

SUPPLEMENT
TO
BULLETIN No. 1 - 1968
of the European Communities



Memorandum
to the ECSC
Consultative Committee
on the Community's work
in connection with
readaptation and redevelopment

(Luxembourg, 20 October 1967).

I. DEVELOPMENTS IN COMMUNITY POLICY

1. The Community's primary function, set down in the Treaty as being "to contribute to the expansion of the economy ... in the participating countries," at the same time involves "safeguarding the continuity of employment and avoiding the creation of fundamental and persistent disturbances in the economies of the member States." With both basic industries currently in a state of flux — the one in outright contraction and the other receiving the impact of technological progress and stiff world competition — the Community is having to grapple with the implications for the labour force and for the coal — and steel-producing areas. As members are aware, it has at its disposal for this purpose two means of action, assisting workers individually and promoting the establishment of new economic activities.

2. Until recently recourse was had principally to the former: "readaptation" (tiding workers over between jobs and arranging where necessary for their vocational retraining) was effective and comparatively inexpensive, and so for years appeared to be all that was needed to deal with the employment problems arising out of the structural changes which had overtaken the basic industries following the introduction of the Common Market and, later, the upheaval in their sales outlets.

For the most part, enterprises faced with closure did their utmost to run down their personnel before actually dismissing any, by

- a) discontinuing recruitment;
- b) encouraging voluntary departures;
- c) retiring workers ahead of time;
- d) arranging transfers to other sections or plants;
- e) shortening working hours and introducing idle shifts.

Generally speaking, men who lost their jobs — apart from some special groups such as the elderly and the physically handicapped — found new ones easily enough, either in a different industry or, more commonly, elsewhere in the same one as before: just when some of the less modern collieries were having to cut back or to go out of business, most of the remainder were having desperate difficulty in recruiting the labour, and especially the skilled labour, that they needed. Both the employment exchanges' statistics and ECSC's own information indicate that, aided by readaptation

assistance and by the general economic expansion, the great majority of redundant miners and steelworkers were reabsorbed reasonably quickly and satisfactorily, serious difficulties arising only in a few small producer areas which were geographically remote or practically without any other industrial activity.

3. In the last few years, however, matters have gone otherwise, and Community policy has had to be revised accordingly.

a) As can be seen from Tables I, II and III, personnel cuts have been on a much larger scale: the coal industry's labour force is dwindling rapidly and the steel industry's too is having to be pruned. Consequently, there are more and more men out of a job and fewer and fewer vacancies for them to move into, for with one closure after another the possibilities for transfers and reabsorption within the industry are becoming increasingly limited.

b) At the same time, even where the ending of jobs is not actually resulting in widespread unemployment, it is leading to a loss of momentum in the areas affected which in the long run cannot but seriously interfere with the whole economic and social balance there. As the basic industries still occupy a very large, and in many cases indeed dominant, place in the local economy, their difficulties tend to hit a substantial proportion of the population. From this point of view, the devices just listed — cessation of recruitment, expedited retirements, transfers to other pits and so on — cannot be regarded as really satisfactory: they make for fewer dismissals, but they do not stop the rot, material and psychological, in the area, for since the lack of employment is not genuinely remedied the effect is simply to shoulder off the problem on to the next generation, so that we are faced with such developments as school-leavers and other juveniles being unable to find work.

c) All this has to be viewed in the context of the present economic situation, which is no longer what it was in the fifties and early sixties: the slackening growth rate in several Community countries is resulting in fewer jobs coming into being of their own accord, while with other declining industries also in trouble in the same areas the number of those in search of employment is on the increase. Spreading unemployment, population losses, extensive commuting in the mining and steel-making areas — all bear witness to the worsening situation.

Production and employment trends in the ECSC industries

TABLE I

Coalmining and related industries

Year	Production (^{'000 000} tons)	Personnel employed (year's average, in ^{'000})
1956	254	1 057
1957	248	1 066
1960	240	909
1965	224	712
1966	210	658
1967	97 ¹	580 ¹

NB: See Annex I.
¹ At 30 June.

TABLE II

Iron-ore industry

Year	Production of crude ore (^{'000 000} tons)	Personnel employed (at 31 December, in ^{'000})
1956	81	58
1957	87	59
1961	96	52
1965	78	31
1966	73	27
1967	33 ¹	24 ¹

NB: See Annex I.
¹ At 30 June.

TABLE III

Iron and steel industry

Year	Production ('000 000 ingot tons)	Personnel employed ('000)
1956	57	522 ¹
1964	83	590 ²
1965	86	587 ²
1966	85	565 ²

NB : See Annex I.

¹ At 31 December.

² At 30 September.

Readaptation, which is aimed at enabling workers to seek and take existing jobs, cannot cope with problems such as this. It is having to be supplemented by schemes to create new jobs, so that redevelopment is now accepted as the proper approach not only, as formerly, in small outlying producer areas, but also, and indeed primarily, in the very regions which were for so many years the strongest pillars of the Community countries' economies.

