

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

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6 April 1983

DOCUMENT 1-71/83

REPORT

drawn up on behalf of the Committee on  
Social Affairs and Employment

on the Memorandum from the Commission of the  
European Communities on the reduction and  
reorganization of working time

Rapporteur: Mr D. CERAVOLO

PE 82.890/fin.



By letter of 20 January 1983, the Committee on Social Affairs and Employment requested authorization to draw up a report on the Memorandum from the Commission of the European Communities on the reduction and reorganization of working time.

By letter of 21 February 1983, the committee was authorized to report on this subject.

The Committee of Inquiry into the Situation of Women in Europe was asked for an opinion.

On 18 January 1983, the committee appointed Mr Ceravolo rapporteur.

At its meeting of 15/16 February 1983, the committee considered the draft report. On 15 March 1983, it adopted the motion for a resolution as a whole by 22 votes to 2 with 1 abstention.

The following took part in the vote: Mr Papaefstratiou, chairman; Mr Frischmann, vice-chairman; Mr Ceravolo, rapporteur; Mr Alexiadis (deputizing for Mr Eisma), Mr Barbagli, Mr Boyes, Mr Brok, Mr Calvez, Mrs Cassanmagnago-Cerretti, Mr Chanterie, Ms Clwyd, Mr Dalsass (deputizing for Mr Estgen), Mr Del Duca (deputizing for Mr McCartin) Mr Dury (deputizing for Mr Charzat) Mr Ghergo, Mrs Maij-Weggen, Mr Van Minnen, Mr Patterson, Dame Shelagh Roberts (deputizing for Sir David Nicholson), Mr Salisch, Mr Vernimmen (deputizing for Mrs Duport) and Mr Vgenopoulos (deputizing for Mr Didò).

The opinion of the Committee of Inquiry into the Situation of Women in Europe will be published separately.

The report was tabled in its final version on 21 March 1983.

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A

The Committee on Social Affairs and Employment hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the Memorandum from the Commission of the European Communities on the reduction and reorganization of working time

The European Parliament,

- having regard to the Memorandum from the Commission of the European Communities on the reduction and reorganization of working time (COM (82) 809 final),
- having regard to its resolution of 17 September 1981<sup>1</sup>,
- having regard to the conclusions of the Joint Council of 16 November 1982,
- having regard to the report of the Committee on Social Affairs and employment and the opinion of the Committee of Inquiry into the Situation of Women in Europe (Doc. 1-71/83),

A. whereas:

- the increase in unemployment in the Community has exceeded all contingency levels, having reached a total of 12.3 million or around 11.1% of the working population,
- the estimates for the current year forecast a further increase to more than 13 million,
- young people under 25 account for almost half the total unemployment figure and whereas this proportion is growing,
- real unemployment is higher than the official unemployment figure mentioned above, since persons who are not registered - most of whom are women - must be included,
- this unemployment is not only concentrated in areas of long-standing under-development, but is also becoming increasingly widespread in the more prosperous regions of the Community,

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<sup>1</sup> OJ No. C 260, 12.10.1981, p. 54 ff.

- we are no longer confronted by a factor of minor importance but rather by a serious rift in the labour market which has all the characteristics of a new structural phenomenon,
- because of the rate at which it is increasing, unemployment does not seem to be influenced by the conventional measures taken to contain it and may therefore get totally out of control,

**B, recognizing that:**

the growth in unemployment must be attributed increasingly to historical factors (whose potential for development cannot be completely quantified) such as:

- the fundamental reorganization of the production of goods and services as a result of modern technologies (informatics, telematics, robots, biotechnologies, etc.) which all reduce the labour force to a minimum and which are at present only in their initial phase,
- the new international division of labour which is radically changing the conditions of trade between industrialized and developing countries in the context of a profound reorganization of the world market which is already leading to a major redistribution of wealth,

**C. noting that:**

- there is now a growing lack of synchronization between the rate at which workers are being released onto the market by the reorganization of traditional industries and the rate at which new jobs are being created, and that this is at the root of the present cumulative increase in unemployment,
- this is a fundamental reality to be faced with courage, which involves overcoming the prejudices which may result from controversy over the various and sometimes contradictory policies adopted by the individual Member States in order to resolve the crisis,
- the following exacerbate the cumulative growth in unemployment and reduce the likelihood of a reversal in the present trend in the short and medium term:

