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THE 'VREDELING' PROPOSAL.

Speech by Mr. Ivor Richard, Member of the Commission of the
European Communities.

to the Social Committee of the European Parliament

Mr. Chairman,

I am very pleased to be here today to participate in your discussion of the so-called Vredeling Proposal.

Ever since I became responsible for this draft directive a year ago I have been surprised at the enormous amount of controversy it has attracted. I am particularly concerned about the degree of hostility it has generated amongst the multinational companies. It seems to be the view of some multinational companies, particularly American ones, that the prime purpose of this directive is: if not to destroy, then to badly damage them. Nothing could be further from the truth.

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The EEC is not in a witch hunt against multinationals. Nor, I hope, are multinationals in a witch hunt against the EEC. Those holding either belief fundamentally misread the interface between the EEC and multinational companies, and the Commission's perception of and policy towards MNCs. Let me explain briefly the balanced nature of that perception.

The multinational company is a focal vehicle for economic change in our western societies, and the EEC is no exception to this. The factors influencing the nature and the speed of such change - be it shifts in international trade, in investment or technological know-how - are now essentially international in character. Indeed, in early recognition of that, one of the initial and lasting purposes of the EEC has precisely been the creation of a common cross-frontier market encouraging corporations to operate transnationally, and American MNCs have been prime beneficiaries of this process. The maintenance and furtherance of transnational trade and investment remains a key EEC priority, reflecting the belief that corporations should be encouraged to adopt an international framework to respond to international challenges and exploit international opportunities.

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But at the same time, exploitation of new opportunities - and few in the international business community contest the benefits accruing to MNCs from the creation of the Common Market - must be paralleled by the assumption of new responsibilities, notably to local work forces who, like the companies that employ them, are also caught up willy-nilly in this process of change. We are not simply a Common Market of goods and services, but also a Community of peoples. Strategic decisions made by large enterprises which directly affect the welfare of large numbers of citizens cannot simply be announced after the event. This is particularly true in times of great structural changes instanced by rapid technological innovation and rising and massive unemployment. I feel that we in the EEC must ensure that, in seeking to foster an effective business response to such structural change, in which the multinationals have an undoubted role to play, we must not lose sight of the involvement in that change of employees of such companies. This I think you will agree, is an even-handed approach.

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A word about technological innovation in this context: so as to assist business in meeting the challenges in this area, we in the Commission have proposed a programme on high technology, a central component of which, as I indicated just now, is the Communities' ability to create a single European market for equipment and services. But the startlingly rapid changes, both in production techniques and employment structures, that this process engenders cannot simply be conceived, developed and implemented in a social vacuum. We believe that work forces need to be consulted on these matters, informed of and involved in the decision-making process affecting their livelihood. This is not, I believe, a radical position, nor is it a position against the pursuit of technical innovation. On the contrary. We firmly believe in the process of change, but also in the need to justify it to those concerned. Otherwise the whole process of industrial transformation risks being called into question.

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If we are to approach these extremely difficult problems in a constructive manner, then we have to create a sense of co-operation and partnership between both sides of industry. The issues involved are too important for us to try to settle them in the traditional manner of confrontation.

I hope that we will be able to forge this new partnership, though I am bound to say that, if the conflict between the two sides of industry which has arisen over the so-called Vredeling Proposal is to be duplicated, then there is not ^{very} much ground for optimism.

I have on another occasion likened the activities of UNICE and the ETUC to trench warfare on this matter. Both sides have moved into fixed positions, with little expectation of their coming closer together. If I might say so, it seems to me to be an enormous over-reaction to what is, at the end of the day, an important, yet essentially modest, set of proposals. In talking about the Vredeling Proposal, it is important to see it in its

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proper perspective. In a sense the process that led up to the Vredeling Proposal started with the Social Council Resolution of January 1974, setting up a social action programme for the Community. In part this Resolution called for "increased involvement of workers or their representatives in the affairs of undertakings in the Community, and the conclusion of collective agreements at European level in appropriate fields". As part of this approach, the Council has since adopted two Directives providing for obligatory procedures on information and consultation, namely the Council Directive of February 1975 concerning "collective redundancies" and the Council's Directive of February 1977 relating to the "safeguarding of employees' rights in the event of transfers of undertakings, business and parts of business".

The Social Council Resolution of January 1974 was also supported by an opinion of the Economic and Social Committee in September 1974, which in part stated that "the problems created by multinational firms in the social field must be resolved and workers

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must become involved

must become involved in the activities of their firms by means of a system of representation which will allow them to express their view and take a stand on matters of most concern to them".

It is also, I think, relevant to point out that the European Parliament passed a Resolution in May 1977 dealing with the principles to be observed by enterprises and Governments in international economic activity, in which it says "there are no international legal regulations to solve the problems of multinational undertakings caused by their size, massive liquid resources and centralisation of economic power". The Resolution goes on to say that "having regard to the need to ensure equal opportunities and prevent discrimination in competition between national and international undertakings, the European Parliament stresses that binding and legally enforceable laws must be laid down for multinational undertakings and calls on the Commission to forward the necessary proposals as soon as possible".

