

Growth, competitiveness and employment

White Paper follow-up

Report on Europe
and the global information society

Interim report on trans-European networks

Progress report on employment

Extracts of the conclusions of the Presidency
of the Corfu European Council

This document reproduces the employment report on pages 105 -102 and the Presidency conclusions on pages 126-134. The other two reports are available as separate documents on AEI-EU.

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Progress report on employment

Results of Mr Flynn's tour of capitals¹

¹ SEC(94) 951 final.

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Part 1

Introduction

This report has been prepared following the Tour of Capitals undertaken by Commissioner Flynn, at the request of the College, between February and June, during which discussions have been held, at this stage, with 11 national governments and the social partners at the national level.

The report also takes into account the reports received from Member States, within the framework of the Social Affairs Council, on progress in implementing suggestions of the White Paper, and the conclusions of the European Council (December 1993, Brussels) as far as the employment dimension is concerned. It also takes into account the results of discussions with Directors-General of the Member State Ministries, the work of the Economic Policy Committee, and results received from the Commission's Observatories. The contributions of the social partners have also been considered. Finally, the reports of the European Parliament and of the Economic and Social Committee; and discussions within the Council's Standing Committee on Employment have been taken into account.

Employment Trends

At the time of the European Council discussion of the White Paper in December 1993, unemployment had been rising continuously for almost three years following the downturn in economic growth which began in 1990. During 1993 output declined for the first time since 1975. The recession in output led to a reduction in employment in almost all parts of the Union.

As a result of the general fall in employment and the continued rise in working-age population, as well as in the participation of women, unem-

ployment rose during 1993 in all Member States without exception. The average rate for the Union as a whole, including all of Germany, was 10.9%. By March 1994, average unemployment had reached 11% in the Union, implying that, overall, there were almost 17 million people out of work based on Eurostat labour force survey figures. (Registered unemployment in Member States totals 18.8 million.)

In general, unemployment rose more slowly during 1993 and, over the first four months of 1994, increased only marginally in the Union as a whole. However, despite the improved outlook for growth, increasing labour force participation rates mean that, unless efforts to increase the employment content of growth are strengthened, unemployment is unlikely to fall in the short-term.

Unemployment rates remain particularly high for young people under 25, averaging over 20% in the Community as a whole in March 1994. Long-term unemployment continues to be a serious problem in most parts of the Union, with an average of 42% of the unemployed having been out of work for one year or more in 1992 — although down from 45% in 1991.

A substantial reduction in unemployment requires that growth remains strong for many years, and becomes more employment creating. Growth prospects for 1994 and 1995 have improved, but success in translating this into employment growth will require continued, determined, structural adjustment efforts and careful macroeconomic management, both actions being mutually reinforcing.

Preliminary conclusions of tour

The White Paper strategy is a medium-term one. It cannot be expected to yield short-term successes, and certainly not to lead to any noticeable reduction in unemployment in a matter of months. Thus, progress needs to be judged at this stage primarily in terms of trends and changes in political positions, rather than concrete results.

The essential message is clear: all Member States, in their different ways, are seeking to introduce changes to their labour market policies, directly or indirectly related to the White Paper's suggestions. Some have now introduced interdepartmental machinery to pursue the White Paper and the Brussels conclusions. The White Paper has been carefully examined as a valuable point of reference in all Member States, including by social partners at national level.

However, the urgent need for collective reflection and coordinated action across the whole range of policies affecting the broad employment environment has not yet been realized. A fragmentary approach is still noticeable. Old and complex national regulations still remain in force in many Member States. The reforms in the employment systems adopted so far by Member States often appear incomplete and it is difficult at this stage to assess their wider impact. Most Member States now recognize, however, the need to build the long-term social consensus in favour of structural changes especially where they affect people's living and working conditions.

Member States generally recognize also that this search for consensus implies that greater labour market efficiency and long-run competitiveness is to be sought, not through a dilution of the European model of social protection, but through the adaptation, rationalization and simplification of regulations, so as to establish a better balance between social protection, competitiveness and employment creation.

Increased labour market flexibility means different things to different Member States, and needs to be analysed carefully, as the term 'deregula-

tion' is often used with differing connotations. The starting point, for most Member States, is a large body of laws, regulations or collective arrangements. Their ending point, in terms of the nature and scale of change required, is, therefore, likely to differ widely — even after substantial review — particularly in terms of the degree of, and approach to, change in social protection. In analysing these differences between Member States, the strong traditions of social partners' involvement in many Member States has to be taken carefully into account. In this context, most Member States are concerned about balancing actions to enhance job creation and competitiveness with their commitment to maintain and not dismantle social protection.

Most Member States stress the need for a more dynamic contribution from the social partners at local and sectoral levels, and a stronger partnership between them and public authorities at those levels. At national level, some Member States recognize the importance of building greater complementarity between public policy and contractual negotiations.

At Union level, discussions with the social partners have continued within the framework of the social dialogue, with a particular focus on White Paper employment issues. The Council's Standing Committee on Employment has also discussed issues of work organization and working time in a positive way.

Among the social partners at national level, positive attitudes — reflected for instance in certain agreements — coexist with reticence to change. The need for far-reaching reform of the employment systems has yet to become generally accepted. Greater public awareness and acceptance that there are trade-offs between sacrifices in the short-term in exchange for the creation of more jobs will be necessary to ensure the adoption and implementation of these reforms.

Major political difficulties have been encountered by governments seeking to undertake re-

forms in this sense. Resistance from those who feel threatened by the changes is not compensated for by any obvious public support from those people who would benefit most, but who are largely disenfranchised or excluded from the labour market at present.

The White Paper stresses the need to dramatically widen access to work, to widen the concept of work, and to build a new solidarity. That solidarity has to be based on using productivity gains to create new jobs rather than increase incomes of those in employment, and to avoid the burden of change being borne only by those in the weakest position in society — the easiest, but least acceptable, way of increasing access to jobs.

In particular, the White Paper underlines the need to ensure that progress in achieving equal opportunities is further pursued, particularly in view of the increased participation rates of women, changing family structures and roles, and the need to maximize the potential of all the Union's human resources. In this respect, increased economic growth brings a positive and welcome improvement to the employment climate. However, there is a danger that it may offer an illusion of relief from the pressures for structural change, rather than being harnessed to work systematically towards the changes required in that better economic environment.

It will be very important to continually bring that message home to the Member States, if a serious

reduction in unemployment is to be achieved throughout the Union. This is particularly important in view of demographic change, the increased public budget pressure it will bring, and the resultant need for stronger employment generation. For all these reasons, more attention needs to be focused on new jobs and the most promising sectors for employment growth.

The need to fundamentally alter, and update, the structure of incentives which influence the labour market is still not adequately recognized. Cooperation across Ministerial boundaries within Governments in the development of policies needs to be given greater priority. Further organizational and administrative changes will be needed if the implementation of the White Paper strategy is to be pursued effectively.

It is not only measures which need to be redesigned, it is also important for Member States to review the structures through which governments address employment problems. In this context, some Member States have developed, or are in the process of setting up, inter-ministry action on specific subjects. Also most Member States are already decentralizing the delivery of labour market (including training) measures as part of a move towards more active targeting of those at risk especially the long-term unemployed. Some are seeking to integrate services at local/regional level instead of the previously fragmented range of services available.

Union role

Policy development

The Union's employment objectives are supported, at Community level, by policy and action in the economic, industrial, technological and scientific fields. Completion of the internal market, action on research and development, and support to small and medium enterprise, have all brought added value to the Union's efforts to sustain and generate employment.

