# HOW IS THE EUROPEAN UNION MEETING SOCIAL AND REGIONAL NEEDS?

Europe ... questions and answers



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EUROPE ... QUESTIONS AND ANSWERS

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# The terms 'European Community' and 'European Union'

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are used in this text to speak of that political entity which was born as the European Economic Community (or Common Market) through the Treaty of Rome in 1957 and subsequently evolved first into the European Community and finally to the European Union through the Maastricht Treaty of 1991, or the 'Treaty on European Union' as it is formally known. The legal construction of the latter treaty, in so-called 'pillars', stipulates that most policy matters fall legally under the scope of the still existing European Community (e.g. everything relating to the single market and the common agricultural policy), but two important areas, the common foreign and security policy and justice and home affairs form the second and third pillars. They have a different legal framework under the 'roof' of the European Union.



he EU means many things to many people. For some it has been at the core of efforts to help maintain peace over the past 50 years in a continent which in the past has been riven by rivalry and suspicion. Others, however, talk of its political impotency. Why, they wonder, as a supposed political union, has it not been able to intervene effectively in the former Yugoslavia?

For many the EU is primarily about the single market and the opportunities and benefits this presents to businesses, students, pensioners and holidaymakers.

A number of people feel that it is becoming increasingly difficult to see the wood through the trees. They look back and ask whether the EU's current responsibilities really are fulfilling the visions of its founders, or whether those visions have themselves become lost in the ambiguities of post cold-war Europe? A fair question would be: What exactly is the EU for now? Likewise, you may want to know how the EU benefits you directly, in practical terms.

The EU's institutions are inundated daily with enquiries by people hoping to get to the root of many such questions. This booklet, in a series of several, seeks to give brief but concise answers to the most frequent of these questions.

Ultimately, the EU is more than just the sum of its parts. Its Member States created it to help solve problems that cannot now be effectively tackled by countries acting alone. The point is that the EU offers opportunities, not restrictions.



#### European Union social policy

# What role does the Community have in Europe's social affairs?

The Community is involved in the social affairs of its citizens as its Member States recognize that European economic, commercial and political integration can only be matched by a real commitment to the welfare and standard of life of all citizens if it is to succeed.

European social legislation has always tended to be minimal by nature and respectful of the subsidiarity principle (which demands that the Community acts only when the end result can be better achieved by the Community than by the Member States acting alone). Thus the Community has tend-

ed to focus on particular aspects of social policy, while Member States retain the core responsibilities, such as control of their own welfare states. The Community builds on specific rights built into the Treaty of Rome, notably the fundamental right for Community workers to live and work in the Member State of their choice, to improve their social protection and to help the unemployed retrain for jobs.

The Community's two tools were the European Social Fund, designed to promote the geographical and occupational mobility of workers, and the 1989 Community Charter of Fundamental Social Rights for Workers. Considerable



#### Article 2 of the Maastricht Treaty

is possibly the clearest expression of the Community's image of modern society:

The Community shall have as its task [...] to promote throughout the Community a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high degree of convergence of economic performance, a high level of employment and social protection, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States'.

headway was made, but as all social legislation at that time had to be agreed unanimously, delays in adopting legislation were commonplace.

Community social policy is now entering a new phase, reflecting the changing socioeconomic situation, and in particular the high levels of unemployment. The mandate for the Community to pursue this broader social agenda stems from the widespread belief that social progress and economic growth are mutually complimentary, that one feeds off the other.

The Maastricht Treaty deliberately opens up new possibilities for Community action by agreeing on a number of policy areas which will require only a qualified majority vote by the social affairs ministers rather than unanimity, as before.

#### What is the 'Social Charter'?

The Charter (of Fundamental Social Rights for Workers) was adopted in 1989 by eleven Member States, excluding the UK. It had no legal base, but simply set out a framework of principles covering aspects of workers' living and working conditions. To implement these, the European Commission put forward 47 initiatives, of which 29 required legislative action. To date 16 have been adopted.