The High Authority saw this coming some time ago, and began as early as 1960 to take appropriate steps; as the years have gone on its activities in this direction have assumed considerable proportions. The main aim at present is to ensure smoother co-ordination between the redevelopment operations needed to work up the scope for re-employment on the spot and the readaptation operations now more necessary than ever to see that the men are properly prepared for their new jobs.

II. READAPTATION

4. In order to carry out its readaptation policy, the High Authority needed first of all a legal instrument on which to base itself.

Up to 1960, all action in this connection had been under Section 23 of the Convention containing the Transitional Provisions, which related to possible employment problems arising out of the introduction of the Common Market for coal and steel. Such action was taken following closures or cutbacks at 63 collieries, 53 iron and steel plants and two iron-ore mines: in all, 43m. dollar units of account were allocated for readaptation assistance to 115 000 workers discharged or transferred, over 80 % of them coalminers.

When it became evident that the Community industries were facing major structural changes, which would necessitate continuing readaptation beyond the end of the transition period, the High Authority promptly pro-

posed to the other Community Institutions that the Treaty be amended accordingly. A second section was thereupon written into Article 56 of the ECSC Treaty (see Annex 1), permitting assistance to be given to workers discharged in consequence of radical changes in the sales position of the coal and steel industries. Since 10 February 1960, when the Transitional Provisions expired, all readaptation assistance has been granted exclusively under Article 56,2.¹

¹ It seems unlikely that the circumstances warranting the implementation of Article 56,1 could ever be shown to obtain, the Community being required to establish that the introduction of a new process has meant or is going to mean an exceptionally big drop in manpower requirements, and so very large-scale dismissals, throughout the industry. This would involve a comprehensive appraisal of the whole situation, whereas the second part of the Article allows consideration of each enterprise's position individually.

5. Tables IV and V contain a recapitulation of the action taken under Article 56,2 from its coming into force down to 30 June 1967.

These figures sharply underscore the scale of the readaptation carried out in the coalmining industry (83.2% of all workers assisted), more especially in Germany and Belgium, but also in the Netherlands, where the first schemes were launched in 1966. Next comes the steel sector with 8.9% of the workers concerned, and last the iron-ore mines with 7.9%; in the former case the countries in which aid was given were, in descending order, Germany, Italy, Belgium and France, and in the latter Germany, France, Italy, Luxembourg and Belgium.

Table V brings out big leap from 1965 onwards, which has been noticeable both in the amounts allocated and expected numbers of recipients and in the geographical extension of the work. This trend is particularly apparent in the coal industry, but it is also significant that the number of possible recipients is already greater in the steel than in the iron-ore sector.

As regards the sums appropriated, the reader is advised not to jump to conclusions on the strength of the figures shown, since the allocations, being based on estimates of the probable cost of future schemes, do not always completely tally with the actual disbursements. Nevertheless, with growing experience, it is being found that the estimates are in fact working out closer and closer to requirements. Further figures as to the movement of actual expenditure on readaptation will be found in Annex II.

6. The procedural details are laid down in conventions between the six Governments and the High Authority, concluded at different dates as the need arose in the respective countries — 1960 in Germany, France and Belgium, 1965 in Italy and 1966 in Luxembourg and the Netherlands.

Although the procedure is not identical in all six, it is everywhere designed

1) to prevent hardship to workers affected by structural reorganization, by ensuring them a continuing income;

2) to promote their reabsorption into production by helping to enable them to take other jobs.

The conventions are at all times open to review, and a number of improvements and additions have been made to the French, Belgian and German systems since their inception.

The arrangements in the six countries are at present as follows.

a) *Assistance to help enable workers to move into jobs less well paid than their previous ones*

Payment over a period of a fixed percentage of the wage earned prior to discharge. As a rule, the period is 12 months in Germany,¹ Belgium,² France³ and Luxembourg, 15 months in Italy and 12-30 months, according to age and seniority, in the Netherlands. The income is generally made up to between 90% and 100% of the former net wage, except in the Netherlands, where it is to 60% of the difference between the old and the new wage. In Germany, France and Luxembourg the reference wage is subject to a ceiling.

b) *Assistance to help enable workers to take employment in another industry*

1) Part-payment of cost of vocational retraining (operating costs of the training centres, payment of part of the wage for the new job during the adjustment period);

2) payment to workers during attendance at vocational-retraining courses of a fixed percentage of the former wage (between 85% and 100%, varying in the different countries;

3) payment of bonuses on successful completion of the course;

4) part-payment of wages and social-security charges in the new job in the case of elderly and physically-handicapped workers (Belgium).

c) *Assistance to help enable workers to take employment in another area*

1) Payment of a lump-sum resettlement allowance and repayment of travel and removal expenses for the worker and his family;

2) repayment, in some cases, of any extra daily travel expenses incurred, and payment of a separation allowance should the worker be unable to obtain accommodation for his family in the new area (Germany, Lorraine, Netherlands).

d) *Assistance to tide workers over between jobs*

1) Payment over a period of a fixed percentage of the wage earned prior to discharge.

¹ 18 months for workers aged 45 and over.

² 18 months for certain categories of elderly or physically-handicapped workers.

³ 24 months for Centre/Midi coalminers.

