

The European Social Fund

A WEAPON IN THE SERVICE OF EMPLOYMENT



European File

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In 1986, nearly 2.5 million Europeans – approximately 85% of them young people under 25 years – benefited from the European Social Fund (ESF).¹ In the same year, the Community's financial commitments for this purpose exceeded 2 500 million ECU² and accounted for some 7% of the total European budget. Assistance from the ESF supports a wide range of vocational training and employment promotion activities. These activities, developed throughout the Community by both public and private initiatives, take many varied forms.

- Some of the activities are on a very large scale because they are operated at national level. For example in the United Kingdom, since 1983, several hundred thousand young people under the age of 18 have passed through the 'Youth training scheme' at the end of their compulsory schooling. This programme provides vocational training and first work experience and receives large support from the ESF. In France, tens of thousands of young people have benefited from 'Employment/training contracts' which enable them, with the Fund's assistance, to work in a business while continuing their training. In Ireland, significant support from the Fund, particularly to the 'Industrial training authority' has helped to set up extensive youth training programmes.

- There are also a large number of very specific activities in favour of small projects of an innovatory nature. Among the hundreds of dossiers approved by the Fund in 1985 or 1986:
 - In Greece, support for the establishment of four tourist-guide training centres enables a hundred people to follow theoretical courses and to undertake training periods at archeological and tourist sites.
 - In the region of Umbria, in Italy, 14 young unemployed people who created their own business termed 'Progetto Archimede' receive ESF aid for training in the management of a small- or medium-sized enterprise.
 - Young people in the most deprived areas of Spain benefit, with the help of the Fund, from vocational training courses in varied fields: informatics and electronics, metal construction, metallurgy and quality control, agri-food-stuffs industries, etc.
 - In the French overseas department of Martinique, ESF assistance enables women to go into printing, wood-working and arts and crafts.
 - In Belgium, some 30 persons of immigrant origin receive ESF support for training to enable them to help their own community as regards vocational guidance and labour market integration.

¹ This file replaces our No 2/84.

² 1 ECU (European currency unit) = about £ 0.71, Ir£ 0.77 or US\$ 1.01 (at exchange rates current on 6 November 1986).

Why a European Social Fund?

Why should such social aid be allotted at Community level? In fact, the ESF is as old as the Community itself because its establishment was clearly decided on by the signatories to the Treaty of Rome in 1957.¹ The basic task assigned to the Fund was 'to increase the opportunities of employment for workers in the common market and to contribute thereby to raising the standard of living'.

- Throughout its existence of about 30 years, the Fund has been, in the social area, an essential complement to the restructuring and modernization of the European economy brought about by the setting up of the common market and the different Community policies that accompany it. The development of the European Community has enlarged markets and also competition between enterprises; it has thus provided them with new development opportunities while obliging them to open up to technological progress and innovation. Such a development is the *sine qua non* of maintaining the Community's international competitiveness and preserving its overall level of employment and prosperity. However, in the short-term, it entails problems of reconversion, readaptation and resettlement of the work force and it affects employment in a certain number of sectors. The ESF is there so that the member countries can try jointly to overcome the temporary difficulties raised by facing together the challenges presented by the modernization of the European economy.
- Moreover, by thus combining their efforts, Member States give concrete form to one of the great founding principles of the Community: this Community can only achieve its full meaning if the internal inequalities which exist between countries, regions, economic sectors and categories of workers are gradually reduced. The ESF is one of the most important expressions of this European solidarity.

For 10 years, the operation of the Social Fund has been taking place in a radically changed context. As a dramatic consequence of the economic crisis which affected Europe and the world economy, unemployment in the Community of Twelve rose staggeringly: the number of registered unemployed has increased more than sixfold since 1970 to surpass in 1985-86 the record level of 16 million people, approximately 12% of the working population. A particularly painful and worrying phenomenon is that those most affected are young people under 25 years, who represent more than a third of the registered unemployed. A critical increase in long-term unemployment is also evident.

Throughout Europe, action against unemployment has thus become a priority. Charged by the European treaties to improve its citizens' living and working conditions, the Community has made the battle against unemployment a central concern. To this end, the role of the Social Fund has been considerably strengthened.

¹ At the same time, the European Coal and Steel Community finances, in the framework of the Treaty of Paris (1951), major social aid for these two specific sectors.

