

SOCIAL EUROPE



The social aspects
of the internal market
Volume III



COMMISSION OF
THE EUROPEAN COMMUNITIES

DIRECTORATE-GENERAL FOR
EMPLOYMENT, INDUSTRIAL RELATIONS
AND SOCIAL AFFAIRS



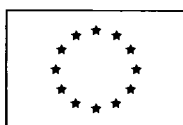
SUPPLEMENT 3/90

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The social aspects of the internal market Volume III

**Synthesis of the six seminars which were held in Brussels in October, November
and December 1988 and February, April and May 1989**

SUPPLEMENT 3/90



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FOREWORD

This third volume on the social aspects of the internal market contains the last series of summary reports on the seminars organised by the Directorate-General for Employment, Industrial Relations and Social Affairs of the Commission of the European Communities. The cycle of 12 seminars held from 1987 to 1989 was aimed at generating a broad exchange of opinion at the non-industrial level to enrich the debate on the social dimension of the internal market which is so crucial to future Community cohesion.

The Commission felt that it would be useful to make all the summary reports on the various seminars available, and this supplement to Social Europe contains the reports on the final six seminars. Volume II of this series (Social Europe supplement 7/89) contained the first six summary reports.

It must be emphasised that the contents of this publication do not necessarily reflect the opinions of the Commission.

The Commission of the European Communities hopes that these publications and the broad range of information, ideas and proposals they contain will provide useful material for all parties concerned by the social impact of the completion of the internal market.

COMMISSION OF THE EUROPEAN COMMUNITIES / DGV



SOCIAL PROTECTION IN THE SINGLE EUROPEAN MARKET



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SYNOPSIS

The Community has until the end of 1992 to establish full freedom of movement. Some measures are already in place; the free movement of workers has been a reality since 1968. The coordination of national social security systems has, since the early years of the European Economic Community, enabled Community nationals to work in a Member State other than their own while enjoying the same social protection as the nationals of that State.

Although this coordination has been used to solve problems as and when they crop up, there has been no harmonisation of the level of protection provided in the different Member States. As a consequence, the terms under which full mobility will be established are still uncertain.

The Community is faced with a number of questions. Should it attempt to establish common standards? Is a Community-wide labour market conceivable without comparable levels of social security cover for migrant workers? Going beyond this, should a Community level of social protection be defined in areas such as retirement pension, health cover, family benefit or benefit paid to specific categories of the population? Last but not least, is such harmonisation desirable?



National social security systems have been moulded by specifically national factors. The resultant distribution of support between population categories and their financing mechanisms are complexly regulated and adapted in each case to different situations. The global economic factors upon which their regulation and financial balance hinge may be deeply shaken by the process of completing the Single Market.

Fresh analysis of the interrelationship between the process of Community construction and the evolution of social security systems in Europe is therefore essential.

This seminar sought to assess objectively the recent evolution in factors influencing social security systems and the impact which the 1992 process could have upon them.

The Community must move beyond discussions of whether it should adopt one of two opposing strategies: an end objective of merging national systems into a single Community one or simple correction of the new pressures generated by the Single Market as and when they arise. The seminar therefore focused on finding middle ground which could serve the Community's true purpose: better movement conditions for migrant Community workers and a social dimension for the Single Market.

I. BACKGROUND

The treaty of Rome does not qualify in any way the principle of free movement for workers. As a consequence, it implies the dismantling of any barriers to the upholding of the principle, including those generated by the existence of exclusively national systems. Two Treaty articles deal with this point (see box below).

TREATY OF ROME ON SOCIAL PROTECTION

Article 51 of the treaty explicitly stipulates that the Council, acting unanimously, can adopt any measures required to ensure the free movement of individuals, and more particularly to preserve the right of migrant workers to comparable benefit and social security payments throughout the European Community. This Article provided the legal basis for the establishment in the course of the sixties of a coordination mechanism for all national social security systems, excluding those applying to civil servants and private professional schemes.

Furthermore, in order to avoid the distortion of competition and raise standards of living and working conditions, the authors of the Treaty felt that harmonisation should be more than the passive outcome of the overall and more evenly spread economic advancement resulting from the Common Market. Article 117 consequently opens the way to active and, if wished, normative harmonisation of social security systems.

The Member States have chosen to respond to the founding fathers' wish for harmonisation through coordination of national systems. Community nationals consequently have access on an equal footing to employment



anywhere within the Community's boundaries and enjoy the same social security conditions as nationals of the host country.

This coordination has enabled elimination of problems on an "as-and-when-they-arise basis". Nevertheless, there has been no harmonisation of the levels of social protection granted in the different Member States. As a consequence, the terms under which full mobility will be established under application of Article 117 are undecided. A glance at the Community's social track record over the last thirty years reveals the scale of the obstacles which remain to be cleared.

1. CONFUSION OVER NATURE OF HARMONISATION

The main reason why the Community has been unable to make any headway lies in major conceptual differences between national systems, rendering any kind of harmonisation extremely difficult. In Member States such as Denmark, Ireland and the United Kingdom, social security contributions are very low and the system is subsidised by the government. In other words, it is financed from taxation. In other countries, such as the Netherlands, France and the Federal Republic of Germany, the subsidy level is very low.

As a consequence, doubt has always surrounded the very nature of the harmonisation required.

* Should objectives be aligned? Or, on the contrary, should compensation levels be evened out, regardless of the social security revenue source?

* Should revenues be harmonised? Such harmonisation would have to take place at three levels:

- assessment basis and level of social security contributions
- assessment basis and level of fiscal revenues
- budgetary contribution to social security systems.

The amount of money at stake makes it extremely unlikely that three-level harmonisation on such a scale will take place in the near future, particularly since the strain which national systems are experiencing varies considerably from country to country.

* Finally, there should be clear definition of what is meant by social protection systems. Should harmonisation stretch to protection open to the entire population, requiring a wider range of benefits? Or should it be restricted to the working population, with greater emphasis on social security contributions? In the latter case, the process should veer more towards an evening out of social expenditure per hour worked, so that differences in labour costs are eradicated.

2. THE FOUNDATIONS: THE NEED FOR A COMMUNITY DIMENSION

However, practical differences between social security systems only scratch the surface of the problem. Advocates of the status quo are deeply concerned



that across-the-board harmonisation of social security systems would result in inflexibility and an inability to adapt to any economic, legal, financial and political changes. But this fear cannot justify abandoning all moves towards harmonisation, giving Member States a free hand to run and adapt their social security systems in isolation. Such "laissez-faire" would inflame other fears, notably that of "social dumping", which has already been mentioned in other chapters of this file.

Whether or not such fears are founded is less significant than the fact that such a belief would be propagated and therefore become a Community policy problem. The Community would be obliged to act, in the same way as for VAT or savings taxation harmonisation. In other words, it is politically impossible to view all aspects of social security as a strictly national affair. With the Single Market economic strategy embracing all of the Community, the principle of "subsidiarity" (1) can no longer apply automatically to social protection without rejecting the very principles of the Treaty of Rome. The movement towards a Single Market brings in its wake tensions which cannot be defused at local, regional or national level. Some form of additional action at Community level is indispensable.

1) See notably the Padoa-Schioppa report and the box on it in the chapter on the future of industrial relations in Europe.

II. THE IMPACT OF THE SINGLE MARKET

This leaves the question of what strategy is possible in the countdown to 1992, given that harmonisation is, for practical reasons, a non-starter and at the same time no common regulations exist.

The economic windfalls of the Single Market have been eloquently described in the Cecchini Report. However, to help identify possible social protection strategies, the hazards of the economic integration process and the pitfalls which it may run into must also be pinpointed. Once this has been accomplished, specific policies to counter them may be established.

1. TWO RISK CATEGORIES

There are two categories of risks inherent in the Single Market process.

A. System friction risks

The first relates to possible malfunctioning of the Single Market due to friction between highly dissimilar systems. The biggest handicap may be these very differences between systems, which will work against the mobility and full free movement of workers so necessary for the creation of a large European market.

This disparity may rub off on labour costs. There are two main risk factors:



(2) One of the effects of such dumping would be to exercise downward pressure on social protection in the Nordic countries; the other would be that the existence of a low level of social cover, combined with lower wages in a particular Member State, would give it an automatic advantage in location decisions for industrial and tertiary units.

(3) See Chapter 6, which is devoted to this question.

* the much mentioned "social dumping" theory, namely that companies in the North of Europe will be at a considerable disadvantage compared to their counterparts in countries such as Greece, Spain and Portugal because of the difference between employers' costs (2).

* a possible rise in recourse to undeclared work in countries where the black economy is tolerated. This rise would be a deliberate and "calculated" strategy on the part of undertakings (3).

B. Risks inherent in the economic integration process

The second category of risks relates to the economic and social changes which the completed internal market will bring about:

* First and foremost, employment uncertainty, arising from the merger and restructuring processes which will be a consequence of free movement of capital, goods and services. This will be particularly marked in the short term, before the dynamics of job creation are given fresh impetus when economies of scale and cost reductions begin to take effect.

* There is also a risk of poorer work and employment conditions, with various forms of temporary contract, poorer cover and so on.

* Finally, there is the question of how individual incomes will fare, and how the benefits of the Single Market will be spread.

2. TWO RESPONSE STRATEGIES

Two quite distinct strategies can be adopted to cope with these risks.

* The most obvious palliative to "system friction" is harmonisation.

* "Corrective" social policies, adapted to tackle problems which arise, would be the best response to 1992-related complications. Rather than attacking the disparities head on, social security systems should be better equipped to defuse tensions as and when they arise.

The two strategies are not necessarily contradictory. Were Member States to give priority to the second, they would necessarily also have to bow to the first. For example, were the aim full employment, an attempt would be made to provide the same level of protection for part-time work as for full-time. In so doing, the Member States would come up against the need to standardise the provisions and so sooner or later would have to face up to the question of harmonisation.

The mix of the two approaches could be adapted to suit the different areas to which they would be applied: employment and unemployment, health care, pensions, handicapped person's benefit, poverty and "fringe" situations and so on. The box opposite describes six possible strategies in this field.



ADAPTING SOCIAL SECURITY SYSTEMS TO THE CONSEQUENCES OF 1992: SIX OPTIONS

1. The same rules for everyone. In other words, a Community social security system which would take over from existing national systems.
2. A separate Community system for, in particular, migrant workers. It would operate in the same manner as the system for Community employees. This system would constitute a kind of thirteenth Member State. Linkage points would have to be established with national systems and decisions taken as to its form of financing.
3. Gradual harmonisation through negotiation, an option with many pitfalls, as seen above.
4. Encourage the alignment of systems. Each system would move towards the same norms and equilibria in the medium-term.
5. Simply coordinate the systems, with each national system responsible for its own evolution. Provisions would have to be established in such a case for migrant workers and individuals. This is relatively close to the practice followed thus far, applying Articles 48 and 51 of the treaty of Rome.
6. Finally, simply tighten up national systems. In such an instance, each State would ensure that its system had the means to counterbalance any negative effects of the completion of the Single Market, on a strictly national basis, without any special attempt at interlinkage.

3. SOCIAL PROTECTION: BONUS OR BANE FOR ECONOMIC DEVELOPMENT?

Assessment of the impact which 1992 may have on social protection is a necessary preliminary to a choice of strategy or course of action.

Social policies in fact react to the economic situation and have knock-on effects upon fiscal and budgetary considerations. There is therefore no guarantee that the sum total of policies tackling localised problems or targeted upon a specific group is the most rational and efficient overall solution.

Stronger competition, changes in relative product prices (due to gradual harmonisation of VAT) and restructuring are predictable consequences of the Single Market process. In this dynamic situation, should expenditure on social security be viewed as a stimulus or hindrance for economic development?