Readaptation assistance under Article 56

TABLE IV

Position at 30 June 1967, by countries

Country	Year	Number of enterprises concerned			Number of men expected to be concerned			Net amounts committed
		Coal	Steel	Iron ore	Coal	Steel	Iron ore	E.M.A./ units of account
Germany	1960/67	115	14	38	107 976	6 561	8 990	26 266 625.00
Belgium	1960/67	41	6	1	33 319	3 649	37	9 910 000.00
France	1960/67	16	7	38	4 609	3 630	5 506	6 306 120.43
Italy	1960/67	2	15	8	861	4 068	1 201	5 119 311.87
Luxembourg	1960/67	—	—	2	—	—	220	180 000.00
Netherlands	1960/67	7	—	—	20 529	—	—	7 534 806.62
Community	1960/67	181	42	87	167 294	17 908	15 954	55 316 863.92

TABLE V

Position for Community overall, by years

Year	Number of enterprises concerned			Number of men expected to be concerned			Net amounts committed
	Coal	Steel	Iron ore	Coal	Steel	Iron ore	E.M.A./ units of account
1960	3	—	—	2 347	—	—	595 000.00
1961	21	—	2	11 217	—	703	3 139 068.12
1962	25	4	21	18 557	3 881	3 324	7 022 178.04
1963	24	3	21	19 573	928	3 636	4 332 500.77
1964	13	3	8	7 771	1 062	1 355	1 973 604.62
1965	28	11	17	21 582	4 199	3 628	9 314 854.06
1966	37	13	10	51 133	5 398	2 121	16 550 707.30
1967 (at 30 June)	30	8	8	35 114	2 440	1 187	12 568 950.41
Total	181	42	87	167 294	17 908	15 954	55 316 863.92
Grand total	310			201 156			

This is usually about 70-80%; the reference wage is subject to a ceiling, however in all countries except the Netherlands. The period is ordinarily the same as in a) above;

2) payment of a lump sum to certain categories of elderly and/or physically-handicapped workers (Germany) and to workers living in certain areas;

3) payment of wages and related social-security charges where a mine or steel plant stands off its personnel temporarily while undergoing reconversion.

The Community and the Governments thus have quite a range of possible devices to work with, and this flexibility has proved extremely useful. As is shown in Annex II, Section III, needs vary widely from country to country and from area to area, and a particular form of assistance which is unsuitable in one may easily be a real standby in another.

7. As a basis for assessing the results of its readaptation policy, ECSC has in the first place the figures supplied to it by the Governments. In addition, as and when necessary, it sends representatives to discuss matters on the spot with the labour authorities, and occasionally also with the unions and managements. 133 readaptation operations have been covered in this way since the beginning

of 1965. The particulars obtained by direct contact of this kind for the first five years, 1960-65, have been issued as a separate report.¹

Taken overall, readaptation can be said to have made it possible for the ECSC industries to carry through the inescapable reconstruction without its bearing over-hardly on their personnel. Workers were able to face without undue apprehension periods of unemployment or retraining which would earlier have spelt the loss at once of their income, their self-respect and their standing in society. Readaptation assistance has thus performed an important material and psychological function, serving to allay in some measure the labour force's usual alarm with regard to closures, and avert serious jolts to social equilibrium.

In addition, the tide-over and re-employment allowances, by keeping up the purchasing power of the workers and their families, have done much to prevent the decay of the economic fabric in the areas concerned, and so been an indispensable interim device in the passage from closure to redevelopment.

¹ *Mesures de réadaptation appliquées en République fédérale d'Allemagne, en Belgique et en France. Bilan et résultats 1960-1965* (already circulated to the Consultative Committee).

III. REDEVELOPMENT

8. The Community has done its utmost to see that its redevelopment activities are as fully in step as possible both with the course of events in practice and with economic needs.

In such a new field, obviously a good deal of advance spadework was required on the aims and means of redevelopment policy. Accordingly, the Community's first step, in 1960, was to convene an Intergovernmental Conference for an initial European-level comparing of notes on the subject.¹

In its work thereafter, the High Authority always regarded its studies and surveys under Article 46 of the Treaty as an essential part of its activities. In the last few years, however, as the needs have grown, field operations proper have assumed larger and larger proportions. Overall, by 30 June 1967, the record stood as follows.

a) Following the Intergovernmental Conference the High Authority set up an Expert Committee on Industrial Redevelopment, consisting of senior civil servants from the member countries, with British and American

specialists sometimes sitting in to enable the Community to benefit from the experience accumulated, often over a good many years, in their own countries.

The Expert Committee's job is to work out the most effective methods of making areas industrially viable in order that it may advise the executive appropriately and help ensure that all those concerned with redevelopment are fully in the picture as to what is going on elsewhere.

It is in regular touch with the various bodies and persons having to do with these matters, and is active in conducting discussions and undertaking study tours in the different countries. Certain of its findings have been embodied in a series of reports² on

1) selection and preparation of industrial sites;

¹ Vols. I-IV of the Regional Economy and Policy series contain the papers presented at the Conference (see appended bibliography).

² Regional Economy and Policy series, Vols. V-IX.

