

INFORMATION

Social Policy

THE EUROPEAN SOCIAL FUND

1972 - 1976

151/77

On 16 March 1977 the Commission approved proposals for making the Social Fund better adapted to difficult employment situations and for increasing the effectiveness of its payments. These proposals have in the meantime been submitted to the Council of Ministers. This background note gives details of the Social Fund's development up to 1976.

Historical development

The Social Fund was set up under Articles 123-128 of the Treaty of Rome in 1958 to provide a range of financial aids laid down in Article 125. The Fund was established to help the employment of workers and their geographical and occupational mobility through training and re-training. A Council decision in 1971 (71/66/EEC) reformed the Fund and its operations, and Articles 4 and 5 of the decision replaced Article 125 as the basis for the Fund's financial aids.

Between 1960 and 1973 grants made by the Fund totalled 377.8 million units of account. When the Fund was set up the Common Market had hardly begun to affect the structure of the Member States, but by the late 1960s and early 1970s many sectors of economic and social life were affected. Among the changes in the Community relevant to the Social Fund's operations was the achievement of some important economic goals, for example, with regard to internal tariffs, the growing disbelief that Community social problems would be resolved by economic growth alone, and the political will among Member State governments to give the Community a more human face. The 1971 decision of the Council of Ministers favouring balanced economic growth meant providing suitable arrangements to ensure that nobody would be left aside in the future development of the Community.

As a result the Council decided to give the Fund a face lift in 1971 and the New Social Fund, as it was called, came into existence basically transforming the old Fund from an inter state equalisation fund for the sole benefit of unemployed workers into an active instrument of employment policy.

The Fund's resources were increased from 55 million units of account in 1971 to 97.5 for 1972. The idea behind the new Fund was that its operations should help make fuller use of the Community workforce through training and financial aids. Since the setting up of the new Fund in 1971/1972 there have been extensions of its scope and the grants it made in 1976 amounted to 436.8 million units of account (see Table 1).

The period from 1972 to 1976 witnessed three important developments which affected the impact of the Fund's operations. First, in 1973, the enlargement of the Community with the entry of Denmark, Ireland and the United Kingdom meant that the Fund's resources were spread over an increased working population. Secondly, the 1973-1976 period witnessed the worst unemployment problem of the postwar period, with the attendant implications for the training and re-training activities of the Social Fund. And thirdly, the high rates of inflation, made worse by the oil crisis, seriously eroded the real value of the Fund's financial resources and by implication potentially reduced the benefit of Fund activities for workers.

The scope of the Social Fund

The reform of the Fund increased its flexibility and field of application to the new needs of the Community. The three budgets of the new Fund were those of Article 4, Article 5, and a pilot projects and studies budget. Actions under Article 4 can take place when the employment situation is or is in danger of being affected by Community policies or when measures are necessary to balance the supply and demand of manpower in the Community. The Fund must obtain a specific Council decision for its corrective actions in these circumstances. Article 5 actions can be taken where the employment situation in a region, a branch of the economy or groups of undertakings faces difficulties of a more permanent nature and not arising specifically from Community policies. Such Article 5 actions do not need any decision from the Council, and the budget for these actions must not be less than 50% of the total Fund.

The new Fund became much more an instrument of employment policy aimed at supporting measures in the employment field, adopted in the context of Community policies; improving the balance between the supply and demand for labour in the Community labour market; and combatting prolonged unemployment and underemployment of a structural nature. Social Fund interventions based on Article 4 have included actions for workers in the textile and clothing industries, training and other actions for migrant workers, reconversion and re-training programmes for ex-agricultural workers, and vocational training schemes for young persons under 25. Fund expenditure under Article 5 has concentrated on regional actions. Table 5 gives details of Articles 4 and 5 operations by Member State for the period 1973-1975, and Tables 2 and 4 further details by intervention sector in 1976.

Interventions in 1976 in agriculture and textiles amounted to 14% of allocations; young workers 15%; and interventions for regional measures 52%. Allocations for migrant workers actions and handicapped are 5% and 68% respectively.

