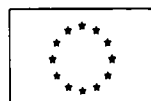
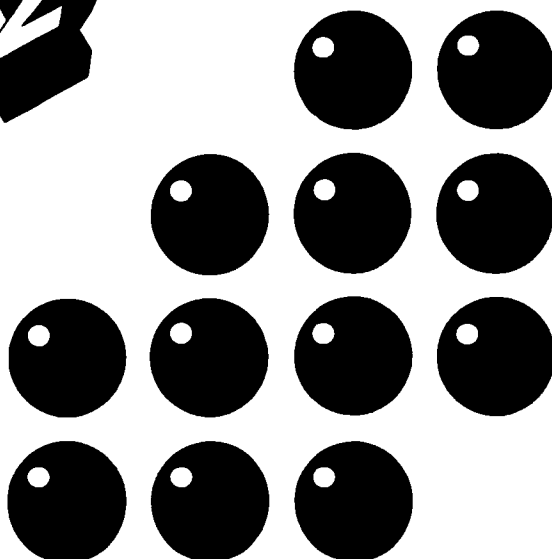


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DEADLINE



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Note to readers

Number 1/1990 of *'European documentation'* marked the start of the 15th year of publication of this series, which has been appearing in the present booklet form since 1976. At that time, when there were nine Member States, it was published in six languages, a seventh being added in 1981 with the accession of Greece. Since the last enlargement of the Community in 1985 the series has been published in all nine Community languages (Danish, Dutch, English, French, German, Greek, Italian, Portuguese and Spanish).

The aim of the series has remained unchanged: to provide an insight into the main Community policies and some major Community issues for the benefit of those prepared to devote a little time to the subject.

Each booklet sets out first to provide the reader with the facts about a given topic, going on to outline the reasons behind particular policies devised and/or implemented by the European Community, and their aims and advantages.

The booklets are compiled from the information available to the Commission, and present the Commission's aims and views. This does not preclude numerous references to other opinions held within the Community institutions and the sectors concerned.

The main object is to inform, the reader being left to make up his or her own mind.

Following an internal reorganization, the department responsible for publishing the *'European documentation'* series is now the Publications Division in the Directorate-General for Information, Communication and Culture.

The Publishers

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I. The EC internal market

The European internal market is due to become a reality on 1 January 1993. From that date on, there should be no national restrictions on movements of persons, services, goods and capital in the Community of Twelve. The grafting together of the national markets will give a new impetus to the economy, boosting the prosperity and living standards of the Community's 325 million citizens in a way which the individual national markets could not have done. The internal market policy has in fact already stimulated company investment activities and may have contributed towards the stabilization of unemployment observed in 1988.

A major study by the EC Commission confirms the predictions made in the mid-1980s concerning the likely effects of opening up the markets.

The 1988 study, 'The costs of non-Europe', led by the Italian, Paolo Cecchini, found that the savings to businesses and consumers through removal of the barriers would be in the order of ECU 200 billion, corresponding to a potential growth rate of approximately 5%. Within five to six years, up to 5 million new jobs could be created. These developments could be achieved by eliminating the physical and technical barriers and other obstacles. The figures forecast in the 6 000 page study certainly need to be treated with caution, but they nevertheless show a clear trend.

The Commission's 1985 White Paper gave new momentum to the movement for the creation of an internal market. The White Paper lays out 289 steps which should be taken to harmonize conditions and dismantle barriers. The Commission swiftly followed up this initiative, adding concrete details to its proposals and submitting them to the Council of Ministers for adoption. In addition, the entry into force of the Single European Act on 1 July 1987 paved the way for speedier decision-making by the Council of Ministers, while at the same time extending the fields in which the Community is competent to intervene.

In parallel with the proposals in the White Paper, the Commission also developed in 1985 a cooperation strategy for more growth and employment. On the supply side, companies were to be supported in their endeavours to become competitive once more. The aim was to improve profitability and encourage investment. On the demand side, the Commission advocated measures to stimulate internal demand, namely coordination by Member States in their budgetary and monetary policies.

The French President of the EC Commission, Jacques Delors, has stated: 'The creation of better market conditions for business depends on the EC playing its part in the world economy. The international race against time, in which the survival of our Member States is at stake, demands that we follow a common objective'. Mr Delors believes that the 12 European governments cannot afford to compete against each other in the technology race with the USA and Japan, since by doing so they risk damaging their own economies. Only by working together can they overcome the challenge.

Nevertheless, some degree of harmonization of monetary policies has been achieved, and a number of common objectives have also been established in budgetary policy.

The main aim of growth policy is to reduce unemployment. It is clear from this that the internal market policy also has a social dimension. By the end of 1988 the number of unemployed in the Community appeared to be slightly down. In April 1989 there were 15.2 million registered unemployed — an unemployment rate of 9.3%. For several years the rate had been over 10%. There was even a small drop observed among the under-25s, where unemployment is generally much higher.

A simple, perhaps banal example will serve to show the dangers which politicians and economists have spotted in the internal market policy, and which must somehow be overcome.

During the last decade a Belgian firm has been specializing in the manufacture of adaptors which enable numerous incompatible plugs and sockets to be connected. The shrewd manufacturer and his employees are benefiting from the maze of divergent technical and safety standards which fragment the European market. As long as there is no standardized system in the Community the business will continue to prosper. But as soon as standards are harmonized the demand for the firm's adaptors will disappear. If he does not quickly switch to other, more marketable products, his men will lose their jobs and will no longer be able to provide for their families. This is just one example — there are many more in the same category.

The Community's medium-sized firms in particular have worried a lot in the past decade about their survival chances in the internal market. Clearly, therefore, the creation of the common market also has a negative side. The spectre of social dumping, feared in certain sectors of industry, was quickly raised. In particular, workers' representatives in the wealthier countries, where job security is greater than in the more southerly Member States, but where wage costs are significantly higher, feared that the removal of the barriers would lead to competition between Member States. Not to put too fine a point on it, they feared that certain countries would deliberately keep wages and social welfare standards down so as to attract investors, thus jeopardizing existing or planned new jobs in the Netherlands, the UK, Denmark and Germany. Their fears are not totally without foundation. Some employers have in fact set up businesses in southern Europe for these reasons.

At the same time, however, it must be stated that low wage costs are not the only factor determining the choice of location for a new business. If this were so, the South's development problems would long ago have been solved. The advantages of low wage costs are relative, therefore, and depend to a large extent on the labour-intensiveness of the production process.

The socio-political dimension of the internal market policy is clear. With the accession of the less prosperous countries, first Greece and Ireland, and more recently Spain and Portugal, the challenges facing the Community have grown.

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II. A Review of the Community social area

1. Declarations of intent and mandates in the EEC Treaty

With the completion of the single European market and the removal of economic differences within the Community, not only were the markets for producers to be enlarged but also the working and living conditions of employers and citizens, independent of economic considerations, were to be improved. This was the stated aim of the drafters of the EEC Treaty. Its purpose was, as the preamble stresses, 'to ensure ... social progress'. In Article 2, the signatories committed themselves to 'an accelerated raising of the standard of living'. In order to achieve this goal across the boundaries, the task of creating a European Social Fund was incorporated into the Treaties of Rome.

The six founder States, however, did not think only of employment and quality of life. They also wanted their citizens to have unrestricted access to the other EEC countries. In political language, they wanted to grant them freedom of movement and encourage mobility. The unemployed building worker from Catania would be able to receive a residence permit and work permit in Lille in France without hindrance, just as an architect from a fine London suburb would be able to open a branch in elegant Düsseldorf-Hahn.

The tasks and goals listed in the EEC Treaty are presented as declarations of intent or mandates to the Community. There was no thought of achieving them from one day to the next. Although mobility and freedom of movement have been largely a reality since the mid-1970s and, with the mutual recognition of university diplomas taking effect in 1991, are almost complete, there are still many individual cases in which citizens from another Community country are regularly discriminated against. Frequently, national legislators have misinterpreted Community resolutions or delayed their incorporation into national law. Occasionally, however, Community law conflicts with national interests.

In 1989 it was not yet possible for a well-travelled Danish tour guide with a Danish diploma to lead a group from Copenhagen around the Acropolis. Greek, Italian and French law only allowed foreigners to work as tourist guides in their countries if they could show evidence of having trained in that country. For many years, it was not possible for other Community nationals to work as divers in Italy. The same applied to Community citizens who wished to work as seamen in France. In the meantime, many cases with

discriminatory effects have been resolved to the advantage of the Community. In other cases, however, there is still a need for action.

Thus, only in spring 1988, following a judgment by the European Court of Justice in Luxembourg, was the Belgian regulation abolished under which foreign schoolchildren and students had to pay higher fees than their native colleagues.

It was clear from the beginning that embarking on a European, cross-border social policy would not be easy. Over the centuries, different economic and social structures had developed in the individual countries. It is true that with industrialization, trade unions and therefore representation of the interests of employees against employers had developed throughout Europe. But the structure of the trade unions, their size, their political orientation, their closeness to parties or their philosophical basis developed differently in each country. The influence and power which they were able to wield over companies and politicians in the course of time have decisively, and above all in different ways, left their mark on the social achievements of the Community countries.

2. The countries of the Community and their achievements

The economic boom of previous years led to a rise in living standards in the Community countries. In parallel with the increasing demand for consumer goods grew the demands for a gradual improvement of social conditions in individual countries. The provision and improvement of social security increasingly became the central concern of the employed.

The impetus for improving social achievements such as unemployment benefit or the optimization of working conditions has primarily come from the world of work. Governments are responsible for the legal consolidation of nationally recognized achievements. The social standards achieved in the Community countries differ widely. Put simply, social achievements incorporated into laws or contracts are greater in the north of the Community than in the Mediterranean States. In the latter, families play a significantly greater role as guarantors of social support in cases of hardship. Provision for old age and for unemployment insurance is not as developed in these countries, though it has markedly improved in recent years and is now close to the level of the other countries.

Unemployment benefit or old age pension funds exist in all Member States. But in the south, payments are frequently not enough for hardship cases. On the other hand, as is frequently maintained, benefits in some northern Member States are so generous that a person capable of work occasionally prefers the monthly payment from the unemployment office to a regular wage.

But this north-south divide also has its exceptions. Protection against unlawful dismissal in Portugal, a Community country where wages are lowest and where, on the land, children are sometimes still an integral part of the family working unit, was for some years in the 1980s comparable with that in the Federal Republic of Germany.

a. The social dialogue in the Community countries

If the levels on which trade unions and employers speak to each other and negotiate wages in the European Community are compared, no standard European picture can be seen. In Belgium and the Netherlands it is possible to talk of an institutionalization of the dialogue. The organizations have regular talks at national level and such talks are not concerned with single branches of industry. In neither country is it merely a question of determining the wage settlement for the coming year. Rather, the parties sit at a table, recognizing their joint responsibility for the employment situation, to discuss jointly the creation of new or the preservation of existing jobs. Possible changes in working hours are also discussed and, in Belgium, the minimum wage determined.

Negotiations do not always run smoothly. If there appears to be no possibility of agreement, the governments intervene in the public discussion without directly interfering in the negotiations. In Belgium, when agreement is reached, the negotiating partners conclude the so-called 'inter-trade agreement'. This two-year contract provides the framework for wage negotiations which will follow in the individual branches of the economy.

Employers and employees always stand in the limelight when great differences of opinion or conflicts of interest arise between them. In the decades following the war the cause was wage rises demanded by one side and rejected by the other. The independence of the two sides of industry in their salary and wage negotiations — usually annual — differs from country to country.

In the Federal Republic of Germany, representatives of interest groups enjoy full autonomy. If a minister, or even the Chancellor, dares to intervene in the talks in progress there is an immediate storm of protest. In Greece, where employers and employees have strong party links, the government still has great influence over changes in wages and salaries. In contrast, a withdrawal of the State from active wage policy formulation can be seen in several countries. In the Netherlands and Italy, laws still in theory allow the government to intervene in wage negotiations.

Once a certain degree of prosperity and a sufficient level of social security had been achieved, the call for an improvement in the quality of life and for greater leisure time became more insistent, at least in the northern Member States. Over the past 20 years, workers have become more interested in a reduction of working hours. In addition to pay and working hours, conditions at and around the workplace took on greater significance.

Specific areas of concern were improved safety in the use of machinery and on the work site. The health of workers at the workplace should be better protected. More on this later.

b. Co-determination — a social dialogue incorporated into law and into collective agreements

The way in which participation of employees in the decision-making process in firms is regulated differs between Member States. In principle, employees in all countries have a right to be consulted, to express their views and, in differing degrees, to a share in management. The areas usually affected are personnel matters, working conditions, the working environment and safety at the workplace.

The various levels can be differentiated as follows:

- (i) shop stewards representing the trade unions within firms,
- (ii) works councils,
- (iii) representatives on the business committee or the supervisory board,
- (iv) representatives on the management committee or the board of directors.

Since the freedom to join a trade union or to be active within one is granted in all Member States, the nomination of shop stewards is generally possible in all States.

In Belgium, France, Italy and Spain, countries in which there is a long tradition of shop stewards, their existence is firmly established in law. For example the 'délégués syndicaux' in Belgium are responsible in small firms for compliance with industrial safety regulations. The 'tillidsman' in Denmark is safeguarded by a national agreement which accords him a strong position. There is no legal basis in the Federal Republic of Germany or in the Netherlands. Here, wage agreements are the basis for the existence of shop stewards and the definition of their responsibilities. The same applies to British shop stewards, whose position is based on comprehensive agreements and also on the Employment Protection Act. As a general rule, shop stewards are granted facility time for their work on an hourly basis.

The institution of the works council is found with variations in all countries of the Community. In the Netherlands (Ondernemingsraad), Luxembourg (Délégation du personnel), France (Délégués du personnel), Spain (delegados de personal/de empresa) and Portugal (comissão de trabalhadores), the Federal Republic of Germany and Belgium, works councils are established by law. Greece followed this pattern in the spring of 1989. In the Federal Republic of Germany, Portugal, Spain and Greece, only employees belonged to the works council. In Belgium, France and Luxembourg, on the other hand, employers are also represented.

In Denmark, the shop stewards (tillidsman) exercise functions comparable with those of the works councils. The tasks of the British and Irish 'working councils' cannot in all cases be compared with those that apply in the rest of the Community. In the United Kingdom, Ireland, Denmark and Italy (consiglio di fabbrica), the councils (in the British Isles it is more accurate to talk of shop stewards) are not prescribed by law. Their existence and responsibilities derive from wage agreements or voluntary initiatives.

The rights of representatives of interest groups in a firm to a say vary from country to country. The German works council has a right to a say in the areas of personnel policy, overtime and social conditions. In Belgian and French firms, too, the councils are included in discussions of these areas. In Denmark, work organization and personnel policy matters are very largely the concern of the works councils.

Co-determination in the highest decision-making bodies, the management committee, supervisory board or board of directors, is not always granted. There are relevant legal provisions in France, Denmark and the Federal Republic of Germany.

There and in France, employee or trade union representatives sit on the supervisory board. In most cases the employee representatives form a minority on the board, though the representation of employees in the coal and steel industry and in other major companies in the Federal Republic of Germany is on an almost equal basis.

In the Federal Republic of Germany, the right to a say in management decisions, which has existed in the iron and steel industry since 1951, was extended in 1976 to include joint stock companies, limited liability companies and other types of company in all sectors, provided they employ more than 2 000 workers. Since that time, the so-called works director has represented the interests of the employees on the management committee. On the supervisory board, workers and salaried employees are represented in equal numbers with the shareholders. In the event of a tie, the vote of the chairman, representing the interests of the management, decides.

In the 1970s, industrialists initially feared a worsening of labour relations and a slowing down of their decision-making process. Today, more than 10 years later, these fears have been almost completely laid to rest. There is even occasional talk of the stabilizing effect of co-determination on firms.

In Denmark, the share of votes held by employees on the supervisory board lies between 33 and 50%. In the Netherlands, the composition of the Raad van Commissarissen takes into account the responsibility of the joint stock companies for their undertakings. Shareholders, employees and independent individuals each form one-third of the council. In Luxembourg, the co-management right of employee representatives on the board of directors is of greater weight than that of those who sit on supervisory boards in other Member States.

In addition, it can be seen that shop stewards and works councils in France, Belgium, Italy, Spain and Portugal have great potential influence. On the management committee and supervisory board, the employees have observer status, thus giving them the same basis of information as the owners or proprietors of the firm.

c. Trade unions, their organization and political and ideological orientation

Economic traditions, the development of relationships between the two sides of industry since the beginning of the industrial age, social conditions and the development of the political landscape have influenced the development of trade unions and their present position in the political and economic life of the Member States.

In some countries, for example the United Kingdom (TUC), the Netherlands (FNV) and the Federal Republic of Germany (DGB), umbrella organizations have been formed to which a majority of individual unions are affiliated.

In the United Kingdom, the trade union structure is noted for its diversity. In the 1970s there were over 1 000 individual trade unions affiliated to the Trades Union Congress (TUC). The 1980s saw the start of a process of concentration, with the number of individual unions falling below 1 000. Generally, the organizations are general unions representing the interests of sectors and trades. Sector-oriented (industrial unions) and trade-oriented (craft) unions make for a greater degree of diversity. Until well into the 1970s, wage negotiations were concluded in the form of outline agreements. Owing to the strength of the trade unions at firm and company level, too, wage negotiations have switched over to this level. Approximately 43% of employees are members of trade unions.

The distinguishing feature of the trade union structure in the Federal Republic of Germany is its high degree of unification. The Deutsche Gewerkschaftsbund (DGB) is widely recognized among the population. The level of membership in the Federal Republic lies at 42%. Industrial unions are affiliated to the DGB, and in turn broken down by region. Politically they are classed as predominantly Social Democratic or Socialist, but Christian Democrats also occupy leading positions in the DGB and in the individual unions. A close party link such as is found in Belgium, France, Italy or Spain does not exist in the Federal Republic of Germany, however.

The trade union picture in France is influenced by the political and, to a smaller extent, the ideological and syndicalist traditions of the trade unions themselves. There is no unified trade union. The Communist Confédération Générale du Travail (CGT) and the Socialist Confédération Française Démocratique du Travail (CFDT), the two most powerful organizations, followed a policy up until the 1970s in which the ideas of the class struggle played a major role. In the second half of the 1970s both unions suffered a heavy

decline in members, following which the CGT, CFDT and other unions formed informal alliances. The strategy of negotiation has largely replaced the strike policy.

In Italy, craft-oriented trade unions exist alongside three major politically oriented organizations of employee representatives. The Communist Confederazione Generale Italiana del Lavoro (CGIL), the Christian Socialist Confederazione Italiana Sindacati Lavoratori (CISL) and the Social Democratic Unione Italiana del Lavoro (UIL) have often attempted during the last 15 years to harmonize their activities. In 1983, during the discussions over a reduction in the automatic wage indexation (*scala mobile*), the CGIL split from the other two organizations. At the end of the 1980s, the three unions came together again.