In recent months, the White Paper and Council focus on firm macroeconomic guidelines, the

trans-European networks, and the exploitation of new technologies — particularly regarding telecommunication applications and biotechnologies — has further strengthened the ability of the Union to meet the challenges of competitiveness and job creation.

All of these advances in policy development and action are dependent for their success on the quality, creativity and flexibility of the workforce at all levels, which drives the development and delivery of the wealth and job creation process. In order to maximize the potential of

this most important component, the Community focuses particularly on employment and related human resource issues through a range of policies and activities.

The responsibility for employment and human resource development lies with Member States. However, in redesigning national policies and systems in these fields, in the framework of the White Paper and Brussels Council Objectives, it will be of crucial importance to develop and maximize the added value of Unionwide action and mutual support, in order to fully exploit the diversity of Member State experience.

This means looking at the efficiency of different national systems in achieving employment objectives. It means looking at the possibilities to 'pick and mix' different elements of policy from different national systems. It also means the pursuit of increased compatibility between Member States' systems, so as to ensure that they do not develop in ways which conflict with overall Union employment objectives or standards, distort conditions of competition, or inhibit the development of free movement of people within the Union.

In this respect, the increased cooperation between the Member States and the Commission with regard to the White Paper is encouraging, but will need to be pursued much more systematically during the coming months.

Financial support

Much of what the Community does, in terms of financial and other resource support, has an impact on employment, through programmes and actions as diverse as research and development, infrastructure investment, education and training, and trade agreements.

A number of new developments such as the Fourth Framework Programme for research and development, a range of support mechanisms for small and medium enterprise, and such as Leonardo, with regard to education and training, will strengthen this effort.

A fundamental component of the Union's structural policies, and of its strategy to achieve the

adjustments necessary for growth, competitiveness and employment, is its financial support for human resource development and labour market adjustment. Community Support Frameworks, under the Structural Funds, and accounting for more than ECU 40 billion of European Social Fund financing, are currently being negotiated for the period 1994-99. (1994-96, in the case of Objectives 2 and 4.)

Member State proposals, under Objectives 1, 3 and 4, were prepared and presented to the Commission before the White Paper was established. In the discussions on the Community Support Frameworks the Commission has, therefore, promoted a strategic approach based on three priority themes:

- improving access to and quality of education and initial training, especially through the implementation of 'Youthstart',
- increasing competitiveness and preventing unemployment by adapting the work-force to the challenge of change through a systematic approach to continuing training, including through implementation of 'Adapt',
- improving employment opportunities of those exposed to long-term unemployment and exclusion, through the development of a package of measures which form a pathway to reintegration, including through the 'Employment' Community Initiative.

Many Member States have endorsed this approach, but there is a need for them to carefully review their strategies for long-term investment in education and training so that they may compete effectively on the World stage, strengthened by a skilled and flexible work-force. The priority accorded to investment in human resources within the Union's structural policies needs to be reaffirmed.

It is essential to ensure that, within the framework of subsidiarity and partnership, Member States give full attention to these concerns, and that the Community Support Frameworks which are now being agreed retain sufficient flexibility to adapt action and financial efforts as needs unfold with the further implementation of the White Paper Strategy.

Follow-up

An important operational lesson of the first six months for governments is that there is a need to reinforce cooperation at national level — between the Ministries, agencies and Social partners concerned — and between the national level and the Union level.

Member States, and Employment and Social Affairs Ministers in particular, need to identify specific objectives and actions, both short and medium-term, within the framework of the Council mandate, in time for examination by the European Council in Essen in December 1994.

Efforts to develop positive actions for employment in the diverse areas of policy should continue to be carried out in the specialized Councils of Ministers. Improved coordination of these efforts at Community level will increase their efficiency and intensity. In support of this process, the Commission will continue to collaborate closely with the Member States in mapping the employment situation. In this context, the 1994 Employment Report will be issued in the summer, and a comparative tabular picture of the situation across the Union is in preparation.

Part 2

Member State actions: executive summary

The European Council agreed to a series of priority actions within the general framework defined in common in the light of the White Paper. These were specified as follows:

improving **education and training** systems. Continuing training is, in particular, to be facilitated so as to ensure ongoing adjustment of skills to the needs of competitiveness and to combating unemployment;

improving **flexibility** within enterprises and on the labour market by removing excessive rigidities resulting from regulation as well as through greater mobility;

examination, at enterprise level, of economically sound formulas for the **reorganization** of work; such measures must not be directed towards a general redistribution of work, but towards internal adjustments compatible with improved productivity;

targeted reductions in the **indirect costs of labour** (statutory contributions), and particularly of less skilled work, in order to achieve a better balance between the costs of the various factors of production; fiscal measures possibly relating, *inter alia*, to the environment could be one of the means of offsetting a drop in social contributions, within a general context of stabilizing all statutory contributions and reducing the tax burden;

better **use of public funds** set aside for combating unemployment by means of a more active policy of information, motivation and guidance of job-seekers through specialized agencies, whether public or private;

specific measures concerning **young people** who leave the education system without adequate training;

developing employment in connection with **meeting new requirements** linked to the quality of life and protection of the environment.

All Member States have taken actions in at least some of the seven target areas, with the majority developing actions in most. There are positive signs in a number of areas — notably in seeking to remove bureaucratic obstacles to change, in addressing problems of regulation, while maintaining minimum standards. Moreover, there is increased openness, and a willingness among Member States to discuss common problems and to exchange experience.

In general, Member State actions are still focused on managing unemployment problems, although they recognize the need to address employment issues in their wider context and to actively create jobs. More attention needs to focus on wide-ranging reform of government actions with respect to the interrelated issues of social protection, taxation and employment, on which there has been some useful action targeted on reducing the non-wage costs of the unskilled.

In areas such as those involving financial systems — changes in the incidence of taxation on employment, or changes in the use of social protection funds — it is recognized that such measures will take time. However, in that area in particular, policy will need to ensure that changes are pursued rather than allowed to flag in the face of difficulties or reduced pressures.

Education and training

Member States are continuing to sharpen the focus of their educational and vocational training policies with a view to improving long-term

competitiveness, and ensuring a skilled and adaptable labour force. In all Member States there is an emphasis on standards, and in some on a more decentralized delivery and much greater involvement of the social partners.

Despite this progress, and despite the widespread recognition of the need for lifelong learning, action remains limited as regards continuous training. Some financial incentives have been provided and some collective agreements do make specific reference to work-force training. However, a more systematic, comprehensive, approach is needed along the lines proposed in the White Paper.

As regards meeting the need for new skills, the adoption of new technologies on a more widespread basis, diversifying career paths for women, and actions to cope with the consequences of large scale industrial change, action is often patchy and localized.

Improving flexibility

Member States have continued to take measures to introduce greater flexibility into the external labour market, particularly with regard to employment regulations covering contracts, notably with regard to part-time work. Redundancy and dismissals' legislation has been reformed in some Member States where they were particularly restrictive.

Employment protection has been increased in some Member States and some areas, in order to provide better minimum standards, for example with respect to maternity rights, part-time work and health and safety.

Some limited steps are being taken to promote occupational and geographical mobility, as well as European-wide information for job-seekers.

Member States continue to encourage wage restraint flexibility and decentralized negotia-

tions in their efforts to ensure that real income growth per employee remains below productivity growth, in order to encourage and assist employment growth.

Most Member States consider that internal flexibility is to be encouraged, within the overall industrial relations structure, but that it is essentially the responsibility of firms.