Thus in both Article 4 and 5 categories the field of application for Social Fund aid has been appreciably extended. The new types of aid have been available, not only for the readaptation and re-installation of workers, but also to help defray the cost of setting up vocational training centres in backward regions and, under certain conditions, to cover expenditure by workers having to change their place of residence. Aid was also made available to help certain categories of working people to obtain vocational qualifications (e.g. handicapped persons), or to maintain their previous wage level (e.g. older workers obliged to retrain).

Finally, the third but small budget for studies and pilot projects provided for in the new Social Fund, has financed projects to try out new or revised methods of training or transfer in order to establish their effectiveness prior to starting a full programme. The main criterion for Fund assistance for such projects has been "spin off"

possibilities of new knowledge or techniques for other member states leading to full applications on the Fund's main budgets (Article 4 and 5).

During the 1972-1976 period new guidelines for Article 4 and Article 5 interventions have been made. For Article 4 operations in general new guidelines adopted in 1973 and 1975, have given priority to well defined operations taken in their entirety; to operations complementary to programmes already decided upon without Fund assistance; and to a judicious distribution between the fields of intervention under Article 4.

For Article 5, economic developments necessitated a review of existing priorities, particularly since the adoption in March 1975 of the Council regulation establishing the European Regional Development Fund. Since this regulation was adopted the regional aid zones established by Member States have served as the basis for Social Fund operation. The Commission has tightened up the selection criteria so that operations could be centred on the vital needs of regions and areas; to maintain a parallelism between the Social Fund and the Regional Fund; and to give priority to the training of employed workers. First priority was given to areas in which one of three indicators applied, namely, that the unemployment rate exceeded 5 % during the past four years; the active population employment figure was less than 60%, and gross domestic product per head was lower than 80% of the national average for the last year in which statistical data was available. In areas where these indicators did not quite reach such levels, the negative balance of migration and the percentage of active population in agriculture have been two additional criteria used to determine priorities.

Within the field of application of Article 4 new guidelines and priorities have been developed for extra-agricultural workers, operations for textile workers, migrant workers, handicapped persons and young people, with particular emphasis being placed upon retraining operations in relation to the longer term employment situation of an area.

Administrative improvements

Under the old Social Fund i.e. from 1958 to 1972, intervention took place on an automatic basis and Fund payments were made exclusively to national administrations or public bodies for expenditure they had already incurred.

Since the reform of the Fund in 1971/1972 Social Fund actions have had to be in line with Community regulations and policies. The new Fund has been able to make payments on account, has benefitted from carrying over arrangements for funds from one year to the next agreed to by the Council, and has had the facility of extending its commitments beyond the current financial year. These changes have helped to make the Fund more flexible and better able to undertake actions for the Community's workforce.

The Commission has made further improvements in the functioning of the Fund in two spheres, the submission of applications and checks on expenditures. Under the first heading documents connected with applications have been standardised so that planned Fund operations and their financial implementation can be handled better. In addition new procedures for examining and approving applications for Fund aid have been introduced to reduce delays to a minimum at all stages of procedure. Under the second heading a standard form has been produced for Fund payments with a view to eliminating differences in the interpretation of Community rules which decide whether or not certain expenditure can be regarded as eligible.

Finally, arrangements have been finalised for the "recycling" of the Fund's appropriations not used as originally planned.

Statistical Appendix

Table 1	Social Fund distribution by Member State 1972-1976
Table 2	Summary of Social Fund operations agreed for 1976 by Member State and sector
Table 3	Number of beneficiaries of Social Fund action 1972-1974
Table 4	Summary of Social Fund operations 1976 (M.u.a. and percentage by sector)
Table 5	Summary of operations agreed and carried out 1972-1975
Figure 1	Distribution of Approved appropriations by area of intervention by percentage 1973-1975
Figure 2	Distribution of appropriations by Member State.

Table 1 shows that the Social Fund allocations between 1972 and 1976 increased from 27.8 million units of account to 436.7, and the estimated allocation for 1977 is 616 million units of account. Nearly three quarters of the Fund's resources up to 1976 have been concentrated in three Member States (see Figure 2).

Table 2 and Figure 1 showing the Fund's allocation by sector, for Article 4 and Article 5 interventions, clearly indicates the importance of the regional actions of the Fund - 78% of approved appropriations in 1973-1975.

Table 3 gives some indication for the period 1972-1974 of the number of persons who benefitted from Social Fund operations under both Articles 4 and 5. The 1,055,500 persons benefitting up to 1974 has in the meantime increased to an estimated two million. Some three quarters of the beneficiaries (1972-1974) were concentrated in three Member States.

