

WEEKLY

industry and society

REPRODUCTION AUTHORIZED

Brussels, 18 November 1975

No 40/75

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** The Commission's green paper on EMPLOYEE PARTICIPATION and company structure in the Community was designed to provoke widespread discussion.

X/639/75-E

This bulletin is published by the

Commission of the European Communities
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Division for industrial information and consumers
Rue de la Loi 200
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Further information is available from the Commission's press and information offices in the countries listed on the inside cover.

The information published in this bulletin covers the European Communities' activities in the fields of industrial development, protection of the environment and consumer welfare. It is therefore not limited to recording Commission decisions or opinions.

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The extracts given in ANNEX 1 show that the involvement of employees in decisions which affect them is a democratic necessity in the highly-industrialized society of today.

- ** THE COST OF THE COMMON AGRICULTURAL POLICY IS NOT EXORBITANT. Five thousand units of account (1 u.a. = approx. US \$1.3) may seem a lot of money but, as Mr Lardinois, Member of the Commission responsible for agricultural policy, pointed out recently, the budget of the European Agricultural Guidance and Guarantee Fund (EAGGF) represents less than 0.4% of the Community's gross domestic product. In fact it is about the same size as the budget of one of the German Länder, say Bavaria, or the Netherlands budget deficit for 1976. He felt that the EAGGF should be regarded as an insurance policy against food shortages on a highly unreliable world market. On this basis each European is paying an extremely reasonable premium; it works out at less than half a unit of account per week. Very little insurance can be bought for that price today, he said.
- ** A proposal for a directive on PRODUCT LIABILITY is being prepared by the European Commission. It has been referred to the Consumers' Consultative Committee for its opinion and was recently discussed with experts from Member States. It will probably be submitted to the Community's Council of Ministers before the end of the year.
- ** When Mr Sean G. Ronan, the European Commission's Director-General for Information, spoke to the Public Relations Institute of Ireland recently he said that a EUROPEAN IDENTITY should be cultivated to give the man-in-the-street a sense of belonging to a community moving through history to a common destiny. "Effective information requires a frank and sincere dialogue with the public and its representatives, which consists not only in explaining what the Community is doing but also in answering questions and criticisms and in recognizing any mistakes that have been made."
- ** According to a European Commission survey, CAPITAL EXPENDITURE in the Community's IRON AND STEEL INDUSTRY reached the 2 800 million u.a. mark in 1974 (1 u.a. = approx. US \$1.3). The details are given below:

Capital expenditure in the Iron and Steel Industry 1973-75

(million u.a.)

	Actual		Expected 1975
	1973	1974	
Germany	502	604	682
Belgium	170	358	320
France	940	622	614
Italy	861	586	570
Luxembourg	61	47	52
Netherlands	49	64	80
United Kingdom	433	501	706
Denmark	12	16	26
Ireland	-	-	-
Community	3 028	2 798	3 050

Because of the present economic crisis (see I&S No 38/75), some steel undertakings may well be forced to review their capital expenditure programmes for both 1975 and 1976.

** GERMAN TELEVISION devotes approximately 300 hours a year to CONSUMER INFORMATION. German television producers use "consumer" in the broadest sense of the term and examine not only the problems of citizens as consumers of goods and services supplied by private undertakings but also as consumers of services supplied by the State and regional and local authorities. Channel 1 broadcasts a weekly programme called "ARD-Ratgeber" which deals turn and turn about with money, technical developments, law, health, schooling and vocational training, and cars and the motorist. Channel 2 broadcasts programmes aimed more specifically at the consumer - complaints, tests and so on. Economic broadcasts, regional programmes, political discussions, programmes for the young, and daily news bulletins also contain comment and information of interest to consumers.

** THE PAUL FINET FOUNDATION recently awarded 180 grants totalling Bfrs 1 662 000. Since its inception in 1965 the Foundation has awarded more than 5 000 grants, representing more than Bfrs 40 million, to children whose fathers were employed in one of the European Coal and Steel Community industries and died as a result of an industrial accident or occupational disease. Further information can be obtained from the Secretariat of the Paul Finet Foundation, Commission of the European Communities, Centre Louvigny, Luxembourg.

** The European Commission is taking a keen interest in the extensive research into URBAN TRANSPORTATION SYSTEMS being carried out in all Member States. It is endeavouring, in consultation with national authorities, to establish whether new techniques and research in progress could be adapted to the various requirements of Europe's urban areas. The Commission feels that the prospects for innovation would be brighter if efforts were

concentrated on a limited number of systems capable of satisfying the shared needs of these areas.

** Medical checks on WORKERS EXPOSED TO IONIZING AND NON-IONIZING RADIATION were discussed at a scientific colloquium held in Brussels on 28 and 29 November 1974. The European Commission has just published all the papers read at the colloquium in the original languages. The publication can be obtained from the Commission of the European Communities, Health Protection Directorate, 23 avenue Monterey, Luxembourg.

