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# Green Paper - Partnership for a new Organisation of Work

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#### **Executive Summary**

#### **Why a Green Paper?**

This Green Paper is about the scope for improving employment and competitiveness through a better organisation of work at the workplace, based on high skill, high trust and high quality. It is about the will and ability of management and workers to take initiatives, to improve the quality of goods and services, to make innovations and to develop the production process and consumer relations.

The purpose of the Green Paper is to stimulate a European debate on new forms of organisation of work to release this potential. The Green Paper is focused on three questions:

- why a new organisation of work - and how?
- what are the policy challenges of new forms of work organisation?
- is it possible to establish a new partnership for a more productive, participative and learning organisation of work?

#### ***Towards a new organisation of work - why and how?***

The traditional organisation of work, based on the ideas of industrial mass production, has been questioned more and more during the last 20 to 30 years. A number of organisational changes have been tried in order to improve productivity, quality and working conditions (quality circles, just-in-time systems, team work).

In parallel with these many different trends there is now a more fundamental change in the organisation of work, a shift from fixed systems of production to a flexible, open-ended process of organisational development. This new concept of a process of continuous change is sometimes described as "the flexible firm" and the workplaces as high trust and high skill workplaces. There is no one model, but an infinite variety of models, which are constantly being adapted to the circumstances of the individual firm and its workers.

The transformation can be explained by three factors, representing change: human resources, markets and technology.

There are already a number of case studies demonstrating the potential for productivity and prosperity of a new organisation of work. However, the great majority of firms - and public authorities - are still in the traditional form of work

organisation. The diffusion of new practices seems to be slow.

### ***The policy challenges***

The policy challenges could be summarized in one question: how to reconcile security for workers with the flexibility which firms need? This raises a number of issues for the public authorities and the social partners across the spectrum of employment, education and social policy areas:

- how to organise the necessary training and retraining, so that the workforce can meet the increasing needs for skills and competence
- how to adapt social legislation to take account of new employment trends
- how to change wage systems along with the organisational structures on which they are based
- how to adapt working time arrangements in the light of the new situation
- how to take advantage of the new employment trends with regard to equal opportunities
- how to develop more flexible organisations in the public services
- how to provide adequate support to firms, in particular small firms, who wish to change, but lack the resources or expertise to do so.

### ***Building a partnership for a new organisation of work***

The Green Paper invites the social partners and public authorities to seek to build a partnership for the development of a new framework for the modernisation of work. Such a partnership could make a significant contribution to achieving the objective of a productive, learning and participative organisation of work.

The word framework should be given a broad interpretation. It could include everything from the creation of a common understanding of the importance of new forms of work organisation, through joint declarations, to binding contractual or legal initiatives. The level and content of such a framework has to be clarified through discussions in the social dialogue.

The Commission would like all interested to develop their views on how these objectives could be reached and how all policies, whether they are public policies or policies for which the social partners are responsible, could be mobilized to create a new framework to modernise work and the economy.



### **Introduction :**

#### **What are the aims of the Green Paper ?**

1. This Green Paper is about the scope for improving employment and competitiveness through a better organisation of work at the workplace. This need to improve the employment situation by increasing competitiveness has been at the heart of EU policy and was given added impetus with the publication of the White Paper on Growth, Competitiveness and Employment in 1993. It has been a main theme at all the meetings of the European Council since then and is a central element in the Commission's Pact for Confidence in Employment. In the course of the discussions on the Pact, the Commission sent a questionnaire to the social partners and prepared a synthesis of the responses received<sup>1</sup>. More recently the European Council in Dublin emphasised the importance of adequate benchmarking.
2. This Green Paper has also to be situated in the wider context of the various Community initiatives related to employment, competitiveness and new technologies, for example, the Monti Group on taxation, the social security initiatives, initiatives in the area of new technologies, and the Davignon group on workers' involvement in Europe.
3. The European employment strategy calls for an integrated approach, whereby all the relevant policies, including macro-economic and structural policies, contribute and support each other in the fight against unemployment. Improvements in flexibility of work have been highlighted as essential elements of this strategy. For example, the European Council meeting in Essen in 1994 stressed the need to increase the employment intensity of growth, in particular by a "more flexible organisation of work in a way which fulfils both the wishes of employees and the requirements of competition". But while much has been written about the need for flexibility of the labour market and its regulation, much less has been said about the need for flexibility and security in the organisation of work at the workplace.
4. One of the main aims of this document is to redress this balance by concentrating on this aspect of the wider employment debate. An improved organisation of work will not of itself solve the unemployment problem, but it can make a valuable contribution, firstly, to the competitiveness of European firms, and secondly, to the improvement of the quality of working life and the employability of the workforce.
5. Research has demonstrated that a renewal of the organisation of work is of fundamental importance for improved productivity. The White Paper on Growth, Competitiveness and Employment<sup>2</sup> highlighted organisational capacity as one of the key components of a firm's competitiveness. The Commission's First Action Plan for Innovation in Europe<sup>3</sup> also stressed the importance of organisational innovation for growth in employment.
6. Work organisation itself is a broad subject, including, as it does, most aspects of the way work is organised in and between firms, the relation between the social partners, the organisation of the labour market, the relationship between work and the organisation of society. There is an intensive debate about the role of work in the future and there are many ongoing research projects that will further improve our understanding of the new working life.

