

SOCIAL EUROPE

No 00 July 1983



COMMISSION OF THE EUROPEAN COMMUNITIES

DIRECTORATE-GENERAL FOR EMPLOYMENT,
SOCIAL AFFAIRS AND EDUCATION

DDG VV

21/11/83

SOCIAL EUROPE

No 00 July 1983



COMMISSION OF THE EUROPEAN COMMUNITIES

DIRECTORATE-GENERAL FOR EMPLOYMENT,
SOCIAL AFFAIRS AND EDUCATION

Preface

For some years now the Commission has been putting forward proposals for a Community response to problems facing those responsible for social policy at Member State level or at Community level.

The Commission's aim is to help promote employment in the rapidly changing economic and social context of the 1980s, but at the same time, to preserve as far as possible all existing social rights. However, the public knows little or nothing about the measures taken by the Commission in this area.

Before these measures can be appreciated and the merits of this work known, clear, accurate and regular information must be available. That is the purpose of this review, of which this is the first trial issue.

As with every new creation, some uncertainties have attended its birth: with regard to its structure; its choice of subject-matter, and its presentation. But gradually a method and a style will emerge, and the nature of the information required by readers will become clearer. For this reason the editors of *'Social Europe'* would wish to know readers' reactions, their requirements and expectations, and would be grateful for criticisms of its content and presentation.

It is hoped to issue the general review three times a year: towards April, September and December. The aim is to include selected information on the

main activities and approaches proposed by the Commission in the months preceding publication. It will include analyses, discussions and reports of studies which have been used as a basis for the formulation of Commission measures. It will also cover selected subjects of particular current interest in greater depth. The information will be collected at source and will be enhanced by assessment of action under way, its prospects and how it links up with other Commission policies.

To meet the needs of certain readers, supplements on certain matters covered by the review will be issued. They will contain a more technical or more complete coverage of subjects in the following areas: employment, new technology, vocational training and education, health and safety. Lastly, the basic instruments — legal or political — constituting the official expression of Commission activities and approaches will be published in full in a fifth supplement.

In this form the review does no more than establish a preliminary contact with readers. However, our ambition, and the challenge the editors have accepted, is to provide a source of reliable information in keeping with the high standards expected of the Commission by a critical public.

J. Degimbe
Director-General

Contents

Introduction	7
Part One: Commission measures and policies	11
Memorandum on the reduction and reorganization of working time	13
Social security problems – points for consideration	20
Vocational training in the European Community in the 1980s	28
Transition of young people from education to adult and working life	32
The review of the Social Fund: the Commission's proposals	34
Social measures accompanying the restructuring of the steel industry in the Community	37
Action to combat poverty	41
Protection of workers from risks related to exposure to noise at work	43
Part Two: Analyses, debates, studies	45
Review of studies on employment and the labour market	
– The contribution of small and medium-sized undertakings to employment in Europe	49
– Employment in the small business sector in the Community	52
– Labour market management at local level in Europe	54
Review of studies on labour law	
– The laws governing collective agreements	59
– The prevention and settlement of collective labour disputes in the Member States of the Community	62
Studies on education, training and the new information technologies	65
Studies and meetings on health and safety	
– Review of studies on protection against noise at the workplace	69
– Nickel in the environment	70
– The role of biological monitoring in the prevention of aluminium poisoning	72
– Fourth ECSC medical research programme	73

Introduction

In the world today most countries are torn by conflicting demands which, if not altogether contradictory, are difficult to reconcile. Some concentrate on national security, some on maintaining or restoring prosperity, some on cooperation to help the development of the weakest. The greatest number are struggling to emerge from underdevelopment and violence, to exploit their natural resources, to acquire modern technology; or simply to survive. In these circumstances, to speak of the welfare of society may seem superfluous or of secondary importance. But such an attitude would imply a disregard for the trauma suffered by the social fabric in most countries as a result of the economic recession — a recession which has already lasted for nearly 10 years!

The crisis has had far-reaching effects on the European Community. Although in absolute terms they are less dramatic than in the most deprived countries, they are none the less cause for concern. For in their own way industrial societies are vulnerable; and since they had come to accept continual growth as the established norm, economic difficulties were felt all the more acutely. For example, the population in certain highly industrialized urban areas has been hit by unemployment of 15%, 20% and even 30%.

And let us not forget the young people who for almost a generation have no hope of a permanent job; that is no opportunity for lasting occupational and social integration. Today, there are, over 4.5 million unemployed in the European Community, of whom some 1.7 million have been seeking a job for over six months. Of those who have temporarily left the unemployment register, many will soon return. Victims of job insecurity, insufficient or inadequate training and the absence of a genuine economic recovery, many young people will have had no more than a fleeting glimpse of working life before they reach adulthood. On the contrary, they will from the time of leaving school have experienced long periods without work, and endured a feeling of being unwanted by society.

In the circumstances, some questions must be asked. First, what are the limits and extent of unemployment — particularly of young people — that will be tolerated by the mass of the unemployed? How are the most vulnerable groups in society affected by this severe recession? Is it acceptable that ever-larger sectors of the population drop below the poverty line, when the founders of the European Community affirmed that the essential objective of their efforts was the constant improvement of the living and working conditions of their peoples? Obviously,

these questions are already under consideration in the countries of Europe, as well as at Community level, as will be seen from the first issues of this review. A number of measures and proposals for action which have been made are described below. But apart from these more pressing questions, thought should also be given to the medium and long-term effects that prolonged inactivity for many people could have on the stability of society and the productivity that must be achieved by our industry if it is to keep up with international competition. And there are also other urgent social problems which the continuing economic crisis has brought to the surface.

Although the economic difficulties that most strike the imagination are the number of unemployed, high inflation rates or oil prices, there are other equally disturbing imbalances. Some people will probably be restricted in their daily life due, for example, to the rapid increase in health costs and the diminished capacity of public authorities to take up this burden in full. This will obviously mean a renewed appeal to social solidarity. On the other hand, since the current crisis points to a radical change in society it is bound to alter the economic scene, influence the balance of forces throughout the world and usher in a new approach to industrial relations. Together demographic factors, technological change and geopolitical factors will coalesce to ensure that the industrial world of tomorrow is cast in a very different mould. The whole world is taking stock in view of a possible worldwide redistribution of tasks and roles. From the ancient industrial civilizations weighed down by past achievements to the new powers emerging from underdevelopment, each one is searching for a key to the protection and improvement of their well-being.

Their confidence having been severely shaken, the Western powers have come to realize that they can no longer act alone and seem to have decided to coordinate their response to external competition, internal conflicts and the technological challenge. With respect to the latter, the Commission has put forward to the Member States a strategy integrating every aspect of the conditions for a successful European leap forward. One of these aspects is the social impact of new technology. Effective treatment here calls for a multiple approach. It would seem to be a long shot to seek to bring about acceptance of technological change at a time of high unemployment. It would be costly in both economic and human terms if attempts were made to introduce technological innovation into firms where the workforce is ill-informed and untrained, and justifiably ready to defend

its rights. The Commission's aim, therefore, has been to design measures providing a framework within which technological change and social needs could be reconciled.

The first of these measures concerns the reorganization of working time. In a memorandum on the reduction and reorganization of working time issued in December 1982, from the outset the Commission places this measure alongside job creation and the campaign against unemployment in its strategy. The reduction of working time has in the past been considered from the point of view of improving working and living conditions, but now it is included with the range of measures likely to release jobs. Needless to say no one supposes that working less will solve the unemployment problem. However, the idea is slowly gaining ground that by working shorter hours and distributing work differently among production units, it would be possible to work better and produce more. Obviously the new technological dimension has a part to play in this choice. While there is an ever-increasing number of examples testifying to the possibility of reorganizing working time without impairing productivity and public services, this alternative must always be applied with discretion and with the direct agreement of the two sides of industry concerned.

For a considerable time now, the modernization of equipment in firms has been accompanied by the reorganization of work and of working time. With the massive emergence of new technology this process will be accelerated. But technical progress should not lead to a degeneration in industrial relations on which depend the life and performance of firms.

On the contrary, it should help to improve working conditions, particularly as regards to the health and safety of workers.

This is why the Commission is determined to pursue its traditional activities in these areas and why it attaches so much importance to building a basis for the information and consultation of workers in firms with a complex structure, in particular transnational firms. In a forthcoming issue of this review the implications of the Vredeling directive (of which the Commission is drawing up a revised text) will be discussed in greater depth. Ivor Richard, who is the driving force behind this directive in the Commission, believes that this instrument should make it possible to realize a major ambition — to improve industrial relations — at the crucial moment when the technological revolution is going to have a significant impact on most firms. If the Luddite fears prompted by any spectacular change in the nature of work are to

be exorcised, a gradual reorganization of structures, programmes and working methods is not enough. Individuals must be helped to achieve some control over their fate at work.

Accordingly, appropriate vocational training for workers is the other prerequisite if workers are to make the shift to the new technology and escape from the rut of unemployment. To judge by the statistics and the increase in funds expended on vocational training, it could be thought that satisfactory results have been achieved — but this is far from the truth. At present, about 40% of school-leavers have no opportunity to obtain vocational training or any other form of apprenticeship or instruction. We are deluding ourselves if we believe that all school-leavers can enter training or learn a trade and being thus equipped, have a real chance of finding a job quickly. The matter is serious. For if on completion of education, whether extended or not, large numbers of young people find themselves at a dead-end as regards work, or with no access to working life, the education system itself may be called into question, and next the social system and the scale of values associated with it. In its communication of October 1982, the Commission recognized this risk while admitting that it could not be rectified from one day to the next. In the Commission's view training for young people is only one component, albeit central, in the transition to the world of work. Given that on account of the recession today most Member States can only make limited provision for harmonious transition, and in the present state of affairs cannot guarantee stable employment for the majority, the Commission has come out in favour of an action programme spread over five years to supplement and reinforce national measures. This programme is geared to the social and occupational preparation of young people for adult life and integration into the working world. It highlights the importance of training to further equal opportunities and promote regional and local development; but at this stage it is no more than an inventory. It is up to the Member States in the first place to pick out the components around which they will build operational policies. The European Social Fund — a valuable instrument — will be pressed into service, particularly for those regions with the most acute employment problems and shortages of training facilities. It is to be hoped that the reform of the Social Fund currently undertaken by the Council on the basis of Commission proposals will make it possible to direct aid more precisely and vigorously towards employment promotion measures.

Even assuming, as the Commission hopes, that all young people will be guaranteed access to social

and occupational preparation for working life, initially at the end of compulsory education and again before the age of 25, the technological revolution will no doubt oblige most of them later in their working lives to upgrade their skills. The Commission has called the authorities' attention to the need for continuing education and training of this type, for on this depends the ability to control and manipulate the advanced technology that will be the Community's chief means of safeguarding its independence in tomorrow's world.

Until these investments bear fruit and until tireless efforts have succeeded in bringing the financial, industrial and commercial aspects of the economy back into balance, Europe will have to impose self-discipline in many areas; for example, social security. The recession has affected this sector as much as other policies and other systems. In the discussion paper on social security problems reproduced later in this issue the Commission flatly states: 'In the current economic situation, characterized in particular by very high levels of unemployment, the combination of increasing expenditure and diminished receipts from contributions has brought about not only a state of chronic financial disequilibrium, but also the risk of obtaining piecemeal and sometimes discriminatory policy responses which fall most heavily on those who can least afford them.'

Of course, it is needless to say that it would not be appropriate for the Community to put forward a

general purpose formula for social protection as an answer to the difficulties encountered by national social security systems. But nevertheless, although taking due account of financial constraints and structural imbalances, the Commission should ensure that a fair level of social protection is not frittered away at one point or another. It is with this in view that the Commission seeks to promote a wide-ranging discussion about social security. Having clearly identified the problems and studied coordinated solutions, it is not too much to expect that ultimately national social security systems will emerge from the present crisis both stronger and healthier.

In short, whether the question of employment, particularly of young people (to be covered extensively in a forthcoming issue) is concerned, or the need to outline a strategy for vocational training or social protection, the economic crisis is putting the Community to a severe test. Although there is a danger that the crisis may undermine Community structures, it also offers the Community an opportunity to make itself felt as an irreplaceable framework for political and economic action at European level. This is the message we wish to put across — and this is what matters most at the end of the day.

J. Degimbe
Director-General

Part One

Commission measures and policies

Memorandum on the reduction and reorganization of working time

On 10 December 1982 the Commission adopted a memorandum on what it has been agreed to term the reorganization of working time. In this document (COM(82)809 final), the Commission considers the possibility of integrating the reduction and reorganization of working time into a job-creation policy.

I - Introduction

Unemployment is the most pervasive problem currently facing the economies of the Community and others in the industrialized world. In 1970 the overall unemployment rate in the Community was 2% and it had risen to 6.2% by 1980. Now, towards the end of 1982, it is already over 10%, meaning that more than 11 million people are unemployed. On present demographic and economic trends this figure will reach 12 million in 1983 and with the net annual addition to the labour force likely to remain at about 700 000 for the next two or three years, there is no immediate prospect of a slowing of this trend.

The demand for jobs will in particular be reinforced both by more (especially married) women trying to find jobs and the expected labour-saving effects of the wide-scale introduction of new technologies. Without major changes in employment structures and working-time arrangements, a growth rate of 3-3.5% would be needed merely to prevent a further increase in unemployment, a rate of growth unlikely to be achieved in the coming years.

In the light of this bleak medium-term outlook, there has been increasing interest (which is shared by the Commission) in the possibilities for offering employment to a larger number of people which may be created by various ways of reorganizing working time, including in particular reducing the working time of individual employees. Apart from the hardships which unemployment brings to those out of work, the risk it poses to the social fabric and its democratic institutions is real. Among other policy responses to the unemployment problem, the Commission believes that there is an urgent need for a new approach to

the question of reducing and reorganizing working time which recognizes the positive contribution it can make.

II - Community activities in the recent past

A debate on the contribution that the reduction and reorganization of working time can make to the creation of employment opportunities and the alleviation of unemployment has been going on within the Community for several years.

The Council's Resolution of 18 December 1979¹ on the adaptation of working time established guidelines in the following fields of action:

- (i) overtime,
- (ii) flexible retirement,
- (iii) part-time work,
- (iv) temporary work,
- (v) shift-work,
- (vi) annual working time,
- (vii) combined work and training schemes (dealt with in a separate resolution).

The Commission has already submitted a number of proposals to the Council in accordance with the resolution. A draft directive on voluntary part-time work was submitted on 4 January 1982; another draft directive on temporary work was tabled on 7 May 1982; and a draft recommendation on flexible retirement on 15 December 1981.

The Council has on a number of occasions since December 1979 drawn attention to the potential importance of adapting and reallocating working time in order to improve the employment situation. The Joint Council meeting of 11 June 1981 involving Ministers for Economic Affairs and Finance and

¹ OJ C 2, 4.1.1980.

Ministers for Labour and Social Affairs and the European Council meeting on 29 and 30 March 1982 both referred to the question in their conclusions, which were in turn reflected in the Council Resolution of 12 July 1982 on Community action to combat unemployment. This resolution took account of the possibilities revealed by experiments in the field of adapting and reallocating working time for achieving a more flexible use of productive capacity and improving the employment situation. It also called for the continuation of the dialogue with and between the two sides of industry regarding working hours and noted that the Commission would submit a memorandum on the matter by the end of 1982.

In carrying out this mandate the Commission has sought to gather the relevant information from Member States on experiments and measures in the field of reducing and reorganizing working time. A working paper of the Commission's services was prepared as a basis for discussion at a seminar held in October 1982, involving experts drawn from Member States, whose experience and insight could assist the Commission in its reflections on this subject.

The Commission has throughout its work conducted a dialogue with two sides of industry, both bilaterally with European-level delegations from the representatives of trade unions and of employers and on a joint basis. These contacts have so far failed to produce an agreed basis for discussion between the two sides on the reduction and reorganization of working time.

The question of working time has most recently been discussed at Community level in the Joint Council of Ministers for Finance and Economic Affairs and Employ-

ment and Social Affairs held on 16 November. The Council had before it a communication from the Commission,¹ including a section on the reduction and reorganization of working time, in which its possible contribution to reducing unemployment was discussed. The Council's conclusions on this point are annexed to the present communication.

III - Problems and opportunities of a reduction in working time – General considerations at enterprise and aggregate level

In the traditional bargaining context, changes in working time have been undertaken mainly in the spirit of improving living and working conditions and as part of an overall package involving pay and other benefits. Gradual reductions of annual working time have taken place over the years in the form, for example, of shorter weekly working hours for day workers, even shorter ones for shift workers and night workers, compensatory time-off for overtime, longer annual holidays and special leave for personal reasons or training. Over the working lifetime, increasing recourse has been made to part-time work, permanently or for temporary periods, longer periods for initial training, retraining or re-education courses and early or flexible retirement. In general, however, the overall purpose of working-time reductions has until recently been to improve working and living conditions without any specific employment goal.

Against the background of current economic problems, however, and the urgent need to stem the tide of rising unemployment, a more positive approach to working time as an instrument of employment policy is urgently required.

The Commission has thus seen it as its task to establish in what conditions measures to reduce and/or reorganize working time might make a durable contribution towards creating employment opportunities and to determine whether those conditions can realistically be achieved. In no circumstances can reductions in individual working time alone resolve the employment crisis. The Commission believes, however, that appreciable positive results can be obtained if suitable conditions exist or are created which allow reductions in working time (annual or weekly) to lead not only to a direct and immediate increase in jobs available, but also – possibly in combination with measures of reorganization – to productivity increases as well, so that long-term employment prospects are also improved. Under-utilized manpower and capital resources could be put to more economically productive purpose by combining reorganization with reductions in working hours, with both economically and socially beneficial results. Changes would of course need to avoid increasing unit production costs, so that the crucial drive for greater industrial competitiveness is not impeded. Indeed, there is evidence that working-time reorganization is increasingly regarded as inevitable and that once accomplished it contributes positively to the ability of enterprises to respond to the competitive challenge, especially where new technologies are being introduced.

In several Member States measures have recently been taken or are planned to reduce individual working time with the aim of creating jobs. In France, a decree at the beginning of the year reduced the working week by one hour (from 40 to 39 hours) length-

¹ COM(82)719 final.

ened paid holidays, limited overtime and made more flexible existing regulations concerning the use of the workforce. The French Government estimates that 70 000 to 80 000 jobs have been created or maintained. In Belgium, the government is proposing to reduce annual working time by 5% in 1983 and to require employers to enlarge their workforces by 3%. The social partners are to work out the details. In the Netherlands, the social partners have reached a nationwide agreement that the expected increase in pay to take account of higher prices normally due to be paid in 1983 will be earmarked for the creation of additional jobs in combination with shorter individual working hours, the detailed provisions to be negotiated at branch or enterprise level.

In Luxembourg, legislative action has been taken to reinforce existing measures on limiting overtime and to ensure respect for the 40-hour working week in the case of multiple job holders.

Examination of the effects at the plant level of reducing and reorganizing working time, despite the wide range of variables involved and the difficulty therefore of establishing any very clear-cut pattern, reveals a number of fairly consistent trends:

(a) A reduction in working time is generally accompanied, at least in the short run, by an increase in labour productivity per hour. There tends to be an intensification of work, a reduction of idle time and less absenteeism. In order to maintain the same level of production, therefore, the workforce needs to be increased less proportionately than hours are reduced. The increase in productivity is not, of course, sufficient to obviate the need to take on any new workers at a given production level; the precise effect on employment,

costs, and overall productivity development depends on agreements reached about the extent of wage compensation,¹ on measures of reorganization which may alter the relative input of labour and capital and on the level and elasticity of demand and other market conditions in which the firm operates.

(b) Small reductions in working time can generally be met by the existing organization and equipment and any direct employment-creating effect is consequently small. With bigger reductions, the organization of work has to be reshaped and often new investments undertaken, with potentially greater direct and indirect effects on employment, but also greater risks and potential cost effects. It is not possible to be precise about what constitutes a big or a small reduction for these purposes. The introduction of flexibility measures on a voluntary basis, for example, can allow adjustment to relatively big reductions without major organizational changes.

