

EUROPEAN PARLIAMENT

## Working Documents

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12 February 1979

DOCUMENT 603/78

### Report

drawn up on behalf of the Committee on Social Affairs, Employment and  
Education

on the communication from the Commission of the European Communities to  
the Council on the social aspects of the iron and steel policy

**Rapporteur: Mr J. LAURAIN**



By letter of 9 January 1979 the Committee on Social Affairs, Employment and Education requested authorization to draw up a report on the communication from the Commission of the European Communities to the Council on the social aspects of the iron and steel policy.

Authorization was given by the President of the European Parliament in his letter of 26 January 1979.

On 3 November 1978 the Committee on Social Affairs, Employment and Education appointed Mr Laurain rapporteur.

On 15 December 1978 the European Parliament had also referred to the Committee on Social Affairs, Employment and Education the motion for a resolution by Mr Ansart and others on the redundancies in the French iron and steel industry.

The committee considered the draft report at its meetings of 28 November 1978, 20 December 1978 and 23 and 31 January 1979.

It adopted the motion for a resolution and the explanatory statement by 12 votes to nil with one abstention on 31 January 1979.

Present: Mr Van der Gun, chairman; Mr Nolan, vice-chairman; Mr Laurain, rapporteur; Mr Adams, Mr Albers, Mr Bertrand, Mr Bouquerel, Mr Dinesen, Mr Geurtsen, Mrs Kellett-Bowman, Mr Pistillo, Mrs Squarcialupi and Mr Vanvelthoven.

Opinions of the Committee on Economic and Monetary Affairs and of the Committee on Budgets are attached.

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	7
ANNEX: Motion for a resolution (Doc. 525/78) .....	15
Opinion of the Committee on Economic and Monetary Affairs .....	17
Opinion of the Committee on Budgets .....	19

The Committee on Social Affairs, Employment and Education hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the communication from the Commission of the European Communities to the Council on the social aspects of the iron and steel policy

The European Parliament,

- having regard to the communication from the Commission of the European Communities to the Council (COM(78) 570 final),
  - having regard to the motion for a resolution by Mr Ansart and others on the redundancies in the French iron and steel industry (Doc. 525/78),
  - having regard to the report of the Committee on Social Affairs, Employment and Education and the opinions of the Committee on Economic and Monetary Affairs and the Committee on Budgets (Doc. 603/78),
1. Welcomes the fact that, with this communication, the Commission has taken an initial step towards satisfying the European Parliament's request for information on proposals for social measures to accompany the restructuring of the Community's iron and steel industry;
  2. Is convinced that the present extremely dramatic situation in the European iron and steel industry calls for immediate intervention by the competent authorities to protect employees and their families;
  3. Is of the opinion that the right to work, as laid down in the Universal Declaration of Human Rights, should be respected and that under no circumstances can unemployment which mainly affects young people and women be accepted as a solution to the problems which the present economic order and deference to competition have created, since the economy exists to serve mankind and not vice versa; feels, moreover, that there should be special arrangements to ensure that no workers are made redundant in the iron and steel industry until they have alternative employment opportunities, and that this principle could be incorporated in future labour contracts;
  4. Considers that, in its present form, the anti-crisis plan approved by the Council is inadequate inasmuch as it is not backed up by a policy of industrial diversification to create more jobs in the iron and steel areas, or by a social policy to maintain employment and alleviate the material and human tragedy caused by unemployment;