The relationship between the social security expenditure/GDP ratio and the inflation rate is not a mechanical one. A rise in the first factor does not necessarily mean a drop in a country's competitiveness. Research has never given conclusive results demonstrating such a cause-and-effect relationship, since other factors also influence productivity and competitiveness. Those worthy of mention include:

* factors unrelated to direct costs, such as product quality, sales network organisation, marketing and advertising efficiency, the company's reputation, the after-sales service, management and so on



* directly cost-sensitive factors, affecting the relationship between direct and indirect salary (often hinging upon individual and collective bargaining), training investment and so on.

If at some point in the future the Community switches to a single currency, the Member States will no longer be able to bring down the pressure through currency devaluations. Devaluation has, in the past, proved to be the simplest and most effective way of bringing competitiveness back to scratch, whether the edge has been lost through high inflation or excessive public expenditure, or a combination of the two.

In such cases, the deregulation or "devaluation" of social security systems as an alternative to currency devaluation must be avoided at all costs. Such breaking up of the system can have the opposite effect to that desired, for the gradual advance of poverty will make inroads on competitiveness, in that worker motivation gradually drops, as does information and training expenditure to raise employees' qualitative level.

4. THE FORCES OF CHANGE AND INERTIA

Awareness of the forces of change and inertia governing the evolution of social security systems is a prerequisite to understanding the relationship between this evolution and the completion of the Single Market.

* Factors for inertia include:

- demographic changes (aging of the population, leading to a rise in health care and medicinal product consumption)
- "structural" imbalance of expenditure and income, which must be corrected by the Member States
- interaction between systems (e.g. better sickness insurance schemes have direct positive impact on employment demand; inversely, a very high level of social security contributions discourages employment). These interrelationships must be taken into account.

* Factors for change include first and foremost the direct impact which employment evolution could have. There are also more indirect factors. For example, the freedom to take out life and pension insurance anywhere within the Single Market could prompt consumers to look outside national boundaries when products from other Member States are more competitive. There will have to be fresh bargaining between free choice and inter-category or inter-generation collective solidarity. Another example is the growing intervention of government authorities in the management of local social problems.



III. PROPOSALS

1. GOING ON THE OFFENSIVE

While the economic potential of 1992 is not lost on anyone, care must be taken to ensure that social protection and the other aspects of social policy are not ignored in the drive to merge Europe's economies into one market. Social policy cannot simply be the sum total of expedient action taken to alleviate any "unfortunate" effects of economic directives.

An "offensive" or positive approach must consequently be taken to social protection, rather than one of simply reacting to events. This is not to say that there should be an automatic right to all forms of social protection. History has demonstrated that social protection is more a bargaining process, built up as an acquired right and related to the general development history of the European nations.

The drive for a "minimum platform" of guaranteed rights is a throwback to the concept that certain basic workers' rights should be upheld regardless of the general development backdrop. The platform is beginning to take shape, even though what it is taken as covering varies from country to country and along two traditional dividing lines: North and South Europe and employers and trade unions. The "minimum platform" concept should not be taken as suggesting that countries which currently have a higher level of social protection would be able to level downwards. Monitoring mechanisms for the rights embraced in the platform have yet to be defined.

Furthermore, while "the protection areas"⁽⁴⁾ should be outlined, definition of their provisions should be left in the social dialogue arena. This is what the Commission is currently trying to do. Perhaps the terms social rights or basic rights are preferable to the idea of a "minimum platform", for they serve better the idea of constant and positive evolution in the exercising of these rights.

(4) See for example the revised draft of the Council of Europe's European Social Security Code.

Levels and forms of financing social protection vary considerably from country to country. An approach must be adopted which empowers all the Member States to evolve towards the same goal, while doing so at a pace suited to their level of development. The stronger the economic growth in the Southern European States, the greater the demand for the cover of certain types of risk will be, as the "natural elasticity" of this type of demand is greater than one. The key to more adequate social security cover is, in this case, economic growth and the closing of the development gap, to which the doubling of the structural Fund resources should contribute.

Even in a general growth-seeking context, objectives must be defined. Once consensus on these has been reached, the side-by-side comparison of policies and objectives will be the only way of dispelling the doubts of certain economists and politicians regarding the efficiency of such expenditure.

Given the difficult budgetary situation in which the majority of Member States find themselves, arrangements which in the past have simply been rubber-stamped may well in the future be questioned and examined more closely. Social indicators should consequently be established to help guide the choices which will have to be made:



- * between social security contributions and taxation
- * between employers' and employees' contributions to social security
- * between the cover of different types of risk, either under personal insurance or compulsory insurance
- * finally, in relation to this last point, between medical expenses whose reimbursement is undertaken by a private organisation and those guaranteed by a public or joint organisation.

All of these different threads - objectives, indicators, bargaining, resources - fall into the competence sphere of the social dialogue. Negotiated support is the best way of ensuring application of agreements and individuals' commitment to the development objectives.

2. THE COMMISSION'S ROLE

To come back to the risks inherent in the 1992 process, the Commission's current concern lies with the social risks related to the completion of the Single Market, and more specifically with the questions of employment. The doubling of the structural Funds' resources offers a partial answer. The Social Fund in particular will have more money to devote to problems of redirecting the economy and bringing less-developed areas up to scratch.

However, in light of the connection which exists between economic development and social protection policies, it is desirable that Community action overstep the strict geographical and regulatory conditions imposed on the structural Funds to implement strategies combining the concerns of economic and social development. Such a combination is particularly called for in "problem" areas and in cross-border areas, if the Community territory is to be developed as a whole.

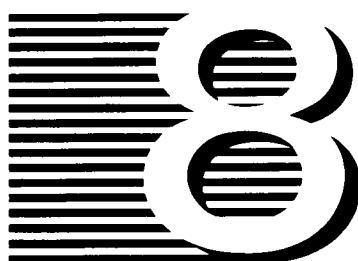
The Commission should also act to guarantee the free movement of individuals, especially migrant workers struggling to cope with inter-Community differences in social protection provisions. Active policies to promote mobility must be a priority; individuals must enjoy effective access to a Community-scale employment market.

One of the means to this end is more detailed and effective information on the employment market and employment conditions; living conditions, the environment, buying power, public services (particularly schools); and matters such as health insurance, the quality and cost of health services, unemployment insurance, pension schemes and so on.

The Commission's role in the longer term is to encourage evolution of national systems in the direction of slow convergence, by ensuring that action is taken to defuse the social consequences of the Single Market.

Community initiatives, to be effective, must identify problem areas or groups and then slot specific activities targeted upon them into comprehensive macroeconomic and macrosocial policy. This bridging of the two is the major difficulty which the European Commission faces. The Commission, which planted the seed of the Single Market economic venture, must now inject similar impetus into the social sphere, both in its general thrust and its specific action, targeted on groups and programmes.

COMMISSION OF THE EUROPEAN COMMUNITIES / DGV



THE FUTURE OF INDUSTRIAL RELATIONS IN EUROPE



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1. CALL FOR A CREDIBLE EUROPEAN SOCIAL DIALOGUE
2. GUIDELINES

SYNOPSIS

Industrial relations are currently organised predominantly at national level, within highly diverse systems. Representatives of social partners do, however, meet within numerous Community bodies. But this European dialogue has no negotiating power and cannot therefore adopt norms which could be integrated into national legislation or collective bargaining arrangements.

Far from leading to a spontaneous homogenization of industrial relations within the Community, the creation of one large Single Market could complicate matters even further.

As a consequence, it would be dangerous to seek to impose a homogeneous social regulatory model, for this would be to deny the historical and cultural backdrop to the different national situations as they exist today.

The proposals made are therefore first and foremost pragmatic. They seek to encourage a convergence of ideas on certain central issues which are of common interest for the different industrial relations systems in force in the Community Member States. These convergence points can then serve as the foundations for a truly European economic and social strategy.

I. BACKGROUND

1. DIVERSITY OF NATIONAL SOCIAL REGULATORY SYSTEMS

Before trying to tackle the question of the future of industrial relations in Europe, a glance at the different situations currently existing in the Member States is required. European social dialogue takes place in a predominantly



national setting. Generally speaking, dialogue is organised according to one of two approaches:

- * it is regulated by the government, by means of legislative norms or more or less compulsory negotiations which it obliges the social partners to hold
- * or it is the outcome of voluntary bargaining on agreements between social partners - for the most part conducted at sectorial level, and free of any "legal" pressure.

A distinction can be drawn between:

- * countries where the force of the law is predominant (France, Greece, Italy, the Netherlands);
- * countries where the traditional negotiating principle prevails (United Kingdom, Denmark, Ireland, Federal Republic of Germany); in these cases, the social dialogue generally takes place at sectorial level and is a response to collective bargaining demands.
- * countries half-way between these two models (Belgium, Luxembourg, Portugal and Spain): the State does not play a controlling role but acts as an arbitrator between social partners in order to ensure the latter reach consensus or compromise more rapidly.

2. CURRENT EVOLUTION

Still at national level, what current trends can be identified in industrial relations within the Member States?

The first remark to be made is that labour conflicts were not aggravated to any significant extent by the recent economic crisis in Europe as regards intensity or range.

In practice, three separate but related trends can be identified:

- * a relative drop in government intervention in the social dialogue process, with in particular a reduction in collective type bargaining and its replacement by agreements at sector or company level. This evolution is especially evident in countries with a strong liberal tradition, such as the United Kingdom, the Netherlands and Portugal
- * a loss of power and even of legitimacy among trade union organisations, particularly in Denmark, the United Kingdom, France and the Netherlands, and a relative weakening of their influence in the Federal Republic of Germany
- * a shift in the framework of labour negotiations towards the company, with dialogue consequently taking place at this level. Paradoxically, despite the weakening of the trade union movement, elected trade union representatives are active participants in this process, although in so doing they often distance themselves considerably from official central trade union positions.

Rather than simply compensating for a shift of the social dialogue from a "higher" level, the growing emphasis on in-company bargaining is a response to new needs: companies must face up to the restructuring and modernisation needs imposed upon them by the international economic context. The introduction of new technology, the optimisation of duration of equipment use and the training required by job changes are all problems which demand social solutions at a more specifically company level.



On the other hand, no significant progress, either spontaneous or government-induced, has been made in the involvement of workers in company running and management, through information or participation in the decision-making process. The level of worker participation varies considerably from the North to the South of Europe. In some cases - such as the Auroux laws in France - specific legislation has been adopted.

3. THE ISSUE OF EUROPEAN SOCIAL DIALOGUE

Alongside this national approach, what foundations exist for a social dialogue at Community level and with what scope?

In the history and evolution of the Community, several dialogue formulae involving representatives of employers and workers from the various Member States have been tried out. The main elements in this transnational dialogue process, which are either formally provided for in the European Treaties or have been created in an informal manner on the initiative of the Community bodies, are listed in the box below.

COMMUNITY SOCIAL DIALOGUE FORA

* The **Economic and Social Committee**, set up under the Treaty of Rome, has since its creation been the biggest institutional body for permanent dialogue between representatives of the Community's social partners. However, although the various reports which it has produced have given food for thought at Community level on labour matters and industrial relations - such as the Beretta report on "The Social Aspects of the Internal Market (the European Social Space)" - the ESC remains a consultative body with relatively limited impact on decision-making.

* The first **Conference on Employment** in April 1970 marked an important step in the social dialogue process. It was a reaction to the pressure of events in 1968-69. The Conference brought together Employment Ministers and representatives of the European Commission and of social partners. It took the decision to establish a **Standing Committee on Employment** and to hold tripartite Conferences on a regular basis. However, the Conferences ran only until 1978. For its part, the Standing Committee on Employment has certainly enabled direct dialogue between social partners and Community officials, but its activities have had no influence on the decisions taken by the Council of Ministers.