(c) The preference of workers would be for a reduction in working time without any substantial measures of reorganization. Moreover, their preferences about how a reduction and reorganization in working time should be arranged (whether it should be in terms of daily or weekly hours, through longer holidays or more part-time work, etc.) tend to favour arrangements which have smaller potential employment effects. This generalization may be affected by many factors, in particular agreements on wage compensation, but there is evidence of a sufficiently strong trend for this to represent a potential problem in negotiations and thus a factor to be weighed when formulating an overall policy.

(d) Increases in production costs can be avoided — and indeed reductions achieved — if a reduc-

tion in working time is combined with measures of reorganization which lead to increased plant operation time and thus a more profitable utilization of machinery. It is the way resulting productivity gains are used (wage compensation, improved price competitiveness, job creation through further working-time reduction, etc.) which determines the eventual employment impact. Such measures of reorganization of working time might involve the need for more shift-work, work outside what are now regarded as normal hours, weekend work, etc. If changes on these lines are to be introduced harmoniously, there will need to be adequate assurances that they will not represent a retrograde step in terms of the fundamental social rights of workers.

(e) The scope for improving productivity varies considerably according to the type of production process and of firm concerned. It is clear, for example, that a continuous production process offers no scope for increased plant operation time. Similarly, big organizations can generally achieve proportionately greater employment effects than small ones, because size *per se* gives room for manoeuvre in terms of internal organization.

At macro-economic level, a number of model calculations have been carried out to establish the effect of a reduction in working time on certain economic variables, such as employment, demand, consumption, investment, inflation and the balance of payments. Not surprisingly, there are no very clear-cut results since there are so many other variables. It is clear that, at the macro-economic as at the micro-economic

¹ i.e. the extent to which losses in an individual's wages as a result of reduced working hours are made good by increases in hourly rates or other pay increases with equivalent effects.

level, maintaining or increasing the degree of utilization of capital equipment (production time) is one of the key factors in assuring the creation of more employment opportunities. The degree of wage compensation (wholly, partially or not at all) does not appear on its own to be a determining factor in terms of employment creation. The results depend rather on the underlying assumptions about the behaviour of management concerning investment, the relative input of capital and labour, etc. Full wage compensation, leading to increased production costs, however, is generally inflationary, and brings about a loss in competitiveness with the standard negative consequences for the external balance. Despite considerable variations, the majority of these model calculations show positive employment effects as a result of a general reduction in working time.

While reductions in working time are generally expressed in terms of a shorter working week for the individual — and this indeed is the policy route chosen by those governments which have taken recent initiatives in this field — positive employment effects do certainly result over a longer period from changes involving the reduction of working time over a whole lifetime. Such reductions may in some cases (for instance, if more time is spent on education and/or training) have beneficial economic effects in themselves. Others, such as an increase in part-time work and a tendency towards earlier retirement, have the advantage of redistributing employment opportunities with little direct effect on the costs of enterprises. Still others, such as a tendency (still only slight) for more men to take parental leave, are offset, in this case by women needing to take less time off to bring up their families. The amount of work done over a life-

time by individuals is ultimately the measure of whether there has been an equitable distribution of employment opportunities and these developments are therefore of great importance in the present discussion, quite apart from their contribution to other Community policy aims such as equal opportunities for men and women.

It seems probable that the largest direct employment effects would be achieved by a substantial general reduction in working time over a fairly short time, allowing an appreciable redistribution of existing employment opportunities. An important factor is likely to be a greater inclination to show solidarity on the part of employees than would result from a slower and more piecemeal approach. In order to ensure that such a reduction does not damage the competitiveness of firms and thus in the longer run have a negative effect on employment and the economy in general, accompanying measures would need to be introduced which would be designed to ensure

- (i) the maximum possible offsetting increase in productivity (although this would reduce the direct employment effect at a given level of production);
- (ii) an equitable sharing among employees, employers and public authorities of any remaining costs.

These measures would include in particular a more efficient and flexible organization of working time which might involve some fairly radical changes in existing patterns. The greater the effort in terms of productivity and the greater the extent to which any immediate costs can fall other than on enterprises, the better the long-term prospects for competitiveness and thus for growth in activity and employment.

The overall strategy, involving both public authorities and the social partners, would need to take account of a wide range of possible obstacles that might arise for workers and companies. For example:

(a) There will be a need to adjust the public infrastructure to take account of different working patterns. Transport systems and facilities for the care of young children are important examples.

(b) Workers are reluctant to forego wage compensation at a time when real incomes are already declining. The introduction of profit-sharing or capital growth-sharing schemes for workers as a substitute (to some degree) for wage compensation might be considered.

(c) The absence of wage compensation risks falling more heavily on those who can least afford it. Careful consideration will need to be given to the implications for minimum pay legislation (where appropriate) and to the impact on take-home pay for different income groups, given progressive taxation rates.

(d) The more abrupt the change, the greater the difficulty for all concerned to bear costs which if spread over a longer period would be easier to accommodate. Governments could consider to what extent they might share in the short-term costs. The pressure on public funds will be eased to the extent that any reductions in unemployment will mean lower expenditure on social benefits and transfers and increased tax receipts.

(e) Firms employing a very small workforce have a limited capacity for generating additional employment opportunities through reducing and reorganizing working hours. Any overall policy will need

to leave room for exceptions and variations to take the needs of small enterprises and possibly other similar cases into account.

(f) Imperfections in occupational and geographical mobility risk causing bottlenecks in the supply of labour.

(g) Efforts to reduce systematic overtime have so far had only limited success and would need to be reinforced if reductions in working time were not to be offset by increases in the overtime worked by those already in employment instead of by the recruitment of additional workers.

(h) Existing attitudes to part-time work, resulting from its present low status and from unjustified inequalities in the treatment part-time workers receive, are an impediment to the more widespread introduction of this kind of work and of other changes through which individuals could by their own choice contribute to the more flexible organization of work.

IV - Conclusions and policy recommendations

The Commission emphasizes that policy on the reduction and reorganization of working time should be embedded in a global strategy of economic recovery and should be fully consistent with the various strands of that strategy, especially in promoting the competitiveness of the Community's industry. It should also be seen in the light of other strands of that policy, in particular the drive for an expansion of investment, which if pursued successfully are likely to enhance its effectiveness. Within the framework of greater macro-economic stability, the control of public deficits and a shift in the structure of public expenditure in favour of public investment, mea-

asures such as the reduction and reorganization of working time which contribute to a reduction in unemployment and thus to reduced public expenditure on social benefits can help in the achievement of sustained growth. At the micro-economic level, there is already evidence that working time reorganization leading to greater flexibility in the organization of production, is a necessary and positive element in the process of adjustment to new technologies.

Where the adaptation of working time increases the production hours of a firm and results in a more intensive use of production capacity, this can lead to a reduction in unit production costs. There is potential for lowering prices and/or improving profitability, with the attendant likelihood of higher output and increased employment and generally positive effects in the medium term. This is the pattern which reorganizations in working time, including reductions in individual working time, should aim to achieve. The detailed process of reducing and reorganizing working time should take place at sector or enterprise level, with the creation of viable jobs as a principal objective. Wages, working conditions, productivity arrangements and cost developments should thus be negotiated by the social partners along with working time and its employment creation effects.

Measures in the public sector, the biggest employer, could have a quantitatively appreciable effect and set an example. The Commission, in the belief that the combined efforts of governments and social partners can ensure that the right pattern of conditions is achieved, considers that the Community should explicitly support and actively promote the combined reduction and reorganization of working time as an instrument of economic and social policy.

During the past three years the discussions which have been held with the social partners at Community level with the aim of arriving at a common Community policy approach regarding annual working time, including overtime, have been unsuccessful. The Commission, nevertheless, believes that a further effort should be undertaken to reconcile the views of the two sides of industry at the European level on a policy framework in the field of the reduction and reorganization of working time in order to support national efforts to combat unemployment and to provide a basis for policies in the Member States which will narrow rather than widen existing differences.

The Commission will seek to direct contacts with and between the social partners towards providing a basis for the eventual achievement at Community level of an agreement among the Member States to undertake action to accelerate the trend in the reduction and reorganization of working time, accompanied by measures to improve competitiveness and to safeguard basic social rights. In the Commission's view, the eventual aim should be to set a broad target for a substantial reduction in individual working time, possibly expressed as a percentage range. Bearing in mind the considerations developed earlier in this document, a guideline of this kind would of course need to be carefully framed to leave room for considerable variations to take account where necessary of differences in the economic situation in each Member State, in existing law and practice in the Member States and of the needs of different sectors and of smaller firms. It would be up to the two sides of industry at the level of the firm or sector to give specific form to this general policy. The proposed European-level contacts

with the social partners will take place over the next quarter, giving particular attention to the possibility of quantifying the target for working-time reduction, following which the Commission intends to make proposals to the Council with a view to the development of a Community policy framework on these lines.

In order to ensure that reduction and reorganization of working time contribute to the creation of durable employment and to the recovery of industrial competitiveness, the Commission will recommend accompanying measures, in particular:

- (i) More flexible forms of work organization should be planned at enterprise level; they should aim to achieve a more efficient utilization of equipment through longer production times which would improve the productivity of capital.
- (ii) Strictly limited wage compensation is the logical corollary of a policy on the reduction of working time the main aim of which is to create jobs; even where there are gains in productivity, these should, especially in the early stages, contribute to job creation and improved competitiveness and should not therefore be absorbed by wage increases; and measures should be taken which ensure that any necessary income sacrifices are in-

versely correlated with the existing pay hierarchy, resulting in an equitable burden-sharing among all income groups.

- (iii) Action to promote geographical and occupational mobility should be reinforced so that labour market rigidities do not impede the job-creation effects of the reduction and reorganization of working time.
- (iv) Short-term financial assistance should be considered at national and Community level which would help the process to get started and overcome the initial problems encountered by workers and companies.
- (v) Existing provisions which may effectively deter employers from recruiting new workers should be re-examined and, where appropriate, adapted to remove obstacles to the expansion of workforces following the reduction and reorganization of working time.

Reductions in working time risk being offset by increased overtime if steps are not taken to prevent this. A clear distinction needs to be made between, on the one hand, systematic overtime and on the other, overtime which is needed to provide flexibility in the production process, especially in certain types and sizes of firms. The part of annual working time which consists of systematic overtime should be limited, as agreed

by the Council in its Resolution of 18 December 1979 and be compensated by time off in lieu rather than by additional payments. The Commission will present a draft Council instrument calling for national measures in this sense.

The Commission recommends that not only the reduction and reorganization of working hours should be pursued, but also changes in the pattern of the working lifetime, various forms of individual work/leisure trade-offs and a more widespread introduction of part-time work. The social partners should include these matters in their negotiations on the creation of employment, it being understood in particular that there will be no unjustified differences in treatment between traditional full-time workers and part-time employees. In this context the implementation of the draft directive on voluntary part-time work, which is now before the Council, is of great importance.

Once again the Commission wishes to stress the complicated nature of this area of policy and the widely varying range of existing practices and future options. Although action by public authorities is necessary to provide the necessary framework at the national and Community level for measures to reduce and reorganize working time, it is the two sides of industry who will have the task of putting such measures into effect through negotiation.

Annex I

Conclusions of the Joint Council (ECO/FIN-SOC) on 16 November 1982

Reorganizing working time

The Council considers that a reorganization of working time, possibly in combination with a reduction in working hours, can under certain conditions help improve employment, in particular if a more flexible use of the means of production is involved.

The Council:

- (i) agrees that a reorganization and a reduction of working hours can only have positive employment effects if the competitive position of firms is not impaired, if there is sufficient flexibility in the labour market to prevent bottlenecks, and if appropriate account is taken of the specific and sectoral characteristics – notably the size of the firms;
- (ii) notes with satisfaction that the Commission intends to present before the end of 1982 the memorandum on working time requested by the Social Affairs Council on 27 May 1982;
- (iii) notes that the Commission will continue its work towards the formulation of a Community approach, where appropriate, on the reorganization of working hours, in accordance with the Council Resolution of 18 December 1979;
- (iv) invites the Social Council to conclude its consideration of the proposed directive on voluntary part-time employment and the draft recommendation on flexible retirement.

Social security problems — points for consideration

On 18 November 1982 the Commission presented to the Council a communication on social security problems — points for consideration, to provide material for the broad-based discussion already under way in and between the Member States. The text of the communication is reproduced in full below.

Introduction

The budgetary strain which all Member States' social security schemes are currently undergoing is increasingly damaging for the beneficiaries of these schemes and problematic for national budget authorities. The Commission has already drawn attention to the problems for national budgets posed by trends in social security schemes. It did so in its fifth medium-term policy programme, and again on the occasion of the meeting of the joint Council of Ministers for Economic and Financial Affairs and for Social Affairs. Expenditure on health and social security has been a very great factor in the increase in public expenditure over the past 10 years. In the current economic situation, characterized in particular by very high levels of unemployment, the combination of increasing expenditure and diminished receipts from contributions has brought about not only a state of chronic financial disequilibrium, but also risk of obtaining piecemeal and sometimes discriminatory policy responses which fall most heavily on those who can least afford them.

Discussion on this subject is already under way in the Member States and should be extended to Community level, to help towards the alignment of national policies that is so essential in the present situation. It would also fulfil the demands for such a debate expressed by many both in the European Parliament and in the Economic and Social Committee.

The Commission would like to point out that the purpose of this communication is not to call into question the social progress acquired through social protection schemes. This very real progress must be preserved, especially to the extent that it protects the weaker groups in society at a time of particular economic hardship. The Commission notes, however, that the different national schemes are now presenting a certain number of common problems especially with regard to budgetary restrictions and considers that the time has come to compare experiences and encourage an exchange of ideas on the search for solutions. It has therefore drawn up the present communication which, after briefly stating the differences between the economic structures and the social systems in Member States (Part I), then summarizes the characteristics of the present situation (Part II), and

lastly raises a certain number of questions as to the trend of future policies (Part III).

The Commission would like to stimulate extensive discussion at the Community level. It considers that, even when budgetary restrictions are already leading Member States to take economy measures in the sphere of social expenditure, the current economic situation of the Community makes it necessary to undertake a wider review of social security policy. Such a review would take into consideration such things as the existence of a single market, the necessity of maintaining competition between firms and of stimulating economic growth and employment. No effort should be spared to improve the efficacy and equity of public expenditure, in particular social expenditure and its financing. The discussions that it is now opening can help to achieve this objective, especially if they result in converging conclusions about the principal questions posed in this document.

The Commission sees this discussion leading to the identification of the subjects requiring further study at Community level, which the Commission would be requested to deal with, and of the more specific measures which might already be incorporated in national policies.

I — Economic environment and social security

Europe for a long time benefited from a conjunction of factors favourable to its economic development and the progress of its social protection system. Now, however, the majority of these factors either no longer exist or are no longer favourable. No study of the future of social protection systems in the Member States can be made without taking account of new social and economic developments. But it is first necessary to give a brief outline of the characteristics of the Member States' economies and social protection systems.

Economic structures

The structures vary considerably from one country to another, the differences having, in certain cases, been accentuated by the crisis.

A *first point of comparison* is provided by a breakdown of the working population by sector of activity. This shows first that an increasing proportion is employed in the services sector, greater now than in industry in all the Member States; second that in France, Greece, Italy and Ireland a substantial proportion of the workforce is engaged in agriculture. In 1980, the services sector accounted for between 39.5% (Greece) and 64.1% (The Netherlands) of the working population, industry accounted for between 30.2% (Greece) and 43.9% (Federal Republic of Germany), whilst agriculture accounted for between

2.6% (United Kingdom) and 30.3% (Greece). The average for the Community of Ten was 8.0% for agriculture, 37.5% for industry and 54.5% for the services sector. It should be borne in mind that most of the jobs created at the present time are in the services sector.

A *second yardstick* is provided by per capita gross domestic product. In comparison with the European average, four countries were below these figures: the United Kingdom, Italy, Ireland and Greece; the others were above, sometimes well above.

Gross domestic product per capita in 1981
Current purchasing power parities

'000 PPS

B	DK	D	F	GR	IRL	I	L	NL	UK	EC 10	
8 928	9 397	9 756	9 343	4 795	5 301	7 428	9 912	8 733	7 815	8 459	
8 652	10 059	10 000	9 451	3 414	4 324	5 471	9 093	8 789	8 015	8 108	ECU

Third yardstick: the rate of rising consumer prices or the rate of inflation. Over a long period this rate has

been much higher in some countries (United Kingdom, Ireland, Italy, France, Denmark) than in others.

Price deflator of private consumption

(national currency)

Annual growth rate

	B	DK	D	F	GR	IRL	I	L	NL	UK	EC 10
1960-1974	4.3	6.7	3.9	5.3	4.8	6.6	5.8	3.5	5.5	5.7	5.2
1974-1982	7.9	10.6	4.8	11.4	18.2	16.3	17.4	8.0	7.0	14.4	10.8

A *final yardstick* is the overall tax structure. Here again there is a sharp distinction between countries where direct or indirect taxation (France, Italy, Ireland) predominates.

The comparison could include other factors, but has been limited to those which seem to play a prominent role.

Reference should be made to the table below for a more general view of differences between Member States. It enables each member country to be compared with the rest of Member States of the Community in terms of population, economy and social security. For some countries (Belgium, Denmark, Federal Republic of Germany, France, Luxembourg, The

Netherlands) the contribution to the gross domestic product of the Community is greater than their relative population size. The same may be said for social security and here the disparity emerges even more clearly. Relative size of the population prevails over the other parameters.

Social security schemes

Social security is defined here as the field covered by social insurance including unemployment, health services and family benefits. There are sharp contrasts in the social security schemes in force in the Member States of the Community.

Classification of Member States

EC 9 = 100

Country	1980		
	Population	GDP	Social benefits
B	3.8	4.2	4.4
DK	2.0	2.4	2.7
D	23.6	29.5	32.9
F	20.6	23.5	23.5
IRL	1.3	0.6	0.6
I	21.8	14.2	12.1
L	0.1	0.2	0.2
NL	5.4	6.0	7.3
UK	21.4	19.4	16.3
Total	100	100	100

Note: Figures for Greece not available.

Source: Eurostat.

This section will in turn outline the organization of those social security schemes, the coverage they provide, the funds with which they finance that coverage and the weight they carry within their respective national economies.

(a) Organization

Two countries, Denmark and the United Kingdom, operate a single scheme covering the entire population against all risks, with the exception of unemployment of the self-employed (although changes are emerging in the latter case in Denmark).

A similar formula is applied in the Netherlands, where the entire population is covered against certain risks, employees being given additional coverage for the other risks.

In Belgium, there are two general systems: one for employees, the other for the self-employed, and a few special schemes. It represents the transition between countries with a single system and those with a fairly extensive range of schemes: Germany, France, Greece, Italy, Luxembourg.

It should, however, be noted that in France and Luxembourg general coverage is becoming available through a variety of schemes, whereas in Germany and Italy certain categories of the self-employed are excluded. Ireland is a special case in that insurance is compulsory only for employees, with assistance still of great significance.

Another interesting point is that national health services operate in the United Kingdom, Italy and Denmark while in the other countries the medical services are organized more on a market basis.

(b) Risks insured against

There are far more points of convergence in this field than in respect of organization. All Member States offer protection against the risk of sickness, maternity, unemployment, invalidity, old age, death, industrial injuries and occupational diseases as well as family benefits.

If a distinction is made between cash benefits and benefits in kind, it will be seen that in all countries cash benefits by far outweigh benefits in kind (health care). They represent at least 60% and often more of total expenditure. On the other hand, it should be borne in mind that the growth rate of benefits in kind had for some time now being several points ahead of cash benefits.

If the benefits are classified according to the risks they are designed to cover, it can be seen that two functions involve easily the greatest expenditure in all countries: old age and health. The others (invalidity, family allowances, accidents at work and occupational diseases, unemployment) are a long way behind. Old age takes first place nearly everywhere, seldom dropping below 30% of the total. Health is usually in second place, whether or not there is a national health service.

(c) Financing

Social security schemes are financed by contributions from employers and employees and by taxation. The role played by either of these sources of financing differs greatly between the different Member States.