5. Notes that both the ECSC Consultative Committee and the European Trade Union Confederation have indicated that if the struggle against unemployment is to bear fruit, urgent consideration should be given to the following measures:
  - lowering of retirement age,
  - reorganization of shift work,
  - introduction of a shorter working week,
  - restriction of overtime;
6. In view of the above, requests all the parties involved, i.e. Member States, employers and unions to call an immediate halt to all redundancies and to initiate forthwith the requisite negotiations on the basis of the proposals set out above in paragraph 5 for the retention of an acceptable number of jobs and for the improvement not only of productivity but also of working conditions and the quality of life; and is, moreover, of the opinion that the measures on work-sharing should be applied on a Community-wide basis;
7. Requests the Commission to use the aid provided for under Article 56(2)(b) of the ECSC Treaty and, as a matter of priority, aid from the European Social Fund and the European Regional Development Fund to meet the cost of the necessary social measures in the iron and steel industry, and in particular in the industry's small and medium-sized undertakings;
8. Finally, calls on the Commission to give special attention to the areas of the Community where iron and steel is the predominant industry, a fact which makes future possibilities of employment even bleaker unless the necessary modernization and restructuring are accompanied by a partial conversion from heavy industry to processing aimed at creating new jobs;
9. Considers it essential that, in framing social measures in the iron and steel sector, efforts should be made to achieve the optimum convergence of the policies of the Member States; that, moreover, previous measures taken under Article 56 of the ECSC Treaty should remain in force but that the new additional measures to be taken should primarily benefit those undertakings that, in the context of Community restructuring, will be required to adapt their operations;
10. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. PRELIMINARY REMARKS

During the European Parliament's November 1978 part-session, Commissioner Davignon reported on the results to date of the Commission's policy in the crisis-hit iron and steel sector.

He emphasized that there was a world-wide structural crisis and that the way out of the crisis necessarily involved restructuring and rationalization of production.

According to Mr Davignon, such measures would inevitably entail the loss of a number of jobs but they were indispensable if we wanted to save most of the 700,000 jobs in the Community's iron and steel industry.

With regard to the workers made redundant, the Commission had proposed associated measures for redeployment aid for the creation of new jobs and other social measures.

The Commission's plan, therefore, was to provide this industrial sector with a period of respite so that it could carry out the restructuring necessary.

Internally, the measures to combat the crisis consisted mainly of the adoption of a minimum prices system, with the aim of achieving a certain balance between production and demand.

One single figure demonstrated the absolute necessity of intervention: in 1977, the iron and steel industry had made a loss on average of Bfrs 1,000 on every tonne of steel it produced. If this trend had been allowed to continue the industry would have totally collapsed and/or the individual Member States would have instituted stringent protectionist measures.

Externally, a series of voluntary agreements had been concluded with the countries supplying steel to the Community. The aim of the agreements was to prevent any serious distortion on the internal market for as long as restructuring was in progress.

Finally, with regard to its future objectives, the Commissioner said that the Commission intended to continue with restructuring and to check that the national measures and aid were in accordance with the common policy which the Commission had laid down for this sector.

## II. COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

A different view could be taken of the economic aspects of the Davignon plan. It could be asked, in particular, whether this plan is not inadequate since it calls into question Europe's future production capacity, in the name of market rationalization. It is also unfortunate that it does nothing to protect the independence of the European economy from the threat represented by the activities of multinational undertakings. But although the social and economic aspects of this problem are closely linked the communication from the Commission, on the basis of which the Committee on Social Affairs, Employment and Education has to draw up its report, deals solely with the social aspects of the iron and steel policy.

In its introduction the Commission notes that it will not be possible to prepare an estimate for the number of jobs to be lost over the next few years until both the Member States and the undertakings have declared their intentions in greater detail.

Fortunately, Commissioner Vredeling provided some information when he submitted a working document to us in July 1978. This showed that whereas at the end of 1975 there were 760,000 jobs in the industry, two years later there were only 720,000. The Commission estimates that in 1980 the labour force in the iron and steel sector will number slightly above or slightly below 600,000. This figure is based on estimates of a 4% growth in productivity and a reduction in hours worked.

At present the Commission may intervene in the following ways to facilitate the restructuring of the iron and steel industry: investment aid and aid for technical and economic research, together with direct social measures such as readaptation aid and aid in the sphere of safety and hygiene at work.

Readaptation aid is based on the provisions of the ECSC Treaty. Article 56 authorizes the High Authority (the Commission) to grant non-repayable aid as a contribution to the cost of measures for workers affected by the cessation, reduction or transformation of their undertakings' activities.

Aid of this type consists of a tide-over allowance, the financing of vocational training for workers obliged to change their jobs and payment of any resettlement allowances. Grants are also made to undertakings to ensure income support for workers temporarily laid off during internal restructuring measures.

Aid of this type is granted for a limited period which in certain cases may be as long as three years.