While negotiating the Maastricht Treaty it became clear that the majority of Member States wanted to go further down the path laid down by the Social Charter. Again, the UK was unable to agree, so the then 11 countries agreed to decide a number of areas by majority voting. These are: health and safety, the setting of minimum standards for the working environment, information and consultation of workers, equality between men and women at work and the integration of those excluded from the labour market. All

#### The 12 principles as laid down in the Social Charter are:

- 1. The right to work in the EU country of one's choice.
- The freedom to choose an occupation and the right to a fair wage.
- 3. The right to improved living and working conditions.
- 4. The right to social protection under prevailing national systems.
- 5. The right to freedom of association and collective bargaining.
- 6. The right to vocational training.
- 7. The right of men and women to equal treatment.
- 8. The right of workers to information, consultation and participation.
- 9. The right to health protection and safety at work.
- 10. The protection of children and adolescents.
- 11. A decent standard of living for older people.
- 12. Improved social and professional integration for disabled people.

others still require unanimious agreement except matters relating to pay, the right to association and collective bargaining, the right to strike and the right to impose lock-outs, which are national matters.

## How is the Community tackling unemployment?

Unemployment is perhaps the most urgent problem facing the Community as a whole. But at what level is it best tackled — local, regional, national or European? The short answer is — all of them, acting in tandem.

In 1992 and 1993, at the peak of the recent recession, Heads of Member State governments drew up a Community action plan to combat unemployment and promote economic growth. While confirming that national governments should play the lead part, they nevertheless agreed to set many of the same priorities, including implementing measures to encourage private investment, especially by small and medium-sized enterprises, to switch some public expenditure towards infrastructure and other capital investment into transport, telecom-

munications and power stations, to improve the efficiencies of their economies by enhancing competition and to make efforts to achieve restraint in public-sector wage settlements.

They also confirmed that the Community has an important role to play in actively reducing unemployment, especially in terms of promoting investment. The European Investment Bank was given a new, temporary ECU 7 billion lending facility to help promote large-scale infrastructure projects, the so-called trans-European networks, in transport, energy and telecommunications, also including the countries of Central and Eastern Europe as well as the Mediterranean neighbours. The European Investment Fund, extending guarantees to companies looking for loans, was also set up with large-scale investment in mind. In parallel with these measures, the Community's



The College of Technology in Dublin is one example of the regional policy initiatives the EU pursues together with national and regional authorities aimed at improving the regions' competitiveness and quality of life.

structural/regional funds were also bolstered, and a new Cohesion Fund established to promote transport and environmental projects in the four poorest countries in the Community—Greece, Spain, Portugal and Ireland.

New approaches to life-long training and learning are also currently being considered, as is the creation of a common information area for the development of the much heralded 'information society', the realization of new jobs through increasing environmental protection, more cooperation in research and development and more active labour-market policies, and more flexibility for employers.

# What is the European Social Fund, and how does it help to tackle unemployment?

The European Social Fund (ESF) is the Community's main tool for developing human resources and improving the workings of the labour market throughout the Community. Its primary concern is to help people get back into work and to support others already in work but who need to improve their professional prospects.

Although the ESF is allocated as part of the Community's six Structural Fund objectives (see the section on Community regional policy), and consequently needs to be flexible in order to respond to a wide range of problems, it focuses in particular on the large number of long-term unemployed and young people lacking the skills needed by the labour market, and targets support for those out of work or in danger of losing their jobs due to industrial and technological change.

A number of special Community initiatives, run by the European Commission and overseen by the European Parliament, have been set up to encourage transnational and innovative approaches to the creation of employment along the same lines. Youthstart, for example, promotes access to work or a recognized form of education for all young people under the age of 20; Horizon funds projects to employ the disabled and get young handicapped groups into normal education programmes; ADAPT promotes training programmes developing new qualifications, skills and job opportunities for the unemployed and for those whose jobs have disappeared due to technological change. NOW aims to create equal access for women to jobs and professional training.