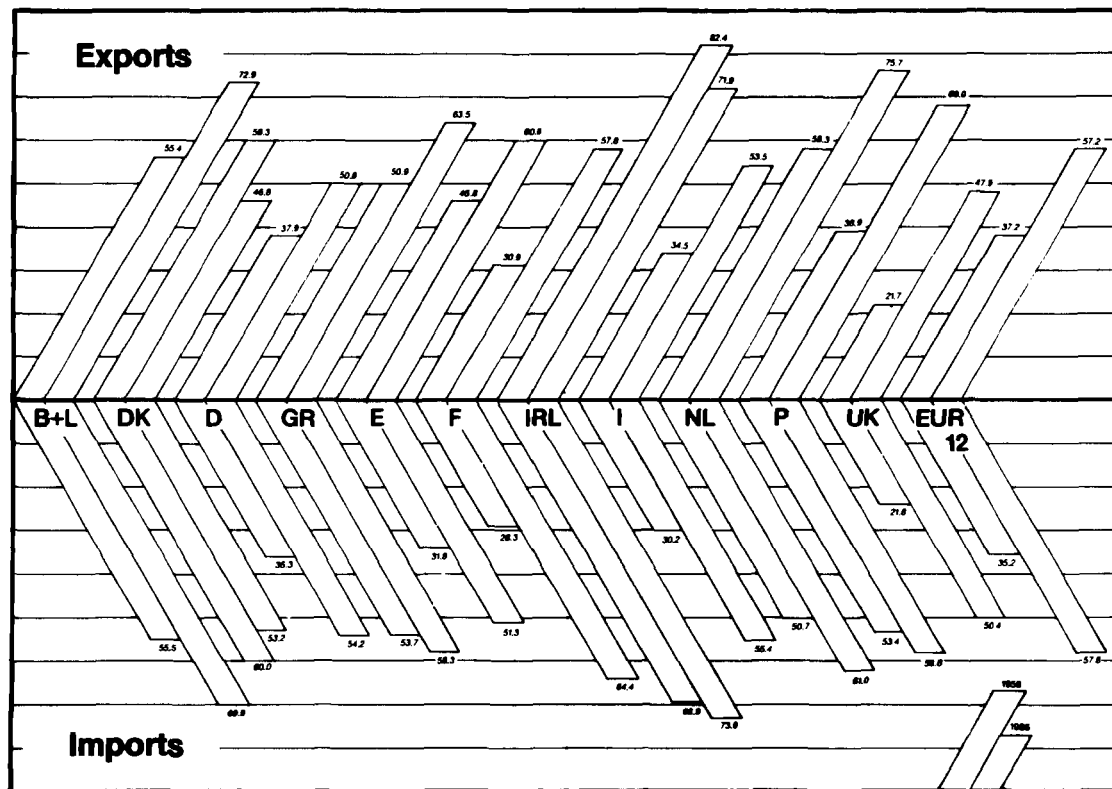
Spain, too, has no unified trade union. The socialist Union General de Trabajadores (UGT) and the Communist Comisiones Obreras (CC OO) are approximately equally strong representatives of their members' interests. In the UGT, regional variations have developed in recent years. UGT representatives in Madrid have occasionally been closer to the ruling Socialists than their colleagues in Catalan Barcelona, who followed their own political line. In the autumn of 1988 there were indications of an end to the close relationship between the UGT and the ruling Social Democratic party PSOE. Regional trade unions work independently of the UGT and the CC OO in the Basque country (ELA) and in Galicia (INTG). There is also the smaller, Catholic USO.

In other countries of the Community, too, trade unions have been formed in the course of the workers' movement which have adopted an ideological stance; for example, the large Christian trade unions in Belgium, which make no bones about their closeness to the two Christian Democratic parties.

3. Socio-political opportunities and achievements at Community level

In the decades following the Second World War, the countries of Western Europe have experienced an economic boom which certainly cannot just be attributed to the altered conditions and improvements brought about by the European Communities. The internationalization of trade, given a considerable impetus by the creation of the customs union, has allowed trade and industry new and significantly greater room for manoeuvre. In the first 15 years, intra-Community trade by the six founder States increased ninefold and trade with the rest of the world tripled. Today some 60% of exports from individual Member States go to another Community country.

Share of Intra-Community trade as part of overall trade by Member States (%)



Since its foundation over 30 years ago, the European Community has developed into one of the most successful economic areas in the world. In the course of 30 years, the Community standard of living has doubled. The tripling of the capital base has led directly and indirectly to a constant rise in quality in the working environment, in health and in the social security systems.

**Gross domestic product per capita
expressed in purchasing power standards (PPS)¹**

	1987
Belgium	14 712
Denmark	16 606
FR of Germany	16 580
Greece	7 928
Spain	10 807
France	15 951
Ireland	9 381
Italy	15 242
Luxembourg	18 313
Netherlands	15 258
Portugal	7 838
United Kingdom	15 383
EUR 12	14 605
USA	22 806
Japan	16 368

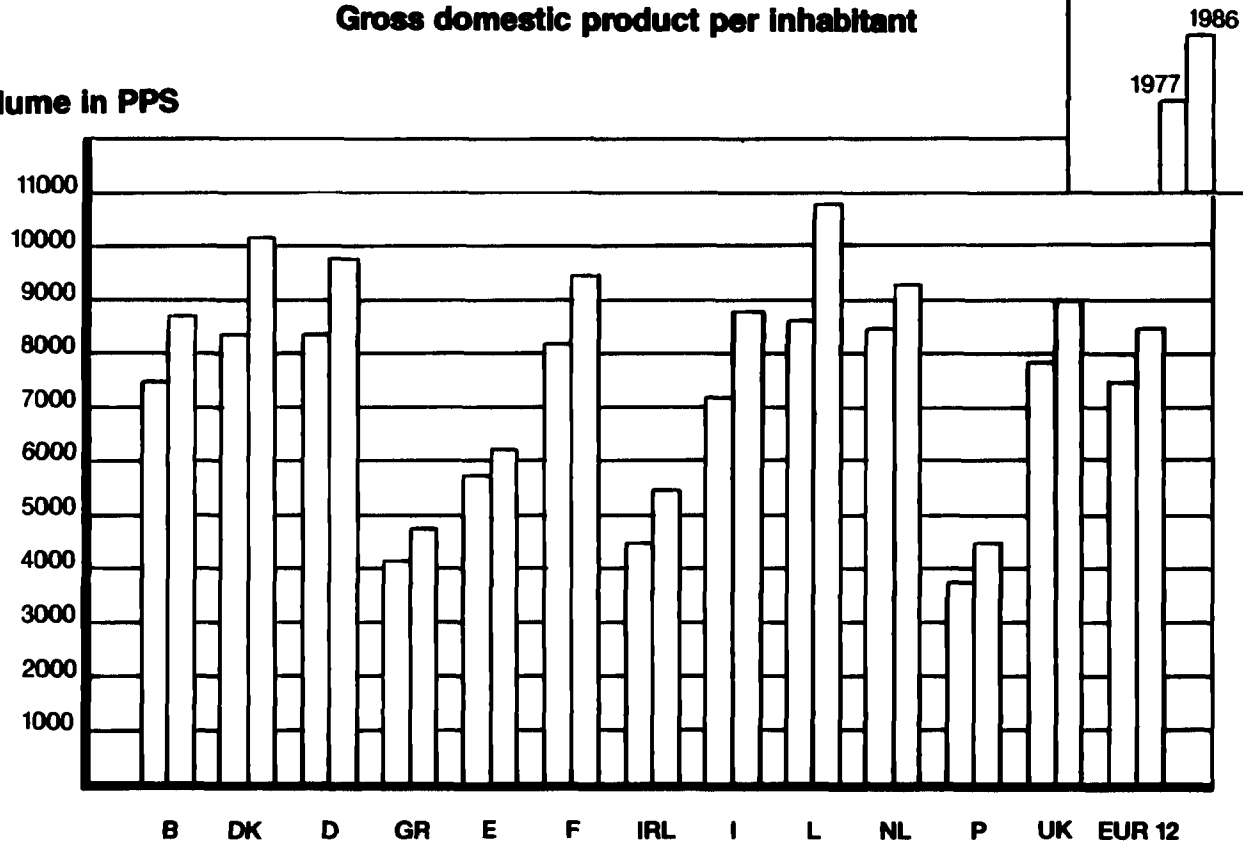
¹ PPS = purchasing power standard, representing an identical volume of goods and services for each country. The conversion of PPS into national currency is done using the purchasing power parities as follows: 1 PPS = BFR 35.7; DKR 8.14; DM 1.98; DR 80.6; ESC 67.6; FF 5.96; HFL 1.93; IRL 0.595; LFR 32.9; LIT 1 124; PTA 85.1; UKL 0.469; USD 0.804; Yen 172.

The improvement in living standards, measured by the change in gross domestic product in purchasing power standards (PPS = corrected for differing price levels within the Community) per head of population, was faster in those countries with a lower standard of living than in those with stronger economies. Between 1960 and 1985, the strongest growth was seen in Italy, Spain, Greece and Portugal, while the value of GDP in PPS per inhabitant improved to a smaller extent, though from a higher level, in the Federal Republic of Germany and Luxembourg.

The economic and social development in the 1950s and 1960s was the most clearly felt. In the first 15 years the gross domestic product per inhabitant had doubled in real terms. The same applied to the wages of employees. Then, as today, differences between individual Member States could also be seen. Wages continued to increase in real terms, although the rate of increase declined. In the 1970s the Community experienced its first major long-term crisis, primarily caused by the changes in oil prices. In the following

Gross domestic product per inhabitant

volume in PPS



years there was a noticeable decline in the rate of growth of gross domestic product in the Community. In terms of market prices, there was even a minimal decline in GDP in 1981. Since then the Community has been experiencing a boom, the length of which can also be attributed to the coordination of economic policy goals and measures by the Member States often demanded in previous years and achieved in stages.

Gross domestic product per capita
Comparison between Member States in 1985
EUR 12 (Community average) = 100

Belgium	100.7
Denmark	113.7
FR of Germany	103.5
Greece	54.3
Spain	74.0
France	109.2
Ireland	64.2
Italy	104.4
Luxembourg	125.4
Netherlands	104.5
Portugal	53.7
United Kingdom	105.3
EUR 12	100

The continuing high level of unemployment, despite the improving economic situation (the number of those out of work rose from approximately 8 million at the end of the 1970s to over 16 million for a time (1986)), demanded still greater efforts in the area of common social policy.

The European Community has various socio-political instruments at its disposal. Room for manoeuvre in decision-making has remained small, however, during the more than 30 years since the founding of the Community. On the one hand, not enough instruments were available. On the other, the Council too often had to decide unanimously, often resulting in delays of several years.

The signing of the Single European Act at the end of 1985 opened up new possibilities, though as yet little can be said about their effectiveness in practical political terms. One particularly noteworthy decision of socio-political significance since the entry into force of the Single European Act on 1 July 1987 is the general cross-border recognition of university diplomas, which will be examined in more detail later.

Relative unit labour costs: total economy (calculated in a common currency)

(1980 = 100)

	B/L	DK	D	GR	E	F	IRL	I	NL	P	UK	EUR 12	USA	J
1960	93.9	77.7	82.1	168.8	69.1	105.7	94.5	105.0	65.5	120.5	97.6	77.1	165.1	70.2
1961	88.5	80.0	88.5	152.8	67.3	106.7	93.7	100.7	69.0	116.8	99.0	80.6	160.6	68.6
1962	88.0	81.9	89.0	152.0	69.0	107.4	95.1	102.3	69.8	111.8	99.9	81.9	157.2	72.1
1963	87.6	83.3	88.2	141.2	74.3	110.3	94.1	110.2	71.8	110.3	96.7	83.2	153.2	73.4
1964	88.0	83.2	86.3	141.2	77.5	110.3	99.9	115.6	76.1	108.2	96.1	84.2	150.8	71.5
1965	89.7	88.5	85.8	137.9	81.7	107.7	98.3	113.8	78.3	107.6	97.5	84.7	145.9	74.8
1966	90.9	91.4	85.8	139.3	87.9	104.6	100.6	109.5	81.7	109.1	98.5	85.1	145.9	73.0
1967	91.4	94.0	83.3	139.2	92.5	104.1	99.3	109.2	83.1	111.8	95.4	82.9	146.3	73.2
1968	91.0	93.7	82.9	140.0	82.1	109.7	92.6	108.6	84.5	106.3	83.8	78.8	154.0	73.8
1969	89.4	94.2	84.0	133.1	80.8	105.3	94.5	105.1	87.6	109.2	84.5	78.0	158.5	73.0
1970	85.0	95.1	95.4	122.2	78.8	94.8	96.9	105.9	85.7	116.9	86.0	81.3	156.0	72.8
1971	85.5	95.5	99.5	112.0	75.9	90.9	100.2	108.5	87.8	117.5	85.9	83.1	146.5	77.4
1972	89.5	94.3	100.8	103.3	81.7	91.3	99.3	107.9	90.7	116.5	86.2	85.5	134.7	85.9
1973	90.1	102.2	110.0	97.0	86.2	93.8	98.4	100.5	95.1	114.8	76.0	87.6	120.2	95.9
1974	92.8	106.9	110.3	106.2	89.2	87.8	94.7	94.7	97.9	131.1	77.0	86.1	115.5	100.2
1975	96.8	108.2	102.0	96.2	90.3	98.7	92.4	101.2	99.1	152.9	82.5	91.4	107.1	97.6
1976	101.0	109.0	100.3	98.9	90.2	97.1	89.8	90.4	100.2	150.1	71.0	82.7	110.7	101.8
1977	107.0	108.8	102.5	106.5	89.0	94.1	86.3	93.1	104.0	127.5	69.7	83.9	108.3	110.9
1978	107.4	110.4	104.0	105.0	90.3	94.4	88.9	93.4	105.2	106.8	72.2	85.9	99.7	130.2
1979	105.8	109.2	103.6	110.4	106.7	96.7	97.1	95.7	104.4	96.6	81.6	93.9	99.6	112.9
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	91.9	92.4	89.4	105.5	92.9	94.6	94.9	98.2	90.2	106.5	101.5	85.7	112.3	107.4
1982	81.3	89.9	89.2	114.8	89.9	90.3	98.7	99.4	92.6	99.8	95.7	80.7	127.4	96.2
1983	79.5	90.7	88.4	109.3	79.1	87.7	101.1	106.8	90.0	91.5	88.4	76.2	133.3	103.7
1984	78.5	87.4	84.6	107.4	79.5	85.4	98.9	106.1	83.7	87.0	85.9	70.4	143.6	105.6
1985	79.3	88.4	82.3	105.0	79.7	86.8	98.7	105.9	81.6	85.9	86.8	69.8	150.5	104.5
1986	82.9	94.9	90.6	91.1	82.3	90.5	106.0	113.5	86.3	86.9	82.2	77.5	120.8	134.3
1987	86.0	103.5	95.8	89.5	83.0	90.1	103.7	118.1	88.6	86.8	81.9	82.6	107.8	143.7
1988	85.5	103.6	95.8	89.0	82.9	88.7	104.6	118.9	88.0	85.7	84.4	82.8	105.1	149.2
1989	79.7	98.2	87.4	98.1	93.7	81.8	90.8	120.8	81.3	92.8	92.1	—	—	—

Source: European economy.

Development of unemployment by country

(1000 persons)

	1981	1988	1989
Belgium	454.3	459.4	431.5
Denmark	235.2	240.0	259.0
FR of Germany	1 296.0	2 236.6	1 880.8
Greece	42.5	108.6	69.0
Spain	1 566.2	2 858.3	2 417.9
France	1 772.9	2 562.9	2 558.0
Ireland	127.9	241.4	224.1
Italy	1 789.7	3 841.0	3 882.0
Luxembourg	1.559	2.5	2.3
Netherlands	479.8	682.2	—
Portugal	249.6	306.2	297.8
United Kingdom	2 414.8	2 370.4	1 702.9

a. The goal of full employment in the Community

Since the first oil crisis in the 1970s, the Member States of the Community have been faced with persistently high unemployment which has been hard to overcome. Luxembourg alone has for years been able to boast of what could be called constant full employment. The unemployment ratio in 1988 was 2.2%. With the increasing degree of specialization demanded by employers in the banks and insurance companies located in Luxembourg, the need for foreign employees also grew.

Luxembourg is a special case, however. In 1989 there were approximately 150 million people employed in the Community as against 15.2 million unemployed, giving an unemployment ratio of 9.3%. The worst affected were Spain (19.6%) and Ireland (17.6%). Unemployment in several Member States has to some extent stabilized since 1985. In Spain, Belgium, the United Kingdom and Portugal in particular, numbers are slightly declining.

The most important instrument of Community employment policy is the Social Fund, which is examined elsewhere.

In the 1970s, the Member States began to coordinate and jointly execute measures to combat unemployment and to create new jobs. An exchange of information and experience was organized to provide a better understanding of market forces. Alongside programmes aimed at reducing general unemployment, measures were taken to promote training in order to combat youth unemployment.

The Community's first answer to the worsening economic situation of the 1970s and the simultaneous increase in unemployment was the social action programme, adopted as a Council Resolution in January 1974. The then Member States undertook to carry out stated priority measures within three years. For the first time, the programme allowed

Comparison of unemployment ratios between Member States

Comparison of unemployment rates between Member States												Seasonally adjusted	
	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
	All age groups (%)												
	Men and women												
1986/04	10.8	11.8	5.7	6.7	7.4	21.5	10.4	18.3	10.4	2.7	10.3	8.5	11.6
1987/04	10.5	11.8	5.9	6.4	7.4	20.7	10.7	18.2	9.8	2.8	10.3	7.0	11.0
1989/01	9.5	9.9	6.7	6.0	:	18.5	10.1	17.5	10.5	1.9	10.2	5.8	7.5
02	9.4	9.8	6.7	5.9	:	18.3	10.0	17.4	10.3	1.8	10.2	5.7	7.3
03	9.4	9.9	6.8	5.8	:	18.1	10.1	17.5	10.5	1.9	10.1	5.7	7.2
04	9.3	9.6	6.8	5.9	:	17.9	10.0	17.3	10.6	1.8	10.1	5.6	6.9
05	9.3	9.5	7.2	5.9	:	17.6	10.0	17.2	10.7	1.8	10.1	5.5	6.8
06	9.3	9.5	7.3	5.9	:	17.4	10.0	17.3	10.8	1.9	10.2	5.6	6.7
	Men												
1986/04	9.4	7.5	4.0	5.5	5.1	19.8	8.7	17.6	7.0	2.0	8.9	6.7	11.9
1987/04	8.9	7.6	4.8	5.4	5.1	17.5	8.4	17.6	6.9	1.9	7.7	5.3	11.4
1989/01	7.6	6.6	5.6	4.8	:	14.0	7.7	16.8	7.1	1.3	7.3	3.7	7.9
02	7.5	6.5	5.6	4.7	:	13.8	7.6	16.7	6.9	1.2	7.2	3.7	7.8
03	7.4	6.5	5.5	4.6	:	13.6	7.7	16.7	7.1	1.4	7.2	3.7	7.7
04	7.4	6.4	5.8	4.7	:	13.3	7.6	16.5	7.2	1.4	7.2	3.4	7.4
05	7.3	6.3	6.3	4.8	:	13.0	7.5	16.4	7.3	1.4	7.1	3.5	7.3
06	7.3	6.2	6.4	4.8	:	12.8	7.6	16.5	7.4	1.5	7.2	3.5	7.2
	Women												
1986/04	13.1	18.7	7.7	8.3	11.6	25.2	12.6	19.8	16.8	4.2	12.9	11.1	11.0
1987/04	13.0	18.4	7.1	7.9	11.5	27.5	13.6	19.3	15.2	4.3	14.5	9.3	10.5
1989/01	12.5	15.1	8.0	7.8	:	27.2	13.2	19.0	16.6	2.9	15.0	8.6	6.9
02	12.3	15.1	8.0	7.8	:	27.0	13.1	19.0	16.2	2.8	15.0	8.4	6.7
03	12.3	15.1	8.2	7.7	:	26.7	13.1	19.2	16.6	2.8	15.0	8.5	6.6
04	12.3	14.8	8.1	7.6	:	26.6	13.1	18.9	16.6	2.7	14.9	8.4	6.3
05	12.2	14.6	8.2	7.5	:	26.4	13.1	18.9	16.8	2.7	14.9	8.3	6.1
06	12.2	14.6	8.4	7.5	:	26.3	13.2	19.1	16.8	2.8	15.1	8.4	6.0

the conduct of a more effective social policy than was possible under the terms of the Treaty.