Work organization

There is considerable activity across the Member States in developing new patterns of working time as a means of increasing the number of jobs for a given level of output. In some cases this has active government support, in others it is contained more in collective or plant level agreements. Many large firms are restructuring working time as part of a wider restructuring of their organization.

Measures to remove obstacles to part-time working are being taken in most Member States where they still exist. Schemes contain many different options both to encourage existing employees, who so wish, to move to part-time working, as well as to create new possibilities. However, Member State policies do not always ensure of equal treatment of part-time and full-time work in all aspects.

Non-wage labour costs

In order to reduce the relative costs of labour and hence disincentives to recruitment, the White Paper recommends a move away (1 to 2% of GDP) from labour-based taxes and charges to taxes on non-renewable resources such as energy, capital, consumption, etc. The White paper also recommends that Member States address the current disincentives regarding less skilled workers' employment by adjusting taxation systems, especially when the overall effect of taxes and charges is regressive.

A number of Member States have already introduced modifications aimed at reducing the overall burden of taxes and social charges on labour. This has been done either across the board, or targeted on young people, the long-term unemployed, lower paid or less skilled workers, small and medium enterprises, or through enterprises providing training. Other Member States are considering a general lowering of taxes and charges rather than a restructuring. Certain taxes are very sensitive and divergences are to be avoided between Member States. For instance, some Member States favour increasing VAT revenues when others would rather reduce VAT rates for labour intensive sectors.

While there is widespread support for the idea of reducing non-wage labour costs in order to boost employment, the difficulties inherent in raising alternative revenues during a recession are equally evident.

Public funds

There has been an emphasis on improving the effectiveness of measures to help reintegrate the unemployed, and on making income support more conditional on proven action to seek work, undergo training or community work.

There is as yet, however, limited use made of schemes to 'top-up' low income from employment with income from social transfers, along the lines recommended in the White Paper.

Member States have sought to provide better support for the unemployed by developing the services of public employment agencies, and by lifting restrictions on, or legalizing, private employment agencies, where these were not previously allowed. A number of Member States have decentralized their employment agency operations, giving greater responsibility to the local and regional level.

Young people

Over the years, Member States have developed a variety of schemes and programmes to help young people, especially the 10% of young people who leave school each year without qualifications, to enter the labour market. They involve a variety of actions including guidance and counselling; support for job search; help in attaining numeracy and literacy; and basic training, often linked with workplace experience.

Member States are now tending to move towards more comprehensive programmes which integrate these activities and which target those facing the greatest difficulties. The Commission White Paper proposal for a specific Youthstart programme targeted at unqualified young people under 20 seeks to focus and reinforce this trend.

Recognizing the growing importance of skills, there is also a resurgence of interest in some Member States in apprenticeship training schemes. Most Member States are increasing the vocational content of education.

Developing new employment

Most Member States rely on commercially-driven activities, or conventional public services, as the source of employment creation. However, some specific initiatives have been taken in the Member States in order to promote new job opportunities, notably in local services, and often in the context of the social economy, along the lines recommended in the White Paper.

The potential of many other areas of job growth that were identified in the White Paper, such as arts and culture, tourism, and environmental protection, where public-private partnerships are generally needed to maximize their development, remain undersupported.

Moreover, there is little evidence of any more systematic attempts to monitor employment growth across all types of activity in ways which

could help focus, and maximize, the impact of policy and resource support.

Member State actions in detail

Practically all Member States have undertaken extensive labour markets reforms in recent years, either in the form of new programmes or as part of an ongoing process of review and development. Member State progress in pursuing White Paper objectives will depend, therefore, on what has been achieved in recent years, and what is still in the pipeline, as well as on the content of recently announced changes or proposals.

This report presents Member State developments under the seven headings identified by the European Council. However, it is recognized that, at national level, these are generally seen as elements of integrated actions designed to alter the overall dimensions and focus of Member State employment policy systems, and that there is often overlap between the different elements.

Education and training

'improving education and training systems. Continuing training is, in particular, to be facilitated so as to ensure ongoing adjustment of skills to the needs of competitiveness and to combating unemployment'

All Member States have expressed their determination to improve the quality of education and vocational training, and to sharpen the focus of their policies in order to better meet the challenge of long-term competitiveness, and to provide a highly skilled, flexible and adaptable work-force. All Member States, moreover, underline the need to increase awareness that investment in the qualifications of the present and future work-force is as indispensable as investment in capital equipment and infrastructure. Special concern has been expressed by some Member States about the need for better coordination of the policies pursued by Educa-

tion and Employment Ministries which generally have overlapping responsibilities with regard to vocational training. (Ireland, Spain.)

Across the Union, action to improve education and training systems and improve access to continuing training centres around three main issues: the development of the framework of vocational training policies; the promotion of life-long learning; and the need to meet the challenge of the rapid spread of new technology and industrial change.

Member States recognize that, while in the past measures have been responses to particular problems such as high unemployment amongst young people, increases in long-term unemployment and problems posed by industrial change, there is now a need for a more comprehensive longer-term strategy, to equip the work-force effectively for the single market. Even before the White Paper, Member States were in the process of major reforms of their education and training systems which address some of the issues raised in it.

While systems in the Member States are very different, many of the problems and challenges they face are the same, which points strongly to the need for Member States' policies to take account of developments in other parts of the European Union.

There is an overriding concern to improve quality and a variety of approaches are being used, including setting minimum legal standards (Germany), targets for qualification levels in the work-force (United Kingdom, France) and the setting of reference points for policy development (Luxembourg). There is also an increasing trend to decentralize the delivery of training to locally based structures, and to ensure a greater involvement of the private sector in the process

(notably in France, Portugal, Denmark, the Netherlands, Luxembourg, Greece).

Most Member States now emphasize the need to put a higher premium on vocational qualifications, and to place them on a par with academic qualifications within the framework of a unified national system of certification, in place of existing disparate certification arrangements. Most Member States stress too the need for a closer association of the social partners with the design, management and delivery of training. Many Member States stressed the need for stronger action on recognition and transparency of qualifications to promote labour mobility.

So far as continuing training is concerned, all Member States are concerned to improve and extend access and participation, and stress the importance of in-company training with appropriate vocational assessment of workers, and also the links with local and regional authorities, especially in terms of forecasting skill needs and shortages.

The need for life-long learning is widely recognized in Member States. Measures to promote continuing training and life-long learning include promoting apprenticeship schemes (United Kingdom, France, the Netherlands, Belgium, Spain) (see section on young people), legal rights to training leave (Belgium, France), clauses in collective agreements (the Netherlands, Denmark, Germany), financial incentives (Belgium, Portugal, United Kingdom) and tax levies to finance training (France, Greece, Ireland).

There is some evidence of the introduction of tax incentives to encourage increased investment in human resources — through tax relief to companies, or financial assistance through loans or tax relief for individuals paying for their training and also help to small employers to invest in developing the skills of their employees (United Kingdom). However, no Member State has introduced generalized tax or other financial incentives to firms and individuals along the lines proposed in the White Paper.

Some measures are being taken to encourage individuals to take responsibility for their own training but, in the main, the emphasis rests in a

more limited sense on occupational guidance to promote choice.

Furthermore, despite efforts to give priority to continuing training for the least qualified and the unemployed, and the creation of more incentives for this group (Denmark), there is evidence that access to continuing training is unequal, with highly qualified workers in large enterprises most likely to benefit. Although this problem is widely recognized, there remain significant barriers for large sections of the work-force to access to training. It also remains the case that, despite a range of measures in Member States to promote equal opportunities, women remain underrepresented in certain sectors and at senior levels of the economy.