From a historical point of view it is interesting to consider how Article 56 has been applied. From the early 1950's to the late 1960's it was largely redundant workers in the coal-mining industry who benefited from this aid.

During that period there was no general crisis in the coal sector; these workers rapidly found employment elsewhere and there was no need to redeploy them.

But some ten years ago the crisis began to spread and provisions were adopted to fund an early retirement pension scheme.

The crisis in the coal sector subsequently spread to the iron and steel sector. A few figures will demonstrate this: in 1967/68 the ECSC earmarked 18 m u.a. for readaptation. Ten years later this amount had increased to 25 m u.a. and it is expected to reach approximately 60 m u.a. in 1978. The amount has more than doubled in one year! Compared with the coal sector, the iron and steel industry now takes up by far the greater part of the appropriations available: 15% in 1975, 40% in 1977 and 75% in 1978.

These figures and the loss of 60,000 jobs in the iron and steel sector between December 1975 and April 1978 demonstrate that it is absolutely essential to implement a genuine social policy at Community level on behalf of the present and future victims of the world crisis.

The readaptation measures are impressive, but in themselves they do not create one single new job.

This has led the Commission to the following conclusion: new social measures must be taken as part of the necessary restructuring.

In concrete terms it proposes that the possibility should be considered of lowering the retirement age, restructuring shift or team work, organizing a shorter working week and restricting overtime.

### III. THE EUROPEAN COAL AND STEEL COMMUNITY CONSULTATIVE COMMITTEE

The ECSC Consultative Committee has already welcomed<sup>1</sup> the intention of the Commission to make every effort to ensure that the inevitable readjustments in the iron and steel industry are not carried out at the expense of the workers.

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<sup>1</sup> OJ No. C 237, 7.10.1978, p. 2

In passing it should be noted that this committee is made up of an equal number of representatives of producers, workers, consumers and distributors, and that it more or less unanimously supported the policy proposed by the Commission.

In its resolution the Consultative Committee also welcomed the intention of the Commission to introduce special financial measures for the implementation of the proposed social programme. Finally, it recognized the indissoluble link between the restructuring of the Community's iron and steel industry and the accompanying implementation of the social aspects of the iron and steel policy.

#### IV. THE EUROPEAN PARLIAMENT

We need go back no further than the last six months to establish the extent of the European Parliament's interest in and concern at the developments in the iron and steel sector. The Oral Question tabled by Mr COUSTE and Mr BROSNAN<sup>1</sup> to the Commission was followed by a long debate at the May 1978 part-session. The authors of the question asked for details of the outcome of negotiations conducted with third countries, for a progress report on the talks held within the OECD and whether they could ultimately lead to a world steel conference.

During the debate<sup>2</sup> Commissioner DAVIGNON said that Article 2 of the ECSC Treaty was quite clear and required the Commission to 'contribute to economic expansion, growth of employment and a rising standard of living in the Member States' which implied that the ECSC programme had to be expanded to include social measures. On the other hand the Commissioner could not accept protectionism as a solution to a situation where the developing countries were taking the lion's share of growth in the iron and steel sector. In his opinion, future growth in the Community depended on the conquering of new markets, but that would only be possible if the part of the world that was at present underdeveloped was given the opportunity to develop.

In July and September 1978<sup>3</sup> the next measures taken in this sector took the form of motions for a resolution tabled by the Communist and Allies Group.

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<sup>1</sup> Doc. 75/78

<sup>2</sup> OJ Annex No. 230, May 1978, p. 103 and p. 111

<sup>3</sup> Doc. 233/78 and Doc. 303/78

In its resolution of July 1978, the European Parliament<sup>1</sup> welcomed the resolute action taken by the Commission towards the restructuring of the sector but felt nonetheless that the measures were inadequate and therefore called on the Commission to inform Parliament of the proposals relating to the social measures envisaged.

The crisis in the iron and steel industry was debated in October 1978 on the basis of a report by the Committee on Economic and Monetary Affairs<sup>2</sup> and an Oral Question tabled by Mr GLINNE and others<sup>3</sup>. Since the two documents barely touch on social aspects we shall not consider them further.