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So it can be seen that the concern of the Community about the activities of multinational undertakings has been long-standing and has been expressed not only in the Commission but also in the Council of Ministers and in the European Parliament. It is against this background that the Commission approved the draft directive.

I should like to explain my attitude to this proposal. In summary, this directive aims to give workers in companies with subsidiaries the rights to information on company policy which is likely to affect the workers' livelihood or well-being. That seems to me to be a quite admirable objective. No one would deny that workers have at least the right to be informed about matters which are often literally a matter of economic life or death to them. This is particularly true in a period of recession, with mass redundancies, plant closures and an increasing anxiety on the part of workers over their future employment. It is simply not good enough to say that there is no problem, because we have recently in Europe had several examples of precisely this type of problem. The decision of the

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French motorcar

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French motorcar company Peugeot to close its subsidiary Talbot factory in Scotland is a good example of lack of consultation. Even worse is the example of British Leyland's decision to close its subsidiary in Belgium without any pretence of informing its work force. I also believe that lack of proper consultation has worsened the crisis which now faces the Ford Motor Company in their operation in Holland. So, it is easy, I think to establish that there is a problem. That is not to say that I necessarily believe that the provisions of the Directive as it stands at present are the best way of dealing with this matter. I appreciate the anxiety of the employers over the possibility that they might have to disclose confidential information to their commercial detriment. I also understand their worry over the cost of implementing these proposals. My own view is that there is need for a Directive on this matter, but that we need to reduce, or at least simplify, the procedures proposed, and that we ought if possible to lighten the burden in administrative and financial terms which it places on employers. I am, however, convinced that, if the Directive, whatever its final shape might be, is to be effective, it must

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be statutory and open to judicial enforcement. Both, on the basis of my experience as a politician and as a lawyer, seem to me to be essential features.

Where do we go from here? Having received the Opinion of your Committee I hope to receive the Opinion of the Parliament by the middle of this year. On the basis of these Opinions I will then enter into consultations with UNICE and the ETUC. I think the chances of a constructive consultation are greater now than they appeared several months ago, when relations between the social partners were at a low ebb. I hope I am not being too optimistic when I say that I think I can detect signs that both UNICE and the ETUC wish to get sensible agreements on these whole range of problems.

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And this, at the end of the day, is what the Commission and the social partners must seek - a sensible solution on this draft Directive. Because we must not forget that the ultimate authority on this matter is neither the Commission nor the social partners, but rather the Council of Ministers. The danger is that if we fail to come to some sensible conclusion, then the chances of the Council of Ministers acting on this draft Directive are very remote, and I very much hope that UNICE and their multinational allies do not regard a stalemate of this type as an easy way of solving this situation. It is not. If by obstructive and uncompromising activities the employers defeat efforts to reach a sensible conclusion, then I do not believe they will have won a victory. All they will have done is to give great offence to organised labour in Europe and risk seriously worsening industrial relations. As I said at the beginning of my address, the economic and employment problems facing Europe are so grave that, without the co-operation of the social partners, they cannot be solved.

I hope that I have made my own position quite clear in the course of these remarks. I believe that there is a problem here which somehow has to be solved, and solved by dialogue and agreement. To this end I intend continuing, at an appropriate moment, the process of consultation with both sides to see how to resolve the present impasse.

It has been suggested in some quarters that the Commission should "go back to the drawing board" and start afresh. I do not believe this to be either practicable or realistic. What we will do is to consider the Opinions of Parliament and of your Committee when they have been finally promulgated. In the light of these proposals, I will then be in a position to decide what amendments may be necessary to the present text. I should like to make it clear that I am not wedded to the text as it stands. I recognise that it causes problems for multinational companies which can certainly be happier expressed and more precisely framed. I agree with your draft opinion when it says that "the structure of the Directive should be generally tightened up and simplified."

At this stage, there is therefore very little that I can add to what I have said to you today. I am sure you will not forget that this proposal is not "the Vredeling Proposal". It is the Commission's proposal, albeit one passed by a Commission of which I was not a member. I nevertheless approach this whole matter with what is, I hope, an open mind. I am quite convinced that greater clarification of the responsibilities of a multinational company to inform its workers is needed, and that need increases, not diminishes, as time passes. I am also convinced that, given good will and flexibility on all sides, it is possible to produce proposals which will clarify that responsibility without endangering the operation of multinational companies in a European context. I very much agree with the remarks made by Mr. Spencer in Parliament, when he said that the political impulse to do something about multinationals is not a wise Counsellor. May I assure you that the Commission is not motivated by desire "to do something about multinationals". We hope, at the end of the day, to be able to produce proposals which are practicable, helpful and long-lasting, and which will make a contribution to maintaining sensible industrial relations.