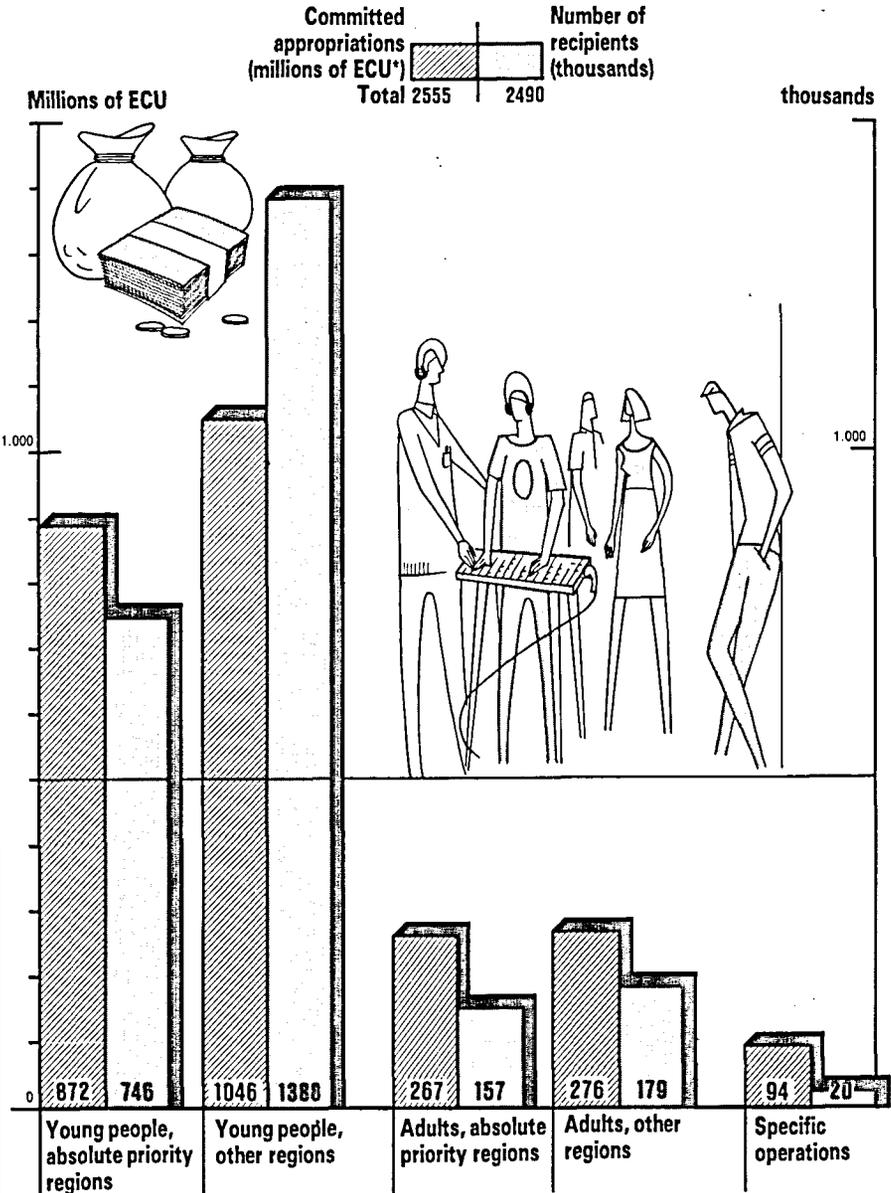
- Firstly, as regards its finances: in 10 years, committed expenditure has been increased fivefold, rising from less than 500 million ECU in 1976 to 1 000 million ECU in 1980, 1 500 million in 1982 and 2 100 million in 1985. The new increase provided for in 1986 – when commitments exceeded 2 500 million ECU – only covers the extension of ESF activity to the two new Community Member States, Spain accounts for 356 million ECU and Portugal for 224 million ECU. None the less, if it is placed in the context of the very serious budgetary constraints which the Community has found itself facing for several years, this growth in ESF resources over 10 years shows the importance attached to employment in Community policy.
- Then in terms of policy: on 17 October 1983, the Community's Council of Ministers instigated an in-depth revision of the rules which govern the activities and the operation of the Fund. The aim: to make the Fund more efficient in dealing with the most acute employment problems and render it a true weapon against unemployment.

Priority tasks and other aims of the Social Fund

In redefining ESF tasks, the Council of Ministers of the Community outlined two major priority axes, which may coincide:

- In the first place, young people. They are the very future of Europe but the recession has made them one of the most vulnerable categories on the labour market. Henceforth, young people are to be the number one target of the ESF which is to devote 75% of its resources to the training or employment of the under-25s. In 1986, about 1 900 million ECU was committed for this purpose, to benefit especially young people who have inadequate training or are already affected by long-term unemployment. The Fund is thereby helping to fulfil an undertaking made by Community Ministers: to ensure by 1988 at the latest, new training opportunities for all young people who desire them and in particular for those with reduced employment possibilities due to the lack or inadequacy of their education or vocational training.
- In the second place, the Community's most disadvantaged regions. The Council of Ministers and the European Commission have decided on a geographic concentration of the Fund's activities in order both to demonstrate European solidarity with its less prosperous areas and to avoid the ineffective dispersal of the Fund's effects. Seven zones have been designated 'absolute priority'. Together they represent nearly one-sixth of the Community's working population, approximately 23 million people. They are: the whole of the Community's three least well-off countries (Greece, Ireland and Portugal); the Italian Mezzogiorno; the Spanish regions of Castile-Leon, Castile-La Mancha, Extremadura, Andalusia, Murcia, the Canaries, Galicia, and the towns of Ceuta and Melilla; Northern Ireland; the French overseas departments. The priority thus granted has two forms:

European Social Fund expenditure in 1986



* Rate of March 1986. Source: European Social Fund.

