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## INTRODUCTION

The overall objective of this Tripartite Conference is to find ways and means to re-establish high levels of employment in the Community, through the collective action of the Member State Governments, the Social Partners and the Commission.

Despite the slackening of price and wage increases and efforts by Governments, unemployment has remained extremely high. This continuing under-employment increases the need to find an acceptable solution to the problem.

The agreements of Bremen and Bonn are a significant development in the attack on under-employment. The Tripartite Conference should seek to support and build upon the actions agreed at these Summits, bringing its own special contribution through the concerted efforts at Community level of Governments, Social Partners and Commission.

This document describes the strategy and actions that the Commission considers necessary to bring about a recovery in the employment situation, replying to the requests made of the Commission at the last Tripartite Conference in 1977.

At the end of that Conference, President HEALEY invited the participants to co-operate on a series of studies on four themes: the cost, effectiveness and consequences of different methods of work-sharing; the role of the tertiary sector (including the public sector); the constraints imposed by the international environment and the resulting changes in the structure of employment and investment; and finally the conditions which would encourage public and private investment and favour their positive impact on employment.

Detailed discussions have taken place on these themes between the Commission, the Social Partners and Government representatives, both in the Standing Employment Committee and in the Economic Policy Committee. Their conclusions are attached in annexes I, II, and III.

This report draws on the main points the Commission has derived from this work and integrated them in an overall approach. It reviews the present economic and social situation, presents the strategy determined by the Commission, and sets out those actions considered necessary to implement it.

## I. THE PRESENT ECONOMIC AND SOCIAL SITUATION AND ITS CONSEQUENCES

Progress made in reducing external economic disequilibria and inflationary strains in the Community in 1977 has been continued in 1978. The rate of price rises has slowed. It has fallen from an average rate of 9.0 % in 1977 (13 % in 1975) to about 7 % this year. The rise in labour costs has also been held down, to about 7.3 % against 8.5 % in 1977 and 17.5 % in 1975 (see Annex IV). The average Community growth rate has averaged only 1.8 % a year between 1973 and 1977, about a third of the performance of the preceding period. At best, growth will reach only 2.6 % this year. This reduced growth has been accompanied by an inevitable increase in unemployment. The number of registered job-seekers in the Community is now above 6 million.

The worsening of unemployment is mainly the result of the persistent weakness of growth. It is also, in part, due to mismatch between the characteristics of the available jobs and of job-seekers arising jointly from re-structuring of the economies and important changes in the labour supply : increased female participation in working life, arrival of larger new generations and smaller generations of retirement.

The consequences of slow growth are several. On the one hand, there would be increasing problems in providing jobs to a working population which will continue to grow strongly. It would be illusory and inappropriate to count too much on a significant reduction in the productivity trend to support the demand for labour. A society which was unable to satisfy the desire for work of a large part of its active population, in particular young people and women, would seriously compromise its economic and social equilibrium. On the other hand, slow growth would raise income distribution problems holding up efforts at re-distribution in favour of lowest income groups and would accentuate the financing problems of social security. Finally, prolonged slower growth and the persistence of a significant level of under-employment would make structural adjustment still more difficult : it would create increased resistance to innovation and change, would favour defensive attitudes to technical development, would re-inforce protectionist trends in face of permanent progress of more dynamic and adaptable competitors, and would hinder policies for the reduction of regional disparities in the Community countries.

This underlines the urgent need to put into practice an economic and social strategy supported by Member State's Governments and Social Partners, to reverse this unacceptable trend.

## II. THE OVERALL STRATEGY

The central premise of the Commission's strategy for increasing employment is the need to obtain more rapid growth, to re-inforce the adaptability of the Community economy and to take the social measures necessary for the success of this strategy.

### 1. Stimulation of growth

The decisions taken at Community level, at Bremen and Bonn, provide the basis for this recovery. Actions to remove the obstacles to a lasting improvement in the growth rate must be supported and strengthened. This growth must contribute not only to improvement in the employment situation, but also to an improvement in the living and environmental conditions of all, and to a reduction in differences in living standards.

### 2. The European monetary system

The new European monetary system, decided in principle at the Bremen Summit, should contribute decisively to recovering and preserving the conditions for a healthy and lasting expansion of the Community economy.

The system aims to eliminate the instability of exchange rate fluctuations and to restore well-ordered links between the European currencies. To do this, it will have to reduce a number of major elements of uncertainty, which have been a barrier to the dynamism of trade and productive investment in recent years.

It commits the Member States to the pursuit and consolidation over the medium term of the efforts undertaken and the progress achieved in the fight against inflation and the re-absorption of trade deficits. This will help re-create the climate of stability and confidence which is essential to growth.

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Putting it into effect implies improved co-ordination of policy, increased convergence of economic performance of the Member States and the holding in common of financial resources. This will create the opportunity to establish lasting growth in the Community.

### 3. The recovery of investment

The recovery of investment can be seen as an indispensable condition for a return to more sustained, non-inflationary expansion.

However, in a time of slow growth and re-structuring, the immediate risk for employment is that investment would generally be for rationalisation of production of goods and services. Nevertheless, in the medium term investment for rationalisation will expand demand in the capital goods and related sectors; it will increase the competitiveness of the sectors concerned and create additional income. Yet it is only in so far as demand grows strongly that it will be possible to ensure that investment rapidly becomes a net creator of employment. To achieve this, it will be insufficient to increase the profitability of investment; it will also be necessary to ensure more dynamic demand which will take into account society's new aspirations, especially as concerns public goods.

For this reason, the key role of investment in this strategy reflects the need to ensure simultaneously :

- an extension of productive potential, and
- a re-structuring of the economies to improve the profitability and competitiveness of firms, and to reduce their energy dependence.