At the heart of the package of measures lay the goal of full and better employment. The coordination of national employment services took on increasing importance. The Commission brought together the chairmen of the national organizations, thus encouraging an exchange of experience and ideas.

In June 1980, the Council agreed on guidelines for a Community labour market policy. The guidelines set goals and laid down measures. The Ministers agreed that a common labour market policy should lead to a reduction in the existing mismatch between supply and demand in the labour market. Another objective was better integration of the Community labour market.

Efforts to ease unemployment still had a strongly national character in the 1970s and the early 1980s. In its Resolution, the Council declared itself in favour of improved knowledge of the Community labour market. Cooperation between public employment services and employment offices was to be expanded to this end.

Two years later, in June 1982, the Council was more specific. The Heads of State or Government had at their summit meeting in March emphasized the need for a coordinated policy of promoting investment and combating unemployment. In its Resolution on Community action to combat unemployment the Council advocated the promotion of public and private investment. Economic growth was to be encouraged, which would then have positive effects on the situation in the labour market. The development potential of small and medium-sized undertakings was also to be promoted.

The long-term unemployed presented major problems. In 1984 the Commission informed the Council that more than 4.3 million workers in the Community had been unemployed for one year or more, and more than half of those for two years or more. They were among the main losers in the economic crisis of the 1980s. In December 1986 the Council approved a Memorandum on the combating of this increasingly significant problem.

A year later the Ministers passed a Resolution calling for a programme to improve the identification of successful national measures for combating long-term unemployment. The information thus gained was then to be exchanged within the Community. Then, early in 1988, the Commission developed the Ergo action programme which took the requests of the Council into account.

The employment policymakers were no less concerned with the high level of unemployment among young people, whose incorporation into working life must be treated as a priority and assisted by means of improved vocational training.

1. Young people

In its programme for 1982/83, the Commission suggested offering a 'social guarantee' to young people for the first two years after the end of compulsory schooling. The idea was to make them a direct offer of a job after they left school.

In April 1983 the Commission presented to the Council an action plan to promote the employment of young people, in which it pointed out that unemployment in the then Community of Ten was running at approximately 11% in this particularly badly-hit group of the population. In spite of all efforts at regional, national and Community level, the situation deteriorated still further in the following years. In 1988, 20% of people under 25 years of age were unemployed.

At the end of 1988, youth unemployment was highest in Spain, with 40%, and lowest in the Federal Republic of Germany and Luxembourg.

In Italy, young people under 25 formed the majority of long-term unemployed (33%). Denmark registered the greatest successes in combating this socially damaging problem between 1984 and 1988. The proportion of unemployed young people fell from 14.5% to 9.4%, and in the Federal Republic of Germany from 11.6% to 6.4%. The fact that lower birth rate age groups were reaching working age may have contributed to this development.

In December 1983 the Council accepted the action plan in the form of a Resolution. While the partners did not undertake to create a fixed number of new jobs, as the Commission would have wished, they did follow the suggested guidelines. They resolved to create better employment conditions for young people by restructuring working hours. New grants were to create opportunities for people to start their own businesses. In addition, the chances of finding work in public and non-profit making firms or government departments were to be improved. The Council again took account of young people in December 1986 with an action programme for promoting the growth of employment.

2. Women — equal treatment in society and in working life

Since the beginning of the 1970s the number of people employed in all Community countries has shown a clear increase. This is due in particular to the steadily increasing number of women seeking work. Statistics show that approximately 55% of all women between 14 and 59 have a job.

Of the total of 150 million employed in the Community in 1987, approximately 52 million were female.

Unemployment in the European Community

Under 25 years (%)

	EUR 12	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
Men and women													
1986/04	22.8	23.6	7.7	8.1	24.1	47.1	25.3	27.0	33.1	6.6	16.5	19.9	19.0
1987/04	21.7	24.0	8.7	7.1	24.4	43.9	24.3	26.5	32.8	6.4	17.9	16.5	16.5
1989/01	18.5	18.8	9.6	5.5	:	38.0	21.7	24.7	32.2	4.2	16.7	12.0	9.9
02	18.3	18.4	9.6	5.3	:	37.5	21.5	24.5	31.9	3.8	16.6	11.9	9.8
03	18.1	18.4	9.5	5.3	:	36.8	21.5	24.5	31.9	4.1	16.4	12.1	9.6
04	18.0	17.6	9.7	5.2	:	36.5	21.5	24.1	32.1	3.8	16.3	11.8	9.2
05	17.8	17.1	10.2	5.2	:	35.6	21.2	24.0	32.3	3.8	16.1	11.3	8.8
06	17.8	17.0	10.4	5.1	:	35.3	21.1	24.3	32.8	3.8	16.5	11.7	8.6
Men													
1986/04	21.2	17.8	6.2	6.9	18.9	44.8	22.4	29.8	27.0	5.8	16.7	16.7	20.1
1987/04	19.6	17.0	7.4	6.5	15.5	39.3	20.2	28.8	27.8	4.9	16.7	13.1	17.3
1989/01	16.0	13.6	8.5	5.0	:	31.1	18.0	26.2	26.8	4.0	15.6	8.0	11.0
02	15.8	13.2	8.4	4.8	:	30.5	17.6	26.0	26.4	3.6	15.5	8.1	10.9
03	15.7	13.2	8.2	4.7	:	29.9	17.7	25.7	26.7	4.1	15.2	8.0	10.7
04	15.6	12.4	8.6	4.8	:	29.6	17.7	25.4	27.1	3.8	15.1	7.5	10.3
05	15.3	12.1	9.5	4.8	:	28.3	17.2	25.2	27.4	3.9	14.8	7.0	10.0
06	15.3	11.9	9.7	4.7	:	27.9	17.2	25.7	27.8	3.8	15.2	7.5	9.8
Women													
1986/04	24.8	29.7	9.4	9.4	34.1	50.2	28.3	23.6	40.2	7.4	16.4	24.1	17.7
1987/04	24.2	31.5	10.2	7.7	35.1	49.7	28.5	23.7	38.9	8.1	19.1	21.0	15.4
1989/01	21.3	24.2	10.9	6.0	:	46.2	25.6	22.9	38.5	4.4	17.9	17.0	8.6
02	21.1	23.9	10.9	5.9	:	45.8	25.5	22.7	38.2	4.1	17.8	16.8	8.5
03	20.9	23.9	11.0	5.9	:	45.0	25.4	23.0	38.0	4.1	17.6	17.2	8.3
04	20.8	23.0	10.9	5.7	:	44.8	25.5	22.6	38.1	3.8	17.5	17.2	7.8
05	20.7	22.5	11.1	5.6	:	44.3	25.3	22.5	38.0	3.7	17.4	16.7	7.4
06	20.7	22.5	11.2	5.7	:	44.1	25.2	22.6	38.7	3.7	17.9	17.0	7.2

The proportion of women in the overall total of unemployed is disproportionately large. Women represent 38% of the employed but 52% of the unemployed. This can be attributed to the insufficient training available in many sectors of the economy and to the effects of the economic crisis, which primarily affected the socially disadvantaged population groups. An additional factor is that part-time working is more widely accepted among women than among their male colleagues. This has had a negative effect on career prospects and the possibilities of taking on broader responsibilities within firms.

Despite many efforts, and indeed some progress, the conditions under which women work still differ from those of their male colleagues. Under parental influence or the influence of social attitudes in general, access to various forms of training is restricted. Social safeguards are still not as good as for males, and a fair wage is frequently lacking. Also, women more frequently have the double task of job and home.

The Community has set itself the basic task of constantly improving the living and working conditions of its citizens. In addition, Article 119 of the EEC Treaty states that each Member State shall apply 'the principle that men and women should receive equal pay for equal work'.

In relation to this Article, the Council in 1975 approved a Directive obliging Member States to examine all national laws and regulations to determine whether these discriminated against one sex or the other. Any defects were to be corrected. In order to prevent the desired equal status of men and women being a gift from the hands of politicians, however, citizens were at the same time given the right to appeal to a court if they considered they were being given discriminatory treatment at the workplace. In such cases, the employer was denied the possibility of dismissing the employee.

In the following year, the Council agreed on a Directive providing for equal treatment of men and women as regards working conditions and access to employment and promotion. In 1986, the obligations to overcome discrimination against women in working life were extended to the self-employed, including women working in agriculture.

In parallel with these efforts the Council approved two action programmes which aimed to upgrade the individual rights of women. These were not therefore simply programmes to help working women alone. The first action programme (1982-85) for the promotion of equal opportunities followed a Memorandum put forward by the Commission as early as 1975. A Committee for Equal Opportunities was set up within the framework of this programme to advise the Commission on its policy on women's questions.

Within the framework of the concept of a 'Citizens' Europe', forming part of the internal market policy, the Council in July 1986 introduced a second, medium-term action programme for 1986-90 at the suggestion of the Commission. Its main objective is the improved application of regulations already existing in individual countries. In several

Member States, there had been considerable delays and differing interpretations in the transposition of the abovementioned directives into internal legislation.

In addition, an analysis after more than 10 years had shown that working women had made very little use of the possibility of appealing to a court in cases of discrimination.

Under the law applying in almost all Member States, a woman paid too little, for example, is obliged to prove to a court that she is being discriminated against. In other words, she must prove that her male colleague receives more money for work recognized as being of equal value. Most are discouraged by these requirements, which are also frequently complicated by a multitude of other provisions. The Commission therefore suggested in May 1988 that the burden of proof should shift to the employer, to prove that discrimination is not taking place.

Despite the passing of two Directives in this regard, the Commission was aware of the slow pace of implementation of equal social welfare treatment in the Member States. In its statement of reasons for the second programme, the Commission stated that the main earner, i.e. the man of the household, was too often protected by the social security systems. This is contrary to the application of the Directive on social security.

To make easier the double task of job and home for families with children, and above all to reduce the burden on women, the Commission attached special importance to making suitable provision for childcare during working hours. Wider use of parental leave, already introduced in previous years in some Member States, was also a goal to be pursued.

Directives alone will not suffice, however, to achieve equal status for women. The Commission stresses that if the goals set are to be attained, the ideas and attitudes of many Community citizens will have to change.

b. The integration of the handicapped

Approximately 30 million Community citizens suffer from a physical or mental handicap. Over 10% of the population is confronted with the difficulties of a problematic and at times inadequate economic and social integration. National support programmes and the help of State or private institutions have led in recent years to an increasing degree of employment in this frequently disadvantaged population group.

In 1988, the Community approved the action programme Helios. Helios is to run for three years (1988-91) and has a budget of just under ECU 19 million. Measures to be taken aim at occupational reintegration through retraining and further training and the improvement of economic and social integration for the handicapped. Helios com-

plemented a programme passed in 1987 for the integration of handicapped children into normal schools.

c. Combating poverty in the Community

Independently of Community efforts to force down unemployment through a variety of programmes, an increase in poverty was observed. In the mid-1970s it was estimated that some 30 million people were living in poverty. 11.4% of households in the then nine Member States were affected. The figures for the increase in poverty in the mid-1980s, even given the inaccuracy of available statistical methods, showed an increase of between 10 and 20%.

The Community responded with multi-year programmes, the first of which ran from 1975 to 1980. A four-year programme followed in 1985, the budget of which was increased to ECU 27 million following the accession of Spain and Portugal.

The money was used for studies and information exchanges within the framework of the fight against poverty. In the spring of 1989, the Commission presented a third multi-year programme to the Council.

In emergencies, the Commission also quickly adopted remedial measures. In the cold winter of 1986/87 it granted prompt financial aid and food supplies in individual cases of need. Produce worth ECU 168 million was taken from agricultural stocks and distributed to the hardest hit regions. The following winter, agricultural products worth ECU 100 million were made available.

d. Mobility of employees and the self-employed

The main emphasis of socio-political efforts at Community level was on the creation of two of the four 'fundamental freedoms', that is, the free and unhindered movement of goods, capital, services and people across Community boundaries. One of the basic tasks of Community policy is to achieve this for employees and for the self-employed. Articles 48 to 51 of the EEC Treaty describe the goals set for workers. Articles 52 to 58 deal with the right of a citizen of a Community country to establish himself in another Member State.

When the EEC was established in 1957, it was by no means commonplace for an Italian to find work in the Netherlands. A few years later, however, it was. The strong economic growth in the northern States required labour which was not available within the country itself. National administrations, however, were in no way prepared for the ensuing migration.

In local administrations and at the new workplace, the incoming citizens from the south of the Community had to contend with discrimination, antipathy and red tape. Officially, the borders have been open since 1970. Nationality is no longer a reason to expel a citizen of another Member State.

Freedom of movement has also been largely guaranteed since that time, although there are still isolated cases in which people from other Member States are disadvantaged or discriminated against. Although the borders have been opened that still does not mean that every Community citizen can in a neighbouring country practise the profession for which he is actually qualified, possibly on the basis of several years of training. Differing diplomas and differences in examination certificates or certificates of qualification constitute barriers. These often widely varying national regulations have grown out of the variety of national traditions. And yet historically Europe represents a cultural unity. For centuries, scientific knowledge has been passed on to future generations through universities in all countries of Europe.

1. Mutual recognition of professional qualifications

Building on this basic knowledge, the Commission set out in 1961 a programme aimed at removing restrictions in the training sector in the long term. A sun-worshipping Danish doctor should be able to open a practice in Catania without time-wasting visits to countless offices and without additional training.

Six years later the Commission submitted its first concrete plans. In 1975 came the first breakthrough.

The then nine partners agreed firstly on the approximation of study courses for doctors and the mutual recognition of the corresponding university certificates. Thereafter, nurses, male nurses, dentists, midwives, general practitioners, bus operators and other occupational groups were granted the possibility of settling in the Community country of their choice. That officials and ministers did not always make life easy for themselves is shown by the mutual recognition of architect's qualifications. The matter was not ready for a decision until 1985, 18 years after the relevant proposal was first made.

With time, one thing became clear to the Community's educational policy makers: it would take many years to discuss and approve school-leaving certificates one at a time in Brussels. It was the Heads of State or Government who started the ball rolling towards meaningful harmonization at their summit at the end of June 1984 in Fontainebleau in France. They demonstrated the political will to bring about 'a general system for ensuring the equivalence of university diplomas, in order to bring about the effective freedom of establishment within the Community'. Three months later, the Commission presented a corresponding proposal to the Council.

The Commission recommended mutual recognition of diplomas without complicated prior harmonization of study courses. The ministers responsible for completing the internal market were not able to transform the declaration of intent by their Heads of Government into reality quite so quickly, however. The Council pointed out the alleged qualitative differences in training courses at the universities of the Member States. Here and there it was noted that supposedly less well trained engineers from one country were not allowed to work in another country without hindrance. This, naturally, was not a very European attitude. In December 1988, however, they agreed on mutual recognition — though not without first inserting a protective clause.

In exceptional and justified cases, national authorities can establish acceptance courses and qualifying examinations for foreign university graduates, though without being able to stipulate the procedure by which the incoming Community citizen provides proof of his professional qualifications. The Community ministers turned the tables and gave those seeking work the possibility of choosing.

The biologist with a diploma from the University of Athens can therefore decide for himself whether to submit to the time-consuming acceptance course or to sit a test. For lawyers, tax consultants and chartered accountants, a stricter regulation was agreed. Physical and scientific laws are the same world-wide. In the legal sector, on the other hand, different cultures and legal conceptions have developed. This means that a lawyer trained and practising in London is not automatically able to advise a businessman in Naples on a purely Italian matter. In these exceptional cases, countries may stipulate a qualifying test.

The decision on the mutual recognition of university diplomas is a milestone on the road to true cross-border freedom of establishment within the Community. The agreement, which enters into force at the beginning of 1991, demands a high degree of mutual trust from the Community partners. The final realization that study courses in Community universities and in German Fachhochschulen are largely similar brought about the breakthrough in a decision-making process initially characterized by mistrust.

In the summer of 1989, the Commission presented a further comprehensive proposal. It provides for the mutual recognition of professional study courses lasting a maximum of three years, with a school-leaving certificate as the requirement for admission. The target group for this suggestion to the Council of Ministers included speech therapists, stewards and primary-school teachers from some Member States.

2. The actual will to work in another Community country stagnated

In 1985, 39 000 foreigners were working in Denmark, 12 000 of them from a Community country. Four years earlier the figures had not been significantly different. The same applies to France. In 1981 and 1985 approximately 1.2 million foreign workers and white-

collar workers were living there. Just over half of them (53%) came from a Community country. Looking at these figures does not exactly give the impression that Europeans have felt a stronger urge to take a job abroad in recent years. The number of employees from Community countries declined noticeably in the Netherlands and Belgium, and by as much as 25% in the Federal Republic of Germany.

The great majority of those not living and working in their native country moved abroad for economic reasons. During the sustained growth phase of the 1960s, the demand for labour in the more industrialized countries such as the Federal Republic of Germany, Belgium, the Netherlands or Luxembourg exceeded the supply. At the same time, growing wage differentials attracted whole families, initially from southern Italy and later also from the new Member States, Spain and Portugal, into the cooler regions north of the Alps.

The economic crisis of the 1970s and 1980s put an end to the migration and soon led to an enormous rise in unemployment.

The mostly untrained workers who had migrated north 20 years previously were the first to be affected by mass unemployment, the greatest social problem to face the Community for many years.

