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Report

drawn up on behalf of the Committee on Social Affairs and Employment

on ~~employment~~ and the adaptation of working time

Rapporteur: Mr D. CERAVOLO

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At its meeting on 21 December 1979 the Bureau of the European Parliament authorized the Committee on Social Affairs and Employment, at the latter's request, to draw up an own-initiative report on the 'Communication from the Commission to the Council on work sharing' (COM(79) 188 final of 9 May 1979) and on the 'Council resolution of 18 December 1979 on the adaptation of working time' (OJ N° C 2, 4.1.1980).

At its meeting on 18 December 1979 the Committee on Social Affairs and Employment had confirmed its earlier decision to give its views in a single report on the abovementioned documents and on those listed below, which had been referred to it pursuant to Rule 25 of the Rules of Procedure:

- motion for a resolution by Mr Fellermaier and others on employment policy (Doc. 169/79) and
- motion for a resolution by Mr Dido' and others on the directive on shorter working hours (Doc. 1-377/79/rev.).

At the same meeting the Committee on Social Affairs and Employment appointed Mr Domenico Ceravolo rapporteur.

At its meetings on 23 April 1980, 15 July 1980, 25 February 1981 and 13 April 1981 the committee examined the draft report and at its meeting on 24 and 25 June 1981 it adopted the motion for a resolution by 16 votes to 6 with 2 abstentions.

The following were present: Mr Van der Gun, chairman; Mr Dido', vice-chairman; Mr Ceravolo, rapporteur; Mr Arndt (deputizing for Mr Sarre), Mrs Baduel Glorios, Mr Barbagli, Mr Bonaccini (deputizing for Mr Frischmann), Mr Boyes, Mr Brok, Mr Calvez, Mrs Clwyd, Mr Georgiadis (deputizing for Mr Abens), Mr Ghergo (deputizing for Mrs Cassanmagnago Cerretti), Mrs Nielsen, Mr Prag, Mrs Salisch, Mr Schinzel (deputizing for Mr Peters), Mr Seeler (deputizing for Mr Oehler), Mr Spencer, Mr J.D. Taylor, Mr Tuckman (deputizing for Miss Brookes), Mr Verhaegen, Mr Vernimmen (deputizing for Mr van Minnen) and Mr Wawrzik (deputizing for Mr Estgen).

The opinion of the Committee on Economic and Monetary Affairs is attached.

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A

The Committee on Social Affairs and Employment hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on employment and the adaptation of working time

The European Parliament,

- having regard to the Commission communication to the Council on work sharing (COM(79) 188 fin.),
- having regard to the motion for a resolution by Mr Fellermaier and others on employment policy (Doc. 169/79),
- having regard to the motion for a resolution by Mr Didò and others on the directive on shorter working hours (Doc. 1-377/79/rev.),
- having regard to the Council resolution of 18.12.1979 on the adaptation of working time (OJ No. C 2 of 4.1.1980),
- having regard to the report of the Committee on Social Affairs and Employment and the opinion of the Committee on Economic and Monetary Affairs (Doc. 1-425/81),

1. Notes that:

- (a) the problems of employment, the restructuring of industry and the adaptation of working time are closely interlinked and that they must be resolved together;
- (b) the characteristics of each are now completely different from what they were in the past as regards their scale, intensity and political, economic and social impact;
- (c) full account must be taken of this in order to devise comprehensive short and long-term strategies that are strictly consonant with the exceptional seriousness of the situation;

2. Considers that:

- (a) the problems mentioned, particularly unemployment, are a challenge which can be tackled and overcome given the Community's enormous potential of energies and resources;
- (b) this challenge undoubtedly marks an historic watershed, requiring new ideas and political instruments, on which the survival of the institutions and democratic values underpinning the Community

depends;

- (c) a way out of the crisis must be found by making speedy and profound changes based on a consensus of the broad mass of people;
- (d) the very fate of the process of European unification is bound up with the Community institutions' ability to bring their specific and original contribution to bear on these major problems;