Further details of Fund allocations 1972-1976 by Member State and sector are available in the Fourth Annual Report of the Social Fund (COM 76/338, July 1976). Detailed information on training in the individual Member States is contained in the "European Handbook on Aids for Vocational Training" - Commission of the European Communities, Brussels, November 1976.

Social Fund distribution by Member States 1972-1976

Table 1

Member State	Million units of account					%				
	1972	1973	1974	1975	1976	1972	1973	1974	1975	1976
BELGIUM	1,741	7,197	6,544	8,017	7,848	6,24	3,95	2,57	2,16	1,80
DENMARK	-	5,054	11,968	8,937	10,430	-	2,78	4,70	2,40	2,39
GERMANY	10,117	19,944	27,928	41,734	44,417	36,28	10,95	10,97	11,23	10,18
FRANCE	8,318	32,195	49,952	73,828	76,602	29,83	17,68	19,62	19,85	17,55
IRELAND	-	9,787	16,868	22,570	31,673	-	5,38	6,62	6,07	7,26
ITALY	5,765	43,696	72,331	95,531	146,460	20,68	24,00	28,41	25,69	33,55
LUXEMBOURG	0,023	0,040	0,005	0,033	0,066	0,08	0,02	0,01	0,01	0,02
NETHERLANDS	1,922	6,769	6,714	10,939	12,585	6,89	3,72	2,64	2,94	2,88
UNITED KINGDOM	-	57,396	62,272	110,238	106,392	-	31,52	24,46	29,65	24,37
COMMUNITY TOTAL	27,886	182,078	254,582	371,827	436,473	100,00	100,00	100,00	100,00	100,00

Table 2

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Summary of operations for 1976 (million units of account)

Distribution by Member State and sector

Intervention sector	BELGIUM		DENMARK		GERMANY		FRANCE		IRELAND		ITALY		LUXEMBOURG		NETHERLANDS		U.K.		TOTAL	
	MUA	%	MUA	%	MUA	%	MUA	%	MUA	%	MUA	%	MUA	%	MUA	%	MUA	%	MUA	%
Agriculture	0,670	1,09	-	-	9,118	14,88	14,604	23,83	5,863	9,57	18,690	30,50	-	-	2,646	4,32	9,689	15,81	61,280	100
Textile																				
Youth	1,754	2,62	0,609	0,91	7,178	10,71	15,316	22,86	1,856	2,77	14,042	20,96	-	-	0,563	0,84	25,673	38,33	66,991	100
Handicapped	0,178	1,05	-	-	11,223	66,02	0,707	4,16	0,149	0,87	2,295	13,50	0,028	0,16	-	-	2,419	14,24	16,999	100
Migrants	0,059	0,28	0,078	0,36	3,844	17,93	3,549	16,56	0,052	0,24	10,988	51,26	-	-	1,735	8,09	1,132	5,28	21,437	100
TOTAL ARTICLE 4	2,661	1,60	0,687	0,41	31,363	18,81	34,176	20,50	7,920	4,75	46,015	27,60	0,028	0,02	4,944	2,97	38,913	23,34	166,707	100
Groups of enterprises																				
Technical progress	4,207	1,75	5,976	2,49	10,955	4,57	35,801	14,92	19,750	8,23	97,390	40,58	-	-	4,610	1,92	61,290	25,54	239,979	100
Handicapped	0,980	3,29	3,767	12,65	2,099	7,05	6,625	22,24	4,003	13,44	3,055	10,25	0,038	0,13	3,030	10,17	6,190	20,78	29,787	100
TOTAL ARTICLE 5	5,187	1,92	9,743	3,61	13,054	4,84	42,426	15,73	23,753	8,81	100,445	37,24	0,038	0,01	7,640	2,83	67,480	25,01	269,766	100
TOTAL ARTICLES 4 + 5	7,848	1,80	10,430	2,39	44,417	10,18	76,602	17,55	31,673	7,25	146,460	33,56	0,066	0,02	12,584	2,88	106,393	24,37	436,473	100