Many returned to their place of origin with their savings, which frequently allowed them to rebuild a livelihood there. This is the only explanation for the decline in workers from Community countries which has been observed in several countries, and has been particularly noticeable in the Federal Republic of Germany. There is little chance of a repeat of this mass movement today, particularly since the approximation of the economic strengths of the different regions of the Community is one of the most important goals for the coming years.

Instead, it can be seen that more and more well or very well-trained employees are leaving their offices in their homeland and settling in another Community country. The opening up of borders has made it particularly easy for large firms to set up branches in other Community countries. If the necessary sales staff or technicians cannot be found locally, multinational firms look out for qualified staff in their branches in other countries who are prepared to relocate and to work under initially unfamiliar conditions.

3. Although freedom of movement is broadly established, the borders are not yet completely open for all Community citizens

Despite all efforts to open intra-Community borders to all Community citizens the process is not yet complete, though only details remain to be resolved. In individual cases, however, a person is at a disadvantage compared with the inhabitants of his host country.

Movement of workers within the community (1967)

(1000)

Country of origin	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
B	—	0.1	6.6	0.1	:	12.4	0.1	:	10.0	24.6	0.2	3.3
DK	0.7	—	2.4	0.1	:	—	0.1	:	0.2	0.5	0.1	3.2
D	6.1	4.0	—	1.4	:	14.9	0.9	:	6.1	18.7	1.2	17.6
GR	3.9	0.2	101.1	—	:	1.7	0.0	:	0.1	1.7	0.0	7.3
E	15.3	0.4	64.2	0.1	:	110.5	0.1	:	0.9	8.1	2.2	14.5
F	24.1	0.8	37.3	0.7	:	—	0.4	:	12.6	3.1	0.9	16.8
IRL	0.5	0.4	1.3	0.1	:	1.0	—	:	0.1	1.5	0.1	268.0
I	61.2	0.9	177.1	1.2	:	84.8	0.5	:	8.4	7.9	0.4	56.5
L	1.3	0.0	0.9	0.0	:	0.0	—	:	—	0.2	0.0	—
NL	17.9	0.9	25.5	0.3	:	1.2	0.4	:	0.8	—	0.3	9.0
P	3.6	0.1	35.4	0.0	:	350.9	0.1	:	16.1	3.4	—	2.0
UK	6.2	4.6	31.8	2.6	:	11.9	13.5	:	0.6	16.5	1.4	—
Total member countries	140.7	12.4	483.5	6.6	:	589.6	16.2	:	55.7	86.1	6.7	398.2
Non-member countries	46.4	30.1	1 053.2	18.3	:	583.0	3.7	:	3.1	88.8	23.2	422.6

Source: Eurostat.

The question of the conditions under which pensioners may receive a residence permit in another Community country has long been the subject of debate in the Council. France, in particular, whose Mediterranean warmth and sunshine attract countless elderly citizens from the cooler north, feared that a very liberal regulation would result not only in the arrival of well-to-do people but also an undesirable influx of people receiving welfare benefits in their native countries and who might then become a burden on the French welfare system.

In the spring of 1989 the Commission withdrew a proposal for a directive on the right of residence of students, pensioners and other non-employed persons. After much debate in the Council, it transpired that several Member States were demanding greater guarantees, particularly for students, than the Commission had proposed. The countries rejecting the proposal considered that the guarantees must be such that students would not have to make any demands on the social security system in their host country. The Commission revised its ideas accordingly and presented separate draft directives for students, pensioners and other non-employed persons.

As was to be expected, however, most unregulated cases occur among the employed. In major sections of the public service it is impossible for foreigners to find work, since nationality is a prime requirement for employment. Even in the future it would be unthinkable for Portuguese, Danes and Irish to apply for the post of town clerk of a town in the Peloponnese. But why should a Frenchman not become a driver of a Deutsche Bundesbahn train? Just as a second generation Italian living in the Netherlands is entitled to take up a post in his community power supply undertaking. According to Article 48(4) of the EEC Treaty, nationality may only be cited as a reason for rejection in connection with employment in the public service. In the spring of 1988 the Commission called on the governments of the Member States to define this requirement as narrowly as was necessary to remove as many barriers as possible.

It will still be some time, however, before a Spaniard born in Denmark and having studied Danish is allowed to work as a Danish teacher in a State school in his country of birth. On the other hand, in some countries municipal transport firms allow foreign-born citizens to drive their buses and trains.

Brief mention should be made of the problem of inhabitants from non-Member States. The Community is not a closed society. Despite the efforts of the 12 members to agree a common position on the treatment of people from non-Member States, it is still unclear to what extent Stateless people and political refugees enjoying the right of asylum in one Member State may move around and reside in other Member States. A Polish doctor who came to Belgium many years ago to study remained in Brussels with his wife, also Polish. They have a family and both are in employment. If they wish to visit friends in the Federal Republic of Germany or take a holiday on the Bay of Biscay, they cannot simply get up and go. Weeks pass before the necessary visas are granted.

In Brussels at the beginning of 1989, consideration was given to drawing up a list of countries whose citizens require a visa to enter the Community. A visa issued in one Member State could then be recognized in all Member States.

e. Research programmes enable cross-border cooperation between scientists

The real reason behind the multitude of research programmes approved since the mid-1980s on the initiative of the Community authorities was the desire to make the Community economy more competitive *vis-à-vis* its major competitors in Japan and the United States of America. The best known example of the numerous efforts at closer cooperation by firms in Member States is the megachip project. Siemens AG in Germany and Philips NV in the Netherlands combined and laid the foundation for a new generation of superperforming computer chip through joint research and development efforts. With the simultaneous support of the governments in Den Haag and Bonn, the already existing development gap between themselves and the high-tech think-tanks in Japan and in 'Silicon' valley in the State of California was kept within bounds. This promising chip development prompted the European Commission in 1988 to examine the extent to which the Community could support this project. In 1989, the Commission decided to make money available within the framework of the Community research programme Esprit for more intensive cooperation with the Eureka project Jessi, through which the megachip was developed. There was general approval for a greater degree of coordination and cooperation between Community research and the Eureka projects.

The example quoted is not an isolated case. Particularly in the dynamic telecommunications branch, in which investment efforts quickly reach the thousand million level, numerous cooperation agreements were made and joint ventures established.

The Commission had previously recognized that, in parallel with research efforts in companies and State institutes, a common research policy could also be of use. The first outline Community research programme came into force in 1984 with the aim of harnessing the research potential of the Community in specific sectors. It is estimated in Brussels that, in the long term, 5% of Community researchers will be taking part in cooperation and exchange programmes.

In 1988, some 3 000 researchers and technicians were working on tasks in the information technology sector within the framework of the Esprit programme started four years previously. The aim of the RACE programme is to guarantee the Community a leading place in communications technology. Brite, begun in 1985, in which scientists from all Member States have been brought together to work on some 215 research projects, must also not be overlooked. A survey of the current Brite programme in the summer of 1988

showed that these are not just salaried workers from major companies with extensive budgets for research and development tasks. The concluding summary stresses that Brite has also contributed to cross-border cooperation between small and medium-sized companies.

The programmes mentioned have a time limit, but if the evaluation is positive and sufficient means are available they are usually extended. The Joint Research Centre (JRC), established under the Euratom Treaty, has been operating as a fixed establishment since 1958. Almost 2 300 people are employed in the JRC stations in Ispra (Italy), Geel (Belgium), Petten (the Netherlands) and Karlsruhe (Federal Republic of Germany).

1. The Community also improves mobility during training

Contacts with foreign research institutions and cooperation on cross-border projects should not be restricted to fully trained specialists, however. In 1986, over 68 million of the approximately 325 million Community citizens attended a school or university. They should also benefit from the opportunities offered by the single market.

In 1987, Comett came into effect. Comett is not a space programme, although it does deal with high technology. This action programme for training and further training in the field of technology is meant to encourage cooperation between universities and industry at European level. In the first year, the Community supported 108 partnerships between universities and companies. It also enabled 1 067 students to do practical training in a firm in another Member State. In the first three years, the administrators of the Comett budget had ECU 45 million available. In December 1988, the Council agreed on a second phase for the Comett programme. Comett II is to begin in 1990 and will run for five years. ECU 200 million are to be set aside for the entire period.

The greatest success to date in common efforts to offer cross-border educational possibilities is the Erasmus programme. After years of discussion, the education ministers agreed in May 1987 on a programme to encourage student mobility. The 'European action scheme for the mobility of university students', called Erasmus for short, was an important stage along the road to mutual recognition of university diplomas. Erasmus offers grants to students in all subjects who wish to study for a time at a university in another Member State; this is to supplement the student grant paid by the native country.

The student is charged no tuition fees at the foreign university . In the first three years, approximately 25 000 students were able to benefit from the total of ECU 85 million available for the first Erasmus programme. This is only a drop in the ocean, considering that six million students are enrolled at universities in the Community.

However, those concerned with education policy in the Community were not only thinking of budding academics. In 1988, ministers approved the draft of the youth exchange

programme 'Youth for Europe'. The programme to provide training and work experience is already in its third edition. Within the framework of the exchange programme, both employed and unemployed young people are given the possibility of living or working in another Member State.

Lingua is directed not just at those undergoing training. This programme to promote the knowledge of Community languages, passed on first reading by the Council in the spring of 1989, is aimed at teachers, the employed, students and vocational school students. For the five-year period beginning in 1990 the Council has allocated sums amounting to ECU 200 million.

g. Health and safety at the workplace

The successes and failures of officials and politicians preparing for and taking decisions on the social dimension of the Community are not just to be measured in the possibilities open to Community citizens to work in a Member State of their choice or to arrange for their retirement there.

Article 118 of the EEC Treaty provided for closer cooperation by the Community partners in the areas of occupational hygiene and the prevention of occupational accidents and diseases.

In the past a multitude of individual cases have been handled, from which a minimum content of regulations and safeguards for the 12 States has been established. This partly coincided with efforts to harmonize differing technical standards. There were approximately 180 cases of such harmonization up to 1985.

Despite successes and a common desire to achieve standardization in the technical sector, it became clear that the treatment of many individual cases is too complicated and time-consuming. On 7 May 1987, the Council agreed on a new policy for standards and technical harmonization. The policy is based on mutual recognition of national safety requirements, though at the same time it calls on members to harmonize and determine basic safety standards. In the principles for later directives, which the Council appended to its Decision in 1985, the basic requirements for consumer safety, for health and for the protection of the environment are listed. It should be remembered here that the basic concern of the new policy was not only the protection of people but also the establishment of free trade in goods within the Community.

The Commission's draft for a so-called 'machines' Directive in November 1987 was in line with the new policy. It presented a far-reaching proposal to the Council containing a definition of standards for machines. The Directive, passed by the Council in June 1989 by a qualified majority under Article 100A of the EEC Treaty, will apply to very many

types of machinery. General, basic safety and health requirements are established, complemented by a series of detailed requirements for specific types of machine.

Machinery, equipment and installations are included, regardless of whether they are small or large, mobile or fixed machines. The basic requirements to which the technical specifications must conform concern the safety of personnel using the machines. However, it is immaterial whether the machine is part of a company production line or on a work bench in a home workshop. Although the 'new policy' and the machines Directives were primarily intended to overcome technical restrictions on trade, the Council at that time underlined the socio-political significance of the Directive.

Both the Commission and the Council had also reached the conclusion that establishing the more important criteria for technical standards at ministerial level in a legal framework would be enough. In individual sectors where no Community standards exist, manufacturers were to be guided by minimum requirements when developing new machines or installations and compliance with those requirements would be substantiated by an appended certificate provided by themselves.

The establishment of detailed standards, with additional safety, health and hygiene and environmental protection requirements, was entrusted to the well-established European standards organizations CEN and Cenelec. The European Commission assumes that roughly half of the machines produced in the Community are covered by the catalogue of requirements of the machines Directive. Apart from the Commission, both standards organizations, employers and employees and representatives of the Member States were involved in preparing the proposed Directive.

At the first reading in the Council in the spring of 1989, the Ministers for Social Affairs agreed on a Directive defining the minimum requirements for safety and health protection at the workplace.

Among other things, it was agreed that emergency exit doors in industrial buildings must always open outwards.

h. The Community distributes financial aid through funds and assistance programmes

It became clear as early as the 1960s that the removal of customs barriers and the creation of a customs union would not be enough to reduce the discrepancies between, let alone approximate, the widely differing standards of development in economic areas spread over such a wide region. Even today, more than 30 years after the founding of the Community, the talk is in terms of poor and rich areas. On the one hand the economic potentials of the regions are different. On the other hand, the preconditions and possibilities for stimulating or maintaining economic growth also differ widely.

On the one hand, readiness to strengthen the financial basis is not equally apparent everywhere. On the other hand, climatic and geographical conditions limit the will and the possibilities to stimulate the economy and so create jobs and, ultimately, raise the living standards of the inhabitants. These regions are placed at an even greater disadvantage because of the boost given to trade by the opening of borders. In economically strong countries with a well-developed infrastructure, the achievements and advantages resulting from the single market can be realized more quickly and exploited more intensively than in the poorer regions. If nothing were done to counter this, the number of unemployed would increase still further in these regions and young people would migrate in even greater numbers to distant industrial cities. The results would be increasing poverty in the neglected regions which would degenerate into waste land. However, neither the politicians of the national governments concerned nor the Community wish to accept this.

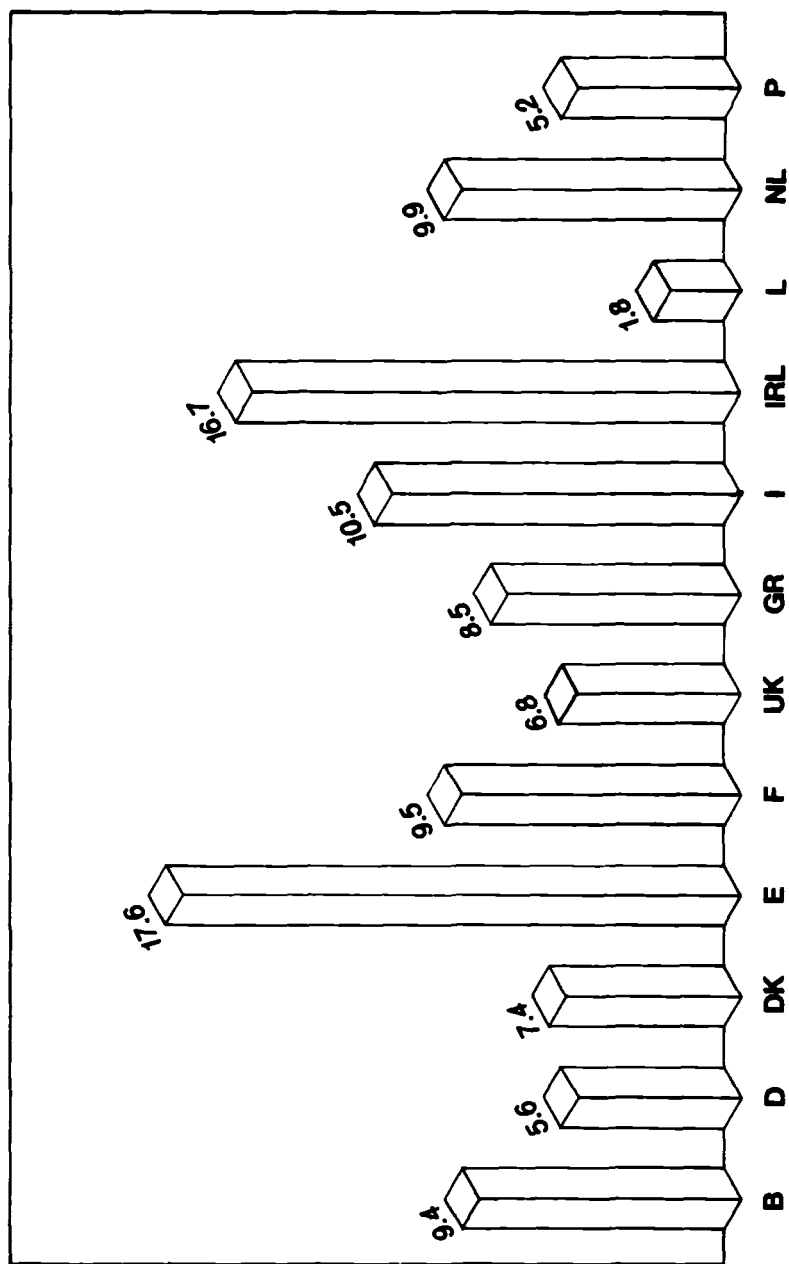
This cannot be the price which Europeans wish to pay for the internal market.

The statistics clearly show where there is a need to act. Large areas of Spain and Portugal, of the Italian Mezzogiorno and of Greece and Ireland are included among the poorest regions of the Community as measured by gross domestic product (GDP) per inhabitant. But even in the northern countries there are regions which could not be described as well-to-do. The Commission cites here former or still existing coalfields in Belgium and England and areas of western France.

Within Italy alone it is calculated that GDP per head is twice as high in the north as in the south. A comparison of the economic standards of the Member States reveals similar differences. In 1985, GDP per head in purchasing power standards (taking into account differing price levels in the Member States) was 28% above the Community average in Denmark, and in Portugal 47% below. In the long term, these differences ought to be eliminated or at least significantly reduced. Unemployment can also be an indicator of differences in economic conditions. The number of those registered as unemployed in the Community of Twelve rose from 5 million in 1975 to approximately 16 million in 1988. The latter figure corresponds to an unemployment ratio of 11%. For years, Luxembourg has reported the lowest ratio, 2%. In Spain, closely followed by Ireland, approximately 20% of those available for work are registered at unemployment offices. But the situation also differs regionally; thus the southern Spanish province of Andalusia has been burdened by 30% unemployment for many years.

Cohesion is the goal which the Community has set itself. It was and is scarcely possible for the national governments of the affected regions to expand the effort and provide the means required for achieving inner cohesion. To achieve this none the less, the Community uses the structural Funds. These are: the European Social Fund, the European Regional Development Fund and the European Agricultural Guidance and Guarantee Fund (the last-named will not be examined here). In addition, the Treaties of Rome allow for the creation of programmes of assistance for specific sectors in times of crisis, to ac-

Unemployment in the European Community **Unemployed as a percentage of the active population in 1989**



company and complement packages of national measures. Mention should also be made of the European Investment Bank (EIB) in Luxembourg, which offers loans in favour of productive or infrastructure investments, and loans under the New Community Instrument (NCI).

1. The Social Fund

The founders of the Community were well aware of the need for a European Social Fund (ESF) and Article 123 of the EEC Treaty made provision for establishing it. The ESF was created three years after the signing of the Treaty. The Fund is the most important instrument of employment policy based on the EEC Treaty. The European Social Fund has the task of 'rendering the employment of workers easier and of increasing their geographical and occupational mobility' (Article 123). It makes money available to improve the employment of or to re-employ unemployed people, people in reduced employment and the handicapped. The first Social Fund had two disadvantages. Firstly, funds were only paid out retrospectively. Secondly, the conditions for granting loans favoured those areas and countries of the Community possessing the corresponding further training establishments and their own financial resources.