### 4. Structural re-adaptation

The development and deployment of investment implied by the re-structuring of the European economies requires the possibility of a large internal market, open to the exterior. The unification and increasing openness of the Community market are such as to guarantee better use of Community resources; they are also necessary conditions for the viability of some sectors and for the dynamism of the whole Community.

Efforts to develop a Community action programme on Economic and Monetary Union should be seen in this light. It is also to this end that the Community has re-affirmed its will at Bremen and Bonn to strengthen the system of free international trade.

A protectionist policy seems neither possible nor appropriate. Our external dependence, whether for supply of primary materials, or for outlets for our production, constrains us to open up the Community economy. But, this policy implies that our partners should adopt the same position and accept conditions of fair competition. Further, such a policy does not exclude the possibility of recourse, in exceptional circumstances, and respecting the GATT rules, to temporary safeguard measures linked to actions for re-structuring sectors in serious difficulties and for ensuring that the difficulties and legitimate requirements of those who undergo re-structuring are taken into account.

The Community needs to develop its ability to adapt not only to changes arising from its international environment but also to those which affect internal needs and demands. This need gives rise to a collective aspiration for a model of growth putting more emphasis than formerly on better living and environmental conditions. Finally, structural re-adaptation should enable the reserve capacity of the less developed regions of the Community to be mobilised, while helping to solve the employment problems in these regions.

##### 5. The increased role of services

With this aim in view, the development of services has an increasing role to play in terms of value added, but even more in terms of employment. Some of these services are the subject of normal market forces (commerce, financial services, tourism), but an increasing number of services tend to be provided by governments or by non-profit making bodies in areas such as transport, education, leisure, environment.

Realisation of the important potential represented by these two parts of the tertiary sector is dependent in each country on the existence of a healthy and competitive industrial sector; this remains in effect the necessary driving force of the innovative process, of exports, and of dynamic growth. In its turn, however, the development of the tertiary sector, both market and non-market, conditions a harmonious and competitive development of industry.



The growing demand for certain collective services, and the desire for a greater equality in the satisfaction of needs, has brought about a rapid growth of expenditure and employment in the public sector. But this progress is limited at present by the size of public deficits and the high level of taxation and social security contributions. These constraints may also reduce the scope available to the public authorities in taking budgetary action to boost demand; or to stimulate directly investment and employment creation.

However, current financial constraints to the expansion of collective services will be partly removed by faster growth and a reduction in unemployment. Indeed, this would have a positive effect on the budget balance, increasing tax revenue and reducing public expenditure on unemployment insurance.

#### 6. Social conditions for success

It would not be realistic to expect, at least in the short term, that the economic strategy outlined could on its own re-absorb current unemployment. It will take several years before the Community can return to the high level of employment that we seek in view of the very low level of activity at present, and the continuing increase in numbers of young people and women joining the labour market. In this context, measures of work-sharing, while not in themselves increasing the overall volume of work available, play a complementary role in the difficult period which lies ahead of us. However, a careful approach is necessary. In effect, we must take care that this complementary policy does not lead to a rise in wage costs that would be incompatible with the strategy defined earlier.

Putting into effect a strategy dependent on strong growth arising from a vigorous recovery of investment requires sacrifices, and it is important that these should be distributed equitably. For moderation of wage demands to be acceptable to labour, it will of necessity have to be accompanied by compensations of an essentially qualitative nature. Thus, part of the profits released must be devoted to improvement of working conditions, specifically on shift work, production-line working, and safety at work. Furthermore, the development of collective social services should continue, especially as concerns education and training, health, social security, and



social assistance. Finally, the increased involvement of workers at different economic and social decision levels should be strengthened. It is a necessary condition for the success of any economic strategy for structural re-adaptation and for non-inflationary recovery of investment that this social dimension should be taken into account.

### III. IMPLEMENTING THE STRATEGY

In the Community view, implementation of this strategy requires three series of actions. The first major action is to promote the general economic conditions for a recovery of growth and investment. Then, it requires help for the structural adjustments made necessary by the new international situation and by modifications to internal behaviour and development. Finally, it involves developing a complementary policy of work-sharing to help cope with the consequences of the rapid growth in the labour supply.

#### 1. Stimulation of growth by investment

Three general conditions need to be met in this respect : the first is to reduce the factors of uncertainty, the second to ensure an adequate level and satisfactory outlook for demand, and the third to improve the profitability of investments and of firms.

##### - Reduce elements of uncertainty

Private investment cannot develop in an atmosphere of uncertainty. In particular, high rates of inflation, erratic exchange rate fluctuations, and the fear of a return to protection, have inevitably discouraged investments. It was also to remove such difficulties, therefore, that the proposals for closer monetary and economic co-operation were adopted at the European Council at Bremen. The Commission services are completing, in this respect, a work programme aimed at re-inforcing the co-ordinating and consultative mechanism within the Community and at setting up the new European monetary system.

##### - Ensure more dynamic demand

The Bremen Council decided on a definite policy of stimulation to try to get the European economies out of the present situation of weak demand. Mainly based on the recovery

of internal growth, this would have to be brought about in ways suited to the national situations of the different Member States, and the means available; aid to external demand could also be envisaged.

The need to fight inflation and to support investment implies efforts to moderate the increase in money incomes. Thus, it is by tax cuts favouring an increase in real incomes that real consumption can be stimulated taking into account the specific situation in each Member State. Tax cuts should benefit mainly those on low incomes, who have the highest propensity to consume, thereby increasing the stimulation to production and employment.

Greater expenditure on public investment could constitute a useful contribution to a strategy of growth and employment. In effect, several Member States have experienced a levelling off or a fall in this area (see Annex IV). Nevertheless, the actions which should be privileged may differ between countries. The choice in this respect should be made with care, specifically taking into account recurring maintenance and operational costs associated with each type of investment, the capacity of absorption of the regions concerned, and the effect of certain items of current expenditure, such as training, on future potential.