7. In particular, the Commission's Green Paper on "Living and Working in the Information Society: People First", covered a wide range of issues related to the introduction of new technology and the organisation of work, some of which are developed further in this Green Paper. At the same time there are issues dealt with in the present Green Paper, which are not related to new technologies and the Information Society, notably those related to the evolution of the workforce and of consumer requirements.
8. The present Green Paper does not seek to cover all aspects of this vast area. Instead it seeks to concentrate on developments in work organisation in firms and public bodies in the context of the economic and social environment. Thus in this paper, work organisation is taken to mean the way in which the production of goods and services are organised at the workplace. The focus is on a new organisation of work. While there is no one model, this concept implies, in particular, the replacement of hierarchical and rigid structures by more innovative and flexible structures based on high skill, high trust and increased involvement of employees. The focus is emphatically not on short-term cost-cutting measures.
9. It should be emphasised that this Green Paper is concerned with the organisation of work in all types of workplace and in all sectors of activity. Though much of the language, much of the experience and many of the examples relate to large firms in manufacturing industry, the new innovative and flexible structures are often just as appropriate in small firms as in large, and in services, including public services such as health, education and environmental services. The development of new forms of work organisation in SMEs, in particular, is of central importance, given that they are the main source of new jobs.
10. The modernisation of the organisation of work can only be achieved by the firms themselves, involving management and workers - and their representatives - and taking into account the diverse nature of the situation in each sector, company or organisation and the speed of change.
11. But the new organisation of work also poses challenges to policy makers - whether they be public authorities, social partners or non-Governmental organisations - and at all levels: local, national and European. In particular the challenge is how to develop or adapt policies which support, rather than hinder, fundamental organisational renewal and how to strike a productive balance between the interests of business and the interests of workers, thereby facilitating the modernisation of working life. An essential objective is to achieve such a balance between flexibility and security throughout Europe.
12. All Member States are facing similar challenges both with regard to labour productivity, competitiveness and employment and with regard to achieving the right balance between flexibility and security of employment. There is much to learn from progress made in other companies and in other Member States. The Commission hopes that this Green Paper will further stimulate the debate at European and national level on the organisation of work among all the actors involved and that the outcome of this debate will be a new framework for the modernisation of working life based on partnership.

*"A co-operative approach to a different organisation of work within the firm will improve industrial relations, allow greater worker participation in decisions and potentially lead to a better product quality. The latter in fact represents an essential component in any strengthening of the competitiveness of the European economy." - Ciampi report.*



## **I: Towards a new organisation of work - why and how?**

13. For almost a century the organisation of work was usually founded on the same basic principle: a hierarchical top-down organisation with a high degree of specialisation and simple, often repetitive, jobs.

### **Mass Production**

14. This type of organisation was developed as a tool for the emerging industrial society, the transformation of the economy from handicraft via manufacturing to industrial mass production. Europe can be described as the cradle of the manufacturing society and the US as the cradle of the mass production system. The ideas were developed originally in the US car industry, which became the role model for successful industries.
15. During the 20th century, this type of work organisation spread all over the industrialised world. The rebuilding of European industry during the post-war period was based on the concept of the mass production system. This production system contributed for several decades to an unprecedented growth in productivity and prosperity.

### **Step-by-step improvements**

16. However, during the last 20-30 years, the limitations of this way of organising work have become evident. One major problem has been that under the traditional system the work is split up into narrow functions with short, repetitive work cycles. The way work is done is prescribed in detail. The system does not give sufficient room for a process of upgrading and innovation. For continuous improvement to be possible, it is important to involve the workers themselves and in order to be involved they must have the possibility of exercising judgement, developing social contacts and learning. These are the points where the traditional mass production system becomes too much of a hindrance. The workplace has to be opened up: to flows of ideas, to suggestions, to learning, to improvement. Initially, this was done through the introduction of a parallel development organisation, such as quality circles. The idea was to make step-by-step improvements, day by day, to get visible results over time, instead of waiting for a crisis to occur.

17. The need for such improvements has been more apparent the more the service sector has grown and the more services are integrated into the traditional production of goods. As a consequence, both management and workers have been looking for new ways of improving productivity and working conditions. We have seen a number of efforts and experiments : new forms of team-work, just-in-time production systems, lean production, "kaizen" (continuous improvement), total quality management, eco-management, benchmarking, etc.

### **The flexible firm**

18. Both the traditional form of organisation and that based on step-by-step improvements still exist and will continue to do so for many years. But in parallel, a more fundamental change in the organisation of work is emerging, a shift from fixed systems of production to a flexible, open-ended process of organisational development, a process that offers new opportunities for learning, innovation, improvement and thereby increased productivity.
19. This new concept of a process of continuous change is sometimes described as "the flexible firm" and the workplaces as high trust and high skill workplaces. There is no one model, but an infinite variety of models, which are constantly being adapted to the circumstances of the individual firm and its workers. The transformation can be explained by three factors, representing change: human resources, markets and technology.

- Human Resources: In traditional economic thinking, labour is a factor of production similar to land and capital - a cost to be reduced. In a knowledge based economy, however, people represent a key resource. Organisations are valued not only on the basis of their products or machines but primarily on the knowledge-creating capacity of the workforce, the people who work for them, how they work, what work means to them. The rate of innovation and change in products and technologies is so rapid that the competitive advantages of companies and countries will be the capacity of the workforce to create knowledge. The European workforce of the 1990s, especially the younger age group, is much better educated and trained than any earlier generation. About 70 per cent of this young European workforce have an upper secondary level education and about 20 per cent have a university degree.

- Markets: Consumers are more demanding than ever before and they do not accept simple standardised products. They look for innovation, for variety and novelty, for high quality, both in goods and services. Competition in the marketplace forces firms to organise production in such a way that changing consumer preferences can be met. That creates demand for close links between market and production, capacity for continuous innovation and improvement, and a high degree of flexibility in production. Competitiveness and success will more and more be based on the innovative capacity and adaptability of firms, less and less on the traditional concept of producing more of the same at low prices. The most innovative and flexible firms are more likely to survive and expand.

- Technology: During the last 20-30 years a new technological revolution has begun, based on the introduction of information and communication technologies, (ICTs). One of the main effects of the new ICTs has been a

dramatic reduction in the cost and time of storing, processing and transmitting information. Such changes have a fundamental effect on the way we organise the production and distribution of goods and services, and thereby, on work itself. At the beginning of this technological revolution, the economic result of the introduction of new information systems was rather poor in terms of productivity growth. But, more recently there is a growing number of examples where the introduction of ICTs has met the highest expectations. The main message from these examples is the need for an integrated approach, linking the introduction of ICTs with the education and training of the workforce and with organisational renewal.