Contributions constitute the large component of receipts in six countries. Taxation plays the same role in Denmark and Ireland, while the United Kingdom falls midway between the two. It must be noted that for contributions it is those of employers which are greater and these represent between 40% and 60% of all social security receipts. As these contributions are added to salary costs they have a direct bearing on a firm's production costs.

(d) Social security and gross domestic product

The share of gross domestic product allocated to social security in all Member States has continued to grow, despite the crisis, at a higher rate than gross domestic product itself. It was already of the order of

Proportion (as % of total social security benefits of following functions)

1980

Functions	B	DK	D	F	IRL	I	L	NL	UK
Health	22.5	26.8	29.8	26.2	36.3	23.2	23.6	29.3	21.6
Old age	25.8	35.1	25.8	34.9	27.0	34.0	31.1	27.9	40.4
Family	11.6	10.0	8.1	12.5	8.9	7.4	7.9	9.2	11.5
Unemployment	10.4	11.9	3.7	6.5	8.2	1.9	2.1	6.3	8.6
Other functions	29.7	16.2	32.6	19.9	19.6	33.5	35.3	27.3	17.9
Total	100	100	100	100	100	100	100	100	100

Note: Figures for Greece not available.

Receipts broken down by type in 1980

	B	DK	D	F	IRL	I	L	NL	UK
Employers' contributions	41.0	9.6	42.7	56.0	25.1	58.8	36.2	37.1	33.3
Household contributions	20.1	1.8	22.1	23.7	11.4	13.6	22.6	25.8	14.6
Taxes and subsidies	34.7	84.9	26.7	17.7	62.5	24.9	31.6	20.4	43.6
Income from capital and other receipts	4.2	3.7	8.5	2.6	1.0	2.7	9.6	16.7	8.5
Total receipts	100	100	100	100	100	100	100	100	100

Note: Figures for Greece not available.

12-18% of gross domestic product when the European Economic Community was established, whereas now the proportion for social security is between 20 and 30%, as shown in the table below.

Social security expenditures as % of GDP

Country	1970	1975	1980
B	18.5	24.5	27.7
DK	19.6	25.8	28.0
D	21.4	27.8	28.3
F	19.2	22.9	25.8
IRL	13.2	19.4	22.0
I	18.4	22.6	22.8
L	16.4	22.4	26.5
NL	20.8	28.1	30.7
UK	15.9	19.5	21.4

Note: Figures for Greece not available.

What is notable here is not so much the differences between the Member States as the high average percentage, which is a long way from being matched in most other industrialized countries and the general pattern of increased social effort against a background of diminished economic growth.

II – Characteristics of the present situation

The upward trend in social expenditure should be seen in a new economic and social context characterized by low economic growth, large budget deficits, extensive unemployment and, in certain countries, a high rate of inflation. This upward trend can be attributed in part to a series of causes which will be discussed at greater length below and which are, so to speak, 'inherent' in the social protection systems.

It is the economic crisis, however, which is as much if not principally responsible for the present

difficulties, rather than problems inherent in the systems. The slowdown in economic activity and the resultant rise in unemployment constitute the main immediate reason for the difficulties which the social security schemes are now experiencing. Social security schemes are increasingly incapable of absorbing the cost of levels of unemployment three or four times as great as in the past. Not only do they have to provide a substitute income for ever greater numbers of unemployed – essential not only for social reasons, but also for the maintenance of demand in the economy – but they also face a fall-off in social security contributions and taxes which may be an even more important factor in their financial difficulties than the increased benefits they have to pay out.

With expenditure increasing geometrically at the very moment when revenue has ceased to grow – and in some cases has diminished – chronic imbalance is inevitable. Faced with such a situation, governments normally react by taking restrictive measures, reducing the level of some benefits or restricting access to them. Such policies generated by immediate financial or budgetary considerations can have social repercussions, especially for the most vulnerable categories of the population.

1. Growth in social expenditure

Apart from the impact of the crisis on the level of unemployment, there are a number of other reasons for the increase in social expenditure:

(a) Improved cover

The protection offered by social security is highly developed, even if certain sectors of the population do not enjoy very satisfactory cover, especially in those Member States where benefits are relatively low. This extension has by and large been a matter of political consensus. Improvements have varied from country to country: social security has been extended to categories of persons not previously covered; new benefits have been introduced; the level of benefits has been improved; conditions for the award of benefits have been eased; and there has been a tendency for benefits to increase in proportion to income in order to maintain a previous standard of living, rather than simply to provide a minimum income.

(b) Ageing of the population

In the past 12-15 years, the percentage of persons aged over 65 has risen sharply. Even if, in

certain countries, this trend will come to a halt in the period 1980-85, the present percentage is already as high as 13-15% in most countries. At the same time, the increase in life expectancy, which had slowed down during the 1960s, returned to its previous rate by 1970 in the majority of European countries. The result is a decline in the ratio of the working population to those in retirement.

The increase in the number of elderly persons involves a considerable increase in social security expenditure. As regards pensions, not only has the number of beneficiaries risen, but the amount of the pensions has also increased. The trend has been reinforced by an increasing number of schemes for early retirement. Moreover, the ageing of the population – and particularly the growing number of very old people – increases the volume of social assistance benefits and health expenditure.

(c) Rapid growth in health expenditure

There are a number of causes, of which the ageing of the population is the most important. Health costs increase rapidly with age; the average cost per capita is up to three times greater for those aged over 65 than for the population aged between 14 and 64; for those aged over 75, the cost is five times greater and the proportion of the latter among those aged over 65 is steadily growing.

Progress in medical techniques and the introduction of more sophisticated forms of treatment have generally meant more expensive treatment. In general, efforts to limit or control increases in expenditure have failed and treatment is provided regardless of cost.

Lastly, one may wonder if there are no growing social and physical costs for modern economic activity in the form of pollution, accidents (notably traffic accidents), activities involving stress, in short a series of factors which, when added to certain habits deriving from a relatively high standard of living (overeating, increasing use of medication for minor disorders) combine to inflate the health expenditure budget.

2. High cost of social protection: its effects

Given the high level of protection offered by the different social protection schemes in the majority of Member States there are undeniable repercussions on the social and financial situation of those protected, as well as repercussions on the economy.

Social protection is not to be considered as a burden on the economy. Social protection is a precondition for maintaining a high level of skills, efficiency and motivation in the economic life of Europe. Furthermore, the amounts levied do not drop out of the economic circuit; they are reintroduced in the form of benefits which play an important role in maintaining economic activity and thus preventing an even greater decline, especially in certain regions. Furthermore, the social systems are themselves major employers. The health service in particular employs a large workforce, providing direct employment for doctors, chemists, dentists, etc., and sustaining various industries (pharmaceuticals, chemicals, electronics).

Labour costs are higher in the Community than in most other countries in the world. These disparities are due not only to differences in wages, but also to differences in the level of social protection, which are financed by taxes and social security contributions falling in part on the employer. High labour costs may have a critical effect on the competitiveness of undertakings, especially in certain sectors vulnerable to the competition of Third World countries, such as textiles, clothing, footwear and ship-building. The potential damaging effect on employment is self-evident.

When the pressure of taxation and social security reaches a certain level (up to 50% of GDP in some Member States), it meets with the resistance of tax-payers and contributors, who evade taxes and contributions by moonlighting and bartering goods and services. Tax-payers and, to a lesser extent, contributors are keenly aware of their outgoings and are not always conscious of the public services and benefits they receive. There is thus a danger that increased contributions will slow down economic activity by discouraging the spirit of enterprise and possibly producing (especially among the lower paid) a disinclination to work for a salary, given the level of benefits offered.

It would be incautious to try to evaluate with any precision the relative effects of the positive demand and negative supply factors, but at the present economic juncture and the degree of imbalance in the financing of social security having reached a new peak, the risk of worsening negative effects must be taken very seriously.

3. *Relative effectiveness of the system*

Social security systems have a certain redistributive effect. They bring about a transfer of

resources from the active working population to the rest of the population (from those in good health to the sick; the employed to the unemployed; the working population to pensioners). There are also a number of benefits, particularly benefits in kind to which all income groups have equal access.

In the case of other benefits, like pensions, the method of their calculations means that a person at the lower end of the incomes scale (which is often the situation for women) usually only benefits from a much lower level of social protection than other insured persons. The problem of poverty, therefore, still remains. In particular, the longer severe unemployment persists the more new categories of poor are added to the traditional groups. Moreover, the restrictive measures taken by government during recent years have affected more those with the lowest incomes or those whose sole source of income was social benefits. This effect is of course felt more in those Member States where cover is relatively low.

Apart from the complexity of procedures which puzzle the user and breed excessive bureaucracy, the rigid structures of social security schemes render them incapable of meeting certain social needs even in cases where cover is provided. A fixed age for compulsory retirement is an example. More generally, these schemes have been constantly added to and adjusted to match social considerations or economic constraints so that, over a period of time, the system has become increasingly incoherent and irrational.

III – **Principal areas for corrective action**

1. *Containment of growth in social expenditure*

Any fall-off or halt in economic growth jeopardizes all public services. Thus, excessive expansion of one of these functions takes place to the detriment of the others, sometimes with contradictory effects in terms of broad social policy aims. The economic security and well-being of the individual arguably depends as much, if not more, on education, housing and the environment as on social security. If all the public services are to function simultaneously, the growth in their expenditure must be controlled. This does not mean that expenditure must be frozen at a given level but that increases must be coordinated and uncontrolled upswings avoided.

In this respect, measures already adopted in some countries and studies carried out suggest that

priority could be given to action in certain specific areas of social security.

(a) Particular attention should be paid to *health expenditure* which accounts for such a large proportion of social security expenditure and which offers unlimited scope for further expansion. On the supply side, urgent consideration needs to be given to introducing measures to keep a rein on the types of care offered (medical, pharmaceutical, etc.). The demand side is possibly more difficult to control, but there is scope for improved information efforts which could influence public attitudes to health care and for a greater attention to preventive measures.

Experience has shown that concerted action by all those responsible (medical staff, insurance bodies, government, insured persons, hospital administrators, etc.) can achieve substantial results. Coordination among these groups and the better planning of health care requirements should be more systematically introduced. Consideration should also be given to ways of making insured persons more aware of the benefits they receive, acting both on the offer of treatment as well as on requests for treatment. Finally, more attention needs to be given to the possible ways and means of reducing the *social costs* of the economic activity (pollution, accidents, etc.) which in the end are paid for by the social protection system in one way or another (sickness, premature disability, accidents at work). This would require a wide range of action over a number of policy fields and demand a major effort of coordination within national administrations.

(b) Special attention should be given to the basis for the reassessment of social benefits. Benefits are reassessed periodically in accordance with a set of rules, which vary widely from Member State to Member State as regards the intervals between reassessments (once a year, several times a year), the automaticity of the reassessment and the reference values (wages trend, prices trend or both together). Piecemeal measures have been taken in recent years in a number of countries, either to correct certain aspects of the reassessment procedures or to suspend their application, or again to revise the basis of the reference values. A close study of the effects of existing reassessment factors might allow a clearer view to emerge of reassessment criteria which will reconcile the requirements of social justice (protection of the purchasing power of

social benefits) and the objectives of economic policy (efforts to contain inflation).

(c) *The simplification of the social security systems* is a desirable end so far as the individual user is concerned, but it could also be valuable from an economic point of view if it enabled available means to be used more effectively by preventing frauds and the overlapping of benefits and by reducing administrative costs.

2. *Re-examination of financing methods*

The crisis in the financing of social security has been described above (pp 23 and 24). In addition to the problems of financial equilibrium, there have been doubts as to whether the traditional methods of financing have not penalized employment. A review of financing systems seems timely. This could have a two fold objective:

- (i) These systems should be given a more stable basis by providing a better balance between contribution receipts (which fluctuate according to the employment situation) and tax receipts. It is possible that to obtain this balance it will be necessary to study the best way of financing the various types of benefits by distinguishing, in particular, the benefits which constitute replacement incomes from benefits to which the population as a whole is entitled.
- (ii) Steps should be taken to ensure that the financing system does not distort employment and production structures. This point is particularly relevant (if the effects of other costs are left aside) in the case of social security contributions that weigh more heavily on labour-intensive firms than on capital-intensive firms. In this context, it is worth recalling that it is in the small and medium-sized firms, where the share of capital is often secondary, that have become the main creators of jobs in recent years. Contributions in respect of part-time workers should be re-examined; where contributions are calculated on maximum earnings, firms may be deterred from taking on part-time workers because of the expense.

3. *How to make the social protection system more effective*

Social security schemes have expanded substantially in all Community countries. Their financial resources are considerable, but they also have to

meet new needs that are increased or revealed by current economic and social changes. An attempt simply to increase social security receipts is not an entirely adequate response to these needs. It may also be necessary to reorganize present systems to make them more effective, i.e. to make them more capable of meeting current social needs.

It is not the task of the present paper to suggest how this reorganization can be implemented or what its precise aims should be. A few trains of thought relating to specific goals are outlined below:

(a) Surely the system should be *more flexible*? It is difficult to justify some of the existing constraints which in certain cases are clearly contrary to the interests of the insured person. One of the inflexible rules, the fixed age for retirement, has already been the subject of proposals by the Commission to increase flexibility.

(b) Is it legitimate to maintain differences in treatment between different categories of insured persons? Certain areas of discrimination can, at all events, no longer be tolerated. A typical example is measures which discriminate against women, on which Community legislation already exists and further Commission proposals are in the pipeline.

(c) How can social protection be *extended gradually* to cover people who are not covered or whose cover is insufficient? This could be done in various ways, either by extending social security schemes, or by guaranteeing a minimum income for the whole population, or by combining the two measures.

(d) Surely the time has come to make the law and administration of social security *clear*. It has been noted that the complexity of the subject and procedures deprive certain beneficiaries of the benefits to which they are entitled, particularly those who are the most deprived. Measures have been adopted in several countries to rectify the situation by giving social security a 'human face'. These measures should be taken further and applied generally.

(e) What action can be taken against *misuse, wastage and overlapping* of benefits? Such breakdowns in the system, which are already critical in normal times, become intolerable when resources have been reduced and when the resources which are available are diverted from the purpose for which they are intended to the detriment of those who should be the genuine beneficiaries.

(f) Is it not time to review *some of the existing situations*? The social security system might be made fairer by obliging everyone to contribute to it according to their real means of contribution (this raises the question of contribution ceilings) and secondly, should the occasion arise, by being more selective to give priority to the most needy. It is in this context that the taxing of social benefits could be considered along with their upgrading over time, taking account of economic trends.

(g) Should social security always be seen in terms of *increasing cash benefits*? Individual protection might be better served by increasing the range of benefits in kind in the form of services provided. There has been a remarkable expansion in social protection in quantitative terms. Perhaps now it would be desirable to improve the quality of what is provided.

The Commission hopes that a wide-ranging debate can be held on the broad subjects outlined above, which are of course interrelated. The aim of bringing higher expenditure under control is conceived not to restrict social security systems, but to ensure that available means are used most effectively to meet real needs which are not satisfied by current public policies.

In the face of the gravity of the present economic situation, the wide range of financial problems and the difficulties of international competition the Commission feels that this debate should be taken up in due course by the Council. It is essential that national measures be inserted into the economic context of a single market and that the whole of the Community benefit from the results of experience gained in the different Member States.

Vocational training in the European Community in the 1980s

The Council is currently discussing a communication (and associated draft resolution) on vocational training, which the Commission submitted to it in 1982. With the increasing numbers of unemployed people, vocational training has grown in importance, in the weight Member States attach to it, and in the numbers of young people involved. The article that follows traces Community involvement in vocational training from its beginnings in the Treaty of Rome, and considers in detail what the Commission has put forward, and the arguments on which its proposals are made.

The essential task of the European Community is defined in Article 2 of the Treaty of Rome, as follows:

'by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it'.

Article 128 specifically requires the Council to 'lay down general principles for implementing a common vocational training policy capable of contributing to the harmonious development both of the national economies and of the common market'.

The first definition of what the common vocational training policy might actually be came in 1963, with the Council Decision of 2 April 1963 laying down general principles for implementing a common vocational training policy. They were wide-ranging and sound. They spoke of training for young people and adults; of the need to 'guarantee adequate vocational training for all'; of the role of training in meeting the market's demands for trained labour and in assisting individuals to realize their aspirations; of the need for special help for special groups (though these were not defined). The decision gave rise to a continuous stream of activities at Community level and within Member States, activities which soon began to make the 'common vocational training policy' a reality.

The most massive direct intervention by the Community has of course come through the European Social Fund. As unemployment in

the Community has grown, the resources of the Fund have grown also — from some 300 million European units of account in 1973 to over 1 200 million units of account last year. Most of the money is spent on training measures. The Council is currently engaged in reviewing the rules and operations of the Fund, on the basis of an opinion by the Commission, in order to simplify its procedures and make it a more effective instrument of social and manpower policy. However, it has always been the case that most vocational training in the Community is organized and financed within the Member States. Thus the second major area of activity has involved work to harmonize and exchange experience on Member States' policies and programmes. This includes work on mutual recognition of vocational training qualifications, designed to facilitate the free movement of workers within the Community. It includes a Council directive and action programme to secure equal treatment of men and women in access to employment and to vocational training. It includes the establishment in 1975 of the European Centre for the Development of Vocational Training. And it includes work currently in hand on meeting the challenges of the new technologies, such as microelectronics, which will leave few of our citizens untouched.

But it is in the area of youth policy that cooperation has been most intensive, partly because it is here that structural deficiencies of the arrangements in some Member States to help young people with the transition from school to working life have been so clearly apparent; and partly also because of the ever-increasing level of youth unemployment.

The Community's response has been a series of policy pronouncements and pilot pro-

grammes. They include the pilot programmes on the transition from school to working life, the first of which ran from 1976 to 1982, the second of which is starting now. They include the Commission's Recommendation of 6 July 1977 on vocational preparation for unemployed young people, and the Council's Resolution of 18 December 1979 on linked work and training for young people.

In reviewing the position in the course of 1982, however, the Commission noted three key features in the landscape. First youth unemployment was still intolerably high and still rising. Secondly, in many Member States the quality and quantity of training available to young people moving from school into the adult world remained inadequate. But thirdly, as a result of the actions outlined above, there was an emerging consensus, and an increasingly impressive body of experience, within the Community, on what could realistically be done to give our younger citizens a fairer deal. In its communication to the Council on 'Vocational training policies in the European Community in the 1980s'¹ the Commission sought to build on that knowledge and experience a more clearly defined common vocational training policy designed to meet the needs of the present crisis and of the foreseeable future.

The backbone of the communication, and the associated resolution, is the proposal for a 'social guarantee'. In the words of the communication, the Commission is proposing to the Council of Ministers that 'by a given target date, for instance within a period of five years, all young people who so wish have unconditional access to:

(a) a full-time programme of social and vocational preparation for working life during an initial

one-year period immediately after the end of compulsory schooling; and

(b) an entitlement to the equivalent of a further one-year period of vocational training to be used on a full-time or part-time basis before reaching the age of 25'.

The one certainty about the world we are entering now is that it will be very different from the one in which present generations grew up and grew old. But nobody, however sophisticated his or her economic or social analysis, can predict how it will be different. Looking back even 10 or 20 years, we can see the rapid emergence of wholly new products, processes, industries and jobs, and the even more rapid disappearance of long-established firms and occupations. New and powerful competitors have appeared on the international scene to challenge Western Europe's technological and commercial eminence.

So today's young people — tomorrow's workforce — need to be creative, flexible and adaptable. They need to enter working life with a solid foundation of vocational and social skills. They need help in choosing between different career paths, or alternative educational and training opportunities. And they need continuing access to training throughout their working lives, so that they can adapt positively to commercial or technological changes. These are the needs to which the Commission's proposals seek to respond.

The first year of the 'guarantee' is seen as a foundation year, in which young people can acquire some broad social skills (such as accepting work discipline) and some basic vocational skills, and can sample one or two areas of work. This will also be an opportunity for remedial education for

those who need it. But the programme is not merely a scheme for young people who have tried but failed to find a job or something else to do. The programme should be a normal and valued part of the transition from school to adult life, and not just something second-best provided for second-class citizens.