At European level, the representatives of the trade unions have offered to negotiate a collective bargaining agreement so as to extend access to and participation in continuing training, and build on the previous joint opinions agreed within the framework of the social dialogue. At this stage, the employers' representatives have not taken up this offer.

Some steps are being taken (Denmark, Germany) to consider adult education and continuing training in its widest sense, in terms of acquiring key personal and social competences that can be effectively used in the workplace, although this concept is not widely developed. There are some signs (Denmark) of a new approach to the organization of working life, with a high degree of alternation between work, training and leave. Denmark has introduced an ambitious job rotation scheme which combines incentive for education and training breaks for employees, while increasing job training of unemployed people recruited as substitutes for those on training leave. Belgium, too, has a successful career break scheme. Apart from this, many issues concerning the organization of work and training remain largely unexplored across the Union.

Almost all Member States have responded positively in the presentation of their Community Support Framework to the opportunity presented by the new Objective 4 (European Social Fund) to develop new forms of anticipative training to help companies plan for structural change.

As far as the important issue of demand for new skills is concerned all Member States undertake research into likely developments of skill needs including at sectoral (France, Spain) and local level. However, there appears to be no focus in this research as to possible sources of new jobs. The use of new technology is becoming established practice in secondary education, but there is considerable variation in the way in which technology is transferred to the workplace. Some initiatives are being taken (Denmark, France), but there is a sense that the potential here has not been fully exploited. Policy responses to the need to adapt to industrial change are being developed, and range from specific action plans (Germany for the East, Spain, Belgium) to actions to support small firms (Denmark), or more general advice and support measures (United Kingdom).

There remains the key question of assessing the impact of the reforms and initiatives proposed or in place in Member States. The nature of the systems and the wide range of interests involved mean that this can only be done over time. However, work needs to continue to identify objectives, as well as qualitative and quantitative data to assess the effectiveness of policies.

Flexibility

'improving flexibility within enterprises and on the labour market by removing excessive rigidities resulting from regulation as well as through greater mobility'

In the Member State submissions prior to the White Paper, a lack of flexibility in European labour markets was identified as a general problem — in terms of the organization of working time, pay and mobility, and in terms of the matching of labour supply to the needs of the market. Member States saw the introduction of more flexibility as being centred on the way work is organized. It was considered that increased flexibility should also be reflected in the collective bargaining rules and systems.

Since the publication of the White Paper, Member States have continued to take measures within their own responsibilities to introduce greater flexibility, notably with regard to the external labour market. Action has covered legislation concerning redundancies and dismissals, and legislation and collective agreements concerning the form and content of labour market contracts, including working time.

In terms of flexibility, Spain is going furthest in the pursuit of labour market reforms with a wide-ranging programme designed to encourage recruitment by easing the process of labour market adjustment, and to reduce the segmentation of the market. This includes measures regarding working time, dismissals regulation, collective agreements and the negotiation process. The United Kingdom has followed a deregulation policy in this respect for some time, and further measures are proposed. The Netherlands also plans to relax regulations relating to the dismissal of staff, while continuing to uphold recourse to law. In Ireland, a task force on small businesses has recommended changes in regulations. This includes measures regarding working time, dismissal regulation, collective agreements and the negotiation process.

In terms of policy action by the Member States in general, however, most emphasis has been put on changes with regard to temporary and permanent employment contracts, and to the possibilities for undertaking part-time work. Recent measures include: greater flexibility with regard to fixed-term contracts in Spain, with particular regard to access for unemployed workers over 45; the possibility to renew fixed-term contracts, and to reduce notice periods for young people and the more highly paid in Belgium; the authorization of temporary employment agencies in a number of Member States (see under public funds); the extension of incentives to firms which use part-time workers (France); the abolition of some restrictions on part-time work in Spain, including new arrangements with regard to relating hours worked to social security; and a commitment to revise legislation in Ireland. In Germany, a law allowing fixed-term contracts and the 'loan' of temporary workers for up to nine months between firms is being extended until the year 2000.

In a number of Member States, employment protection has been increased by the following measures: longer notice periods in Denmark, improved rights to information for employees in Ireland and the United Kingdom, and in respect of maternity in the United Kingdom, as provided in EC Directives, additional protection in respect of unfair dismissal related to health and safety, and when exercising a statutory right. A recent ruling has also extended considerably the protection of part-time workers under United Kingdom law.

Some steps have been taken to promote occupational and geographical mobility — notably in Spain and Germany where, in the latter, European guidance centres have been established, with electronic mail facilities, aimed at encouraging European-wide mobility. Changes in job classification systems are proposed in Spain.

As regards internal flexibility, most Member States see this as a matter for individual firms. Many recognize the important contribution which can be made by improved education and training, and they therefore put emphasis on ensuring that such arrangements are made within the framework of collective agreements. The Dutch Government intends to focus on improving flexibility by training those with few educa-

tional qualifications. The Danish Government aims to promote internal flexibility through active labour market policies, in particular through the strengthening of education and training. (See also Work organization.)

Member States continue to encourage wage restraint flexibility and decentralized negotiations in their efforts to ensure that real income growth remains below inflation levels, in order to encourage and assist employment growth (see also Non-wage costs section).

Work organization

'examination, at enterprise level, of economically sound formulas for the reorganization of work; such measures must not be directed towards a general redistribution of work, but towards internal adjustments compatible with improved productivity'

The White Paper put great emphasis on the potential employment benefits of more flexible patterns of working time, of reduced average working hours, and of part-time work (with certain conditions). Interest across Member States in developing new patterns of working time as a means of increasing the number of jobs for a given level of output is widespread, but variable.

In some Member States, notably Belgium, France and Germany, there is strong support at government level. In other Member States, such as the Netherlands, while governments are positive, they consider that it is more appropriate that actions are contained in collective agreements or in plant level agreements. The Netherlands, is, however, proposing a new working hours act which would simplify legislation. In the United Kingdom and Ireland there is less interest in working-time reductions, as such, as a policy instrument, although flexible options already exist and are generally promoted, and Ireland is committed to the introduction of a national voluntary scheme on work-sharing.

The issues addressed are varied. In some cases, interest centres on the annualization of working hours, as in France, where there is a very strong

debate at all levels on this issue. Various incentives for employers to reduce individual working hours or introduce part-time working are now in place, or being developed. Belgium has also introduced a framework plan which puts the emphasis on choice and experimentation, and which outlines eight possible formulas for work sharing. In Germany the emphasis is on the promotion of part-time work, while safeguarding standards. The German Government believes that increased use of part-time arrangements is the best way of sharing available work.

More generally, many large firms — national and multinational alike — are restructuring their working time as part of a much larger restructuring within their organizations, with the emphasis on decentralization. Examples include car manufacturers in Germany, agreements in the German chemical industry and the Dutch retail industry. One major company has now agreed that overtime will no longer be paid, but annual working time will be reduced and additional staff recruited.

A particular focus of policy in most Member States concerns part-time work, and measures to remove obstacles to part-time working are being taken in most Member States where such obstacles still exist. These schemes contain many different options both to encourage existing employees, who so wish, to move to part-time working, as well as to create new jobs.

The level of part-time working varies widely across the Union, but is generally higher in the north. However, in Germany, part-time work has not been that high, and while responsibility for the creation of part-time jobs is seen to lie with firms, the government is conducting a major publicity campaign in order to bring the benefits of part-time work to the attention of managers.