For more information on European Social Fund programmes contact your national education or employment departments, or the representatives of the European Commission in your country.

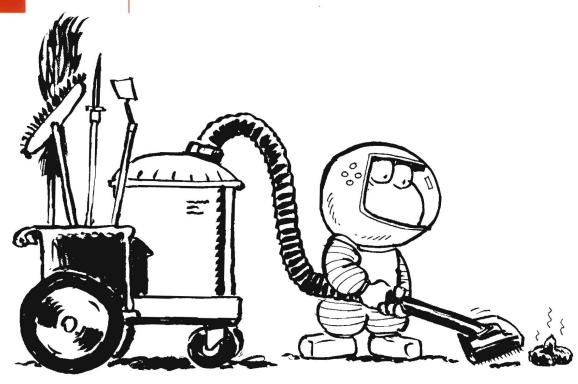
## Who decides which projects receive ESF funding?

ESF funding as a whole is allocated by the Community according to each Member State's own needs and is designed to complement and be additional to their respective employment initiatives. Therefore, it relies on the close partnership between the European Commission, national governments and the appropriate local and regional authorities to ensure that the resources available are properly targeted and efficiently used.

The present funding period for the ESF runs from 1994 to 1999 at an annual budget of ECU 5 billion. At the beginning of this period each Member State draws up plans for the use of the resources on offer according to the rules governing the ESF. The use of resources is then negotiated between the Euro-

pean Commission and the Member States on the basis of these plans and the Member States follow this up by applying to the Commission for funding.

The relevant authorities within each Member State, usually the Department of Employment or its equivalent, select which projects are most appropriate. The ESF provides up to 75% of the total costs in areas that need the most assistance, in others the Community funds up to 50% of the total.



# Why is the Community active in workers' health and safety in the workplace?

Nearly 10 million people are affected by occupational accidents and illnesses every year in the Community; of these 8 000 die from injuries received at work. The economic costs are also huge — in 1991 ECU 26 billion was paid out across Europe in compensation and medical costs, not counting the indirect costs to industry. Moreover, studies show that in many instances accidents and occupational diseases are associated with poor management practices.

Health and safety have been on the Community's agenda since it was first founded, but it was not until the 1970s that the seriousness of the these risks first became apparent. Early legislation sought to protect workers from all dangerous physical, chemical and biological agents, set limits on concentrations of asbestos in the workplace, required the use of safety signs and reduced exposure to metallic lead and its compounds.

The 1986 Single European Act accelerated the pace of Community health and safety legislation, principally by requiring that goods moving freely across the single market had to comply with common health and safety standards, and that Member States ought to try to agree on minimum conditions throughout the Community.

Since then a series of EU directives have been agreed covering workers in both the public and private sectors, increasing employers' responsibilities in evaluating and monitoring risks, and informing and training workers. Hence the laws concerning the use of personal protective equipment, expos-



Women make up more than half of the population and tend to live longer, yet they account for over half of the registered unemployed in the Community and often have lower-paid jobs. Less women are actively engaged in employment in Europe (66%) than in the USA or Japan (72%).

ure to carcinogens, the protection of pregnant women and recent mothers at work, work with display screen equipment and conditions in mines, quarries and onboard fishing vessels.



Equal treatment of women and men has already been demanded in the 1957 Treaty of Rome. At that time many countries did not yet have legislation on equal opportunities and for many women the Treaty of Rome brought substantial improvements. The EU is committed to ensuring equal opportunities.

# How has the Community improved equal opportunities for women and men?

The Community has had a long standing commitment to equal opportunities and it is widely recognized that this has been a catalyst for major change in the Member States. However, this change has been uneven, resulting in a large number of cases being brought by individuals before the European Court of Justice, which has played a major part in forcing countries to take the issue more seriously and combat sexual discrimination.