- (a) the present phase of falling economic growth or even of economic recession which is likely to continue for some time with no foreseeable possibility of any resumption in activity achieving the 4% growth rate considered necessary to stop the trend towards an increase in unemployment or the 6.7% rate needed to reverse this trend,
  - (b) the decline in investment which is an inherent aspect of the crisis,
  - (c) the fact that the hoped-for resumption in investment will not be directed only at the creation of new jobs, since some investment will inevitably be required for the technological reorganization of traditional sectors in order to ensure their international competitiveness, and only the remaining share of investment could be used selectively to create jobs in new, little-known sectors, which would obviously take longer,
  - (d) the fact that a substantial proportion of the workers made redundant from traditional industries will be unable to take up new jobs as and when they are created, since they require totally new vocational qualifications,
  - (e) the awareness that, as confirmed by present experience in various developed countries, new jobs will be created not, as in the past, within large undertakings with a mass labour force, but within small and medium-sized industries and in the services sector,
1. Expresses its appreciation of the Commission's Memorandum on the reduction and reorganization of working time;
  2. Recognizes the need for an early and decisive reduction and reorganization of working time not only as a measure designed to improve living and working conditions but also as an 'instrument of employment policy' as asserted by the Commission in its Memorandum;
  3. Approves:
    - the general guidelines contained in the conclusion of the Joint Council of 16 November 1982 (see Annex III), although they are still at the level of general statements of conditions and precautions;
    - the Memorandum from the Commission (see Annex II), based on 'information from Member States on experiments and measures in the field of reducing and reorganizing working time', a working paper drawn up by the Commission's services on the outcome of a seminar held in October 1982 and attended by experts in this area from various Member States, and on experience with the dialogue with the social partners both bilaterally and on a joint basis;

4. Confirms its resolution of 17 September 1981 on employment and the adaptation of working time (see Annex I), which long ago emphasized the urgent need to tackle this problem;
5. Refers also to its resolution of 11 February 1981 on the position of women in Europe, which urges a flexible system for reducing working time that takes account of the special situation of women on the labour market;
6. Appeals, from its position as a legitimate democratic institution, to the forthcoming Council of Ministers to cease delaying and to take practical steps with regard to this problem;
7. Stresses that in order to be effective and to produce the desired results in the short term, these steps must:
  - take the form of a binding Community measure which is essential to create the conditions to enable the governments and social partners to take action in this direction,
  - include practical measures by the Community, utilizing the various instruments at its disposal in a coordinated fashion, to initiate projects that will serve as a model in certain specific sectors of strategic economic and social importance,
  - provide the basis for the development of a Community employment policy opposed to the growing trend towards nationalism or even xenophobia, protectionism and reliance on public welfare,
  - improve living and working conditions with favourable effects on cultural and family life and on recreational activities,
  - contribute towards the revival of a policy of full employment - the Community's prime objective,
  - increase the possibility of creating a social consensus with regard to the process of technological change with all its repercussions in terms of geographic and professional mobility,
  - improve the ability to contend with international competition which is so important for the resumption of development,



- establish flexible working hours and thus a more effective utilization of industrial plant permitting an increase in the hourly output of the labour force, which may be translated into lower prices and/or an increase in total production, but without prejudice to steps aimed at a further humanization of work,
- create new employment as the only means of eliminating the policy of financing mass unemployment which is disastrous from every point of view both for individuals and for the countries concerned,
- help to create a political and social atmosphere in the Community more able to cope with the requirements of the present period of far-reaching change,
- bear in mind however that a substantial, once-and-for-all reduction in working hours may have a more positive effect in expanding employment than a gradual, step-by-step strategy,

(a) contain general measures which:

- guarantee in the short term a significant reduction in daily, weekly and/or yearly working hours and in working life (early retirement, holidays and education leave), in order significantly to slow down and subsequently halt the trend towards growing unemployment (for full details of the whole operation see the Commission Memorandum and the resolution adopted by the EP on 17 September 1981), within the terms of the objectives set out above,
- take account of the general change in the roles of men and women and the transformation of social values by seeking as part of the reduction in weekly working time a reduction in daily working hours which will enable couples to achieve a more equitable division of labour as regards housework, care of children and employment (resolution of 11 February 1981, Maij-Weggen report),
- leave the social partners free to negotiate in accordance with the specific requirements of their country, sector or undertaking and with the rules applicable in the individual countries,
- provide for a structured plan for concessions and compensatory measures designed to ensure that the costs of reducing working hours are spread equally among workers and employers;

- (b) make a major contribution towards finding a way out of the impasse in which the tripartite negotiations at Community level now find themselves by:
- undertaking the reorganization and reduction of working time on the basis of a wide range of coordinated measures relating to employment,
  - interpreting a reduction in working time not as a unique and decisive solution but - and this should be emphasized - as one of the new factors in the present situation which can help to stop the increase in unemployment and to provide a more flexible and gradual system of adjusting the labour market which is the fundamental objective of our time,
  - making clear that the extent of this reduction should not be assessed in narrow terms of the benefit to the social partners but should represent a dynamic and therefore also reversible factor forming the point of balance between the release of workers from traditional industries and the creation of new jobs; the extent of the reduction should thus vary more or less in direct proportion to the effectiveness of the other employment policies,
  - creating a sound Community and national framework within which to ensure the coordination, depending on the success of the reduction measures of all social expenditure which in various ways is designed to relieve unemployment (European Social Fund, unemployment subsidies, integration fund, wage contributions, vocational retraining, etc.), and all investments by the various Community and national funds designed to develop the productive system, particularly in the field of small and medium-sized undertakings and of cooperation;
8. Is confident that by providing practical guarantees it will be possible to implement this important initiative in the context of a reorganization of the many social and economic aspects which can make a real contribution towards reviving the productive system;
9. Instructs its President to forward this resolution to the Council and Commission and to the European Council with a view to its forthcoming meeting.