German law provides protection for part-time workers against discrimination and provides other safeguards, for example with regard to unemployment benefits. All posts in the public services are, by law, open to part-time workers. Since 1992 it has been possible to combine part-time work with a pension. In most Member States, equal treatment of part-time and full-time workers is not guaranteed however, in relation to social security.

In Spain, part-time working is to be allowed in the public service and other restrictions on part-time work abolished. Belgium has also introduced measures allowing small and medium enterprises to derogate from specific restrictions on the length of part-time working.

In Italy, solidarity contracts are being used more widely than before with reduced working hours subsidised by the *cassa integrazione* to develop part-time work. A new work-sharing/training measure in Portugal provides for the temporary replacement of employees by unemployed people undergoing training. Denmark has strengthened and extended its schemes to create possibilities of leave of absence, as part of a broad drive to upskill the work-force. Best known is its job rotation programme which offers employment possibilities for the long-term unemployed when employees take career breaks.

Non-wage labour costs

'targeted reductions in the indirect costs of labour (statutory contributions), and particularly of less skilled work, in order to achieve a better balance between the costs of the various factors of production; fiscal measures possibly relating, *inter alia*, to the environment could be one of the means of offsetting a drop in social contributions, within a general context of stabilizing all statutory contributions and reducing the tax burden'

With regard to the non-wage component of labour costs, in order to reduce the relative costs of labour and hence disincentives to recruitment, the White Paper made two recommendations. Firstly, it recommended a move away (1 to 2% of GDP) from labour-based taxes and charges to taxes on non-renewable resources such as energy, capital, consumption, etc. Secondly, it recommended that Member States address the current disincentives regarding less skilled workers' employment by adjusting taxation systems, especially when the overall effect of taxes and charges is regressive.

A number of Member States have already introduced modifications aimed at reducing the overall burden of taxes and social charges on labour. This has been done either across the board (Luxembourg) or targeted on different categories — young people, long-term unemployed, lower paid or less skilled workers, small and medium enterprises, or through enterprises providing training (Belgium, Spain, France, United Kingdom).

Similar steps are following in Ireland where the reduction of non-wage costs has been described as the single most important contribution to reducing the costs of low-skilled work. Most Member States who have pursued these policies have done so as part of wider labour market restructuring plans.

Other countries are showing considerable interest in this approach, including in the Netherlands, where calculations of the potential increase in employment have been made, and new measures are coming into effect. Luxembourg has also proposed a reduction in employers' social security contributions.

Other Member States are considering a general lowering of taxes and charges rather than a restructuring. Certain taxes are very sensitive and there is a recognition of the need to avoid divergences between Member States. For instance, some Member States favour increasing VAT revenues when other would rather reduce VAT rates for labour-intensive sectors.

Governments have pursued the reduction in charges most rigorously where employment taxes are high, most notably in Belgium and France. However, the trend is not universal and some Member States, notably Greece, Denmark and the United Kingdom, have increased employment-based taxes, or plan to do so, although generally only to a small degree or in circumstances where the tax rates are currently very low. Differences in policy are, therefore, largely explained by the differences in current levels of employment taxes (notably employers' social security contributions) between Member States.

However, there are large differences in initial starting positions and in financial pressures on government budgets among Member States. Some Member States make provisions for a

reduction of indirect labour costs: this reduction amounts to 0.4% of GDP (1994) in two cases and between 2 and 3% (long-term) in another. In this respect it would be helpful if Member States were to share information and their experience in this field. This exchange of information and experience has just begun.

While there is widespread support for the idea of reducing non-wage labour costs in order to boost employment, the difficulties inherent in raising alternative revenues, especially in recession, is equally recognized. The information received so far makes it difficult to quantify (as a percentage of GDP) the global effects of these measures and even more difficult to quantify compensatory measures (reducing public expenditure, increasing tax revenues from non-labour sources, etc.). The absence of sufficient compensation could lead to increasing public deficits, at least cyclically.

With regard to the adoption of Eco-taxes as a means of paying for employment based tax reductions, as recommended in the White Paper, Member States are somewhat varied in their response from being generally in favour in the northern Member States of the Union — in particular Denmark, the Netherlands, Belgium and Germany, to being broadly open, as in Ireland, and less sure in the south, for example in Spain, although Greece is open to a gradual move in this direction.

Public funds

'better use of public funds set aside for combating unemployment by means of a more active policy of information, motivation and guidance of job-seekers through specialized agencies, whether public or private'

The White Paper highlighted four particular issues in terms of the use of public funds regarding unemployment: the efficiency of labour market measures to reintegrate the unemployed; the role of the employment services; the need to restructure national government income support schemes in ways which enable income

from work to be topped up with income from social security; and the need to widen the concept of work in ways which bring more people into the formal labour market.

In terms of improving the effectiveness of measures, emphasis is increasingly being put on early intervention in order to avoid unemployed people becoming long-term unemployed. France and the United Kingdom have actions built around interviews with the unemployed, and schemes to identify options for the unemployed are being strengthened in Denmark and the Netherlands. Germany has launched large scale schemes aiming to retain jobs in the eastern *Länder*.

Personalized counselling is increasingly seen as important, especially in northern Member States, with emphasis on improving the ability of the unemployed to compete, and to matching them to available jobs.

Member States have sought to provide better support for the unemployed by developing the services of public employment agencies, and by legalizing private employment agencies where these were not previously allowed — in Spain and, later, Italy and Germany. Limited remaining restrictions on private agencies — United Kingdom and the Netherlands — are also being abolished.

Many countries have changed, or are changing, the way in which the employment services work, with the introduction of self-service schemes, with closer contacts between the employment and social security offices and with further development of job club models.

There is still an ongoing debate, however, in some Member States, about the merits of integrating employment offices and benefit offices — the advantages of a 'one-stop shop' for clients, as against conflicts of objectives. In France, separate employment offices for young people are foreseen.

A number of Member States — Belgium, France, Spain, Denmark, the Netherlands, Greece — have promoted a decentralized approach, although the degree of autonomy given

to the local level can vary widely. In France and Denmark, in particular, emphasis is put on integrated local or regional coordination. Improvements in employment services in Denmark are considered to be due to the involvement of local authorities.

While it is widely recognized that the costs of so-called passive measures (income support) outweigh the costs of so-called active measures (training and job creation), by a factor of 2 to 1 in most Member States, there is seen to be only limited scope for transfer in the short-term, although there is something of a tightening up of expenditure in a number of cases.

Various steps are being taken, however, to shift passive measures of income support into more active measures. A number of Member States have experimented with a range of intermediate labour market models, often initiated at local level. In Germany, a new instrument, of limited duration, which activates unemployment benefits as wages subsidies has been introduced for the new *Länder*, and Denmark has introduced changes in its unemployment compensation system which strengthen the rights of the unemployed but at the same time encourage their placement in various activities. France has various schemes to encourage companies to take on unemployed people. The Netherlands is also considering action along these lines. Many issues remain to be resolved here, in terms of acceptability and nature of measures, including those of mutual or respective rights and responsibilities between government and individual, perceptions of support and policing, and credibility with regard to quality of programmes.

There is, as yet, limited use made of schemes to 'top-up' income from employment with income from social transfers, along the lines recommended in the White Paper, and which was intended to expand employment opportunities at the bottom end of the labour market and escape from problems of poverty traps. It is not clear whether existing, somewhat experimental, measures will be evaluated in ways that will enable Member States to decide whether or not to transform them into mainstream actions. At present, the interaction of systems very often create barriers rather than pathways to employment.