The first reform of the European Social Fund came in 1971, making it more flexible. Projects to be assisted were now chosen according to Community and not national criteria. The help of the Fund was called upon where Community policy would have a negative effect on employment in a region. At the same time, a contribution was to be made to overcoming difficult problems in the labour market. Almost 90% of the Fund's resources are earmarked for occupational training and further training. However, the rapid expansion of the areas in which the Fund provided assistance soon led to unforeseen difficulties. It was recognized that assistance was often spread too widely, on the 'watering can' principle.

In October 1977, the Council agreed on a more efficient use of Fund money. Resources were to flow only into those sectors and regions of the Community where the need was greatest. 50% of funds were allocated to solving employment problems in under-developed regions. In addition, the Fund could henceforth contribute a maximum of 55% to these projects. The previous upper limit had been 50%. In 1977, projects aimed at reducing unemployment among women were given particular consideration. Following a proposal by the European Council of 6 and 7 July 1978 in Bremen, the Council of Ministers agreed in the same year on special programmes to support financially the recruiting and employment of young people under 25. Following this decision, the Social Fund was for the first time able to contribute directly to the creation of jobs. Previously, resources had been used exclusively to encourage geographical and occupational mobility.

A further reform came in 1983. The effects of the economic crisis of the 1970s and the continuing high unemployment demanded further restrictions on the use of resources and more efficient administration. After these adjustments, some of them fundamental, Fund resources are to be used according to the following guidelines, agreed by the Commission in February 1989, in the years from 1990 onwards:

- (i) firstly, they should contribute to reducing the number of long-term unemployed. Approximately six million employees in the Community have been without work for more than 12 months. The money from the Social Fund is intended to give these people the opportunity to undergo vocational and further theoretical and practical training. The Commission promotes measures which can forge links between different assistance programmes. In addition, all local possibilities for employment should be exploited. For example, finance is offered for creating permanent jobs and to assist in establishing companies;
- (ii) the second target for resources from the Social Fund is unemployed young people. Approximately 4.5 million Community citizens under 25 years of age are seeking employment. The main interest is in making possible a direct transition from compulsory schooling into a work environment. Using Social Fund resources, the Commission would like to enable young people who have been insufficiently prepared for working life while at school to gain the necessary basic knowledge. Theoretical and practical training programmes, in which the practical part should not last longer than the theoretical, are supported. The Social Fund pays particular attention to specialized training courses in which young people gain knowledge of new technologies. As with the long-term unemployed, finance is provided to establish companies and create permanent jobs.

2. The Regional Development Fund

In the past, Community efforts favoured the stronger regions. They were the areas which are still centrally situated today and are best prepared for marketing and selling their products. In the 1960s and 1970s — and this still largely applies today — they had the best marketing channels, i.e. the best and shortest links between producer and consumer.

More distant regions were therefore at a disadvantage. Demands for a Community regional policy intensified, resulting in the creation of the Regional Development Fund in 1975. The aim of the European Regional Development Fund is to contribute to lessening the biggest regional imbalances by means of investment subsidies to the disadvantaged areas to which the Community grants regional assistance.

In the first year, only a small amount, ECU 257.6 million, was available, being primarily symbolic in character. But only a comparatively small proportion was paid out. In 1980, for the first time, more than ECU 1 000 million was available. However, such a sum was

**Breakdown by country of commitments by the Regional Development Fund
for projects by industry, craft industry and service sector 1975-87**

(Mio ECU)

Member State	Energy	Mineral products and by-products, chemicals	Metal processing, instrument engineering	Other manufacturing industries	Building and civil engineering	Services	Total millions of ECU
B	0.94	16.02	19.62	8.24	0.06	2.28	43.22
DK	—	2.14	11.09	7.92	0.21	0.52	21.89
D	2.99	79.62	214.81	164.90	0.25	8.51	471.08
GR	—	14.91	8.12	14.51	—	4.86	42.39
E	—	3.86	2.61	4.67	—	0.02	11.16
F	2.41	39.99	232.29	106.53	0.52	5.91	396.49
IRL	0.13	41.12	199.01	44.47	—	0.27	290.87
I	8.18	232.20	380.79	309.18	0.81	8.48	939.63
L	—	—	—	—	—	—	—
NL	—	8.63	5.48	12.21	3.70	2.79	32.83
P	—	—	—	—	—	—	—
UK	89.26	560.37	459.25	234.84	1.31	12.10	905.84
EUR 12	87.68	519.04	1 528.06	912.47	6.86	45.74	3 155.40

not actually provided for regional policy measures until three years later. That same year, more than ECU 2 000 million was granted for the first time.

Despite the strong growth rate, the money only represents a supplement to national regional policy efforts. In the first 12 years, more than ECU 12 000 million was paid out of the Fund in subsidies for the improvement of infrastructure and the creation of industry in disadvantaged areas.

It goes without saying that the subsidies also serve to create new jobs. On average, Regional Development Fund resources, which have flowed into productive investments, have created or preserved over 60 000 jobs per year since 1975. In addition there are the unquantifiable effects of the money applied to infrastructure projects. Some examples will illustrate this. In 1983 and 1984, subsidies amounting to ECU 7 800 000 were granted for the construction of a power station in Kozani in the Greek province of Macedonia. The purpose of the plant was to substantially improve the electrical power supply in the region. An indirect contribution to economic development was therefore made. Over a period of 7 years, the Community supported the construction of seawater purification installations in the Bay of Naples. In the crisis-hit southern part of Belgium, Fund resources helped to turn the derelict industrial zone of Renory in Angleur into a modern industrial estate. In Belfast, the capital of Northern Ireland, an integrated programme of urban renewal measures has been introduced. The total amount of ECU 1 250 million was intended for waterworks, roadworks, modernization of the airport and the promotion of industry and trade. During the planning phase for the integrated programme it was calculated that the living and working conditions of approximately half a million people could be directly or indirectly improved.

1. The revaluation of the structural Funds — more money and more concrete tasks

With the accession of Spain and Portugal, the Community's responsibility for regional policy took on a completely new dimension. In the Council, the votes of the less strong Member States have a considerably increased significance.

The growing need to act became all the more clear as the picture of the market without borders, the target set, became more recognizable. By fixing the magic date of 1992, the year in which the last obstacles are to be removed, the Member States committed themselves to even stronger economic and social cohesion. The new Article 130A of the EEC Treaty, in particular, committed the Twelve to the aim of 'reducing disparities between the various regions and the backwardness of the least-favoured regions'.

In the new Article 130D of the Single European Act, the Commission was instructed to prepare a reform of the structural Funds to enable them to increase their efficiency and improve the operations of the existing financial instruments. Following strenuous arguments and an unsuccessful Community summit in Copenhagen in December 1987,

the heads of Government agreed, at a special meeting in Brussels three months later, on a comprehensive package of reforms relating to agriculture and to budgetary and structural policy.

The Commission had suggested doubling the resources of the financial instruments dealing with regional and social policy by 1992. As was to be expected, the structurally weak southern countries wanted the doubling to have immediate effect. The northern countries, which pay most money into the Funds, wanted to stretch out the increase. It was finally agreed that the structural Funds would be doubled by 1993. However, in order to ensure that resources reach the correct regions and population groups, there is to be a further concentration or targeting in the allocation process. Beginning in 1993, approximately ECU 15 000 million will be made available every year.

The Commission has worked out five goals for its future structural policy, which have been accepted by the Council:

- (i) Assistance is to be given to areas having a gross domestic product per head which is less than 75% of the Community average. To be precise, these are: the whole of Portugal, Northern Ireland, Greece and Ireland, the overseas territories of France, Southern Italy and large areas of Spain.
- (ii) Resources should flow to regions affected by industrial decline and should assist restructuring. The characteristics of a crisis are high unemployment and difficulties in creating new jobs in new sectors of the economy.
- (iii) Combating long-term unemployment.
- (iv) Facilitating the entry of young people into working life.
- (v) Combating structural problems, specifically in the agricultural sector, including combating economic decay in areas of Spain, which had led to a high migration rate in previous years.

j. Assistance programmes for sectors in crisis: coal, steel, textiles and shipbuilding

Even before the mechanisms and resources of the Community structural Funds could provide any tangible results, the financial instruments provided for in the European Coal and Steel Community (ECSC) Treaty were having an effect.

The Coal and Steel Community, founded on 18 April 1951 by the six later EEC founder members, was the first step towards joint action in economic as well as social and regional policy.

In the 1950s and 1960s the coal industry was affected by long-term assimilation and restructuring measures. High production costs, increasing supplies of cheaper imported coal from non-Member States and the decline in energy consumption in the 1970s and

1980s forced many mining companies to close pits. In the years between 1960 and 1988, Community coal production fell from approximately 450 million tonnes to 210 million. Approximately 1 million jobs were lost as a result. Between 1984 and 1988 there was an annual loss of 40 000 jobs.

The greatest loss of employment was seen in the United Kingdom. Between 1977, the year in which the coal crisis deepened, and 1988 183 000 jobs were lost, amounting to 62% of the entire coal industry workforce in 1977. Just under two-thirds of miners lost their jobs in the years between 1985 and 1988. Belgium and France experienced similar dramatic reductions. In Belgium, the number of workers fell by 68%, or 15 000 jobs, while in France the loss of 44 800 jobs represented a decline of 62%. In the same period, 44 200 miners were made redundant in the coalfields in the Federal Republic of Germany, a decline of 23%.

Article 56 of the ECSC Treaty allows the Community to facilitate financing for the creation of new jobs. In the period between 1954 and the end of 1988, ECU 3 020 million flowed into the crisis-hit coalmining regions. Conversion loans, which do not need to be repaid, facilitated the creation of approximately 180 000 alternative jobs in other sectors. In contrast to the Regional Development Fund, ECSC resources are not used to preserve existing jobs, although an exception was once made in the Federal Republic of Germany, where money from the ECSC budget was used to rescue 2 000 jobs in the Saarland.

In the summer of 1989 the Commission introduced a broad new initiative for overcoming the structural problems in the coalmining industry with the proposal for the Recher programme. Starting from the assumption that annual coal production would continue to decline well into the 1990s and that employment would therefore also decline, the Commission proposed facilitating financing for the creation of new jobs in other sectors of the economy.

No less serious were the problems arising in the steel industry, closely allied with the coal industry. Here again, until the second half of the 1980s, there was a constantly growing supply but declining world-wide demand. Everywhere there were market displacements, together with a rapid fall in prices. The number of jobs could no longer be maintained. In the middle of the 1970s, just under 800 000 people were working in the Community steel sector. Ten years later there were less than half a million. In Luxembourg, for example, rationalization of capacity and the modernization of installations led to a reduction of jobs in the steel industry from approximately 25 000 to roughly 11 000 between 1974 and 1988.

Until 1974, the ECSC offered the framework for the expansion of production and trade. In the following years, together with the governments of the Member States, it took on the task of arranging and following-up the structural change. Subsidies for retraining programmes and for the resettlement of workers in the steel sector multiplied. In the second half of the 1970s, the subsidy requirement of the iron and steel industry significantly ex-

ceeded that of the coal industry. In this context, an instrument which is not found in the EEC Treaty must not be overlooked. Within the framework of the ECSC social policy, low-interest loans for the construction and modernization of low-cost housing for coal and steel workers were offered. At a minimal rate of interest, generally 1%, loans have since 1954 been granted for the construction, purchase or modernization of housing for workers in the coal and steel industry. The housing construction programme is aimed at improving the living conditions of those employed in the coal and steel industry. In July 1989, the Commission approved guidelines for the implementation of the 11th programme of 'ECSC low-cost housing' for 1989 to 1992. Between 1954 and 1989, the previous 10 programmes had made possible the construction of over 198 600 dwellings at favourable rates of interest. During the period 1954-86, the European Coal and Steel Community had made available loans amounting to ECU 14 000 million.

In addition, the resources of the Regional Development Fund are available to both these sectors which have for many years been badly hit by the economic crisis. During the 1980s, the Council had, following a Commission proposal, approved a code of rules on subsidies, based on Article 4 of the ECSC Treaty.

According to this, States subsidies to the coal and steel industry are, with exceptions, prohibited. On application, the Commission could approve national assistance measures aimed at retraining or further training. In addition, funds were approved for research projects in the sector in question and for measures to create alternative jobs.

In February 1988, the Community itself created the Resider programme from Regional Development Fund resources. This made provision for ECU 300 million for the creation of new jobs. With a three-year duration, Resider is the social programme to accompany the necessary reduction in capacity in the Community steel industry into the 1990s. The most pessimistic estimates in 1987 suggested that approximately 80 000 jobs in the steel industry would have to disappear. Not one ecu of Resider resources is paid directly to the steel industry. Together with State and private finance, Community resources serve instead to create new jobs with a promising future. Where a steel foundry once stood, for example, a high-technology company could soon be operating.

Like the coal and steel industry, the Community textile industry was subject to world-wide market changes in the 1970s. Low-wage countries in Asia and North Africa were increasingly able to offer mass-produced goods of similar quality at more favourable prices. Several European firms moved their factories to these countries. The result was high unemployment in traditional textile areas. The modernization of production capacity, too, has resulted in the number of those employed in the sector being halved over the last 25 years; in the middle of the 1980s there were approximately 2.5 million workers.

The world-wide textile and fibres market is regulated by the Multifibre Arrangement. This Arrangement and other agreements signed by the Community with non-member States regulate international trade.

Construction of workers' housing for the European Coal and Steel Community
Number of workers' housing units financed up to 31.12.1988

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	Total
P1 (1954-56)	1 920	-	10 515	-	-	2 165	-	371	75	54	-	-	15 100
P2 (1957-58)	987	-	14 699	-	-	1 835	-	3 090	133	1 028	-	-	21 772
P3 + P4 (1959-62)	3 132	-	31 183	-	-	6 227	-	1 164	262	768	-	-	42 736
P5 (1963-65)	654	-	12 852	-	-	4 634	-	823	251	1 158	-	-	20 382
P6 (1966-68)	150	-	9 113	-	-	3 621	-	605	120	441	-	-	14 060
P7/1 (1971-72)	161	-	6 037	-	-	4 834	-	566	104	1 164	-	-	12 866
P7/2 (1973-74)	125	126	3 456	-	-	4 142	122	188	155	572	-	6 527	15 413
P8/1 (1975-76)	453	180	4 779	-	-	6 929	67	1 111	100	554	-	2 423	16 596
P8/2 (1977-78)	328	240	4 905	-	-	3 201	86	914	119	241	-	1 819	11 853
P9/1 (1979-81)	299	33	3 192	166	-	2 819	9	737	98	236	-	1 505	9 094
P9/2 (1982-83)	321	88	2 431	37	-	3 064	35	1 322	44	159	-	751	8 252
P10/1 (1984-85)	210	-	1 384	91	-	1 116	12	396	64	92	-	728	4 093
P10/2 (1986-89) ¹	404	35	1 137	73	900	1 955	13	393	94	127	0	1 280	6 411
Total	9 154	702	105 683	367	900	46 542	344	11 680	1 619	6 594	0	15 033	198 618

¹ Programme not yet completed.

To give fresh impetus to world market there have been calls for a liberalization of the Multifibre Arrangement from many sides in recent years, including the Community. During the crisis years, numerous jobs in the Community were protected through the regulation of imports.

Although the EEC Treaty also forbids State assistance, such assistance was given in the 1960s. In order to stop the spread of such practices, the Community drew up guidelines in 1970 laying down an upper limit for State subsidies making clear the temporary nature of the policy on assistance and gradually curtailing its scope. In 1973, Member States were requested to grant no further individual assistance which could lead to the creation of new capacity in the synthetic fibre sector.

In contrast, resources from the European Regional Development Fund were made available for modernization in the sector and for the conversion of regions in which the textile industry played a dominant role in economic life. The Fund paid out non-refundable grants. Furthermore, the European Investment Bank granted long-term loans on favourable conditions. The purpose was to encourage the use of new technologies, especially in small and medium-sized companies. The European Social Fund assisted in financing the retraining or further training of workers in the textile sector.

The situation of shipbuilders in the Community in the 1980s was just as critical. Thousands of jobs in the shipyards were endangered as a result of declining demand for ships and growing competition from Asia. The Community agreed that there should be a general prohibition of subsidies. However, individual measures approved by the Commission were allowed in order to permit the market to adapt in an orderly way.

State subsidies were not to exceed a specific proportion of total investment. From a maximum proportion of 28%, the percentage was reduced in 1989 to 26%.

In July 1987 the Commission proposed a specific programme of industrial, regional and social measures to the Council. On the one hand, the establishment of new industries in the affected shipbuilding areas was to be encouraged. On the other hand, the Commission made provision for separate efforts in favour of shipbuilding workers made redundant or threatened with redundancy. A total of ECU 200 million was made available over a three-year period. In July 1988, the Council approved the regional section (Renewal). In the spring of 1989, the social section had not yet been approved. Although it was accepted that action was needed, as the Commission had pointed out, the partners had difficulty in agreeing on the question of finance. The allocated resources were to be offered in the form of mobility allowances and premature retirement payments to approximately 22 000 people likely to be affected. Funds for the programme were to be complemented by grants from the Social Fund.

k. The dialogue between both sides of industry at Community level

The process of bringing 12 nations together cannot be carried out by the governments in the capitals and officials in Brussels alone. In matters affecting the economy and social welfare, employers and employees are called on to play an active part just as they are at national level. Both sides of industry have taken part in European discussions in the most diverse forms over more than 30 years, but with widely varying degrees of success. As has been described, the dialogue between the two interest groups at national level has had a direct or at least indirect effect on economic and social policy decisions by politicians.

Outside Brussels or the associated national organizations, the different forms of dialogue between employers and employees have received little notice.

In 1984, the Commission submitted an action programme on social policy in which the Council was asked to improve the dialogue between both sides of industry and find suitable ways of encouraging relations between the two sides at Community level without encroaching on the autonomy of the interest groups. Following adoption by the Council, an initiative by President of the Commission Jacques Delors led to the so-called Val Duchesse dialogue. Val Duchesse is a little château in Brussels in which in 1985 representatives of the Commission, the European Trade Union Confederation and the two main employers' and industrial organizations, the Union of Industries of the European Communities (Unice) and the European Centre of Public Enterprises (CEEP), met for initial talks and subsequently in working parties.

The Val Duchesse talks were intended to lay the foundation for a true social dialogue. In the initial phase two working parties were set up to deal with socio-economic topics. The discussions resulted in joint statements of opinion. Of the two groups, both jointly constituted, one was concerned with macro-economic problems. In particular, the effects of a social dialogue at Community level on the economic development of the Community were to be examined. In November 1986, the working party adopted a common opinion on a cooperative growth strategy. Employers' and employees' organizations affirmed, fairly unequivocally, their conviction that social dialogue is an important element in implementing the Commission's economic policy strategy.