* Since 1985 and under the influence of Jacques Delors, fresh impetus has been injected into the dialogue between social partners. The **Single Act** includes in its Article 118 B a resolution to the effect that the Commission will strive to develop dialogue between social partners at European level which can culminate, if the latter deem it desirable, in contractual relations. This text inspired what has become known as the **Val Duchesse Dialogue** (1). It consists of a group representing the various components of European industrial relations. This group has already issued a range of opinions on matters such as cooperation on economic and employment growth; the need to speed up investments (particularly in large infrastructure projects); the introduction of new technology and its implications for training and staff motivation and the informing and consulting of employees. Work has recently focused on training and employment.

(1) Named after the location of these meetings in Brussels.



It must, however, be admitted that this social dialogue practice at Community level does not have decisive thrust in the area of industrial relations. Quite apart from the problem of heterogeneity between national dialogue systems, Community efforts to establish social regulation on a European scale have failed to surmount one vital obstacle, namely that of power and legitimacy.

This obstacle dug the grave of the "Vredeling" Directive (2), which left its mark on social dialogue discussions at the beginning of the eighties. This proposal, which sought to introduce regulations on the informing and consulting of workers in companies "with a complex structure, particularly international", was a clear attempt to stamp a Community dimension on an area of industrial relations where there was a need to overstep the national framework. But this initiative was a source of major political division and the interminable discussions never culminated in adoption.

(2) Named after the Dutch Member of the European Parliament who was the initiator and ardent defender of the concept.

In the not so distant past, the outcome of the "Val Duchesse" dialogue (see box), begun in 1985, demonstrated the limitations of the current social dialogue at Community level. This initiative has been positively appraised by those who have participated in it (such as the European Trade Union Confederation - ETUC - UNICE and the European Centre of Public Enterprises) and has acted as a forum for interesting exchanges of views. However, it is a far cry from a negotiating arena where new legislative provisions or agreements could be adopted. There are two main reasons for this:

- first of all, although the Community's fundamental treaties (including the Single Act) authorise the Commission to encourage social dialogue, they do not confer upon it any powers as regards the content of this dialogue, with the exception of questions relating to working conditions (Article 118 A)
- secondly, the organisations acting as social partners have a mandate to represent, not to negotiate. Furthermore, the legitimacy of this representation is questioned by a considerable number of national social partners.

There is one more major barrier to social regulation with a Community dimension: that of monitoring the effectiveness of Community law. Labour laws are applied very unevenly, chiefly due to the growth in the number of small businesses (France, Italy, United Kingdom, Federal Republic of Germany....) and in undeclared work (Italy, France...). SMEs are economically obliged to be adaptable and flexible and consequently tend to bend social regulations. The stronger presence of SMEs on the economic stage is viewed as an irreversible and structural feature. This raises the problem of representation for the employees of such companies, who currently have no voice in the Community social dialogue process.

Despite these praiseworthy initiatives, social dialogue at Community level is of limited effectiveness.



II. SINGLE MARKET IMPACT AND PROPOSALS

1. CALL FOR A CREDIBLE EUROPEAN SOCIAL DIALOGUE

It is hypothetically possible that, with the completion of the Single Market, industrial relations at Community level - already highly diverse in the different Member States - will become more complex rather than tending towards harmonisation. In several instances, the removal of frontiers will open up new problems in the business and labour spheres, destabilising existing equilibria at national level. For example, in the future, European company law will rub shoulders with national company law; the increasingly important role of SMEs and the free movement of executives and technical experts could prove to be potential sources of difficulties.

Will current representation and negotiating structures for employees be able to cope with the changed situation arising from the Single Market process?

In any event, there can be no yielding to the temptation to build and impose an abstract Community model of industrial relations to which national systems would have to conform. Existing industrial relations systems - whether at interoccupational, branch, sector or company level - are the outcome of specific historical and cultural evolution and are a response to a specific situation (see table opposite).

A feasible approach, however, would be to establish a dialogue encompassing this diversity and seeking to establish compatibility between systems at Community level. Such an approach could be based upon a search for common ground on certain major problems met by the different industrial relations systems in force in the Member States. This common ground could then form the foundations of a truly Community economic and social project.

This implies that Community presence in the field show sufficient pragmatism to:

- * avoid the systematic calling-into-question of existing regulatory processes, in that these have provided perfectly valid solutions thus far,
- * while intervening to break the deadlock in inflexible situations. In other words, the Commission can make a positive contribution to the social dialogue in the form of "institutional engineering".

The aim to be pursued is credibility for the European social dialogue as a real social regulatory instrument, with similar force to the legal instruments already embodied in the Treaties. Regulations and directives would consequently no longer be the only pathway to definition of Community regulations governing employment and work conditions.



The diversity of social regulations in the Community

Country	Separation law/agreement State intervention	Coordination between the levels of agreements	Dominant level of agreement
B	Overlapping of laws and agreements. State involvement depending on problems	The inter-industry agreement provides a minimum basis. Additional advantages granted by firms or at sectoral level	Inter-industry and sector
DK	Autonomy of the two sides of industry; but considerable involvement in wage policy	The inter-industry agreement provides a framework for sectoral agreements	Sector
D	Law supporting negotiation. Principle that State abstains from involvement	Increased coordination between sectoral and company agreements	Sector
GR	Two sides of industry closely linked to parties. Almost exclusively State regulation		Sector
E	Autonomy of two sides of industry. State participation in tripartite agreements	Interlocking between levels Inter-industry agreement provides the framework for the sectoral agreement which in turn provides a framework for company agreements	Sector
F	Importance of the law — centralized system — increasing autonomy of two sides of industry (Auroux laws)	Attempt to introduce a strict division between the levels (by the Auroux laws)	Sector
IRL	Principle of non-intervention by the State, but increasing involvement	The inter-industry agreement provides a framework for the sectoral agreements, complemented by a company agreement	Sector
I	Law of support for negotiation. Recent reduction in State involvement	Move towards strict complementarity of sectoral and company agreements	Sector
L	Overlapping of laws and agreements		Sector and company
NL	Overlapping of law and agreement; recent reduction in role of State	It is less and less the case that the inter-industry agreement provides a framework for the sectoral agreement	Sector
P	Principle of autonomy of the parties involved; role of State still important		Sector
UK	Law not very important, but individual contract highly developed; State abstentionism; principle of bipartisan agreements		Sector and occupational category



In any event, for such a step to be taken, the guidelines defined in the joint opinions adopted by the Member States must immediately become the object of negotiations, which has not been the case to date. Such negotiations would provide a medium for the transfer of the recommendations into collective agreements signed at national level or at other more specific levels.

2. GUIDELINES

There are a number of areas to which European social dialogue could usefully direct its attention:

- * In the preceding years of economic crisis, governments in several Member States have adopted an interventionist approach in fields where contractual autonomy previously reigned between social partners. This relationship between "general interest" and "autonomy of social partners" is worthy of closer analysis at Community level to ensure the emergence of a European social dimension within which the responsibilities and prerogatives of the partners involved are respected.

- * The very concept of "collective bargaining" is interpreted differently within the Member States. The resultant rights and duties vary from one country to the next. This is a major obstacle to collective bargaining at European level. It can only be surmounted through the adoption of a precise definition of the nature, scope and strength of the commitments which can be made by social partners at European level.

The "favoured" negotiating levels in the Member States vary in accordance with tradition and predominant structures in each country and also in accordance with the evolution engendered by the joint pressures of economic crisis, the need to be more competitive and the strategies adopted by social operators. In such a context, the concept of a European contractual level - fitting around the different existing interoccupational, sectorial and company levels - could fruitfully be presented as a common means of controlling the change process and gradually moving towards stronger economic and social cohesiveness.

- * At interoccupational level, it would be useful to draw up guidelines to ensure compatibility between the decisions and behaviour of social partners on the one hand and the Community's main objectives on the other. While this objective is extremely delicate and will have to overcome thinking processes confined to a national framework, it is a vital one, for Europe must place its social systems and the development model implied by Community membership in a global context.

In conclusion, many action paths can be followed. While it is possible to consider enlarging the scope of the Treaties, it would appear more opportune to foster social development at European level by acting in a selective and efficient manner on all existing provisions. The European Community has a decisive role to play in the field, either directly or through the encouragement which it can give to others.

COMMISSION OF THE EUROPEAN COMMUNITIES / DGV



EDUCATION AND TRAINING



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SYNOPSIS

For enterprises and regions alike, education and training hold the key to social and economic integration. However, the organisation and scale of continuing training is dependent upon company size and upon the initial training level of workers, which varies considerably throughout the Community. At present, continuing training is often restricted to short refresher courses, with no provision for access to new qualifications.

Furthermore, the correct match between qualifications and changing employment requirements is crucial for the success of any development policy.

The process of completing the Community's internal market will accentuate existing trends in the employment world. However, the difficulties which could emerge in the countdown to 1992 will be considerably attenuated by policies to promote economic and social cohesiveness. From this viewpoint, investment in training is indispensable for individuals, enterprises and regions alike. It is one of the constructive responses which the Community can give to the momentous challenges awaiting it, in the economic, technological and



demographic arenas, in terms of employment and, ultimately, of the cohesion of the Community itself.

The Community's efforts in this connection have given rise to numerous programmes to promote training. The Commission has, moreover, stated its desire to see continuing training recognised as a basic right of all European citizens. Vocational training offers the best possible means of creating a pool of skills in the Community which can be tapped to boost the positive effects of the internal market, while moderating the risks of imbalance.

I. BACKGROUND

1. EDUCATION AND TRAINING: THE BACKBONE OF ECONOMIC AND SOCIAL COHESIVENESS

The reason why education and training must be taken into account in the process of completing the Single Market is quite simple: they both play a vital role in economic and social integration. A casebook example of this statement is provided by the French Third Republic, where the school as an institution was a central pillar of the process of territorial unification. The school used the acquisition of knowledge and know-how as a medium for overcoming specificities to the benefit of new social practices.

This "centripetal" function of education and training can still be beneficial today, particularly in the world of industry. The implementation of active training policies creates a more coherent and more harmonious economic entity. This is why some companies have no qualms about earmarking more than 10% of their wage bill to staff training.

A strong connection has, moreover, been noted between the development of a region and the quality of the training provided there. Many regions have consequently placed training high on the list of their investment priorities.

The search for economic competitiveness must be combined with strengthened social solidarity, in its various forms, at local level. Here again, training has a predominant role to play. A convincing illustration of this is provided by the "Pôle Européen de Développement Local" (European Local Development Axis), straddling the shared border areas of France, Belgium and Luxembourg.



RETRAINING AND CHANGING JOBS: THE EDA EXAMPLE

The European Development Axis (EDA) scheme covers a transfrontier area embracing the south of the Grand Duchy of Luxembourg, the Longwy basin and the south of the Belgian Luxembourg region. The scheme aims at the successful retraining of workers in a region suffering from the decline of a "mono-industry", the steel industry. The scheme is the first attempt to apply principles defined for the re-targeting of the Community structural Funds, pursuing three main aims:

- a specific territorial base for cross border operations;
- integration of a training strategy;
- anticipation of future developments, rather than simply seeking to correct the damage wrought by economic decline.

The underlying thrust of this type of operation is that action should not simply provide a blow-by-blow remedy to job losses. It is a break with the traditional approach upheld by trade unions, employers and the State, whereby injections of money are seen as the only price to pay for "peace" on the labour front, without any attempt at link-up with a policy of retraining and regional redevelopment.