EXPLANATORY STATEMENT

The Committee on Social Affairs and Employment:

I. is aware of:

- the serious moral and social implications for millions of workers, particularly the young, which may even pose alarming threats to our democratic institutions,
- the incalculable economic cost both of the failure to produce wealth resulting from the inactivity of almost 11% of the working population, and of the decline in the corresponding tax revenue and in total consumer demand,
- the growing increase in social security budgets which in some countries are now on the point of unbalance;

II. also notes that:

- having given serious consideration to the lack of synchronization which is at the origin of the cumulative growth in unemployment, in order to prevent governments from losing control of the problem it is essential to exercise the utmost consistency in assessing any economic and social measures to be adopted, in terms of timing and volume of expenditure, since this is the only way to evaluate their suitability for the proposed objective,
- this incompatibility between ends and means explains the fundamental ineffectiveness of all the political, economic and social measures so far implemented, although some of them should not be abandoned but developed further,
- it would therefore be a serious and dangerous matter to propose again today, in only a slightly different form, the same policy which was adopted when unemployment was at half its present level.

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For the rest of the explanatory statement, reference should be made to the three attached documents.

RESOLUTION

on employment and the adaptation of working time

*The European Parliament,*

- having regard to the Commission communication to the Council on work sharing (COM(79) 188 final),
- having regard to the motion for a resolution by Mr Fellermaier and others on employment policy (Doc. 169/79),
- having regard to the motion for a resolution by Mr Didò and others on the Directive on shorter working hours (Doc. 1-377/79/rev.),
- having regard to the Council resolution of 18 December 1979 on the adaptation of working time <sup>(1)</sup>,
- having regard to the report of the Committee on Social Affairs and Employment and the opinion at the Committee on Economic and Monetary Affairs (Doc. 1-425/81),

1. Notes that:

- (a) the problems of employment, the restructuring of industry and the adaptation of working time are closely interlinked and that they must be resolved together in the context of policies which guarantee the productivity and competitiveness of the European economic system as a prerequisite for action in the area of employment, conversion of productive activities and adaptation of working time;
- (b) the characteristics of each are now completely different from what they were in the past as regards their scale, intensity and political, economic and social impact;
- (c) full account must be taken of this in order to devise comprehensive short and long-term strategies that are strictly consonant with the exceptional seriousness of the situation;

2. Considers that:

- (a) the problems mentioned, particularly unemployment, are a challenge which can be tackled and overcome given the Community's enormous potential of energies and resources;
- (b) this challenge undoubtedly marks an historic watershed, requiring new ideas and political instruments, on which the survival of the institutions and democratic values underpinning the Community depends;
- (c) a way out of the crisis must be found by making speedy and profound changes based on a consensus of the broad mass of people;
- (d) the very fate of the process of European unification is bound up with the Community institutions' ability to bring their specific and original contribution to bear on these major problems;

3. Feels that there is a need to define clearly the essential general features and the new aspects of the crisis, so that the governments acting within their national sphere, the two sides of industry within the context of free collective bargaining, and the Community institutions in their promotional, supporting and harmonizing role may cooperate in order to define policies and options and reach agreements within a single framework of reference and by pooling constructive forces;

4. Noting that the employment situation has deteriorated dramatically to a point where in June 1981 there were 8 445 200 unemployed in the ten Community Member States, or 7.4 % of the working population, stresses that it is not only the scale of unemployment which causes justifiable alarm but also its tendency to spread as evidenced by recent increases, as well as forecasts that the situation will worsen, and that this trend will persist;

5. Notes that the factors underlying this forecast, some of which have been identified and others of which have not yet been sufficiently quantified, are:

- (a) population trends, with the arrival on the labour market of the generations born in the post-war period and the annual decline in the average percentage of workers of retirement age;
- (b) increase in the female labour force as a result of the historical process of emancipation which is particularly strong among the new, educated generations;
- (c) enlargement of the Community, under way or in prospect, to include countries with a high disguised unemployment, particularly among agricultural workers and women;
- (d) the pressure of immigration from Third World countries and those of the Mediterranean basin in particular, which will increase if these countries, which are expected to double their population over the next 20 years are not given adequate help for an economic take-off;
- (e) continuing high energy costs consequent on OPEC oil price rises, and the Community's likely dependence on imported oil for many years to come;

6. Notes that within these quantitative trends certain existing qualitative aspects are worsening and that new features are emerging, which, because of their political and social impact, are equally worrying from the employment point of view:

- (a) unemployment among young people is tending to get still worse and, according to the most recent estimates, is likely to account for some 50 % of total unemployment in the years ahead;
- (b) unemployment among women still reveals structural aspects in comparison with male unemployment;
- (c) the geographical distribution of unemployment is no longer a matter of pockets of unemployment confined within the economically weak areas, but is tending to spread to traditionally dynamic areas, as a result of the restructuring of industries such as steel, automobiles, etc.;
- (d) occupational mobility will tend to increase sharply and become a feature of the labour market in future;
- (e) the structural composition of employment is undergoing a steady and profound change as a result of the introduction of new technologies;
- (f) the average duration of unemployment is increasing disturbingly;
- (g) the already considerable imbalance between the supply and demand of labour is also tending to worsen;
- (h) underground labour markets, in which there is no social security cover, are growing with increasing rapidity;
- (i) migrant workers are increasingly becoming the most vulnerable group of workers in the Community as a result of the downturn in the labour market;