Young people

'specific measures concerning young people who leave the education system without adequate training'

Over the years, Member States have developed a variety of schemes and programmes to help young people entering the labour market, and in particular to help reintegrate the young unemployed. They involve guidance and counselling, support for job search, help in attaining numeracy and literacy and basic training often linked with workplace experience.

Within this, there is little evidence of special new measures designed to eliminate basic illiteracy, as well as the lack of other basic skills, on the part of school-leavers.

Virtually all Member States, however, have taken, or are now taking, steps to ensure that all young people are offered a sound, broadly-based initial vocational training, and most Member States have welcomed the idea of Youthstart as a further stimulus to national efforts. A wide-ranging selection of measures targeting young people has been introduced in many Member States over the last few years. However, the range of schemes sometimes makes it difficult to perceive how the individual finds his or her way through the systems, and some simplification could be useful.

More specifically, most Member States have recently committed themselves to:

- revitalize and extend the coverage of their apprenticeship system, improving quality and standards, including the work-based component;
- review their arrangements for vocational guidance, though without much evidence of the need to examine the links between such services and employment/placement services, whether public or private;

review the training of trainers and instructors and their qualifications;

a number have also sought to raise the status of vocational education in the schools (Belgium, United Kingdom, Spain, Ireland) in particular through providing access to further and higher education through vocational education;

develop further the bridges between the worlds of school and work, including the introduction of more opportunities for work experience;

experiment with the introduction of credits for young people (having left full-time compulsory education) to choose an approved course;

encourage active partnerships between higher education and industry, including the two-way transfer of staff between institutions of higher education and companies.

Some Member States have set specific targets for increasing the numbers of young people in further and higher education (Spain, Portugal, United Kingdom) as well as actions to raise attainment rates before leaving the education system.

Several Member States (for example, Ireland, Denmark) refer to the importance of foreign-language teaching, and the need to encourage a spirit of enterprise among young people so as to develop skills to support job creation and economic development. Most have introduced the use of technology into the school curriculum.

Member States are now tending to move towards programmes which integrate many of these activities and which target those facing the greatest difficulties. More than 5 million young people in the Union have no formal qualifications; up to 10% of young people leave school without qualifications each year; and another 10 to 20% enter the labour market with only a lower secondary qualification.

Member States have reacted positively to the Commission White Paper proposal for a specific

Youthstart programme targeted at unqualified young people under 20.

All Member States have some form of youth guarantee scheme to help disadvantaged young people, ranging from a loosely connected series of separate measures, to a 'guided pathway' approach. A more comprehensive model is now emerging.

The first approach has been the most common, encompassing various elements such as: guidance/counselling; support for job search; help in attaining numeracy and literacy; pre-vocational and vocational training, often linked with workplace experience; adapted training courses or work-based programmes, but in relatively unrelated ways.

The 'guided pathway' approach has developed in order to smooth the transition from education to training to working life by creating structures with the appropriate capacity: to identify and connect with the target group of young people; motivate and engage them in developing individualized plans; provide appropriate access to all the individual elements that are needed. A number of Member State programmes now have features of this approach — the Education For All initiative (Germany); Youth reach (Ireland, Luxembourg); *Crédit formation individualisé* (France); Youth work guarantee (the Netherlands); Youth training (United Kingdom); The employment and training organization in Flanders (Belgium).

While such approaches bring greater clarity, there are moves to develop even more comprehensive systems with a proactive, preventive approach. In the Netherlands, a broad programme to prevent drop-out and ensure that a qualification is enjoyed by all was launched in 1993.

The Commission White Paper proposal, Youthstart, is aimed along these lines with a view to providing a stimulus to developing a comprehensive Communitywide approach to helping unqualified young people under 20. Measures proposed in the Leonardo programme will also provide support. Youthstart is intended to support schemes built on a range of minimum

standards, key features of which are ensuring a coherent link with the labour market, recognized, marketable, qualifications and addressing personal and institutional barriers to labour market participation.

With regard to young people leaving schooling at secondary level, an important trend is the resurgence of interest in Member States in the use of apprenticeship training schemes (United Kingdom, Ireland, Spain, the Netherlands) as advocated in the White Paper. New efforts are also being made to develop measures such as recruitment subsidies (Belgium, France), on-the-job work experience (Italy), and quasi-public jobs at local level (Denmark).

Developing new employment

'developing employment in connection with meeting new requirements linked to the quality of life and protection of the environment.'

Most Member States rely on commercially-driven activities or conventional public services, as the source of employment creation. However, many specific initiatives have been taken in the Member States in order to promote the development of new job opportunities, particularly at local level. However, such initiatives vary enormously in scale, nature and focus — depending, in part, on the perceived role of Member States' governments in relation to the process of employment creation.

However, in all countries, local public authorities, non-governmental organizations, regional trade union organizations and individuals are directly involved in numerous job creation schemes, which aim to respond to new needs as well as to provide employment. Activities include jobs connected with social services (child care, assistance to the elderly, handicapped persons or families, and support for young people in difficulty); the improvement of the quality of life (local public transport, security, housing, the revitalization of urban areas and community development); arts, culture, heritage, tourism and audiovisual activities; and environmental

protection (investment in clean-up and waste management, pollution control, water, protection and maintenance of the countryside).

Measures taken to support such initiatives are very diversified. Sometimes they may form part of large sectoral policies — for example tourism in Ireland and Greece, cultural activities in the United Kingdom and France, information technology actions in Spain, Denmark and Ireland, environmental protection in Denmark, Luxembourg and Germany, and urban renewal in Portugal, Italy, the Netherlands and Belgium. In other cases, measures may respond to more local concerns such as housing projects, services to persons, transport, and moves away from institutional care systems.

Some Member States — notably France, Ireland, Germany, Denmark and Belgium — are seeking to promote more local level employment creation, by direct means, including the provision of vouchers for service jobs for families (France and Belgium), and by rural community economic development actions in tourism and education (Spain, Greece, Italy).

Important as these actions are in total, their diversity and multiplicity often means that they are less visible and less appreciated than more grandiose schemes, and their employment and social cohesion benefits underestimated. Gov-

ernment finance is, however, often involved in such projects, and local level employment offices and training agencies frequently have very close contacts with employers and the voluntary sector. Moreover, most Member States have, or have experimented with in the past, schemes to promote self-employment or very small businesses (for example, France, Belgium, and the United Kingdom).

However, since national governments are not always directly involved in these activities, their importance, and the benefits to be gained by developing local capacity to engage in these activities, is not always fully appreciated.

Thus, Member States do not seem to be exploiting the potential of these diverse sectors in any strategic way and systematic action to assess the potential of these sectors, and to promote employment growth in them, is generally lacking.

In short, local level employment creation activity abounds but the potential, and need, to develop many of the new areas of job growth that were identified in the White Paper — such as local services, arts and culture, tourism, and environmental protection — remains to be exploited, as does the potential for various forms of public-private partnership or social economy activity.

**Extracts of the conclusions of the Presidency
of the Corfu European Council**

(24 and 25 June 1994)

White Paper

In December 1993 the European Council in Brussels adopted a plan of action based on the Commission White Paper on a medium-term strategy for growth, competitiveness and employment. It underlined that a healthy and open economy as well as an economy geared to solidarity were essential prerequisites for the successful implementation of this plan.