Greater co-operation at Community level is particularly appropriate in the field of investment. Thus, the Community could play a decisive role in financing certain public projects which, while useful, run up against national budgetary constraints. Moreover, it would be useful to draw up and apply a programme of infra-structure schemes of Community interest, especially those designed to improve regional balance and communications within the Community. Finally, special help could be given to investments which are essential for the future and where Community action could add something to the effort made by each Member State (energy, high technology actions, service sector).

The Community could also play a more active role in supporting external demand by stepping up its financial assistance with the object of exploiting the rich sources of potential demand in developing countries. The Community should, in co-operation with the other developed countries and with the OPEC countries, increase its public aid to developing countries which, at 0.4 % of Community GNP, remains well below previous commitments.

In addition, a plan to support public and private investments in the Mediterranean countries could be envisaged. Designed to help structural adjustments in these countries - in particular for those entering the Community - and to reduce the unemployment they suffer, such a gesture of solidarity by the Community would in turn create conditions conducive to an expansion of Community exports thereby helping to restore growth and employment.

- Restoration of profitability of firms and investments

The profitability of firms and private investment will be assured in the first place by an economic recovery. Next, moderation in the rise in nominal incomes must be pursued, and real income growth should come about in the context of a sustained lower level of price increases. It may also be necessary to reduce social charges and taxation on certain groups of companies.

In addition, the Commission intends to examine certain methods which influence the investment decision, in particular the effect of investment premiums, and the incidence of the methods used to finance social security. At the same time, the Commission is examining ways of ensuring greater transparency of investment proposals.

2. Acceptation of structural re-adaptation and its encouragement

The sudden interruption of steady growth has disrupted the dynamic equilibrium which, through the '60s and up to the crisis, made the large-scale structural changes which took place in Europe socially acceptable, even welcome.

Acceptance of structural re-adaptation in the general interest implies close involvement of the responsibility of the Social Partners as well as Governments. This does not purely and simply discharge firms from their proper responsibilities as to maintaining the level of employment, nor imply that existing employment can always be maintained where it is. Such an approach not only implies that public authorities need to promote growth in macro-economic terms, but also that they should favour structural adaptation by appropriate measures.

- Accompanying social measures

In this respect, Governments and Social Partners must recognise that the maintenance of the status quo in sectors in difficulty is only a defensive solution with a limited time scale. Already, the European Council at Bremen stated this clearly. At the national level, the range and duration of measures foreseen should be clearly defined, in order to face up to the changed international situation or to technical progress. These measures should essentially aim to help workers affected to find new jobs. At the Community level, the Commission is trying, through the establishment of "social plans", to define accompanying social measures to help workers affected by re-structuring measures. To this end, the Commission is proposing to develop the use of the European Social Fund and, where appropriate, other Community financial instruments. It will also encourage the positive co-operation of national employment and training services to enable them to adapt their actions to these new requirements. However, these measures will not be sufficient.

It will be especially important to promote the re-adaptation of the economies of the Member States on the one hand by incentives at firm level, and on the other hand by no longer considering regional policy as a set of measures for financial compensation, but as an active policy of growth aimed to mobilise and develop reserves of capacity and demand which exist in the less favoured regions.

Convinced of the considerable potential that the Community dimension could bring to the effectiveness of these actions, the Commission has proposed a series of guidelines in the document which it sent to the Council in June 1978 under the title "Report on certain aspects of industrial policy". It would welcome the opening of a wide debate on the general and specific approaches suggested. For the present, it is concerned to underline the importance of the following elements.

- Growth and innovation

Innovation is the main source of growth, yet Europe often appears incapable of carrying through the process to its economic and commercial exploitation. The promotion of risk capital, the patent problem, tax questions, the establishment of commercial networks for small and medium-sized firms, and the spread of information are thus elements in which the Community must take an interest to help its structural re-adaptation.

- Promotion of innovation by research

Research and development are key elements in innovation, especially when industrial development tends towards technology-dominated activities. However, the crisis has led to a reduction of public effort in this area, at a time when firms themselves are forced to reduce the resources they devote to it. The research and development effort must therefore be increased, but striving for the best common use of the existing resources in the Community and for the optimal Community path from the elaboration of the programmes.

- Help for small and medium-sized firms

The small and medium-sized firms employ two-thirds of the active population of the Community. Their size generally provides a background favourable to innovation, their flexibility favours labour mobility. Further, they are essential to the creation of a structural industrial fabric in the less favoured regions of the Community. But it is necessary to improve the environment in which they operate.

The Member States are working towards this end; it behoves the Community to help the exchange of information and to generalise the most decisive successes, giving priority to questions of finance and availability of risk capital.

- Training and education

In order to progress towards a high-technology economy, the European teaching and training system must be able to adapt to new developments, and to enable labour to adapt to the new qualifications required. Such a concept implies the fundamental transformation of educational and training systems in Europe.

The Community contribution to the search for solutions to these problems is both at the level of financial incentives (European Social Fund) and at that of harmonisation and experiment in co-operation with the appropriate authorities in the Member States.

- Working conditions and mobility

An important part of the reticence on innovation and employment arises from its social cost for the workers concerned, in terms of geographical and sectoral mobility, dequalification and often deterioration in working conditions. The mobility required by re-adaptation, which tends to be sectoral and professional rather than geographic, has to be reconciled with labour's need for security in a time of under-employment.

Necessary changes in both mobility and working conditions must be agreed with labour, rather than simply suffered by them; the costs involved must also be divided more equitably.

This approach, desirable at both firm and Member State level, is indispensable at Community level if protectionist and recessionary tendencies are to be avoided. The Tripartite Conference and the Standing Committee on Employment are the most appropriate framework for this, insofar as they enable the barriers between economic and social responsibility to be surmounted.