7. Notes that serious disruption of the labour market is accompanied by an economic recession and that all the forecasts agree that over the next few years GNP growth will remain below past averages and hence well below the level (4 to 5 %) needed to offset the increase in the supply of labour, let alone the level necessary to reverse the trend and restore full employment;
8. Recognizes that this trend and the pessimistic forecasts are attributable to a series of factors including in particular the energy crisis consequent on increased petroleum prices, rising inflation, the deficit in the Community's balance of payments, the low level of investment and the steep rise in the cost of investment per job created;
9. Notes that in addition to these factors there are also international aspects dominating the crisis scenario, namely the increase in raw materials prices, particularly of energy products, and the new international division of labour which is hitting the very base of Community manufacturing industry: these factors are increasingly compelling the European economy to radically restructure itself and thus shed manpower;
10. Stresses that:
- (a) while the process of restructuring in the major industries that were once the cornerstone of industrial employment is already underway and fully recognized, it is less well appreciated that the impact of the microelectronics revolution on the labour market will be more important, existing data indicating that it will cause the restructuring to become an ongoing process;
  - (b) this revolution is characterized by the extent of its impact, the far-reaching multiplier effect which it will have in all sectors of economic and social life, profound changes in the organization of work, in the professional and occupational field and in the model of production itself, high levels of manpower savings and unprecedented productivity gains;
  - (c) microprocessor technology differs from traditional technologies in its employment impact, as only a small proportion of the labour force released is reabsorbed in the manufacture of the equipment itself and another small proportion may be absorbed in research and basic software work, while the bulk of the workers will have to look for re-employment in newly-generated productive sectors, in the manufacture of new products, in technical assistance services and in new public and private social services;
11. While confident of the ultimate positive effects of the microelectronics revolution on the general welfare, and hence also on employment, must point out that this final positive outcome can hardly be expected without traumatic upheavals both in terms of unemployment and of high levels of occupational and geographical mobility;
12. Points out that the immediate negative effects of this process may be more acute, in view of the speed of its impact, expected to reach a peak in the mid-1980s, of the stimulant effect of Europe's backwardness with respect to Japan and the USA, and of the fact that, unlike these countries, Europe is entering this phase in a state of stagnation and widespread unemployment, without the benefit of integrated supporting programmes, particularly in the area of vocational training;
13. Notes that ultimately all the processes of technological restructuring currently in progress, and above all those resulting from the microelectronics revolution, will lead to major gains in productivity, a sharp reduction in the required working time leading to manpower savings, a need for flexibility in working hours to maximize plant utilization and smooth out the production cycle, as well as a need for greater job mobility;

14. Considers that, against this background, the adaptation of working time should be considered from the points of view of both flexibility and reduction. Behind the Council's resolution and the Commission's communication, which arose from the growing pressures in various Member States for a reduction in working time, there lie demands that transcend purely ideological considerations: that work should be shared to tackle growing unemployment, that the aspirations of workers for better living and working conditions should be met, that real convergence be pursued on the basis of progress and prosperity of undertakings and workers alike through a redistribution of the benefits of productivity and technological development in favour of both parties, while also taking care of the aspirations of workers looking for employment; that the time spent in working and in education should be reallocated; that more leisure time should be available for recreation and cultural activities, for the family, for political and social commitments; that working hours should be made more flexible to promote productivity and guarantee the competitiveness of firms;

15. Emphasizes that to these general considerations must be added the following practical points:

- (a) the European trade unions have indicated that their main objective for the next few years is a 10 % reduction in working time for the same wages to be achieved by one or more of the following means: reduction of the working week to 35 hours, increase in annual paid leave to six weeks, retirement from the age of 60, compulsory schooling up to the age of 16, extension of entitlement to study and vocational training leave (with a willingness on their part to accept a fifth shift in continuous process working);
- (b) the French Government has undertaken, as part of its programme, to achieve a reduction of the working week to 35 hours;
- (c) substantial reductions in the working week towards the 35-hour level have already been made for certain categories of workers or are currently the subject of negotiations for others;
- (d) early retirement, which is equivalent to a reduction in the total working life, has now become a major instrument for offsetting the impact on jobs of major restructuring measures;

16. Draws the following conclusions from the foregoing:

- (a) unemployment in the Community has acquired certain completely new structural aspects and now clearly shows cumulative effects, which are no longer offset by existing social measures and which can no longer be naturally absorbed by any future economic upturn of the traditional type;
- (b) it is logical to assume that any recovery in economic output would itself lead at first to some further shedding of manpower as such a recovery would inevitably be dependent on technological restructuring, at least in the major sectors;
- (c) in economic terms, the present unemployment increases the burden on public expenditure, depresses domestic demand, represents a significant loss of wealth as a result of lost production (in 1979 it was estimated on the basis of the average potential output per worker in the Community that 6 million unemployed cost the Community some 75 thousand million EUA, or 4.5 % of the Community's GNP);