Community directives exist on equal pay, pushing the principle of 'equal pay for work of equal value'; equal treatment in access to employment; training, promotion and working conditions and equal treatment in social security and for the self-employed. Recent legislation guarantees ade-

quate health and safety at work for pregnant women, prohibits dismissal on the grounds of maternity and gives a minimum 14 week period of maternity leave. It also specifies that pregnant women should not be exposed to certain dangerous substances.

At the same time it is increasingly clear that many men feel they want to contribute more to family life, and the issue of parental leave for both sexes is now being considered. A proposal for a directive has been put forward offering any worker with a child under the age of two the opportunity to take a minimum of three months as parental leave. Men also feel that retiring

five years later than women is discriminatory and affects their pension rights unfairly. Partially as a result of an ECJ ruling on this issue Member States are now equalizing the pensionable age.

Community programmes funding vocational training projects for women also exist; these are funded under the European Social Fund.

## What is the Community doing for the disabled?

Approximately one in ten Community citizens suffers from some serious disability, either psychological, physical or mental. With this in mind the Community has sought to ensure that disabled people are able to become fully integrated members of their communities.

In order to achieve this goal the Community's Helios II programme, which forms the centrepiece of its efforts in this field, is currently focusing on the functional rehabilitation of the disabled, educational integration, vocational training and rehabilitation, economic and social integration and independent living.

It also funds special projects, such as the provision of practical computerized information to disabled people, keeping them up to date with the latest technological advances in terms of teaching aids, means of communication, adaptations to the home and the workplace or for improving mobility. Helios encourages the disabled to take full part in other Commmunity training, technology, youth and educational schemes such as Erasmus and Lingua under the Socrates programme. It is also aimed at encouraging increased exchanges of information between national governments, non-governmental organizations and disabled people's representatives so that successful and innovatory practices can be shared.

Other Community programmes assist the disabled in other ways. Horizon looks to integrate the disabled into the labour market; TIDE aims to maximize the opportunities available to disabled and elderly people by the development of new technologies, with Community contributions meeting up to 50% of the total costs for eligible R&D projects.

### 2 European Union regional policy

### Why have a European regional policy?

Levels of economic development, living standards and unemployment vary enormously across the European Community. For instance, in 1991 the average GDP per head in the 10 least prosperous regions was over four times less than that of the 10 most prosperous areas, and unemployment seven times greater.

As regions can differ so much, even within a single country, it is recognized that there is little realistic chance of closing the kinds of gaps described above in the short term.

However, the scale of some of the problems, combined with the interdependence of many regional and Member States' economies, and the fact that many Member States are cutting back on their own regional support, has made it clear that only the Community can play a truly effective role in evening up these imbalances.

The need to reduce regional disparities has been brought into even sharper focus with the introduction of the single market. In a world which incroses increasing constraints through the need for competitiveness, if is unlikely that free trade and market forces will ensure



## The European Investment Bank and regional development

Strengthening economic and social cohesion by fostering investment in regions lagging behind in their development or facing conversion problems is also a constant priority of the European Investment Bank. Some two thirds of its financing is in regions eligible for the Structural Funds and the Cohesion Fund. Between 1991 and 1995 EIB loans totalling up to ECU 57 billion went to productive investment benefiting the less-favoured regions and aimed at closing the gap in living standards, creating efficient communications and power transmission infrastructure networks, promoting new economic activity — and thereby employment — protecting the environment and helping outlying regions to overcome their geographical handicaps. The Bank closely cooperates with the European Commission to dovetail its lending with the European Union's grant aid. In 1995, up to 40% of EIB financing went to projects also attracting EU grants.

In all 90% of all Community regional funding is used to support national measures undertaken by Member States and complements the Member States' efforts, rather than reducing them. Finance from the Structural Funds is not usually used for individual projects proposed or selected by the European Commission, rather funds are allocated to programmes proposed by the Member States themselves, in conjunction with their own regional authorities. Once these have been adopted by the Commission, they are then implemented by the appropriate national or regional authorities.

balanced development, resulting in the position of poorer regions getting comparatively worse. With governments now tightening their budgets to keep in line with the convergence criteria needed for economic and monetary union outlined in the Maastricht Treaty, the need to reduce regional disparities has become all the more acute.

