Opinion of the European Economic and Social Committee on Quality of working life, productivity and employment in the context of globalisation and demographic challenges

(2006/C 318/27)

On 17 November 2005 the Finnish Presidency decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on Quality of working life, productivity and employment in the context of globalisation and demographic challenges

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 13 July 2006. The rapporteur was Ms Engelen-Kefer.

At its 429th plenary session, held on 13 and 14 September 2006 (meeting of 13 September 2006), the European Economic and Social Committee adopted the following opinion by 116 votes to three with eight abstentions:

1. Conclusions and recommendations

1.1 The Lisbon Agenda is the European response to the challenges of globalisation. Synergies between economic, employment, social and environmental policies are intended to improve Europe's competitive position in the world. It is therefore important that the European economy makes use of the opportunities of globalisation by creating new areas of employment in sectors of the economy with good future prospects and boosting growth through innovation. Europe should therefore focus on its strengths, which are to be found in the high quality of its products and services, its well-trained workforce and its social model, and should compete with its global competitors on quality and not enter a race for the lowest wages and social standards in which Europe is bound to be the loser. Such qualitative competition requires a comprehensive approach to innovation policy, which includes the microeconomic level, i.e. business structures and the quality of working life.

1.2 Whilst it is a stated aim of the Lisbon Agenda to create not only more but better jobs, this qualitative aspect has so far been neglected in the debate on the implementation of the Lisbon goals. As well as increases in R&D investment and investment generally, and investment in education and training in view of the requirements of the knowledge and information society, improving the quality of working life is a key to increasing the growth in productivity and innovativeness of businesses. This is proven by studies into the relationship between quality of work and productivity and into the significance that 'good work' has from the point of view of the employees concerned for their job motivation and readiness to enhance output.

1.3 Quality of working life includes a number of aspects, such as the avoidance and reduction of health risks, the way work is organised at the workplace, social benefits including a fair income, opportunities to gain skills and qualifications, and the ability to reconcile work and family life. Improvements in all these areas have a positive impact on productivity, according to the results of studies into improving working and living conditions carried out by the Dublin Foundation and presented to the EESC. Support for voluntary corporate health promotion schemes is especially important in this area. Secure jobs, salubrious working conditions and working arrangements that give workers more autonomy in their work are an important factor for increasing productivity and hence innovativeness, which is also influenced by the social environment. The EESC therefore believes that business structures and cultures should take this into account. The Lisbon strategy therefore also needs to be implemented at company level, where economic and social goals meet. Social dialogue has an important role to play here.

1.4 In order to bring about an improvement in the quality of working life, it is necessary to adopt a comprehensive plan which takes account of the changes in the world of work and addresses the particular needs of older people. In line with the concept of 'well-being at work', pursued by the Commission in its Community strategy on health and safety at the workplace, the primary objective must be to prevent health risks and to bring about an ongoing reduction in the number of industrial accidents and the incidence of occupational illnesses. In this context, there is a need to pay special attention to the issue of precarious employment offering little social protection and not subject to any regulation or contract. It is, however, likewise necessary to introduce new forms of work organisation in order to promote job satisfaction and a readiness to boost output. Cooperative methods of working, involving low-profile hierarchies and greater autonomy, such as group- and team-work, make it possible to exploit people's knowledge and abilities to the full, whilst, at the same time, taking account of the greater demands for flexibility in the economy. Good working conditions and forms of work organisation that are conducive to empowerment and participation are also a key prerequisite for improving labour productivity and strengthening businesses' innovativeness. For this reason, the EESC supports the concept of flexicurity — i.e. a healthy balance between flexibility and social security — as endorsed by the Employment and Social Policy Council on 1 and 2 June 2006.

1.5 The EESC calls for more studies into the relationship between quality of work and productivity to be commissioned. The Dublin Foundation would be well suited to doing this. In addition, the EESC suggests that a European index for quality of work be developed. This would be composed from various criteria for 'good work' on the basis of relevant studies, and
would regularly be collated and published. Such an index could help raise the profile of changes and progress, and at the same time form the basis for new initiatives to improve the quality of working life. The social partners should be involved in the evaluation and be regularly asked for their opinion.

2. Arguments and comments

2.1 Background to the opinion

2.1.1 In anticipation of the Finnish Presidency of the Council in the second half of 2006, the Finnish Government has asked the EESC to draw up an exploratory opinion on the connection between quality of working life, productivity and employment, as this subject will occupy a central role in the political debate.

2.1.2 This exploratory opinion therefore looks at the extent to which quality of work is a factor for increasing productivity and economic growth, and what contribution improving the quality of work can make to building the information and knowledge society and thus achieving the Lisbon goals. Globalisation and demographic change are mentioned as background conditions.