Another initiative in this matter was a motion for a resolution tabled by Mr MÜLLER-HERMANN<sup>4</sup> on behalf of the Christian-Democratic Group on the situation in the iron and steel industry. This document refers to the need for regular meetings between the representatives of undertakings, workers, and purchasers of iron and steel products within the ECSC Consultative Committee and 'expects the Commission to take practical steps without delay to reintegrate into the work process the workers made redundant by the restructuring of this sector'.

The most recent initiative was taken by the Communist and Allies Group who, in their motion for a resolution of 15 December 1978 on the redundancies in the French iron and steel industry<sup>5</sup> insisted 'that these redundancies should be revoked and that there should be serious consultation of the workers and their organizations with a view to maintaining employment'.

On the basis of these two last-mentioned resolutions Mr ANSQUER was instructed by the Committee on Economic and Monetary Affairs to compile a report on the situation in the Community iron and steel industry. This report refers in paragraphs 11 and 12 to the social aspects of iron and steel policy and was adopted unanimously despite an amendment tabled by your rapporteur rejecting the mere renewal of the anti-crisis plan in 1979 and asking the Commission 'to submit, within three months a new plan containing more ambitious economic and industrial objectives and more effective social measures to combat unemployment'.

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<sup>1</sup> PE 54.258, p. 55

<sup>2</sup> Doc. 335/78

<sup>3</sup> Doc. 347/78

<sup>4</sup> Doc. 446/78

<sup>5</sup> Doc. 525/78 ; see Annex to this report

V. THE SOCIAL MEASURES

A practical reply to this request has now been afforded by the submission of this communication on the social aspects of the iron and steel policy.

Your committee can only welcome this move, just as a positive reception must be given, in general, to all the various practical proposals for the solution of future unemployment in this sector.

We must not, however, lose touch with reality. If we consider the case of the iron and steel industry in Lorraine, we note that an initial 'steel plan' had been drawn up. At that time it was estimated that 13,200 jobs would have to go if this industry was to retain its international competitive position. This figure has since proved to be too low and it was recently announced that another 16,000 jobs will be lost by 1980-1981.

We can only guess at the repercussions of such massive cutbacks in jobs on other sectors such as the metallurgical industry, the building industry and the commercial sector. Perhaps the Commission could provide the details? Apparently every job lost in the iron and steel industry results in at least two jobs being lost in dependent industries. In Lorraine, and no doubt in other Community regions, the vast scale of the problem and the enormous human tragedy stem from the fact that the region is totally dependent on the heavy iron and steel industry. There is not enough manufacturing and processing industry in these regions.

That is why it is insufficient to restructure and modernize the iron and steel industry. These measures are indispensable if the sector is to regain its competitive position in world markets, but the human problem, that is, the employment problem, can only be solved if the modernization of this sector is accompanied by the diversification of the iron and steel industry into manufacturing and processing industries. In this way new jobs will be created in the sector of finished goods with higher added value which could satisfy both internal Community demand and external requirements in the framework of a revival of consumption, production and the economy in general.

But these technical measures will only be effective if there is sufficient political will to apply them with a view to achieving social objectives. It is not true to say that social progress results 'naturally' from economic growth when that growth is geared towards profit. Social progress must be the conscious and unconditional objective of economic progress. This being the case we should recognise one principle: no redundancies until the workers concerned have equivalent employment opportunities; this principle could be incorporated in future labour contracts and collective agreements.

Indeed, we must note that restructuring aid so far has only resulted in an increase in the number of unemployed. In this respect the Commission is asked to give details of the practical utilization of the considerable funds which the ECSC has granted to employers in the iron and steel sector. It is not sufficient to guarantee economic aid, we must also ensure that means exist for monitoring the utilization of the aid granted.

Your committee would make two additional comments :

- the 35-hour week should not be applied everywhere immediately, but progressively branch by branch, starting with the branches most affected, in particular iron and steel, it being essential that the Member States should take the same decisions at the same time, since a lack of harmonization would bring the risk of serious imbalances between the different regions of the EEC,
- a comparison of the cost of introducing the 35-hour week and of unemployment shows that the saving of 8,000 jobs in the Lorraine iron and steel industry alone represents an extra burden in terms of wages and social costs of about 3.5%.