- On the one hand, since 1982, the regions of absolute priority have been guaranteed 40% of the total resources of the Fund. This ceiling has just been raised to 44.5% to take account of the size of the working population of the new areas in which the Fund can operate as a result of Spanish and Portuguese accession. In 1986, more than 1 100 million ECU in grants were committed by the ESF to the Community's most disadvantaged regions, distributed roughly as follows: Ireland, Italy and Portugal each received nearly 20% of the total, Spain 16%, Greece 12%, Northern Ireland and the French overseas departments nearly 5% each.
- On the other hand, as a general rule, aid from the Fund covers a maximum of 50% of 'eligible' costs and does not exceed the total financial contribution made by the public authorities in the Member State concerned. However, in the case of regions of absolute priority, ESF aid can be increased by 10%, to 55% of eligible expenditure.

The objectives of the ESF go much further than these two great priority tasks:

- In 1986, in parallel with its large-scale efforts on behalf of young people, the Fund committed about 542 million ECU in support of adults. The strategic options determined for the Fund in this area by the Council's 1983 decision give priority to:
 - Unemployed or under-employed workers, and especially the long-term unemployed;
 - Women who wish to resume work;
 - Handicapped people capable of joining the labour market;
 - Migrant workers from within the Community and immigrants who have settled there in order to work, together with their families;
 - Workers, particularly in small- and medium-sized firms, faced with the problem of retraining due to the introduction of new technologies or the improvement of management techniques;
 - Persons working in the field of employment promotion: experts in vocational training or recruitment, development agents.
- Apart from the regions of absolute priority, the other Community regions are not forgotten since they receive more than 55% of the remaining appropriations. But here also, taking account of the very numerous needs and applications notified to the Fund, the Council of Ministers has decided to concentrate assistance. With the exception of Greece, Ireland and Portugal, a 'simple priority' is assigned to many regions in the other nine Community countries which are characterized both by a significant level of long-term unemployment

and a gross domestic product per head of population lower than the Community average. Areas most affected by industrial and sectorial restructuring are also included in this category. In 1986, funds committed to these other regions totalled around 1 300 million ECU. The United Kingdom, France and Italy, where unemployment seriously affects heavily populated areas, were allocated 24%, 21% and 21% respectively of this total while the six other member countries shared the remaining one-third.

□ Lastly, an area of activity should be mentioned whose relatively modest share of the finances has none the less increased since 1983 and which plays an important role in the ESF: 5% of its aid must now be reserved for specific operations. By this is meant:

- Projects of a definite innovatory nature related to an area covered by one or other of the Council-approved action programmes for employment promotion and vocational training. For example, activities which give special preference to employment in small- and medium-sized businesses and which favour access to new technologies or trades or offer new business services, etc. Included also may be original projects which help categories particularly affected by unemployment – women, immigrants, the handicapped, young delinquents, etc. – to integrate themselves into the labour market.
- Operations or studies intended to assess the efficiency of certain Fund operations with regard to their aims and to encourage exchanges of experience.

Selection criteria applied by the Commission

Throughout the Community, interest in ESF assistance continues to grow: in 1986 alone, 6 449 applications for approval, representing 7 806 actual projects, were made. Together, they equal a call for financing of the order of 5 200 million ECU, an increase of more than one-third in relation to the overall volume of applications from the previous year . . . Because of the Community's budgetary constraints, which restrict the growth of Fund resources, only 49% of these applications could be satisfied.

The job of selecting projects is thus far from easy. To facilitate it and to make it more transparent to those who promote activities which could benefit from Community assistance, the Council of Ministers instructed the European Commission to prepare guidelines for the management of the ESF. These specify the types of priority operations as well as the different selection procedures, especially at regional level. Each time that the available appropriations are not sufficient to finance fully the eligible applications, which are more and more numerous, a reduction is made, within the framework of the guidelines, calculated in a linear manner according to the financial volume of remaining applications by each Member State.