The promoters of the EDA scheme have chosen a partnership approach, where workers who have lost their jobs sit alongside trade unions, employers and training organisations to define the main thrusts of an all-round Economy-Employment-Training strategy.

By broadening the scope of action to the promotion of jobs previously not covered by aid-access criteria, the EDA has highlighted the key role played by certain intermediaries in local development. Associations have thus gained access to job creation support previously only available to companies.

It would be useful to study the conditions under which this programme, anchored in the local fabric and integrating a training strategy, could be transferred to other regions in economic difficulty.

2. THE CURRENT SITUATION

Differences of opinion persist among the Member States as to the principles which should be applied to continuing training and notably as to the respective roles of government authorities and social partners and the ways in which training policies should be funded. However, under the pressure of the international economic crisis and the resultant restructuring of economies, Member States have found themselves subject to identical economic and social pressures and strategies have become increasingly similar as a result. One point which has won widespread recognition throughout Europe is the need for continuing training of company employees.

Although there is a lack of statistical data on in-company training in the Community, initial analysis of the current situation has revealed the amount of ground still to be covered.

Whether or not a company provides continuing training and on what scale appears to be dependent on two factors: the initial training level of employees and the size of the company in question.



A. Initial training level: a vital starting point

To be effective, continuing training must be able to build upon a minimum initial level of knowledge and know-how acquired by the worker. The level of basic training provided varies considerably from one Member State to the next. Surveys, unfortunately taking individual approaches, have revealed that:

- * in Greece, 75% of workers have only received very basic education;
- * In France, 50% of the working population does not have vocational qualifications. In the Federal Republic of Germany, the percentage is around 30%;
- * in Portugal, 8% of the working population is illiterate and 75% is without any qualifications whatsoever;
- * in Spain, 26% of young people aged between 16 and 24 arrive on the employment market with only a primary education certificate.

In a knowledge-based economy, the lack of minimum education cannot be replaced by training in the field. Although training "on the job" has an important role to play, it is not sufficient compensation for initial shortcomings.

A danger consequently exists. Due to the poor spread of a minimum level of education, continuing training could, rather than reinforcing cohesiveness, accentuate differences between workers. Correction of these initial shortcomings should consequently be an absolute priority.

B. Continuing training: only for large companies?

Although there is now general recognition of the role played by skill standards in mobility, job flexibility and workers' improved socio-occupational status, continuing training is far from being an acquired right in the Community. In its current form, it is often restricted to short refresher courses, which do not give workers access to new qualifications.

In Denmark, France and Luxembourg, continuing training courses take up on average two weeks per year, with no signs that the time devoted to this type of training is rising. Although no data are available for other Community countries, their situation would appear to be similar.

Only a few large companies in sectors such as electricity and electronics, banking and certain types of processing would appear to organise longer training courses. The only exceptions to this rule are a few small and medium-sized enterprises in leading-edge sectors (computer technology, services).

Generally speaking, training courses are short-term reactions to immediate needs. They only rarely form part of a continuing training process to raise skills and give workers new qualifications.



3. THE TRAINING - EMPLOYMENT RELATIONSHIP: QUALIFICATIONS HOLD THE KEY

The vital importance taken on by the direct relationship between training and employment policies needs little emphasising. Management of this relationship, i.e. the alignment of qualifications to employment evolution, depends on the ability of training bodies to adapt the courses on offer. Their perception of the requirements of the economic and social environment and the relevance of the methods chosen to provide the skills responding to these requirements are decisive.

Awareness of this need has grown in several countries. A good illustration is provided by Portugal (analysed in box 2 below).

CO-MANAGEMENT OF TRAINING: THE PORTUGUESE EXAMPLE

Portugal has little tradition of cooperation between employers and trade unions. The backbone of the economy consists of small businesses without any training policy.

These two facts prompted the government to establish a new legislative framework for the tripartite management of training: government, companies and trade unions. This approach has proven to be highly constructive, particularly as regards better matching of training to socio-economic needs. Technical colleges have sought to adapt to the requirements identified by this tripartite organisation, developing an alternative teaching programme to the traditional one. This innovative approach is injecting fresh dynamism into the training process in Portugal. Its success will depend upon:

- * the importance attached by this policy to the qualificational level of training staff;
- * the involvement of companies in the definition of training;
- * whether priority is given to the provision of such retraining possibilities in areas with economic difficulties.

II. SINGLE MARKET IMPACT

1. ACCELERATION OF EXISTING TRENDS AS FROM 1992

Under the influence of its own dynamics and also under the pressure of changes imposed by the international economy, the world of work continually evolves. The completion of the Single Market will accentuate this evolution in a number of areas. In brief, it is probable that the Single Market will lead to:



- * an internationalisation and interpenetration of the economies and social security systems of Member States, notably due to greater mobility among workers and enterprises;
- * more complex organisation and management systems;
- * greater work flexibility;
- * more frequent "delocalisation" of the workforce;
- * escalation of competition.

2. TRAINING: DECISIVE FOR THE SUCCESS OF THE SINGLE MARKET

The removal of frontiers and the consequent introduction of new behaviour patterns and strategies may weaken existing social and economic equilibria. The difficulties which 1992 might bring in its wake could however be attenuated by policies to promote economic and social cohesiveness. Training is one of the levers of such integration. It is decisive in three respects:

- * for individuals, qualifications hold the key to success on the employment market. Training must enable the acquisition of new skills and prepare for the professions of the future;
- * for enterprises, the qualificational level of staff can sway the balance on the competition scales. It is moreover vital if a company is to be able successfully to move with the times;
- * for regions, an active training policy - for both basic and continuing training - contributes to evening out inequalities within the Community, helps "late developer" regions catch up and eases the redirecting of the economy in declining industrial areas.

Without major investment in education and training, the benefits of the Single Market process could be restricted to those already highly qualified, who would then tend to move away from outlying or economically stagnant areas, thus heightening existing local disparities.

The creation of a Single Market, in the same way as it will accentuate existing training requirements, will itself give rise to new training needs. Examples of areas where demand will grow include new management, marketing and business strategy techniques (particularly for SME executives and heads); understanding the applications of Community regulations and those of other Member States and, last but not least, language learning.



III. PROPOSALS

1. MINIMUM REQUIREMENTS FOR SUCCESSFUL VOCATIONAL TRAINING POLICY

Drawing on available experience, it is possible to identify certain of the basic points which a vocational training policy must take into account if it is to be dynamic and successful:

- * clear definition of objectives, methods and content of training on offer;
- * significance of the link between initial training and vocational training;
- * quality of the initial training "foundations" on entry to the employment market;
- * the importance of transition provisions between the world of education and the world of work.

Finally, the cooperation and the involvement of the various partners in conceiving the package on offer is a vital success factor for vocational training programmes.

Paradoxically, active training policies carry a risk of over-qualification which should not be ignored. The various direct and indirect spin-offs of raising the qualificational level among certain younger population groups should be considered. Although youth unemployment is likely to fall in the medium term, this must not lead to a corresponding rise in unemployment among older generations. Moreover, it should be borne in mind that over-qualification can give rise to the "delocalisation" of workers attracted to more prosperous areas, thus accentuating disparities between regions within the Community.

2. RESPONSE TO THE MAIN CHALLENGES THROUGH BETTER TRAINING

Production systems in industrialised countries are going through a transitional period reflected by the disappearance and replacement of many traditional economic activities. Europe has already experienced many evolutionary crises of this nature and this is probably not the last. However, in such a context, major investment in training would give a constructive response to five existing or emerging challenges:

- * an economic challenge

The completion of the internal market is obliging companies and particularly SMEs to equip their employees with new skills which will help them integrate into this new economic environment. Integration of training policy in general strategy is an excellent way of facing up to the growing internationalisation of markets. The offshoots of optimised human resources will help European companies create new opportunities for development and employment creation in the Community.



* a technological challenge

All research results agree that the assimilation of new knowledge is an unavoidable part of adapting to technological change. Innovations and resultant productivity gains are raining down on companies. Such evolution can be fully exploited only if individuals are qualified to take advantage of it.

* a demographic challenge

The birth rate for the Community as a whole has plummeted by almost 30% in fifteen years, considerably changing the spread of different age groups. The renewal of the labour force can no longer be guaranteed by the entry of young people to the employment market.

Longer life expectancy has changed the composition and average age of the working population. These trends mean that the maintaining and raising of the qualificational level in Europe increasingly depends on the ability of individuals to adapt their knowledge throughout their working life. In other words, continuing vocational training must be extended.

* an employment challenge

The increasing pace of technical, economic and industrial change against a backdrop of international competition and a drive to complete the Community's internal market obliges companies to raise their ability to predict and adapt and to generalise forward-looking strategies. Continuing vocational training offers them the means to do so. The extension of existing provisions and significant improvement in access to training, notably for the most underprivileged categories of workers (low-qualified, part-time or in an unstable job) will give companies the strategic weapons which they require.

* a challenge for economic and social cohesiveness

Finally, efforts in the area of continuing vocational training must be stepped up to boost the Community's economic and social cohesiveness, as called for by the Single Act. With this aim in mind, the involvement of all the various partners would lead to better planning of training needs at regional level. Such a policy would give a vital lift to "late developer" regions, to the redirecting of the economy in declining industrial areas and to the development of rural areas.

3. WHY TRAINING MUST BE A PRIORITY FOR COMMUNITY ACTION

Vocational training consequently occupies a pivotal position in the economic and social wings of the European construction process, particularly in the case of late developer regions and those whose industries have entered a period of decline. In the light of the Single Market, education and training must enjoy all the resources necessary for the implementation of policies which will make it the source of the cohesiveness which is vital for the success of the internal market.

There are already various Community actions in this area which promote training policies representing an investment in human resources. A list of the numerous programmes implemented is contained in the box on the next page.



REVIEW OF COMMUNITY PROGRAMMES IN THE AREA OF EDUCATION AND VOCATIONAL TRAINING

*** ERASMUS Programme (1988-1990 and 1991-1993)**

Objectives: promote mobility among higher education students in the Community and add a European dimension to their initial training.

*** COMETT Programme (1987-1989 and 1990-1994)**

Objectives: encourage cooperation between universities and industry in the area of high-level qualifications in new technologies.

*** Youth for Europe Programme (1989-1991 and 1992)**

Objectives: promote, improve and intensify exchanges of young people in the Community.

*** Exchange of Young Workers Programme (3rd phase: 1985-1990)**

Objectives: provide training and work experience to young people in a Member State other than that of origin.

*** PETRA Programme (1989-1992)**

Objectives: help the vocational training of young people, support the creation of a European network of vocational training initiatives managed by young people, stimulate cooperation in the research field.

*** IRIS Programme (1988-1992)**

Improve the access of women to vocational training.

*** EUROTECNET Programme (1985-1989 and 1990-1994)**

Objectives: dissemination throughout the Community of innovations in the area of vocational training related to new technologies.

*** ARION Programme (since 1978)**

Objectives: improve mutual knowledge of education systems.

*** LINGUA Programme (1990-1994)**

Objectives: raise both the quantity and quality of language teaching in the Community.

*** Education Programme for the children of migrant workers (since 1977)**

Objectives: improve the integration of the children of migrants at all levels of the education system.

The European Commission has on innumerable occasions stated its wish to give greater importance to the role of training in the establishment of the Single Market. This wish is reflected in the proposal seeking general recognition of vocational qualifications where a diploma of the level "end of secondary education + three years" has been awarded.