Consequently, continuation of restructuring is not a valid option unless Community aid results in the saving and creation of jobs and in improving workers' purchasing power and their working conditions.

For hundreds of thousands of workers, confidence in the European Community will depend on the outcome of the Community's policy in the iron and steel sector.

The Committee on Social Affairs, Employment and Education would point out here that Article 56(2)(b) of the ECSC Treaty empowers the Community to grant financial aid for the redeployment of workers; maximum use should be made of this possibility to alleviate the adverse effects of restructuring.

It would also point out here that Article 123 of the EEC Treaty assigns to the European Social Fund, which in 1979 will amount to 514 m EUA, the task of 'increasing workers' geographical and occupational mobility within the Community' in order to 'improve employment opportunities for workers in the common market and contribute thereby to raising the standard of living'.

The Regional Development Fund, which will have 1,000 m EUA to spend in 1979, can contribute to the financing of investments exceeding 50,000 EUA which fall into one of the following two categories:

- industrial, craft or service activities;
- the infrastructures directly associated with these activities.

In view of the present economic situation it would be reasonable for the Social Fund and the Regional Fund to aim principally at maintaining and creating employment in the iron and steel industry, especially in the small and medium-sized undertakings.

## VI. CONCLUSION

### The European consensus on the reduction of the working week

It is becoming increasingly clear that the reduction of the working week is now becoming one of the most effective motive elements of the campaign against unemployment in Europe. It would not only appear to be necessary for social reasons (absorbing unemployment and improving working conditions) - it also seems to be economically feasible.

The long-drawn-out campaign of the German iron and steel workers for a 35-hour week, together with the fact that the European Trade Union Confederation has included this objective in its list of most pressing claims and that many political parties have written it into their programmes for European elections show that moves in this direction are growing and that the problem is ripe for a solution.

The European Parliament has a duty to pay heed to the workers and inhabitants of the Community affected by unemployment (there are now more than 6 million unemployed in Europe); it would be accomplishing an important social mission and contributing to vital progress for mankind by taking bold and practical decisions on the reduction of the working week, which is one of the most effective solutions, both in social and economic terms, to the unemployment problem, particularly in the iron and steel industry. In the meantime, the most urgent requirement is to call a complete halt to redundancies.

MOTION FOR A RESOLUTION (Doc. 525/78)

tabled by Mr ANSART, Mr PORCU, Mr BORDU, Mr EBERHARD and Mr SOURY  
pursuant to Rule 25 of the Rules of Procedure  
on the redundancies in the French iron and steel industry

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The European Parliament,

- having regard to the announcement that there are to be thousands of redundancies in the French steel industry,
  - having regard to the fact that decisions affecting the future of several regions have been taken without any prior consultation and without any consideration for the countless human tragedies they will bring in their wake,
  - whereas no action has been taken to reduce the time spent at work, bring forward the retirement age, cut the working week to 35 hours without any reduction in wages, set up a 5th shift or improve working conditions,
  - whereas no possibilities exist for the redeployment of workers in the areas affected by the dismissals,
  - whereas steelworkers in the other Community Member States, for example the German Federal Republic, are mounting a large-scale campaign to keep their jobs and improve their working conditions,
  - whereas one job in the steel industry generates four jobs in other branches and there is thus an undoubted danger of turning certain regions, in which steel has predominated, into industrial wastelands,
  - whereas the decisions that have been announced are only by way of implementing the European Commission's plans for dismantling the French steel industry, which have been approved by the Member States,
  - whereas this dismantling process, if carried through to its conclusion, would seriously endanger the future production capacities of the countries of Europe,
1. Insists that these redundancies be revoked and that there should be serious consultation of the workers and their organizations with a view to maintaining employment;
  2. Favours a revitalization of industrial activity and general consumption in the light of requirements, so as to increase the demand for steel;

3. Opposes resolutely the plans to wipe out the steel industry and re-affirms its belief in the promotion of international cooperation based in particular on the preservation and development of the French steel industry;
4. Instructs its President to forward this resolution to the Council and Commission of the European Community.