### **A new organisation of work, a demanding change**

20. These three factors - human resources, markets and technology - can have a fundamental impact on the way workplaces are organised.
21. The new flexible firm is a demanding form of organisation of work. That goes for the introduction of a new organisation, as well as for the requirements of skills and competence and the development of industrial relations. In the new decentralised and network-oriented organisations, workers perform a range of tasks, rather than pass the job on from one to another. The skill structure is changing. Good skills in numeracy and literacy as well as with computers, the ability to interact with new technology and with environmental requirements, are becoming more and more important. There is a need not only for higher skills but also for broader skills. That is why continuous learning, the updating and upgrading of skills and competencies, as well as investment in human capital, are of crucial importance for the improvement of the competitiveness and productivity of the European economy.
22. Furthermore as workers develop a wider range of skills and become more adaptable, the new organisation of work will further facilitate geographical mobility. This in turn will enable workers to exploit their potential more fully and exercise their rights in this respect.
23. The new organisation of work will challenge industrial relations. The old organisation is characterised by specialisation of tasks and skills and the separation of design from the production phase. Industrial relations will require, in a new organisation of work, to be built on a basis of co-operation and common interest. Therefore, new forms of industrial relations have to be developed, including, for example, greater participation by employees, since efficient production requires enhanced levels of both trust and commitment in firms.

### **A great potential for Europe**

24. European industry, manufacturing as well as services, has many underlying strengths. One such strength is the Single Market, the biggest economic entity in the world. Sixteen million firms established in this market have a great advantage in being close to 370 million consumers. The new way of organising work that is slowly emerging in Europe could be another strength, by improving the ability to adjust production to the new market conditions of ever changing consumer preference. In this way the flexible firm could offer a sound basis for fundamental organisational renewal built on high skill, high productivity, high quality, good environmental management - and good wages.
25. It is important to recognise that European companies and public services have already introduced a great number of organisational innovations, which are in tune with European conditions. There are a number of case studies - some examples are presented in the Report from the Commission's Competitiveness Group - demonstrating the potential for productivity and prosperity of a new work organisation. The findings confirm that these innovations in the organisation of firms lead to improved business performance, better job protection and job enrichment. The same message comes from the German programme on Work and Technology and the Scandinavian programmes, showing that the firms that have restructured their work organisation and industrial relations have been far more successful than those that have attempted to meet the challenges solely through the introduction of advanced manufacturing technology. These programmes also show that trust and commitment can be effectively combined with sound formal and contractual agreements. However, many firms - and public authorities - are still in the age-old work organisation: hierarchical, with a high degree of specialisation and low degree of integration and product innovation, defensive methods of restructuring and political demands for reduced responsibility in relation to the workforce. The diffusion of new practice seems to be slow.
26. Their traditionally informal structures, coupled with the smaller scale of operations, have enabled SMEs to avoid the organisational sclerosis which has hindered the adaptation of many large firms. However, the informal nature of relationships in SMEs gives rise to a different set of problems in relation to work organisation: in particular the lack of resources necessary for systematic organisational planning tends to hinder long-term personnel development. As a result, although SME's are potentially better able to adopt flexible forms of work organisation, further efforts need to be made if they are to exploit fully the opportunities presented.
27. It has to be acknowledged that improvements in productivity can result in a reduction in employment in one part of the production chain. But improved productivity is necessary if real wages and profits are to be increased. Higher wages and profits lead in turn to the creation of employment in a number of ways: in the firm itself, in its suppliers, by increasing demand and by creating the wealth to pay for the employment intensive services, which are needed in the future: in health, education, leisure and care for the sick and elderly to name but a few<sup>4</sup>.
28. The choice is not, in fact, between being more productive or staying as we are. It is between remaining competitive or relegation to the second division. This is not an easy option. There are a number of obstacles to the modernisation of firms and one such obstacle is the lack of awareness of the possibilities and of the potential of a new way of organising work. There is a need for information and debate and for initiatives that can stimulate the development of new forms of work organisation, not least among the many SMEs.

29. Furthermore, all change creates turbulence and uncertainty. There are balances which have to be struck:
- between young workers and older workers
  - between the well-educated and the less well-educated
  - between the need for high production levels and the health of workers and above all, between flexibility and security.

### **Flexibility and Security**

30. The potential economic benefits of a new form of work organisation based on participation and trust are substantial, with potential gains for everyone. Public policies need to be built on this understanding. However, it has to be recognised that certain categories of workers in some areas at different periods in the economic cycle will have more difficulty in adjusting to the new situation than others: these include, in particular, older workers, younger workers with low levels of qualification and workers who live in areas of high unemployment and are not mobile. Similarly while there are considerable benefits for firms and workers engaged in core activities, care is needed to ensure that all workers, irrespective of their contractual status, share in the potential benefits of the new work organisation.
31. The key issue for workers, management, the social partners and policy makers alike is to strike the right balance between flexibility and security. This balance has many aspects. The reorganisation of work often causes uncertainty. Workers need above all to be reassured that after the changes are made they will still have a job and that this job will last for a reasonable time. At the same time, once the changes are made, the new organisation of work can offer workers increased security through greater involvement in their work, more job satisfaction and the possibility of developing skills and long-term employability. This security for workers can also provide employers with increased security in the form of a more stable, versatile and contented labour force. Employers need greater flexibility in order, in particular, to cope with fluctuations in demands for their goods and services. In particular, they are often looking for interchangeable skills and adaptable working patterns, including working time arrangements. Such flexible arrangements can also have advantages for employees, provided that they are negotiated : for example working time arrangements which suit their private or family commitments.
32. It is the achievement of this balance between flexibility and security which is at the heart of the partnership for a new organisation of work, which is the subject of this Green Paper. So far we have discussed the implications for employers and workers. But if this balance is to be achieved, there is a need to adapt a wide range of public policies accordingly. These policy challenges will be discussed in the next chapter.