Further confirmation that training should be high on the list of the Community's priorities came recently in a suggestion made by Jacques Delors, Commission President, that the principle of a "right to training" for all European citizens be included in the basic aims of the Community. This suggestion took on concrete form in two Articles recognising this right in the Community Charter of Fundamental Social Rights. But the Commission has not been content with pious declarations. It has demonstrated its determination to be active in the education and training field, as seen by Ms Papandreou's recent proposal for



an "Action Programme for the development of continuing vocational training" (see box below). This move gives further proof that vocational training offers the best possible means of creating a pool of skills in the Community which can be tapped to boost the positive effects of the internal market. The first step in this direction is to raise the general level of training to ensure that it qualifies people for the real needs of the employment market.

THE RECENT PROPOSAL OF COMMISSIONER PAPANDREOU

* Community Action Programme for the development of continuing vocational training (1990-1993)

Objectives: guarantee equal treatment as regards access to continuing vocational training and the right to benefit from it throughout working life; establishment and strengthening of continuing training infrastructure, with the involvement of all relevant parties; promotion of convergence between the activities of the Member States in this area.

Activities: in addition to a commitment of the Member States to a common framework of general principles, the Commission will implement a series of transnational measures: support for innovative partnerships seeking to promote investment in continuing vocational training; support for innovation in this area; analysis, follow-up and assessment of the development of continuing training; various complementary support measures.

COMMISSION OF THE EUROPEAN COMMUNITIES / DG V



TARGETED POLICIES
IN FAVOUR OF
SPECIFIC SOCIAL GROUPS



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SYNOPSIS

The aim of this seminar was to examine what effect the Single Market process may have on certain socially underprivileged groups and what specific action could be suggested in their favour.

There is general acceptance of the need to consider this problem, but over and above agreement on the principle, it is vital that the parameters of the problem be defined as precisely as possible: Which groups are to be targeted? What are their needs and aspirations? What are the aims to be pursued?

The seminar very rapidly reached the conclusion that the problem of underprivileged groups, viewed against the backdrop of a forthcoming Single Market, raised fundamental issues which go beyond the simple implementation of directives adopted to complete the internal market. It in fact opens up the debate surrounding the way in which the relationship between the economic and social spheres is perceived. In other words, should social policy be



subordinated to the demands of the economic system or does it answer to a logic which should not necessarily be expressed in terms of "financial viability"?

The most significant suggestion made among the guidelines and proposals concerns the need to conduct policy at two levels: the first being the implementation of top-down initiatives, the second making it possible for initiatives to emerge "in the field".

The Community's role in this process, alongside the action of its structural Funds in favour of underprivileged groups, is chiefly to ensure the exchange of "good practice".

I. BACKGROUND

1. WHY DOES A PROBLEM EXIST FOR CERTAIN GROUPS?

The seminar sought to identify the repercussions which the completion of the internal market might have on certain social groups which, for various reasons, are in an especially precarious and vulnerable situation in the employment market. Groups which can be identified as at risk of negative impact from the Single Market include, for example, certain categories of young people and women, the handicapped, ethnic minorities and people living in poverty.

These underprivileged groups share several common features:

- * a relatively low standard of living;
- * difficult access to the employment market;
- * dependence to a greater or lesser extent on outside assistance, whether it be from the family, the immediate community or the state.

The directives which will complete the Single Market in the European Community will accentuate economic competition; their function is therefore clearly to eradicate the "costs of non-Europe" and consequently to generate greater prosperity among Europeans. However, these same directives, by their very nature, have not been framed in such a way as to guarantee a fair redistribution of the advantages of the Single Market. There is therefore reason to fear that the Single Market will further damage the position of these groups, unable to take advantage of the fresh opportunities created by the new economic environment.

There is more or less general agreement on the need to establish mechanisms which will cancel out the possible negative effects of the completion of the internal market. However, they should not merely be a reaction to the circumstances. In other words, the problem of underprivileged groups cannot simply be viewed in terms of partial remedies to new situations; thorough reassessment of the nature of the social imbalances to be tackled is also required. The reflection process must embrace the entire spectrum of action conducted for many years in this area, whether it be at Community, national or local level.



2. FOUR KEY QUESTIONS

Such a fundamental approach requires first of all that at least four key questions be tackled:

- * how can the precariousness and vulnerability on the employment market of a particular group be defined and measured? In other words, what criteria should determine which individuals should be covered by social policy measures?
- * what basic rules can provide these individuals with equal opportunity in the economic system?
- * is it possible to re-define in legislation and within social structures the limits of what are "socially acceptable" activities?
- * finally, must social policy answer to the same principles of profitability as the economic system?

A. What eligibility criteria should be applied?

Eligibility criteria, which determine whether or not an individual should benefit from a particular measure, are at the heart of all social action. Criteria are often based on statistical considerations and tend to "compartmentalize" groups in difficulty, leading either to duplication of efforts or to the exclusion of certain individuals because they do not fit in to any of the available categories.

This tendency would appear to justify a rethinking of social action, from an integration standpoint. Aims must stretch beyond the interests of too narrowly defined categories to embrace the rights of all individuals to have fair access to the employment market.

Social policy must consequently be defined in the context of a charter of social rights. Individuals must be able to benefit from social action solely on the grounds that they have been deprived from a practical viewpoint of the exercise of all or part of these rights. Tangible policy objectives are in such a situation subordinated to this approach.

B. What form of equal opportunity?

The charter of social rights is at the heart of current debates at Community, national and local levels. It ties in with the question of equal opportunities for individuals as regards access to the benefits of the economic system.

The main issue is the borderline between what is decided in economic policy terms and that decided in social policy terms. The inspiration for the completion of the internal market is economic. But does this mean that the impact which it is having on the social rights of individuals can be neglected?

The great diversity of situations and social security systems within the Community is a source of concern in this process of defining a single charter of European social rights. There is legitimate fear that, up against this diversity, the choice will fall upon the least common denominator, culminating in alignment on minimum conditions. This would be a step backwards in Member States where social provisions are currently on a higher level.



C. Where are the limits of what is "socially acceptable"?

Release from the constraints of the lowest common denominator must be sought in an approach placing greater emphasis on the pragmatic social realities at a more local level.

Analysis of existing structures must look not only at data concerning numbers of available jobs but also at the way in which people come into and exit from the employment market and at how income support mechanisms operate for people out of work.

In actual fact, ambiguity surrounds the very concept of employment, with different types of employment being "socially acceptable" to different extents. This leads on to the issue of the "black" economy, operating outside the legal framework, and to the "grey" economy, namely that which integrates a highly developed form of sub-employment or unconventional types of employment.

This aspect was discussed in some depth at another seminar (see Chapter 6).

* It is worth repeating that undeclared work constitutes a major source of income and of employment opportunity in some areas. The problem, from the viewpoint of social policy, is that this type of work excludes those practising it from traditional eligibility criteria and is therefore a major cause of insecurity.

* The role played by the "grey" economy is more difficult to assess. These are not illegal activities and do not consequently lead to a loss of eligibility. However, there is a tendency for the criteria used by social protection systems to be too narrow and consequently unfavourable to employment "on the sidelines".

Many activities, such as home employment, interim employment and itinerant employment, despite having a well-anchored tradition, do not have a good reputation. Nevertheless, new work types which respond to the aspirations of certain groups of individuals are emerging and winning "respectability", thanks to the use of information technology.

The distinctive feature of these new employment types is that they are situated both outside the traditional context of employment within companies - which provided the mould for social legislation - and are without contact with other workers and organisations belonging to the world of work. As a consequence, these new practices have emerged on the edges of usual practices wherein there is social regulation of working conditions.

This evolution also affects traditional attitudes to income generation. New forms of self-employed work have posed a challenge to the principle that the only stable and reliable income source is a full-time, permanent job within a company subject to precise labour force regulations.

In such a context, the need to maintain support income for those out of work risks being forgotten. Although some people can find a solution to unemployment by changing their lifestyle and responding in a flexible manner to the opportunities available on the market, for the large majority, possibilities of access to employment are zero, due to a lack of adapted skills, information or resources.



D. Must social policy be "financially viable"?

The basic question is therefore whether the right to income support when without employment should be considered as an inalienable individual right or, on the contrary, whether it is only justified for those potentially able to contribute at a later stage to the wealth of society as a whole.

In the latter case, the ethical stance is one where the economy dictates social policy, tying in the financial viability of social policy with the efficiency of the economy. Social policy principles would be cut down to minimum conditions.

This question, which runs just under the surface of discussions on the social impact of the Single Market, can be worded as follows: can there be recognition of basic individual rights which is compatible with the search for maximum efficiency of individuals on the employment market?

This issue goes beyond the process of restructuring which will be engendered by the Single Market and is anchored in the very history of the social movement. It touches upon the very function of policies seeking to guarantee the rights of individuals who, for one reason or another, have been deprived of them.

II. SINGLE MARKET IMPACT

The first remark to be made is that the consequences of the Single Market process can be viewed with optimism. The growth registered in the second half of the eighties and which is expected to continue in the nineties has resulted in net job creation. This growth climate has given rise to new initiatives on the employment market, particularly initiatives in favour of specific social groups, and they have had a certain measure of success.

Nevertheless, certain problems remain in the countdown to 1992.

1. CHANGES IN SIGHT

The most obvious change concerns demographic structures. There will be a relative drop in the number of young people, supposing a rethink of career prospects, recruitment practices and training policies. Consideration must be given to "re-entrances" onto the employment market, alongside new entrances. Similarly, thought must be given to extending the employment lifespan of older people and to retraining experienced workers.

In addition, changes in the structure and nature of employment will continue. Job flexibility will continue to grow, with a drop in the number of hours worked, greater dividing up of tasks, more interoccupational mobility and less concentration on conventional workplaces.

Seen in this positive light, this evolution can give rise, even in a situation of constant employment, to greater employment opportunities. These can be tapped through targeted action for specific groups of individuals. The negative



side to this evolution is that it will reduce possibilities for dialogue between employer and employee, if only because representation of the latter will be more complex given the splitting and mobility of tasks.

2. SECTORS WHICH WILL BE MOST AFFECTED

This aspect has already been dealt with in some detail in previous chapters. Suffice it to say that growth in labour force demand will be most sensitive in the area of services provided to production sector enterprises, financial services and "trade" services. In this area, a relatively clear dividing line between "quality jobs" and "second-level jobs" is to be expected. The latter category could prove to be a source of opportunity for underprivileged groups.

However, discussions on this point are extremely speculative and there is very little proof that the changes on the labour market caused by the completion of the internal market will be highly favourable to groups currently excluded from the employment market. Evidence is therefore weak that the situation of underprivileged groups will improve without specific action in their favour. In any event, there would appear to be a vital need for targeted action to improve the position of these groups in the post-1993 context.

III. PROPOSALS

1. THE NEED FOR "TWO-TIER" ACTION

At present, the general approach to labour market management, which is top down and attempts to match up the skill levels of individuals with the qualifications required by the jobs available, would appear to be insufficient to alleviate the situation of underprivileged groups.

These groups tend to be increasingly pushed out onto the fringes and repeatedly excluded from actions or initiatives not designed for them and which serve only the interests of individuals best placed to seize the available opportunities.

A different approach is therefore required, based on bottom-up initiatives and needs and tailored more closely to the hard facts of local development. However, one of the major problems encountered by such alternatives is finance.

There can be no question of recommending one approach to the detriment of the other. Policy solutions must be based on complementarity between traditional top-down approaches and initiatives at local level.

2. FIVE AREAS OF EMPHASIS

Emphasis must be placed on five areas if this "two-tier" complementarity is to be achieved:

- * active participation of partners



- * guarantee of equal opportunity through mutual recognition of the rights of the parties involved
- * dialogue at all levels
- * definition of joint objectives
- * establishment of appropriate action.

3. THE COMMISSION'S ROLE

The Commission's role pertains chiefly to the dialogue which must be set in motion if the needs of underprivileged groups are not to be ignored.

