal for a Council Directive on the right to special leave for the purposes of vocational training
-
- (-) Council Decision on an action programme for the vocational training of young people and their preparation for working life
OJ L 346/87
-
- (**) Proposal for a Council Decision on the second stage of the EUROTECNET programme
-
- (**) Programme of innovatory measures in primary and secondary education
-

(***) Periodic report on short-term labour market trends in the Member States

(***) Report on illegal work in the Community

(***) MISEP programme (dissemination of information on special employment programmes in the Member States)

(***) Report on local job creation initiatives in the Member States

(**) Action programme to help long-term unemployed workers

(***) Programme to assist women in the setting-up of businesses

(***) Programme to encourage the implementation of positive action to increase the occupational mobility of women in firms

(**) Vocational and social integration of migrant women (Commission Communication)

(*) Proposal for a Directive completing the implementation of the principle of equal treatment for men and women in statutory and occupational social security schemes
OJ C 309/87

(**) Recommendation on the sharing of family and work responsibilities

(*) Proposal for a Directive on the burden of proof in the area of equal pay and equal treatment for women and men
COM(88)269 final

(*) Amended Proposal for a Directive on parental leave and leave for family reasons
COM(84)631 final

(**) Proposal for a "code of practice" on pregnancy and maternity protection

2. Measures in the demographic and social protection sphere

(***) Study on the financing structure of social security in the Member States and associated effects on employment and the competitiveness of firms (Medium-term projections of expenditure on social protection and its financing)

(***) Monitoring of family policies

(***) Report on demographic trends in Europe and the problems arising from them

(**) Communication on the ageing of the population and the elderly

3. Solidarity towards disadvantaged population groups

(**) Proposal for a Council Directive on mobility and transport for disabled people

(-) Second Community action programme for disabled people (HELIOS)
OJ L 104, 1988

(***) Report on the employment situation for disabled people in the Community

(**) Third programme to combat poverty (1990-1993)

III. PRIORITY MEASURES TO PROMOTE EMPLOYMENT AND TRAINING

1. Promotion of employment

(**) Reorganization of the SEDOC system (revision of Regulation 1612/68)

(***) Analysis of the effects on employment of the completion of the internal market and other structural changes

2. Specific sectoral measures concerning the completion of the internal market

(*) Worker participation in the company decision-making process (Statute for the European Company)
COM(88)320 final

(*) Proposal for a Regulation amending Regulations (EEC) No 3820/85 on the harmonization of certain social legislation relating to road transport and (EEC) No 3821/85 on recording equipment in road transport

(*) Proposal for a Directive on standard checking procedures for the implementation of Regulation (EEC) No 3820/85 on the harmonization of certain social legislation relating to road transport and Regulation (EEC) No 3821/85 on recording equipment in road transport

3. Relations with non-Community countries

(**) Study of the problems of access to the Member States and social integration for nationals of non-Community countries (Conclusions of the Hanover European Council)

(***) Commission Decision setting up a communication and consultation procedure on migration policies in relation to non-member countries
C(88)1044 final

II. ECONOMIC AND SOCIAL COHESION

1. Implementation of the reform of the structural Funds

(*) Proposal for a Council Regulation on the ESF