- 2) industrial building
- 3) regional action bodies;
- 4) the socio-economic structure of mining and steelmaking areas;
- 5) the redevelopment record to date.

In addition, studies carried out on possible new production lines¹ have been warmly welcomed by the authorities and by industry, and the Community recently decided to arrange for more of these, in order to be able to provide guidance to managements in the redevelopment areas as to which products afford outstandingly good growth prospects.

b) In parallel with these general activities, the Community commissioned systematic surveys of a large number of mining and steel-making areas in order to establish a clear picture of their particular problems, and so prepare the way for their redevelopment. These surveys, which were carried out by specialized research centres, usually consisted of a detailed demographic, economic and social description of the area concerned,

followed by practical suggestions as to the lines on which its development should be planned and the best methods to use. Where not confidential, the High Authority saw to it that they were widely publicized, by official presentations, Press conferences and so on. A list of the surveys is given in the appended bibliography.

c) Thirdly, the Community has taken a direct part, by assisting more specialized studies (technical and market research and by granting low-interest loans, in some fifty redevelopment schemes, large and small.

This activity, which was first begun in 1961, has assumed very considerable proportions in the last two years: whereas appropriations for redevelopment loans up to 1965 inclusive totalled 33m. dollar units of account, the figure for 1966 was 52m. and for the first half of 1967 close on 23m. (see Table VI). Two-thirds of the aid furnished, therefore, fell within the eighteen months leading up to the merger of the executives.

¹ Regional Economy and Policy series, Vol. XI.

TABLE VI
Redevelopment loans to 4 July 1967¹
(by countries)

Year	Amount ('000 000 units of account rounded)
<i>Before introduction of the September 1965 arrangements</i>	
1961	2.0
1962	7.3
1963	—
1964	17.6 ²
1965	2.9
<i>After introduction of the September 1965 arrangements</i>	
1966	52.0 ³
1967 (4 July)	22.8 ⁴
Total	104.6

¹ Total amount actually disbursed to date, 53.9 m. units.

² Including 15m. units for the Carbosarda thermal power-station.

³ Including approximately 30m. units for industrial estates in France and Belgium.

⁴ Including 7m. units for industrial estates in Belgian Limburg.

As will be seen from the table in Annex III, while the new activities promoted are many and varied the metalworking and chemical industries bulk easily the largest. The number of new jobs created ranges from a score or two under some schemes to several thousand under others.

9. Alongside this expansion in the scale of ECSC's work have gone efforts to make it more efficient and better co-ordinated.

a) Surveys and studies on the one hand and operations proper on the other are being increasingly dovetailed into comprehensive programmes, with the result that the distinction between the two is becoming blurred. In many cases studies under Article 46 now immediately precede, or even accompany, the actual capital projects.

The operations themselves, moreover, have become more varied in scope, the High Authority agreeing in some cases to aid the preparation of industrial sites where this was essential to the attracting of new industries. This has been done, for instance, both in Belgium (Limburg, the Liège area, the Centre and Borinage coalfields) and in France (Pas-de-Calais and Lorraine); in the latter country the Community even part-financed factory

building and a scheme for providing certain residential accommodation for executives.

b) With the same aim of ensuring that the Community's redevelopment aid arrangements were properly in line with requirements, the High Authority made a number of changes in these in September 1965, at the same time as it took the decision to step up its lending. The much more favourable terms on which funds were henceforth to be made available were as follows:

1) loans could be granted to cover up to 30% of the capital expenditure involved by the project, or more in certain special circumstances;

2) they would ordinarily be granted for periods of from 16 to 13 years;

3) redemption would be by equal annual instalments beginning from the end of the third year;

4) interest was to be 4.5% p.a. for the first five years and 6.5% for the remainder (though this unusually attractive rate could if necessary be altered by decision of the Executive).

The resulting substantial increase in the flow of applications for assistance demonstrated how timely the changes had been.

IV. THE LIMITATIONS AND THE VALUE OF ECSC 's WORK TO DATE

10. To see the Community's readaptation and redevelopment policy in the correct perspective, we have to take account of the limitations placed on it.

a) Under Articles 46 and 56, the first move in launching readaptation and redevelopment schemes must come, not from the Community Institutions, but from the Governments. The Governments propose the procedures and terms for the provision of readaptation assistance, the Governments apply for funds to be appropriated, the Governments superintend the carrying-out of the actual operations (one-half of whose costs they are required to cover themselves). Similarly, ECSC participation in redevelopment studies and operations has first to be applied for by the Government concerned, and in certain cases specifically endorsed by the Council of Ministers.

b) More generally, the conditions and procedural details with respect to Community aid are carefully enumerated and circumscribed in the Treaty, especially as concerns readaptation, so that the Community is not left much initiative of its own. Moreover, it has to bear in mind the differing state of the law in the individual countries, this

being the reason, for instance, why readaptation assistance, having to be fitted in alongside complex social legislation, cannot be granted at given standard rates for given standard periods.