# Why does the Community's regional policy now account for more than a third of its budget?

The amount of money that Member States have agreed to allocate to reduce Europe's regional imbalances has increased steadily, so that currently about half of the population of the Community is covered by the Community's Structural Funds — its regional policy funding tools.

In 1988, 17.5% of the Community budget was spent on regional initiatives; they now account for over one third. Between 1958 and 1988 ECU 58 billion was spent on the Structural Funds; from 1989-93 ECU 64 billion was spent in this way. For 1994-99 ECU 141.5 billion has been set aside. This dramatic rise in regional funding is accounted for by ever increasing regional disparities. However there is some evidence that the weakest areas are now catching up with the rest.

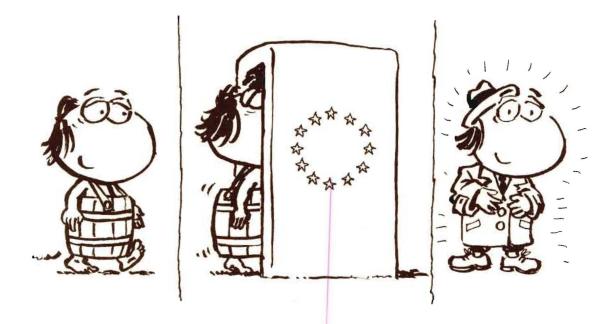
The current allocation excludes the grants available under the new Cohesion Fund for Member States whose GNP is under 90% of the Community total (Ireland, Greece, Portugal and Spain). The Fund, which was created

under the Maastricht Treaty, is intended to make it easier for these countries to take part in EMU. It supports environmental and trans-European transport networks in these countries, with ECU 15.5 billion until 1999.

## How are the funds for the Community's regional policy allocated?

The Community uses four main Structural Funds to reduce regional imbalances. The European Social Fund (ESF) concentrates on vocational training and employment aids, and is dealt with under the section on social policy in this booklet.

In order that the Structural Funds are successfully targeted, a number of Objectives or funding criteria have been established. Objective 1 assists those regions whose GDP is normally 75% or less than the Community average. Objective 2 is geared towards the economic conversion of areas seriously affected by industrial decline. Objective 3 is designed to combat long-term unemployment and improve employment opportunities for young people. Objective 4 is geared towards adapting workforces to industrial change. Objective 5a helps agricultural and fishing industries in need of modernization. Objective 5b focuses on developing and diversifying the economies of vulnerable rural areas. Objective 6 was recently created for Arctic areas in Finland and Sweden which have comparatively few people living in them, but which suffer from permanent climatic disadvantages.



The other major sources of finance are the European Regional Development Fund (ERDF), which aims to assist particularly poor regions by focusing mainly on encouraging investment, infrastructure and small businesses and the European Agricultural Guidance and Guarantee Fund (EAGGF), which provides financing for farmers and areas adapting to new forms of agriculture or developing new forms of industry. There is also the Financial Instrument for Fisheries Guidance (FIFG), which helps coastal towns affected by the decline of the fishing industry.

# What is the Committee of the Regions? Does it have any real influence?

The Community's regional measures are increasingly taking on a political dimension in addition to their economic aspect. The newly-established Committee of the Regions recognizes this dynamic. The Committee consists of 222 representatives of regional and local authorities, mostly directly elected. Consultation of the Committee is mandatory for five Community policies: education, culture, public health, the trans-European networks and regional policy. It can also issue opinions on other policies of its own accord, and lets the European Commission and Council of the European Union know its position when they are preparing Community decisions.

## Is the Community's regional policy succeeding in its aims?

To date there has been a gradual narrowing of regional disparities, but this has been more notable between Member States rather than between regions. Spain, Portugal and Ireland are making notable progress. Spain has developed unevenly, while the Greek economy had, until recently, been falling further behind.