- (d) in social terms there is a much greater risk of alienation and despair particularly among large groups of young people who, once they have completed their studies, are compelled to experience the trauma of unemployment before beginning their working life and the progress made so far as regards equality between men and women is threatened;
- (e) a strategy of full employment must remain the basic socio-economic objective of the Community;
- (f) if such a strategy is to be implemented it will be necessary to face up to the overcome the threat posed by the dangerous contradiction between the need for technological modernization and the rigid defence of existing jobs prompted by legitimate fears that despite vocational re-training mobility will end up not as a choice between one type of work and another but between work and permanent unemployment;
- (g) this conflict must be stifled at birth by creating the basis for the workers' acceptance of and confidence in large-scale innovation, by involving those concerned and ensuring that they do not come to fear that advanced technologies will be against their interests, if only in the short term;

17. Stresses the need to tackle these problems by means of an overall strategy embracing not only economic policies but also policies of active social intervention;

18. Believes that the economic cost to industry of possible work-sharing schemes must be carefully quantified and discussed between the social partners;

19. Within this framework and on the basis of all the above considerations, which have an objective logical consistency, expresses its support for the proposals set out in the documents on which this report on the adaptation of working time is based, and lays stress on the following conclusions:

(a) in general terms, the Commission's communication establishes a valid link between measures aimed at greater flexibility and reducing working time and the concept of the annual duration of work as a point of reference for measures to redistribute work which will not cause distortions of competition as between the Member States, on the basis of the following detailed aspects:

- annual volume of work,
- overtime,
- shiftwork,
- flexible retirement and pre-retirement arrangements,
- right to training,
- part-time work,
- temporary work
- leave justified by family responsibilities;

(b) annual volume of work: it would be advisable for the restructuring not to be influenced solely by limitation of the working week or day and by an extension of paid leave, but it should also be possible to combine these approaches with early retirement;



- (c) overtime: the Commission should propose guidelines for dealing with overtime with a view to ensuring that genuine reductions in working time are not wiped out; any such reductions should be made in the light of the practical needs of firms for flexibility to allow them to respond to market changes. Overtime which exceeds the authorized limits should be compensated by means of extra paid leave;
- (d) shift work: since this practice has increased in recent years, particularly in the tertiary sector, and will probably become more widespread as a result of the introduction of new technologies, and bearing in mind the serious concern expressed by experts in social medicine as well as the negative consequences on workers' social life, it seems an essential priority that reductions in working time should apply generally to all shifts and the introduction of extra shifts, although other aspects will have to be considered in particular cases and for specific categories of workers. On the other hand, recognizes the cost-saving advantages of wider use of shift-work in connection with the reduction of working time, provided, however, that workers' health is protected.
- (e) flexible and/or early retirement measures: as increasing use is made of such measures to cope with crises in individual industries and as the principle of gradually extending to all workers the right to choose when they wish to retire above a certain age gains ground, it would seem appropriate to consider at this stage ways of adapting the system of pensions within the limits imposed by their cost at a time when available finance should be concentrated on investment in industry, job training, and the provision of new jobs, and to introduce both the principle of individual choice of the retirement age and the option of working shorter hours during the final years of a person's working life;
- (f) part-time working: as this type of organization of work is becoming increasingly common and as it is no longer only women but also young people and older workers who are choosing this option, a number of points need to be made clear:
- this form of work must be the result of a voluntary choice,
  - it must be distinct from other types of reduced working such as temporary work, flexi-time, short-time working;
  - those who opt for this form of work should be granted proportionally the same social rights as those in full-time work;
  - steps must be taken to prevent discrimination, particularly against women, and to ensure that this type of work does not lead to employees being given inferior jobs, losing their career prospects or having lower vocational qualifications;
  - for those who desire it, the transition to full-time working must be facilitated;
  - it should also be possible to regulate by legislation the various time-patterns of this form of working;
- (g) temporary work is assuming disquieting proportions: firms should therefore be discouraged from using this form of working as a way of escaping from contractual or legislative obligations in the field of employment protection. The Commission should propose to the Council a clear definition of temporary work and guidelines for ensuring that it is not so abused;

- (h) **right to training:** the spread of the technological revolution calls for the urgent and large-scale development — with due regard, of course, to national needs and traditions — of new and continuous vocational training, as the latter is becoming an increasingly essential factor in employment. Priority must, therefore, be given to alternative or sandwich-course training as the best method of responding to the essential requirements of production. This means making wider use of training leave for both young people and adults, as well as promoting active ways of bridging the gap between school and working life, and adopting special measures for the training of women. In the organization of this type of training, consideration should also be given to possibilities of employment in non-gainful occupations;
- (i) **leave to allow for family responsibilities in the area of education:** in view of the increasing difficulties experienced by both parents, provision should be made, on the basis of a consensus between the social partners, in all Community countries for either parent to take partially paid leave from the birth of a child until the age of 3;

20. **Considers that the process of adapting working time, including the reduction of the working week, must necessarily be gradual and smooth, and engendered through collective bargaining and tailored to the requirements of specific sectors and firms and to the special characteristics of each country within the framework of a strategy for economic recovery based on competitiveness, both within the EEC and *vis-à-vis* third countries, and on improving working and living conditions;**