Table 3

Number of beneficiaries of Social Fund actions 1972-74

Member States / Operations	1972	1973	1974	Total 1972 - 74
Belgium Article 4 Article 5 Total	-	0,7	2,1	2,8
	16,3	14,5	14,7	45,5
	16,3	15,2	16,8	48,3
Denmark Article 4 Article 5 Total	-	-	-	-
	-	9,5	6,4	15,9
	-	9,5	6,4	15,9
Germany Article 4 Article 5 Total	-	8,5	15,3	23,8
	25,3	10,0	12,4	47,6
	25,3	18,5	27,7	71,4
France Article 4 Article 5 Total	-	26,0	34,4	60,4
	9,7	49,7	41,5	100,9
	9,7	75,7	75,9	161,3
Ireland Article 4 Article 5 Total	-	1,3	14,4	15,7
	-	53,6	20,4	74,0
	-	55,0	34,7	89,7
Italy Article 4 Article 5 Total	-	0,0	62,4	62,5
	29,9	136,6	49,9	216,4
	29,9	136,6	112,3	278,9
Luxembourg Article 4 Article 5 Total	-	-	-	-
	0,6	0,7	0,0	1,3
	0,6	0,7	0,0	1,3
Netherlands Article 4 Article 5 Total	-	0,5	0,6	1,1
	2,8	8,1	5,2	16,1
	2,8	8,6	5,8	17,2
United Kingdom Article 4 Article 5 Total	-	2,6	146,6	149,3
	-	113,8	108,1	221,9
	-	116,4	254,7	371,2
Community Article 4 Article 5 Total	-	39,8	275,9	315,7
	84,7	396,4	258,7	739,8
	84,7	436,2	534,6	1.055,5

TABLE 4

Summary of credits for Social Fund operations in 1976

SECTOR	UNITS OF ACCOUNT	%
Agriculture	31.528.481,76	7,22
Textile	16.678.623,80	3,82
Agric. + Text.	13.074.044,78	3,00
	61.281.150,34	
Youth	66.989.762,92	15,35
Handicapped	16.999.477,31	3,89
Migrants	21.437.593,96	4,91
	166.707.984,53	
Regions	229.241.385,68	52,52
Groups of enterprises	1.263.126,67	0,29
Technical Progress	9.473.165,28	2,17
	239.977.677,63	
Handicapped	29.787.572,40	6,83
	269.765.250,03	
	436.473.234,56	100,00

Table 5

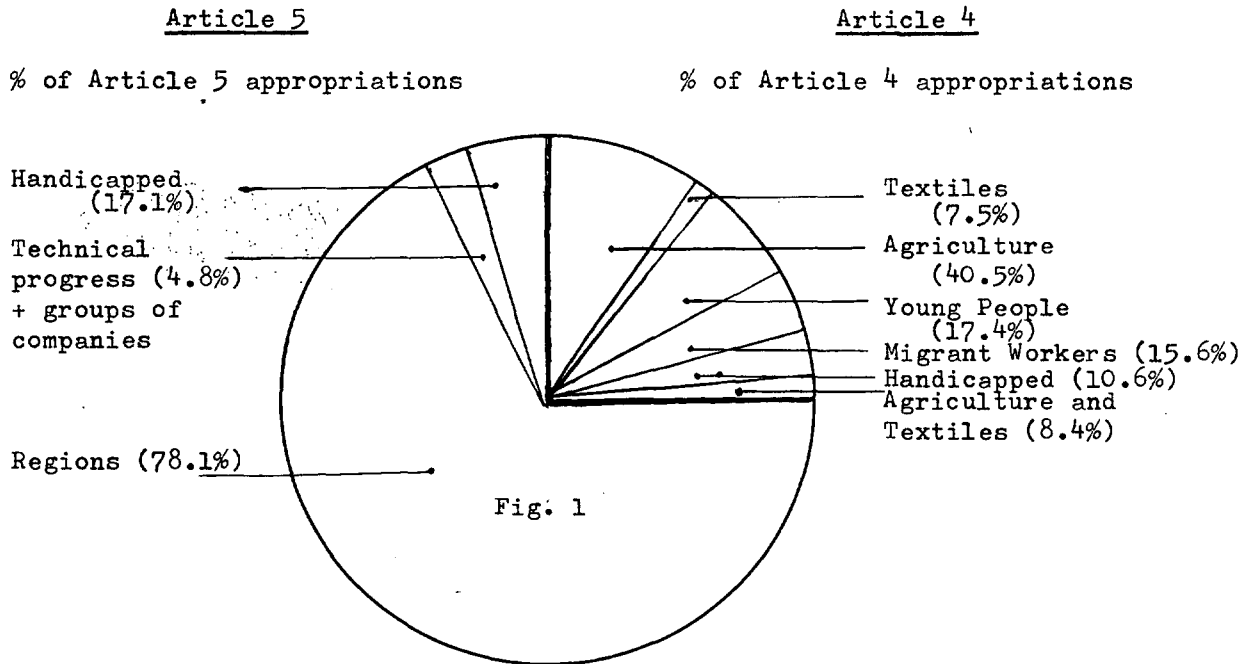
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Summary table of operations agreed and carried out from 1972-1975 (in u.a.)