In terms of regions, there is evidence that those with Objective 1 status, which now account for 70% of the total Community regional funding, have been growing faster than the Community as a whole. Much of the funding is spent chiefly on basic infrastructure, although there are also many indirect benefits, such as the transfer of technological know-how as inward investment is stimulated.

The fact that Community funding is additional to national measures, and plays a dynamic role in cross-border cooperation and the exchange of experience, whether in terms of regional

development or aid to the less favoured groups in society, also means that local groups and authorities can play a greater role on a European scale, or even abroad.

#### Is Community regional policy simply a one-way transfer of funds from rich countries to poor regions elsewhere?

No, it is much more than this. For one, the more advanced regions also benefit from the contribution which they make through the Structural Funds to those which are less advantaged, chiefly in payment for the equipment and knowhow they provide. It is considered that over 40% of structural assistance provided to Ireland, Portugal and Greece flows back to other Member States. The Structural Funds will take up some 7 to 12% of total investment in the cohesion

This sewage plant in Alcanena, Portugal, which cleans up chromium-polluted

waters and recycles the chromium was cofinanced by the EU's

Envireg programme.



countries between 1994 and 1999. Thus Community funding will act as encouragement to others thinking of investing — many will be businesses from other Member States.

Secondly, taken as a whole, structural measures of this kind will eventually stimulate growth throughout the Community, and not just in the cohesion countries in which it is forecast that GNP will be around 2 to 3% above the level it would have been without the intervention of the Funds.

Thirdly, and perhaps most significantly, the Structural Funds are a vital element in the Community's goal of fighting unemployment, and at least a million jobs will have been created or safeguarded by their effect. The Structural Funds are there to promote and cement a greater sense of economic and social cohesion across the whole Community.

## What is the future for Europe's regional funds?

Although the current programming period is due to run until 1999, the Community is constantly reviewing its regional policies, trying to get the best out of them, ensuring that growth in underdeveloped regions is reflected in job creation and sustained progress towards economic convergence across Europe. For this to happen it is generally accepted, however, that in the longer term the Community will have to focus on those regions most in need, and that unemployment, environmental protection and the need for competitiveness ought to be its overriding priorities.

**Some programmes** are initiated at Community level. These special 'Community initiatives' are drawn up on the basis of guidelines set out by the European Commission and account for the remaining 10% of the regional budget.

The Interreg programme assists border regions which experience particularly difficult economic conditions. Some are close to the economic centres of the Community and have much to gain from the completion of the single market, others on the peripheries have difficulties in penetrating even their own national markets.

Other Community initiatives include the Leader programme to promote local development in rural areas; Pesca to assist in the restructuring of the fisheries sector; and Retex, Rechar and Konver to help areas affected by the decline in the textile, coal-mining and defence industries respectively.

Any future review of the Community's regional policy must also bear in mind the prospect of impending enlargement to the East, for the Structural Funds will have to be extended in some shape or form to the potential applicants, perhaps on a transitional basis. This may result in further revision of the way the Structural Funds are used, and has budgetary implications for the Community as a whole.

#### **European Commission**

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#### COMMISSION REPRESENTATIONS

Office in Ireland
Representation in England

18 Dawson Street, Dublin 2 — Tel. (1) 662 51 13

Jean Monnet House, 8 Storey's Gate, London SWIP 3AT — Tel. (171) 973 1992

Representation in Wales4 Cathedral Road, Cardiff CF1 9SG — Tel. (222) 37 16 31Representation in Scotland9 Alva Street, Edinburgh EH2 4PH — Tel. (31) 225 20 58RepresentationWindsor House, 9/15 Bedford Street, Belfast BT2 7EG — in Northern IrelandInformation Services2100 M Street, NW, Suite 707, Washington DC 20037 —

in the USA Tel. (202) 862 95 00

305 East 47th Street, 3 Dag Hammarskjöld Plaza, New York, NY 10017 — Tel. (212) 371 38 04

Commission representations and offices also exist in the other countries of the European Union and in other parts of the world.



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