21. **Believes that it is also indispensable that this process should be coordinated so that the scope and time-scale of its implementation are consistent with the objective of maximizing the effects on employment, while bearing in mind that these effects may be of a lasting nature and, beyond the short-term, should form part of a programme for the development of productivity and maintenance of company competitiveness;**

22. **Stresses that these effects on employment should not be seen as an alternative to the results obtainable by adopting appropriate economic policy measures; they must not be overestimated but neither should they be underestimated: even if the main result of this set of measures were to maintain employment levels preventing further unemployment, their impact in this area must be regarded as positive given the present labour market trends;**

23. **Is nevertheless of the opinion that the increased productivity in a number of sectors may make it possible to reduce working hours without correspondingly increasing costs to firms and also to finance more job-creation in the sector of non-gainful employment;**

24. **Points out that the problem of the costs of adapting working time, although deserving close scrutiny to avoid intolerable increases in company costs, should not stand in the way of reaching an agreement: it is widely recognized that this problem is bound up with the various possible responses of firms, with domestic market trends, with the creation of a new external demand, that is factors on which the agreed economic policy measures should be brought to bear; it would therefore appear logical that this problem should be the subject of specific negotiations as to the form and content which this gradual process should take so that the objective of reducing working time can be obtained while guaranteeing the necessary competitiveness;**

25. **Agrees on the need for a Community initiative and calls upon the Commission to provide this initiative by the adoption of framework Directives by the Council which would**

simply define the common objective in order to guarantee the necessary degree of convergence, while leaving to possible European framework agreements between the social partners the necessary arrangements, which the Community institutions would declare themselves to be ready to support in appropriate forms, and leaving also the specific means to be determined in national regulations and/or collective agreements;

26. Considers that such a Community initiative would facilitate and ensure the simultaneity of the pursuance of this objective by allaying fears of possible distortions of competition; that it would preserve the bargaining freedom of the two sides of industry and would stimulate moves towards a gradual harmonization at Community level of the various national employment laws;

27. Calls upon the two sides of industry to break the stalemate of their present contractual relations, to constructively tackle the problems which keep them apart with the support of the Community institutions, and, by understanding the close links between the economic, social and political aspects of the problems of employment, to overcome the obstacles to technological change and adaptation of working time;

28. Instructs its President to forward this resolution to the Council and the Commission.

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Memorandum on the Reduction and Reorganisation  
of Working Time

I - Introduction

1. Unemployment is the most pervasive problem currently facing the economies of the Community and others in the industrialised 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 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.

2. 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 reorganising 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 reorganising working time which recognises the positive contribution it can make.

## II - Community Activities in the Recent Past

3. A debate on the contribution that the reduction and reorganisation 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.

4. The Council's Resolution of 18 December 1979 (1) on the adaptation of working time established guidelines in the following fields of action:

- overtime,
- flexible retirement,
- part-time work,
- temporary work,
- shift work,
- annual working time,
- combined work and training schemes (dealt with in a separate Resolution).

5. 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.

6. 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 of Economic Affairs and Finance and Ministers of 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

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(1) OJ C2 of 4 January 1980

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.

7. In carrying out this mandate the Commission has sought to gather together the relevant information from Member States on experiments and measures in the field of reducing and reorganising working time. A working paper of the Commission's services (which is attached to this memorandum) 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.

8. The Commission has throughout its work conducted a dialogue with the 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 reorganisation of working time.

9. The question of working time has most recently been discussed at Community level in the Joint Council of Minister of Finance and Economic Affairs and Employment 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 reorganisation 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.

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(1) Com (82) 719 final.

**III. Problems and Opportunities of a Reduction in Working Time**  
**- General considerations at enterprise and aggregate level**

10. 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.

11. 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 reorganise 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 reorganisation - to productivity

increases as well, so that long-term employment prospects are also improved. Under-utilised manpower and capital resources could be put to more economically productive purpose by combining reorganisation 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 reorganisation 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.

12. 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) lengthened paid holidays, limited overtime and made more flexible existing regulations concerning the use of the workforce. The French government estimate that 70 - 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 nation-wide 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.

13. Examination of the effects at the plant level of reducing and reorganising 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 work force 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 reorganisation 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 organisation and equipment and any direct employment-creating effect is consequently small. With bigger reductions, the organisation 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 organisational changes.

(c) The preference of workers would be for a reduction in working time without any substantial measures of reorganisation. Moreover, their preferences about how a reduction and reorganisation in working time should be arranged (whether it should be in terms of daily or weekly hours, through longer holidays or more part-time

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(1) ie 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.

work, etc.) tend to favour arrangements which have smaller potential employment effects. This generalisation 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 reduction in working time is combined with measures of reorganisation which lead to increased plant operation time and thus a more profitable utilisation 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 reorganisation of working time might involve the need for more shift work, work outside what are now regarded as normal hours, week-end work, and so on. 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 organisations can generally achieve proportionately greater employment effects than small ones, because size per se gives room for manoeuvre in terms of internal organisation.

