

## EUROPEAN PARLIAMENT

# Working Documents

1978 - 1979

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9 May 1978

DOCUMENT/88/78/ANNEX

### OPINION

on the proposals from the Commission of the European Communities to the Council (Doc. 60/78) for

- a regulation concerning the creation of a new European Social Fund aid in favour of young persons
- a Council decision amending Decision 75/459/EEC of 21 July 1975 on action by the European Social Fund for persons affected by employment difficulties, amended by Decision 77/802/EEC of 20 December 1977

Draftsman: Mr J.-M. CARO



OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr J.-M. CARO

On 26 April 1978 the Committee on Budgets appointed Mr Caro draftsman.

It considered the draft opinion at its meetings of 26/27 April and 8 May 1978 and adopted it unanimously at the latter meeting.

Present: Mr Lange, chairman; Mr Caro, rapporteur; Lord Bruce, Mrs Dahlerup, Mr Dankert, Mr Notenboom, Mr Radoux, Mr Ripamonti, Mr Spinelli and Mr van Aerssen.



## I. Introduction

1. The proposals under consideration (measures to promote youth employment) form part of a series of measures (see Annex I) introduced by the Community institutions for various Community policy purposes and with a view to contributing to the solution of one of the most delicate and serious problems that have ever faced the industrialized countries.

2. The following few figures suffice to illustrate the scale of this problem:

- in 1977, 6,043,000 persons were registered as unemployed in the nine countries of the EEC, a figure equivalent to approximately 5.7% of the working population.
- The rate of unemployment among young people under 20 years of age was three times higher than the general average, whilst that of young people in the 20-25 age bracket was almost double the general average.
- The Commission predicts that in the next ten years the number of young people reaching working age will be over 4 million a year, while the number of persons reaching retirement age will remain at a much lower level (roughly 2.5 million).

3. From 1975 to 1977, in an attempt to find an answer to this problem - which has been exacerbated by increasing distortions in the educational systems of the Nine, resulting in a marked imbalance between supply (predominantly unskilled jobs) and demand (predominantly for 'white-collar' jobs) on the labour market - each government introduced emergency measures (see Annex II) 'to remedy the immediate consequences of youth unemployment'.

According to provisional estimates, gross annual expenditure on these measures will be about 350 million units of account and the number of beneficiaries approximately 220,000.

4. The latest set of proposals, which will be discussed in section II below, were originally recommended by the Council of Social Affairs Ministers on 28 October 1977 and are intended, as the Commission itself points out, to encourage the Member States to introduce measures to create new jobs for young people 'by means of a new Community aid measure under the European Social Fund'.

## II. Nature of the measures envisaged

5. The type of aid earmarked for young people under 25 years of age falls into the following categories:

- (a) Recruitment premiums paid to employers prepared to expand their regular labour force.

It is proposed that Social Fund assistance for this scheme should be calculated on the basis of an average allowance not exceeding 30 EUA per person per week for a maximum of six months.

- (b) Subsidies for programmes aimed at placing young people in newly created jobs in the public services sector.

Here it is proposed that Social Fund assistance should be calculated on the basis of a wage allowance not exceeding 60 EUA per person per week for a maximum of 12 months.

6. The Community's contribution to the financing of national schemes must not exceed 50% of the wage allowances specified above, except in the case of assistance to regions with the highest level of youth unemployment (Greenland, Ireland, Northern Ireland, the French overseas departments and the Mezzogiorno), where a higher intervention rate (plus 10%) is applied.

7. As far as priorities, aid distribution procedures and project selection criteria are concerned, the documents on which the Committee on Budgets is required to give its opinion is far too vague, since it merely states that, in drawing up its management guidelines, the Commission must ensure that intervention by the Fund is selective and channelled to those areas where the need is greatest, i.e. to those countries and regions with the highest rate of youth unemployment.

## III. Financial implications of the measures proposed and allocation of resources

8. It is intended that the measures introduced should be applied on a permanent footing. No provision is made for a corresponding separate budget entry since 'the necessary appropriations for implementing the new aid would come under several budget entries relating to various measures by the Fund'.

9. On the assumption that of the one million young people to be regarded as 'eligible' 100,000 will actually receive aid, the cost of the scheme is put at 117 m EUA, 39 m EUA being allocated to recruitment premiums and 78 m EUA to job creation programmes in the public services sector.