3. The role of Work-Sharing in reducing unemployment

The use of this complementary policy in an overall policy for employment, is justified for two major reasons : on the one hand the rapid development of the active population in the coming years, on the other hand the fact that the principal actions referred to in the two previous sections can produce their benefits only progressively.

There was a wide consensus at the Standing Employment Committee that work-sharing measures have an important role to play in the reduction of unemployment within an overall policy. It was equally recognised that it was not a question of considering one single all embracing measure, but of developing a series of differentiated and complementary actions. These actions should be selected taking account of the particular circumstances of each country, of each sector and of each of the Social Partners.



An approach that was co-ordinated at Community level is essential so as to reduce the negative effects on ability to compete and on economic convergence. The Standing Employment Committee was agreed on a general objective aiming at the reduction of the number of hours worked per worker. It also stated that the success of the measures to be taken depended on the sharing of the costs involved among the parties present.

Replying to the Committee's invitation, the Commission has followed up a work programme on the means of co-ordinated Community action. As a priority, the Commission services are developing appropriate measures to discourage and limit the systematic use of supplementary hours. Such a reaction is, indeed, fundamental to the respect and success of any policy of work-sharing, in particular as concerns agreed reduction of annual working time. Further, work is also in hand to define possible actions :

- to avoid certain abuses of temporary work, submitting the agencies concerned to a stricter control by national placement services ;
- to promote access to professional training for young people, and the development of training leave for adults ;
- to introduce a further shift in shift-working systems.

In addition, the Commission expects to study the diverse effects of social security systems on work-sharing, to examine the possibility of developing part-time work, whilst respecting the principle of equal treatment and to specify the possibilities of introducing more flexible retirement systems.

These diverse tasks and the resulting actions will be worked out with the co-operation of the Social Partners.



## CONCLUSIONS

The present employment situation and prospects are the major concern of all parties to the Conference. This calls for a common effort within the Community to draw up and put into effect an overall strategy. It will only make its effects fully felt over the medium term, because deep changes have affected the internal and external conditions of the Community's development. But it is essential that there should be tangible results here and now.

Throughout the contacts which have taken place over the last year, the Commission has felt that all parties to the Conference were conscious of the scale of the problem, of its medium term dimension, and of the need to find appropriate solutions in the new conditions. Each party seems willing to make the concessions necessary to achieve the common goal : a high level of employment and balanced growth in the Community.

1. If these aims are to be achieved, efforts will be required equally at the level of each of the Member States and at that of the Community. Within this overall strategy which must be based on a continuing moderation of prices and incomes, the Commission proposes to undertake a series of actions along three main lines.

- In the first place, it is important to pursue the action of the Member States, to promote growth in non-inflationary conditions, conforming to the guidelines of Bremen and Bonn. The establishing of an European monetary system will be an important element in the return to stable growth in the Community, for it will contribute to a restoration of economic confidence, particularly among investors. This is the more important since, to ensure the competitiveness of our economies over the long term, growth must be based on developing public and private investment. This development of investment must take full account of the need for economic viability, while responding to the needs of our societies and its possible social consequences. Moreover, achievement of the common market, proposed by the Commission in its 5 year programme for economic and monetary union, will play a major role in improving the situation.

- The movement to structural re-adaptation of the Community must be pursued, in particular through the competitiveness of sectors exposed to international competition, in order to ensure the basis for a healthy and lasting growth of employment. It should tend to mobilise reserves of capacity and growth, particularly in the less developed regions of the Community. This movement will be helped if the Community re-inforces and consolidates the strength of its large internal market to ensure the development of new activities at the same time as increasing productivity by technical progress. In this context, re-adaptation of the structure of some sectors in prolonged disequilibrium should be easier and more effective at Community level. This level is also able to use commercial policy instruments and the means of Community solidarity, in a co-ordinated manner.

- The effect of these growth and re-adaptation policies will be insufficient to cope rapidly with a growing supply of labour and with the prevalent mismatch on the labour market. They should be completed by a more active employment policy, by pursuing improvement of working conditions, and by a more equitable sharing of work. Besides, the available room for manoeuvre in this respect varies between countries and sectors.

Putting this strategy into effect requires sacrifices : it is important that these should be shared fairly.

2. To support this strategy, the Commission envisages the following proposals.

In the investment field

- Priority will be given to investment in fields that are essential for the future, where a Community action could add to the effort made by each Member State : energy, high-technology activities, service sectors... .
- The development of an infrastructure scheme of Community interest would be the preferred context for an economically and socially useful development of public investment.

The Community could play a decisive part in the financing needed in these two fields : development of the activities of the European Investment Bank and the setting up of a new Community instrument would give it the means.

- External demand needs to be supported by an increase in investment in the developing countries and in third countries in the Mediterranean area. Such a programme would help reduce the divergence of development between North and South.

In the social field, the Commission intends to pursue its actions to benefit those groups most affected by unemployment, and develop an active employment policy.

In sectors in prolonged disequilibrium, action in favour of the workers affected is being integrated into the general framework of measures of re-adaptation; further, it is proceeding to regular consultations with the Social Partners.

Finally, on work-sharing, on the basis of work already carried out in the context of the Standing Employment Committee, the Commission is seeking agreed solutions which are compatible with the requirements of productivity and competitiveness. It envisages the following initiatives :

- taking Community action as a priority, to limit systematic overtime working, a pre-condition to any measures to reduce annual working time per worker;
- starting action aimed at eliminating the abuses of temporary work;
- helping develop a more flexible retirement system.

In addition, the Commission is continuing work on the re-arrangement of shift-work, especially through creation of additional shifts, the development of non-discriminatory forms of part-time work, and the extension of training opportunities for the young and adults.