** The European Commission is working on a proposal for a directive on CONSUMER CREDIT. A first draft has been referred to the Consumers' Consultative Committee for comment and the Commission will organize a meeting with national experts in the near future to put the finishing touches to the text before it is forwarded to the Community's Council of Ministers.

** COAL-FIRED POWER STATIONS under construction or at the planning stage in the European Community represent a total capacity of more than 11 000 megawatts. According to official sources the situation was as follows on 1 January 1975:

Country	Number of production units	Total capacity (MW)
<u>UNDER CONSTRUCTION</u>		
Germany	1 (coal only)	707
	1 (coal and/or fuel oil)	720
Italy	2 (coal and/or fuel oil)	640
Netherlands	2 (coal and/or fuel oil)	1 150
United Kingdom	3 (coal only)	1 583
<u>AT THE PLANNING STAGE</u>		
Denmark	1 (coal and/or fuel oil)	640
Germany	8 (coal only)	4 421
Italy	3 (coal and/or fuel oil)	960
Netherlands	1 (coal and/or fuel oil)	320
Community	22	11 141

** Because of the protein shortage the use of non-protein nitrogen compounds in ANIMAL FEEDINGSTUFFS has become widespread in the Community in recent years. The European Commission has now proposed that a number of these compounds be added to the list of approved additives. Four nitrogen compounds have come through tests in all Community countries with flying colours and can therefore be permitted in all confidence. Two others, which are less widely used, appear on a provisional list which restricts their use to countries which have experimented with them.

** The European Commission recently published a compendium of texts dealing with FREE MOVEMENT OF WORKERS within the Community. It can be obtained from the Publications Office of the European Communities, Boite postale 1003, Luxembourg.

Employee participation : a democratic necessity

The involvement of individuals affected by the decisions of social and political institutions in the decision-making process is a democratic necessity in the highly-industrialized society of today. This is the main tenet of the European Commission's green paper on employee participation which, it hopes, will provoke widespread discussion. The practical aspects of the problem can be summed up by two questions: what laws are applicable to enterprises in general and to companies in particular? and what is the role of an enterprise's employees in the decision-making process? Extracts from the green paper are given below:

The corporation with limited liability and a share capital is the typical form adopted by the majority of the Community's most important industrial and commercial enterprises. At the present time, these companies are incorporated under the separate laws of the nine Member States. There are substantial differences between these national laws, relating, in particular, to the internal structure of companies, the powers of directors, the rights of shareholders and of the employees. This situation constitutes a real barrier to cross-frontier activities, both for those who might deal with a company and for the companies themselves. The economic development of the whole Community is affected by these differences.

Those invited to deal with or invest in a company incorporated under foreign laws with which they are not familiar will naturally be reluctant to do so. Moreover, if a company seeks to overcome these problems by setting up a subsidiary incorporated in another Member State, the subsidiary will have a different structure from the parent. There are countless problems of this kind. For example, a company cannot normally transfer from one Member State to another without a drastic dissolution and reconstruction. More seriously, a company is in virtually all cases incapable of merging with a company incorporated in another Member State. These problems must be solved if the present free trade area is to mature into a robust commercial and industrial Community.

However, the creation of a common market for companies is not an end in itself. It is only one means of achieving the Community's fundamental objectives which include a harmonious development of economic activities, including a fairer distribution of economic activity between the various regions of the Community, an increase in stability, and the improvement of the living and working conditions of the Community's citizens.

The establishment of a common market for companies should not be approached as if it were a politically neutral, essentially technical matter. The way in which a legal system structures industrial and commercial enterprises is intimately connected with fundamental elements in the general social and economic policies adopted by the country in question. Employee participation in the decision-making process is, in fact, one of the points on which national legislation varies considerably.

Future developments must therefore take account of the political, economic and social history of each country and the basic aims of the Community as set down in the Treaty of Rome.

In the Commission's view the time is ripe for the reform of certain social institutions, companies included, to take account of some important evolutions which have been gathering momentum for some time.

Increasing recognition being given to the democratic imperative that those who will be substantially affected by decisions made by social and political institutions must be involved in the making of those decisions. In particular, employees are increasingly seen to have interests in the functioning of enterprises which can be as substantial as those of shareholders, and sometimes more so. Employees not only derive their income from enterprises which employ them, but they devote a large proportion of their daily lives to the enterprise. Decisions taken by or in the enterprise can have a substantial effect on their economic circumstances, both immediately and in the longer term; the satisfaction which they derive from work; their health and physical condition; the time and energy which they can devote to their families and to activities other than work; and even their sense of dignity and autonomy as human beings.