Its task is also to promote support action which stimulates such dialogue:

- * through establishing information networks on "good practice" in the area of employment market policies, particularly those which provide a successful response to the needs of social partners;
- * through the drawing up of guidelines for the structural Funds, which form one of the major ways in which dialogue on the employment market can be promoted at Community level.

Finally, it should be noted that the Commission has already set up a number of specific action schemes, such as those devoted to women, to the handicapped (HELIOS Programme: see box next page), to the long-term unemployed (ERGO Programme) and to poor people (the "Poverty 3" Programme, also described in a box on next page). In the coming years, these actions should produce networks and procedures to assess the experiments conducted.



HELIOS, COMMUNITY ACTION IN FAVOUR OF THE HANDICAPPED*

The HELIOS Programme was launched in 1984 and is currently in its second phase (1988-91). It seeks to improve the economic, social and cultural integration of handicapped people, notably through promoting employment opportunities. HELIOS provides support for schemes in the areas of training, occupational integration and socio-economic integration, with the overall aim of giving handicapped people the greatest possible autonomy in their lives.

HELIOS has developed a Community approach in this field, drawing on the best innovative practices in the Member States. One of the major aims of the Programme is to create a springboard for the implementation by the European Commission of proposals in various key sectors, particularly as regards the employment of handicapped people.

* Handicapped People in the European Community Living Independently in an Open Society.

Contact: HELIOS, 79 avenue Cortenberg, B-1040 Brussels

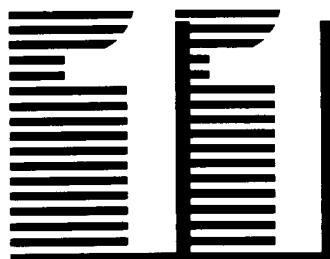
POVERTY 3: THE THIRD PHASE OF COMMUNITY ACTION TO COMBAT POVERTY

After two initial phases (1975-80 & 1984-88), the Poverty Programme has now entered a five-year phase (1989-94) and has been granted a budget of 55 million Ecus. Poverty 3 provides support for around forty local projects - 27 "model activities" and 12 "innovative initiatives" which endeavour to contribute to the definition of and experimentation with tangible ways of combatting existing forms of poverty and social exclusion. A specially developed joint management structure ensures that the projects form part of a commonly based Community approach.

The objective of Poverty 3 is to mobilise institutions concerned by poverty and social exclusion problems behind a dynamic solidarity and partnership movement. It also aims to promote the involvement of the underprivileged in actions which closely combine economic and social integration. Implemented by DG V of the European Commission, Poverty 3 is managed and run with the technical support of an international team of consultants within the European Economic Interest Group "Animation & Recherche".

Contact: A & R, BP52, F-59003 Lille. Tel: +33 20 54 35 27.

COMMISSION OF THE EUROPEAN COMMUNITIES / DGV



THE REGIONAL DIMENSION OF SOCIAL PROBLEMS



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SYNOPSIS

Uneven economic growth has been the main factor responsible for regional inequalities in the European Community. Generally speaking, the most underprivileged regions are those where development has been slower, the industrial infrastructure is in decay or strongly negative demographic trends have been experienced. Whatever the nature of their handicap, these regions tend to be characterised by a particularly high level of unemployment, opening up considerable gaps between the qualitative and quantitative living standards of different social groups.

While wealth redistribution policies have smoothed the edges of these local handicaps, they have not really attacked the root of the problem. The completion of the Single European Market will accentuate competition between regions which are already on an unequal footing, bringing greater urban concentration and the resultant social problems in its wake.



The Community should seek to relieve its regions of their handicaps, ironing out the economic imbalances which are a source of social tension. In so doing, it should acknowledge the human side to such problems.

If policy aiming at economic, monetary and fiscal union is to be a success, it must be matched by a common social policy, with specific actions which combine local, regional and national-level efforts. Only in this way can the Community's social cohesiveness be maintained and strengthened.

I. BACKGROUND

1. SOCIAL EFFECTS OF UNEVEN AND INSUFFICIENT ECONOMIC GROWTH

At regional level, insufficient economic growth is indisputably the source of many social problems. Inequalities between regions within one country can be greater than those between States. Such is the case, for example, between the North and South of Italy or Spain, and between the interior and littoral of Portugal.

* Two types of regions are at a particular disadvantage:

- those which were late economic developers
- those whose economies are based on declining industries.

* Imbalances may also appear in the case of regions where economic growth is sustained, but population growth has faltered.

These regions share four characteristics: severe unemployment; unequal wealth distribution; the influence of the socio-cultural environment; the size and type of migratory flows. It goes without saying that interactions between these characteristics vary according to local conditions and traditions.

* The first factor, high unemployment, is clearly linked to the inadequate level of economic growth. Groups such as women, young people and the long-term unemployed are marginalised by the employment crisis. Low-qualified workers or those who have difficulty retraining can also find themselves excluded from the employment market. The consequences of this exclusion, measured in terms of loss of income and well being, are considerable for both the individual and the group.

* This situation, moreover, tends to maintain or accentuate the severe inequalities between social groups which exist in certain regions. These inequalities embrace both income and the quality of life. In addition to strictly financial aspects, this social differentiation affects housing, urban conditions and the relations of individuals with local authorities.

* The local socio-cultural environment can either accentuate or temper these regional inequalities. Two factors are decisive:



- the existence of a social solidarity system (social security) or the survival of tightly meshed traditional support networks (especially family). The latter is chiefly the case in Southern Europe

- the level of entrepreneurship amongst the local population. Regions where a dependent, top-down mentality has developed will have more difficulty developing an entrepreneurial culture, within which local projects can emerge and thrive.

* Finally, unemployment and uneven job opportunities between regions tend to encourage involuntary emigration. The most handicapped regions often face an outward flood of their most qualified, enterprising "human capital", notably high-tech experts and young university graduates. Although there was a general slowing of mobility in Europe in 1975-1985, the problem persists. Closer inspection of an apparently zero net migration rate may reveal emigration of qualified workers to richer regions, balanced out by the return home of unskilled workers or retired people.

2. MAIN FINDINGS AT EUROPEAN LEVEL

A. Urban concentration: a feature shared by the under developed regions

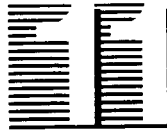
The Community's underprivileged regions are to be found chiefly in Southern Italy, Spain, Greece, Portugal, Ireland France (Corsica and the Overseas Departments) and United Kingdom (Northern Ireland). They account for more than 20% of the Community's population. Although the level of unemployment varies considerably both among these regions and among the countries in which they are situated, they are all characterised by a high concentration of population in urban areas and the ageing of their rural population.

B. Regions struggling to redirect their economy

These are regions whose industrial base has become outdated and which were severely hit by the 1973-83 crisis, when massive job losses were suffered in industry, particularly among unskilled workers. The regions which most suffered are in United Kingdom, France, Spain, Luxembourg, Federal Republic of Germany, Italy, Denmark, Belgium and the Netherlands. Together they account for 10% of the Community's population. At the beginning of the eighties, their employment situation was more critical than that of other regions and the level of unemployment is often more than twice the national average. The socio-cultural climate becomes lethargic under such conditions. People feel powerless to act and consequently re-stimulation of the local economy from within is often difficult.

C. Contrasting national situations

National action by the majority of Member States in the growth period of the sixties and up to the beginning of the seventies smoothed out regional imbalances to a certain extent (see also the analysis of Commission President, J. Delors in the box below).



UNION-GROWTH-EMPLOYMENT TRILOGY

The further Europe progresses down the road to union, the stronger its growth will be. Stronger growth, in turn, will generate more jobs. Only in periods of sustained growth have regional imbalances diminished in the Community. Between 1960 and the onset of the recession in the middle of the seventies, sustained economic growth of around 4% per annum coincided with an approximate one-third reduction in the imbalances existing between the Member States, measured in GDP per capita.

The next ten years of slower growth saw a break in the process and even temporary regression. It got back underway with the recovery in the growth rate. However, the process is not necessarily spontaneous: structural policies are required to set it on the road, as the report of the group of experts on economic and monetary union demonstrates. These policies are one of the components of economic union.

More recent research has confirmed what the Commission maintained as early as 1985: the advancement of the Community and its stronger economic and social cohesiveness are interdependent. One is not possible without the other.

(extract from a speech by the President of the Commission, Jacques Delors, to the European Parliament in September 1989)

Differences in available income are, however, not as pronounced as those in terms of added value produced. Redistribution policies implemented in the majority of Community countries must be thanked for this. A great deal of effort has been invested in such policies in Italy, Spain and Portugal, where social protection levels were raised considerably when the international economic crisis was at its peak. This wealth transfer has, however, not totally eradicated socio-economic imbalances between regions.

D. Specific national cases under the spotlight

* Italy: the North-South divide

Unemployment in the southern regions of Italy is on average three times higher than that in the North. Job creation is continuing apace in the North, whereas it is in the South that the labour force is growing. Unemployment is higher among certain social groups. For example, women make up 50% of total unemployment, with unemployment rates in relation to the female working population of 37% in the South and 25% in the North as a proportion of the total active female population. Young people aged under 29 account for more than 72% of job seekers and 61% are unemployed for over a year.

Other social categories which find difficulty in integrating themselves into the employment market include former farm labourers or construction workers, who are particularly numerous in the South of Italy. This focusing of unemployment on certain already-underprivileged groups raises its social impact to disastrous levels.



*** Spain: Regional strengths and weaknesses**

There is considerable decentralisation of government in Spain. Regional development plans, which seek to bring down unemployment by supporting and stimulating economic growth, are consequently of vital importance but an uneven spread of economic growth persists. A mere 14% of Spanish territory accounts for 50% of the country's production. The regions of Southern Spain are afflicted by high unemployment. This situation causes major variation in regional revenue levels. The acuteness of social problems also varies on a regional basis, in line with economic performance. Acute social difficulties prompt emigration of the rural population to medium-sized or large cities, gradually depriving the rural sector of its human resources.

*** Greece: "hidden" unemployment**

The Greek situation is similar to that of Spain. The cities of Athens and Thessaloniki account for 50% of total population. The urban areas also house 80% of unemployed people (50% in Athens alone), whereas rural populations are ageing. In the countryside, the only work opportunities are precarious and seasonal. A survey carried out in Greece in 1983-1987 seemed to suggest a particularly low and stable unemployment rate. However, there is a great deal of hidden unemployment. Many women and young people are not included in the figures; they avoid registering because of the lack of prospects.

*** United Kingdom: Poorly spread growth**

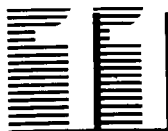
The United Kingdom gives a good illustration of how differently regions can fare within one country. Unemployment, for example, is particularly high in the North (Northern Ireland, Scotland, the North Region) and West (Wales), tailing off in the prosperous South East. It is particularly low in and around London, where economic recovery is strong. The British example clearly proves that economic recovery does not necessarily correct regional inequalities within a country's boundaries and can accentuate them even further. Such inequalities are reflected chiefly in employment figures. In the British case, the economically prosperous areas have, moreover, acted as a magnet for migrants, especially between 1983 and 1988.

*** Federal Republic of Germany: Emergence of new problems**

Germany is a special case. It has a policy of striving to redistribute growth on a regional basis, through the emergence and promotion of new regional growth centres. However, its traditionally industrial regions, such as the Ruhr, are on the decline and find their difficulties exacerbated by demographic stagnation.