-
3. Feels that there is a need to define clearly the essential general features and the new aspects of the crisis, so that the governments acting within their national sphere, the two sides of industry within the context of free collective bargaining, and the Community institutions in their promotional, supporting and harmonizing role may cooperate in order to define policies and options and reach agreements within a single framework of reference and by pooling constructive forces;
 4. Noting that the employment situation has deteriorated dramatically to a point where in June 1981 there were 8,445,200 unemployed in the 10 Community Member States, or 7.4% of the working population, stresses that it is not only the scale of unemployment which causes justifiable alarm but also its tendency to spread as evidenced by recent increases, as well as forecasts that the situation will worsen, and that this trend will persist;
 5. Notes that the factors underlying this forecast, some of which have been identified and others of which have not yet been sufficiently quantified, are:
 - (a) population trends, with the arrival on the labour market of the generations born in the post-war period and the annual decline in the average percentage of workers of retirement age;
 - (b) increase in the female labour force as a result of the historical process of emancipation which is particularly strong among the new, educated generations;
 - (c) enlargement of the Community, under way or in prospect, to include countries with a high disguised unemployment, particularly among agricultural workers and women;
 - (d) the pressure of immigration from Third World countries and those of the Mediterranean basin in particular, which will increase if these countries, which are expected to double their population over the next 20 years are not given adequate help for an economic take-off;

6. Notes that within these quantitative trends certain existing qualitative aspects are worsening and that new features are emerging, which, because of their political and social impact, are equally worrying from the employment point of view:

(a) unemployment among young people is tending to get still worse and, according to the most recent estimates, is likely to account for some 50% of total unemployment in the years ahead;

(b) unemployment among women still reveals structural aspects in comparison with male unemployment and the situation is certain to deteriorate with the introduction of new electronic technology;

(c) the geographical distribution of unemployment is no longer a matter of pockets of unemployment confined within the economically weak areas, but is tending to spread to traditionally dynamic areas as a result either of the restructuring of industries such as steel, automobiles, etc., or of the incipient micro-processor revolution so that the latter areas can no longer perform a balancing function as in the past;

(d) occupational mobility will tend to increase sharply and become a feature of the labour market in future;

(e) the structural composition of employment is undergoing a steady and profound change as a result of the introduction of new technologies;

(f) the average duration of unemployment is increasing disturbingly;

(g) the already considerable imbalance between the supply and demand of labour is also tending to worsen;

(h) underground labour markets, in which there is no social security cover, are growing with increasing rapidity;

(i) migrant workers are increasingly becoming the most vulnerable group of workers in the Community as a result of the downturn in the labour market;

7. Notes that serious disruption of the labour market is accompanied by an economic recession and that all the forecasts agree that over the next few years GNP growth will remain below past averages and hence well below the level (4-5%) needed to offset the increase in the supply of labour, let alone the level necessary to reverse the trend and restore full employment;

8. Recognizes that this trend and the pessimistic forecasts are attributable to a series of factors including in particular the energy crisis consequent on increased petroleum prices, rising inflation, the deficit in the Community's balance of payments, the low level of investment and the steep rise in the cost of investment per job created;
9. Notes that in addition to these factors there are also international aspects dominating the crisis scenario, namely the increase in raw materials prices, particularly of energy products, and the new international division of labour which is hitting the very base of Community manufacturing industry: these factors are increasingly compelling the European economy to radically restructure itself and thus shed manpower;
10. Stresses that:
 - (a) while the process of restructuring in the major industries that were once the cornerstone of industrial employment is already underway and fully recognized, it is less well appreciated that the impact of the microelectronics revolution on the labour market will be more important, existing data indicating that it will cause the restructuring to become an ongoing process;
 - (b) this revolution is characterized by the extent of its impact, the far-reaching multiplier effect which it will have in all sectors of economic and social life, profound changes in the organization of work, in the professional and occupational field and in the model of production itself, high levels of manpower savings and unprecedented productivity gains;
 - (c) microprocessor technology differs from traditional technologies in its employment impact, as only a small proportion of the labour force released is reabsorbed in the manufacture of the equipment itself and another small proportion may be absorbed in research and basic software work, while the bulk of the workers will have to look for re-employment in newly-generated productive sectors, in the manufacture of new products, in technical assistance services and in new public and private social services;
11. While confident of the ultimate positive effects of the microelectronics revolution on the general welfare, and hence also on employment, must point out that this final positive outcome can hardly be expected without traumatic upheavals both in terms of unemployment and of high levels of occupational and geographical mobility;
12. Points out that the immediate negative effects of this process may be more acute, in view of the speed of its impact, expected to reach a peak in the mid-1980s, of the stimulant effect of Europe's backwardness with respect to Japan and the USA, and of the fact that, unlike these

countries, Europe is entering this phase in a state of stagnation and widespread unemployment, without the benefit of integrated supporting programmes, particularly in the area of vocational training;