YEARS	BELGIUM	DENMARK	GERMANY	FRANCE	IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	UNITED KINGDOM	TOTAL
ARTICLE 4										
1973	720.000,-	-	9.562.841,53	11.585.699,70	706.300,80	39.118,75	-	807.320,44	1.890.000,-	25.311.281,22
1974	925.600,-	-	9.266.377,06	16.280.983,46	7.231.536,41	4.420.814,76	-	861.187,85	8.044.366,80	47.030.866,34
1975	2.047.080,16	853.333,34	26.906.690,71	32.303.990,83	11.372.255,09	32.763.019,43	-	2.113.880,16	21.530.781,60	129.891.031,32
TOTAL	3.692.680,16	853.333,34	45.735.909,30	60.170.673,99	19.310.092,30	37.222.952,94	-	3.782.388,45	31.465.148,40	202.233.178,88
ARTICLE 5										
1972	1.740.967,12	-	10.116.530,05	8.317.850,86	-	5.765.244,56	23.000,10	1.921.933,70	-	27.885.526,39
1973	6.476.551,42	5.054.446,66	10.381.552,58	20.609.749,44	9.080.718,72	43.657.256,04	40.275,16	5.961.905,90	55.505.820,00	156.768.275,92
1974	5.618.059,34	11.967.640,00	18.661.347,28	33.670.728,13	9.636.666,05	67.910.260,68	5.020,00	5.853.245,85	54.227.892,96	207.550.860,29
1975	5.970.111,00	8.083.554,93	14.827.380,60	41.524.460,46	11.197.516,60	62.767.667,24	33.424,84	8.825.022,10	88.707.234,48	241.936.372,25
TOTAL	19.805.688,88	25.105.641,59	53.986.810,59	104.122.788,89	29.914.901,37	180.100.428,52	101.720,10	22.562.107,55	198.440.947,44	634.141.034,85
ARTICLE 4 + ARTICLE 5										
1972	1.740.967,12	-	10.116.530,05	8.317.850,86	-	5.765.244,56	23.000,10	1.921.933,70	-	27.885.526,39
1973	7.196.551,42	5.054.446,66	19.911.394,11	32.195.419,14	9.787.019,52	43.696.374,79	40.275,16	6.769.226,34	57.395.820,-	182.079.557,14
1974	6.543.659,34	11.967.640,-	27.927.724,34	49.951.711,59	16.868.202,46	72.331.075,44	5.020,00	6.714.433,70	62.272.259,76	254.581.726,63
1975	8.017.191,16	8.936.888,27	41.734.071,31	73.828.451,29	22.569.771,69	95.530.686,67	33.424,84	10.938.902,26	110.238.016,08	371.827.403,57
TOTAL	23.498.369,04	25.958.974,93	99.722.719,81	164.293.462,88	49.224.993,67	217.323.381,46	101.720,10	26.344.496,00	229.906.095,34	836.374.213,73

Source: 4th Annual Report of the activities
of the European Social Fund
Doc. COM(76)338; July 1976

Distribution of approved appropriations by area of intervention by percentage 1973-75



The figures in brackets show the percentage of appropriations approved for each area of intervention and period in question, with reference to the amounts of appropriations under Article 4 and Article 5.

It will be noted that for the period in question:

- appropriations under Article 4 represent one quarter,
- appropriations under Article 5 represent three quarters of the total approved.

Distribution of approved appropriations by Member State