The success of this strategy calls for all to show an effective will to co-operate. The Commission asks the participants to the Conference to take up a position and to commit themselves on the main lines of this overall strategy, and on the actions which would be appropriate to advance at Community level.

EUROPEAN COMMUNITIES

Brussels, 22 March 1978

(29.03)

Standing Committee on Employment

414/78 (CPE 6)

NOTE

Subject: Thirteenth meeting of the Standing Committee on Employment (21 March 1978)

- Summing up by the Chairman at the close of proceedings

Members of the Standing Committee on Employment will find attached the Chairman's summing up at the close of the proceedings of the thirteenth meeting of the Standing Committee on Employment on 21 March 1978.

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SETTING UP BY THE CHAIRMAN AT THE CLOSE OF THE THIRTEENTH  
MEETING OF THE STANDING COMMITTEE ON EMPLOYMENT (21 MARCH 1978)

1. In a constructive atmosphere the Standing Committee on Employment carried out a detailed discussion on the problem of work-sharing in the context of the discussions on the priority subjects which emerged from the Tripartite Conference in June 1977, with a view to combating the unemployment and underemployment typifying the current economic and social situation in the Community.
2. As a basis for its work the Standing Committee had before it a Commission communication which was regarded by all speakers as a valuable contribution to the discussions between the sites represented on the Committee.
3. In that communication the Commission suggested that discussions should be held on the possibility of a Community initiative for the reduction of working hours, the exploration of Community action in certain areas such as the reduction of overtime, restrictions on shift working and the extension of the right to further education. The Commission also suggested that studies should be carried out on subjects such as the influence of social security on work-sharing, temporary work and part-time work.
4. The Commission stressed that a Community initiative was desirable, if not essential, both to maintain the competitiveness of the Community and also to preserve the coherent development of the Community.

In discussing the problem of work-sharing the following criteria should be applied in the view of the Commission:

- account should be taken of the costs involved in implementing any work-sharing measures and of the need for an equitable allocation of such costs among the parties concerned;
- back-up measures should be developed in order to enable undertakings and the economy to make the necessary adjustments;
- work-sharing methods should be diversified in line with the situation obtaining in the country, sector or category of workers concerned;
- provision should be made for reversing certain work-sharing measures in the light of employment trends.

5. The workers' representatives stressed that in the present employment situation work-sharing represented an undeniable imperative, given that the growth rate of our economic systems is not sufficient to absorb existing levels of unemployment and given also that such an approach would be anti-inflationary.

The workers' representatives requested that a firm commitment should be made at Community level to reduce average working hours, the form of this reduction being chosen at national level in accordance with normal practice and existing systems with the Member States. They also stressed the need to monitor the achievement of this reduction in working hours and suggested that for this purpose regular reports should be submitted by the Member States to the Commission.

6. The employers' representatives recognized the seriousness of the present situation and stated their readiness to examine the question of work-sharing in a constructive spirit, taking into account the differing situations in the various Member States. They drew attention, however, to the importance of avoiding hasty conclusions and stressed that it would be necessary to give very thorough consideration to the implications of the measures proposed for the economy, and for the ways in which companies worked, at sectoral, national, Community and international levels.

7. The Government representatives thought that it was desirable that something should be done in the field of work-sharing. They stressed that in this context both sides of industry had to play an important role. Some Government representatives recalled that some measures to further work-sharing had already been introduced in their countries. All Government representatives expressed their willingness to adapt, in collaboration with both sides of industry, employment policies committing the public authorities, in such a way as to offer a coherent framework for the tasks to be performed by workers and employers in this area.



8. There was general agreement in the Committee that the best way of dealing with unemployment was to create new jobs through active economic, employment and investment policies. The Committee recognized, nevertheless, that in the present economic situation it would, at least in the short-run, be unrealistic to expect such policies to absorb existing levels of unemployment, and agreed therefore that work-sharing measures had an important part to play in alleviating grave employment problems.

The Committee emphasized the importance of overcoming the difficulties both of principle and of implementation, especially as regards the costs involved, which would arise in developing work-sharing measures acceptable to all the parties concerned.

In the course of the discussion, the following possible forms of work-sharing were mentioned:

- the reduction of working hours;
- the extension of annual holidays;
- restrictions on overtime working;
- the lowering of retirement age;
- the right to further education;
- restrictions on shift working;
- back-up measures in the social security sector.

The Committee did not feel it appropriate to make any specific suggestions at this stage between these various measures but agreed on the general aim of reducing the annual number of working hours per man. It felt, moreover, that if work-sharing measures were to have any effect on the employment situation, there should not, as a consequence of work-sharing methods, be any overall increase in overtime worked. In order to make real progress, there should be close collaboration between Governments and the social partners to arrive at the most widely-acceptable measures of achieving this aim, both at national and Community levels, always respecting the autonomy of the social partners, especially with regard to collective bargaining processes, taking into account also regional as well as national considerations.

The Commission has a major role to play in advancing new ideas and proposals and in facilitating the exchange of experience between Member States, bearing in mind the need to combat unemployment and inflation, to maintain Community competitiveness in world markets, and to preserve the consistent overall development of the Community.

Regular reports on progress at national level should be made by Member States to the Commission.

9. The Committee concluded that discussions should continue at Community level during the coming months in preparation for the next Tripartite Conference, which will discuss work-sharing in the context of its overall strategy for the recovery of economic development and the return to full employment, a strategy which involves also study of employment in the tertiary sector (including the public sector), of relationships between investment and employment, and of the competitiveness of European industry in the present international situation.

The further discussions on work-sharing should be held in a more restricted context and the Commission is asked to take the initiative of convening all parties concerned with a view to continuing the work the Committee has embarked on today.