Furthermore, it is important not to see this foundation year as something created in opposition to vocational education in school. In every Member State, with the Community's full support (e.g. through the pilot projects on 'transition from school to working life') efforts are being made to improve the links between education and industry and to increase the vocational relevance of what is taught at school. This is to be welcomed; and the proposals deliberately say nothing about the location of training in the first year. In many cases schools will be able to provide appropriate off-the-job education and training as part of the foundation year. In other cases enterprises, or higher education institutions, will provide packages of education and training. The Commission's concern is firstly that young people should leave school — or stay at school — because they want to, and when they want to; and that secondly whatever path they follow, they should receive an adequate preparation for adult and working life.

It is not possible to be so specific about the second year, because of the wider range of individual circumstances involved. For example, many in this older age-group will have jobs, and will need to reach agreement with their employers for training leave. However, in general the second year, which might either be taken imme-

¹ COM(82)631 final.

diately after the first year or rather later, will normally be more advanced training, more job-specific.

For both the first and second year of training the Commission's proposals emphasize the necessity of ensuring that the training leads to qualifications which form part of the overall structure of educational and training qualifications in each Member State and in the Community as a whole. This is not because we wish to impose bureaucratic uniformity or inhibit local initiative. It is because it is vital that the training we offer young people is of good quality. Certification helps to ensure that the training is recognized as worthwhile by employers and by young people themselves. It is particularly helpful in enabling young people to build on their skills and experience by undertaking further training. Above all, it means that in those many cases where the training does not lead directly to employment, the trainees can none the less obtain something of concrete value.

But the Commission does not believe that training needs are confined to young people. Most workers in the Community are adults: and many adult workers lack basic skills, such as literacy. Such people run much higher risks of becoming unemployed, and once unemployed they tend to stay unemployed longer. Thousands of adults need to leave declining industries and occupations every year. Even the most highly trained specialists can become unemployed if their employer goes out of business: advanced retraining programmes for adults are therefore essential and technological change means that there is a constant need for upgrading training for those in employment.

The communication discusses also the needs and capacities of women in the field of vocational

training. Women — half the population — face enormous barriers — usually informal but none the less often impenetrable — in gaining access to training. That is a waste of human capital which Europe cannot afford. The communication argues that women need special help in order to gain access to training. It is for Member States to consider whether to develop training programmes specifically for women. But in general it seems unreasonable to think one can resolve a situation in which training opportunities are denied to women by developing parallel programmes in which training opportunities are denied to men.

Conventionally training has concerned itself with meeting specific manpower needs. More recently it has become clear that at the local level the problem is often not the lack of training provision but the way that provision is organized. And there is also increasing interest in the contribution training can make to creating new jobs, rather than filling existing vacancies (if any), for example by transforming someone's hobby or a local craft tradition into a marketable product generating paid employment. These are just two possible roles for 'development agents', a new breed of social entrepreneur which the communication discusses.

All these different areas of concern find their place in the Commission's proposals. Thus the Commission calls for a 'substantial investment' by Member States in the training of women, and proposes a programme of technical assistance to Member States 'for the evaluation and planning of training provisions with a particular focus on those regions, especially in rural areas, where the training infrastructure is weakened by the lack of industrial development'.

Underlying all the communication's proposals are three central propositions. Firstly, the social partners have an absolutely vital role. In a real sense it is the employers who are the 'consumers of the product', while trade unions speak for trainees and for workers seeking access to training. This is one reason why the Commission is planning to strengthen the role of the Advisory Committee on Vocational Training. But the most detailed consultations with the social partners will obviously need to take place within Member States.

Secondly throughout the communication the importance of monitoring what goes on is stressed. Its importance is that it enables Member States to build positively on experience gained in other Member States. The communication suggests joint reviews by the Commission in association with the national authorities and in consultation with the social partners through the Advisory Committee on Vocational Training.

Thirdly, it must be emphasized that the Commission sees its proposals primarily as an economic programme rather than as a social one. The Community cannot hope to benefit from any recovery in world trade unless they have a well-trained and well-motivated workforce. That said, the current level of unemployment is a social evil as well as an economic disaster, and an expansion of training which also reduces unemployment in the short term is therefore welcome for many reasons. The young people leaving school this year will be in the workforce for the next 50 years. Training them represents a long-term investment.

The Commission's critics have attacked this strategy on three key grounds. First, they argue, there is no point in training millions of young people because there are no

jobs for them to go to. Second, they argue, the Community cannot afford to introduce such a massive training programme. And third, they argue, if and when economic recovery comes, it would be much more cost-effective to concentrate resources on retraining unemployed adults with skills. All of these arguments have considerable force, but the counter-arguments are stronger.

First, high youth unemployment is not only an immense problem for the Community, it is also an immense opportunity. The young people are there, in their thousands and millions. They have energies, aspirations and skills which they want to use and develop. All the evidence suggests that they are as anxious as were previous generations to contribute something positive to the community. Even if we cannot guarantee them jobs — and we cannot — we can at least offer them a year or so in which they can acquire skills and experience which can only improve their prospects of finding a worthwhile job.

Second, it is not necessarily true that implementing the 'social guarantee' will require massive additional resources, even though it will certainly involve a large-scale effort: some 3 million young people could be entering foundation training each year. Many Member

States, and many firms in the Community, already invest considerable sums in youth training. Demographic changes have produced a surplus of teachers and schools in some Member States. And against all the costs of implementing the 'social guarantee' must be set the costs of not implementing it — a generation accustomed to idleness and petty crime, social tension and despair on a very wide scale.

Third, though it is probably true that in many cases short adult re-training courses would be more cost-effective, the argument is a complex one. Young people learn more quickly. By definition, their working lives will be longer than those of adult workers. And the adult unemployed have knowledge, skills and experience already; even where their employment prospects are poor, they normally have more resources with which to cope with unemployment than the school-leaver, freshly embittered by his or her entry into an unwelcoming adult world.

In the final analysis, it is realism about the availability of resources which forces us to select priorities for action. The Community is now increasingly agreed on what should be done. It also has an impressive body of experience suggesting how it might be done. The task now is to mobilize all the

financial and personal resources needed to do it.

What is clear is that the increases in quality and quantity of training which the Commission seeks will require the mobilization not only of the resources of the Community and the Member States, but also of employers, trade unions, local and regional authorities, public and private education and training agencies, and thousands of committed individuals. We need imagination as much as we need money; we need personal commitment as much as we need declarations of policy.

As we look to the future, therefore, we can expect to see increasing attention being given to vocational training policy, within its broad social and manpower policy context, both within Member States and at Community level. The intense interest in training which the present catastrophic level of unemployment has created will remain even when higher levels of employment have returned. And that is because in enabling the Community to maximize the potential of our rich store of human resources, our common vocational training policy is fundamentally important to the achievement of those ambitious, noble but practical social and economic objectives set for us by the authors of the Treaty of Rome.

Transition of young people from education to adult and working life

The first Community action programme draws to a close. The first European Community action programme in the field of the transition of young people from education to adult and working life is now drawing to a close. The final series of reports and dossiers on this highly innovative project, which in 1976 represented an early recognition by the Member States of the importance of this specific type of education, will be completed before the summer and made available through Eurydice, the Community's education information network.

It was on 13 December 1976 that the Council of Ministers and the Ministers for Education meeting within the Council adopted a resolution¹ on measures to improve the preparation of young people for working life. This resolution took account both of the serious problem of unemployment among young people, which had been growing since the early 1970s, and of the recognized need to consider generally new ways of preparing young people better for their entry into adult and working life. There was also a clear desire for more cooperation and for a more efficient transfer of experience between the Member States in this field. The resolution was based on a report 'The preparation of young people for transition from education to working life' drawn up by the Education Committee at the request of the Council of Ministers, and on a 'Background analysis' prepared by a group of experts on behalf of the education services of the Commission. The resolution included a number of measures and initiatives to be implemented at Member State level; and to complement these, and to assist in the development of policies at national level, it also specified a wide range of activities to be implemented by the Community.

The main thrust of the Community action programme lay in the establishment of a programme of pilot projects which ran from 1978-82, and comprised varied action-research projects in the nine Member States, all aimed at improving the preparation of young people for transition. These projects were animated and evaluated by a central team, acting on behalf of the Commission.

The majority of the projects came to the end of their pilot period in summer 1982. Their future varies considerably — some are continuing as 'permanent projects' or are being established on a broader regional or national level; others have ceased to exist but have provided valuable experience for future work on transition in Member States. While 1982 saw the end of direct financial support from the Community for the pilot projects, it marked a peak in the dissemination of project results. This dissemination has taken the form of numerous national and regional conferences, more than 40 in total, many of which were co-sponsored by the Commission.

A wide range of documentation for use by policy-makers and practitioners, nationally and locally, has now been compiled. It includes:

- (i) individual reports on projects, including the educational materials developed in the course of their work;
- (ii) final evaluation reports produced by the external evaluation network.

Using this documentation, national authorities are compiling 'national dossiers', comprising all the material produced during the project in their country. In addition, a 'Community dossier' is being prepared, to take account of the

wider dimension. The core of this consists of the final report, which is in three parts:

- (i) the synthesis report by the central Animation and Evaluation Team;
- (ii) theme reports on 'experience of work' and 'staff development';
- (iii) descriptions of main developments and results of each project.

In addition, reports will also be made available on the following themes: a review of the evaluation process; certification and assessment; girls in transition; young disabled in the transition period; and education for transition.

It will be seen that great emphasis is being laid on dissemination of results of projects, so that the experience gained can be used as widely as possible.

It should also be noted that, in the development of the projects as well as in the dissemination phase, the focus on exchange, coordination and joint learning has contributed significantly to the development of a real Community dimension at grass-root level. The 'Community dimension', one of the most innovative aspects of the programme, has enabled projects in one country to use experience from another. The programme of pilot projects — the first initiative of its kind — was, in many respects a milestone in the development of cooperation and interactive learning between Member States of the European Community.

Collectively the programme has highlighted the importance of the interplay between individual schools and the outside world in the immediate vicinity. It has

¹ OJ C 308, 30.12.1976, p. 1.

shown that improved provision of education and training programmes for young people in transition to adult and working life is possible if innovative cooperation between schools and the local Community is developed on a basis of four major criteria:

(i) a wide variety of programmes is needed to meet the needs and interests of all young people;

(ii) programmes should be based on the individual needs and capacities of young people;

(iii) education and training programmes should be organized flexibly in order to respond and adapt as demands change and new requirements emerge;

(iv) whether located in the education, training or employment sectors, programmes should

utilize resources available from all three.

The first action programme in the field of transition has thus laid a solid foundation for the start of the second programme, on which the Council and the Ministers for Education agreed in their Resolution of 12 July 1982.¹

¹ OJ C 193, 28.7.1982, p. 1.

The review of the Social Fund: the Commission's proposals

The European Social Fund has existed in its present form since 1977. Its rules provide for a review by the Council by December 1982, and in the view of the Commission changes are necessary. The Commission therefore submitted a number of detailed proposals to the Council in October of last year and these are now under discussion.¹ The Commission would like to see the Fund function in closer relationship with the volatile nature of the labour market. A more sensitive and imaginative approach is needed. Much has occurred to alter the traditional features of the employment outlook and of vocational training structures, and the Fund must in its turn follow modified and even new paths.

The review takes place against a sombre background of rising unemployment. The number of people without work in the Community has risen to over 12 million, and there are few signs that the recession is about to end. Each Member State has necessarily its own approach to the problems of unemployment, and the Fund's role should in the Commission's view remain essentially complementary and supportive. However, it is hoped that the activities of the Fund will contribute in no small measure to encouraging stronger growth and the better distribution of job opportunities. The Fund would continue in its corrective role *vis-à-vis* imbalances in the labour supply and inequities in employment for groups with special disadvantages. It would also continue to distribute its resources in the areas of greatest need, that is, those less developed regions where unemployment remains extremely high and those where traditional industries are in decline with consequent large-scale job losses. But the Fund should also respond to the Community's call for greater emphasis

on job-creation measures,² such as through the extension of wage subsidy schemes or possibly through more guidance for those wishing to set up new businesses. Further need for the Fund to adapt will almost certainly arise as a result both of accelerating technological change and of the enlargement of the Community. That the review of the Fund is timely cannot be in doubt.

The Commission has a number of objectives in view, some broad and others more specific. In general the Commission is seeking to bring into closer touch both Fund and Community priorities for employment and vocational training. It wants further to achieve greater consistency and more effective co-ordination in the actual activity of the Social Fund. But behind these wide-ranging aims lie several important and more detailed goals. These may be outlined briefly as follows. The Commission's proposals for the review seek to encourage the implementation of a training guarantee for all young people and indeed to improve the Community's response to youth unemployment as a whole. The Commission would like to see the Fund playing a more active role in respect of local initiatives for the creation of employment. The Fund should also turn its attention to the training needs which arise as a result of the introduction of new technology. With regard to the areas where unemployment is at its most severe, the Fund's mechanisms should be refined so that its resources may be used to greater effect. The needs of the labour market are constantly changing and the Fund must become a more efficient and flexible instrument of Community policy and finance if it is to deal adequately with such changes. Lastly, the Fund clearly has a need to support innovatory and experimental measures of po-

tential applicability throughout the Community.

The present structure of the Fund is undeniably intricate. It is divided into two main parts under Articles 4 and 5 of a Council Decision taken in 1971,³ and has since been further subdivided into nine separate fields of intervention, with an additional small section for pilot projects. With this complexity has come, perhaps inevitably, a certain inflexibility. The Commission has proposed that in future the Fund should cover a broad range of eligible people and operations from which specific target groups and areas of the Community would be selected for priority action. This would be based on the combined application of geographical criteria set out in the statutes and of priorities outlined in the guidelines for the management of the Fund, the latter to be published annually as at present, after consultation with the Fund Committee.

Under the new proposals there would be three clear areas of Fund activity. The first would concern schemes for people aged 18 and over who form part of the working population. It would cover virtually all those eligible for aid under the present rules of the Fund, including those groups suffering particular disadvantage such as migrants and members of their families, women and the disabled. Aid could be granted for both training and recruitment schemes, but the emphasis would be on training. In other words, Fund activity would continue much as at present but in a simpler and more rational fashion. However, the Commission has proposed that the Fund should perhaps strike new ground by financing specific schemes designed

¹ COM(82)485 final of 8 October 1982.

² Council Resolution of 27 May 1982.

³ Council Decision 71/66/EEC (OJ L 28, 4.2.1971, p. 15).

to stimulate and advise on job creation.

The second main area of Fund activity would concern young people under 18. The Council has signalled its wish to see vocational training extended, in principle within five years, to all young people under the age of 18.¹ The objective of the Fund would be to assist Member States in setting up a coherent approach to the social and vocational preparation of young people for adult and working life. This would involve schemes combining training and work-experience elements. Over the past few years the Fund has given its support to a number of experimental linked work and training schemes and it is hoped that this experience will provide the basis for the introduction of permanent schemes.² Existing schemes may be adapted to incorporate training and work experience components.

The third area of activity proposed for the Fund by the Commission would be a much smaller one, but nevertheless fundamental to the overall objectives. It would concern the financing of projects which would contribute to the development of innovatory policies throughout the Community. The Commission intends that these projects should be of limited size and duration and should deal with individual facets of employment and training. Furthermore, they should be of relevance to other Member States. Under this heading the Fund would support as at present pilot projects and the like which are potentially full-scale Fund-aided schemes. In particular, this section would support projects stemming from Community action programmes with employment implications, such as those on behalf of the handicapped and of women.

Of the three areas of activity described, the first two (the under

18 and those of the working population over 18) would be identified under two separate parts of a single budget, and would undoubtedly absorb the major part of the Fund's resources. The third area of activity — pilot projects, evaluations, etc. — would have a much smaller but separate budget.

The proposals of the Commission are in a sense very broad. Much of what can be done at present will remain. There would be no restriction on the type of body eligible for Fund support: both private and public bodies would continue to be eligible as at present. As far as people are concerned, eligibility would extend to those seeking employment and those groups especially vulnerable to unemployment. The aim would be to improve employability by a variety of means — vocational training and retraining, vocational preparation, incentives to employers to create additional jobs, aids to geographical mobility. The work of the Fund in assisting the free movement of migrant workers would also continue. Thus the categories of people who might look to the Fund for support would remain largely the same; help could go to the unemployed, the underemployed, those facing the threatened loss of their jobs, to those seeking employment in difficult circumstances (women, for example, or disabled persons hoping for employment in the open economy), and to those who move to work in another Member State.

What then is new in the sense of eligibility? The Commission has proposed several groups at present beyond the Fund's scope who would become eligible. They include young people under 18 immediately after the end of compulsory schooling. The Commission proposes that the Fund should extend aid to a much broader-based vocational training structure in favour of all young people as they

leave school. At present the Fund is excluded from supporting the initial training of most school-leavers. Another new group would be the employees of small and medium-sized undertakings who need retraining as a result of the introduction of new technology. The Commission sees a specific training need here. Particular emphasis has been placed on this type of firm, since they often require incentives if they are to adopt new techniques. More importantly, experience has shown that such firms have considerable potential for job creation. The Commission has also proposed that there should be extended support for the 'middle men' on the labour market — trainers, vocational guidance and placement experts and others involved in essentially intermediary roles.

Certain changes are proposed in the way that eligible applications are selected for funding. At present requests for aid greatly exceed available resources and this situation is unlikely to alter. Large amounts of Fund money are being spent in those parts of the Community which are eligible for aid from the European Regional Development Fund. The Commission also uses a list of regions of high youth unemployment for establishing certain priorities. These geographical priorities would need to be revised following the abolition of the separate fields of intervention.

The Commission's proposal is that in future Fund aid should be concentrated where it is most needed, taking both unemployment levels and the underlying economic strength or weakness of an area (as indicated by its GDP per head) into account. The Com-

¹ Conclusions of the European Council of 29 and 30 March 1982.

² Council Resolution of 18 December 1979 on linked work and training for young people.

mission has suggested a method which is intended to be both efficient and equitable. An index of the Community's Level III regions would be drawn up and ranked on the basis of unemployment and GDP. At present the statistics determining Fund priorities are compiled in relation to much larger Level II regions. The Commission argues that its proposal would permit a much more sensitive and localized assessment of unemployment in the various parts of the Community. The ranking would be published well in advance so that potential applicants would have a good idea of their chances of obtaining support. The Council would designate the regions with the most acute problems for placing at the head of the list. These would be the regions which at present benefit from an increased rate of Fund intervention.

The Commission sees a pressing need for greater precision in the way that statistics are applied in the distribution of Fund resources. The use of smaller geographical units (Level III instead of Level II) should be of considerable assistance. The method would also take account of the structural unemployment characteristic of European Regional Development Fund regions and would extend the role of the Fund in combating certain regional problems. The index would be used in respect of the two main areas of Fund activity proposed, i.e. schemes for young people under 18 and operations relating to normal labour market

policy. Priorities would be identified in the guidelines and the budget would then be distributed among the priority applications, working down the ranking until the money ran out. This would result in a much more effective concentration of Fund aid and would avoid the present tendency of aid to become thinly stretched over levels of priority. The third area of Fund activity proposed, relating to pilot studies and evaluations, would not be subject to this regional index, since the aim is to encourage innovative approaches to employment and vocational training policy wherever these may occur.

Clearly one result of the introduction of the proposed index of regions would be that the guidelines establishing the Fund's priorities would be of considerable importance. They would, as now, be drawn up annually and could be adjusted as necessary in response to changing qualitative criteria. The Commission would consult with Member States and the social partners before adopting the guidelines.

How much aid could the Fund offer to its applicants under the Commission's proposals? At present the Fund normally finances up to 50% of eligible expenditure of public schemes and for certain hard-hit regions this can be increased to 55% of costs. These levels of aid would continue for the two main areas of activity proposed. Where applications are submitted by private bodies, the Fund in general matches the public contribution to a scheme but in

future the Commission proposes that the public contribution need simply cover a minimum of 30% of the costs. This would offer greater opportunities for support to schemes at present hampered by lack of sufficient public finance but which have access to other sources of finance. The Commission has also proposed a possible use for flat-rate payments in the distribution of aid, particularly for recruitment and employment aids. More generous funding arrangements would be made for the third area of Fund activity (pilot projects and evaluations).