2.2 Introduction

2.2.1 Globalisation brings with it risks but also opens up new opportunities. The risks consist in the fact that the European economy, owing to increased international competition and the restructuring of the international division of labour, could lose jobs through restructuring and relocations unless new areas of employment are developed. At the same time, labour standards in Europe and the European social model as a whole are coming under increasing pressure, because in a single monetary area wage and welfare costs are a decisive factor in competition. However, a Eurostat study (March 2006) shows that labour costs rose more slowly in the EU-25 in 2005 than in the USA. The Lisbon Strategy is the European response to the challenges of globalisation. Synergies between economic, employment, social and environmental policies are intended to improve Europe’s competitive position in the world.

2.2.2 However, an adjustment strategy that one-sidedly focuses on making the labour market more flexible, reducing labour standards and lowering social benefits is not a suitable way of achieving this objective. Rather, it is necessary to use the opportunities provided by globalisation for the benefit of the European economy, given that Europe is an attractive place to do business and can boast the following advantages:

— the attractiveness of the Euro area;
— stable democracies and social harmony;
— trustworthiness;
— efficient public services;
— developed infrastructure.

The EESC believes that a balance should be struck between flexibility and social security in the spirit of a flexicurity approach. Four important elements have been identified for achieving a healthy balance of this kind between flexibility and security in the labour market: ‘suitable contractual arrangements, active labour market policies, credible lifelong learning systems and modern social security systems’. The concept of flexicurity is set out in greater detail in the resolution adopted by the Employment and Social Policy Council of 1 and 2 June 2006. This states that contractual arrangements should provide ‘a balanced combination of (ol) security and activation offers’. The importance is stressed of ensuring ‘adequate rights for employees in all kinds of contracts’. Modernisation of social security systems should be geared to ‘taking better account of new forms of work’ and ‘ensuring that women can build up their own pension rights’. While unemployment insurance should be ‘adequate for all to have a sufficient income (...), it is important to ensure incentives and assistance to find work’. It also states: ‘Active labour market policies, lifelong learning and in-company training are important to support the change from job security to employment security’. In this regard, the EESC welcomes the fact that the social partners and other stakeholders are to be involved in the further development of flexicurity policy.

2.2.3 The opportunities of globalisation include focussing on areas of the economy and innovations with good future prospects, competing with global competitors on the basis of quality rather than social dumping, and creating new high-quality jobs. Whilst they are a cost factor in international competition, high labour standards also offer a locational advantage, since they are an essential prerequisite for the cohesion of societies and boost the productivity of employees and their ability to innovate. This constructive role of social policy is characteristic of the European social model, which is based on common values ‘such as solidarity and cohesion, equal opportunities and the fight against all forms of discrimination, adequate health and safety in the workplace, universal access to education and healthcare, quality of life and quality in work, sustainable development and the involvement of civil society. The role of public services in social cohesion and social dialogue also deserve a mention in this context. These values represent a European choice in favour of a social market economy’. If it is to hold its own in a competitive world, Europe must therefore build on these strengths of its social model.


2.2.4 The objectives which the Union set itself under the Lisbon Strategy will not be achieved without strengthening social cohesion through active social policies, increasing productivity growth through greater use of information and communication technologies (ICT technologies), and, at the same time, improving the quality of working life, motivation and job satisfaction of the workforce as an essential prerequisite for innovation. Innovation is not just a technical phenomenon that finds expression in new products and production processes. Rather, innovation is a social process that depends upon people, their knowledge, their qualifications and skills. The achievement of these objectives therefore requires new forms of work organisation — for instance group work and team work and better collaboration between management and staff — in which people can apply their knowledge and skills and take part in decision-making. Demographic change poses a particular challenge here and will lead to changes in the age structure of the workforce. This means (i) offering older people appropriate training which will enable them to adapt to the new work requirements arising from technical and organisational change; and (ii) taking into account changes in the work profile of older people by organising work in ways that meet age-related needs. Both presuppose a rethink in the HR policies of companies so as to offer more employment opportunities to older workers (7).

2.2.6 Regulating working conditions through collective agreements is a key part of the social partners’ role. When it comes to improving the quality of working life, social dialogue at all levels is thus of the utmost importance. The creation of salubrious working conditions and of an innovation-friendly working environment that empowers individuals to decide and to act requires partnership with employees and those who represent them within the organisation. Only if the interested parties and their representatives are involved will the Lisbon objective of creating better jobs be achievable. This kind of partnership for change and better quality of working life needs to start at company level and continue at sectoral and cross-sectoral level. The EESC welcomes the fact that an initial exchange of views took place between the social partners on the eve of the informal meeting of the Employment and Social Policy Council on 6 July 2006 in which a representative of civil society was also able to take part. The EESC hopes that the social partners can agree on a joint contribution to the debate — in conjunction with the flexicurity concept — on the quality of working life, productivity and employment.