There is also a growing awareness of the need for institutions which can respond effectively to the challenge of change. Changes in the economic environment, sometimes of a radical nature, like the recent sharp rise in energy prices, are bound to confront the Community in the future, probably with increasing frequency. And it is clear that the completion and operation of the European Community will itself involve structural changes of a substantial kind. All Member States without exception are thus faced with the prospect of having to implement changes, sometimes of a radical nature, as regards their economic and social structures, both immediately and for the foreseeable future.

However, these changes which are desirable from a broad economic and social point of view may appear to be more difficult to implement if those concerned, particularly those with a vested interest in existing systems and structures, are to participate in the decision making. But the search for right and fair solutions can be facilitated if there are mechanisms which involve those closely affected in the process. For while such mechanisms cannot always produce complete agreement, they can at least help to ensure a reasonable degree of understanding, and an adequate level of acceptance.

Defined generally as the various ways in which employed persons influence the decisions of the enterprises for which they work, employee participation is a political, legal or social reality throughout the Community. It can take four complementary forms, which are not mutually exclusive: negotiation of collective agreements; representative institutions which are informed, consulted and approve certain measures; participation in a company's decision making bodies; and share participation.

Negotiation of Collective Agreements

In all Member States, the negotiation of collective agreements, defined broadly as any agreement between one or more employers and a group of employees, is an obvious and in some the most important manner in which employees influence the decisions and conduct of the enterprises in which they work. Typically, collective agreements have dealt with issues such as remuneration, hours of work and holidays, or they have established procedures for negotiating further such agreements or for dealing with disputes. However, in recent years in some Member States, the scope of collective bargaining has been increasing substantially. In particular, in these countries, bargaining is increasingly taking place concerning the economic policies of enterprises and their methods of organizing their industrial and commercial affairs.

In Italy, from the late 1960s, collective agreements, negotiated at plant and enterprise level, began to lay emphasis on the improvement of the total working environment, including for example provisions as to the intensity and quality of work. More recently, agreements have been concluded which also deal with the investment and development policies to be followed by certain enterprises, notably by the major industrial employers such as Fiat, Montedison and Olivetti.

In the United Kingdom, the most significant trend in recent years has also been the growing scope of enterprise and plant level agreements. In many sectors, since the second world war, local employees' representatives have been in a position to bargain effectively not only as to remuneration and the like, but also concerning conditions and methods of work. During the 1960s, a number of enterprises engaged in what became known as "productivity bargaining" whereby employees agreed to changes in working practices, such as overtime, interchange of tasks between work groups, manning or shift working, in return for increases in pay or other benefits. Such productivity bargaining has become less common, but the scope of bargaining at enterprise and plant level has often remained broad, and where it has become very developed, it is sometimes referred to as "joint regulation".

In Ireland, developments similar to those in the United Kingdom have occurred, though probably not to quite the same degree.

In Belgium and France, collective bargaining has occurred at the national and industrial levels with negotiation of agreements covering a large number of enterprises and employees, and normally dealing with matters which affect employees generally, such as guaranteed incomes, pensions, training and education.

Employees are normally represented either by trade unionists who are employed by the enterprise (the members of the works councils ("consiglia di fabbrica") in Italy and shop stewards in the United Kingdom and Ireland) or by full-time union officials operating at national, regional or sectoral level. In Belgium, Denmark and the Netherlands, fairly elaborate institutional structures have been set up to facilitate the bargaining process.

Collective bargaining can also have a direct or indirect effect on the formulation of planning objectives or economic policy at national level. In France, Belgium and the Netherlands there is multi-lateral bargaining between employers' organizations, trade unions, the State and sometimes other interest groups as well. In the United Kingdom the government recently proposed legislation whereby employees and their organizations would be intensively involved in the negotiation and up-dating of planning agreements between the State and particular enterprises.

Information, Consultation and Approval

Procedures whereby employees are informed and consulted about management decisions are often used to enable the employees to approve or disapprove proposed decisions.

In Belgium, the law gives the enterprise councils ("conseils d'entreprise") to which it applies, the right to detailed information on the progress of the enterprise, including, for instance, details as to production costs and plans concerning future investments. Further, the enterprise council has the right to be consulted on any measure which might alter working conditions, the structure of the enterprise, or output.

Broadly similar rights are conferred by law in Germany, France, Luxembourg and the Netherlands, and by national agreement in Denmark and Italy.

In a number of Member States, employee representation in an enterprise is often provided for by law. In Germany, for example, the members of the works council are directly elected by the employees in a particular establishment, and in larger establishments through a system of proportional representation. The members appoint their own president. Enterprises with more than one establishment must also set up a central works council to which other works councils send delegates and which deals with matters concerning the enterprise as a whole or several establishments.