### ***Questions***

*Do you share the views expressed above on the evolution of the organisation of work and the main driving forces behind the new developments? Are there other factors that*

*should be included?*

*What is your experience of firms that have introduced new forms of organisation of work?*

*Are there particular experiences in respect of small firms, which you would like to mention?*

*Are there examples of new business strategies, which appear more successful in dealing with such changes?*



## **II : Policy Challenges and New Partnerships**

### **The labour market context**

33. There is a broad public debate about the development of labour markets and working life. This debate is linked to new technologies, the globalisation of our economies and to new forms of work organisation.
34. The new forms of work organisation are associated with greater specialisation by firms, which leads to new employment-creating opportunities for sub-contractors. However, some of the changes that we are witnessing today are caused not by a new organisation of work and new technology, but by a lack of adaptation and modernisation. The downsizing of many firms is often the consequence of adverse macro-economic conditions and bad management.
35. Some of the problems are caused by a failure to integrate new technologies with changes in the organisation of work and the upgrading of skills and competence.
36. It is difficult to isolate these factors in statistics on the development of the labour market. Therefore caution is needed when studying such statistics in order to avoid blaming the new organisation of work for the problems created by quite different factors.
37. A few facts can serve as a background to the further discussion of the challenges to existing policies and the need to modernise our policies:

- employment has increased in the Member States of the EU in 15 of the 23 years since 1973. The total increase in these years of employment growth reached 16 million jobs. However, 8 million of these jobs were lost during periods of economic downturn, giving a net employment growth of 8 million. This contrasts with the growth of the working age population by nearly 28 million people over the same period. Thus, the main problem is that job growth has not been strong enough to absorb the growing working age population.

- there are many more jobs requiring higher and broader skills; there has been a marked shift in the structure of employment towards higher-skilled jobs that are, in general, more stable. Professional, technical and management personnel grew

by 25 per cent, while the number of production workers decreased. Those who have lost their old jobs have had great difficulties in returning to a working life with new and higher skill requirements.

- the level of permanent employment remains high; temporary jobs account for a relatively small proportion, around 12 per cent of employees. Such jobs are often important as entry jobs; for example, in 1995 50 per cent of the unemployed who found a job took temporary positions. A recent study, undertaken by the ILO, shows that job tenure has not been reduced in recent years.

- working time has become more flexible; about 16 per cent of employees work part-time and such work has become more common. Only 5 per cent of men work part-time while 30 per cent of women work part-time, mainly in the service sector.

- self-employment has been stable over the last 20 years; self-employed counted for about 15 per cent of the total workforce in 1975 and that figure has not increased at all. However, if agriculture is excluded, there is evidence of some growth.

38. These patterns are important to recognise as a basis for the discussions on policies supporting flexibility and security in working life. A more detailed description of the trends in the labour market in the Member States is available in the Commission's publication "Employment in Europe 1996".

## **Modernising the legal, contractual and policy framework**

### ***Education and training: lifelong learning***

39. The new forms of work organisation require a much better educated and trained workforce, including in particular management. The flexibility and adaptability of skills are key. Continuous training and retraining are essential: in 10 years' time 80% of the technology we operate today will be obsolete, and replaced by new, more advanced technologies. By that time, 80% of the workforce will be working on the basis of formal education and training more than 10 years' old.
40. Europe needs to develop a new architecture of lifelong education and training which involves not only all parts of education and training systems but also firms and individuals themselves. In addition, a culture of learning and training throughout working life needs to be fully embedded. It is hardly possible to over-estimate the importance of action in this area, which has been the subject of a number of Commission initiatives. For example, the Commission's Green Paper "Living and Working in the Information Society: People First" identified four crucial areas:
- Laying the best foundations: the foundations of our knowledge and skills are laid during the first years of education, and the education processes involved need to evolve with the development of new technology and with the new requirements for sustainable development. Teachers and trainers in particular must be targeted and the quality of

their initial training and continuing professional development secured.

- From teaching to learning: education and training institutions must be swiftly reoriented so that learning institutions are much more responsive to changes in the skill needs of business and industry. One of the key objectives identified in the Commission's White Paper "Teaching and Learning: towards the Learning Society<sup>5</sup>" was the need to bring schools and the business sector closer together to better complement each other as places of learning.
- The learning company requires that new forms of partnership between business, other organisations and educators are needed to ensure that the new and changing skills required are made available. The crux of this approach is continually to reinforce the employability of the workforce, as well as to increase the competence of managers and decision-takers through training.
- Lifelong learning for all: there is a strong need to transform passive labour market policies into active policies for human resource investment, in line with the agreement at the Florence Summit, whereas at present not more than 7 per cent of the unemployed are offered training which would help to equip them to re-enter the labour market.

### ***Questions***

*How can firms which seek to introduce new forms of work organisation optimise their investments in human resources?*

*What are the obstacles, including accounting and tax constraints, to the promotion of investment in human resources ?*

### ***Labour law and industrial relations***

41. The new organisation of work calls into question the basic foundations upon which labour law and industrial relations are built.
42. The concepts of work-place, firm, factory and, in particular, the notion of employer are undergoing a process of diversification, leading to an erosion of traditional employment relationships. Downsizing, outsourcing, subcontracting, teleworking, net-working and joint ventures bring new dimensions to the world of work for which traditional labour law provisions do not appear to have adequate answers.
43. All this raises fundamental questions concerning the balance of regulatory powers between public authorities (legislation) and the social partners (collective bargaining) and between the social partners and individual employees (individual employment contracts). In particular the possibility of derogating from legislation by collective agreements and the scope for individual contracts versus collective agreements are central issues on today's European industrial relations agenda.

