

MR RICHARD'S ADDRESS TO THE CBI NATIONAL
CONFERENCE : EASTBOURNE : 6 NOVEMBER 1984

Mr Chairman,

I know it is customary for speakers on occasions like this to say that it is a great pleasure to be with you. I am not sure that that is an entirely appropriate remark for me to make to an audience like yourselves. When I was invited to speak to your Conference, your Director-General was frank enough to write to me that, as European social policy was not looked upon with complete approval by members of the CBI, I could expect "a certain^{amount}/of flak". Both as a politician and as a lawyer, I have had a certain experience of flak. So, whilst I won't say it is a pleasure to be with you this morning, let me say that I expect the debate to be one of considerable interest.

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I have now been the Commissioner for Employment and Social Affairs in the European Community for almost four years, and, whilst my relations with officers and representatives of the CBI have always at a personal level been friendly, in our professional roles they have been consistently hostile. Indeed, they have been very consistent, for I cannot think of any measure that I have proposed in the social field which has not been immediately opposed by the CBI. I have come to characterise our relationship as being based on trust and understanding. You don't trust me, and I don't understand you.

But in attempting to understand you, I have come to the conclusion that your general view is that the Commission has no rights to propose legislation in the social
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field, and that the European Community ought only to concern itself about such things as the internal market, the abolition of barriers to trade, competitiveness and profit. This is a view which I reject. For not only has the Commission the rights to propose legislation in the social field, it has also got an obligation so to do. For whilst it is true that when the Treaty of Rome was drawn up it predominantly dealt with such matters as the common agricultural policy, customs unions etc, it also envisaged a Social Europe. Many people in the UK conveniently overlook the concept of a Social Europe in the Treaty, and therefore also overlook the fundamental assumption in the Treaty that the necessary improvement in working and living standards that we all wish to see will not occur without legislation, or

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to use the precise language of the Treaty by "the approximation of provisions laid down by law, regulation and administrative action". I therefore regard myself as the responsible Commissioner under an obligation, in the pursuit of improving working and living conditions, to propose legislation where necessary.

Having said this, however, let me say I do not regard myself as a social engineer. Nor do I believe that I am involved in a comprehensive and systematic social engineering policy, as your recent document on the European Community suggests. What I am seeking to do is to help build a Europe which is more efficient and cooperative, which is more profitable and contented. And in our endeavour to help build a more balanced and sensible Community, it is

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important that Community legislation is relevant to the real world.

Let me give you two examples of what I mean by relevant. The CBI say that the Vredeling Directive is irrelevant and likely to worsen industrial relations in Britain. Yet in Europe and in the UK, the role of the multinational corporation, in many areas, has fundamentally changed the nature of social protection accorded to workers. I give you one example. We have in recent months come across a very large number of cases in West Germany, all involving major multinationals operating in the Federal Republic who have each in their own way reduced the value of the German worker consultation legislation to near zero through the process of taking decisions at headquarters outside Germany and announcing them as faits accomplis through the

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local management in Germany. This is something which will happen more and more, and therefore calls for a Community-wide solution which in part is what Vredeling is. It is not a problem that can be adequately dealt with by Member States alone. Nor by voluntary codes of practice by the multinationals, because the bad boys would ignore them. And therefore it is best dealt with by the 10 Member States coming together and achieving a consensus within the framework of Community legislation. I do not, Mr Chairman, regard that approach as social engineering. I regard it as common sense.

My second example is on the reduction and reorganisation of working time. As you know, this has been ferociously attacked by employers' organisations at a Community level. But the essence of their attack does

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not deal with my proposals. I am not proposing less work for more wages. I am not proposing a reduction in the competitive position of European industry. I am not proposing greater rigidity in the labour market. What I am saying is that one way, and I emphasise one way, of dealing with unemployment is by an agreed system of work-sharing. But I have said quite specifically, and indeed got into great trouble with the trades unions, that work-sharing should not produce an increase in unit labour costs, and that the maintenance of competitiveness against our trading rivals is of paramount importance because without it we cannot sell our goods.