These guidelines remain valid for three years, but they may be adjusted annually. Thus from 1987, changes to the selection rules will enable the regional concentration of the Fund to be strengthened even further. Six major types of operations are to have priority:

- Community-type operations. This refers particularly to measures which are part of integrated programmes involving assistance from other Community financial instruments: the Regional Fund (ERDF), the Agricultural Guidance Fund (EAGGF), the European Investment Bank (EIB). This type of general operation enables Community assistance to be used efficiently in support of regional development. Its importance is intended to grow in view especially of the launch of the integrated Mediterranean programmes.¹ On the other hand, joint projects between two or more Member States are equally favoured for Fund assistance.
- Operations to help vocational training and youth employment. This is one of the Fund's principal aims and gives preference to two major types of assistance:
 - Operations for young people under 18 years at the end of their compulsory schooling. In addition to work experience of at least 200 hours, they include full-time training of at least six months with substantial prospects for stable employment. These operations, which are often the subject of large-scale programmes within the framework of Member States' employment policies, largely take the lead for Fund assistance (560 million ECU in 1985, more than a quarter of appropriations).
 - Operations for young people between 18 to 25 years with inadequate or inappropriate experience. These operations must now include training offering substantial prospects of employment or preparation for skilled employment requiring the application of new technology. 366 million ECU were devoted to these projects in 1985.
- Operations linked to industrial and sectorial restructuring and the introduction of new technologies. The ESF can facilitate on a social level the restructuring measures taken by industrial undertakings where 15 to 25% of jobs are affected by technological modernization or fundamental changes in demand in their sector. The Fund also finances vocational training activities for adult workers in small- and medium-sized businesses employing less than 500 persons, whose retraining has been made necessary by the introduction of new technology. A particular priority is the subject of Community research and development programmes.
- Operations particularly linked to the development of the labour market. Among the different priorities included here, those concerning the long-term unemployed should first be mentioned: vocational training activities specially adapted and offering substantial employment prospects; support for recruitment to

¹ See *European File*, No 1/86, 'The integrated Mediterranean programmes'.

additional jobs or for setting up as an independent; employment in projects which fulfil a public need and create additional jobs for at least six months. The Fund can also assist training, recruitment or establishment as an independent within the framework of job creation initiatives taken by local groups supported by regional or local authorities. Support can also be given for recruitment to new jobs, even part-time ones, created as part of measures negotiated between the social partners for the reorganization or redistribution of working time.

- Operations to help the socio-vocational integration of certain categories:
 - The Fund can support special projects to encourage the employment of women in jobs where they are under-represented. Overall ESF activities to help women greatly surpass this one particular type because all other Fund assistance is directed as much at women as at men: in 1985, a global breakdown shows that more than one million women (90% of them under the age of 25) benefited, in one category or another, from Fund assistance for a total of nearly 800 million ECU.
 - The ESF can equally support operations to help the handicapped and migrant workers (notably as regards language training).
 - Finally, the ESF can assist the training of instructors, vocational guidance or placement advisors and development agents.
- Specific innovatory operations. This concerns small pilot projects (not more than 100 people) which help to outline new types of Fund assistance.

Eligible expenditure

Aid granted by the Social Fund cannot exceed the total aid provided by the national public authorities nor cover more than 50% of eligible expenditure (55% in the regions of absolute priority). Such expenditure must come within one of the four following categories:

- Vocational training and guidance: the ESF can help to maintain the income of persons benefiting from training operations and finance the costs of preparation, operation (accommodation, travel) and administration of these activities (including vocational guidance of the recipients, teacher training and equipment depreciation).
- Recruitment and salary support: the ESF can grant subsidies for a maximum of one year for job creation for the young or long-term unemployed in industry or public works. These jobs should offer stable prospects. The Fund's contribution covers 15% of the average gross salary of a worker in the member country concerned. The costs of adapting workplaces for the handicapped can also be defrayed.

- Resettlement and socio-vocational integration associated with geographic mobility: the Fund can defray benefits which facilitate the transfer and integration of migrant workers and their families.
- Provision of services and technical advice aimed at job creation: included in this category are costs for the carrying-out of preparatory or evaluation operations or studies.

Applications for assistance may be made by private bodies (businesses, associations) as well as by public authorities. However, it is the responsibility of the Member States to forward the applications to the European Commission, which administers the Fund with the help of a tripartite consultative committee drawn from member governments, trade unions and employers. Potential recipients should therefore make their grant applications to their national authorities.¹

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The European Social Fund makes an essential Community contribution to one of the most serious challenges facing Europe, that of employment. It is to be hoped that a solution to the Community's financial problems will provide the Fund with sufficient financial means during the coming years ■

¹ For the United Kingdom, contact the Department of Employment, Caxton House, Tothill Street, London SW1H 9NF. For Ireland, the Department of Labour, Davitt House, Mespil Road, Dublin 4.

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