The Commission's proposals have been discussed in the Council of Ministers, in the European Parliament and in the Economic and Social Committee. The Commission has indicated that it wishes to do away with the present legalistic inflexibility of the Fund and to permit a less rigid approach to employment policy in the Community. The system proposed would enable more precise and up-to-date priorities to be established in the context of a broad network of eligibility. Resources would be more effectively concentrated in the structurally disadvantaged regions. Yet the essential role of the Social Fund as it has developed over the last decade and more would remain: that of supporting vocational training, developing employment opportunities, encouraging the mobility of Europe's workers, while maintaining provision for the testing-out of imaginative and innovative projects.

Social measures accompanying the restructuring of the steel industry in the Community

With the onset of the crisis in the European steel industry in 1974, employment in this sector has declined abruptly. In the first four years nearly 100 000 jobs were lost. The conversion policies put into effect have not staunched the flow. The Commission is expecting a new and severe fall in employment in the years up to 1986. This situation has highlighted the imperative need to take action in this sector through social support schemes. The following developments constitute part of the document adopted by the Commission in December 1982 on the social measures it considered necessary to help workers affected by restructuring programmes in the steel industry.

Introduction

The crisis that is affecting the iron and steel industry in the Community and the necessary efforts as described in the 'General steel objectives 1985'¹ to restructure the sector will continue for some years yet to pose serious economic and social problems, especially in the areas where the industry is concentrated. The necessary reduction in capacity and adjustments to the production apparatus are liable to lead to further very considerable losses of jobs over the next four years. Moreover, a number of steel areas have already been seriously affected by unemployment (see Annex I) and their chances of absorbing an additional surplus of job seekers are extremely limited.

The adoption of the social volet in June 1981 enabled the Community to support restructuring and to fulfil its social obligations in this sector, which are explicit in the ECSC Treaty, by enlarging temporarily the scope of its social measures; but the programmes to which the Community agreed to contribute had come to an end in all but one Member State by December 1982 (see Annex II). This document outlines the Commission's present thinking on the extension and development of the social policies so far pursued to reinforce the economic measures undertaken and to assist individual steelworkers to adapt to new circumstances. It should be read together with the Commission's plans for strengthening reconversion policy in regions affected by the steel crisis.²

In making these proposals, the Commission is also responding to the concern expressed by the European Parliament³ and the ECSC Consultative Committee,⁴ who have called for concurrent social measures for the iron and steel industry over the next few years.

In view of the fact that the 'aids code'⁵ provides that investment and other economic aid will not be granted beyond 1985, it is probable that restructuring will on the whole have been carried out by then. The loss of employment in the industry may similarly be expected to have levelled off by that date, making it unnecessary to grant exceptional social aids beyond 1986. It is therefore proposed that the temporary supplementary measures should be applied for a limited period of four years. It is further proposed that the additional resources should only be used to finance the Commission's measures in respect of those steel regions and workers which are the object of Commission approved restructuring programmes.

As far as financing is concerned, the resources available for the steel sector in the normal ECSC budget are expected to be sufficient to meet expenditure on traditional aids under Article 56(2)(b), but not to finance the proposed extension and development of the 1981 social volet in the context of the general steel objectives up to the end of 1986. For this purpose, the Commission estimates that additional Community resources of 330 million ECU will be required to supplement Member States' own expenditure. This estimate is based on a working hypothesis of a total of 150 000 further job losses over the period in question. It is assumed that out of that number, 20 000 persons will leave the industry in the process of natural wastage. Of the remaining

¹ Doc. SEC(82)1564 fin., 28.10.1982.

² Doc. SEC(82)1568 fin., 8.12.1982.

³ Resolution of 18 November 1982 (OJ C 334, 20.12.1982, pp. 81-82).

⁴ Session of 24 September 1982 (OJ C 276, 19.10.1982, p. 2).

⁵ Commission Decision 2320/81/ECSC of 7 August 1981 (OJ L 228, 13.8.1981).

130 000 workers, it is likely that roughly half will take early retirement or will see their jobs maintained by measures to reduce and reorganize working time, while the remainder will be seeking jobs in other sectors of the economy. In most countries, the group of older workers is in fact already much reduced as a result of the first batch of restructuring measures.

Proposed measures

The social support policy being prepared by the Commission, which takes account of the specific problems of the steel industry and complements reconversion measures designed to give a fresh boost to the development of the ECSC regions affected, would pursue four interrelated objectives:

- (i) to attract new jobs into the affected regions;
- (ii) to reduce the supply of labour in areas where it is already heavily in surplus;
- (iii) to promote opportunities for the reintegration of former ECSC workers in other areas of activity, and
- (iv) to promote the creation of organizations in steel regions to support an efficient and coherent application of the total programme of support.

I. Measures to attract new jobs

A first objective, but one not requiring the allocation of extraordinary budgetary resources, is the creation of a varied and highly-skilled labour force, an important factor in attracting new investment. To this end, training facilities must be set up in skills which were not previously available in steel areas, in particular where new technologies are concerned; and it will

be necessary to expand experiments in establishing specific vocational training units adapted to regional realities and to the special problems affecting steelworkers. In so far as the training courses are provided for former ECSC steelworkers, the Community contribution is funded through the ECSC budget (Article 56(2)(b)). The training programmes organized in the steel areas and regions attended by the unemployed or those threatened with unemployment who are not from ECSC sectors are and should continue to be supported by the European Social Fund in accordance with the relevant rules and guidelines for its management.

In order to attract larger numbers of new jobs into the steel regions, the Commission is seeking to mobilize all the relevant funds in this context, and in particular to increase the interest-rate subsidies on loans granted under Article 56(2)(a) of the ECSC Treaty. With a view to helping former steelworkers benefit directly from this extra stimulus to job creation, employers to whom a loan is granted will be required, when recruiting workers, to give prior notification of vacancies to the local employment agencies and ECSC firms. In addition, the services of the Commission in the case of direct loans and the financial intermediary in the case of global loans will also notify the vacancies.

II. Reduction of labour supply

The proposed measures aimed at reducing the supply of labour would take the form of a payment designed to compensate workers temporarily for the loss of income which results from early retirement or from recourse to worksharing measures designed to maintain jobs. In view of the large number of those leaving the labour market

at an early age — frequently five years or more before normal retirement — the Commission proposes to continue its policy under the 1981 social volet of contributing to early retirement benefits for persons of at least 55 years of age (or 50 years in special cases). Subject to a matching contribution from the Member State concerned, the Commission intends to continue its contribution to such benefits for a maximum of three years for any individual, together with a limited payment designed to maintain social security contributions (see Annex IIIa).

Experience with existing measures indicates a potential Community contribution of some 6 000 ECU per worker. Part of this amount would continue to be met by traditional re-adaptation aids. This would leave an amount of roughly 3 000 ECU per worker to be met under the proposed extension of temporary measures. The details of the new measures would vary only slightly from the measures previously implemented, any changes being designed to achieve improved harmonization.

Without prejudice to the development of an overall policy on the reduction and reorganization of working time, which the Commission is pursuing on the basis of its memorandum of 10 December,¹ the Commission intends to propose that efforts to increase the number of workers in the jobs that remain after restructuring by reducing working time, should be supported by Community funds up to a maximum of 3 000 ECU per job maintained (see Annex IIIb). Such efforts should conform with the conditions described in the Commission's memorandum and where appropriate with the aids

¹ Memorandum on the reduction and reorganization of working time, Doc. COM(82)809 final of 10 December 1982.

code. This new measure would not be subject to age conditions. It would, however, only be available for the period of restructuring. Temporary reductions in working time or temporary layoffs (short-time working) connected with restructuring plans, as agreed in the 1981 social volet, would also form part of this set of measures.

The Commission expects that approximately 65 000 steelworkers would qualify for one or other of these types of aid. Of these, some 55-60 000 persons might take early retirement while the jobs of a further 5-10 000 persons would be maintained through measures to reduce working time.

III. Labour reintegration

Present policy remains unchanged for the third set of measures in so far as they aim to facilitate geographical mobility and training and retraining of redundant workers with a view to their employment in other sectors of existing activity. Re-adaptation aids currently being allocated under Article 56(2)(b) ECSC also include tideover allowances in the form of compensatory benefits for loss of income at the time of re-employment. However, re-employment of ex-steelworkers has become more and more difficult with the rise of unemployment and the fall in the number of available vacancies. Moreover, the previous high wage levels and the cost of adaptation to new working conditions make the recruitment of those workers unattractive to potential employers in a heavily competitive labour market. The Commission therefore considers that to deal with this specific problem it has become necessary, for the period of restructuring, to introduce a more direct boost to the employment of former steelworkers in stable jobs, whether existing or newly created. For this

purpose, an aid should be granted for the benefit of ex-steelworkers to promote their reintegration outside the steel sector. The aid would have the object of compensating to an extent for the disadvantages of ECSC workers in occupying new jobs which are less well paid or during the initial stage of their adaptation to new working circumstances and would only be payable in respect of new posts or genuine vacancies. The Community's share would have to be matched by a national contribution and would not, in any case, exceed 15% of the average annual wage in the iron and steel industry in the Member State concerned (see Annex IV). The aid might be paid in decreasing instalments staggered over a period of two years. It is estimated that approximately 65 000 ex-steelworkers might be reintegrated in this way at a cost of 2 000 ECU per head, creating an additional budget requirement of 130 million ECU over four years.

Measures to keep up the level of skills and qualifications of the long-term unemployed, for example through temporary work experience in the public works sector, should be able to benefit from Community aid to the extent that former steelworkers are employed under such schemes. Only steelworkers in respect of whom the reintegration premium described in the previous paragraph has not been paid would be eligible for this aid. Subject to this condition, the Commission would subsidize such measures up to a maximum of 2 000 ECU per person, financed from the budget of 130 million ECU referred to in point 11 above and subject to a matching contribution by national governments.

IV. Organization problems

The restructuring problems in regions with a steel industry are

huge and complex: reduction in steel production capacity, encouragement or creation of usually small and numerous new enterprises, setting-up or adaptation of training structures, retraining of the labour force for the new skills required, maintenance of flexibility on the labour market. The decisions to be taken in the context of this process are dependent on a large number of authorities and organizations. Several Member States and regions have set up bodies to examine and coordinate the solutions that must be found to these problems. The Commission of the EC considers that such co-operation initiatives help considerably to increase the efficacy of the measures to be taken. It therefore already supports — albeit in a limited way — or proposes to support some of the activities of these bodies within the framework of existing Community financial instruments, such as ECSC conversion aid, ERDF non-quota intervention and the ESF.

Some of these local or regional coordinating units have tasks more especially in the field of forward-looking labour market management. These bodies should be composed of the representatives of local authorities, the two sides of industry, the steel companies and the manpower services concerned. Forward-looking manpower planning comprises the study, forecasting and regulation of the labour market at regional or steel area level; in other words, it enables a close watch to be kept on the number of young persons and their courses of education, the evolution of the supply of and demand for employment, access of school-leavers to the labour market, occupational qualifications of job seekers and the needs in this respect of employers. It thus makes it possible to coordinate all the measures required for the bal-

anced functioning of the labour market.

If such bodies are already established or can be set up in steel regions, the Commission would wish to contribute by co-financing their operation in preparing and implementing a coordinated local or regional labour market approach. Such an aid under the present ECSC scheme could be incorporated in a more general Community framework once established.

The four groups of measures outlined above will be implemented only if they are part of established steel restructuring programmes that have been approved by the Commission.

Budgetary consequences

The above paragraphs describe the social measures with which the Commission proposes to support the restructuring of the iron and steel sector, which are certain to involve very considerable further job losses in this industry between now and the end of 1986. Measures to create new jobs will be financed by resources in the ECSC and EEC budgets mainly through subsidized loans. Re-adaptation measures of a continuing nature under Article 56(2)(b) should be able to be funded from existing resources, but these will not permit the funding of the special measures proposed. Measures to be financed through the European Social Fund are unlikely to have a significant additional budgetary impact on that Fund.

Under the 1981 social volet the Commission was able to provide support for temporary mea-

asures implemented at different stages over the years 1978-84. The instruments which it introduced were financed from special resources of 212 million ECU. In order to finance the continuation of the 1981 social volet and the new measures described above to be taken in support of restructuring objectives covered by the 'General steel objectives 1985', additional resources of some 330 million ECU will be required in the financial years up to and including 1986, on the basis of a hypothesis of 150 000 job losses during the period.

Existing temporary measures (social volet 1981) which it is proposed should be continued, although on a smaller scale, take two forms.

The first measure involves income support for steelworkers over 55 years of age (or 50 years

in special cases) who will not be able to be re-employed.¹

The second measure is the financial support of temporary short time working preceding planned structural measures.²

New temporary measures are:

- (i) transitional financial support for a permanent reduction in working hours;³
- (ii) an integration subsidy for ex-steelworkers;⁴
- (iii) temporary employment creation;⁵
- (iv) financial support for the creation of bodies for forward-looking labour market management.⁶

Expenditure on all the temporary measures referred to above is broken down as follows:

Expenditure on early retirement ¹	165-180 million ECU
Expenditure on working time reductions ³	30-15 million ECU
Expenditure on short-time working ² is in lieu of ¹ or ³	
Expenditure on labour reintegration ⁴	130 million ECU
Expenditure on temporary employment ⁵ is in lieu of ⁴	
Expenditure on co-ordinating bodies ⁶	5 million ECU
Total outlay over four years	330 million ECU

It is expected that the restructuring programmes described in the general steel objectives 1985 and their labour market consequences will be spread over a period of about four years. The proposed additional budget of 330 million ECU does not include funding for the most recent measures

falling under the 1981 social volet. A final instalment of 50 million ECU out of the total 212 million ECU to be committed for that purpose is available in the 1983 ECSC budget. It is clear that in individual cases the two sets of programmes (volet social 1981/support scheme 1983) will be readily distinguished.

Action to combat poverty

Since 1974 the Commission has undertaken action to combat poverty in the Community. At the Paris Summit in October 1972 the Heads of State or Government reaffirmed that economic growth should not be an end in itself but should be a means to improve the quality of life. Since early 1974, in the context of the social action programme adopted by the Council, action to combat poverty has become one of the continuing priority tasks of the Commission. This gave birth to the European programme to combat poverty which is briefly outlined below together with some conclusions drawn from it. In a forthcoming issue of this review, the subject will be covered in depth.

Poverty is a phenomenon affecting all societies at all times. It exists today and Member States of the Community are affected in various degrees. There were an estimated 30 million poor in the mid-1970s¹ and this figure may be considered to be higher today as a result of the deepening recession throughout the world. Although poverty in Europe is far from being as acute (with some exceptions) as in the Third World, it must be admitted that it has recently become so severe that it is now true to say that there are poverty pockets in Europe.

In this context what has the Community done? It launched and successfully implemented a programme to combat poverty in the period 1975-80. The programme was modestly funded and staffed (20 million ECU over five years) and included not only pilot projects with a variety of aims, that is projects executed in the field and directed at target groups or regions that were poor or threatened with poverty, but also pilot studies. All these activities were designed to achieve a better understanding of the nature, causes, extent and dynamics of poverty in the Community.

To this end — to expand the field of knowledge — the Commission requested independent experts to draw up country reports² on policies in various areas (health, education, employment, housing and social security) to combat poverty directly or indirectly. An impressive mass of information is available in the final reports on pilot projects, action research, studies and national reports. The results of the programme have been evaluated in a report prepared by the Commission at the Council's request.³

A few facts and main conclusions emerge from a review of the available information:

- (i) Poverty still persists in Europe despite the achievements as regards economic growth (continued strong economic growth until the early 1970s) and progress in social matters (education, health, housing, social transfers). This tends to prove and confirm that economic growth alone does not eliminate poverty, any more than the expansion of social transfers and social services has had any substantial redistribution effects or improved opportunities for the poorest sections of the population.
- (ii) Poverty has many dimensions. Social, economic and cultural handicaps tend to accumulate.
- (iii) Some problems appear to be common to all the Member States:
 - extreme poverty, whether in pockets or in isolated instances;
 - particularly vulnerable categories (one-parent families, the elderly, immigrants, etc.);
 - the close links between employment, work and poverty (bad working conditions, low pay, the increase in forms of insecure employment, widespread existence of short-term contracts, unemployment — and in particular long-term unemployment), difficulties inherent in the social security schemes, etc.;

¹ For the purposes of the estimate, persons receiving less than half the average per capita net income of an inhabitant in the Member State concerned are considered to be below the poverty line.

² A report was drawn up on Greece subsequently.

³ Report available from the Commission of the European Communities. Directorate-General for Employment, Social Affairs and Education.

- isolation of the poorest groups, mainly as a result of poor schooling and training, illiteracy, etc.
- (iv) Poverty will continue to expand in the next few years. It is now admitted that unemployment in the industrialized countries today is not caused by short-term economic trends that can be corrected by adopting measures at Community level and will not automatically evaporate when the

world economy picks up. If the growth rate of unemployment does not ease off there could be 15 million unemployed by 1985. Exclusion or rejection from the working world is one form of exclusion from society and can have harmful cumulative effects in the long term by splitting society into a protected sector and a threatened sector.

In brief, experience with the first programme of pilot schemes

and studies to combat poverty has shown that despite the modest financial means and staff available some action is possible. It has also proved that a great deal remains to be done. Moreover, the deterioration in the economic situation has exacerbated the poverty problem and increased the isolation of certain population groups.

Therefore a new action programme at Community level to promote measures to combat poverty would seem to be required.

R. Draperie

Protection of workers from risks related to exposure to noise at work: a proposal for a Council directive

In the context of the Community action programme on safety and health at work, the Commission presented to the Council a proposal for a directive on the protection of workers from the risks related to exposure to noise at work.¹

This proposal aims to protect workers against risks to their safety and hearing which may be due to excessive exposure to noise at work. Such risks are the major hazards since their consequences are the most serious. Moreover, present scientific knowledge enables the risk to hearing to be assessed reasonably accurately, unlike effects other than those involving hearing.

When it exceeds certain threshold values, noise affects health and working efficiency. Its effects range from psychological nuisance to organic damage, in particular hypacusia, which is one of the commonest recognized occupational diseases in our industrialized countries.

The aim of this proposal is to ensure that a minimum level of worker protection from the effects of noise is achieved throughout the Community through the approximation of the relevant legislative provisions. This is in line with the provisions of Council Directive 80/1107 of 27 November 1980 on the protection of workers from the risks related to exposure to chemical, physical and biological agents at work.²

The proposal establishes that the peak sound pressure must not exceed the limit value of 200 pascals — which is the limit value corresponding to the recommendations of an international group of experts published by the World Health Organization³ — to avoid acute accidents, and to 85 dB (A) which is the daily sound exposure level to which the ear of a worker may be subjected at work taking into account the preventive measures applied in order to protect the worker against loss of hearing in the long term.

The introduction of a maximum permissible level of exposure to noise at work limits the hazard

to which exposed workers are subject, and with the proposed daily sound exposure level ($L_{EX,d}$) of 85 dB (A), it may be expected that at the end of their working life a maximum of 6% of these workers will suffer from a perceptible auditory handicap due to their exposure to noise at work, the handicap involved being socially significant for half of these. Furthermore, it should be noted that the 85 dB (A) figure already appears in regulations in force in the Federal Republic of Germany and in France.

The proposal also provides that noise shall be measured as part of a general programme aimed at identifying cases where workers are exposed to noise levels that may be above the limit values and to ensure that the latter had not been exceeded.

Where it is shown that the limit values may be exceeded, workers' exposure to a noise must be reduced as far as is reasonably practicable by means of technical or organizational measures or, if necessary, individual hearing protectors.

These measures must be supplemented by health surveillance of workers whose exposure is liable to exceed these limits. Such surveillance must be capable of detecting at an early stage those individuals whose hearing is at risk, and allowing the required measures to be taken before their handicap deteriorates beyond an acceptable limit. Adequate provision must be made to ensure the safety of workers who must not be endangered by an increase in the risk of accidents as a result either of noise or of the preventive measures taken in accordance with the directive.