Where redevelopment assistance is to benefit enterprises coming under the Treaty of Rome, care has to be taken to see that it is furnished (including the portion from national sources) in accordance with that Treaty's requirements (Articles 92ff.).

c) Lastly, the Community has, obviously, only the staff and the funds to do a certain amount. Compared with present needs, and even with the time and money being expended on redevelopment by the authorities and by industry in the different countries, the scale of the Community's loans, though increasing rapidly, is modest enough. Indeed, to make readaptation assistance payable over a longer period would place something of a strain on finances.

The Community's role is thus bound up in every way with the national authorities: so far from setting out to usurp their functions, it cannot do other than work along with them.

11. Nevertheless, it would be a mistake to judge the value of what ECSC is doing purely by the size of its appropriations, leaving out of account the entirely novel contribution it has made to the tackling of employment problems. Just because the Community is what it is, it has played, and must continue to play, a part that no one else can.

a) As the focal point of contact for so many persons in positions of responsibility from different countries and backgrounds, it is as if it were a clearing-house of ideas, helping to get concepts generally put over that are often on the face of it by no means self-evident. There can be no doubt that all the circles concerned — the authorities, the employers' federations and the unions alike — are becoming most keenly alive to the implications of the industrial changes in progress for the future both of individuals and of whole areas, and are working hard to devise effective steps for dealing with them. ECSC's presence and activities in their midst have done much to bring about this frame of mind.

b) As in so many other fields, this comparing of notes on the subject frequently points the way to practical measures: once a lead is given, others follow, and a chain reaction develops from country to country.

The right to readaptation assistance is now established law and custom in the six countries, and has on occasion been extended to other sectors as well as those of ECSC. The procedural arrangements are roughly similar in all and in fact if anything becoming more so, despite the inevitable differences on points of detail just referred to. Also, the work of the Expert Committee, with co-operation from various persons in important public positions, has helped to ensure the general adoption of methods which had been

found to work well in particular countries, such as the preparation of industrial sites and installation of pre-built factories.

c) A further point to note is that the Community's loans, even where comparatively modest, can and do exercise a very real influence on the planning of the schemes, at more than one stage in the proceedings. Thus,

i) the fact that employers in the ECSC industries have to prepare detailed dossiers for submission along with applications for assistance makes it desirable for them to work out their employment estimates with extra care, which is a considerable help in the organizing of redeployment, and often serves to keep down the number of dismissals;

ii) the prospect of an ECSC loan is frequently a factor in the successor enterprises' choice of location, and it has even happened that this consideration has swayed the whole organization and legal basis of operations. The plans and locale of the incoming enterprise being thus so much influenced, the Community's decision whether or not to approve a loan is a matter of much importance for the economic life of the area. In any case, its loans are conditional on various requirements as to the recruitment of personnel for the new plants, such as insistence that a given proportion of former miners or steelworkers must be engaged, stipulations concerning the average age and the wages and terms of employment of those recruited, assurance of steady employment in the new jobs, and so on.

By these means the Community is enabled to secure the practical implementation of its principles in this connection, which it is also at pains to impress upon the Governments.

V. THE OUTLOOK

12. From present information, it seems clear that a further major adjustment drive will be needed in the ECSC industries in the next four or five years. More cutbacks in coal production are in prospect and the number of impending dismissals indicated up to now is substantial; the steady contraction in the iron-ore industry will also continue, while though it is difficult to form definite estimates concerning the steel industry at this stage there can be no doubt that more workers will have to be laid off there too.

With the trends already described thus becoming still more marked, the Community and the Governments will have to do still more in the way of readaptation and redevelopment. The following points suggested by ECSC experience may therefore be of some relevance.

a) Inasmuch as redeployment of labour will need to be based increasingly on redevelopment, Community aid must form part of co-ordinated overall programmes. Accordingly,

i) prior to or in conjunction with the actual installation of the new enterprises, all necessary measures must be taken to improve the facilities and amenities in the area (basic services, telecommunications, housing, etc.) and to retrain the workers concerned for their new jobs. Obviously, no enterprise is going to set up in an area that is not on the telephone, but on the other hand there is no point in preparing an industrial estate unless soundings are carried out at the same time among the industrialists thinking of moving there to find out more precisely what facilities and so on they will need: otherwise some estates will remain unoccupied;

ii) the timing and phasing of the operations must be very carefully planned. Even with the benefit of readaptation assistance, many workers cannot stand being unemployed for any length of time, and would rather migrate elsewhere or take a poorly-paid job than wait too long to be reabsorbed on a satisfactory basis. The absurd situation then arises that successor enterprises, moving in over-late in the day, have trouble in finding the labour they need;

iii) for the same reasons, every effort must be made to see that all those involved — the national and local authorities, the employers and the workers — are in on the whole scheme throughout. Unless everyone is fully in the picture, with the old and the new enterprises keeping in close touch and propaganda being carried on among the workers, a general decline in morale sets in as soon as the forthcoming closures are announced, with the result that the best men leave the area and the ultimate success of the scheme is gravely prejudiced.

b) As regards the type of industry to attract, three points need to be borne in mind:

i) care should be taken to avoid "solutions" in which, as can happen, the immediate interests of the area are at odds with other and broader considerations. A new enterprise set up in disregard of market trends or of national or Community industrial policy is unlikely to prove viable, and in the end the redevelopment may come to nothing and have to be done all over again;

ii) similarly, it is important to make sure that new enterprises will fit satisfactorily into the economic pattern of the area: it would be a mistake, for instance, to encourage the installation of an enterprise belonging to a sector of industry which is liable to recessions and/or already extensively represented in the area;

iii) also, where closures are currently resulting not so much in immediate unemployment as in a loss of economic momentum in the areas concerned, it is extremely important to see that the successor enterprises are sound and well-advanced technologically.