44. In this context, the likely development of labour law and industrial relations from rigid and compulsory systems of statutory regulations to more open and flexible legal frameworks may pave the way for a new balance of regulatory powers between the State and the social partners, in particular in the areas connected with the internal management of firms. Within this framework the relationship between employers and employees becomes a key factor as firms move from traditional methods of organisation to more flexible internal arrangements. The role of workers in decision making and the need to review and strengthen the existing arrangements for workers' involvement in their companies will also become essential issues. The Commission will launch, in the coming weeks, consultations with the social partners on the advisability and direction of Community action in the field of information and consultation of employees at national level.
45. The participation of employees in profits and enterprise results could also assume greater importance. In this connection the Commission recently prepared a report<sup>6</sup> on the ways Member States have promoted the participation by employees in profits and enterprise results. This shows that in all cases profit-sharing is associated with higher productivity levels no matter what methods, model specification and data are used. Other positive effects of the schemes are on wage flexibility, employment and employee involvement. The development of financial participation schemes is, however, strongly influenced by government action, in particular by the availability of tax incentives.

### ***Questions***

*How should the current legal framework be modernised to take account of new employment trends ?*

*Which types of workers' involvement mechanisms could contribute to successful strategies on technical and organisational change?*

*How would the development of direct worker participation affect the role of bodies or organisations representing workers?*

### ***Wage systems***

46. Pay is, of course, at the heart of the contract between employers and workers. But some of the pay systems in use today were developed forty or fifty years ago. Frequently they provided only for payment for a specific job in a hierarchical organisation with a rigid division of labour. Such wage systems are now proving an obstacle to the introduction of more flexible company structures. It is precisely in the most up-to-date companies that traditional pay differentials between manual and white collar workers, between women and men, or between members of the same team are no longer workable. Wage systems are the financial expression of organisational and status structures within a company.

47. New wage systems, compatible with the flexible firm, have been introduced into many firms, in both manufacturing and services and in large, medium-sized and small firms. The characteristics typical of these new payment systems are broader job descriptions and a corresponding decrease in the number of pay grades, incentives to acquire extra qualifications, higher valuation of new job requirements (such as co-operation, responsibility, decision-making, problem solving, etc.), supplements to the basic wage paid according to results or for continuous improvements, establishment of internal job equity for blue and white-collar employees, for time and piece-rate workers, for part-timers and full-timers and equal pay for women and men.

### ***Questions***

*What experience do you have of changes in payment systems?*

*What innovations are taking place, in particular by means of collective bargaining?*

### ***Working time: a new approach***

48. Working time is at the centre of the public debate on the organisation of work. In particular, the European Parliament adopted last year an important resolution on a reduction and adaptation of working time<sup>7</sup>, based on the Rocard report. The debate is about two separate questions. One is about working time flexibility: the adjustment of working time arrangements to the needs of firms or the needs of individual workers. The other question is about working time and employment: can a shortening of working time create more jobs?
49. Many innovative working time arrangements are being introduced in firms throughout the EU, both on the initiative of the firm concerned, or as the result of pressure or incentives from the Member State. Such arrangements can take a number of forms, including:
- Changes in the length of the working week
50. An important development in recent years has been the decoupling of plant operating times and shop opening hours from individual working time. This has allowed firms to increase the utilisation of expensive equipment, or to meet shoppers' wishes more effectively, while reducing individual working time, often at no cost. In this context, some research has shown that firms may employ more workers as a result of reducing working time, provided that certain conditions outlined below (box) are met.

### **Conditions which may need to be satisfied for working time reductions to have an impact on employment**

Reductions in working hours should take place in the broader context of a better balance between flexibility and security: reducing working hours while maintaining the same pattern of work organisation will be counter-productive.

The way work is distributed has to be planned and working time patterns have to be adapted to the new situation.

The redistribution of working time should be accompanied by an active training policy. Otherwise skill shortages are likely to arise. The speed with which they arise depends on the nature of the work and the quality of the available labour force.

Barriers to recruitment should be low. In this context there is a need to look in particular at the effects of taxation systems on working time and to make the necessary adaptations to social security systems.

Co-operation between the public authorities, trade unions and the various training bodies with interests at plant level is important.

Working time reductions should be incorporated into long-term bargaining packages. Many working time reductions in recent decades, for example in Germany, Belgium and the Netherlands, have been traded against long-term wage moderation. Such long-term packages have the advantage of making it possible to use productivity increases to reduce working time over a period of several years, while at the same time reducing the wage increases needed to offset the reduction in working time.

#### Annualisation of working time

51. There has also been a trend in recent years towards coping with fluctuations in demand by calculating working time on an annual basis rather than on a weekly basis. Agreements to this effect usually provide, within certain limits, for the workers to receive a regular salary, rather than one which fluctuates week by week or month by month. It can also enable workers to better organise their time between work and leisure. For employers it allows for greater flexibility in the organisation of production and avoids expensive overtime premia.

#### Part-time work

52. There are now 24 million people working part time in the Member States. This form of work represents both opportunities and risks. From the employer's point of view it provides the flexibility which is necessary to meet changing consumer demands, especially in services. From the worker's point of view it also provides a flexibility that makes it easier to combine work with other responsibilities, for example studies or housework. The problem is that conditions of employment, for example social protection, for part-time workers are often limited when compared with those for full time work. This crystallises the need for a new balance between the interests of employers and workers, which would have positive benefits for both sides and could lead to the integration of part-time workers into the labour market, in particular by making their work less precarious. The social partners are now negotiating at European level on the basis of the Commission's consultation document on flexibility in working time and security for workers. A European agreement on this would make an important contribution to the development of flexibility and security in working life.

Flexible leave arrangements throughout working life

53. A number of interesting experiments are being undertaken in Member States and in individual firms to allow workers to take career breaks for family, training or other reasons. The recent framework agreement on parental leave concluded by UNICE, CEEP and the ETUC<sup>8</sup> is a good example of the progress at Community level.

54. Such working lifetime policies may reduce unemployment and improve the quality of life by humanising the world of work and, above all, its compatibility with private life.