¹ OJ C 289, 4.11.1982.

² OJ L 327, 3.12.1980, p. 3.

³ 'Critères d'hygiène de l'environnement, 1, Le bruit', WHO, Geneva, 1980.

At the same time measures must be taken to inform workers of risks associated with excessive exposure to noise, noisy areas and noisy equipment used at work.

Appropriate training for workers in cooperation between employers and workers must take place to ensure that the directive is implemented and its application facilitated.

The proposal provides for a transitional period of up to five years. Derogations may be granted where they reduce the overall risk, including other risks to the worker apart from the risk of damage to hearing.

The measures proposed are in line with the recommendations of

the International Labour Office (in particular ILO Convention 148) and the Inter-governmental Maritime Consultative Organization, and take into account recent work done by the World Health Organization, the International Organization for Standardization (ISO), and the International Electrotechnical Commission (IEC).

The exact number of workers exposed to various noise levels in the Community is unknown; nevertheless it may be stated on the basis of estimates that a total of 20 to 30 million workers are subjected at work to an equivalent continuous level exceeding 80 dB (A) (which may result in a risk to hearing). Half of these are at workplaces where the mean ambient

noise level exceeds 85 dB (A) and 6 to 8 million of the latter are subjected to a noise level exceeding 90 dB (A).

An analysis of the costs and benefits arising from a protection programme against noise has been attempted on several occasions, but it has not been possible to reach any quantitative conclusions; nevertheless, as regards their quality, the results seem positive and this is certainly the case in the medium term.

Experience in Community countries where a campaign against exposure to noise at work (involving health surveillance) has been running for several years shows that such a campaign is a practical proposition.

Part Two

Analyses, debates, studies



The Commission has included a large number of social issues among its main policy priorities for 1983, as its outline programme shows.

These priorities are reflected in the adoption of the political or legal instruments described in the first part of this review, where the reader will find the highpoints of the Commission's legislative and political activities. However, these priorities also caused the Commission to encourage its departments to give thought to the topics which concern Europeans today and those which may well be issues of tomorrow. DG V is permanently occupied with such ideas in the field of employment, education and social affairs, drawing upon the vital expertise and contributions of a wide variety of persons and bodies not in the Commission's employ and without which the Commission would be out of touch with what is going on in the world. The purpose of Part Two is, therefore, to give an account of this abundant contribution of ideas, encounters and experience.

The contribution of small and medium-sized undertakings to employment in Europe

Employment in small and medium-sized undertakings and the management of the labour market were the subject of a large number of studies and research projects. The following pages summarize three studies on these topics. The first of these has been done by D. Baroin and P. Fracheboud, Centre de Recherche Travail et Société, Paris.

The present situation

The rapid and universal rise of unemployment in Europe is causing economic and social policy decision-makers to take a close look at all the actors and mechanisms which have recently seemed to mitigate this curse of mankind. Small and medium-sized firms have been placed in the front rank of such actors. There has been such a decline in the contribution of the big undertakings to the creation of employment that any show of dynamism on the part of small and medium-sized firms made it worthwhile to devote some attention to the part they are playing in the economy.

While the 1960s saw the big firms forging ahead and the small and medium-sized firms lagging behind, this view had to be revised appreciably in the 1970s. After an initial phase in which the small and medium-sized firms were seen to be in decline in France, Belgium and the Federal Republic of Germany or stagnating in the United Kingdom, with only Italy proving an exception to this pessimistic view, a general revival of small and medium-sized firms has been observed in Europe since 1976. This revival is as evident as it is all-embracing as regards small firms in the industrial and tertiary sectors, but it is less so as regards the medium-sized firms in the industrial sector, where the situation varies appreciably from one country to another.

Are we to conclude from this that small businesses are making an appreciable contribution to solving the employment problem? There is a great temptation to answer that question in the affirmative, particularly as a well-known study came to the conclusion that such a contribution was being made in the United States.

However, it is difficult to arrive at the same conclusion as regards Europe for lack of an analysis based on a satisfactory methodology, that is to say an analysis of the individual factors contributing to the development of the employment situation. Only the studies carried out in the United Kingdom make use of that method, but they make it possible to affirm that firms employing fewer than 50 persons are the only ones to record noticeable increases in job creation in the industrial sector — this being due to the setting-up of new firms rather than to the expansion of existing ones. Aggregate statistics likewise lead us to conclude that the same is true of France, Italy and the Netherlands, while the situation is less clear-cut in Germany and Belgium.

On the other hand, there is no denying that, in most cases, the jobs created are of a lower standard than those created by big firms — in terms of remuneration, job security or access to social benefits. The only positive aspect which must be conceded to small and medium-sized firms is that they make it possible to maintain skilled jobs and act as training schools for potential entrepreneurs.

In purely quantitative terms, the creation of jobs by small and medium-sized firms is thus by no means negligible and it is therefore appropriate to take a look at what encourages and what hampers the setting-up and expansion of such firms.

Among the positive factors we may note the fact that small and medium-sized firms are better adapted to fluctuations in demand because of their more rigorous management of their labour force, the opportunities offered to employees and managerial staff to buy firms in difficulties, and the

growth and innovative strategies which many small and medium-sized firms pursue.

A major factor hampering the development of small and medium-sized firms is their lack of access to adequate capital, a difficulty aggravated by the frequent confusion between the resources of the firm itself and the entrepreneur's personal assets. No doubt, this undercapitalization, which may be attributable in part to the general insecurity of investments in small and medium-sized firms and the difficulties of transferring shares in them, has different effects depending on whether the firm in question is in an expansion or a consolidation phase, but in both cases it produces major imbalances. In addition, attention must be drawn to the social and financial burdens which small and medium-sized firms will have to take upon themselves at increasingly high costs if they wish to increase the size of their staff, and to the highly disadvantageous conditions imposed on subcontracting firms by their customers.

The contribution which the public authorities could make to the expansion of small and medium-sized firms — and thus to employment — is a crucial one.

Where such a contribution is being made, it has taken two main forms. In the United Kingdom, the Federal Republic of Germany and the Netherlands the public authorities have tried to lay down specific measures on behalf of small and medium-sized firms, even though — in some cases — these have tended to benefit some activities (e.g. trade) more than others. As part of these official endeavours, drawbacks have been identified, certain specific methods of financing set up and the public authorities have also agreed that in cer-

tain cases the way should be smoothed for small and medium-sized firms.

In other countries, such policies have been far more discreet, though not always negligible. Above all, these countries have seen to it that the obligations of small and medium-sized firms did not increase at the same rate as those laid down for big firms and have even turned a blind eye to a number of infractions of the law. In recent years, however, there has been some convergence in the policies towards small and medium-sized firms. Throughout the Community major measures have been initiated to encourage the setting-up of new firms, to assist innovation and to finance small and medium-sized firms. At regional and local level there has likewise been growing interest in small and medium-sized firms, a concern reflected in the development of an aid and advice network for such firms or in specific assistance provided by regional development bodies.

However, the present situation calls for more far-reaching action. Apart from improving the organization of this sector and doing away with burdens which the size and contribution of small and medium-sized firms do not justify, it looks very much as though selective measures will have to be taken on their behalf. The question of financing is the most difficult but also the most vulnerable area and other approaches in respect of capital injection and return on capital must be developed. It likewise appears essential to improve the assistance given in setting up new firms or reviving firms which are faltering. Finally, it would seem that encouraging very small firms which mobilize the most go-ahead among entrepreneurs is most likely to increase the employment potential of such small firms.

Conclusions

One cannot but be struck by the reversal of the prevailing trend which came about at the beginning of the 1970s in the United Kingdom, Italy and the Netherlands and, at a later date (after the recession of 1975 or that of 1978) in the other Member States. While the 1960s were characterized by a major increase in the staff employed by the large, and even the very large firms, small firms, in particular new firms, made an increasing contribution to the creation of jobs. The part played by medium-sized firms is far less clear-cut: weakened by the recession in the traditional sectors, their growth is, however, undeniable in the more up-to-date industrial sectors and throughout the services sector.

There is good reason to have reservations about so sharp a contrast in the employment trends between large firms and small firms. Some economists have pointed out that this growth, so favourable to job creation in small and medium-sized firms, derived in large measure from a logical pattern of employment shifts: a shift of jobs from the industrial to the tertiary sector through the development of the business services industry, but also a movement of jobs within the industrial sector itself between new firms and existing firms and between large firms and small and medium-sized firms as a result of an increased recourse to subcontracting or of the abandonment of certain markets. This argument is, to be sure, not without foundation, but a fundamental point must be emphasized, namely that there are independent patterns of development for new firms and for some of the small and medium-sized firms both in the industrial and tertiary sectors.

This, then, is the growth potential which must be developed,

though bearing in mind that the kind of jobs created by small and medium-sized firms will be different from those created by big firms in a period of growth. A large number of measures likely to help small and medium-sized firms can be imagined. In the light of the experience garnered in this field and the factors identified in this report, it would seem that four measures should be placed in the forefront:

- (i) An initial series of measures would aim at encouraging the setting-up of new firms. A wide variety of aids are already available in the Member States, ranging from tax relief, both for entrepreneurs and investors, to subsidies for direct job creation. It is, no doubt, possible to go farther in this field, particularly in the area of buy-outs, which we regarded as an integral part of a revival in the setting-up of firms. In this field a loosening of statutory and financial constraints, accompanied under certain conditions by a contribution from public funds (recycling of unemployment benefit), can and should be considered. Important as financing problems may be, they should not cause us to forget that measures aimed at training potential entrepreneurs who are unemployed or employed by large firms are just as essential, if entrepreneurial activity is to be stimulated.
- (ii) A second series of measures would be concerned with the promotion of very small firms. This series of measures supplements the first in that the majority of new firms are very small and high-risk firms. Steps must be taken to see

that small firms are not excluded from aid measures. The idea is less to propose conservative and preferential measures which would accentuate the marginalization of workers employed in this type of firm than to encourage the most go-ahead of small firms, whose part in providing training and in stabilizing the local economy is far from negligible. In this area numerous measures taken on a decentralized basis are desirable:

- measures to increase opportunities for acquiring premises, particularly in towns where property speculation hampers the development of small firms;
 - measures to encourage entrepreneurs to form associations to deal with everything related to purchasing, product promotion and access to public markets;
 - measures to give a wider dissemination to information on technical developments and market conditions, particularly export market conditions;
 - direct aid (subsidy) or indirect aid (loan) for the recruitment of skilled staff.
- (iii) Small and medium-sized undertakings operating as subcontractors have specific problems of which account must be taken. The only tangible actions taken so far have aimed mainly at establishing contacts between subcontracting small and medium-sized firms and potential customers by organizing trade fairs and similar events. Additional measures are needed to attenuate the more question-

able — and the most injurious to competitiveness — aspects of the relations between large firms and their small and medium-sized counterparts. By the same token, a third series of measures would be needed to pave the way to a genuine code covering subcontracting within the Community. Such measures could include: longer-term contracts, less piecemeal orders to subcontracting firms and assistance for the diversification and modernization of subcontracting small and medium-sized undertakings — essential if they are to become more independent *vis-à-vis* other firms.

- (iv) Finally, a fourth series of measures — the most fundamental, since it partly affects the success of the previous three — would be needed to improve procedures for financing small and medium-sized firms. Steps should be taken to stimulate within the Community the supply of risk capital, possibly in the form of equity loans, to finance the setting-up of firms and the capacity for innovation of small and medium-sized firms. The attention of the banks and the regional development bodies should be drawn to the two-fold impact of their attitudes towards the financing of small and medium-sized firms: a negative impact in that their present attitude adds considerably to the financial burdens borne by such firms; a positive impact in that a rethinking of the risk expected profit ratio would make it possible to maximize their potential for growth and for job creation.

Factual study on employment in small and medium-sized enterprises in the EEC

(A study of the ABT-Forschung, Bonn)

The study presents an analysis of trends and the recent distribution of employment in small and medium-sized enterprises during the 1970s in the Member States of the European Communities on the basis of available homogeneous data.

Though policy-makers put much emphasis on the employment potential of small and medium-sized businesses (subsequently referred to as SMEs), it is not at all clear whether SMEs actually had comparatively higher employment potential than larger firms during the past and under which conditions the existing potential can be stimulated in the future.

It is against this background that research was instigated by the Commission of the European Communities to elaborate on the question of the comparative employment potential in SMEs and to devise some possible strategic solutions to further this potential in the future.

By way of introduction, however, it should be noted that we are far from satisfactory scientific explanations of the job-generation process. This is partially due to the currently available data, which do not reveal the complex interactions among, for example, births, deaths, expansions, contractions or amalgamations of businesses.¹ For this reason, there is a limit to the results that can be obtained from an analysis of official data. The present report contents itself with an investigation of the structure and trends of businesses by their size.

Statistical material upon which our study is based was obtained exclusively from the Statistical Office of the European Communities. The advantage of this source is that we avail of comparable data for the various Member States. The fact that these data are fairly rough and are available for only a few points in time is disadvantageous.

The authors of this report also collected the relevant data and other documentation on SMEs from national sources in the Benelux countries and the Federal Republic of Germany. These data were passed on to the Centre de Recherche Travail et Société in Paris which had gathered data for the other Member States. On the basis of these cooperatively collected national data, the Paris Centre compiled a study report for the Commission, in which the trends and structures of SMEs are discussed.² Being aware of the general shortcomings of official employment statistics with regard to an analysis of the job-generation process, the Statistical Office of the European Communities awarded ABT-Forschung a contract to prepare a detailed analysis of the employment potential of SMEs in the Federal Republic and the Benelux countries.¹ This study is based on a large sample of individual firms, thus making it possible to examine the components of the job-generation process. Read in conjunction, these various reports provide a more complete picture of the employment potential of SMEs.

Conclusions

Before turning to a discussion of the main conclusions that emerge on the basis of the previous analysis, it should be stressed again that this report is based exclusively on the data which are available at the Statistical Office of the European Communities. An advantage of using this source is that the relevant data for the various Member States of the Community are comparable. However, the fact that the size-specific data for manufacturing employment are drawn from establishments and not from enterprises and the fact that these

data are only available for a few points in time (1974 and 1978 in services and 1972, 1975 and 1978 in manufacturing) have proved to be major inconveniences. Bearing these drawbacks in mind, our previous analysis leads to the following conclusions.

In general, manufacturing employment is dominated by larger establishments (1 000 or more employees) with the notable exception of Denmark where enterprises with 10-49 employees are dominant. The largest concentration of employment in establishments with 1 000 or more employees can be found in the Federal Republic of Germany (37% of total manufacturing employment in establishments with 1 000 or more employees) and in the United Kingdom (32%).

With respect to sectoral characteristics of the size-specific composition of manufacturing industries, SMEs seem to predominate in small productivity sectors and declining industries, such as leather goods, textiles and clothing. Most high-productivity and advanced industries, such as data processing and electronics, are characterized mainly by the prevalence of large establishments.

In comparison to the distribution of manufacturing employment, employment in services is much more polarized. In all Member States for which data are available, enterprises with 10-49 and 1 000 or more account for the highest proportion of employment. Whereas employment in the four size groups of enterprises with 50-999 employees only slightly exceeds 10% of the total, employment in the 10-49 and the 1 000

¹ For more details, see Birch, 1979, p. 4.

² See Centre de Recherche Travail et Société, 'Petites et moyennes entreprises, et création d'emplois en Europe', study report, Paris, 1982.

or more groups accounts for over 20% in all Member States, and for over 30% in most of them. Though quite significant variations among the various subsectors have been observed, the general pattern of tertiary employment consists of high concentration for banking and insurance in the largest units of employment, for retail trade in the smallest and the largest units and for wholesale trade in the smallest units.

A correlation seems to exist between changes of the composition of employment by size of establishment or enterprise and aggregative changes in employment. Tendencies towards concentration occurred mostly in those countries and industries which experienced relatively small losses in employment. Deconcentration in turn was found in those countries in which industries suffered rather large losses in employment.

It is also noteworthy that the employment growth of SMEs occurred mostly in rather basic services or weak manufacturing industries. In contrast most high-productivity and advanced industries experienced increasing shares of employment in large businesses.

In comparing the industry-specific distribution of labour cost and the size distribution of businesses by industry, an important feature becomes apparent. Although size-specific labour cost differentials have little significance, there is a very clear relationship between those industries which are dominated by large businesses and those which incur high labour cost, as well as between the industries where labour cost is low and those in which small businesses are prevalent.

With regard to the policy implications of these factual results, it seems that the sectoral concen-

tration of SMEs deserves particular attention. In view of the tendency – which has been recorded in several instances – towards rising shares of SMEs in weak or declining industries, two comments are in order: on the one hand SMEs could clearly maintain certain levels of employment, even in the intractable economic climate of the 1970s. However, their employment clusters in weak sectors whereas larger businesses, in such sectors, either die or switch to more productive ones. On the other hand SMEs are faced with serious barriers to effectively penetrate highly productive growth industries. The latter are dominated by larger businesses. If we want to break this dualism – which is detrimental to SMEs in the longer term – social and economic policies must be geared towards facilitating the process of adaptation to dynamic productions and services in favour of SMEs.

Local labour market planning in Europe

(A study of the Institute of Manpower Studies, Brighton)

The development of forward-looking employment management (FLEM) at the local level is seen by the Commission to be a means of improving the efficiency of the labour market, improving manpower utilization and reducing the levels and impact of unemployment.

The Commission invited the Institute of Manpower Studies to review the application of local FLEM in selected Member States in terms of the range of definitions of local labour markets used; the users of the local labour market concept; the extent of the current involvement by the social partners; the information that is used; and to suggest ways of coordinating employment activities at the local level.

The work in the United Kingdom and Ireland was carried out by the Institute of Manpower Studies, that in France by Madame Pommier, Ministry for Employment Paris, and in the Federal Republic of Germany by Dr A Peters, IIM, Berlin.

The study is in two parts. The first provides an overview of the current application of local FLEM, drawing out the lessons from the experiences of the four countries and setting out a framework for progressing in the adoption of local FLEM throughout the Community. The second part comprises the case-study reports on the four countries.

The case studies

The French study highlights the emphasis being placed by the government on new employment policies to deal with the country's economic problems. It details the public institutions most involved with employment policy and definitions used for local areas. It then considers examples of local FLEM

in four contrasting employment zones. It concludes with the lessons to be drawn so far from these new experiences.

The UK study highlights the main institutions involved in labour market policy and the principal definitions of local labour markets used. It illustrates the diversity in the application of aspects of local FLEM by detailing four local programmes initiated by the public sector and six started by private companies or other non-official agencies. The study summarizes the current state of local FLEM in the United Kingdom and sets out the issues affecting its future development.

The Irish study concentrates on the official bodies involved, there being few significant activities beyond those operated by government or semi-State bodies. Ireland has far more 'regional' as opposed to 'local' bodies. This case study suggests that there exists a framework for the development of local FLEM although at present there is as yet no comprehensive programme or strategy for local FLEM.

The German case study concentrates on illustrating the different types of local employment initiatives being started to deal with the growing problems of unemployment.

The objectives of local FLEM

Each country has a very different context within which local FLEM can and might develop. Each has an institutional framework that deals with some aspects of labour market policy at the local level. The majority of local employment planning activities are, however, reactive, responding to specific local problems. Virtually no attempt has been made to link local

FLEM with that in individual enterprises.

Specific objectives that have been developed in terms of local FLEM include those relating to (i) expanding the economic base (job creation, replacement, attracting new investment and employment, supporting declining firms and worker cooperatives) and (ii) the provision of training (to meet future skill needs, increase the employability of disadvantaged groups, and young people).

In France, the policies towards decentralization and collaborative planning are giving great impetus to local FLEM, one example shows ambitious objectives for local FLEM although its newness does not allow its effectiveness to be judged. In the United Kingdom the activities are more developed and diverse focusing on specific aspects of job creation and youth training. In Ireland local developments are closely linked with national development plans, while the examples presented for the Federal Republic of Germany focus more on self-help groups.

As the precise objectives are particularly dependent on local circumstances and the actors involved, it is not appropriate to think in terms of a singular set of objectives for local FLEM. One particular problem in defining broader objectives is that of achieving a consensus between the social partners.