2.2.5 Boosting innovation as an essential element in achieving the Lisbon objectives requires, alongside increasing investment in research and development, further measures by both government and business. This includes improving skills in the use of new technologies, but also changes to working structures in businesses through new forms of work organisation that empower the individual and improve collaboration with management. Increasing the number of women in senior management posts and better ways of reconciling work and family life also have a role to play. Finally, it is important to improve working conditions as a whole to prevent stress and work-related illness, so that older people in particular are able to carry on working, and to provide working conditions that meet age-related needs. In this context, the Committee draws attention to the importance of corporate health promotion schemes that businesses provide for their employees on a voluntary basis. Further support from public incentive schemes could help to increase the use of this tool, in particular in SMEs. Similarly, the integration of young people is important, as mixed-age teams bring the skills of younger people together with the experience of older people, allowing the best, most innovative ideas to emerge.

(*) The Lisbon Strategy for Growth and Employment targets which were set under comparatively favourable economic conditions in March 2000 by the European Council in Lisbon are still far from being achieved. According to the 12 July 2005 broad economic policy guidelines ‘The EU is in several respects further away from its goal of becoming the world’s most competitive economy than was the case in March 2000’. (7) Alongsie the continuing high level of unemployment, mirrored by only a marginal increase in the employment rate to 63 % in 2003 — far below the target of 70 % by 2010 — low productivity growth is seen as a cause of this failure. The report of the expert group on the Lisbon Strategy chaired by Wim Kok had already drawn attention to this in November 2004. The decline in productivity growth (per hour worked) in the EU since the mid-1990s can be attributed more or less equally to a lower investment per employee and to a slowdown in the rate of technological progress (7). This slowdown, according to the report of the expert group, ‘has been associated with the same reasons Europe is not meeting the Lisbon targets: insufficient investment in R&D and education, an indifferent capacity to transform research into marketable products.

2.3 Growth, productivity and employment

2.3.1 It is no secret that the ambitious growth and employment targets which were set under comparatively favourable economic conditions in March 2000 by the European Council in Lisbon are still far from being achieved. According to the 12 July 2005 broad economic policy guidelines ‘The EU is in several respects further away from its goal of becoming the world’s most competitive economy than was the case in March 2000’. (7) Alongsie the continuing high level of unemployment, mirrored by only a marginal increase in the employment rate to 63 % in 2003 — far below the target of 70 % by 2010 — low productivity growth is seen as a cause of this failure. The report of the expert group on the Lisbon Strategy chaired by Wim Kok had already drawn attention to this in November 2004. The decline in productivity growth (per hour worked) in the EU since the mid-1990s can be attributed more or less equally to a lower investment per employee and to a slowdown in the rate of technological progress (7). This slowdown, according to the report of the expert group, ‘has been associated with the same reasons Europe is not meeting the Lisbon targets: insufficient investment in R&D and education, an indifferent capacity to transform research into marketable products.
processes, and the lower productivity performance in European ICT-producing industries ... and in European ICT-using services ... due to a slower rate of ICT diffusion' (8). So the European economy clearly lacks investment in future-oriented products and technologies and the ability to innovate, something which requires investment in people's potential to acquire skills. The low levels of spending on R&D measured against the target of 3% of gross domestic product (GDP) by 2010 are just one indication of this. What is more, only 55% of research spending in the Union is financed by the private sector — something that is viewed as a significant cause of the innovation gap between the USA and the EU (9).

2.3.2 In its report for the Spring European Council in March 2006, the Commission comes to the conclusion that the EU, despite all its efforts, 'is unlikely to meet its target of boosting research spending to 3% of GDP by 2010' (10). It stresses in this regard the need to increase private investment, for which internal market policy should create better conditions. Alongside a macroeconomic policy geared towards growth and jobs, only a strategy focussed on boosting innovation will lead to more and better jobs. This is also highlighted in the conclusions of the European Council Spring Summit, which calls for a 'comprehensive approach to innovation policy' that inter alia includes investment in education and training (11). At its meeting of 15 and 16 June 2006, the European Council again highlighted the need for investment in knowledge and innovation and for national and EU measures to this end (12).