Given that one of the major topics for discussion at the European Council on 7/8 April 1978 is the economic and social situation in the Community, the Committee agreed that these conclusions should be brought to the European Council's attention on that occasion.

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Brussels, 18 May 1978  
(23.05)

Standing Committee on Employment

637/78 (CPE 10)

N O T E

Subject: Fourteenth meeting of the Standing Committee on Employment  
(12 May 1978)

- Summing up by the Chairman at the close of proceedings

Members of the Standing Committee on Employment will find attached the Chairman's summing up at the close of the proceedings of the fourteenth meeting of the Standing Committee on Employment on 12 May 1978.

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SUMMING UP BY THE CHAIRMAN AT THE CLOSE OF THE FOURTEENTH MEETING  
OF THE STANDING COMMITTEE ON EMPLOYMENT (12 May 1978)

1. The Standing Committee on Employment continued its discussion of the priorities decided upon at the Tripartite Conference in June 1977 with a view to implementing, in the spirit of the European Council in Copenhagen, an efficient strategy to combat the persistent unemployment prevailing in the Community. It undertook a detailed exchange of views on the structure of the tertiary sector, including the public sector, its economic context, its development prospects and its future potential both as regards employment and the social objectives of the economy.
2. The Standing Committee on Employment noted that this problem was now being tackled at Community level for the first time and expressed its appreciation of the Commission's initial analysis.
3. The employers' representatives emphasized in general that the condition for growth of the tertiary sector with a view to promoting employment opportunities was growth in the primary and secondary sectors and the equality of conditions of competition between the public and the private sectors. They also stressed that in the private tertiary sector priority should be given, in a detailed examination of the specific prospects of each branch, to the encouragement of small and medium sized undertakings, by reducing the handicaps which hamper their activities, in particular with regard to financial burdens and access to markets and credit.

They warned against any tendency to interfere with the market mechanism of the economic system and expressed their attachment to the principle of private management of services in the tertiary sector, as far as possible.

They did not however adopt a negative attitude to special measures taken by public authorities to put people to work in the tertiary sector to meet certain community needs; in order to be useful, however, such measures would have to enable workers to acquire professional qualifications which would help them to occupy a permanent job.

The employers' representatives refused to accept a priori criticism of investments designed to rationalize activities in the tertiary sector; such investments would in any case have a long-term beneficial effect on employment.

The workers' representatives stressed the great importance of the tertiary sector for employment given that there were a lot of unsatisfied needs and there was room for improvement in existing services in many fields, especially in those which guarantee the quality of life.

They thought that the discussions should concentrate mainly on the public tertiary sector and they opposed the tendency to transfer to the public tertiary sector only those services which were not market determined and not profitable.

They thought that the financing of measures to be taken in the tertiary sector should be considered in the light of the saving to be made by not having to pay unemployment benefits to those who could find employment in this way and of the revenue from the tax and social security contributions of those who would again be earning an income.

Moreover, a more selective tax policy in general could provide additional resources which could be used to create new jobs. The workers' representatives also expressed some apprehension regarding investments relating to technological innovations in the tertiary sector which were likely to reduce employment and downgrade qualified workers.

Furthermore, they stressed the importance which should be given in the tertiary sector to improving working conditions and vocational training, with a view to guaranteeing workers' rights in this sector. They also referred to the need for worksharing measures.

5. The government representatives referred to the policies being pursued in their countries and reiterated their views on the main aspects of the situation in the tertiary sector. They placed particular stress on the need to orient public support of investments in a way that would more equally promote both capital investment and creation of new jobs. The tertiary sector was also bound to benefit from such orientation.



Moreover, school and vocational training structures should also take account of the requirements of tertiary sector development. Attention was also drawn to the experience of some Member States in putting the unemployed to work in services of public interest.

6. The Committee stated that the best way of dealing with unemployment was to create new jobs through an overall growth of the economy.
7. It stated that the tertiary sector had an important role to play in this context because it offered a considerable number of jobs and because it could be expected that, although it had slackened in the present economic situation, the trend towards the transfer of employment to the tertiary sector from the other sectors would continue.
8. The Committee felt however that too little was known about the tertiary sector. Further progress must be made both in terms of knowledge and in order to provide a better basis for actual decisions. Therefore closer studies were needed. Accordingly the Commission was asked to undertake, in co-operation with the Member States and both sides of industry, the necessary work in this field. In these studies the Commission should give attention to how more use could be made of existing Community financial instruments, within the limits of available resources and bearing in mind existing Community policies, to help develop an efficient tertiary sector.

9. During its discussion the Committee recognized that the rigid traditional division of the economy into the so-called primary, secondary and tertiary sectors (and of the latter into private and public sectors) did not correctly reflect the real situation. Further constructive development in this field could be achieved only through an interplay between these sectors.

10. Attention was drawn to the necessity of ensuring a sound balance between the different sectors, given that economic growth and improvement of the employment situation in one sector was very often a pre-condition for a corresponding development in another sector.

11. The Committee stated that the creation of jobs in the tertiary sector would have to correspond to real needs and would have to contribute to improving the quality of life.

During the discussion a number of areas were mentioned for further consideration, such as:

- health care
- aged and handicapped persons
- education
- vocational and permanent training
- social tourism
- energy saving
- research and development of new energy sources.

In the present circumstances there should be special provision for satisfying needs of this kind.

12. Finally, the Committee thought that its discussion constituted a very good starting point for further reflection and effective action both at Community and national level.