The working party on new technologies delivered two common opinions in March 1987. They dealt with training and the willingness of the employer to consult the employees on the introduction of new technologies. Public authorities were invited to adapt training programmes to changing needs on a continuous basis. The importance of further training and new qualifications were both stressed.

However, the results achieved were not translated into action by the associated national organizations. Neither side had an obligation to do so, although the trade unions would have liked the employers to be obliged to take action.

The Economic and Social Committee, a Community institution with an advisory function, ascribed the lack of concrete results in August 1988 to the 'undoubtedly limited representativeness' and authority of the two sides. The two Brussels-based European industrial and employers' associations, Unice and CEEP, did not speak for small and medium-sized firms from the trade, agriculture and service sectors. These sectors of the economy were not represented in Val Duchesse. Neither were the national industrial associations inclined to give their umbrella organizations Unice and CEEP a mandate for negotiations which could lead to results which would override individual national regulations.

After almost four years during which the Val Duchesse social dialogue was continued by sectoral groups, leading representatives of the European umbrella organizations for trade unions and employers met President Delors again in January 1989 following a call by the participants at the Community summit in Hanover. The main subject of discussion was the socio-political programme of the internal market policy. In addition, a steering committee was nominated to ensure continuing progress in the social dialogue.

The most popular forum for social dialogue at Community level is the Economic and Social Committee (Ecosoc), based in Brussels, established as an institution by the EEC Treaty. Representatives of employers and employees, the professions, farmers, small and medium-sized firms and numerous interest groups such as consumer associations belong to Ecosoc. Although an official institution of the Community, Ecosoc has no decision-making function, only a consultative one. Competence and the power of persuasion are the means used to influence the decisions of the Commission and the Council. The function of the 189-member body is advisory. Like the European Parliament in Strasbourg, which has a significantly greater if still insufficient say in the Community decision-making process, Ecosoc also delivers an opinion on most matters, occasionally doing so on its own initiative.

A comparable institution was also created for the European Coal and Steel Community. Questions concerning the sector are submitted to the ECSC Advisory Committee. This is composed of representatives of industrialists, employees, consumers and trade. Dialogue between the two sides of industry also takes place in other sectors. The partly institutionalized, partly informal, working parties, with representation on a parity basis, have a consultative role in economic and social discussions within the Community. Organizations occasionally complain that insufficient attention is paid to them. There are branch-related working parties for sea fishing, the footwear industry, inland waterways, railways, road transport, maritime transport and agriculture.

After an interval of several years, free and Christian trade unions and European employers' organizations resumed in 1974 the work of the Standing Committee on Employment, established in 1970. This Committee, which meets two or three times annually, concerned itself in the past with the fight against employment, the reorganization of working time and vocational training. In the spring of 1989, the Standing Committee

called on members and on countries to redouble their efforts to reduce existing unemployment. Possible measures suggested included further training programmes specifically for women in order to check the particularly high level of unemployment in that population sector. Efforts to assist small and medium-sized firms could be increased, and the adoption of more flexible working hours and working conditions could be considered by both sides of industry. In adopting part-time working, there were to be guarantees that this would not be to the detriment of colleagues working a full day or full week.

At that time, too, the possibilities of improving the social integration of citizens and removing the economic distinctions existing between the regions of the Community were discussed. In the fight against youth and long-term unemployment, Member States were called upon to coordinate their efforts. The Committee usually meets immediately before crucial meetings of the Council or the Commission.

A regular, direct tripartite conference of trade unions, employers and the Commission has not taken place since 1978. The tripartite conference was set up in 1970, as the two sides of industry in particular had repeatedly expressed their dissatisfaction with the social policy of the Community.

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III. The opening up of the markets: the consequences for people, regions and businesses

The removal of physical, trade and technical barriers will contribute towards the creation of the single European market. The economic consequences have already been discussed.

Three hundred and twenty-five million citizens are involved in the development of this new market, which has been proceeding apace since 1985. One aspect of Europe's wealth is the cultural diversity of its peoples. But this diversity can also be a disadvantage. It can hinder mutual understanding and constitute a barrier to harmonious co-existence.

It covers many aspects, from differences in the pace of life, through differences in language, to major differences in wage levels, which will continue to deny citizens the same levels of security and opportunity for many years yet.

1. The consequences for individuals

Even those politicians most deeply committed to building the Europe of the future will find there is no easy way to break down the barriers raised by cultural and linguistic differences.

Many European citizens are so strongly attached to their homeland that they will never take advantage of the total freedom of movement offered by the Community.

Despite the upsurge in foreign-language teaching in schools in recent decades, when it comes to working in neighbouring Member States many people — including university-educated people — find the language an impossible barrier. Loud complaints were being voiced in the Netherlands in the mid-1980s. Although an above-average number of adults speak English, fewer and fewer people were able to speak French or, more importantly, German, the language of the country's major trading partner.

Even when a person can speak other languages and has no qualms about leaving his own country to work in another, he can find certain aspects of life abroad so unsatisfactory that he is soon on his way back home. It begins with the weather. A view frequently expressed by citizens of other Member States working in Brussels is that, although life there

is pleasant, it would be a lot more so without all the rain. To a diplomat from London the dull climate is nothing unusual, whereas it can be very depressing to others coming from the warm Mediterranean sun.

Added to this are the cultural differences. The man from Madrid lives life at the Spanish rhythm. He will not find it easy to adapt to the different rhythm in, for example, Dublin. Many Dutchmen, used to having their evening meal at 18.30, would have a similar problem adapting in Spain, where the evening meal is not taken until 20.30 at the earliest.

On the material side too, there are numerous differences which can make some Member States more attractive to live and work in than others. International comparisons reveal major differences within individual occupations.

The Directive on mutual recognition of higher education diplomas was of great importance. Yet despite it, conditions of entry to individual occupations can still differ widely from one Member State to another. For example, the Directive concerning the mutual recognition of doctors' diplomas, adopted as long ago as 1975, gave German doctors cause for concern in the first half of the 1980s. The relatively high salaries paid to doctors in the Federal Republic attracted many doctors from other Member States, while the relatively low salaries paid in other countries discouraged German doctors from working abroad.

Similar barriers are caused by differences in levels of social insurance benefit. For a long time, the foreign engineers employed by the aircraft manufacturer Airbus in Toulouse complained that the employer had 'only' offered them the benefits of the French superannuation scheme. They had no desire to work under worse terms of employment than they would have had in their own countries.

The same thing applies to health insurance. In some countries patients do not pay the doctor direct — he is paid by the health insurance institutions instead. In other countries, monthly health insurance contributions are lower but patients must pay at least a part of the doctor's fee direct. Harmonizing the Community's health insurance systems is likely to be extremely difficult. By the end of the 1980s there were no plans to do so.

2. Consequences for the Community's regions

Regions with traditionally weak economies can only benefit from the opening up of the markets.

The growth potential unleashed by the internal market policy will give a new impetus to these regions, even though the effects may not be immediate. At the same time, their

need to reduce existing economic and industrial deficits will pose a major challenge. The regional development policy will eventually eliminate geographical disadvantages, but in the shorter term geographical location may still be a disadvantage to some regions.

However, the weak regions also include those whose economies are built almost entirely on declining industries. The increased competition following the opening up of the markets will highlight structural weaknesses all the more. At the same time, there are signs that regions are competing against each other in the internal market process.

The Belgian regions of Flanders and Wallonia, the southern provinces of the Netherlands, most of the German *Länder* and the northern regions of France all claim the distinction of lying at the geographical heart of Europe.

Competing against each other to attract relocating businesses, regions have introduced more and more sophisticated inducement packages over the last few years. Many of these packages are in contravention of the EEC Treaty and the Commission has viewed their development critically.

In order to counteract such developments, the Commission informed the Member States in the summer of 1988 of the criteria which it uses to evaluate, categorize and approve State aid to regions. The main criterion is GDP per head of the population, which provides an indication of the degree of social and economic development.

By disclosing its evaluation criteria the Commission hoped to make its decisions more transparent and more comprehensible. It was spelling out its procedures, which are based on the EEC Treaty, and the basic principles of which it had set out in December 1978. The regions were thus given a framework within which fair regional measures could be taken to stimulate the economy.

Even without tailor-made inducement packages, the southern Member States, particularly Spain and Portugal, have experienced a boom in foreign investment. To some extent, companies have been attracted by the enormous pent-up demand in these countries' economies, but they have also been attracted by the comparatively low wage costs — resulting in lower production costs — and the comparatively lax rules governing working hours and environmental responsibilities.

3. Social dumping?

The Trade unions in the northern Member States view the differences outlined above as a real danger. Given the high levels of unemployment in their own countries, they find it hard to accept that companies wishing to expand their operations should choose to set

up in places where wage costs are much lower and production conditions much more flexible.

Although not voiced out loud, the implication is that the southern Member States want to retain these advantages so that they can reduce their own unemployment levels. This, so the reproach goes, is social dumping. The unions are clearly not prepared to relinquish the social rights which they spent decades fighting for.

Spanish politicians have joined the debate, responding that the concept of social dumping is a northern invention. They point out that companies from the northern Member States which invest in Spain and Portugal do not shut down their home operations but continue to run them at a profit. Their operations in the south are more labour-intensive, whereas in the United Kingdom, Belgium, the Netherlands and Germany they have opted for more capital-intensive forms of production.

The Commission is aware of the new market conditions which employers and unions must face up to. 'Of course there will be investment in those countries where labour costs are lower, where social security is cheap and where employees — and thus also the machines — work longer hours,' said Commission President Jacques Delors in the autumn of 1988. 'But on the other hand I ask myself: if the European Community did not exist, if Spain and Portugal were not members of the European Community, would the problem really be any different?' We should not forget, continued Delors, that the work factor was not the only criterion governing a company's choice of location. Financial conditions, training opportunities, availability of information and speed of access to information were also crucially important. The risk that a company might choose to set up elsewhere therefore should be viewed in perspective.

The same applied to social dumping, said Delors. What sense was there in creating a political Europe if this meant a general decline in social and living standards? The Commission President spoke in favour of limited European intervention, suggesting that social dumping would not be a risk except in isolated cases.

The Commission believes that social dumping, which it sees as a phenomenon of unfair competition, is only likely to be a real problem if it involves very large companies operating in labour-intensive sectors. In its working paper 'The social dimension of the internal market', presented in September 1988, the Commission states that the fear of widespread social dumping is unwarranted. Particular exceptions are those cases in which organized forms of shadow economy have developed.

In the spring of 1988, a study by the Commission concluded that the range of businesses concerned would be restricted to the labour-intensive, relatively unskilled sectors, such as foodstuffs, road and maritime transport and the building trade. Building contractors in the northern Member States are particularly concerned, fearing that the opening up

**Average wage costs for the employer compared with the net earnings for a married worker with two children
(one wage) 1984**

	B	DK ¹	D	GR	E	F	IRL	I	L	NL	P	UK
Wage cost for the worker in ECU per month	1 719	1 732	2 008	623		1 734	1 423	1 545	1 574	1 891	386	1 417
— %	100	100	100	100		100	100	100	100	100	100	100
Vocational training costs	0.4	1.9	1.6			1.6	1.3	0.3	0.5	0.4	2	1.5
Employer's s/security contribs	24	5.7	21	18		28.1	14.7	33.5	14.9	24.4	18.4	14.6
Worker's s/security contribs	9.8	1.5	13.3	12.2		10.2	7.0	6.3	9.9	20.4	9.2	7.5
Employer's taxes								0.5	0.5		2.7	
Worker's taxes	15.0	39.9	10.0	2.3		0.0	14.9	9.6	2.6	7.0	3.0	15.1
Employer's subsidies	1.1	0.3						8.1				0.1
Family allowances (2 children)	8.2	0.0	3.5	6.4		5.4	2.5	7.1	7.0	5.8	3.1	7.0
Various charges and costs	1.4	0.4	0.7	1		2.3	1.4	1.2	1.3	2.3	3	1.2
Worker's net earnings	58.7	50.9	56.8	73.0		63.2	63.2	63.8	77.3	51.2	64.8	67.3

Source: Eurostat.

¹ Single worker average earnings.

of public contracts in 1992 will result in contracts in their own, previously closed markets being snatched up by rival firms from other Member States with lower labour costs.

To prevent any social unfairness the Commission has proposed that where a public building contract is awarded to a contractor from another Member State, the contractor must abide by the social welfare arrangements and wage agreements established in the country where the work is to be carried out. The idea is to stop domestic or foreign building contractors engaging workers from countries in which labour costs and incidental labour costs are much lower than in the country where the work is to take place. This should help to protect the interests of the local workforce.

To a limited extent, therefore, cases like this will demand political intervention at European level. Jacques Delors believes that there is a general need, as well as a need in such special cases, for joint action by the two sides of industry at Community level. The Val Duchesse social dialogue offers a useful point of departure. The social partners could also work towards creating more economic wealth and thus raising the social level of those currently lagging behind, according to Mr Delors.

One type of social dumping which should not be overlooked is illicit work, which the Commission defines as an occupational activity carried out for monetary gain in disregard of labour and social security obligations. It is estimated that illicit work accounts for approximately 6 to 8% of total labour in the northern Member States and 10 to 20% in those of the south.

The main sectors in which undeclared employment occurs are in the liberal professions (doctors and dentists), domestic work, skilled manual work, vehicle repair work and seasonal agricultural work.

4. The consequences for individual sectors of the economy

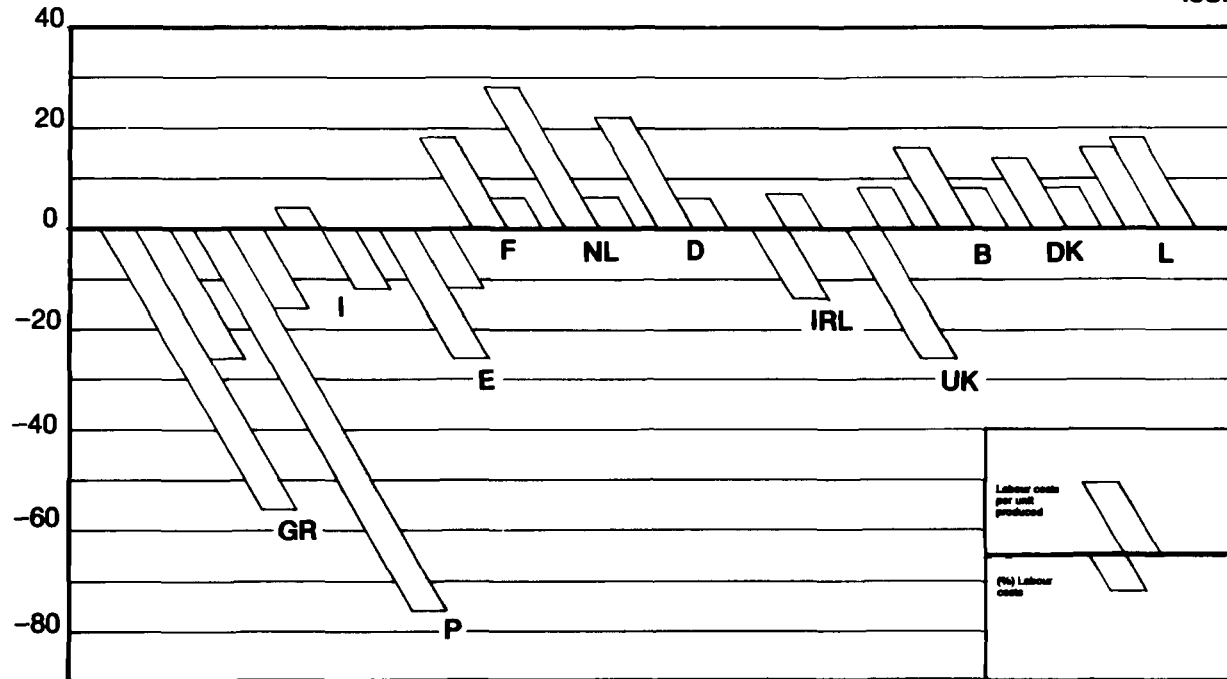
It is not only the regions that will feel the effects of the single market. The new dynamic resulting from the removal of the barriers will also affect individual sectors of industry in various ways. In many cases it will have a direct or indirect impact on employment in individual sectors.

Of course, some businesses will be completely unaffected. The corner baker or cobbler is not likely to see much change. Generally speaking, craft businesses, because of their relatively small markets, will be under the least pressure to change and adapt. These types of businesses are not closely bound up with businesses in other sectors of the economy. At the same time, the non-tariff barriers against them are low in all Member States, and they have relatively few technical standards to comply with compared with other sectors.

Labour costs and labour costs per unit produced in the Member States

Divergence from the
Community average (%)

1987



At the opposite end of the scale are those sectors with a very high level of trade and formidable non-tariff barriers to contend with. The classic example in nearly all Member States is the post and telecommunications sector. The monopoly enjoyed by these economic entities in most Member States — only in Spain, the UK, the Netherlands and, to a lesser extent, Germany can they be called businesses in the true sense — guarantees them research contracts. Moreover, until very recently it was traditional practice to consider only home producers for major contracts. The divergent standards and specifications demanded by individual Member States provided a convenient shield for contracting authorities.

In its White Paper, the Commission suggests that the creation of the internal market will put an end to the virtual monopolies enjoyed by the post and telecommunications companies. The opening-up of public contracts will bring about the necessary changes. In future, all manufacturers of telephone equipment complying with a European standard will be entitled to offer their products in all Member States. The Dutch telecommunications service, which was converted into a limited company on 1 January 1989, found itself having to compete with newly approved equipment manufacturers even before that date. The liberalization of the national market had very quickly led to the creation of new companies and thus of new jobs.

The Commission believes that the opening-up of the markets, and in particular of public contracts, will eventually lead to a restructuring of national industries (a process already under way in some Member States), with major social consequences. The Commission does not rule out the emergence of integrated European companies.

The anticipated social conflicts in terms of job cutbacks will probably not be a serious problem, since the continuing expansion of the telecommunications market will throw up new specialist occupations. The growing demand in this section of the market will oblige producers and the post and telecommunications services to create more jobs.

The authorities in Brussels believe that the sectors which will have most problems adapting will be those where trading volumes are low and non-tariff barriers high. Examples are manufacturers of locomotives, telephone equipment, turbine generators and boilers — all products manufactured in small volumes.

The Commission has noticed that national producers are systematically favoured in these sectors, with a large proportion of orders coming from public administrations or public enterprises. In addition, it has been found that some producers are not only operating in a protected market, but are also receiving State subsidies. The Commission expects to see mergers or cooperative ventures in these particularly vulnerable sectors in response to the opening-up of the markets.