In the Netherlands, enterprise councils ("ondernemingsraden") are directly elected by the employees in all establishments of more than a certain size and they have as their president a member of a company's board of management. Special provision is made for enterprises having a number of establishments, enabling a central enterprise council also to be formed for the enterprise as a whole.

In France, personnel delegates ("délégués du personnel") have been required for some time even in quite small enterprises. They are directly elected and have a more limited role than the enterprise committees which are required in all enterprises employing more than fifty persons. The members of the enterprise committee ("comité d'entreprise") are directly elected by the employees, but the chief executive ("chef d'entreprise") or his representative is also a member and presides at meetings.

In Belgium, the members of the enterprise council are first elected by the employees of enterprises of more than a certain size from lists of candidates presented by nationally recognized trade unions. But the chief executive is a member of the council and can designate delegates to assist him up to the point at which the council has an equal number of employees' and employer's representatives.

Luxembourg has recently instituted mixed committees ("comités mixtes") consisting of an equal number of employer's and employees' representatives, the employees' representatives being elected according to a system of proportional representation. These committees operate in addition to "personnel delegates" who have been established since the end of the first world war and are endowed with essentially limited consultative and representative functions.

Participation in Decision Making Bodies

In a number of Member States, the law provides that companies' decision making bodies must include members who are appointed by or subject to the approval of the employees. Thus in Germany for over twenty years, stock companies ("Aktiengesellschaften") have had to have one third of the members of their supervisory councils elected by the companies' employees. A form of employee participation based on similar principles is also required for companies with limited liability ("Gesellschaften mit beschränkter Haftung"), but only if they employ five hundred or more persons. In the coal and steel sector, companies employing more than one thousand persons must have a supervisory council normally composed of eleven members, five of whom represent the shareholders, five the employees, the eleventh being co-opted by the shareholders' and employees' representatives.

In the Netherlands, since 1973, the members of the supervisory councils of most public and closed companies ("naamloze en besloten vennootschappen") with substantial capital employing at least one hundred persons have been required to be appointed by a process of co-optation, with both the enterprise council and the shareholders' meeting having the right to object to a proposal for a nomination taking effect on the ground that the nominee is not qualified or that the nomination will lead to an improper board composition. Once such an objection has been made, the nomination will take effect only if a committee of the Social and Economic Council of the Netherlands (Sociaal-Economische Raad), after consulting all parties involved, resolves to overrule the objection.

In Denmark, since the beginning of 1974, all companies employing fifty or more persons must permit their employees, if they so desire, to elect at least two members of the board of directors ("Bestyrelsen") in addition to those elected by the shareholders, but the latter's representatives are always to constitute a majority. The employees' representatives have the same rights and duties as other directors.

In Luxembourg, a recently enacted law provides that the employees will elect one third of the members of the council of administration ("conseil d'administration"), or in the future,

of the supervisory council ("conseil de surveillance") if a company has one, in all companies having one thousand or more employees, or receiving the benefit of twenty five per cent or more of state financial participation, or benefiting from a State concession relating to their principal activity. The legal responsibility of the employee representatives is the same as that of the other members.

In France, the law provides that in public companies ("sociétés anonymes") having more than fifty employees, delegates from the enterprise committee shall be present in a consultative capacity at the meetings of the council of administration, or where appropriate, the supervisory council. Depending on the composition of the company employees, a delegate may represent a particular group of employees such as the executive staff ("cadres").

Share Participation Schemes

Participation by employees in the capital and the profits of enterprises is to be found to a limited extent in many Member States, sometimes encouraged by tax incentives, and is required by law in France. But with a very few exceptions, none of the existing systems in practice give employees any real influence over the decision making of the enterprises in which they work. They are for the most part in the nature of bonus, production incentive and personal saving schemes, whether they are the result of a management initiative, collective agreement or legal obligation.

The Commission's choice

On two occasions, the Commission has proposed the general introduction for public companies, in addition to the shareholders' general meeting, of a management body and a supervisory body. It has just reaffirmed this choice for the European Companies Statute in presenting its amended proposal to the Council.

For the Commission, the overall objective is still employee representation, not merely presence in a consultative capacity, on the supervisory bodies of public companies. The task is to bring about a situation which will permit the introduction, in all the Member States, of such employee representation, while making proper allowance for their divergent social traditions.

There should however be no doubt as to one fundamental issue. The representation of employees on a company's supervisory body is only one form among others for participation in the economic and social affairs of the enterprise. It is additional to the negotiation of collective agreements, and to action, normally at establishment level, through employees' representative institutions, whether works councils or shop stewards. It complements these possibilities of intervention. Representation on a company's supervisory body adds a dimension otherwise lacking: an institution not only for the provision of information, and consultation on every important event, whether economic or social, but also the opportunity to influence effectively the decision making of the company.