European Communities
Commission
Background Report

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A STREAMLINED EEC SOCIAL FUND - NOW IN OPERATION

As from January 1 this year the European Social Fund will operate under new regulations revised as a result of changes agreed last year by the Council of Ministers. The revised Fund will increase aid in the hardest-hit regions of the Community such as Northern Ireland, Southern Italy, and Greenland as well as helping those groups of people who are suffering most from unemployment, e.g. the young, women over 25, textile and clothing workers, migrant workers, etc.

The procedures of the Fund have also been simplified which will make the cash easier to obtain and speed up still further the processing of applications. In addition, the Commission is seeking to implement a Council of Ministers agreement by using the Social Fund to support schemes for providing jobs for young people. These may include sharing the costs of employment premia schemes and the creation of new jobs for young people in the public sector (in particular in the personal social services sector).

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Size and Nature of the Fund

Last year the Fund budget was £257 million of which the UK received £ 87.5m, making a grand total since the UK entered the Community in 1973 of some £236.5m of support for vocational training schemes in the UK. Principally, these have been for central government training schemes, e.g. the Training Opportunities Scheme, Community Industry, etc. However, local authorties and other "public" bodies, i.e. Industrial Training Boards and nationalised industries may also benefit. Private industry, providing there is public money involved in the project, is eligible for aid for the Fund which will be in the form of matching the public authority support. A breakdown of the Fund's activities in the nine member states and a report on the operation of the Fund for the previous year is published around July of each year.

Aid from the Fund is intended to support either innovatory training schemes or schemes which, but for the Fund, would not have come into existence. In principle, the EEC Social Fund does not re-imburse national governments for money they would have spent in any case. On the contrary, the Fund tries to encourage governments to spend more than they would otherwise do on trying to place workers in the right jobs. Neither does the EEC allocate Social Fund aid to member states in proportion to the money contributed to the Community budget or in accordance with pre-arranged national quotas, as in the case of the EEC Regional Development Fund. In fact, the cash is allocated to those regions or groups of workers in the Community who need it most.

The Changes in More Detail

From January 1, not less than 50 per cent of the total budget of the Fund will be allocated under Article 5 to deprived regions in each member state; in the UK this will mean the 'assisted areas'. Furthermore, some 60 per cent of this cash, at least, will have to be spent on schemes specifically aimed at eliminating structural unemployment or under-employment in these regions.

The following areas within the above general category are agreed to be very impoverished regions: Northern Ireland, Iceland, Southern Italy, Greenland, and the French Overseas Department of Guyana, Martinique, and Réunion. In these areas a special intervention rate will apply. Instead of the exact matching of the public authority funds in a project which applies elsewhere an extra 10 per cent of the cost of vocational training schemes will be met from the Fund. In other words, in a public authority scheme 55 per cent of the costs would be paid as opposed to 50 per cent elsewhere. In a private project where a particular scheme is to be financed 30 per cent by the public authority, then the Fund would contribute not 30 per cent as elsewhere, but 33 per cent of the cost.

Under Article 4 of the Fund, certain groups of people are declared, by Council of Ministers decision, to be priority categories. Prior to January 1, these included young people under 25 seeking their first jobs; immigrant workers, workers leaving agriculture, workers leaving or working within textiles and subject to technological change, and handicapped people (demonstration projects only). The revised Fund drops the Article 4 handicapped projects, as a priority category, principally because the criteria were so tight that very little aid was distributed under this heading. In any case, the handicapped are still covered by the Fund operation under Article 5. (N.B.: these schemes are not restricted to the assisted areas.)

Added to the list of priority groups of people, under Article 4, from January 1 are women over the age of 25. The women involved will typically be unskilled or semi-skilled women who have either lost their jobs, are seeking work for the first time, or who are coming back to seek a job after a long period of domestic responsiblities. Unemployment is particularly high at the present time among women and they in any case have long been subject to particular structural difficulties, e.g. unbalanced educational opportunities, lack of vocational training provision, inadequate vocational preparation. Eligible schemes will have to be designed with these points in mind.

Payments from the Fund are to be made more speedily from now on. Originally, cash from the Fund was paid out only as a refund of money already spent, and only then if the workers concerned stayed in their new jobs for six months. Changes have gradually been made and, as from January 1, 30 per cent of the agreed aid, on the basis of unit costs, is paid as an advance; a further 30 per cent is paid at the half way stage, and the remainder on completion of the project, based on proven expenditure.