This concentration on national markets also occurs in some of the service sectors. Insurance companies, which have always relied on their home markets for the vast bulk of

Sectors vulnerable to potential restructuring
(Industrial restructuring as a result of opening up public contracts in sectors where
State purchases are predominant)
1986

	Community market (million ECU)	Current capacity utilization rate (%)	Intra-EBC Trade	Number of EBC producers	Number of US producers	Reduction in cost ¹ (%)
Boilers	2 000	20	very low	12	6	20
Turbine generators	2 000	60	very low	10	2	12
Locomotives	100	50-80	very low	16	2	20
Central computers	10 000	80	30-100 %	5	9	5
Telephone exchanges	1 000 —5 000	70	15-45 %	11	4	20
Telephones	5 000	90	very low	12	17	—
Lasers	500	50	very high	+ 1 000	+ 1 000	—

Source: Aitkin (study of the costs of non-Europe/public contracts).

¹ The reduction in costs represents economies of scale resulting from a doubling of production.

their business, are preparing themselves for increased competition in the wake of the Commission's proposals for the opening up of the insurance market, some of which have already been adopted by the Council (indemnity insurance for major customers). The Commission foresees a tendency towards concentration in the Community insurance sector over the next few years.

The Commission was planning to grant insurance companies special licences (group exemptions) in the summer of 1989 in order to protect policy-holders. The idea was to enable insurance companies to coordinate certain elements of their policies for small customers, thus preventing the sort of cut-throat competition between them which could, in a worst-case scenario, leave a company unable to fulfil its contractual obligations, with the ultimate loser being the consumer, i.e. the policy-holder.

The major banks in the Community have already gone much further towards internationalizing their activities, and to some extent they have done this independently of the Community's internal market policy. The way was paved by the Générale de Banque, Belgium's largest credit institution, and the Amsterdam-Rotterdam bank, the number two in the Netherlands, which announced an alliance at the start of 1988 with the prospect of a future merger. In Spain too, leading financial institutions merged as the pressure of competition began to be felt. Other banks acquired interests in foreign credit institutions, thus strengthening their presence in neighbouring markets or further afield.

In addition, the construction of the internal financial market is likely to involve harmonization of individual banks' cost structures and profit ratios, areas in which considerable disparities still exist. The Commission believes that removal of the barriers will have an impact on the services offered to the small customer. In some regions, some branches are likely to close. Something will need to be done in Spain in particular: with all the branches that exist there the country is simply 'overbanked'.

5. The consequences for large companies

The internal market policy will not only affect individual sectors in different ways, but also individual companies. The implications for banks and insurance companies have already been mentioned. Large companies which have long-standing trading links with other Community firms, or which have even set up production units in other Member States, will have less trouble preparing for the single market than smaller firms with no experience of the more competitive environment facing them once the barriers fall.

A clear example of the seriousness of the larger firms' intentions occurred in the spring of 1988, when financially powerful Italian and French investors launched a struggle for the control of Belgium's biggest companies. There ensued numerous friendly (and a few

unfriendly) takeover bids. In most cases, firms of similar strength signed cooperation agreements, which frequently ended in mergers.

In many cases, rival firms, i.e. firms serving the same market, have merged. In early 1989 three firms in the Danish foodstuffs sector merged, to become the third largest company in the country. Also in Denmark, the two leading tour operators merged in 1989. So in many cases the reaction of the larger firms to the anticipated changes has been to seek to consolidate or expand their market influence by alliances, mergers or takeovers.

The purpose of merging or signing a cooperation agreement with another firm is to remain competitive. At the same time, such measures help to preserve jobs, and in some cases to create new jobs.

In recent years, representatives of the major chemical concerns have repeatedly spoken of their need to adapt, while at the same time emphasizing that they have long been represented in all EC Member States and throughout the rest of the world. Today, the overall marketing policy and management strategy of many European concerns is geared towards the world market.

Companies active on the international stage are able to make their own preparations for the market changes anticipated in the 1990s. They are less dependent on initiatives and services provided by the EEC or national administrations. Increasingly, managerial posts in a parent company's foreign branches or subsidiaries are occupied by nationals of the host country, who obviously speak the local language and know the nature of the people and the market. Problems arising from national or regional differences no longer pose any great threat to these companies.

European-minded managers have often been heard to say, in fact, that the creation of the internal market is proceeding too slowly. There have been repeated urgent calls for the setting up of a European central bank and a European currency. These milestones of European integration, which the Commission too is striving towards, would give EEC firms more stability, enabling them to compete on the international stage and thus indirectly helping to preserve jobs and possibly even create new jobs.

At their summit in Madrid at the end of June 1989 the Heads of State or Government took a first step in this direction. On the basis of a report submitted in February 1989 by a group of experts led by Commission President Jacques Delors, the summit leaders agreed that during the first stage all Member States must join the European Monetary System (EMS). This first stage begins on 1 July 1990, the date set for the freeing of restrictions on capital movements within the Community. In the course of this stage, greater autonomy is gradually to be given to the central banks in those countries where this is needed. In addition, only minor adjustments are to be permitted to exchange rates.

No decisions were taken on the second and third stages proposed in the Delors report, although initial preparations were introduced. In the second stage, for which no dates were set, the experts envisaged the creation of a European Central Bank following amendment of the EEC Treaty. In the third stage the Member States' currency reserves would then be pooled. The European Central Bank would then have full responsibility for monetary policy and for the exchange rates of EEC currencies against those of non-member States.

6. The consequences for small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) account for more than 95% of all firms and more than two-thirds of all jobs in the Community. It is much more difficult for them to assimilate and act upon the mountain of information relating to the European internal market. First and foremost, they lack the necessary financial resources. On top of this, language problems make it difficult for such firms to rise to the new challenges. Moreover, with little spare financial capacity they are prevented from recruiting qualified personnel. The major obstacle to international trade, however, is the mentality which prevails in these firms. For generations they have been used to supplying the same markets, always using the same marketing channels. In such circumstances it is difficult suddenly to have to set about establishing contacts and selling products in a foreign country, with all the language problems that entails. Firms operating in frontier zones will probably be the first to spot opportunities abroad.

Very small firms will hardly feel the effects of the changes in the 1990s, since their home markets are too small and they will continue to trade within their own frontiers. A survey by the Commission concluded that there were only a few market sectors in which SMEs might be exposed to risks as a result of the internal market process.

The types of firm in question are those involved in supra-regional trade with average or high non-tariff barriers. The Commission particularly identifies manufacturers of tools and machine tools, machinery for the food and chemical industries, and lamps and lighting equipment. Producers of medical and surgical equipment are in a special situation, with high non-tariff barriers but a low level of trade.

The Commission suggests that the internal market may offer opportunities in the main to the largest firms, and that small businesses, and the jobs associated with them, may experience no major changes. The units most vulnerable to the opening-up of the frontiers will be the medium-sized firms.

However, these very firms are well placed to take advantage of the changes: with their greater capacity to adapt and greater flexibility they can respond faster than the larger

firms to meet a demand which is constantly changing both quantitatively and qualitatively. Their greater flexibility provides scope for part-time work, which is very convenient for women and young persons in particular.

On the basis of its analyses of the impact of the internal market on SMEs, the Commission in Brussels was able, at the start of 1988, to draw a number of initial conclusions which, while not being extremely detailed, at least indicated that action needed to be taken.

On the one hand, according to the Commission, the effects on employment and wages are uncertain, being closely linked with the fate of the individual Community regions. Structural policy measures by the national governments and the Community are called for here. The Commission recommends that the encouragement of vocational training and qualification levels is the best way for medium-sized businesses to make the most of their potential.

The creation of a better, broader information network for firms is seen as a key towards overcoming the problems facing medium-sized businesses, together with the concomitant social effects. The Commission firmly believes that the information mechanisms which it recently set up, namely the Euro-Info-Centres and 'Elise' (European system of information exchange for local employment initiatives) have proved their worth from the word go. The Business cooperation network (BC/Net), set up in the spring of 1988, is designed to encourage cross-frontier cooperation between firms. In 1989, 350 agencies scattered throughout the 12 Member States were offering their services on BC/Net. Spearheading the Commission's activities with regard to SMEs is the 'Task force: small and medium-sized enterprises', which was initially set up as a separate department but was elevated to directorate-general status in 1988.

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IV. Shaping the European social area: alternative approaches and possibilities

The previous sections of this document have made it clear that the programme on the internal market presented by the Commission of the European Communities in the 1985 White Paper did not include equally important measures for shaping the social dimension. However, the importance of these measures was uncontested, at least in the Commission.

Initially, a political approach had to be found which the 12 Member States should use to create the social area and to adopt the necessary measures. Existing social policy instruments should continue to be used for drafting the social policy plan, which supplements the policy on the internal market. Several aims were to be taken into account in establishing this strategy. The intention was to foster economic and social cohesion in the Community in order to reduce the high levels of unemployment, to improve working conditions and therefore, as quickly as possible, to avert or to contain the dangers which the internal market policy might present for some branches of industry.

1. The legislative approach

The legislative approach is based on the establishment of rules from above. This would mean that Brussels would lay down provisions and regulations in minute detail for every part of the Community. A harmonized legal framework would have to be set up by means of mandatory legal provisions passed by the Council of Ministers in the form of regulations and directives. National and regional governments would then have to bring legal and administrative rules into line with these requirements.

It is not possible to shape all the social policy of the European Community using this method alone, as the powers of the Community in the social area are too limited. Nevertheless, experience has shown that the legislative approach has, in individual cases, produced the desired results and led to achievements in the social sphere. As a result of Community provisions, the governments of the Member States have filled gaps in legislation in recent years, thereby providing for equal pay for men and women (at least as regards legislation).

At the same time, discussions (some of which were lengthy) led to Community agreements on labour legislation. This applies to provisions originating from the Directive which was adopted in 1977 and regulated the protection of workers' rights when undertakings or firms are purchased. However, contrary to expectations, the Directive on the approximation of the laws of the Member States relating to collective redundancies, which was adopted in 1975, was not even converted into national law in all the Member States. In contrast to the other Member States, employers and unions in Italy took the view that the settlement of questions of this nature fell within their area of responsibility and that a degree of latitude should be retained. In certain Member States there are also problems with the conversion into national legislation of the third Directive in the field of industrial legislation, which was adopted in 1980 (Council Directive on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer).

Experience has shown that the legislative approach is inappropriate, given the considerable differences between the individual Member States. It would be counter-productive for rigid Community rules to be adopted at a time when a high degree of flexibility is being required from the Twelve. This view of the Commission was endorsed in the summer of 1988 when several representatives of the British Government warned against an excessive transfer of authority to Brussels.

2. The decentralized approach

The decentralized approach is the counterpart to the legislative approach. Those who support it wish to see Community social policy limited to combating unemployment and promoting economic growth. They consider it necessary to have common basic standards in the areas of health and safety at the workplace. However, the other social provisions should be determined by market forces, i.e. by competition.

This type of action plan for social policy, too, does have certain advantages. The guarantee of greater flexibility through the use of resources to allow more innovative freedom of action, and the greater latitude for workers and management, do have certain positive aspects. However, the question is whether Community-wide social progress can be attained for all employees if flexibility and freedom of action in the individual Member States are used at different speeds and levels of intensity.

Having examined this approach, the Commission is convinced that a decentralized approach cannot be reconciled with Community rules. Moreover, such a policy would cause the legal and administrative rules in the individual Member States to be reduced to a minimum, which would, in effect, amount to deregulation. It was concluded that a decentralized approach involved risks which could hinder the development of social progress.

A comparison of the two approaches shows clearly that it would be incorrect 'to regulate everything', but that it would also not make sense 'not to regulate anything'. The completion of the internal market and the control of economic and social change require a certain level of uniformity in the Community. Questions which can be solved at Member State level should not be regulated unnecessarily by the Council of Ministers, instead the process of economic and social adjustment should be controlled in a specific and constructive fashion.

The social dimension permeates all our discussions and everything we do: our efforts to restore competitiveness and cooperate on macroeconomic policy to reduce unemployment and provide all young Europeans with a working future; common policies designed to promote the development of less-prosperous regions and the regeneration of regions hit by industrial change; employment policy and the concentration of efforts on helping young people to gain a foothold in the labour market and combating long-term unemployment; and the development of rural regions threatened by the decline in the number of farms, desertification and demographic imbalances.

Think what a boost it would be for democracy and social justice if we could demonstrate that we are capable of working together to create a better integrated society open to all.

Three controversial issues need to be cleared up in this context.

First, the Charter of social rights. Its sole object is to provide a formal reminder that the Community has no intention of sacrificing fundamental workers' rights on the altar of economic efficiency. How could anyone object to such an idea, which is to be found in all our social traditions? How could anyone dispute the political and rhetorical significance of this message for a people's Europe, for the man in the street? When it comes to translating these principles into legislation or collective bargaining subsidiarity comes into its own, ensuring that our different traditions are respected. This is borne out by the Commission's social programme, which will be implemented within the bounds of the Treaty as it now stands.

Jacques Delors
Bruges, 17 October 1989

3. The room for manoeuvre for the Community institutions

It has already been pointed out that the Community does not have very much room for manoeuvre in the area of social policy. Welcome progress has been achieved in the field of safety and health at work. The greatest achievements have been produced by the establishment of the structural Funds. Their importance in combating unemployment,

producing growth in regions with an underdeveloped structure and aiding the process of integration in the Community has increased considerably since the entry into force of the Single European Act.

In addition, the Single European Act contains further redrafted articles, which are of particular importance as regards internal market policy and social policy.

a. Article 130 of the EEC Treaty

In the original version, signed in Rome, the EEC Treaty did not deal in detail with the economic and social cohesion of the Member States and their regions. The preamble referred to 'economic and social progress'. In addition, it stated that the Member States were anxious 'to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favoured regions'.

Following the entry into force of the Single European Act, the fundamental idea behind this commitment is contained in the comprehensive Article 130 of the EEC Treaty. This Article became necessary following the accession of Spain and Portugal, although, in the years following 1974 with the accession of Ireland and then Greece, it had become increasingly apparent that, because of the Community-wide economic crisis, economic and social cohesion would become a central issue in the process of integration in the Community. In Article 130A economic and social cohesion is seen as both a prerequisite and an instrument for harmonious development. The efforts of the Community are designed to reduce the economic and social disparities between the regions and the backwardness of the least-favoured regions.

Article 130B calls on the governments of the Member States to conduct and coordinate their economic policies in such a way as to attain the objectives set out in Article 130A. Particular importance is attached in this section to the efforts to bring about the joint implementation of policies. It should be pointed out at this stage that the idea of jointly defining political and, in particular, economic-policy objectives, and of progressing towards these objectives with similar political instruments, had already become more important in the Community prior to the entry into force of the Single European Act.

The aims of the Social Fund and the Regional Fund have already been set out. Article 130D instructs the Commission to draw up a plan for the clarification and rationalization of the tasks of the structural Funds. This was done, and it led to the decision to double fund resources by 1993.

By improving the economic structures and giving an impetus to the economy in poorer regions, the Community hopes to bring the economic level of these areas up to the average. However, this is not merely a question of providing support alone. It is just as

important to promote social cohesion in the Community. This is based on the conviction that it must be possible to solve conflicts and to remove tensions between two or more groups, be they regions, peoples or groups in society. Social cohesion and the solidarity of the citizens of the European Community and the governments of the Member States are essential to the process of integration in the Community.

Environmental policy emerges as a Community task for the first time in Article 130. The protection of human health is one of the objectives set out in Article 130R.

b. Article 118A of the EEC Treaty

Article 118A was the expression of the Member States' concern to give new impetus and greater dynamism to Community social policy. The Article sets out the new legal basis which will allow the Community finally to pass proposals which have been held up in the Council of Ministers for years and to take decisions on new projects more quickly. The Council is now able to adopt directives by a qualified majority. Unanimous decisions may still be taken by the Ministers for Social Affairs in this area of Community policy since the entry into force of the Single European Act on 1 July 1987, but are no longer essential, as a qualified majority suffices.

Article 118 of the EEC Treaty called on the Commission, in general terms, to promote cooperation between the Member States in the social field. Specific areas of responsibility are set out, such as employment, labour law and working conditions, basic and advanced vocational training, safety and occupational hygiene, and social security.

In Article 118A of the EEC Treaty the Member States undertake to 'pay particular attention to encouraging improvements, especially in the working environment, as regards the health and safety of workers'. Furthermore, the Twelve have set themselves the objective of harmonizing existing national laws in this area, while allowing for further improvements to be made in the social field. Article 118A gives the Member States the possibility of maintaining existing, more stringent measures for the protection of working conditions. This was endorsed by the Heads of State or Government at their summit in Hanover in June 1988. The conclusions of the Presidency on social security, contained in the Annex to the summit communiqué, state 'that the measures to be taken will not diminish the level of protection already attained in the Member States'.

Article 118A was already the subject of considerable controversy during the drafting of the Single European Act. Among other things, the term 'the working environment', and the word 'especially' that precedes it, were the subject of much discussion in the Commission, the Council and the Parliament. The debate centred on how narrowly or broadly to define 'the working environment', and the importance to be attached to the word 'especially'.

Various parties questioned whether the improvement of the working environment should be narrowly interpreted to refer merely to safety and health at work. It was argued that the working environment, i.e. the conditions under which a person works, and the consequences of this working environment, are inseparable. If, in addition, technological progress, which is constantly changing working conditions, is taken into account, the concept of the working environment will cover the duration, organization and content of the work and, among other things, social services, as well.

Repetitive and fragmentary working patterns, whose speed is dictated by machines, can, to a considerable extent, result in symptoms of fatigue and stress which are harmful to health. It has also been shown that night work is incompatible with the human biological rhythm. On the basis of these findings, the supporters of this argument consider that the content and duration of work (part-time work, night work) should be covered by the working environment and that Community solutions should be sought for working conditions of this nature. They are therefore calling for a flexible and broad interpretation of the term 'working environment' and take the view that attention should be paid 'especially', but not exclusively, to the measures provided for in this Article.

The concern often expressed by workers' representatives in various Member States that Article 118A could become an instrument for whittling away achievements in the social sphere has been allayed on many occasions by the Commission. With reference to the 'minimum requirements' referred to in Article 118A, Jacques Delors, the President of the Commission, made it clear that the intention was 'not to reduce the highest standards, but rather to maintain these standards in order to allow the countries with the lowest standards to catch up gradually with the others'. He went on to say that 'it is the responsibility of those countries with the lowest standards to move upwards, and not vice versa'.

This shows that Mr Delors has pitched the standard for the social dimension at the more developed level of the northern countries. He expects that the Member States in which social achievements have been more modest will be brought up to the social standards of the other Member States in the course of the creation of the European social area.

c. Article 118B of the EEC Treaty

Article 118B is far less politically controversial, but this does not mean that it is less important for the establishment of the social dimension. The Single European Act states 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'. This Article stresses the importance of an intensification of the social dialogue.