EUROPEAN COMMUNITIES

ECONOMIC POLICY  
COMMITTEE

The Chairman

Brussels

2 June 1978

II/377/78-EN

CONCLUSIONS FROM THE CHAIRMAN  
OF THE ECONOMIC POLICY COMMITTEE

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1. The Economic Policy Committee and the Social Partners carried out a detailed discussion on two documents : Employment and Investment; The International environment, growth and sectoral changes; which were prepared by the Services of the Commission in the framework of the preparation for the next Tripartite Conference. Attention was also given to certain macro-economic aspects of the proposals regarding work-sharing.
2. There was widespread agreement on the need to improve both the quantitative and qualitative potential for the creation of income and wealth in our economies. This is the only way which will allow existing unemployment to be taken up and the necessary jobs to be provided for the large numbers of new entrants to the labour force following demographic and sociological developments. In the absence of faster growth there is a serious risk that unemployment will rise further from its already high level, although an important factor of this calculation - the future rate of productivity growth - remains persistently uncertain. The rate of growth required to achieve full employment is markedly higher than the current medium-term growth perspectives resulting from unchanged economic policies.
3. Concerted efforts to stimulate economic growth on the part of all the member countries (and of other major countries) by measures differentiated according to the respective situation of each economy might however be successful in provoking a co-ordinated recovery without a serious deterioration of the balance of payments of certain individual member countries and without compromising the success of the ever-necessary fight against inflation.

4. However, it was generally accepted that the economic difficulties cannot be overcome by having recourse to classical demand management policies alone. These policies must be integrated in a global medium-term strategy which, through additional macro- and micro-economic measures, and based on a greater consensus and a stronger co-operation of the Social Partners and Governments, will contribute to a lasting improvement in the conditions for growth.

5. Increased investment will have to be one of the corner-stones of future strategy. There was unanimous agreement that a sufficient level of investment can only be reached if final demand is sufficient, but that this is not however a sufficient condition. Within the global strategy, it will be necessary to simultaneously aim at a slow-down in the rise of costs; employers and trade-unions will have to take this into account in their negotiations. In some Member States the level of public investment has been, and continues to be, too low in view of the extent of under-utilised resources. There still exists in this field possibilities for expansion.

6. The employers' representatives underlined the importance of an improvement in real terms in the profitability of firms, so as to allow the latter to restore their financial situation and to develop their investments. They also stressed the need to re-establish better conditions for lasting growth, and in particular to obtain a reduction in the rate of inflation and a greater international monetary stability which would have positive effects on investment decisions. These, at present, involve too high a risk as they cannot be based on accurate long-term forecasts of profits. This is a central aspect for the improvement of the business climate, which will furthermore involve a reduction of all unjustified constraints, particularly those of an administrative and fiscal nature, which hinder the activity of enterprises. They further stressed the importance of increased aids for the creation of individual enterprises.

7. The workers' representatives stressed that it is up to the public sector to play a central role in increasing investment and that a stimulus to consumption, particularly of low-income earners is also required. They were also of the opinion that it would be easier to solve structural problems through a greater recourse to economic and industrial planning, including specific techniques such as planning agreements and investment notification.

They asked that special attention be given to multinational corporations which, in their opinion, are in a position to choose their centre of location in or outside the Community so as to minimize taxes and maximize profits. Their actions should respect rules to be agreed internationally, and designed to prevent undesirable consequences on the flows of goods, labour and capital.

8. The necessity of increasing investment was generally recognised; there however emerged differences of opinion as to the usefulness of general investment incentives of a fiscal nature. On the other hand, it was pointed out that the use of selective aids can pose serious problems regarding choice and lead to distortions of competition.

9. Although there was general agreement that the best way of dealing with unemployment was to create new jobs through an active economic investment policy, it was also felt that it would be unrealistic to expect classical economic policy measures to rapidly absorb unemployment. Specific additional measures should therefore be considered. In this context, the workers' representatives held that the importance and compatibility of employment premiums ought to be discussed at a European level. They were also of the opinion that further studies ought to be carried out on the economic implications of work-sharing and on the possibilities of granting public aids of a temporary nature to the extent that such aids would result in a reduction in the amount of unemployment benefits paid.

The employers' representatives expressed some doubts whether such measures would actually lead to a reduction in unemployment. They insisted on the need to improve the functioning of the labour market. To this effect it will be particularly necessary to strengthen vocational training schemes so as to reduce the structural discrepancies between the demand and supply of labour.

10. There was widespread agreement on the fact that in principle protectionism is undesirable, and even dangerous, as it may jeopardize the international division of labour, the expansion of world trade as well as productivity. On the other hand, the need to respect conditions of fair competition and to consider the problems of employment was stressed.



11. Sectoral aids should be granted only with the aim of facilitating the efforts of modernisation and restructuring which are called for in the relevant sectors. To the extent that they are necessary, preference should be accorded to those aids, both national and Community, which are decreasing and limited in time.

The workers' representatives made reference to the statement issued by the European Council of Copenhagen on the necessity of tripartite dialogues at European level to overcome the serious problems of structural over-capacity in several industries and to promote an industrial structure that can maintain itself in world-wide competition.

12. With regard to the changing international division of labour a higher transfer of real resources in favour of developing countries would be an important contribution to the Community growth strategy. The logic of the Community development aid policy moreover implies that its frontiers be opened to products from developing countries. This implies that in certain cases a transition to new sectoral structures in the member countries of the Community be secured.