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Letter from the chairman of the committee to Mr Van der Gun, chairman of the Committee on Social Affairs, Employment and Education

17 January 1979

Dear Mr Van der Gun,

In view of the fact that the two subjects are related, the Committee on Economic and Monetary Affairs decided to deliver its opinion for your committee on the communication from the Commission on the social aspects of the iron and steel policy (COM(78) 570 final) in the report by Mr ANSQUER on the situation in the iron and steel industry (Doc. 567/78).

I would therefore draw your attention to this favourable opinion which is contained in paragraphs 11 to 13 of the resolution<sup>1</sup>.

.....

(sgd) Edgard PISANI

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<sup>1</sup> See annex

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11. Emphasizes that the restructuring of the iron and steel industry will be impossible and intolerable unless associated regional and social measures are implemented at the same time, especially with regard to employment, since the Community cannot ignore the social and regional consequences of restructuring in the iron and steel industry without disqualifying itself in the eyes of public opinion, and, in this spirit, requests the Commission to give particular attention to single-industry regions;
12. Welcomes in these circumstances the work at present being undertaken by the Commission on the social aspects of the iron and steel policy with a view to improving and better adapting the ECSC's instruments for social intervention;
13. Noting that the growing concentration in the iron and steel sector has had harmful consequences which require to be identified and counteracted, and observing that, however necessary they may be, the ECSC's various social intervention measures and the improvements and innovations that could be made themselves create no, or very few jobs; therefore urges the Commission and Council to implement a genuine Community industrial policy based on the development of small and medium-sized undertakings, sub-contracting and the services sector, as well as on the high-technology sectors, since such redeployment is the corollary of the restructuring of sectors in decline;

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OPINION OF THE COMMITTEE ON BUDGETS

Draftsman : Mr R. RYAN

On 1 February 1979 the Committee on Budgets appointed Mr Richie Ryan draftsman of the opinion.

It considered the draft opinion at the same meeting and adopted it unanimously.

Present: Mr Lange, chairman; Mr Bangemann, vice-chairman; Mr Cointat, vice-chairman; Mr Ryan, draftsman; Lord Bessborough, Lord Bruce of Donington, Mrs Dahlerup, Mr Dalyell, Mr Radoux, Mr Shaw and Mr Würtz.

## Background to the social problems in the iron and steel industry

1. The continuing unfavourable economic situation and the structural crisis in the iron and steel industry has come to the attention of the Committee on Budgets on several recent occasions - notably in the context of the preparation of (i) the BANGEMANN<sup>1</sup> report on the 1979 draft budget and (ii) the SCHREIBER report on the fixing of the ECSC levies and on the ECSC operational budget for 1979<sup>2</sup>.

### Extent of the difficulties

2. An idea of the significance of this sector can be had from the fact that some 700,000 are employed in it and hundreds of thousands are employed in related industries. Over the two years to December 1977, the work force fell by 40,000. At end 1977, over 170,000 workers were involved in short-time working. Many undertakings have experienced very considerable losses. The pace of dismissals has accelerated over recent months with grave consequences for whole regions that have been closely associated with this sector for decades. The overall problem has been aggravated by the difficult economic situation which affects the whole Community: this makes it harder to divert resources to help with diversification in the critical areas and to finance restructuring and retraining of workers who have lost their jobs.

### Community aspect

3. The Committee on Budgets has recognised that the grave problems for production and employment - outlined in the preceding paragraphs - that have arisen in the steel industry pose serious difficulties that require to be tackled at the Community level. See, for example, the SHAW report on draft amending and supplementary budget No. 2 for the 1978 financial year<sup>3</sup>. In view of this difficult position, the Committee on Budgets recommended - and Parliament endorsed - the approval of the creation of 84 posts within the Commission to cope with the task of monitoring, supervising and reorganising in the steel (and textiles) sector. As well, of course, the Committee on Budgets had insisted during the December 1977 session on the provision, at Article 375, of appropriations designed to assist 'Community reorganisation and redevelopment operations in connection with crises in certain industrial sectors'.