In recognition of this, the High Authority always refused to proportion the amounts of its loans directly to the number of jobs created in the short term (see Annex III): it accepted that the most up-to-date plants, with the best growth prospects, are at the same time the most capital-intensive, and that consequently a high cost redevelopment scheme may in the long run offer a better return as regards the reactivation of an area than many cheaper and easier alternatives.

To sum up, ECSC within its limited terms of reference has built up an approach and methods which could well be adopted on a more general scale in order to deal effectively with the impact of the radical change in progress in the structure of modern society.

ANNEXES

ANNEX I

Article 56¹

1. Should the introduction of technical processes or new equipment, within the framework of the General Objectives laid down by the High Authority, lead to an exceptionally large reduction in the manpower requirements of the coal or the steel industry, making it especially difficult in one or more areas to re-employ the workers rendered redundant, the High Authority, on the request of the interested Governments,

a) shall consult the Consultative Committee;

b) may, in accordance with the methods provided for in Article 54, facilitate the financing, either in the industries subject to its jurisdiction or, with the agreement of the Council, in any other industry, of such programmes as it may approve for the creation of new and economically sound activities calculated to provide productive re-employment for the workers rendered redundant;

c) shall grant non-repayable assistance as a contribution to

- the payment of allowances to tide the workers over until they can obtain new employment,
- the payment of resettlement allowances to workers,
- the financing of retraining for workers obliged to change their occupation.

The High Authority shall make the granting of non-repayable assistance conditional upon the payment by the State concerned of a special contribution at least equal to the amount of such assistance, unless an exception is authorized by a two-thirds majority of the Council.

2. Should radical changes in the sales position for the coal or the steel industry, not directly connected with the introduction of the Common Market, oblige certain enterprises permanently to discontinue, curtail or convert their activities, the High Authority, on the request of the interested Governments,

a) may, in accordance with the methods provided for in Article 54, facilitate the financing, either in the industries subject to its jurisdiction or, with the agreement of the Council, in any other industry, of such programmes as it may approve for the creation of new and economically sound activities or for the reconversion of enterprises, calculated

to provide productive re-employment for the workers rendered redundant;

b) may grant non-repayable assistance as a contribution to

- the payment of allowances to tide the workers over until they can obtain new employment,
- the furnishing of funds to enterprises to enable them to pay workers temporarily stood off in connection with reconversions,
- the payment of resettlement allowances to workers,
- the financing of retraining for workers obliged to change their occupation.

The High Authority shall make the granting of non-repayable assistance conditional upon the payment by the State concerned of a special contribution at least equal to the amount of such assistance, unless an exception is authorized by a two-thirds majority of the Council.

The following points should be borne in mind with regard to the proportion of the appropriations which was actually drawn down.

1) In submitting their applications under Article 56, the Governments mention the amount they consider will be needed, allowing for the particular circumstances in each case: this amount is an estimate only.

2) Discharges may be phased over several months, or even years, so that allowances often only cease to be payable five or six years from the start of the operation.

3) The movement of readaptation costs depends on a great many factors, which are briefly touched on in the following pages.

4) The Commission's share in readaptation expenditure is advanced by the Government concerned, which claims its refund at a later stage. Quite a long time can thus elapse between the payment of the allowances to the workers and the refunding of the Community's share to the Government.

¹ The original Article 56 consisted of the present Article 56 (1) only. The remodelled Article superseded it following an amendment proposed by the High Authority and the Special Council of Ministers on 26 January 1960, under Article 95 (3) of the Treaty, passed by the Court of Justice as in conformity with Article 95, 3-4 on 4 March 1960, and approved by the European Parliament at its sitting of 29 March 1960 (see Official gazette of the Communities No. 33/60, of 16 May, 1960, p. 781).

ANNEX II

I. Trend in readaptation expenditure ¹

1. Appropriations — Expenditure

(in '000 u.a.)

Year	Germany	Belgium	France	Germany	Belgium	France
	Appropriations ¹			Expenditure ²		
1960	—	595	—	—	320	—
1961	437	1 328	1 555	152	748	406
1962	4 536	623	2 375	1 558	398	1 336
1963	3 984	80	433	2 229	63	169
1964	1 105	379	481	555	182	78
1965	2 071	1 955	314	312	781	59
1966	7 300	2 992	808	—	216	—
Total	19 436	7 952	5 969	4 806	2 710	2 052

¹ Where the original allocation for an enterprise was later supplemented, the whole amount is shown against the year of the original allocation.

² All actual disbursements to end 1966, plus claims still outstanding at that date for refunds out of the appropriated moneys shown.