13. Notes that ultimately all the processes of technological restructuring currently in progress, and above all those resulting from the micro-electronics revolution, will lead to major gains in productivity, a sharp reduction in the required working time leading to manpower savings, a need for flexibility in working hours to maximize plant utilization and smooth out the production cycle, as well as a need for greater job mobility;
14. Considers that, against this background, the adaptation of working time should be considered from the points of view of both flexibility and reduction. Behind the Council's resolution and the Commission's communication, which arose from the growing pressures in various Member States for a reduction in working time, there lie demands that transcend purely ideological considerations: that work should be shared to tackle growing unemployment, that the aspirations of workers for better living and working conditions should be met, that the benefits of productivity and the advantages of technological progress should be redistributed not only through wages and salaries and not only to those in employment, and certainly not in the form of further profits to the owners of capital; that the time spent in working and in education should be reallocated; that more leisure time should be available for recreation and cultural activities, for the family, for political and social commitments; that working hours should be made more flexible to promote productivity and guarantee the competitiveness of firms;
15. Emphasizes that to these general considerations must be added the following practical points:
 - (a) the European trade unions have indicated that their main objective for the next few years is a 10% reduction in working time for the same wages to be achieved by one or more of the following means: reduction of the working week to 35 hours, increase in annual paid leave to six weeks, retirement from the age of 60, compulsory schooling up to the age of 16, extension of entitlement to study and vocational training leave (with a willingness on their part to accept a fifth shift in continuous process working);
 - (b) the French Government has undertaken, as part of its programme, to achieve a reduction of the working week to 35 hours;

- (c) substantial reductions in the working week towards the 35 hour level have already been made for certain categories of workers or are currently the subject of negotiations for others;
- (d) early retirement, which is equivalent to a reduction in the total working life, has now become the norm as a means of offsetting the impact on jobs of major restructuring measures;

16. Draws the following conclusions from the foregoing:

- (a) unemployment in the Community has acquired certain completely new structural aspects and now clearly shows cumulative effects, which are no longer offset by existing social measures and which can no longer be naturally absorbed by any future economic upturn of the traditional type;
- (b) it is logical to assume that any recovery in economic output would itself lead to further shedding of manpower as such a recovery would inevitably be dependent on technological restructuring, at least in the major sectors;
- (c) in economic terms, the present unemployment increases the burden on public expenditure, depresses domestic demand, represents a significant loss of wealth as a result of lost production (in 1979 it was estimated on the basis of the average potential output per worker in the Community that 6 million unemployed cost the Community some 75 thousand million EUA, or 4.5% of the Community's GNP);
- (d) in social terms there is a much greater risk of alienation and despair particularly among large groups of young people who, once they have completed their studies, are compelled to experience the trauma of unemployment before beginning their working life;
- (e) a strategy of full employment must remain the basic socio-economic objective of the Community;

- (f) if such a strategy is to be implemented it will be necessary to face up to and overcome the threat posed by the dangerous contradiction between the need for technological modernization and the rigid defence of existing jobs prompted by legitimate fears that despite vocational re-training mobility will end up not as a choice between one type of work and another but between work and unemployment;

(g) this conflict must be stifled at birth by creating the basis for the workers' acceptance of and confidence in large-scale innovation, by involving those concerned and ensuring that they do not come to fear that advanced technologies will be against their interests, if only in the short term;

17. Stresses the need to tackle these problems by means of an overall strategy embracing not only economic policies but also policies of active social intervention;

18. Within this framework and on the basis of all the above considerations, which have an objective logical consistency, expresses its support for the proposals set out in the documents on which this report on the adaptation of working time is based, and lays stress on the following conclusions:

(a) in general terms the idea of combining measures aimed at greater flexibility and reducing working time put forward in the Commission's communication and the range of possible actions set out below appear valid:

- annual volume of work
- overtime
- shiftwork
- flexible retirement and pre-retirement arrangements
- right to training
- part-time work
- temporary work.

In particular:

(b) annual volume of work:

it would be advisable for the 10% reduction not to be confined to the annual duration of work by merely limiting the working week or day and extending paid leave, but that it should also be possible to combine these approaches with early retirement;

(c) overtime: restrictions on overtime are necessary so that genuine reductions in working time are not wiped out; any such reductions should be made in the light of the practical needs of firms for flexibility to allow them to respond to market changes. Overtime which exceeds the authorized limits should be compensated by means of extra paid leave;

(d) shift work: since this practice has increased in recent years,

particularly in the tertiary sector, and will probably become more widespread as a result of the introduction of new technologies, and bearing in mind the serious concern expressed by experts in social medicine as well as the negative consequences on workers' social life, it seems an essential priority that reductions in working time should apply generally to all shifts, although other aspects will have to be considered in particular cases and for specific categories of workers. On the other hand recognizes the cost-saving advantages of wider use of shift-work in connection with the reduction of working time, provided, however, that workers' health is protected.