2.4 Investment in people as a prerequisite for a knowledge-based innovative economy

2.4.1 In a knowledge-based economy and society, production and services structures are continually updated through the use of ICT technologies and innovative products and production processes. This is accompanied by changes in the organisation of work at both production and managerial levels. This technical and organisational structural change in production and management leads to changes in work requirements, which must be taken into account in both school and basic and further vocational training. IT knowledge and ICT skills (media literacy) but also social skills such as communication and team skills and foreign languages, are becoming key factors in being able to meet the new work requirements. The development of such key skills must be given consideration in all branches of the education system as another way of strengthening the ability of businesses to innovate by improving the skills of employees.

2.4.2 The Employment Taskforce report of November 2003 has already pointed out that raising levels of education and constantly adapting qualifications to meet the needs of a knowledge-based economy are of central importance in creating more jobs. This involves both raising the general level of education and providing easier access to lifelong learning opportunities for people with different career profiles, both in the public and in the private sector. Priority should be given here to the most needy, namely the low-skilled, older workers and the employees of small and medium-sized enterprises (SMEs). The Employment Taskforce stresses in particular the responsibility of trade and industry and calls upon employers to take on more 'responsibility to build employees' skills throughout their career' (13). A combination of legal provisions and voluntary arrangements should guarantee that there is sufficient investment by employers in further training and that there is a fair division of costs (for example, through sectoral or regional further training funds, tax credits or by splitting the costs of further training as is the case in France) (14). The EESC believes that every employee should have the opportunity for further training.

2.4.3 The expert group on the future of EU social policy also recommends that within the framework of the European employment strategy the Union should concentrate on creating the conditions for a knowledge-based economy throughout the education system, and on improving the education system (15). The expert group makes a number of proposals here concerning all levels of education and vocational training. Particular importance is attached to further training. The expert group recommends that the general right to further training should be stipulated in wage and employment agreements. Furthermore, businesses should draw up personal development plans for each individual and introduce an internal management scheme for further training and skills. So there is no shortage of good proposals, but they are not being implemented.

(8) Idem.
(11) European Council (Brussels), 23-24 March 2006 — Presidency Conclusions, points 18 et seq.
(12) Presidency conclusions, points 20 and 21.
(15) 'Idem, page 51.
2.5 Improving the quality of working life in order to strengthen innovation skills and better integration of older workers

2.5.1 Quality of working life and productivity

2.5.1.1 The transition to a knowledge-based economy that is capable of innovation requires new initiatives to improve the quality of working life. Working conditions that meet health needs and working arrangements geared towards greater cooperation between executives, managers and employees at other levels, cooperation on equal terms and shared decision-making boost work satisfaction and wellbeing at work and therefore contribute to the economic success of a business. On the other hand, stressful working conditions that cause people to become ill have detrimental effects on quality of life and knock-on social costs and lead to productivity losses, which have a negative impact on the ability of the economy to be innovative. Relevant scientific studies back this up, though there are too few such studies.

2.5.1.2 A study carried out by the European Agency for Safety and Health at Work (2004) looks more closely into the relationship between quality of work and productivity (16). One of the key findings was that the success of a business in today's highly competitive environment can no longer be measured purely in terms of figures. Instead, such factors as customer satisfaction, optimising working relationships within the organisation, innovativeness and flexible organisational structures are playing an increasingly important role. The results of the study based on an analysis of the literature shows that there is a close relationship between good working conditions and the economic success of a business. The quality of work has a significant effect on productivity and profitability. In particular, the study identifies the following factors for business success:

- combining business targets with human resource activities so as to achieve better results;
- a holistic approach to health promotion that not only looks at immediate working conditions, but also includes job motivation and corporate culture;
- health promotion programmes that are aimed at avoiding health risks;
- improving working practices and the organisation of work in connection with technical innovations.

2.5.1.3 On the basis of case studies in various Member States and different sectors, the same study found the following factors for improving productivity:

- high quality of work, including good conditions for reconciling work and family life, is very important;
- cooperative behaviour by management contributes to higher productivity;
- improving working methods and workplace equipment helps to reduce the burden of physically demanding work and facilitates higher productivity. Such investment is therefore worthwhile;
- certain types of heavy duties need creative solutions for the avoidance of occupational accidents. Cutting absence due to sickness has a direct, positive effect on productivity.

2.5.1.4 The stresses to which employees are subject have changed, not least through the introduction of ICT technologies. Indeed there are still areas, particularly in industrial production, where physical stresses predominate. On the whole, however, there has been an increase in psychosocial stresses as a result of the increasing intensity of work and time pressure and working with ICT technologies. Work-related stress is the predominant complaint in all areas of activity and the economy and the central challenge for prevention. The European Agency's study comes to the conclusion that preventing stress not only reduces costs, but also improves productivity by increasing motivation and enhancing the working atmosphere.