The responsibility assigned to the European trade unions and employees' associations in forming the social area is indirect, but clearly laid down in the Single European Act. It

would be possible to subsume a European framework collective wage agreement, as well, under the 'relations based on agreement'. The Commission's task is to develop this dialogue. Representatives of the European Parliament and various trade unions feel that European-level collective bargaining will be needed as a result of the problems caused by the creation of the internal market. This would apply in particular to multinational companies and individual occupational fields. Hitherto agriculture has been the only area in which there has been a cross-border agreement between management and labour, who agreed on a regulation of working hours.

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V. The programme for creating the European social area

The Commission has decided to create a 'social base', which is to be shaped on a Community-wide scale in the years to come. This is the fulfilment of the task, assigned to the Commission in the Single European Act, of introducing minimum requirements at Community level. In addition to the involvement of the institutions of the Community, a particular responsibility for the achievement of the social dimension has been assigned to labour and management.

The Commission's working programme entitled 'The social dimension of the internal market', which was presented on 14 September 1988, is based on various findings. Firstly, it is not possible to make a clear division between Community and national levels of administration. Any attempt to do so would be unrealistic and pointless. It was therefore concluded that the only sensible way to proceed was for the Commission and the Community to adopt a pragmatic and systematic approach.

The Commission intends to tackle the individual areas of the social programme on the basis of Community law and, as provided for in Article 118 B of the EEC Treaty, by involving management and labour in the process of forming the social area.

The working conditions in the individual Member States are founded on laws and collective wage agreements which are negotiated by management and labour. The balance between laws and collective wage agreements varies considerably between the Twelve. This can be attributed to historical, sociological and economic factors, and the differences in this area cannot be removed overnight.

For this reason, a balance in the Community will be most difficult to achieve for working conditions, the rights and interests of employees and industrial relations. It is in these areas that the greatest differences have arisen between the Member States.

With regard to the responsibility of management and labour at national level — and in the future to an increasing extent at Community level — the Commission is concerned to see the right combination of the legislative approach of the Community institutions (directives, regulations) and the autonomous action of management and labour. In simple terms this means that the Community should shape the social area by means of legislation, but without restricting the freedom of the two sides of industry.

This is why it has been decided to create a social base.

The areas where success in this field is most likely are health protection and safety at work. Mobility of labour could probably also be encouraged.

The Commission and the national governments agree that in other fields, such as the harmonization of unemployment assistance, pensions and health insurance benefits, agreement cannot be reached in a short period of time, because of different social systems, varying living standards and cultural differences. First the Twelve will have to attempt to work towards a convergence of systems by means of an intensive exchange of experience.

National provisions will not be harmonized in all areas in the near future. The Commission's responsibility will therefore be to encourage new approaches and to consider potential developments in the field of social policy. The existing programme, which is a supplement to the White Paper, will be regularly supplemented by further Commission proposals.

1. Social policy measures for the achievement of the internal market

The Commission's proposals, which are directly linked to the achievement of the internal market, should be divided into three groups.

An important area is the final removal of existing barriers to freedom of movement and freedom of establishment. The Commission's position is based on the case-law of the European Court of Justice. All remaining travel and residence restrictions for workers from Member States and their families are to be removed.

a. Freedom of movement in the public service

Proposals that nationals of other Member States should be allowed to work in publicly owned companies will probably lead to lengthy, tough negotiations in the Council of Ministers. Although this is already practised in part in some Member States, there is still much that remains to be done in many places. Again, the Commission is basing its position on rulings of the European Court of Justice, which has repeatedly interpreted Article 48 (4) of the EEC Treaty in a very restrictive fashion. This Article states that the general freedom of movement does not apply to employment in the public service. Strictly speaking, this could be taken to mean that employees in the public service and civil servants should always have the nationality of the country in which they work.

However, the European Court of Justice came to the conclusion that this exception can apply only to employees in the public service and civil servants, whose employment is connected with the exercise of sovereignty. The Commission intends to abolish systematically the current practice of certain Member States, under which only their own citizens are employed. Liberal employment practices are to be applied in public transport services, gas works and electric power stations, postal and telecommunications services, broadcasting and companies engaged in air, sea or rail transportation. The extension of such a liberalization to public health services, schools and universities, as well as civil public research institutes is also envisaged. Furthermore, the idea of giving access to the teaching profession in another Community country to those Community citizens who have completed teacher training is currently under consideration.

b. Migrant workers and other cross-border commuters

Workers, unemployed persons or persons receiving an early retirement pension, if they move to another Community country, are often worried because of uncertainty about their legal position. There are serious doubts about the rights to which they are entitled. Current Community law stipulates that unemployed persons must remain in the country of their most recent employment, as State support is not transferable abroad. The Commission considers that this situation must be changed. If an unemployed Community citizen moves to another Member State because he/she hopes to find employment more easily there, that person should retain his/her acquired rights. This should also apply to benefits from early retirement schemes.

Workers who live in one Member State, but are employed a short distance away in a different Community country, can be at a disadvantage when it comes to the taxation of income. In 1979 the Commission presented a proposal to the Council of Ministers, which provided for the taxation of the income of cross-border commuters under the laws of the Member State in which the person concerned is resident.

c. Support schemes

In this context it should be pointed out that the existing schemes for promoting freedom of movement, such as 'Erasmus', 'Comett' and 'Youth for Europe' are important instruments of internal market policy. In addition, the Commission plans a programme of action for promoting and improving the teaching of foreign languages in the Community. In the spring of 1989 the Council adopted the Lingua programme, which will help to increase the knowledge of foreign languages on the part of workers and those on vocational training courses.

d. Effects on employment

The effects of internal market policy on employment are under constant consideration. Enquiries will concentrate on the sectoral level, and close attention will have to be paid to branches of industry which are already experiencing more or less serious difficulties.

2. Social policy measures with regard to economic and social cohesion

Social policy has at its disposal three instruments which have already been described in some detail. The programme for shaping the social area of the Community comprises not only new instruments and measures as yet untried; the Community will also make use of the instruments which have been created in the 30 years since it was established in Rome.

a. The reform of the structural Funds

The decision to double the resources of the Regional Fund and the Social Fund, which was finally taken at the special summit held in February 1988 in Brussels, was a crucial element of Community social policy. The structural Funds help to improve the economic and social cohesion in the Community. After the available resources had been fixed for five years, the Commission and the Council of Ministers adopted specific provisions for the operation of the Funds. Both institutions are responsible for ensuring improved coordination between the two Funds.

b. Education policy

By supporting the exchange of information and experience, the Commission is helping to improve the level of education in the Community. The most important target group in this work is young people who find it difficult to integrate into working life. The Commission proposes that the entitlement to educational leave be introduced throughout the Community in order to give all workers the chance to improve their professional qualifications.

It is planned to conduct a programme of action for adult education, which will be targeted, first and foremost, at workers in small and medium-sized companies. A similar scheme is planned for young people in order to help them to integrate more easily into working life. Following a suggestion from the Council of 1 December 1987, the Commis-

sion is drawing up a European policy on education initiatives. The aim is to produce vocational training measures which will be available in all the Member States and will help young people to acquire entrepreneurial skills.

Eurotecnet is a scheme which has been running since 1983 and is designed to promote vocational education in the field of new information technologies. New developments in this sector are first investigated and then passed on to interested parties in the most effective way possible.

c. Measures for harmonizing working conditions and industrial relations in line with progress

1. Hygiene, safety and health protection at work

The Commission has drawn up six proposals for Directives on the improvement of safety and conditions at work, and presented them to the Council of Ministers. Many additional proposals will follow. All of the proposals fall under Article 118 A of the EEC Treaty. After consulting management and labour and small and medium-sized firms in the committees, the Council will reach a decision on the proposals by qualified majority.

An example would be the proposal of 24 April 1988, in which the Commission proposed minimum requirements for safety and health protection for work with visual display units. In the same year the Commission drew up a proposal for a directive, which provides for workers in all Member States who handle heavy loads to be protected from the risk of back injury.

Furthermore, the Commission considers it necessary to introduce a series of rules for the reduction of major risks in shipping, fishing, agriculture and the building industry. In the area of health protection and hygiene, it seems appropriate to protect all workers in the Community against carcinogenic, biological and chemical working substances and to take the necessary steps to improve occupational medicine. In this context it is essential that workers be informed about potential dangers resulting from the substances with which they come into contact at work. On the one hand, there must be suitable programmes to ensure that workers are informed of potential danger areas and, on the other, specialists with responsibility in this field will have to be appointed to official bodies or directly in firms.

2. Possible proposals for other provisions of labour legislation and company law

The Commission is not only considering minimum requirements which are valid throughout the Community and are directly connected to conditions at work, but also intends to propose general rules governing the basic rights of workers. In this way account

is to be taken of new developments resulting from the completion of the internal market, changes in the labour market and different recruitment practices. Workers are, for example, to be protected against the social hardship which could result from the growing mobility of firms.

The Commission plans, *inter alia*, to introduce a code of conduct for the protection of pregnant women and mothers.

The involvement of workers in the management of companies which operate on an international basis is a particularly contentious issue. As early as 1970 the Commission had drawn up a proposal for the articles of association for a European joint stock company, and the terms for worker participation. In the summer of 1989 the Ministers for Economic Affairs, who are responsible for questions of internal market policy, were presented with a Commission proposal on the articles of association of European companies, which had been redrafted many times. Following numerous Council meetings it became apparent in 1989 that firms affected by the provisions governing European joint stock companies will be offered a choice between three types of co-management, namely:

- (i) worker participation in company management through a body in which the personnel are represented, and which is independent of other company organizations;
- (ii) worker participation anchored in a collective wage agreement between management and labour;
- (iii) worker participation by the appointment of workers to seats on the board of directors. Workers' representatives should occupy at least one-third and not more than half of the seats. This alternative corresponds to, among others, the German scheme of worker participation.

The European Parliament contributed to the discussion at the end of the 1980s with a scheme that had been the subject of lengthy debates in the Parliament 10 years before. The proposal provides for the board of directors to be made up of one-third representatives of the shareholders and one-third representatives of the workers. The remaining one-third would be elected by these two groups. The Commission gave little support to this scheme partly because of reservations over constitutional law.

At the suggestion of the European Council of June 1988 in Hanover, the Commission started work on a detailed comparative analytical study of working conditions and industrial relations in the Member States. The results of the survey will form the basis for new Commission initiatives and proposals.

The systems of financing social security, which vary considerably between the Member States, will be subjected to more thorough study and analysis. This should show the effects of these differences on the completion of the internal market. In Denmark, for example, a considerable part of the social services is financed from taxation revenue, whereas

in most of the other Member States social services are financed from monthly contributions paid by employees and employers.

3. Measures to promote employment and solidarity

In spite of the many economic advantages which the completion of the internal market will bring, the fight against the continuing high levels of unemployment will still be one of the main tasks of politicians at national and Community level. The priority is to continue existing programmes. The Commission will produce more analyses of regional and sectoral developments, the necessary information for which will be provided by the regular reports on the labour market situation in the Member States. The main elements of employment policy are the ongoing programmes of action at local level (since 1986), measures to promote female employment, and the programme of action for the long-term unemployed, which was requested by the Council in 1986 and set in motion at the end of 1988. This programme studies the wide variety of experience in the Member States and examines interesting projects. On the basis of the results of the studies, there will be an exchange of information and advice. Equally important will be the achievement of further reductions in youth unemployment. The Helios programme is designed to foster the social and economic integration of handicapped people.

4. Dialogue between management and labour

The particular responsibility of employers and employees has been referred to on many occasions. In its action programme, the Commission suggests two ways in which management and labour can create a 'Europe of industrial relations'. At European level the social dialogue should cover subjects of general internal market policy, such as social security, equality of treatment, training and further training. It is also considered desirable that contacts be decentralized to the sectoral level. In this way the agreements reached during the Val Duchesse discussions could be fleshed out and implemented at the level of Member States, branches or particularly affected areas.

In the considerable changes faced by economies in the industrial, technological and social spheres, the two sides of industry have an important part to play in regulating the process of completing the internal market. Management and labour must recognize that they share the responsibility for dealing with these changes. This must also be accepted at sectoral level. Both sides of industry must overcome any internal differences and inconsistencies. The Commission cannot be expected to do this. As the representatives of employers'

and employees' organizations are partly responsible for shaping the social dimension, it is imperative that they break with old traditions and learn to think in new ways. An intensive exchange of ideas between management and labour, governments and the Commission can be beneficial in this process.

5. The European Social Charter

a. Background to the Social Charter

Three months after being asked by the Commission to draw up a 'European Charter of basic social rights', the Economic and Social Committee presented in February 1989 the opinion it had been asked for. The representatives of the employers, the workers, the professions, the farmers and the small and medium-sized businesses represented on the Economic and Social Committee described the framework of the 'fundamental Community social rights', a framework which they felt should be set up with an eye to the completion of the internal market.

This opinion was adopted by a large majority, 135 votes for and 22 against. Whereas, in the draft stage, the emphasis was on a solution at Community level, the text finally adopted by the Commission stressed in several places the role of the Member States and their responsibility. Furthermore, the question of how these social rights were to be introduced in the Community remained open.

In March 1989, the European Parliament, in a resolution on the social dimension of the single market, likewise called for a major political gesture in the social field, a field which has been somewhat neglected in the process of setting up the single market of 1993.

Basing itself on international agreements and the opinion of the Economic and Social Committee, the Commission presented, in May 1989, a preliminary draft of the Social Charter. The Commission felt that it was imperative to take account in drafting these fundamental social rights of possible attacks on these rights and the risks arising out of the opening of the Community's internal frontiers.

In June 1989, the preliminary draft of the Social Charter was discussed by the meeting within the Council of the European Ministers responsible for labour and social affairs.

It was subsequently the subject of wide-ranging consultations with the two sides of industry and finally became the draft Social Charter which the Commission adopted in September 1989.

The European Ministers for Labour and Social Affairs discussed the final draft in the following month and the European Council of Heads of State or Government meeting in Strasbourg solemnly adopted it in December 1989, at the same time instructing the Commission to submit to it before 1990 an action programme and a set of legal instruments whereby it might be implemented.

b. The content of the Social Charter

The Social Charter defines the fundamental social rights of citizens of the European Community, in particular of workers, whether employed or self-employed.

The Charter lays down the major principles relating to the following rights:

(i) The right to freedom of movement

This right enables citizens of the European Community to establish themselves and to exercise any occupation in any of the Member States on the same terms as those applying to the nationals of the host country.

This right is thus concerned mainly with freedom of movement, freedom of establishment, equal treatment, and the working conditions and social protection guaranteed to nationals of the host country.

This right also implies that endeavours be continued to harmonize conditions of residence, especially as regards the reuniting of families and the elimination of obstacles deriving from the lack of equivalence of diplomas.

(ii) The right to employment and remuneration

This principle acknowledges that any citizen of the Community has the right to employment and to fair remuneration for that employment.

The right to remuneration also aims at the establishment of a decent basic wage, receipt of a fair wage and the guarantee of an equitable reference wage for workers who are not in full-time employment of indefinite duration, and the maintenance of adequate means of subsistence in the event of attachment of wages.

(iii) The right to improved living and working conditions

This right, which is concerned with the development of the single market and, above all, the labour market, aims at the harmonization of the working and living conditions of Community citizens while endeavours continue to improve these.

It is concerned mainly with the organization and flexibility of working time (maximum working time, part-time work, fixed-duration employment, temporary employment, weekend work, shift work, annual leave, weekly or regular rest periods, etc.) and the approximation of the various labour regulations in force in the Community (collective redundancy procedures, declaration and settlement of bankruptcies, etc.).

(iv) The right to social protection

This right aims at ensuring all citizens of the Community, whatever their status, adequate social protection by guaranteeing a minimum wage to workers and appropriate social assistance for persons excluded from the labour market and those who lack adequate means of subsistence.

(v) The right to freedom of association and collective bargaining

This principle recognizes the right of all employers and all workers in the European Community to join professional organizations freely.

Apart from that, it also implies recognition of freedom to bargain and conclude collective agreements between the two sides of industry and, in the event of conflicts of interest, to resort to collective action such as, for example, strikes.

(vi) The right to vocational training

Every worker in the European Community has the right to continue his or her vocational training throughout their working life.

This right implies, in particular, the organization of training leave enabling Community citizens to be retrained or to acquire additional skills by taking advantage of the facilities for continuing and permanent training which the public authorities, companies and the two sides of industry are called on to set up.

(vii) The right of men and women to equal treatment

This right covers far more than equal pay for men and women performing the same work.

It aims at ensuring equal treatment as regards access to an occupation, social protection, education, vocational training and career opportunities.

(viii) The right to worker information, consultation and participation

This principle covers the right of workers, especially those employed in undertakings established in several Member States, to be informed and even consulted about major events affecting the life of the undertaking and likely to have an impact on working conditions and the maintenance of employment.

(ix) The right to health and safety protection at the workplace

The adoption of this principle acknowledges that every worker has the right to satisfactory health and safety conditions at his or her place of work. This implies that adequate measures must be taken to harmonize and improve the conditions pertaining in the individual Member States.

(x) The right to protection of children and adolescents

This principle sets the minimum working age at 16 and gives young people in employment the right to a fair wage, to be covered by the labour regulations which take account of their specific characteristics and also to embark, after completion of statutory schooling, upon two years of vocational training.

(xi) The rights of elderly persons

Any person who has reached retirement, or early retirement, age is entitled to receive a pension enabling him or her to maintain a decent standard of living.

This principle also grants to retired persons who are not entitled to a pension the right to a minimum income, to social protection and both social and medical assistance.

(xii) The rights of disabled persons

Every disabled person has the right to take advantage of specific measures, especially in the field of training and occupational and social integration and rehabilitation.

c. Implementation of the Social Charter

Implementation of the Social Charter depends mainly on the Member States, or the entities which constitute them and which are responsible for the field of social affairs, and also on the two sides of industry in so far as it is up to them to conclude collective agreements at national, regional, sectoral or company level.

The part to be played by the Commission is also important, as is shown by the instructions given to it by the European Council of Heads of State or Government meeting in Strasbourg to submit by the end of December 1989 an action programme and a series of Community legal instruments governing the implementation of these social rights.

In addition, the principle of subsidiarity enables the Community to act when the aims to be achieved may be more effectively attained at Community level than at Member State level. However, the Commission cannot exceed the powers conferred upon it by the Treaty of Rome, amended by the Single Act, and the action it will take thus covers only a part of the measures to be taken to implement the Social Charter.

The Commission's role will be mainly to put forward proposals for directives, regulations, decisions and recommendations or to submit communications which point out to the Member States or the entities which constitute, where the latter are responsible for the management of social policy, how the Social Charter might be implemented.

In this way the Commission will impart the maximum coherence to the various national and regional initiatives. Such coherence is indeed vital, for we know that the social aspects of the development of the 1993 single market are as important as its economic aspects and that these two fields must necessarily be developed in a balanced and convergent manner if that single market is to be a complete success.

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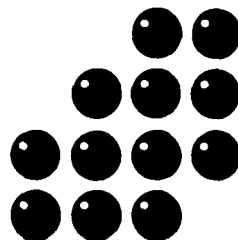
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