Four features have a bearing on the situation:

- it is estimated that the population of Germany will contract from the current 55 million to 40 million in 2030;
- the population of large towns is contracting (11% between 1970 and 1983), due in particular to young people in the high income bracket moving away;
- the employment market is split into two opposite extremes: those with a sound employment contract and a growing minority in unstable jobs;
- job creation has been greatest in new growth centres, rather than in areas where job loss is greatest.



Unemployment and the social problems which it brings in its wake are consequently concentrated in conurbations experiencing industrial decay, chiefly situated in the North of the country. Federal and regional minimum-income systems have been established to alleviate the difficulties. Growth in the number of women who work is another new factor, overturning traditional family organisation and creating demand for new services.

Social policy must also adapt to the challenge of population decline, which could jeopardise economic development and requires fresh definition of lifestyles, particularly as regards income, use of time and space and working hours. A response must also be found to the new needs engendered by the ageing of the population. In light of this demographic situation, it is particularly important for West Germany to be open to immigrants - especially Europeans - in the coming decades.

II. SINGLE MARKET IMPACT

1. REGIONAL GAPS COULD WIDEN FURTHER

The removal of barriers to the free movement of persons, goods, services and capital should both accelerate and accentuate competition between regions which are already on an unequal footing. Those at the greatest disadvantage - where productive bases or entrepreneurship are weakest or which are excluded from major infrastructure networks - could find themselves outdistanced by regions which have technical know-how resources, even in cases where these have to be refreshed. Furthermore, service activities are naturally attracted to population and business growth centres, further widening the gap.

Social problems in the nineties will inevitably be of an urban nature and will be evident in the relationship between cities and their sphere of influence. In Southern Europe, where growth is strong, new social tensions are surfacing as a consequence of this concentration trend. The Single Market can only accentuate the regional divides which have emerged in the Community over the last twenty years. There must consequently be a deliberate effort using policy means to redistribute income and activities, if Europe is not to become a distorted patchwork of ill-balanced regions, fraught with urban social problems.

2. NATIONAL REDISTRIBUTION, EUROPEAN REDISTRIBUTION

The social problems which will arise at regional level as a result of the completion of the Single Market will require the joint action or interaction of national and Community policies. The central objective in this process must be



a higher than Community average growth rate for the most disadvantaged Member States and regions.

Another possible objective could be the balancing out at regional level of certain qualitative and notably technological parameters upon which growth hinges. The aim of such a process would be to ensure that the South of Europe - Spain, Portugal and Greece - does not lag behind the North. Were this gap to widen further, the most recent members of the Community would tend to become one vast production site for the manufacture of goods with low technological input and relatively low prices. At the other end of the spectrum, some of the regions in the richer countries would specialise in leading-edge activities, developing quality services, controlling financial nerve centres and housing the majority of company headquarters.

Community aid to the less-favoured regions through the structural funds currently represents around 0.2% of its Gross Domestic Product (GDP), or between 3% and 4% of the GDP of the top priority regions. The resources of the structural Funds are being doubled to reach 14 billion Ecus by 1992 (see table below). The question is whether this will be sufficient, given that the problems faced by these regions have become more than twice as acute.

INDICATIVE BREAKDOWN OF STRUCTURAL FUND EXPENDITURE FOR EACH PRIORITY OBJECTIVE

(ECU billion, 1988 prices)

Regions	1987	1988	1989	1990	1991	1992	1993
Objective 1	—	—	5.6	6.6	7.4	8.2	9.2
Objective 2	—	—	1.0	1.2	1.3	1.4	1.5
Objectives 3 and 4	—	—	1.2	1.2	1.4	1.6	1.8
Objective 5(a)	—	—	0.6	0.6	0.7	0.7	0.7
Objective 5(b)	—	—	0.3	0.3	0.5	0.7	0.9
Total for all objectives	—	—	8.7	9.9	11.3	12.6	14.1
Transitional and innovative measures (1989 to 1993)	—	—	0.3	0.4	0.3	0.3	0.4
Total for all Funds	7.2	7.7	9.0	10.3	11.6	12.9	14.5

Objective 1: Underdeveloped regions / Objective 2: Industrial reconversion /
Objective 3: Long-term unemployed / Objective 4: Professional integration of
young people / Objectives 5a and 5b: Rural development and agricultural
production; processing and marketing of fisheries and fish farming products.

Source: Guide to the Reform of the EC Structural Funds, CEC, 1989.

This financial aid can have substantial macroeconomic impact, for example in Greece and Portugal, where it will represent respectively 15% and 18% of expected investments in each of these two countries in 1992. Although the structural Funds remain a very small investor in the other Member States if



viewed at national level, at local and regional level structural Fund investment can act as a catalyst and attract other investment.

More efficient use of Community funds is crucial. This use can take the form of support for local resources or the combining of resources integrated into programmes pursuing medium-term objectives. This is precisely the option chosen by the structural Fund reform.

If the Community wishes to take into account the regional dimension to economic and social cohesiveness, economic and monetary union must be supported by a common social policy, with specific actions which bring together local, regional and national efforts.

III. PROPOSALS

Two different sets of recommendations were made at the end of the seminar.

1. THE REGIONAL DIMENSION OF SOCIAL POLICIES

These recommendations covered:

*** Giving priority to reducing imbalances between regions**

Real growth opportunities could be unlocked for certain regions through the coordination of national economic policies and Community policy. The aim would be to give these regions opportunities for future productive development, rather than correcting the situation through wealth redistribution after the horse has bolted.

*** Strengthening the means of combatting unemployment at local and regional level**

Localities and regions need tools adapted to local conditions and the necessary authority to act if they are to be effective in tackling unemployment. The social exclusion effect of unemployment and the other problems which it brings in its wake should not be ignored. Social policy should seek to break the vicious circle of unemployment-exclusion which chiefly affects the most underprivileged groups.

*** Greater flexibility, adaptability and local relevance for Community policy**

Thus far, Community policy has been implemented according to relatively rigid eligibility criteria. Although the initial aim of these regulations was to prevent any transfer of responsibility from national to Community level, their main effect has been inertia. There is therefore a case for more systematic linking up of investment aid (particularly as regards structural amenities) and operational aid, at least during the start-up period. Furthermore, in the field of social policy, local and regional "bridgeways" between the different Funds are vital.



2. THE METHODS EMPLOYED

The following suggestions were made with reference to the method which should be employed to inject a regional approach into social policies:

*** Allowance for non-economic factors**

Retraining is a complex matter. It is not simply a technical problem; there is a cultural side to retraining for which allowance must be made. Social policy should consequently also take into account the local socio-cultural fabric, in such a way as to develop its autonomy. This requires a radical reassessment of existing training policies, which have proved themselves to be totally inadequate.

*** Bringing social policies closer to their beneficiaries**

The closer social policies are to their "users" (women, young unemployed, handicapped, the socially excluded), the greater the impact on the socio-economic or cultural fabric. Similarly, close relations must be developed with locally elected representatives, experts and social policy implementors.

*** Analysis of the new processes governing the location of high-performance economic activities**

In the sixties and seventies, company location was governed by three factors: costs (possibility of cheap labour and sites), infrastructure (well-equipped buildings, connected to a national or international communications network) and government aid. New criteria have now been added to or have taken over from these three: the proximity of training, research or leading-edge activity centres, and the availability of qualified labour, to name but two. To be effective, any policy on economic activity must be based on a thorough understanding of these new factors.

*** Assessment of transfers of know-how and experience**

Community policy assessment to date has been too narrowly restricted to quantitative analysis of results and costs. A better transfer of experience between regions can only be achieved if qualitative evaluations of techniques and methodology are also undertaken.

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EMPLOYMENT POLICIES

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- D. Working population : retired population ratio

2. QUALITATIVE EVOLUTION

- A. Strategic capacity and skill combination
- B. Qualificational levels of personnel
- C. Part-time work and temporary work
- D. Labour force management
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SYNOPSIS

The European employment market is in a period of major change. Although - largely due to the Single Market project - there has been a return to net job creation, the Community continues to suffer from a particularly high rate of unemployment. Change is sweeping the structure of employment and of the working population. Strong growth in part-time and temporary work reflects the scale of this transformation. Companies are also evolving, giving greater attention to the search for appropriate strategies and the skill combination of their staff and placing greater emphasis on the management of human resources.



The effects of the creation of a large open market on employment are chiefly indirect and difficult to quantify. However, in all likelihood the internal market will on the whole have a beneficial effect. If this positive impact is to be spread evenly throughout the territory of the Community, employment promotion practices must be reappraised. The conclusions of this seminar stressed the growing significance of local and regional initiatives. The seminar closed with the recommendation that the Community encourage the introduction of active employment policies, integrated into global economic policy, and implemented with the backing and commitment of all economic operators.

I. BACKGROUND

The face of the European employment market has changed considerably in recent years. In all the Member States of the Community, "employment systems" - namely the body of procedures which surround employment preparation and appointment, payment and promotion of individuals - is going through a transitional stage. The model dominant in the past is gradually fading away. However, its successor is not yet in place, leaving the situation open.

Over-hasty generalisations must be avoided. However, it is possible to pinpoint certain trends which are unlikely to be reversed in the medium term. Furthermore there are differences in the way in which Member States are evolving. Unemployment among young people and, to a certain extent, long-term unemployment is a bigger problem in the Southern Member States (Spain, Italy, France) than in the rest of the Community. The rate at which people change their employer is much higher in the Northern Member States (United Kingdom, FRG). The Community is faced, in this sphere, with a multitude of different situations.

1. QUANTITATIVE EVOLUTION

A. Stability of unemployment rates

The most prominent feature of the employment situation is the persistence of a high rate of unemployment. The European Community continues to have 15 million people out of work, despite a fall in rates.

After an initial rise in unemployment rates between 1974 and 1976, followed by a second worsening of the situation in 1979-1983, the overall level of unemployment has remained relatively stable on a slight downwards slant since 1988. However, with a rate of just under 9%, the EEC by far outstrips the United States, where unemployment has been steadily dropping since 1983 and stood at around 5% in 1989. The gap is even wider with Japan and with other European countries which are not members of the Community, where unemployment, despite a slight rise in the eighties, generally fluctuates between 2% and 3% on average.



B. Structural changes in the labour market

Since 1985 and to varying extents, all the Member States have experienced a recovery in employment creation. This general movement is however accompanied by major changes in the structure of employment. There has been a rise in female employment, linked to the growth in the tertiary sector (59% of jobs in 1987 compared with 47% at the beginning of the seventies), a fall in industrial employment (33% in 1987 compared with 41% at the beginning of the seventies) and in jobs in the agricultural sector (8% compared with 12%). Over the same period, there has been significant growth in part-time work, particularly in the United Kingdom and France.

C. Drop in employed proportion of population

Until 1975, the proportion of the Community population of working age and in employment was around the same level as in the United States, namely 63%. However, although the United States was able to raise this percentage to 72% by 1988, a level comparable to Japan and that of some of the non-EC European countries, the level has fallen off considerably in the Community. It fell to 57% in 1984 and had not risen by more than one percentage point by 1989. The impact of this lower ratio on income, considerably underestimated in the past, is significant. It is one of the explanations for a per capita income in the United States 50% higher than the average in the Community.

D. Working population : retired population ratio

The number of employees retiring in the nineties will be higher than the number of young people entering the employment market. In addition to the long-term effect of this ageing process on pension systems, it could, if not halted, seriously restrict economic growth. This evolution could conceivably lead to a shortage of qualified staff. The latter could be partially offset by migration or by the labour force reserves in the Southern European regions, where demographic growth has now stabilised. A higher proportion of women in work could also help satisfy labour force demand.

2. QUALITATIVE EVOLUTION

A. Strategic capacity and skill combination

A macroeconomic environment dominated by competitive thinking and the increasingly international nature of trade are forcing companies to evolve. The pressure upon them is further accentuated by the prospect of a Single Market in the Community. Against this backdrop, a company's strategic ability is determinant for its success.