In each country the administrative structure is a dominant feature of data collection, groupings of common interest and the provision of many services. Local FLEM tends to recognize these administrative boundaries. A future need is to consider different 'local labour markets' in relation to the differing objectives of FLEM and local circumstances.

The success or otherwise of a specific initiative is often seen as critically dependent on the individual(s) or organization starting it. There are many examples of successful schemes that do not involve all the social partners, those being most likely to be absent are the employee representatives. A critical concern for the future will be to balance the involvement of the social partners with the need for a consensus, and for agreed objectives.

Information availability and use

Each country has a data base of potentially useful manpower and related information. However, because of definition problems, incompatibility of geographical coverage, and the need for localized data, it is not always available and applicable. The majority of initiatives have made only limited use of the available and applicable data. A particular stumbling block has been the inability to collect detailed company data due to lack of willingness by local employers. Another, the unavailability of practical approaches to local forecasting, has been a major practical limitation in each country.

A particular advantage of a well researched approach is illustrated by two cases in the United Kingdom where the data collection was a means to generating the necessary local commitment by the social partners.

A significant deficiency which should be remedied, however, is the non-availability of information for monitoring the effectiveness and success of the schemes. This would help point up the relative success of different approaches to local FLEM.

The development of local FLEM has not been critically de-

pendent on the application of substantial new resources (people, money, facilities). In France local government and other institutions have been the key source of funds. In the United Kingdom extensive use has been made of both government money and from the private sector. In Ireland the State has provided the limited resources that have been used while in Germany many of the schemes described have been 'self-help' activities. All the schemes saw themselves as having a major role channelling information, for example by helping new companies find appropriate advice or money, or individuals find suitable training places.

Conclusions: the way ahead

There are many successful applications of aspects of local FLEM although none is comprehensive in its objectives and many have only recently been developed. There is no uniform pattern either within or across the Member States. While the current economic and employment problems in Member States highlight the need for local FLEM, it should not be thought of as being a 'temporary' or 'transitory' activity. The need is for an evolutionary policy and programme of activities responsive to the needs of local communities.

Local FLEM should be rooted in the needs of local communities, who should determine its precise objectives. These will be closely related to local economic and social development. The objectives will need initially to relate to specific problem areas and agreed by the key local actors if the appropriate commitment is to be gained. The State and its agencies cannot alone guarantee the implementation of local FLEM. In the longer term the objectives and associated

activities and structures will need to be flexible and be able to respond to changing circumstances.

A critical need for its success will be the coordination of the activities in the locality building on the strength of each. The development of local consortia of key actors is a key need. The State and its agencies can contribute significantly by helping establish a suitable framework for, and by servicing the local consortia. Significant levels of new resources (most obviously money) are not an essential pre-condition for their development.

Decisions about the appropriate definitions of 'local' cannot be taken in the abstract, local FLEM will have to be focused on a cohesive community unit, and these may vary considerably in size and pattern and between localities.

To date only limited quantitative information has been used in the development of local FLEM. A particularly intractable problem has been inability to develop useful forecasts or scenarios for individual localities. Improved information and analyses of local problem and circumstances helps put local problems into sharper relief, and can help convince local actors of the need for participation. Initiatives should pay more attention to monitoring their activities and success rates if the strengths and weaknesses of alternative approaches are to be fairly evaluated.

Recommendations

The Commission and social partners should consider the following actions as a means of further developing local FLEM:

- (i) publicizing good examples of local FLEM;
- (ii) encouraging the development of consortia;

- (iii) providing resources to support consortia;
- (iv) developing national frameworks for coordination of local FLEM;
- (v) improving information provision and awareness of its value;
- (vi) developing its linkages in the enterprises and national labour market policy;
- (vii) monitoring its future development;
- (viii) encouraging research into methods of labour market analysis and of local forecasting together with guidelines to aid their use by the social partners and consortia.

Finally, they should consider further evaluating its costs and benefits in a wider range of initiatives across other Member States.

The Commission has also had a number of detailed studies carried out in the field of labour law. Although this too is a very topical matter, since it concerns workers and their representatives in their day-to-day relations with employers, less is known about its development and the similarities that exist in the Community countries. Two studies which are summarized in the following pages represent a valuable contribution on two important aspects of this subject: the law governing collective agreements and collective labour disputes.



Study on the laws governing collective agreements

A comparative study of the laws governing collective agreements in the Member States of the Community has been prepared at the Commission's request by Mr G. C. Perone, Professor of labour law at the Faculty of Law of the University of Rome II.

It shows the similarities or differences in approach in the various Member States and provides the answers to a number of questions of a legal nature and significance which are of both theoretical and practical importance in the field of collective agreements.

The first difference between the Member States concerns the existence of organic rules governing collective agreements and the concept of collective labour agreements. This is the case in France, Belgium, Luxembourg, the Federal Republic of Germany and the Netherlands where collective agreements regulate both individual and collective employment relationships and lay down the rights and obligations of the contracting parties. In contrast there are no organic regulations on or definition of collective agreements in Italy, Ireland, the United Kingdom and Denmark, where, however, the law refers, for specific purposes, to a concept of collective agreement which has evolved from experience and practice. It should be noted that, in these countries, legal theory and case-law have developed a general concept of collective agreements which is similar to that in the first group of countries.

Set against this difference is a common tendency in the Member States of the Community to use legislation either to reinforce the role of the collective agreement (method of fixing working conditions and pay levels, means of resolving industrial disputes, instrument of industrial peace, etc.) or, where free negotiations are likely

to damage the interests of the nation as a whole, to limit it.

It is very difficult to make a comparative study of the parties empowered to negotiate and sign a collective agreement: in this field, laws have been based on the traditions and structures of the trade union movement, factors which vary, often considerably, from one country to another.

The first question is to identify the party negotiating on behalf of the workers: is this right granted only to trade unions or is it enjoyed even by non-unionized groups of workers? In France, the Netherlands, the Federal Republic of Germany, Belgium and Luxembourg, only trade unions are parties to a collective agreement, while in Italy, the United Kingdom, Denmark and Ireland no restrictions are imposed either by legislation or by case-law: consequently, collective agreements can be concluded by shop stewards in the United Kingdom and works councils in Italy.

Identifying the parties negotiating on behalf of employers is less of a problem: not only are there no restrictions, but the situation is the same throughout the Member States. Employers' trade unions, non-unionized employers' associations, informal groups of employers and individual employers may all conclude collective agreements.

The third question concerns the legal nature of contracting organizations. The general tendency is towards the greatest possible degree of freedom, even in countries where organic rules govern collective agreements: accordingly, not only in Italy, the United Kingdom and Denmark — countries in which there are no such regulations — but also in Belgium, France, the Federal Republic of Germany and Luxembourg, a collective agreement may be concluded by bodies which are not

registered, whether on the workers' or employers' side. In this connection, it should be pointed out that workers' organizations have always resisted attempts to make legal personality an essential condition for the conclusion of collective agreements, as well as compulsory registration, fearing State controls on their independence. The only exception is Ireland, where the Trade Union Act of 1941 prohibits unlicensed parties from conducting collective negotiations on pay: this ban, incidentally, is not in line with the 1948 ILO Convention.

Do the trade unions have a right of negotiation? Are employers under an obligation to negotiate?

Whereas the obligation on firms to negotiate, or, to be more specific, the obligation to negotiate in good faith, has long been the cornerstone of industrial relations in the United States, this question has come to the fore again in Europe and indeed there has recently been a positive development in France. As part of what has come to be known as the 'Auroux laws', the Law on collective bargaining and the settlement of collective labour disputes, passed on 15 October 1982 and published on 13 November 1982, establishes a two-fold obligation to negotiate: at sectoral level, annual negotiations on pay and negotiations every five years on grading; at company level, there will be annual negotiations on wages, working hours and the reorganization of working time.

What is the position in the other Member States? There is no such obligation in Italy, the United Kingdom, Ireland or the Federal Republic of Germany, whereas in Luxembourg, in the absence of a collective agreement, the employer is obliged to negotiate with the most representative trade unions

at national level; if he refuses to do so, the trade unions may refer the matter to the National Conciliation Office or an arbitration body.

One difference which should be noted is that between countries where collective negotiations are conducted in institutionalized bodies and those where the negotiating process takes place outside any institutionalized framework.

In France, Denmark, the Federal Republic of Germany and Italy there are no permanent negotiating bodies, whereas in the United Kingdom collective bargaining is conducted in the joint negotiating bodies set up by agreement between the interested parties, in Belgium in the joint committees for each sector or category of employment, and in Ireland in the Joint Labour Committees and Joint Industrial Councils.

Although it is less important, the question of the form and publication of the collective agreement is nevertheless worthy of brief consideration particularly because of the effect that it may have on attempts at national level to establish files on collective agreements.

In all countries with organic laws on collective agreements, written form is a statutory requirement, otherwise the agreement is null and void: this is the case in France, Luxembourg, Belgium, the Federal Republic of Germany and the Netherlands. The publication of the text of agreements is generally guaranteed through their being deposited with an office or administrative department under the law: this applies in France, Belgium, the Federal Republic of Germany and Luxembourg.

Again with the aim of publicizing the agreement, it must be posted up by law in France, Luxembourg and the Federal Republic of Germany, while in France and

the United Kingdom the employer is obliged to provide the workforce with a copy.

Uniform, or at least very similar, solutions have been adopted with regard to the content of the collective agreement which generally consists of a statutory part and a normative part: the former regulates the rights and obligations of the contracting parties while the latter covers individual contracts of employment. This definition of the content is observed in France, the Federal Republic of Germany, Italy, Belgium, Luxembourg, Denmark and the Netherlands. In the United Kingdom and Ireland, the distinction is between procedural agreements which regulate negotiating, dismissal and arbitration procedures and substantive agreements covering working conditions.

Fixing the scope of the collective agreement is one of the most meaningful expressions of trade-union independence, and the problem is whether the State guarantees trade-union freedom or intervenes to limit it. In all Community countries, the independence of the trade unions in this respect is guaranteed to such an extent that the parties are free to fix the scope of the agreement as regards occupation and area.

On the question of the period of validity of collective agreements, two groups of countries may be distinguished; firstly, countries which leave a great deal of freedom to the contracting parties (Italy, Federal Republic of Germany, United Kingdom, Ireland, Denmark) and, secondly, those which have fairly wideranging rules on this question (France, Luxembourg, the Netherlands and Belgium). Furthermore, in Luxembourg, agreements must be adopted for a fixed period by law, whereas in the other countries, the choice is left to the two sides of

industry. As regards fixed-term collective agreements, the maximum period of validity laid down by law is three years in Luxembourg and five in the Netherlands and France. In practice, the period of validity established by the parties themselves is two years in Luxembourg, one year in the Netherlands, France and the Federal Republic of Germany and three years in Italy.

The industrial-peace requirement is a crucial question for collective bargaining and industrial relations, and touches on what is certainly the most important function of the collective agreement. In other words, is it possible for a trade union to continue to take action after concluding a collective agreement?

This obligation to observe industrial peace is considered in some countries (Luxembourg, Denmark, The Netherlands, Belgium, Federal Republic of Germany, France) as one of the effects of the collective agreement either by virtue of the law (Luxembourg) or the affirmation of a principle by the courts (Federal Republic of Germany, Denmark). In other countries, however, this obligation applies only if it has been expressly stipulated by the contracting parties (United Kingdom, Ireland, Italy).

Furthermore, this obligation may be absolute (industrial action is prohibited whatever the object) or relative (industrial action is prohibited only in respect of matters already covered by the collective agreement). In France, Belgium, Luxembourg, the Federal Republic of Germany and the Netherlands the obligation is relative: an absolute requirement to observe industrial peace would appear to contradict the principle of trade-union freedom and recognition of the right to strike. Even in the Netherlands, where the contracting par-

ties may stipulate an absolute obligation, trade-union action is recognized to be legitimate if the situation existing at the time of the conclusion of the agreement changes radically.

Furthermore, this industrial-peace obligation may prohibit disputes at all levels (Federal Republic of Germany) or merely at the level at which the agreement was concluded (France). In this respect, it should be noted that in Italy the tripartite agreement of 22 January 1983 concerning, among other things, labour costs prohibits claims at company level on matters which have already been regulated by collective agreement at another level.

Finally, it should be stressed that even where an obligation to observe industrial peace exists, a resumption of industrial action is considered legitimate in specific cases: infringement of this obliga-

tion or clauses of the agreement by the other party (Belgium, The Netherlands, Federal Republic of Germany), solidarity strike (Denmark, Belgium, etc.).

A further question that arises in this connection concerns the identity of the party required to observe industrial harmony: is it the contracting organizations or the individual workers and employers? In France, Belgium, Luxembourg, the Federal Republic of Germany and the Netherlands, the contracting organizations are required to observe this obligation; in other countries, such as Denmark, both the contracting organizations and the parties to individual contracts of employment; finally, in countries such as the United Kingdom and the Netherlands, either the contracting organizations or the individual workers and employers according to the substance of the clause laying down this obligation,

One final question is that of the procedure whereby the terms of agreements adopted are extended to all concerned. As collective agreements are binding on the signatories only, the extension procedure is aimed at ensuring, in the interests of social justice, that all workers in the same sector or area enjoy the same minimum level of working conditions.

A system whereby the terms of the agreement are extended to all concerned through an administrative act by the competent public authorities operates in France, Luxembourg, the Netherlands, Belgium and the Federal Republic of Germany. However, such arrangements do not exist in the United Kingdom, Italy or Denmark. It should be added that the various countries have laid down conditions under which the terms of collective agreements may be extended in this way.

Study on the prevention and settlement of collective labour disputes in the Member States of the Community

Industrial disputes became much more frequent and serious in the Western market economies during the period from 1968 to 1973. The increase in collective disputes in that period was accompanied by certain significant trends such as a change in the methods and means used in the disputes and the emergence of wildcat or unofficial strikes, i.e. not prompted or controlled by a trade union. These tendencies have been interpreted as showing a weakening in methods of regulating industrial relations, in particular the traditional rules for controlling disputes, the inability of collective bargaining to take account of the new claims of the workforce and the inadequacy of conciliation procedures in the face of tension arising at the workplace itself.

The sociological aspects of this wave of disputes have been studied in detail: many works have been published. The conference at Bruges from 25 to 27 March 1971 provided the occasion not only to take stock of possible interpretations, but also to define the differences and similarities between these movements in the various countries.

What was the impact of this series of workers' disputes on the rules of law governing the prevention and settlement of collective labour disputes of the Member States of the Community? Did the national legislative authorities depart from their traditional position of not intervening in disputes or did the State, because of its role as an employer and its increasing responsibilities in overseeing economic and social life, increase its intervention, in particular by drawing up new rules?

To provide the answer to these questions, Mr Treu, Professor of labour law at the Faculty of Law at the University of Pavia has, at the

Commission's request, prepared a study on the legal provisions governing collective labour disputes and offering a means of preventing and resolving such disputes. The final part of this study is devoted to an outline of the development of this very complex matter in the medium term.

The first part of the study shows that the national legislative authorities maintain a position of non-intervention in the settlement of disputes: the extremely delicate task of determining the legal limits of a dispute, particularly, a strike, is not a matter for legislation, but is left very largely to case-law and legal theory. Naturally, this principle of non-intervention with regard to the right to strike is subject to a number of exceptions in the case of civil servants and workers in the essential public services.

On the question of strikes, it is well worth devoting a few lines to specific forms of strike, such as 'political' strikes and 'solidarity' strikes or other forms of action which came to the fore during the period referred to above.

All legal systems make a very clear distinction between political strikes and economic or contractual strikes, the fact generally being that in practice legal protection is granted only to the latter. As regard solidarity strikes, most systems reflect the view that the legitimacy of such strikes depends on the assessment of the links between the interests of the strikers and those of the workers with whom they are showing solidarity. Forms of action other than strikes, such as boycotting, occupation of factories, workers running factories and selling products, kidnapping of managers, blocking of goods, sabotage, etc. are trade-union practices whose frequency varies according to the case and period and case-law in this con-

nection is uncertain and inconsistent.

As a corollary to the right to strike, the right to work gives rise to delicate problems for trade-union policy, among other things from the point of view of its legal nature. The problem arises with regard to so-called 'union security' clauses and practices which exist in some countries and effectively mean that workers cannot get jobs or benefit from certain rights if they are not members of a trade union. Whereas most Continental countries are opposed to such clauses, the Anglo-Saxon nations are in favour of them, although sometimes this principle is tempered with caution. One sensitive question concerning the right to work is that of strike pickets the posting of which is generally considered in all countries as a form of action connected with the strike and therefore comes under the protection granted by the law, provided that the action is of a peaceful nature.

Of the courses of action at the employers' disposal, the lock-out is the one that stands out as being the most forceful. Although there are no accurate figures, it seems that there has been increasing and more vigorous use of the lock-out in recent years.

It is accepted that, whatever the system in question, the lock-out is not in itself illegal. Under certain systems, however, where its aim is to oppose trade-union action and where it is not justified, the lock-out may be considered as an anti-trade-union practice. What varies the most from one system to another, however, are those aspects of the regulations governing lock-outs which do not fall within criminal law: on the one hand there are systems which place lock-outs on the same level as strikes from a legal point of

view and, on the other, those which afford strikes special legal protection and consequently refuse to place strikes and lock-outs on an equal footing and recognize the argument, both in legal theory and case-law, that the lock-out is in principle illegal.

As regards the other courses of action available to the employer, ranging from disciplinary powers to an 'investment strike', most of the legal systems in the developed capitalist countries prohibit the employer from using measures aimed at restricting freedom of organization and trade-union activity.

The controversial question of the 'industrial peace' clause, i.e. the explicit undertaking entered into by the parties not to resort to disputes during the period of validity of the collective agreement or to apply a fixed procedure to settle differences or even more simply to observe a time-limit or period of notice, is at the very heart of the dispute. This is an important demonstration of the relationship between agreements and disputes as instruments for resolving differences, and the characteristics of the various industrial relations systems. Under some systems, the industrial-peace clause is considered to be an essential corollary of the collective agreement on the basis of a law or general legal principles: in other words, it is the view that the collective agreement is an instrument of industrial peace and therefore a means of permanently resolving disputes relating to the matters in question, even in the future, which prevails. In other systems, however, the industrial-peace clause is either unknown or simply rejected: it is felt that the guarantee of industrial peace can be recognized only if there is an explicit agreement between the parties to this effect, forming the subject of an *ad hoc* clause in the agreement.

The second part of the report then examines the systems for preventing and resolving collective disputes. After the Second World War, institutions and procedures for the amicable settlement of disputes developed in all systems: their most important common feature is that they are based mainly on implementation and voluntary acceptance by the parties to the collective agreement. There are many differences between the settlement methods in the various systems as a result of a wide range of national factors.

Conciliation, mediation and arbitration are by far the most widely used forms of settlement in the Community and in industrial relations in Western countries in general. Although arbitration is generally considered as a procedure leading to a decision by a third party which is binding on the parties, the distinction between conciliation and mediation is less clear: the general view is that conciliation is where a third party merely attempts to bring the parties closer together without going into the substance of the dispute, whereas the role of a mediator goes as far as proposing solutions. All Community countries have conciliation procedures for resolving disputes drawn up by the parties themselves which in all cases have priority over State procedures, and procedures for settling disputes by State intervention, but, having regard to the priority given to the independence of the parties in their conduct of industrial relations, these have only a secondary complementary role. In some Community countries arbitration is also used to resolve collective labour disputes, but it is generally considered as a last resort after all other possible solutions have been tried without success. In the Continental countries, the arbitration procedure leads to a decision

which is binding on the parties, whereas in Anglo-Saxon countries, the decision arrived at after arbitration is not legally binding.

The type of body responsible for procedures for settling disputes generally corresponds to whether the procedure is public or private, although there are a number of situations which could be described as intermediary. Where they are institutionalized, the bodies responsible for finding a settlement, whether statutory or set up by agreement, generally operate on a permanent basis.

The essential point regarding the procedures is whether or not they are binding. Since they have been established by a common agreement between the parties, the conciliation procedures tend to become binding under most systems and usually involve the acceptance of a mutual obligation to observe a truce. On the other hand, in most cases, public settlements remain optional as do the arbitration procedures.