Signs of economic recovery are now being confirmed and non-inflationary economic growth is returning. The European Council considers it essential that the improvement in the economic situation should not lead to a slackening of efforts to promote structural adjustment in Europe but should instead be exploited to speed up essential reforms, particularly in the field of employment, where the situation is still very worrying.

The successful conclusion of the Uruguay Round within the guidelines set out by the European Council has created an international trade policy environment which can provide effective support for economic recovery and job creation. The European Council calls on the Community institutions and Member States to do everything necessary to complete ratification in time to ensure the entry into force before 1 January 1995. The European Union will play an active role in efforts to ensure that the new World Trade Organization can effectively carry out its task of ensuring observance of the rules drawn up jointly and promote progress in combating unfair trade conditions. Environmental and social issues will also have to be discussed in this context.

1. Improving the employment situation

A sound macroeconomic environment is a *sine qua non* for success in the fight against unemployment (see point 5).

The resumption of economic growth will not of itself suffice to settle the problem of unemploy-

The European Council on the basis of a report from the President of the Commission had an in depth discussion on the different elements of the Action Plan decided in the Brussels European Council.

The European Council puts particular emphasis on the following points which should give new impetus in the follow-up debate on the White Paper.

- (i) Encouragement of reforms in Member States intended to improve the efficiency of the systems of employment.
- (ii) Specific measures with regard to fully exploiting the employment potential of small and medium-sized enterprises.
- (iii) Reinforced coordination of research policy.
- (iv) Rapid implementation of high priority trans-European projects in the field of transport and energy.
- (v) Fully exploiting the possibilities and opportunities offered by the information society.
- (vi) Encouragement of the new model of sustainable development including the environmental dimension.

ment, which requires structural reforms both at the level of Member States and of the Union.

The European Council considers that increases in productivity for the rest of this century should be dedicated primarily to investments and jobs. This objective should be implemented in a spirit

of solidarity and taking special account of those in society who are in the weakest position. The European Council stresses the need to maximize the potential of human resources.

The European Council reviewed, on the basis of a report from the Commission, the initiatives under way in the Member States in accordance with the general objectives defined in December 1993. The European Council noted progress in these areas but considered that the efforts undertaken so far, though appreciable, still fall a long way short of what is necessary. It encourages Member States in order to win the battle for jobs to take further steps to implement the objectives set out in December. In particular:

with regard to education and training, the European Council concurs with the Commission's recommendation that a more systematic and comprehensive approach will be needed in many Member States, in particular with regard to continuing training. At the Community level the European Council welcomes the agreement in principle by the Council on the two new education and training programmes (Leonardo and Socrates) and invites the Council and the European Parliament to finalize the decisions on this programme before the end of the year.

as regards measures to encourage employment, the European Council notes the Commission recommendation concerning the reduction of non-wage labour costs, mainly on the less skilled. In this framework, the European Council underlines that further steps should be pursued, consistent with the objective of budgetary consolidation.

Accordingly, the European Council takes note of the discussion on the CO₂/energy tax issues and underlines the need to ensure that environmental costs are better reflected throughout the economy.

as regards the promotion of economically sound formulas for the organization of work, the European Council notes the need to remove

obstacles to part-time work and in general to promote new forms of organization of work.

with regard to developing new employment in connection with meeting new requirements linked to the quality of life and protection of the environment, the European Council notes that a number of initiatives have been taken but many of the new areas of job growth that were identified in the White Paper remain to be exploited. The European Council underlines the importance of the study to be prepared by the Commission before the next European Council on this subject.

with regard to young people, the European Council considers that additional emphasis should be given to those young people who are facing the greatest difficulties. It attaches high importance to ensuring as far as possible that young people can move from education into work; in this context it welcomes the Commission's Youthstart programme.

To support these efforts the European Council invites the Social Affairs Council, the Ecofin Council and the Commission, on the basis of information collected by the Commission, to keep progress in this area under constant review. The Council will report to the European Council in Essen on national experiences which have had positive effects on employment, analysing the reasons for their success, and define appropriate policy recommendations for adapting current policies.

Efforts to promote youth employment and to combat long-term unemployment should be given particular priority in the work of the Council.

Finally the European Council invites the Commission to renew its efforts towards assuring the necessary social dialogue, making full use of the new possibilities available in the Treaty on European Union and in particular of the provisions of the protocol annexed to it.

2. The internal market, competitiveness and small and medium-sized enterprises

The smooth operation of the internal market is essential if the economy is to be competitive and dynamic. This means that the delays in transposing certain important Directives on public contracts, insurance, intellectual property and company law at national level must be remedied. Furthermore, it is essential that the basic principles of the single market should be extended to those areas, such as energy and telecommunications, which are still only partly covered by it while ensuring that the public service and town and country requirements in these sectors are also safeguarded.

The single market is implemented with due regard to environmental problems. The safeguard of important national environmental protection measures shall be secured in this context.

The single market is a fundamental aspect of Community construction but it is not an end in itself, as was already pointed out in the conclusions of the Rhodes European Council in 1988. It should be used to serve the welfare of all, in accordance with the tradition of social progress established in the history of Europe. The policy of the Union, alongside the policies of the Member States, should foster the affirmation of this social dimension. In the view of the Member States concerned, the recent agreement in the Council under the provisions of the Social Protocol concerning information and consultation of workers in multinational enterprises constitutes significant progress towards the realization of this objective. Further advances on the same basis, including efforts aimed at avoiding social exclusion, are essential in a society in rapid transformation. The European Council also welcomed the recent agreements in the Council on the protection of young workers as well as the creation of the agency for health and safety at work.

Small and medium-sized enterprises make a major contribution to growth and job creation and they should be able to benefit more from all the opportunities offered by the single market. The European Council welcomed the implemen-

tation by the Council of its orientations concerning interest rate subsidies for SMEs and that the Commission has decided to devote ECU 1 billion for the period 1994–99 for a Community initiative programme to help small and medium-sized enterprises adapt to the internal market and to the new competitive environment. It also noted with interest the recent Commission initiative for an integrated programme in favour of small and medium-sized enterprises, including action to simplify legislation and reduce administrative burdens on such enterprises, and the initiative of the Portuguese Prime Minister on the local dimension of the internal market and the initiatives taken by Ireland in the areas of social partnership and local development. The European Council considers that local development initiatives offer considerable potential for reinforcing the economic and social fabric of the European Union and for creating jobs. They are an essential element of the new model of development mentioned in the White Paper and will help to preserve cultural diversity within the Union. The European Council notes the Commission's intention, within the framework of the report on new potential sources of employment to be submitted to the European Council in Essen, to draw up a detailed inventory of the various actions at Community level to foster local development and local employment initiatives, particularly those concerning microenterprises and handicraft industries. This inventory will be accompanied by the proposals deemed necessary to enhance the consistency and the effectiveness of those actions.

Regarding scientific and technological research, the European Council expects that the recent decision on the ambitious 1994–99 framework programme, to which considerable funding has been allocated, will be followed up without delay by the rapid adoption of specific sector programmes. In this context the information sector and biotechnology are of particular importance. It also invites the Council to pursue a more systematic coordination of Community and national research policies and invites the Commission to take any useful initiatives to promote such coordination.

Lastly, the European Council expressed its conviction that the elimination of unnecessary legal and administrative burdens on business and making Community and national legislation simpler are important aspects of improving the competitiveness of the European economy. It welcomes the fact that the Commission is pursuing its efforts to simplify existing Community legislation and will reinforce its cost/benefit examination of proposed Community legislation. The Commission also intends to launch a process of examining the impact of existing Community and national legislation on employ-

ment and competitiveness. With regard to these latter aspects the European Council welcomes the establishment by the Commission of a group composed of independent persons to assist it in this task and attaches high importance to its work.