### Community instruments available

4. At this point, it would appear to be useful to summarise the key instruments available to facilitate the restructuring of the iron and steel industry. These instruments are varied in their nature and scope: they consist of

<sup>1</sup>Doc. 400/78

<sup>2</sup>Doc. 502/78

<sup>3</sup>Doc. 581/77

- (i) the possibilities within the ECSC budget;
- (ii) aid through the EIB, and
- (iii) assistance through the general budget consisting of:
  - the Regional Fund impact on certain areas adversely affected by the steel recession;
  - the Social Fund;
  - the help provided in the No. 2 supplementary budget 1978, and
  - the funds at Article 375 of the 1978 budget.

As well, of course, there are the measures taken at national level.

Sums involved

(a) Of an investment and research nature

5. The largest single Community effort is on the ECSC side. For the years 1976 and 1977, loans granted under the provisions of Article 54 of the ECSC treaty totalled 1,695.5 million EUA. Conversion loans approved under Article 56(2) (a)<sup>1</sup> amounted to 252 million EUA for the three years 1975 - 1977. The Commission's document also stated that several further applications for conversion loans were to be the subject of an early decision.

Furthermore, ECSC low-cost housing loans amounted to some 27.5 million EUA for the years 1976 and 1977.

Finally, financial aid for research under Article 55 of the ECSC Treaty designed to promote technical and economic research amounted to 81.1 million EUA for the years 1976 and 1977.

6. The Commission's text also indicates that, in 1977, European Investment Bank loans to the iron and steel industry amounted to 197.5 million EUA. However, figures for preceding years were not shown in the text.

7. As regards the general budget, some 31 million u.a. was made available through the European Regional Development Fund. No figures are given for the level of Social Fund activity in the areas affected by the iron and steel industry crisis.

<sup>1</sup>This Article reads as follows:

'(a) may facilitate, in the manner laid down in Article 54, either in the industries within its jurisdiction or, with the assent of the Council, in any other industry, the financing of such programmes as it may approve for the creation of new and economically sound activities or for the conversion of existing undertakings capable of reabsorbing the redundant workers into productive employment;'

(b) Of a social nature

8. The Commission's text (COM(78) 570 final) describes the range of measures in the social sector that is available to help with the process of restructuring. The following paragraphs summarise these.

9. The readaptation aid under Article 56(2)(b) can take several forms. It is non-repayable aid which contributes towards the cost of measures for workers affected by the cessation, reduction or transformation of their undertakings' activities. The help can be in the form of a tide-over allowance to aid a worker during the period between the loss of his job and re-employment, aid with retraining or resettlement allowances to assist geographical mobility or temporary income support for workers disemployed during restructuring measures.

10. At the earlier stage of the crisis, the aid went mainly to the coal industry but, by 1977-78, the seriousness of the difficulties in the iron and steel industry made it necessary to take steps to help the workers concerned. 25 million EUA was earmarked for vocational retraining in 1976 and 1977 and the sum estimated for 1978 is about 60 million EUA. The share of readaptation aid going to the iron and steel industry has risen very sharply - from 15% in 1975 and 1976, to 40% in 1977 and 75% in 1978.

11. As regards safety and hygiene, research programmes receive assistance totalling some 3.3 million EUA a year.

1978 supplementary budget

12. Provision was made in the draft (No. 2) amending and supplementary budget 1978<sup>1</sup> for 84 additional heads of staff (24 A, 29 B and 31 C). A part of this extra allocation of staff was needed to monitor and assess measures being taken in the steel sector in regard to the Community's unilateral action in implementing anti-dumping rules, the supervision of the crisis plan, and the reorganisation of the steel industry. The total estimated cost of all the additional posts was 1,383,000 EUA. Parliament readily endorsed this supplementary budget which contributed towards the Community effort to assist the steel sector.