As regards the outcome of intervention, most countries conciliation procedures hardly ever, apart from a few exceptions, lead to solutions binding the parties. They are always free to reject the mediation proposals put forward in an authoritarian manner by the public authorities; in this type of procedure, the outcome is determined to a large extent by the skill, authority and competence of the mediator, and by the publication of mediation proposals by the public authorities.

The third and last part of the study is devoted to the conclusions and the medium-term prospects.

What final conclusions can be drawn from the analysis of European systems for resolving disputes? Significant common tendencies have emerged and they may be summarized as follows:

- (i) In spite of a marked increase in disputes at the end of the 1960s and in the first half of the 1970s, the legislative authorities have generally maintained their position of non-intervention in the settlement of collective labour disputes, despite growing State intervention in industrial relations, which is a consequence of the crisis, and there is no indication of a change in this tendency in the immediate future, except perhaps as regards certain specific aspects such as strikes in the public service sector.
- (ii) In most European countries, the public authorities, having tried binding policies aimed at imposing direct limits on disputes and trade-union autonomy, are tending towards policies based on a consensus between the two sides of industry, so that over the last 20 years, State intervention has aimed at promoting the role of the trade unions as interlocutors in the negotiations, at both economic and political levels.
- (iii) As regards specific public and private instruments for the settlement of disputes, State intervention has intensified over the last few decades and has led to the spread of what may be called 'mixed' methods of controlling disputes.
- (iv) The ineffectiveness of existing procedures has become increasingly apparent as regards the control of brief peripheral strikes totally or partly beyond union influence which have been a feature of the last decade.

- (v) Decisions imposed on the parties by a third party (binding arbitration, court decisions and legislation) are clearly limited and are giving way to procedures aimed at obtaining solutions accepted by both parties.
- (vi) To sum up, it may be stated that the traditional structures for settling and preventing disputes are particularly ineffective at the two extremities of the system: at the central level, where relations between the two sides of industry are more directly in contact with the political system and at the peripheral, company level, where the collective organizations are in contact with the grass roots and more closely involved with questions of the organization of work, whereas the intermediate level of the system, corresponding to national collective agreements at sector, category or large group level, is relatively stable by comparison.

Finally, the study attempts to set out a number of assumptions concerning the development in the medium term of industrial relations as regards disputes and the way in which they are settled.

The end of the period of stable economic growth and the resulting wage restrictions are factors of instability which will have an increasing influence because of the far-reaching and persistent effects of the structural changes in our economies, which are reducing the available resources.

The challenge facing both the State and the two sides of industry is to find new measures which will

allow them to tackle the conflicting requirements of accumulating capital for investment on the one hand and maintaining social expenditure for wider sections of the population on the other.

To meet the challenge, the emphasis must no longer be placed on purely quantitative measures, but on qualitative changes concerning development and living conditions, the organization of work and the distribution of rare resources, beginning with job possibilities. This explains among other things the growing importance of worker participation, both at company and institution level, which could represent, to a large extent, the *quid pro quo* to the acceptance of collectively agreed policy on income and, more generally, the stabilization of disputes. As regards the more specific aspects of controlling disputes and settling differences, it is important to finalize and test the various settlement procedures — both contractual and statutory — as near as possible to the origin of the dispute, in contrast to tendencies towards excessive centralization.

Moreover, the formalization and excessive rigidity of settlement procedures will result in increasing recourse to *ad hoc* and specific procedures, with a preference for conciliation and mediation, which are the most flexible forms of intervention, arbitration remaining the last resort. As regards the characteristics and classification of types of intervention, various countries are planning to promote State and private procedures for the settlement of disputes which are flexible, progressive and complementary and, at the same time, co-ordinated.

Education, training and new information technologies

The importance of education and training to the implementation of a Community strategy relating to the new information technologies has been stressed many times, both at European Councils (Dublin, 1979 and Copenhagen, 1982) and at joint Councils such as that held in November 1982 and involving Ministers for Finance, Economic Affairs and Social Affairs. An important event in this sphere was the submission to the Council of a communication on vocational training and the new information technologies (COM(82) 296 final, 3 June 1982), proposing a number of Community measures in response to the conclusions reached by the Standing Committee on Employment at its meeting held in November 1981 (COM(81)578 final, 12 October 1981).

It was with these aims in mind, and with a view to preparing the ground for later actions, that the Commission had a number of studies carried out in 1981 and 1982, aimed at summing up the developments under way in the Member States and at identifying problems and requirements in the field of education and training.

In 1981 four studies were carried out, on the following topics:

Education, training and new information technologies: establishing an information base. The aim of this study, carried out by the European Cultural Foundation, was to compile as much information as possible on developments under way in the Member States. Completed in September 1982, the study is currently being revised and the final text should be available in July 1983.

Education, training and new information technologies: a comparative study of a number of initiatives in the Member States. This study, carried out by the Association pour le développement de l'éducation permanente (ADEP) in Paris, made an on-the-spot examination of the strategies relating to the introduction of the new technologies in education employed at national, regional and local level. The two Member States covered by this study were France and the United Kingdom, in particular the 'Scottish microelectronics development programme' and the 'microelectronics education programme'.

Education, training and new information technologies: a feasibility study on the organization of an information exchange system. This was carried out in the United Kingdom by the Council for Educational Technology. The aim of this study was to examine the nuts and bolts of a system for exchanging information between the Member States both on research and development activities in the field of the new information technologies as applied to education, and on the more specific area of exchanging educational software produced in Member States. The final report, available in very limited numbers, makes a number of recommendations for Community action.

Education and new information

technologies: applications in the field of teaching and training for disabled persons. This comparative study, which was carried out under the aegis of the Danish Education Ministry, sets itself the task of outlining — with the help of concrete examples — opportunities for using certain types of electronic equipment and computers to improve access to education and vocational training for handicapped children. A final, revised report on this study is being drafted at present.

In 1982, gearing its endeavours more directly to the communication on vocational training, the Commission embarked upon two studies:

The first bears on *the training requirements of small and medium-sized undertakings in relation to the new technologies.* On the basis of case studies of specific situations in the United Kingdom, France and Italy, this study was carried out jointly by the Economist Intelligence Unit and the Butler-Cox Foundation. It seeks to identify the nature of training requirements and the kind of training endeavours which should be made at local and regional level involving the various parties concerned, in particular both sides of industry. The final report should be ready in early autumn 1983.

The second is concerned with the new information technologies and their impact on education and training in the peripheral and underpopulated regions of the Community. This study, which will be carried out by the Association for Film and Television in the Celtic Countries, in Scotland, Ireland, Wales and the regions along France's Atlantic seaboard, proposes to examine the problems of training in the new technologies in the context of regional development. Particular attention will be paid to the training opportunities

provided by new means of communication such as satellites, cable television and the like. The final report is scheduled for early autumn 1983.

These two studies, which are concerned mainly with vocational training, will be followed by a third study concerned mainly with education and dealing with the impact of the new information technologies on the teaching of scientific subjects in secondary schools. This

study, which will be carried out jointly by the Dundee College of Education in the United Kingdom and France's Institut National pour la Recherche Pédagogique, proposes — on the basis of an analysis of the experiments now under way — to identify the ways in which the new technologies are being incorporated into a number of curricula. The final report should be ready in the autumn of 1983.

These studies — both those

done in 1981-82 and in 1982-83 — should not be seen out of context. The basic problem is that of social and cultural control over the new technologies, alongside the implementation of a Community strategy aimed at promoting industrial innovation and making Europe more competitive. It is in this sense that we speak of a social impact of the new technologies, both on employment and working conditions and in the field of education and training.

Numerous research projects and studies have been carried out in the field of health and safety at the workplace on the Commission's behalf. They are supplemented by exchanges of views between scientific and technical experts at international seminars and conferences. The following pages contain a few examples of such endeavours, and indicate some of the scientific and technical matters on which Commission departments are currently working: a series of studies which provided the basis for the drafting of the proposal for a directive on exposure to noise at work; a symposium on nickel in the human environment; an international meeting on the role of biological monitoring in preventing aluminium poisoning; a recent symposium on health and safety in the oil and gas extraction industries.

Studies on protection against exposure to noise at work

As part of the preparatory work on its proposal for a directive on noise, the Commission had a number of studies carried out which were intended to sum up the available knowledge and pinpoint the main problems in this field. These studies, therefore, did not involve original research, but were meant as tools to be used in the drafting of operational proposals. They provide an overall view of the correlations between exposure to noise and the danger of hearing impairment, plus reports on three specific topics: the effect of noise levels over time, the procedures and prospects of audiometric surveillance and problems related to information regarding noisy tools and machines.

Work on the link between exposure to noise and hearing impairment was entrusted to Dr G. Hubner of Berlin, who put together the most recent scientific data to be used as a basis for the Commission's proposals. His report passes in review the various forms of hearing impairment and exposure to noise, and goes on to explain the links between these two pa-

rameters. The conclusion is that the danger of damage to hearing can be assessed for a group of persons on the basis of average exposure expressed in terms of A-weighted decibels and that international standards now being harmonized can be used to this end.

The study on the effect on hearing of fluctuating noise levels was carried out by the Institute on Sound and Vibration Research in Southampton. Here, too, a critical assessment of the available knowledge in this field made it possible to draw operational conclusions. Although there are still some areas where further research is needed, it is reasonable to combine all the types of industrial noise, whether constant or not, and including periods when fluctuations are rapid and considerable, into a daily exposure total based on the energy they carry, in estimating the permanent impairment of hearing which they cause. It is, of course, necessary to adapt the measuring instruments used; if part of the energy involved escapes detection for lack of adequate equipment, its effect will obviously not be taken into account.

The audiometric surveillance of workers was the subject of a report by Dr Lafon and Dr Duclos of Lyons, based on the systematic audiometry of several tens of thousands of cases (workers, apprentices in technical school and armed forces recruits). The report brought out the advantages of audiometric surveillance and the conditions under which it may be carried out in a working environment: procedures (material, staff, methods), processing and utilization of findings, and the cost of audiometric examinations. The findings of this report, which confirm data from German sources, indicate that the annual cost per worker would be around 18 ECU.

Dr Hubner also enumerated the significant aspects of the quantification of noise emissions in a working environment. This is an important question, since — by means of such quantification — it is possible to achieve a reduction of noise at the workplace; at the same time, it is a complex question as regards both its technical and commercial aspects.

Information note on the proceedings of the international symposium on nickel in the human environment

Lyons, 8-11 March 1983

Concern with the potential effects of nickel on health at the European Community level is clearly understandable as nickel represents for the Community a substantial economic asset, with 15% of the world production. The numerous industrial uses of nickel indicate that a substantial number of workers are involved with nickel and are therefore potentially exposed to the various nickel compounds; similarly the general population is exposed to a large number of objects containing nickel.

In the last five years the attention of the Commission has been focusing on the health effects of nickel and its compounds and on the need for action in this area.

In the regulatory field the first provisions to cover nickel from the public and occupational health points of view have been adopted recently with the 1980 Council Directive on the protection of workers exposed to toxic agents and the 1982 Council Directive on the prevention of major accident hazards of certain industrial activities.

In view of the research effects currently under way on the health effects of nickel in the various points of the world, it was considered essential by the Commission, before considering further work and action in this area, to bring together and review all relevant work.

In order to achieve this and allow a full exchange of views, it was decided to organize jointly this Seminar with the International Agency for Research on Cancer, the International Programme on Chemical Safety/World Health Organization, the International Labour Organization and the French Ministry of the Environment.

The symposium was attended by over 130 scientists, industrialists, union and government repre-

sentatives from the Member States of the European Community, Scandinavia, Eastern Europe and North America. More than 40 scientific reviews and original research works were presented, covering the following main topics: epidemiology, carcinogenicity, metabolism and toxicology, and human exposure.

The aim of the seminar, in view of its nature and the sponsoring organizations, was to address the scientific and technical issues, gather as much scientific information as possible, examine its validity and consider the implications of this information in terms of better protection of the population and workers and research needs. The seminar was not to issue recommendations and guidance.

Regarding *human exposure* the seminar clearly showed the importance of this exposure both for the general population and the workers. While for the general population the main penetration routes are through ingestion and the skin, with some contribution by inhalation via the cigarette smoke, for the workers inhalation is most important followed by skin penetration. The relative importance of the chemical and physical form of the nickel compounds on the absorption and retention through inhalation at work, and the chemical form or forms of the nickel present in food, have not been established; studies in this area are urgently required.

A considerable amount of new research data and information was presented and discussed on the carcinogenicity of nickel and its various compounds, the mechanisms of action and epidemiological surveys.

The results of 10 recently conducted *epidemiological studies* on the possible relation between exposure to nickel and its com-

pounds and cancer of the nose and lungs in humans were presented. From these the evidence can be retained that hazards seem to have been sharply reduced in recent years in nickel refineries and various other nickel operations, but that these hazards have not disappeared, nor have they decreased uniformly all over the world. The methodological difficulties in conducting these epidemiological retrospective studies were stressed extensively during the discussions.

A matter that was touched upon by both epidemiologists and experimentalists was that concerning the nickel compounds which should be considered suspect of carcinogenic effects in human subjects. It would appear that nickel sulphide, nickel oxide and metallic nickel are among the primary suspects, together with nickel sulphate. Some evidence also indicated that nickel compounds might behave both as initiators and promoters.

From the *experimental* point of view regarding the *carcinogenicity* of nickel, recent investigations at classifying the carcinogenicity of various nickel compounds following intramuscular injections in rats were presented. However, this approach was questioned in terms of the adequacy of the route of exposure.

Regarding the understanding of the fundamental mechanism of action of nickel as a carcinogen, important experimental evidence was presented showing that nickel enters into the nuclei of cells and binds to both DNA and a protein which was first described at this symposium; the cancer-inducing mechanism is, however, not yet understood.

Regarding the other *toxicological effects* of nickel and its compounds, some evidence was produced that certain compounds are

teratogenic in hamsters, rats and mice but at very high dose.

The *clinical manifestations* of nickel in terms of contact dermatitis are the most significant and preoccupying. In a number of countries, close to 10% of all occupational dermatitis are attributed to nickel, and occupational derma-

titis is the leading occupational disease. Scattered evidence was presented showing that between 5 and 8% of the population is sensitized by nickel and that on average women are 10 times more susceptible than men. These data require extensive corroboration; their implication in terms of employment patterns, and management of pa-

tients with metallic implants deserve further examination.

The active participation in this symposium of representatives of scientific institutions, industries, administrations and trade unions has ensured full discussion of all the issues and has certainly enhanced the value of this symposium.

International workshop on the role of biological monitoring in the prevention of aluminium toxicity in man

'Aluminium analysis in biological fluids'
Luxembourg, 5-7 July 1982

More than 60 specialists participated in this scientific workshop organized by the Health and Safety Directorate of the Commission on the European Communities and the Sub-committee on Aluminium of the International Union of Pure and Applied Chemistry.

In 1972, the occurrence of a progressive fatal syndrome named 'dialysis encephalopathy' was recognized in uremic patients on hemodialysis. The onset of the syndrome is manifested by speech disturbance, later the patients develop seizure activity; the syndrome progresses to a stage where the patients cannot perform any purposeful movements and finally die. Soon after its description, evidence accumulated pointing to aluminium as the responsible agent.

The objectives of the workshop were to review the current state of knowledge regarding the health hazards due to aluminium in patients with renal insufficiency and to suggest approaches to reduce it, including improvements in chemical analytical procedures.

To assist the workshop in its discussions, the European Dialysis and Transplant Association (EDTA) conducted for the Commission of the European Communities a survey in the close to 1 000 dialysis centres (60 000 patients) existing in the European Community, on the encephalopathy incidence rates, the current water treatment practice and aluminium analyses programmes.

The survey showed that in 1981 more than 250 new encephalopathy cases developed in the European Community among dialysis patients and that, furthermore, a number of patients developed intellectual deterioration which could be attributable to aluminium.

The workshop unanimously agreed with the growing consensus that dialysis encephalopathy and osteomalacia in patients with renal insufficiency are caused by increased aluminium concentrations in tissues (brain, bones, blood, etc.).

The EDTA questionnaire revealed that in 1981, while water treatment by either reverse osmosis or deionization was widely employed for hospital hemodialysis (around 75%), softening remained the most frequently used method for patients on home dialysis. It was furthermore noted that only 16% of the centres regularly monitored aluminium in the prepared water.

Growing evidence was presented indicating that significant quantities of aluminium may be absorbed from the gut following treatment with aluminium containing phosphate-binding agents. Such treatment is necessary in most patients.

The workshop noted the serious difficulties which still exist with the aluminium measurements.

The workshop drew the following main conclusions and recommendations:

- (i) The number of patients undergoing dialysis in the European Community is increasing and is likely to reach 100 000 by 1985; the average yearly cost for in-hospital dialysis is 30 000 ECU.
- (ii) Aluminium was the main factor responsible for the acute clinical syndromes of encephalopathy and osteomalacia in dialysis patients.

- (iii) Water used for dilution of concentrated mineral solutions used in dialysis should have a limited concentration of aluminium. Most probably this should not exceed 10-15 ug/l.
- (iv) The aluminium concentration in the dialysis concentrate should not lead to a significant increase in the aluminium concentration of the dialysis fluid. Manufacturing specifications should be established; each batch should be analysed and labelled.
- (v) There is now good evidence that significant amounts of aluminium are absorbed from aluminium medications given orally in the treatment of renal insufficiency. This should be further investigated.
- (vi) The monitoring of aluminium serum levels was considered the most appropriate approach to ensure that aluminium toxicity problems do not develop in individual patients.
- (vii) There is an urgent need for initiating intercomparison programmes and for a detailed examination of the laboratory assay methods of aluminium; quality control programmes should be established.

The Commission of the European Communities on the basis of these medical and scientific conclusions and recommendations intends to submit in the near future to the Council proposals for action regarding in particular aluminium in water, dialysate concentrate and serum levels and regarding manufacturing specifications and quality control procedures.

Fourth ECSC medical research programme

In accordance with Article 55 of the Treaty establishing the European Coal and Steel Community (ECSC) on the promotion of research relating to occupational safety in those industries, the Commission adopted in 1981, following consultation of the Advisory Committee of the ECSC and the assent of the Council, a fourth medical research programme entitled 'Effects on the health of workers of physical and other occupational factors at the workplace'.

The programme will run for five years and has a budget of 9 million ECU. The three earlier programmes covered specific priority subjects for occupational medicine in the ECSC industries.

The first programme was devoted to silicosis and pneumoconiosis in coal miners. It led to a better understanding of their pathogenesis, radiological aspects, complications and functional effects.

The second programme covered chronic bronchitis and emphysema, which may accompany pneumoconiosis or develop inde-

pendently and which are of great socio-economic significance.

The third programme focused both on pneumoconiosis and on chronic bronchitis and emphysema. It paid particular attention to the biological processes responsible for triggering them and new methods for early detection of these diseases.

The fourth programme is also primarily concerned with respiratory diseases but, in accordance with the wishes of industrial and professional bodies and the realization that there are other factors in occupational medicine that deserve study, it has been widened to include topics such as cardiovascular diseases affecting ECSC workers, skin diseases, diseases of the vertebral column and cancer.

This opens the way for a scientific and practical approach to all harmful substances in the working environment and to individual sensitizing factors.

After the programme was published (OJ C 307, 27.11.1981), the Commission received more than 80 research projects. Once

the consultations stipulated in the programme had been held, the Commission selected 20 research projects to receive financial aid of around 4 million ECU in 1982 and 1983.

Of these 20 projects, nine concern the epidemiology of occupational respiratory diseases in workers in the coal and steel industries. They are designed to demonstrate the specific effects of exposure to dust on respiratory function and to improve early diagnosis.

Another research project aims to complete the harmonization and standardization of respiratory function tests started under the third programme. These tests are essential in industry for monitoring purposes and for early detection of disease.

The purpose of three other projects is to acquire new knowledge for the evaluation of the health hazards associated with various metals for steel workers and in particular welders. In other projects, various problems related to health in the coal and steel industry will be studied.

Dr G. Aresini