2. Proportion of amounts actually drawn down

(in %)

Year	Germany	Belgium	France	Year	Germany	Belgium	France
1960	—	53.78	—	1964	50.25	48.06	16.37 ¹
1961	34.80	56.32	26.16	1965	15.06	39.95	18.78
1962	34.35	63.88	56.27	1966	—	7.21	—
1963	55.95	78.75	39.17				

¹ The figures for 1965-66 are very incomplete, as several Governments had not yet sent in their refund claims, and also many of the allocations during this period were in respect of substantial lay-offs still to come, in 1967 and after.

¹ Figures for Italy, Luxembourg and the Netherlands are not included, readaptation operations having begun there only in 1965-66.

II. Recipients of readaptation assistance

The Commission's only firm figures as to the numbers of workers assisted are those

indicated in the Governments' refund claims. These were, up to end 1966, as follows.

Country and sector	Workers assisted ¹	Total expenditure (in units of account)	Average expenditure per worker assisted (in units of account)
Germany	25 213	4 792 916	190
Belgium	10 296	1 682 356	163
France	4 678	1 903 937	407
Coal industry	34 084	7 235 573	212
Steel industry	2 384	494 974	207
Iron-ore industry	3 719	648 662	174
Total, Community	40 187	8 379 209	208

¹ All workers having received ECSC assistance in any form. The same man may have drawn more than one type of allowance during his period of entitlement : where this is so, he is included only once.

III. Readaptation expenditure by forms of assistance

(at 31 December 1966)

1. Assistance to make up redundant workers' incomes

Assistance ^c	Germany	Belgium	France	Germany	Belgium	France
	in % of total expenditure			Workers assisted		
Tide-over allowances	8.13	26.34	14.99	2 930	1	1
Lump sums	72.45	—	20.45	10 414	—	738
Transitional aid	0.46	—	—	306	—	—
Re-employment allowances	0.66	60.01 ^a	42.24 ^a	1 188	9 399	3 134 ^a
Compensation for concessionary coal	2.70	^a	^a	^a	^a	—
Total	84.40	86.35	77.68	—	—	—

^a Recipients of tide-over allowances fall into two categories: a) those who during their period of entitlement have drawn both tide-over and re-employment allowances. For the purposes of the Commission's statistics, these men are shown in the case of Belgium and France against "re-employment allowances"; b) those who during their period of entitlement have drawn tide-over allowances only. They number 850 in Belgium and 778 in France.

^b Recipients of compensation for miners' concessionary coal are entitled to draw in addition either a tide-over or a re-employment allowance. The expenditure represented by this compensation is included in the expenditure represented by whichever type of allowance the particular individual is drawing.

^c Including tide-over allowances paid during attendance at vocational-retraining courses.

2. Assistance to help enable workers take other jobs

Assistance	Germany	Belgium	France	Germany	Belgium	France
	in % of total expenditure			Workers assisted		
Training overheads	0.17	6.64	14.02	97	776	911
Resettlement costs	7.07	7.01	7.96	1 804	556	1 014
Travel and removal costs	7.86	—	—	10 448	—	—
Separation costs	0.50	—	0.32	257	—	136
Other costs	—	—	—	—	—	—
Total	15.60	13.65	22.30	—	—	—

These figures too are based on the refund claims lodged up to 31 December 1966, and are offered merely as illustrations: they are approximations only, in addition to which the breakdown is constantly changing in consequence of improvements in the procedural arrangements and of circumstances of all kinds.

To prevent misunderstandings or hasty conclusions, particular attention is drawn to the following factors, which account for a number of seeming discrepancies.

The real cost of a readaptation operation depends on a great many factors, namely,

1) regional background:

workers have better prospects of reabsorption in an industrially diversified area (*e.g.* the Ruhr) than in one centred on a single industry (*e.g.* the Borinage);

2) state of the labour market:

reabsorption prospects are also better in an area of full employment (*e.g.* the Ruhr, Charleroi) than in one of underemployment (*e.g.* Hennebont, the Brescia district);

3) presence of a sizeable coalmining industry locally:

there are more chances of transfers not involving actual change of occupation in a coalfield with plenty of pits in production than in one with only a handful left;

4) success in attracting successor industries;

5) type of enterprise:

a big firm with numerous plants or branches can offer a larger number of jobs;

6) prevailing manpower patterns:

where the average of the workers is high reabsorption is much more difficult and unemployment liable to last longer;

a substantial proportion of foreign workers is usually an advantage, as these men are more accustomed to coming and going;

7) procedural arrangements:

depending on the regional or local conditions, some arrangements may be found more valuable than others.

Again, the amounts the Commission is called upon to contribute to the tide-over allowances depends in part on the rates of unemployment benefit in the country concerned. The Commission/Government conventions entitle workers to an income equal to a given percentage of their former wage, but calcul-

ated inclusive of the unemployment benefit due to them by the law of the country which is paid solely by the Governments.

The overheads of the vocational-training centres also vary in accordance with the wage levels and social-security arrangements in the different countries.