- (e) flexible and/or early retirement measures: as increasing use is made of such measures to cope with crises in individual industries and as the principle of gradually extending to all workers the right to choose when they wish to retire above a certain age gains ground, it would seem appropriate to consider at this stage ways of adapting the system of pensions to introduce both the principle of individual choice of the retirement age and the option of working shorter hours during the final years of a person's working life;
- (f) part-time working: as this type of organization of work is becoming increasingly common and as it is no longer only women but also young people and older workers who are choosing this option, a number of points need to be made clear:
- this form of work must be the result of a voluntary choice,
 - it must be distinct from other types of reduced working such as temporary work, flexi-time, short-time working;
 - those who opt for this form of work should be granted proportionally the same social rights as those in full-time work;
 - steps must be taken to prevent discrimination, particularly against women, and to ensure that this type of work does not lead to employees being given inferior jobs, losing their career prospects or having lower vocational qualifications;
 - for those who desire it, the transition to full-time working must be facilitated;
 - it should also be possible to regulate by legislation the serious time-patterns of this form of working;
- (g) temporary work is assuming disquieting proportions: firms must therefore be prevented from using this form of working as a way of escaping from contractual or legislative obligations in the field of employment protection. Hence it is necessary to guarantee the economic and social rights of workers by subjecting recruitment agencies to strict regulations and controls;
- (h) right to training: the spread of the technological revolution calls for the urgent and large-scale development - with due regard of course to the society of national needs and traditions - of new and continuous vocational

training, as the latter is becoming an increasingly essential factor in employment. Priority must therefore be given to alternative training as the best method of responding to the essential requirements of production. This means making wider use of training leave for both young people and adults as well as promoting active ways of bridging the gap between school and working life. In the organization of this type of training consideration should also be given to possibilities of employment in non-gainful occupations;

19. Considers that the process of adapting working time, including the reduction of the working week, must necessarily be gradual and smooth, but systematic, and tailored to the requirements of specific sectors and firms and to the special characteristics of each country within the framework of a strategy for economic recovery based on competitiveness, both within the EEC and vis-à-vis third countries, and on improving working and living conditions;
20. Believes that it is also indispensable that this process should be coordinated so that the scope and time-scale of its implementation are consistent with the objective of maximizing the effects on employment;
21. Stresses that these effects on employment should not be seen as an alternative to the results obtainable by adopting appropriate economic policy measures, they must not be overestimated but neither should they be underestimated: even if the main result of this set of measures were to maintain employment levels preventing further unemployment, their impact in this area must be regarded as positive given the present labour market trends;
22. Is nevertheless of the opinion that the increased productivity in a number of sectors makes it possible to reduce working hours without correspondingly increasing costs to firms and also to finance more job-creation in the sector of non-gainful employment;
23. Points out that the problem of the costs of adapting working time, although deserving close scrutiny, should not stand in the way of reaching an agreement: it is widely recognized that this problem is bound up with the various possible responses of firms, with domestic market trends, with the creation of a new external demand, that is factors on which the agreed economic policy measures should be brought to bear; it would therefore appear logical that this problem should be the subject of specific negotiations as to the form and content which this gradual process should take so that the objective of reducing working time can be obtained while guaranteeing the necessary competitiveness;

24. Agrees on the need for a Community initiative and calls upon the Commission to provide this initiative by the adoption of framework directives by the Council which would simply define the common objective in order to guarantee the necessary degree of convergence, while leaving to possible European framework agreements between the social partners the necessary arrangements, which the Community institutions would declare themselves to be ready to support in appropriate forms, and leaving also the specific means to be determined in national regulations and/or collective agreements;
25. Considers that such a Community initiative would facilitate and ensure the **simultaneity** of the pursuance of this objective by allaying fears of possible distortions of competition; that it would preserve the bargaining freedom of the two sides of industry and would stimulate moves towards a gradual harmonization at Community level of the various national employment laws;
26. Calls upon the two sides of industry to break the stalemate of their present contractual relations, to constructively tackle the problems which keep them apart with the support of the Community institutions, and, by understanding the close links between the economic, social and political aspects of the problems of employment, to overcome the obstacles to technological change and adaptation of working time;
27. Instructs its President to forward this resolution to the Council and the Commission,

EXPLANATORY STATEMENTPART ONE: SUMMARY OF THE DOCUMENTS UNDER CONSIDERATION

1. The Committee on Social Affairs and Employment is to report on the following documents:
- Communication from the Commission to the Council on work-sharing (COM(79) 188 fin.)
 - Motion for a resolution by Mr Fellermaier and others on employment policy (Doc. 169/79)
 - Motion for a resolution by Mr Didò and others on the directive on shorter working hours (doc. 1-377/79/rev.)
 - Council Resolution of 18 December 1979 on the adaptation of working time (OJ No. C 2, 4.1.80)

(A) Communication from the Commission to the Council on work sharing
(COM(79) 188 fin.)