I have also urged, particularly on the employers, the importance of having regard to the benefits that can stem from

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the reorganisation side of our proposals. We want to see greater flexibility in working structures if it will increase efficiency. I have always thought that these proposals are an ideal example of a balanced package. It says to the trades unions: "Yes, it is possible to at least maintain, and possibly to increase, jobs by a reduction in hours, though this will almost certainly mean some loss in wages. But of course the price that you will probably have to pay is to agree with the employers to adopt more realistic and efficient work practices."

This is not social engineering, but a balanced approach to try to do something about unemployment.

Now I know that there is a measure of scepticism about the readiness of trades unions to take lower wages. Indeed, some

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employers tell me categorically that it cannot be done. But you know, it is being done, and being done in the Community.

At the present time in Holland some 60% of workers are covered by contracts which involve a reduction in hours and a reduction in real wages. In Belgium, through a tripartite agreement between Government, employers and trades unions, the workers have accepted a 3% reduction in real wages as the price to be paid for a 3 - 4% increase in jobs. Similar experiences are to be seen in the Federal Republic of Germany, Italy and France. So if this concept of work-sharing can in some circumstances be successful, I would expect that you would at least look at what we are proposing and not attack us on spurious grounds.

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Because time is very short, Mr Chairman, may I say something about what I regard as the greatest piece of social engineering that Europe has been subjected to in this century. I am of course talking about the pursuit of macro-economic policies by some governments, which inevitably has resulted in mass unemployment. The unemployment situation in Europe is not only disastrous, but it is getting worse. We have some 15 million people out of work in the Community, 40% of which are young workers under the age of 25. But perhaps the most alarming statistic is the one that deals with the longterm unemployed.

There are now 4.3 million who have been out of work for more than one year, and there are some 2.1 million who have been

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out of work for two years or more. And again a very high proportion of these are young people. So for many of our fellow-citizens they literally face a lifetime of unemployment unless we do something about those policies that have helped to create this situation. It is simply not good enough for governments to suggest that there is nothing they can do about unemployment. It is equally dishonest, in my view, for people like Nigel Lawson to suggest that the major way out of this crisis is for people to price themselves into jobs. Do not misunderstand me. I am not arguing that wage levels are sacrosanct in every case. Indeed, I have always considered it to be a mistake on the part of the British trades unions to negotiate such high levels of wages for apprenticeships, unlike their German brothers

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who obtained conditions of service for an apprentice more akin to those of a student than a worker. It is not, I think, without relevance that, where the apprentice system in Britain has virtually collapsed, in Germany, in spite of increased unemployment, their system has essentially escaped the effect of the recession.

But for governments constantly to claim that unemployment is not their business is patently absurd. Given the very low level of private investment available to European industry, a shortage I suggest which will continue as long as the Reagan Administration pursues its high dollar, high interest policy, then governments are under a responsibility to help provide the money for productive public investment. When the Commission called upon Member

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States to increase available investment by an additional 1% of gross domestic product, it was not calling upon them to throw money at our economic problems. It was arguing that, in certain areas like construction, like energy, like informatics, there were opportunities for genuine public investment which would produce business and more jobs in the private sector. We did not call for an increase in the public service bureaucracies. We called for governments to invest money to create genuine business and real jobs. And I would of course, Mr Chairman, be churlish if I did not acknowledge that the CBI has made a similar call on HMG in recent months.

For if we accept the view of Nigel Lawson that the Government cannot create jobs; and if we accept that, as a result of

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restructuring and of the impact of the new technologies, existing industry will require fewer workers; and if we accept that for demographic reasons we need to create 1 million new jobs in Europe simply to stand still; and yet we are producing no net increase; well, if we accept those facts we have also got to accept that the Economic Community faces the prospect of a permanent pool of unemployment well in excess of 10% of the work force. And if we accept that, then we must also accept, to use the Archbishop of Canterbury's words, that "people will wake up to the fact that this is no longer a decent society". And the thing that alarms me is that what you get in an indecent society is what happened in Brighton, and what is happening on the picket lines. In an indecent society

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social cohesion goes out of the window,
and it is brute strength and violence
which will determine the way we live.

This is why in the Commission we
seek to follow a balanced approach of
efficiency and concern. We should not
have to face the stark choice of
Mrs Thatcher's monetarism and Mr Scargill's
Marxism. There is a better way, and we
ought to follow it.