Article 375 of the budget

13. When the 1978 budget was being adopted, Parliament attached great significance to the need for providing in the general budget for appropriations to cover Community participation in reorganisation and redeployment operations due to major structural changes necessary in certain industrial sectors. The appropriations, which totalled 17 million EUA, could have been used in the general area of certain industries affected by, inter alia, the steel

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<sup>1</sup> Doc 565/77

difficulties. However, in the report submitted under Article 29 of the financial regulation on 21 December 1977, the Commission has indicated that, at end September 1978, these appropriations had been as yet unused. Moreover, the report stated that the implementing regulation was being prepared and would be put before the Council and Parliament shortly. This delay in an area where a substantial amendment reflected Parliament's serious preoccupation with the problems of sectors in difficulty seems hard to justify. The member of the Commission responsible gave an assurance that ~~implementation would start in 1978.~~

#### Chapter III of the Communication

14. In the final chapter of the communication now under consideration, the Commission sets out a brief assessment of the budgetary implications. The chapter has been overtaken by events since the ECSC budget for 1979 was adopted last December. Further, there have been significant developments in the iron and steel sector since mid-1978. Also, the document does not attempt to show a comprehensive picture by quantifying the efforts being made by the member States themselves. The impact of EIB investment is not gone into and, finally, we do not have a probing forward to outline the probable level of outlay - Community plus member State - over the next year or two. Multiannual forecasts are now an established feature of Community budgetary documentation: they should also figure regularly in such papers as the communication now being examined.

#### Recent Committee on Budgets' analysis

15. In Mr SCHREIBER's report<sup>1</sup> on the ECSC budget for 1979, likely financial requirements are analysed. The dilemma experienced by the ECSC is set out clearly in that text: revenue cannot keep pace with expenditure on projects that get progressively more extensive and more urgent; because of the economic situation and the heavy burden that the steel sector is experiencing, an increase in the levy from the present rate of 0.29% would be inappropriate; finally, the Council has not agreed to transfer the net revenue arising from customs duties on ECSC products to the ECSC. This revenue amounts to an estimated 60 million EUA and is indispensable to the further evolution of the ECSC budget.

#### Summary

16. The problems facing the steel industry are of central importance to the Community. The action being taken at the Community level is far-reaching and enjoys the full support of Parliament. It must be stated, however, that the attitude of the Council in regard to the ECSC budget and its resources leaves very much to be desired. The communication under consideration deals primarily with social aspects - although it does touch, in a limited way, on economic aspects. However, the basic difficulties in the iron and steel sector should be considered in a global

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<sup>1</sup>Doc. 502/78

fashion. Policy measures of an economic nature cannot be divorced from action on the social front: both have interlocking roles to play. Moreover, a comprehensive view of the effort being made to help the workers and the industry as a whole requires, as a prerequisite, that all the measures being taken - by the Community, by the member States and through the EIB - be reviewed in their totality. Finally, given the magnitude of the problems, the importance of the sector concerned and the normal approach followed in weighing up budgetary outlay, the Committee on Budgets would wish to see analyses of this nature accompanied by multiannual estimates setting out the Commission's forecasts of probable developments over the years immediately ahead.

### Conclusions

17. The Committee on Budgets proposes to the Committee on Social Affairs, Employment and Education the following paragraphs for consideration for inclusion in its Motion for a Resolution:

- (a) accepts that the situation in the iron and steel industry, with its implications for employment and for the overall welfare of the Community, makes this an issue of special budgetary significance;
- (b) considers that a better overall view could be had of the efforts being made to alleviate the social and economic problems in the iron and steel industry if total outlay, from Community sources, from member States and from the EIB, was summarised in a comprehensive text;
- (c) believes that a coherent approach to the medium-term solution of the difficulties entails a forward look in the form of multiannual estimates of the global level of outlay from all sources, and that, in this way, the budgetary effort involved could be set more clearly in perspective;
- (d) notes with regret that the Commission has been slow to act in response to certain political wishes expressed by way of Parliamentary amendments to the budget, especially in regard to help in connection with crises in certain industries and refers specifically to Article 375 of the budget;
- (e) recalls that it has urged a better coordination of ECSC measures with other Community measures and EIB activity;
- (f) reiterates its opinion that the need for additional financial resources for the ECSC operational budget makes it imperative that recourse be had to the customs duties on coal and steel products collected by the member States;
- (g) demands that the necessary steps be taken by the Council to make these customs revenues directly available to finance ECSC activities.

- (h) urges the Commission to put forward, as soon as possible, clear and comprehensive proposals for the appropriations required out of the general budget of the Communities to finance the coherent policy needed to face up to the economic and social problems in the steel sector.