The constant extension of product ranges on offer to consumers and the surge in competition is prompting companies to think up new strategies and seek out new forms of cooperation (networking, partnerships) within different national areas of activity. The diversity of skills at the fingertips of a company is crucial in such a context. The Taylor production model is gradually giving way to a model based upon skill combination.



B. Qualificational levels of personnel

Professions, jobs and qualifications are also undergoing profound change. It is difficult to predict what job content will be in the years to come, but there is a clear general trend towards a reduction in direct industrial production jobs and consequently in the number of blue-collar - and particularly unskilled - jobs in industry (1). Demand is growing, on the other hand, in highly qualified conceptual and managerial professions. Intermediary level jobs appear to be less affected by change. However, although the old job classification systems are totally out of touch with the current situation, no new systems have as yet been defined.

(1) With the exception however of the United Kingdom

C. Part-time and temporary work

The growth in part-time work has been much more spectacular in the North of Europe, particularly in the United Kingdom, the Netherlands and, to a lesser extent, the Federal Republic of Germany. Women are predominant among part-time workers. In the South of Europe (Italy, Spain), the rise in this type of employment has been less convincing, but such growth as there has been is spread evenly between the two sexes. Part-time work is concentrated chiefly in the public and private service sectors and in certain industries which are highly labour intensive as regards unskilled workers.

Temporary work is less concentrated in specific sectors than part-time work. Nevertheless, it is predominantly found in the distribution sector, the building industry (public works) and agriculture, where it concerns mainly young people and women. Despite its relatively low importance in quantitative terms (less than 5% of employment), its role in the operation of employment markets is becoming determinant. Between a quarter and a half of all new jobs fall into this category. Temporary work is increasingly emerging as an intermediary market, acting as an entrance point to working life for some and possibly an exit for others.

D. Labour force management

Companies now invest more in the search for a better balance between strategies to develop their activities and those aiming at optimal management of human resources. When seeking to fill a post, they pay closer attention to personality and applicants' aptitude for personal development. They also make use of new techniques to encourage mobility, training and participation of their employees.

E. Role of SMEs

Since the beginning of the seventies, the proportion of jobs represented by small and medium-sized enterprises has grown in all the Community Member States. This trend has led to significant changes in employees' status, particularly as regards female employment, part-time work and temporary work. SME growth is related to two complementary phenomena, namely:

- * a tendency to "contract out" certain operations and make greater use of more specialised and more flexible sub-contractors
- * growth in the service sector, where companies do not have to be large in order to survive.



II. SINGLE MARKET IMPACT

Several econometric estimates have been made to simulate certain of the sectoral effects which the Single Market may have on employment. Their conclusions should, however, be treated with caution, given the underlying changes in the employment situation.

1. SECTORS RECEPTIVE TO THE SINGLE MARKET CHANGES

Receptive sectors are those upon which the completion of the internal market could have considerable positive impact. A certain degree of consensus is emerging on the types of industrial sector which will be the most receptive to the creation of a large single market: together they could represent almost 50% of the added value generated within EC industry.

The most striking effects will be for sectors whose activities are currently hindered by the existence of barriers. They will consequently benefit from the removal of these barriers within the Single Market. This is particularly true for barriers arising from the partitioning off of public procurement markets, from differences in standards and regulations and administrative obstacles to trade.

In these various fields, effects related to restructuring - for example, in the distribution of everyday consumer goods - and those resulting from technical or economic efficiency gains would appear to be related. Several service sectors will also be affected by the creation of one large Single Market, notably financial services and road haulage. Here again, improved efficiency and lower costs can be predicted.

2. EMPLOYMENT EFFECTS

It is relatively difficult to quantify the specific and direct effect on employment of such measures as the abolition of border controls and the liberalisation of services. Generally speaking, indirect effects should in many cases be more significant than direct effects. This is notably the case as regards so called "supply effects", namely those engendering productivity gains through opportunities for economies of scale and better internal company running.

Research carried out on the "cost of non-Europe" nevertheless enables an estimate of the impact in general terms.

Through the use of econometric models, this analysis has predicted that during the first year of simultaneous introduction of all the measures required for the completion of the internal market, 500,000 jobs will be lost in all. However, in the following year this trend will be reversed, with, in the medium-term, a net increase of around 2 million new jobs by 1995. This is what is known as the "J-curve" of the Single Market impact on employment.



This prediction is, however, based upon a calculation method which supposes that the combined effects of productivity gains and the liberalisation of financial services will be fully unleashed in the course of the first year. Several other factors help to put this hypothesis into context (see box below).

**FACTORS ENABLING MORE SPECIFIC ANALYSIS OF 1992
IMPACT ON EMPLOYMENT**

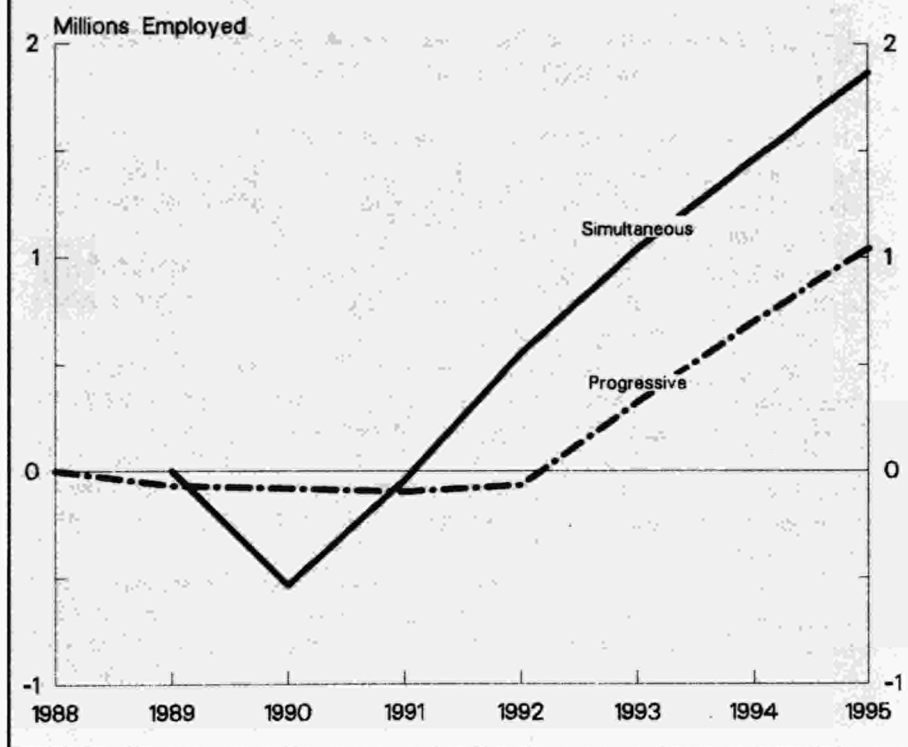
These predictions must be qualified by several other factors:

- * factors such as the intensity and rapidity with which the removal of non-tariff barriers takes place will influence the margin of manoeuvre enjoyed by companies and their ability to adapt;
- * the question of whether or not a common external policy is established will be determinant in several sectors, including textiles, the car industry, public procurement and financial services;
- * the various impact estimates only make partial allowance for the changes which companies have made or will make to their strategies in order to adapt to 1993. A gradual abandon of defensive attitudes - targeted upon preserving the company's position, seeking direct employment creation or direct aid - has been observed. These attitudes are being replaced by more diversified, active strategies, concentrating on the fostering of activities and environments which are conducive to work.
- * finally, the impact of the Single Market on services and repercussions in employment terms are open questions, for the service sector has a "split personality". Certain types of services are internationalised, whereas others are firmly anchored to local markets. More in-depth analysis by service type and by country has yet to be carried out.

Effects will therefore probably be much more progressive in reality. A curve with a flatter start, rising much more gently, would be more appropriate than the "J-curve", because net employment creation effects will not begin to become evident until the third year after the realization of the Single Market (see diagram next page).

It can already be said that the completion of the internal market will have an overall positive effect on employment. Current job creation figures demonstrate that it is already acting as a growth factor. However, it would be a mistake to focus solely on the effects of this stage. They must be viewed alongside current evolution in other areas, such as labour force qualification, company organisation, recruiting structures and so on.

Effect of the Internal Market on Employment : Alternative Scenarios



III. PROPOSALS

This seminar shed light on the three levels at which employment policies can be managed:

1. REGARD FOR THE LOCAL AND REGIONAL LEVEL

Local initiatives will take on growing importance in government employment policies. This is due in particular to a widespread decentralisation trend and to the expanding role of SMEs in job creation. There is a gradual transition from an approach founded on a search for direct effects on employment to a broader, more integrated concept, based on the stimulation of profitable economic activities which can have positive, indirect impact on employment.

The variety of employment stimulation experience is now very wide, be it in municipalities and cities or at regional level. Depending on the local context, the springboard is formed by traditional mixed-economy structures,

partnerships, or the creation of local investment funding institutions. They range from intervention on the local employment market, chiefly from the supply side, to the promotion of business creation, or the application of territorial development policies, boosting infrastructure or image.

This movement is by nature very wide-ranging and experimental. It cannot consequently assume a coordination role, which must remain in national and Community hands and be implemented through the medium of economic policy (fiscal and budgetary) and regional policies.

2. THE SWEDISH EXAMPLE AT NATIONAL LEVEL

Sweden offers an "exemplary" textbook case in Europe as regards employment policy. Given that the Swedish model has proven itself in the field (see box below), some of the conditions favouring the success of such a policy can be identified.

INGREDIENTS OF THE SWEDISH MODEL

The main ingredients which can be identified as having contributed to the success of Swedish employment policy are worthy of brief mention. They are:

- * a general long-term direction for overall economic policy, targeted on the aim of combining full employment and price stability, while maintaining growth and a fair income spread;
- * commitment to full employment as the Number 1 objective of economic policy;
- * the integration of labour market policy in general economic policy;
- * one single authority has responsibility for the overall management of employment policy;
- * strong cooperation between government, trade unions and employers' organisations, at central, regional and local levels;
- * work and training opportunities as cornerstones of employment policy;
- * an active policy within the employment market, seeking to guide job losers towards more competitive sectors, through the establishment of strong geographical and inter-skill mobility.

While reservations can be expressed as to the "exportable" nature of such a model to the different EEC Member States, it is useful to draw from it certain vital guiding principles. Employment policy should satisfy three main requirements:

- * it must be an active policy. This is a point which is gradually winning acceptance throughout Europe, as seen above;
- * it must adopt an approach integrated with overall economic policy; this viewpoint would appear to be gaining ground in the framework of the current debate on the need for a social policy within the Community;



* finally, and this is probably the most difficult point, it must be implemented with the backing and commitment of all levels, from central to regional and local. The Community's contribution to this last point could be vital.

3. COMMUNITY'S ACTION AS A CATALYST

The idea of adding a social dimension to the European economic integration programme has now won general acceptance, even if bitter debate is still running as to what the content of such a dimension should be. Employment is undoubtedly one of the mainsprings of future social policy. A coherent Community approach in this area could integrate the following priorities:

- * the interlinking of employment policy, economic policy and social dialogue;
- * easier access to information and exchanges of various economic operators (government authorities, companies, employees, consumers...);
- * encouragement of experimenting and innovation at local and regional levels;
- * coordination of national and local aid;
- * more effective use of existing funds.

To sum up, there should be more careful tuning to the needs of the various actors in the employment process. Dialogue and cooperation between them should be stimulated, with the Community playing the role of catalyst in the transformations underway in the employment arena.

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