With regard to the differences between, for example, the average sum earmarked per worker in the German coal industry on the one hand and the Belgian and French coal industries and the French iron-ore industry on the other, it must be borne in mind that:

in Germany at least 50% of the mineworkers concerned were merely, until about 1966, transferred to other jobs or pits under the same management, no appreciable costs were incurred in connection with vocational retraining owing to the acute labour shortage which prevailed until about the same time, and few resettlement allowances were paid;

in France on the other hand, all the operations were in largely unindustrialized areas, so that every one of them involved a great deal of training work and a great many resettlement allowances;

in Belgium there were so many closures in two of the coalfields (the Borinage and the Centre) that as time went on the openings for reabsorption there, either at the pits or anywhere else, dwindled to practically nil, which inevitably meant that larger sums had to be spent on retraining and resettlement.

Specific readaptation expenditure per worker assisted has up to now been highest in France. As noted above, most of the operations there have been in single-activity areas where it is usually possible to ensure reabsorption only by setting up new factories and conducting an intensive training drive.

In Germany a notable feature has been the considerable proportion of expenditure going on the payment of lump sums. These, it may be recalled, are granted to elderly workers and those drawing disability or other pensions, in lieu of the tide-over allowance. Some of these men leave of their own accord in order to vacate jobs for younger miners from pits that have closed.

The low level of expenditure on tide-over and re-employment allowances and on training overheads is evidence of very satisfactory reabsorption. However, since mid-1966

numerous training centres and courses have been organized, and it is clear that the hitherto small amounts required under this head will increase substantially.

In Belgium the largest share of readaptation expenditure is accounted for by re-employment allowances, workers there having their income made up to 100% of their former wage irrespective of its level, as compared

with 90% of wages below a fixed ceiling in Germany and France.

The share of training costs as shown is fairly small because the figures given relate only to the years 1960-64: it was not until 1965, and still more 1966, that much began to be done in this direction in Belgium. In future, however, the proportion is likely to be considerably higher.

ANNEX III

Redevelopment loans granted up to 4 July 1967 ¹

(by countries)

(amounts in u.a.)

Country	Production sector	Total capital expenditure involved	Amount of loan	New jobs created	Cost per job out of total capital expenditure
Germany	Fibreglass	4 250 000	1 000 000	500	8 500
	Mattresses	2 672 500	750 000	470	6 686
	Motor-car parts	3 500 000	825 000	500	7 000
	Buttons	700 000	210 000	210	3 333
	Motor-car parts	1 630 000	337 500	400	4 075
	Chemicals	18 000 000	4 000 000	200	90 000
	Rubber goods	6 250 000	1 500 000	536	11 660
	Motor-car parts	2 028 000	550 000	425	4 771
	Chemical industry	3 625 000	750 000	60	60 147
	Mechanical engineering	1 750 000	375 000	230	7 609
Plastics	2 250 000	620 000	300	7 500	
Belgique	Electrical engineering	800 000	200 000	70	11 428
	Various enterprises + industrial estate (Liège)	5 000 000	1 500 000	4 000	1 250
	Rubber goods	6 000 000	3 000 000	500	12 000
	Rolling mill	4 000 000	1 933 700	466	8 584
	Rolling mill	13 500 000	2 500 000	750	18 000
	Industrial estate (Borinage)		15 000 000		
	Industrial estate (Limburg)	20 000 000	7 000 000		
France	Nuts and bolts	1 903 967	567 139	148	12 865
	Air-conditioning plant	2 164 269	405 104	200	10 821
	Motor-car seats	2 276 654	607 649	200	11 383

	Mechanical engineering	921 000	243 000	89	10 348
	Chemical industry	26 000 000	4 000 000	85	305 882
	Chemical industry	9 053 970	2 500 000	175	51 737
	Electric foundry	18 432 020	1 984 987	800	23 040
	Stockings	1 672 048	332 044	260	6 431
	Metal frames	364 590	73 308	130	2 805
	Industrial estate (Pas-de-Calais)	14 107 000	6 260 000	10 000 - 20 000	
	Industrial estates (Lorraine)	17 561 000	8 990 000	12 000 - 14 000	
Italy	Heavy building equipment	972 480	320 000	70	13 893
	Iron and steel industry	16 480 000	4 800 000		
	Aircraft	4 132 800	1 600 000	250	165 312
	Drawn-wire products	160 000	64 000	10	16 000
	Cakes and pastries	320 000	80 000	50	6 400
	Weighing and measuring apparatus	960 000	400 000	120	8 000
	Manufacture and repair of mining machinery	144 000	48 000	20	7 200
	Engines	729 872	320 000	68	10 733
	Plastic moulds	800 000	320 000	80	10 000
	Thermal power-station	84 320 000	15 000 000		
				To reabsorb miners from the Sulcis coalfield	
Netherlands	Boiled sweets	718 200	110 500	50	14 364
	Electric cables	667 650	138 121	120	5 563
	Air-conditioning plant	1 570 481	345 304	90	17 450
	Plastics	9 310 000	1 100 000	700	13 300
	Mineral wool	2 350 000	690 608	190	12 368
	Motor-cars	80 110 000	9 668 500	6 000	13 351
	Bricks	3 176 795	690 608	100	31 768
	Carpets	3 331 491	1 000 000	250	13 326

¹ Total disbursed up to that date, 53.9 million units of account.



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