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**ANNEX IV**

**TABLE 1**

Development of the main macro-economic aggregates

Country	Gross domestic product (volume) % change					Unemployed as % of labour force				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
Denmark	-0.6	-1.2	6.3	1.9	1.0	3.1	5.0	5.1	5.9	7.2
FR Germany	0.5	-2.1	5.6	2.8	2.7	2.2	4.1	4.1	4.0	3.9
France	2.8	0.3	4.6	3.0	3.0	2.8	4.2	4.4	5.1	5.5
Ireland	2.1	1.2	2.9	5.5	6.0	5.7	7.9	9.4	9.4	8.9
Italy	4.2	-3.5	5.7	1.7	2.2	(5.2)	(5.7)	(6.0)	7.2	7.6
Netherlands	4.2	-0.9	4.5	2.4	1.9	2.8	4.0	4.3	4.2	4.2
Belgium	4.7	-2.1	5.7	1.3	2.5	3.1	5.2	6.7	7.3	8.2
Luxembourg	5.0	-11.0	2.9	1.3	2.5	-	-	0.3	0.5	1.2
United Kingdom	-0.6	-1.6	2.6	1.0	3.2	2.4	3.9	5.2	5.6	6.0
Community	1.8	-1.5	4.8	2.3	2.6	2.9	4.4	5.0	5.5	5.8
Country	Implied deflator of private consumption % change					Balance on current account (USD 000 million)				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
Denmark	12.3	9.5	10.1	10.1	9.0	-1.0	-0.6	-2.0	-1.7	-1.2
FR Germany	7.0	6.2	4.5	3.8	2.8	10.0	4.3	3.7	3.9	6.4
France	13.4	11.7	9.9	9.1	9.2	-6.0	-0.1	-6.1	-3.3	0.8
Ireland	15.8	21.8	18.5	13.9	8.0	-0.7	0	-0.2	-0.2	-0.4
Italy	21.0	17.6	17.9	18.0	12.5	-8.0	-0.5	-2.8	2.3	5.7
Netherlands	9.7	10.7	9.2	6.8	4.4	2.1	1.7	2.8	0.4	-0.4
Belgium	12.2	12.1	7.7	6.6	4.0	0.8	0.3	-0.3	0	0.1
Luxembourg	9.5	10.7	9.8	6.7	3.1	0.8	0.3	-0.3	0	0.1
United Kingdom	16.5	23.6	15.5	14.2	8.6	-8.2	-3.6	-2.0	0.5	-0.5
Community	12.7	12.8	10.0	9.0	6.9	-11.0	1.5	-7.0	1.9	10.4

Source : Departments of the Commission

TABLE 2

Compensation of employees per unit  
of output  
(% change on preceding year)

	Year	Den- mark	FR German	France	Ire- land	Italy	Nether- lands	Bel- gium	Luxem- bourg	U.K.	EC
Compensation of employees per unit of output(1)	1974	18.5	9.4	15.6	18.4	19.7	11.5	14.6	20.6	21.8	14.9
	1975	15.2	6.8	19.3	30.7	26.0	14.3	17.5	24.6	32.3	17.5
	1976	7.1	1.4	8.8	-	15.4	6.2	8.8	7.2	11.4	7.2
	1977	7.9	4.2	10.0	-	19.8	6.3	7.7	7.0	8.7	8.5
	1978	8.5	3.3	9.3	-	12.5	5.6	4.5	1.5	9.5	7.3

(1) Evolution of compensation of employees relative to the evolution of real GDP.

TABLE 3

Evolution of gross fixed asset formation  
(Volume terms - % change on preceding year)

	Year	Denmark	FR Germany	France	(Ireland (d))	Italy	Nether- lands	Belgium	Luxem- bourg	United Kingdom	EC
General government	1974	- 4.2	7.4	- 3.6	-	- 2.8	- 0.9	- 6.7	2.6	- 12.9	- 1.1
	1975	- 0.6	3.0	11.2	-	- 2.0	12.0	8.8	6	- 9.9	- 1.7
	1976	2.7	3.9	5.4	-	0.7	- 2.9	4.8	11.9	- 3.4	0
	1977	0.5	3.7	0	-	- 3.3	- 8.8	5.0	4.2	- 17.7	- 4.0
	1978	4.5	6.6	3.8	-	2.2	0.9	8.3	5.7	- 3.4	3.6
Enterprises without dwell- ings	1974	- 4.3	- 11.2	0.5	-	4.7	- 0.4	8.6	- 5.3	1.8	- 5.3
	1975	- 10.5	1.4	- 8.5	-	- 15.2	- 7.5	- 2.5	- 15.3	- 4.4	- 6.0
	1976	20.1	7.3	5.6	-	4.5	- 3.0	- 5.9	- 9.8	- 2.3	4.0
	1977	- 2.3	4.8	- 0.8	-	1.3	16.8	0.7	4	0.8	2.6
	1978	0.8	4.1	3.0	-	- 1.5	3.1	2.3	- 2	0.1	2.3
Dwellings	1974	- 28.3	- 16.8	4.9	-	2.7	- 12.9	- 15.2	15	- 7.5	- 4.8
	1975	- 18.2	- 10.4	- 3.5	-	- 10.9	- 6.8	- 4.0	- 7.8	3.9	- 6.3
	1976	26.7	6.7	- 0.1	-	- 3.4	1.9	15.4	- 10	0	3.3
	1977	- 5.0	2.3	- 1.0	-	- 1.8	15.0	- 1.9	0	- 11.3	0.4
	1978	- 5.0	4.0	- 1.3	-	0	0	- 3.0	0	11.5	1.7
Total	1974	- 9.0	- 9.9	0.6	- 5.3	- 3.5	- 3.6	- 8.0	2.0	- 2.3	- 3.0
	1975	- 9.5	- 4.2	- 2.6	- 6.6	- 13.0	- 4.2	- 1.5	- 8.6	- 3.6	- 4.8
	1976	17.7	5.0	3.9	4.4	1.9	- 1.9	0.8	- 4.2	- 2.0	3.0
	1977	- 1.8	2.7	- 0.6	8.0	0.1	11.7	0.5	3.2	- 3.9	1.1
	1978	0.1	4.4	1.3	10.0	- 1.3	2.1	1.7	- 1.1	4.1	2.5

<sup>1</sup> Estimates by Commission's staff

<sup>2</sup> In the ESA system enterprises include non-financial corporate and quasi-corporate enterprises, credit institutions and insurance enterprises