14. 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 as at the micro level, maintaining or increasing the degree of utilisation 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 and so on. 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.

15. 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 lifetime 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.

16. 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 did 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

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

These measures would include in particular a more efficient and flexible organisation 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.

17. The overall strategy, involving both public authorities 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 reorganising 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 organisation of work.

#### IV - Conclusions and Policy Recommendations

18. The Commission emphasises that policy on the reduction and reorganisation 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, measures such as the reduction and reorganisation 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 reorganisation leading to greater flexibility in the organisation of production, is a necessary and positive element in the process of adjustment to new technologies.

19. 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 reorganisations in working time, including reductions in individual working time, should aim to achieve. The detailed process of reducing and reorganising 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 reorganisation of working time as an instrument of economic and social policy.

20. During the last 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 reorganisation 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.

21. 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 reorganisation 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.

22. In order to ensure that reduction and reorganisation 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:

- more flexible forms of work organisation should be planned at enterprise level; they should aim to achieve a more efficient utilisation of equipment through longer production times which would improve the productivity of capital;
- 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 inversely correlated with the existing pay hierarchy, resulting in an equitable burden-sharing among all income groups;
- 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 reorganisation of working time;
- 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;
- existing provisions which may effectively deter employers from recruiting new workers should be reexamined and where appropriate adapted to remove obstacles to the expansion of workforces following the reduction and reorganisation of working time.



23. 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.

24. The Commission recommends that not only the reduction and reorganisation 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.

25. 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 reorganise working time, it is the two sides of industry who will have the task of putting such measures into effect through negotiation.

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

The Council met on 16 November 1982 to discuss the economic and social situation against the background of the conclusions of the European Council meetings in Brussels on 29/30 March and 29 June 1982. The Council was composed of Ministers for Economic and Financial Affairs and Ministers for Labour and Social Affairs. Representatives of European workers' and employers' organizations were consulted before the start of the meeting.

The Council reaffirms the importance it attaches to the close and continuing association of the social partners in the development of Community policies.

The meeting, like the one held in Luxembourg on 11 June 1981, took place in order to develop a higher degree of mutual understanding of all aspects of the unemployment problem and to examine in common the economic and social situation and the scope for further Community initiatives aimed at complementing and strengthening adjustment policies in the Member States.

I. THE ECONOMIC AND SOCIAL SITUATION

The gravity of the present economic and social situation characterized by a continuation of the recession, of high rates of inflation in a number of Member States, and high levels of unemployment growing at different rates in all Member States makes it imperative that all efforts at the national as well as the Community level be made to bring about a marked change. This need calls for action in the immediate, in the medium and in the longer term in a number of areas which were examined by the Council, with a view to establishing a strategy comprising the promotion of economic and financial stability, an increase in investments, promotion of the competitiveness and profitability of industry, completion of the Common Market, and positive labour market adjustments, leading to a marked improvement in the employment situation which is the most urgent task of the Community in the present circumstances.

A lasting increase in employment will have to spring from a strengthening of the competitive capacity and profitability of undertakings, which presupposes an improvement of the economic situation in general, building upon the achievements in the fight against inflation.

The dangers and risks of the present economic situation can only be checked and reversed if appropriate policies are backed by a broad-based willingness to share the necessary costs related to the adjustment process. Close consultation with the social partners is of particular importance in this respect. Efforts should be made to ensure that the burden of the present economic difficulties is shared with due regard to the more vulnerable groups; in particular, efforts to reduce existing social or regional inequalities should not be jeopardized in the adjustment process.

## II. MEASURES

### 1. International economic and financial stability

The Council reaffirms the Community's determination to continue to combat protectionist tendencies in all its forms in international trade including use of competitive devaluations. They are one of the main dangers to the world economy and to living standards. Ministers recognize the need to develop policies which can contribute in a more significant way to the strengthening of trade flows.

The stabilization and adjustment efforts by governments can only be successful if the international monetary system is managed in a way that allows interest rates to decline and exchange rates to stabilize. The Community intends to play an active role in co-operation with other countries, in particular the USA and Japan,

in order to strengthen the international financial system and to reduce uncertainties in international financial relations. It intends to make a substantial contribution to ensuring a successful result of ongoing efforts to reinforce the role of the multilateral financial institutions, particularly the I.M.F. and the World Bank.

## 2. Convergence and economic stability within the Community

It is essential that interest rates continue to fall, in order to strengthen productive investment; in this context the Council considers that control and redistribution of public expenditure and reduction of budgetary deficits is indispensable. This is in particular true for countries that still experience a high rate of inflation and where insufficient progress has been made towards a reduction of budget deficits and bringing both public finances and external payments into better balance.

At the same time the Council underlines the risk which could arise if all Member States independently of their level of inflation, level of real interest rates or financial situation pursue the same degree of restraint with regard to public expenditure. Countries recording a satisfactory slow-down in inflation, reduced real interest rates and a more favourable external fiscal and monetary position should consider using the scope for budget policy initiatives to support economic activity.