Other procedural changes should simplify the operation of the Fund. From 1978 'guidelines' will be drawn up which will be valid for three years, though capable of amendment, rather than one year as previously. The guidelines will be published in the Official Journal. This will mean that member governments and other will have a clear view as to the kinds of scheme which are likely to receive the highest priority. Furthermore, from 1980 onwards the member governments will have to submit by October 21 each year a forward "profile" of the envisaged claims on the Fund during the following year so that there can be a clearer assessment of demands on the Fund as between the various categories of eligible schemes. However, the intention is not to enable member governments to gain too great a control over applications to the Fund. The procedure for submitting applications will remain the same,i.e. via the Department of Employment (or equivalent) in the member states, but giving the Department no right to block an application unless it has reason to doubt the bona fides of the organisation and hence cannot guarantee completion of the project.

Development of the Fund

The latest modifications to the Social Fund are in line with the way in which the Fund has developed since it was first set up in 1960. Then it was a relatively unsophisticated affair with limited powers, eventually re-imbursing member governments for some of their training schemes. However, as trade barriers were dismantled and technological change speeded up it was realised that workers displaced from companies and industries adversely affected by competition or change needed re-training for new jobs and given money to live on during the training period. Up to the present time well over 2,000,000 workers have been retrained with the help of the Social Fund.

Despite the good intentions, in 1972 it was realised that the Fund was neither interventionist enough, nor large enough to cope with the tasks it had set itself. From 1972/73 - covering the time of entry of the UK, Ireland and Denmark - the rules of the Fund were changed and the so-called 'New' Social Fund came into existence. The budget doubled between 1973 and 1976 and in 1977 amounted to £ 257m. The Fund was allowed to support training schemes rather than re-imbursing member state schemes and, furthermore, as well as the unemployed it was permitted to help when employment was threatened.

The 'new' Fund worked well, but in 1978 the aftermath of the oil crisis faced the EEC with new and severe problems. In the middle of 1977 there were nearly 6 million unemployed in the Community. Originally, the Fund had been created to improve the mobility of workers against a backgroung of relatively full employment. Now there was severe and, in the short-term, irremoveable unemployment across the board. Once more the Fund was modified in an attempt to cope with the new, more generalised, structural problems. Young people under 25 were made a priority category in June 1975 and the recent revision should enable the Fund to cope even better with training and employment needs within the Community.

What Kinds of Schemes Are Helped ?

As a result of an initiative taken by the Chamber of Commerce (1) in Reggio Emilia in Italy, 225 unemployed young people are currently training as managers of supermarkets, shopping centres and tourist agencies. The students are aged between 18 and 25 and although they have school certificates, are lacking in any other qualification to equip them for a job.

The distribution sector in Italy seriously lacks qualified staff, which is why the Reggio Chamber of Commerce has set up a special centre to teach the trainees general economics, statistics, marketing and publicity. They will also spend 2 months of their 11-month course gaining practical experience by working in a local business. At the end of it all, the course organisers undertake to find the trainees their first jobs in the distribution sector.

Recently a British firm in Northern Ireland, which manufactured knitwear and hosiery, has embarked on a scheme to train 335 unemployed people in Londonderry to work as cutters, stitchers, pressers and inspectors.

The company has been established in Northern Ireland for nearly thirty years, and now plans to open a new factory right in the heart of Ulster's most troubled area. The factory will be manned largely by former members of Londonderry's unemployed. They will be trained for the job over a three-year period with financial help from the European Social Fund.

The Future

The recent revision of the Social Fund should mean that the principle financial instrument of the Commission's employment policy is now more adapted than ever to the changed demands placed on it by the existence of persistent and severe structural unemployment. Clearly the demands on the Fund will far exceed its capacity to meet them, but the Fund's ability to concentrate resources where they are most needed, and can be used most effectively should have been improved. Furthermore, a better co-ordinated use of the Social Fund together with other financial instruments, in particular the Regional Development Fund, ECSC Funds, and European Investment Bank finance should amplify the effectiveness of the relatively modest resources of the Fund.

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Note : The Department of Employment publishes its own detailed booklet, "The European Social Fund - A Guide to Possible Applicants". Copies of the booklet and advice on application can be readily obtained from Mrs Margaret Ellison, Social Fund Division, Department of Employment, 32 St James Square, London SW1. Contact with the Department may save potential applicants wasting valuable effort in formulating claims and is strongly advised.

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(1) Chambers of Commerce in Italy and in France are statutory bodies, unlike their counterparts in the UK.