### ***Questions***

*What contribution do you consider that a reduction and adaptation of working time can make to the improvement of growth, productivity and employment?*

*What is the scope for agreement at sectoral level on working time arrangements? Are other levels more appropriate?*

### ***Taxation***

55. The existing taxation systems are not normally designed to cope with the new flexible work organisation. On the contrary, taxation systems may give employers a financial incentive to employ people in traditional work arrangements and therefore act as a barrier to a more flexible work organisation.

56. Taxes, including social security contributions, falling on labour are often related to employees' income levels. Some taxes may distort employers' choices on organisation of working time as the imposition of the taxes can give incentives to work either more than a certain level or less than a certain level. For example, some taxes may have a ceiling which can be an incentive for employers to hire only one employee whose salary exceeds the ceiling, and beyond which no additional contributions are payable, compared to hiring two part-time employees whose individual salaries would be below the ceiling and whose combined contributions would be greater than for one employee. Such ceilings may also give incentives to employers to use overtime instead of hiring extra people.
57. Other taxes may have a tax-free floor which gives an incentive to employers to employ part-time workers below a certain number of hours per week. Some taxes are a fixed amount per employee, irrespective of the level of earnings, and consequently give an incentive for employers to use as small a number of employees as possible.

### ***Question***

*What reforms are necessary to taxation systems, in order to avoid the disincentive effects ?*

### ***Social security***

58. At present, most European social security systems are based upon a model of employment which assumes that the "normal" pattern of employment is lifelong and permanent, with retirement from the labour market taking place at the end of the employee's working life. Benefits are therefore predicated upon a contributory insurance model and eligibility often depends upon continuous service.
59. If, as predicted, "traditional" work structures are to continue to change over the next few decades, the implications for social protection policies in the longer term are enormous. The most frequently-advanced change scenario envisages the replacement of the 20th century linear career concept by a norm of a varied working life.
60. Such changes should not be perceived as a threat to social security : flexible working can be both beneficial to European economies and attractive to individual employees. Therefore, the latter should not be penalised for adopting such working patterns. This means that the multitude of different forms of employment, which employees may increasingly experience, must be supported by appropriate social protection systems.
61. However, it is vital that mechanisms be found for adapting European social protection systems to take account of these new patterns of work. Obviously there are no easy solutions to this complex problem. Therefore, in October 1995 the Commission launched a debate on the future of social protection which addresses among other things the implications of changing work patterns for social protection. A Communication<sup>9</sup> taking stock of the debate during 1996 and proposing appropriate follow-up has recently been published.

### ***Question***

*What adaptations are necessary to social security rules to stimulate more innovative forms of work organisation?*

### ***Health and safety at work***

62. There is an important body of Community legislation in this area, which already makes a significant contribution to the health and safety of workers<sup>10</sup>. These measures may need to be strengthened and adapted in order to take account of changes in work organisation.
63. In this context it should be noted that it is the employer that has the duty of managing the prevention of occupational ill-health. The growing importance of SME's as employers, including sub-contractors, raises important health and safety issues. Furthermore, new employers often lack knowledge of health and safety risks, and frequently have neither the time or money to rectify this. Some initiatives have already been undertaken to address this information gap<sup>11</sup>, but further measures may be necessary. In addition the incorporation of health and safety within early education and within the lifelong learning approach will be increasingly necessary to ensure that workers are adequately trained.

### ***Environmental issues***

64. The development towards a more flexible organisation of work is likely to have effects on the natural environment, for example by changes in transport demand. These effects can be positive or negative, depending, in particular, on individual working time arrangements, the transport infrastructure and the location of the work. It will be necessary to identify the environmental impacts of new forms of work organisation more accurately in order to develop approaches which are compatible with sustainable development and which are beneficial for the whole of society.

### ***Question***

*What impacts, both favourable and detrimental, are the new forms of work organisation, flexibility in working time and employment contracts, having on the health, safety and job environment of workers and for the management of these issues?*

### ***Mainstreaming equal opportunities policies***

Women and men

65. The new developments in relation to work organisation present a challenge and an opportunity with regard to equal opportunities for men and women. Employment is declining in typical traditional male jobs with traditional work organisation, such as heavy manufacturing industries, and growing in the service sector, where women have a stronger position and where new ways of working are more developed. The question is whether the new organisation of work, emphasising social skills, broader skills and multi-tasks, can contribute to the promotion of equal opportunities.
66. Women have made great progress in the labour market during the last 10-20 years, but there is still a big gender gap in employment and persisting segregation in the labour market. The difference in employment between men and women is 25 million, 85 million men and 60 million women in work. Women's working patterns are also sometimes different from those of men and that may also affect the development of work organisation. In order to realise this potential it is necessary to organise not only firms but the whole social infrastructure to support men and women on a more equal footing. That includes for example training, child care, transportation, gender balance in decision making, individualisation of rights and so on.
67. Mainstreaming, which is the guiding principle of the Fourth Community Action Programme on Equal Opportunities for Women and Men (1996-2000)<sup>12</sup>, aims to promote the integration of equal opportunities for women and men in the process of preparing, implementing and monitoring all policies and activities of the European Union and the Member States.

### *Questions*

*What more can be done to ensure that a better gender balance is achieved through the development of a new organisation of work?*

*How far will the growing participation of women in the labour market have an impact on work organisation?*

#### *Immigrants and ethnic minorities*

68. New developments in relation to work organisation also present risks and opportunities for workers from immigrant or ethnic minority backgrounds. Businesses and other organisations are operating in an increasingly multi-cultural environment, with customers, suppliers and employees from diverse national, ethnic and cultural backgrounds. Success in the market-place increasingly depends on the ability to integrate this potential to best effect.