An important objective is the redistribution of public expenditure from consumption towards productive investment and activities which will strengthen the productive capacities of enterprises. The Council (Economic and Financial Affairs) will, in 1983, in connection with the annual approval of budget guidelines and on the basis of a Commission report, undertake an analysis of Member States' public budgets in order to review the evolution of productive public expenditure.

The Council is determined to make full use of existing procedures for the close co-ordination of Member States' economic policies. The potential of the European Monetary System with regard to increased discipline and greater convergence in the economic performance of Member States is a major consideration in efforts to strengthen the EMS.

### 3. Investment

The Council noted the conclusions, including the procedural decisions, reached by the Council (ECO/FIN) on 15 November 1982.

The Council reaffirms that all possible means for a substantial increase of the share of GNP taken up by productive investments to increase employment should be systematically and urgently exploited in a coordinated manner, both at national and at Community level.

Concerning national policies, the Council notes with satisfaction that, since the meeting of the European Council on 29 and 30 March 1982, some Member States have put into effect important measures with a view to increasing investment, and several others intend to implement measures shortly. The Council agrees that the need for additional measures to promote investment will be regularly reassessed.

Priority attention will be given to action which increases the profitability of and the ability to form capital in enterprises.

The particular role and potential of small and medium sized enterprises (including cooperatives) will be given specific attention.

The Community instruments, E.I.B., ECSC, the New Community Instrument, as well as the Regional Fund, now undergoing revision, will continue to play an important role and must therefore be used to their full extent and with a high degree of effectiveness. The Council noted with interest that the Commission has proposed a 3.000 MECU increase in the borrowing capacity of the NCI, and the Council intends to reach a clear decision on this early in 1983. The Council will also give further consideration to the recent Commission proposal for interest rebates at Community level in the field of the rational use of energy.

#### 4. Internal market

The Council agrees that the reestablishment of confidence essential to recovery and to greater private investment presupposes the safeguarding of the common market and a rapid development towards its completion, an essential factor in the Community's economic development. The Council therefore agrees that appropriate work programmes will be established for accelerated progress in the fields of technical standards, company law, certain services and internal frontier formalities. The Council is of the view that a session of the Council should be devoted to these issues in order to make substantial progress towards the completion of the common market.

The Council agrees that Member Governments will review the practices of their national administrations in this field. The Council invites the Commission to present urgently an evaluation of the functioning of the Community's internal market.

## 5. Industrial policy

A marked increase in firm's competitiveness and profitability in all Member States has to be achieved if the Community is to face competition from other major industrial countries and from the newly industrialised countries. The Community and Member States will seek to help their industries not only by removing administrative and financial constraints, but also by encouraging inter-industry cooperation in strategic sectors, within the rules of the Treaty.

Bearing in mind the importance of new technologies in any industrial recovery much greater emphasis will be attached to innovation policy at both national and Community level. Small and medium sized enterprises have a particularly important role to play in this field. Recent decisions by the Council (Research) should rapidly be followed up.

The examination of Commission proposals to this effect should be accelerated.

The Council recalls the urgency of industrial reconversion. The ECSC and the Regional and Social Funds should continue actively their contributions in this field.

The Council while emphasising the vital importance for industrial development of maintaining conditions of free competition agrees that in the present international economic climate care must be taken to ensure that the Community conducts an efficient commercial policy able to ensure that our external trade is conducted in conditions of competition, in accordance with the principles of the GATT.

## 6. Youth and Labour Market

The Council expresses its deep concern about the employment situation for the young generation and recalls the precise guidelines from the March European Council which emphasized the central place of youth employment in the Community's overall strategy to combat unemployment and reaffirms its commitment of ensuring over the next five years that all young people entering the labour market for the first time should be given the opportunity of taking vocational training or a first job experience.

The Council welcomes the Commission's communication on vocational training and the proposal for the revision of the European Social Fund which aims to improve the employment prospects of young people; these Commission initiatives should be dealt with rapidly. The Council also looks forward to receiving a new communication from the Commission with proposals for specific measures to promote the recruitment of young people and to increase the volume of employment opportunities available to them.



The Council invites the Commission to ensure effective execution of the programme of pilot projects on post-school training and education decided in May 1982 for the period 1983-86; it also instructs the subordinate bodies to accelerate work on the Commission's recent proposal on professional training in new technologies for the period 1983-87.

Regarding national policies the Council emphasizes the importance of concrete schemes for education and vocational training for young people.

#### 7. Reorganizing of working time

The Council considers that a reorganisation 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 :

- agrees that a reorganisation 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;
  
- 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;

- notes that the Commission will continue its work towards the formulation of a Community approach, where appropriate, on the reorganisation of working hours, in accordance with the Council Resolution of 18 December 1979;
- invites the Social Council to conclude its consideration of the proposed directive on voluntary part-time employment and the draft recommendation on flexible retirement.

8. Other specific measures

The Council invited the Commission to undertake a study of long-term unemployment and possible proposals for remedial action.

It also noted the suggestion of one delegation for an updated Commission study of ways and means to further the participation of workers in the capital formation of enterprises. The Commission will examine this idea and make such proposals as it seems appropriate.

III. PROCEDURE

It is agreed that the Council in its appropriate formations should ensure rapid implementation in the relevant areas covered by the conclusions.