2.5.1.5 The proportion of skilled work involving increased autonomy and less hierarchy has risen, particularly in the New Economy. At the same time, however, the pressure of work has intensified. The start and finish of the working day are becoming more and more fluid, a factor which goes hand-in-hand with new forms of deterioration in the health of workers, such as 'burn out syndrome', and reduces quality of life overall. At the same time, however, a contrary tendency is becoming apparent in a number of fields. Because of increased costs and the pressure of competition, humane forms of work organisation, such as team working in the motor-vehicle industry, are being dropped again and working patterns based on a strict division of labour are being re-introduced, leading to uneven strains and corresponding health risks.

2.5.1.6 The proportion of precarious employment, in the form of involuntary part-time working, limited duration employment and temporary employment, is increasing and the groups of workers concerned do, for the most part, have to contend with particularly stressful working conditions in the form of simple, monotonous tasks, heavy physical labour or environmental health hazards. Precarious jobs are often those with poor quality of working life, which makes measures to protect employment and health and work organisation measures all the more necessary.

2.5.1.7 The expectations of employees themselves as to what constitutes 'good work' is shown by a representative survey by the International Institute for Empirical Social Economy in Germany (INIFES) (17). The analysis for employees showed that the most important factors are related to income and job security, followed by qualitative aspects such as meaningful and varied work. Social aspects such as cooperative management behaviour and mutual support come in third place. Specifically, those involved stated that the following aspects of work, listed in order of importance, impact on their job satisfaction and their readiness to enhance output:

1. a stable, reliable income;
2. job security;
3. work should be fun;
4. being treated as a person by one's superiors;
5. permanent contract of employment;
6. promotion of loyalty among colleagues;
7. a healthy workplace;
8. work should be meaningful;
9. many-faceted, varied work;
10. having influence on working methods.

All these criteria had the support of between 70 and 90 per cent of respondents. Other criteria that also attracted wide consensus (over 60 %) as to what constitutes good work related to the opportunity to further develop one's own skills and the expectation that superiors should promote training and career development. The investigation also showed that high quality work that is broadly in line with the subjective criteria for good work leads to greater job satisfaction, willingness to work and readiness to enhance output. It is therefore possible to conclude that this also has a positive effect on labour productivity, even though this relationship was not specifically investigated.

2.5.2 Organising work in ways that meet age-related needs

2.5.2.1 The employment rate in respect of older workers (aged 55-65) in the EU continues to be inadequate, and the objective set out at Lisbon of increasing the rate to 50 % by 2010 will not be achieved. A key reason why older workers take early retirement from gainful employment is the deteriora-

tion in their health brought about by stressful working conditions and highly intensive work. Another is high unemployment. In the past, personnel policies were geared to inducing older workers to take early retirement. This led to a process of displacement, which also put social security schemes under considerable pressure.

2.5.2.2 In the EESC's view, it is not enough simply to spell out ambitious objectives without, at the same time, creating the necessary prerequisites for achieving such objectives. In view of the considerable shortage of jobs, priority must be given to reducing the performance pressures facing workers in enterprises and administrations and organising working conditions and performance requirements in such a way as to place reasonable demands on workers over the course of (rather long) working careers. In many enterprises such a measure will make it necessary to increase the workforce in order to reduce performance pressures and prevent premature deterioration in the health of workers. Improving the quality of working life by taking appropriate measures in respect of working conditions and the organisation of work and the allocation of staff are key instruments for achieving the abovementioned objective. The focus should therefore not be on increasing the legal retirement age, but rather on bringing the actual retirement age more into line with the legal retirement age. With this aim in view, there is a need, above all, to take measures with regard to working conditions and to change the personnel policy pursued by businesses in respect of older workers.

2.5.2.3 The High Level Group on the Future of EU social policy recommends, in this context, that measures be taken on three levels. In addition to the reform of social security schemes, aimed at reducing incentives for workers to take early retirement, the High Level Group believes that the measures to be taken should focus on measures at enterprise level. There is a need to boost the involvement of older workers in further training measures, to improve working conditions and to modernise the way in which work is organised. New forms of work organisation should be brought more into line with the abilities and skills of older workers, in particular by tailoring jobs to meet the needs of older workers and by facilitating internal job changes (18). There is also a need for society to adopt a change of outlook by revising the value it places on knowledge gained through experience and skills acquired during a person's working life.


The President
of the European Economic and Social Committee
Anne-Marie SIGMUND