### *Integration of people with disabilities*

69. A better organisation of work can improve job opportunities of people with disabilities. In particular it can help to ensure that workplaces and work arrangements are adapted to their needs. Measures involving working time organisation have also proved to be essential to in-company reintegration. The same consideration applies to the effect of the introduction of new technologies. Teleworking can expand dramatically the employment opportunities of a wide range of people with disabilities, in that it can overcome or remove barriers and problems relating to health conditions, safety, fatigue and stress, the need for personal assistance, inaccessible transportation or architectural barriers. Considerable human resources, which are today non-productive and have to rely mainly on social assistance, can be released in this way for employers and in general for the benefit of all society.

### ***Question***

*What practical steps can be taken to ensure a better use of the potential of all our people in the new organisation of work?*

### ***Labour market policies***

70. Labour market policies play an important role in the development of the new organisation of work, reconciling flexibility for firms and security for workers. First of all, there are huge financial resources spent on passive policies, that should be activated. Secondly, the new concept of "job rotation" offers opportunities for firms as well as for jobseekers. Job rotation means on the one hand upgrading the existing workforce in order to achieve better quality, higher productivity and new forms of work organisation, on the other hand a need to recruit substitutes, while the workers are being trained. This recruitment could provide good entry jobs for young and unemployed people. Such a shift from passive to active measures, based on the job rotation idea, is in line with the European Council agreement on a selective restructuring of public expenditure to stimulate growth and employment.
71. Most of the initiatives for the modernisation of work organisation must be taken at a local or national level. However, these initiatives can get support from the European Union, through the European Social Fund. Objective 4 of the Structural Funds has as its aim to "facilitate workers' adaptation to industrial changes and to changes in production systems". Created for the current programming period 1994-99, it is a new and challenging Objective in so far as it deals primarily with people in employment as compared with the traditional target groups of the Social Fund, namely the unemployed. Objective 4 (together with the ADAPT Community Initiative) carries a budget of about 4 billion ECU, which when married with Member State and private funding makes it a European fund for supporting industrial change of about 7.5 billion ECU over the five years of its operation. The actions supported are to a major extent concerned with training and re-training, but within an overall context of organisational change within and among companies.

72. During the remaining period of current programming (1997-99), the interventions under Objective 4 and ADAPT will be pursued with specific aims which support the process of improving work organisation. An improved use by the relevant bodies of the opportunities offered by Objective 4 and ADAPT will be a key demonstration of their willingness to improve work organisation.
73. In addition the Leonardo da Vinci programme supports experiments and the launch of particularly innovating projects in this area. The Fifth Framework Programme for Research and Development could also make a contribution in support of research on new methods of organisation of work<sup>13</sup>.

### ***Question***

*How do you consider that the contribution of the Structural Funds, and in particular Objective 4, could best be optimised to promote a better organisation of work?*

### ***Modernisation of the public sector***

74. The public sector employs a significant proportion of the EU labour force. For example over 9 million people are employed full-time in local government alone. Within these public organisations there are increasing pressures to get value for money both in order to keep public expenditure in check and to improve the quality and flexibility of service which the public expects. There are a number of examples where public sector bodies have developed innovative forms of work organisation, with the active participation of trade unions, but both employers and trade unions are conscious of the fact that more needs to be done. Indeed in November 1996, the social partners at European level adopted a Joint Declaration<sup>14</sup> on the modernisation of public services which recognised inter alia that the reorganisation of work processes and administrative structures is often the main instrument for adapting to the changing environment. They emphasised that this requires a long-term commitment to employment and the development of professional skills, and that management of change demands co-operation between management and labour in all organisations. The parties stressed their striving for reconciling efficiency with a high quality of working life: "In an open and secure climate the move towards a learning organisation may be a natural outcome of the adaptation to the continuous change".

### ***Telework***

75. Telework comes in a variety of forms - home-based telework, alternating telework, multi-site telework, freelance telework, mobile teleworking and telework from relocated back offices. Its central features involve the use of telecommunications and advanced information technologies and the performance of work at a location other than the traditional workplace.

76. Although the spread and penetration of telework remains unclear, the current numbers of teleworkers do not seem to meet the expansive forecasts made in the 1970s. However, the lowering cost of telecommunications, changes in managers' and trade unions' attitudes towards telework, as well as new practices in respect of alternating telework, are strong indications that the number of teleworkers will increase substantially in the coming years. Telework is particularly evident in industries and occupations which are information intensive.
77. Any consideration of telework at regional, national or European level should be strongly influenced by the need for job creation, increasing employment opportunities, environmental improvement and regional development. The central question here is how can we use telework and related techniques to bring about a net increase in work opportunities for Europeans in such a way that the overall quality of working life is enhanced.
78. The transnational dimension of ICTs, and in particular the fact that electronic commerce on the internet goes beyond geographical borders, brings to the fore the issue of transnational teleworking, international private law and transnational industrial relations.
79. In 1996 the Commission undertook comparative research and an analysis of labour law, health and safety and social security legislation and collective bargaining practices in Member States in respect of telework. As a result of this a number of issues were identified for consideration by the public authorities and the social partners (see box).
80. It is necessary to assess what measures are necessary to facilitate the development of telework, whether the existing rules are appropriate and what are the respective roles of the different actors. These issues will be further assessed in the context of the follow-up to the Green Paper on "Living and Working in the Information Society: People First" and in relation to the development of trans-European telecommunications networks.