2. The Communication contains, first of all, a general premise on the reduction of working time. 'In its different ways (reduction in hours per day, extension of paid leave, re-arrangement of working life), it is both an expression of workers' aspirations and part of the result of improvements in productivity arising from technical and economic progress.

In the present situation, with widespread under-utilization of human resources and continuously increasing productivity, reduction in working hours can also be considered for its possible contribution to employment¹.

3. Another important item is an analysis of the economic and employment situation.

¹

See paragraph 3, p 2 of the Communication

4. The outlook for growth and employment in the Community over the next few years is conditioned to a large extent by the rapid expansion of the population of working age, the rising participation rate among women and the obstacles to restoring adequate and lasting growth. The potential supply of labour in the Community will increase by between 500,000 and 800,000 workers a year until 1985. The net figures correspond to the arrival of about a million young workers in the labour market between 1980 and 1985. The population trend should slow down in the second half of the 80s, and it should subsequently be reversed. However, these general figures cover different national trends.

5. With economic growth of about 3% to 3.5% a year over the next five years, population trends would mean that the present 5.5% unemployment rate would rise until the middle of the 80s. A growth rate of between 4.5% and 5% a year is required if the employment situation is to improve to any extent over the next few years.

6. It is perfectly possible to achieve higher growth rates and a rapid improvement in the employment situation. The present type of slow growth is due neither to the saturation of potential demand nor to any fundamental exhaustion of technical progress : it is due to a number of macro-economic, structural and social or political obstacles.

7. A vast concerted effort is required to deal with these problems. But such an effort is not easy to make. Social protection, although indispensable, should not be allowed to increase structural rigidity; the restoration of adequate growth should not be based on inflation, waste of resources, environmental deterioration and so on - which would only exacerbate future problems. In the circumstances a realistic attitude involves recognising that whatever efforts are made

to restore a considerably higher level of activity, the results of these efforts alone are unlikely to include full employment.

Specific accompanying measures of social and employment policy are required, particularly measures to reduce hours of work'.¹

8. There follows an account of current trends and of the measures adopted in the Member States. This will be presented in an appropriate chapter reviewing, on the basis of all available sources, existing measures to reduce working time.²

9. The Communication lists the prior conditions necessary to ensure that reduction of working hours contributes to a lasting improvement in the employment situation.

From this standpoint, work-sharing policy must :

- 'be integrated with harmonization in the improvement of living and working conditions and prevent the growth of disparities between countries, sectors and occupations ;
- ensure that the increased costs resulting from this reduction of working time are compatible overall with the available margins resulting from productivity gains and that the division of these costs between the parties concerned operates in such a way as to avoid an increase in public expenditure over time on this last point, it will be observed that an immediate increase in these costs could be recovered subsequently by reducing the cost of unemployment over a period of time or through greater employability of the unemployed ;

¹ See paragraphs 4, 5, 6 and 7 pp 2-3 of the Communication

² See Part Three, Section 2, of the Explanatory Statement

- ensure that its costs do not jeopardize the revival of firms' profitability by introducing distortions of competition within the Community and weakening the competitiveness of Community industry throughout the world ;
- take account of possible reversibility so as to allow for possible later changes in the labour market situation ;
- be achieved by constant, spontaneous dialogue, co-operation and negotiation between all the parties concerned. ¹

The role of Community action

10. The Commission wonders whether the role of the Community institutions should not be 'to provide an initial impetus to the steps to be taken on work sharing' ² , by encouraging both sides of industry to set up a dialogue and by translating into the form of appropriate legal instruments any agreements resulting from tripartite negotiations:

11. To this end, the Commission would like to see European outline agreements being concluded in respect of which the European institutions would be 'prepared to take steps to help in reaching the necessary compromises' ³ and to see outline directives adopted by the Council on a proposal from the Commission which 'would be limited to fixing the common aim so as to ensure cohesiveness, and would leave it to national rules or collective agreements to lay down the detailed arrangements' ⁴

¹

See paragraph 17, p 6 of the Communication

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See paragraph 20, p 7 of the Communication

³

See paragraph 21, first indent, p 8 of the Communication

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See paragraph 21, second indent, p 8 of the Communication