As regards subsidiarity the Council welcomes the progress made so far by the Commission in acting on the report of December 1993 and notes the Commission's undertaking to give a full report to Essen.

3. Trans-European networks for transport, energy and environmental projects

The single market will produce all the expected positive effects to benefit citizens and firms only if it can rely on effective trans-European networks for transport and energy. The European Council welcomed the work achieved so far by the group chaired by Mr Christophersen in accordance with the mandate given last December.

On the basis of the group's report, the European Council has agreed on a first priority list of 11 major transport projects, set out in Annex I. As far as the energy sector is concerned the European Council took note of the projects listed in Annex II and requested the Christophersen group to continue its work examining in particular their economic viability. The Member States involved are asked to make every effort to ensure that all the transport projects whose preparation is sufficiently advanced are started up immediately and that the others are started up as far as possible during 1996 at the latest by accelerating administrative, regulatory and legal procedures. The European Council invites the Commission to take all useful initiatives in this respect including the convening, where appropriate, of project seminars aimed at coordinating the activities of all parties involved.

The European Council also attaches importance to the other important transport projects which are set out in the interim report.

The European Council calls on the Christophersen group together with the representatives of the acceding States to continue their work on the basis of the mandate proposed in the group's report studying further the extension of the trans-European networks to neighbouring countries (in particular to Central and East European countries and to the Mediterranean Basin) and to prepare a final report to the European Council in Essen. It also asks the Christophersen group to examine the question of relevant networks in the field of the environment.

As regards financing of networks, the European Council confirms that measures will be taken, if proved necessary, in order that priority projects do not run into financial obstacles which would jeopardize their implementation. It noted the conclusions of the Ecofin Council and the studies carried out by the Commission. This question will continue to be examined by the Christophersen group and in the Ecofin Council until the Essen European Council, taking account of the specific characteristics of each project, the leading role of private funding and the judicious use of existing Community resources.

The Council will be informed if it appears that the achievement of certain projects is threatened for financial reasons linked to insufficient profitability — for example because of the length of investments or environmental constraints. The

Council will immediately consider with the Commission and the EIB the appropriate re-

sponses, within the limits set by the financial perspectives.

4. The information society

The European Council took note of the report from the group of leading figures representing the industry, operators and users who have been examining the various aspects of this question under the chairmanship of Mr Bangemann. The European Council considers that the current unprecedented technological revolution in the area of information opens up vast possibilities for economic progress, employment and the quality of life, while simultaneously representing a major challenge. It is primarily up to the private sector to respond to this challenge, by evaluating what is at stake and taking the necessary initiatives, notably in the matter of financing. The European Council, like the Commission, considers that the Community and its Member States do however have an important role to play in backing up this development by giving political impetus, creating a clear and stable regulatory framework (notably as regards access to markets, compatibility between networks, intellectual property rights, data protection and copyright) and by setting an example in areas which come under their aegis. The European Council agreed in general with the areas of application set out by the group (teleworking, distance learning, network for universities and research centres, telematic services for SMEs, road traffic management, air traffic control, health care networks, electronic tendering, administrative networks and city information high-

ways). The importance of linguistic and cultural aspects of the information society was also stressed by the European Council.

The European Council, having noted the findings of the Bangemann group, considers that the importance and complexity of the issues raised by the new information society justify the setting up of a permanent coordination instrument to ensure that the various parties involved, both public and private, are working along the same lines. This coordination instrument, to be set up as soon as possible, should be based on the appointment in each Member States of a person responsible at ministerial level for coordinating all aspects of the subject (political, financial and regulatory) with a view *inter alia* to ensuring a coordinated approach in the Council. The Commission will act similarly.

At the level of the Community, the necessary regulatory framework has to be established as soon as possible. The European Council invites the Council and the European Parliament to adopt before the end of the year measures in the areas already covered by existing proposals. It also invites the Commission to establish as soon as possible a programme covering the remaining measures needed at the Community level.

The European Council will assess progress at its meeting in Essen.

5. The macroeconomic environment

Regarding major economic trends, the European Council notes first of all that the Member States have broadly followed the guidelines laid down by the European Council in December 1993. Inflation, which is in the process of being overcome, a return to exchange rate stability and an incipient reduction of public deficits are

creating a sound basis for future growth and favouring the convergence of economies towards the criteria laid down in the Maastricht Treaty for the final stage of EMU. These efforts must be continued in order to consolidate the fall in short-term interest rates and to reverse the recent upward trend of long-term interest

rates, all of which are essential conditions for stimulating investment and creating jobs.

For all these reasons the European Council endorses the economic policy guidelines contained in the report submitted by the Ecofin

Council in accordance with Article 103 of the EC Treaty. It invites the Council to finalize the guidelines in the light of the conclusions of this European Council with regard to the implementation of the White Paper in general.

Annex I

List of high priority transport projects adopted by the European Council

Projects	Countries involved
<i>High-speed train combined transport north-south</i> Brenner axis Verona — Munich — Nuremberg — Erfurt — Halle/Leipzig — Berlin	I/A/D
<i>High-speed train Paris — Brussels — Cologne — Amsterdam — London</i> The following sections of the project are included Belgium: F/B border — Brussels — Liège — B/D border Brussels — B/NL border United Kingdom: London — Channel Tunnel Access Netherlands: B/NL border — Rotterdam — Amsterdam Germany: Aachen ¹ — Cologne — Rhine/Main	B UK NL D
<i>High-speed train south</i> Madrid — Barcelona — Perpignan — Montpellier Madrid — Vitoria — Dax	E/F E/F
<i>High-speed train east</i> The following sections of the project are included ² Paris — Metz — Strasbourg — Appenweier — Karlsruhe with junctions to Metz — Saarbrücken — Mannheim and Metz — Luxembourg	F/D F/D F/L
<i>Betuwe line: Combined transport/conventional rail</i> Rotterdam — NL/D border — Rhine/Ruhr ¹	NL/D
<i>High-speed train/combined transport France — Italy</i> Lyons — Turin	F/I
<i>Motorway Patras — Greek/Bulgarian border/</i> jointly with the west-east motorway corridor: Via Egnatia Igoumenitsa — Thessaloniki — Alexandroupolis — Ormenio/ Kipi	GR

¹ Ongoing construction support already provided at Community level.

² The extension to Frankfurt is already under construction; as regards the further extension to Berlin the maturity of the project is not advanced enough.

<i>Motorway Lisbon — Valladolid</i>	P/E
<i>Cork — Dublin — Belfast — Larne — Stranraer rail link</i>	IRL/UK
<i>Malpensa airport (Milan)</i>	I
<i>Fixed rail/road link between Denmark and Sweden (Øresund fixed link) including access routes</i>	DK/S

Annex II

List of energy projects which the European Council has given priority status

France — Italy: electricity interconnection

Italy — Greece: electricity interconnection (cable)

Denmark: east-west electricity connection (cable)
(not eligible for Structural Funds)

Portugal: natural gas network

Greece: natural gas network

Spain — Portugal: natural gas interconnections¹

Spain — Portugal: electricity interconnections

Algeria — Morocco — European Union: gas pipeline

* * *

Russia — Belarus — Poland — European Union: gas pipeline²

¹ Including the introduction of natural gas in the Extremadura and Galicia regions of Spain.

² This project should also be shortlisted and studied although it has not yet reached the same stage as the other four gas schemes.

European Commission

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