#### **ISSUES CONCERNING TELEWORK PRACTICES**

Contractual status (employed-self-employed teleworking)

Voluntarism and teleworkers' right to return to the company's premises

Written information on working conditions

Equality of treatment between on-site workers and teleworkers

Teleworkers' involvement in information, consultation, participation and negotiation

Teleworkers' training rights and skill development

Social security issues

Data protection issues

Environmental impact

Inviolability of home and the employers' access to it

Working time, availability and work load

Pay systems

Infrastructure, equipment and expenses

Teleworkers' involvement in the company's affairs

Separation of working and living environments

Health and safety issues, including isolation, stress, checking and control

Social implications of trans-border teleworking

Legal framework applicable to freelance teleworking, including trade union rights

## **Building a partnership for a new organisation of work**

### ***The challenge to the social partners***

81. The role of the social partners, in firms, at sectoral, national and at European level, is crucial in the development of a new organisation of work. But both sides face challenges.
82. For management, the challenge is to achieve a fundamental renewal of their organisation in such a way that they create a climate of trust and partnership, based on the concepts of flexibility and security. For trade unions, the challenge is to ensure that they exercise a constructive and active role in the innovation and modernisation process within the firm and so achieve a sustainable balance between their social and economic objectives.
83. In a number of Member States, the social partners have shown their readiness to adapt to profound changes taking place in organisational structures, management style and industrial relations practices in both the private and public sectors.
84. This experience leads the Commission to invite the social partners and public authorities to take part in a discussion about partnership. The concept of partnership includes, first of all, workers and managers in the firm. The renewal of the organisation of work can only be achieved by the firms themselves, involving management and workers and their representatives. In addition, the social partners and the public authorities can facilitate this work by improving awareness of the potential of a new organisation of work.

85. This could lead towards a partnership for the development of a new framework for the modernisation of the organisation of work, taking account of the interests of both business and workers. The word "framework" should be given a broad interpretation. It could include everything from the creation of a common understanding of the importance of new forms of work organisation, through joint declarations, to binding contractual or legal initiatives. The level and content of such a framework has to be clarified through discussions, in particular in the social dialogue.
86. Such a partnership could make a significant contribution to achieving the objective of a productive, learning and participative organisation of work. It would be based on European values, which combine competition between firms and solidarity between citizens.

### ***The challenge to policy makers***

87. The European institutions - the Commission, the Parliament, the Council of Ministers, the Economic and Social Committee and the Committee of Regions - can stimulate the debate, give political support and organise an exchange of information and knowledge about the introduction of new forms of work organisation, both on the basis of the results achieved and the problems that have arisen. However, policy makers in European institutions, as well as in national and regional Parliaments and governments, need to understand what is happening in firms so that they can support the public debate in a well informed way and take these developments into account, when formulating policy and modernising legislation. Therefore, this Green Paper is also addressed to policy makers, to increase awareness of the potential and of the need for renewal of public policies.

### ***Questions on Section II***

*What actions are appropriate at the different levels: the firm, local, regional, sectoral, national and European?*

*Under which conditions, which will vary from country to country, could decentralised negotiations at firm level be developed to cover several aspects of work organisation?*

*How could agreement be reached at sectoral or occupational level on framework guidelines for the organisation of work, which could be applied, at the same workplace, to workers with different types of contractual arrangements?*

*Which are the most appropriate ways in which this process can be supported at EU level, for example support from the Structural Funds; support for training policies and innovations in them; dissemination of information, in particular in relation to good practice; medium-term social policy analysis and research, adaptation of the legal framework; other action ?*

*How can we best mobilise our resources to realise the potential gains for both firms and workers, which could arise from a new organisation of work?*

*How can we give particular support to SMEs?*

*What should be the respective roles of the main actors who might be involved in such a partnership, i.e. the social partners, the public authorities, NGOs in supporting the development of a productive, learning and participative organisation of work?*



### **III: The consultation process**

88. As stated in the introduction, the main aim of this Green Paper is to raise awareness and stimulate debate on new ways of organising work. The Commission does not wish to pre-judge the outcome of that debate by making concrete proposals for action, at this stage.
89. The Green Paper is being given a wide circulation and it is hoped that it will be discussed at local and national level, as well as at European level, in particular within the Social Dialogue.
90. The Green Paper includes questions directed to the social partners, to the Member States' authorities and to the European Union institutions. The Commission welcomes comments also from individuals and from institutions, from practitioners and from researchers, from NGOs active in the social and health fields, from people who have experience of new forms of work organisation as well as from people who are preparing to step from old forms of work organisation to new ones.
91. Written comments should be sent by 30 November 1997, to

European Commission  
Directorate-General for Employment and social affairs  
Rue de la Loi/Wetstraat 200  
B - 1049 Bruxelles/Brussel

92. Comments can also be sent by e-mail to:

***DG5-Partnership@BXL.DG5.CEC.BE***



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<sup>1</sup> This summary was distributed on the occasion of the Round Table organised by the Commission with the social partners on 30 April 1996 on the Pact of Confidence for Employment

<sup>2</sup> Growth, Competitiveness, Employment: The Challenges & Ways forward into the 21st Century (Chapter 2.3 (b))

<sup>3</sup> The First Action Plan for Innovation in Europe: Innovation for Growth and Employment (COM(96) 589 final)

<sup>4</sup> The employment potential in this area is set out in the Commission's report on "Local development and employment initiatives: an investigation in the European Union" (SEC/564/95)

<sup>5</sup> "Teaching and Learning: Towards the Learning Society" (December 1995)

<sup>6</sup> PEPPER II: promotion of participation by employed persons in profits and enterprise results (including equity participation) in Member States (COM (96) 697 final of 8.1.97)

<sup>7</sup> O.J. N° C 320 of 28.10.96 p. 97

<sup>8</sup> Annex to Council Directive 96/34/EC of 3.6.97; O.J. N° L 145/4 of 19.6.96

<sup>9</sup> Modernising and Improving Social Protection in the European Union (COM(97) 102 of 12.3.97)

<sup>10</sup> See in particular Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers (O. J. N° L 183/1 of 29 June 1989) - and subsequent individual directives

<sup>11</sup> See "Self-Audit Handbook for SMEs on Safety and Health at Work", European Commission, 1995

<sup>12</sup> Council Decision of 22.12.95, O.J. N° L. 335 of 30.12.95

<sup>13</sup> "Towards the 5th Framework Programme: Scientific and Technological Objectives" (COM(97)47)

<sup>14</sup> Joint Declaration of the CEMR Employers' Platform and the European Federation of Public Service Unions, Brussels, November 1996