After adjusting the total to allow for the fact that the amounts specified in the foregoing paragraph are 'maximum amounts' and to take account also of the higher rate of assistance granted to the more seriously affected regions, the Commission arrives at an estimate of 110 million EUA in commitment expenditure for 1979 alone.

For reasons of balance, this amount is to be divided equally between the two types of assistance provided for in the Fund regulation, i.e. to finance measures adopted pursuant to Council decisions (Article 4) and to finance other schemes aimed at solving specific employment problems in certain regions of the Community (Article 5).

Commitment appropriations for 1980 and 1981 are estimated at 165 m EUA and 225 m EUA respectively. Payments will be spread over several years, as indicated in the following table:

Commitments (m EUA)		Payments (m EUA)			
		1979	1980	1981	1982 and subsequent years
1979	110	40	40	30	-
1980	165	-	60	60	45
1981	225	-	-	80	145
<b>TOTAL '79-'81</b>	<b>500</b>	<b>40</b>	<b>100</b>	<b>170</b>	<b>190</b>

10. The Commission points out that it would not be able to carry out the additional administrative work involved in the implementation of its proposals with its present staff complement, adding that there is a particular staff shortage in categories B and C.

#### IV. Observations by the Committee on Budgets

11. While it is not the committee responsible, the Committee on Budgets feels that it must point out that it shares the Commission's concern at the steadily worsening situation on the labour market and that it will support any initiative taken by the Nine to create new jobs, particularly for young people.

It would obviously not be possible to accept any measure by the Commission in this field if it did not guarantee the attainment of the set objectives. Now, as will be seen further on, evidence that this is so seems to be lacking.

12. That being said, your rapporteur acknowledges that it is not the committee's task to consider in detail either the potential effectiveness of the appropriations proposed or the terms of a measure which, in many respects, seems to be based on other measures which have already been implemented by the governments of the Member States, though not always successfully (for example, in Italy they have been a total failure).

The Committee on Social Affairs is undoubtedly better qualified to draw the necessary conclusions on both these issues.

13. The Committee on Budgets clearly has a duty, however, to assess the compatibility between the funds requested for the implementation of a given proposal, the methods envisaged for their allocation, the distribution criteria adopted and the targets set.

It goes without saying that no opinion can be meaningful unless it is formulated in the light of all the relevant factual data. In this regard, however, the information provided by the Commission is totally inadequate. Indeed, for the most part the Commission is content merely to repeat a set of ill-defined management objectives, which are to be attained by means of instruments which do will possibly not be subject to prior scrutiny by the European Parliament.

14. Equally unsatisfactory are the Commission's comments on 'the additional administrative work involved in the implementation of the new aid arrangements' and the need for extra staff to cope with that work.

The Committee on Budgets finds it bewildering to be confronted with a document which gives no explanation whatsoever of the anticipated increase in the Commission's workload and yet is quite explicit as to the number of additional staff required (two A grade officials, three B grade officials and three C grade officials). The inference to be drawn from this is that either the Commission, if only because of lack of time, has not yet given adequate thought to the nature of its additional responsibilities and therefore cannot arrive at a precise estimate of the number of extra staff required, or else it already has a reasonably clear idea about the extra work involved, in which case it is to be censured for having omitted to inform Parliament.

15. As for the expenditure estimates in the financial schedule, the Committee on Budgets is dissatisfied with the method of calculation used, based as it is on a percentage of young people eligible for aid under the new arrangements, thus totally ignoring the really fundamental problems of youth unemployment in the nine Community countries.

This concern of your committee is all the more justified as the bulk of the aids proposed concern particularly disadvantaged regions in which it is correspondingly difficult to foresee concrete results. This is the case with Greenland, Ireland and the French Overseas Territories which suffer from under-industrialization.

Finally, it is quite astonishing to find the Commission blandly stating that the total amount of assistance should be reduced by 5% to 7% because a few applications may be for an amount of aid that is less than the maximum amount payable. Indeed, it would be quite interesting to know what the Commission regards as 'a few applications' and on what grounds it can foresee that the scale of applications will be such that it can already fix the reduction of its aid at between 5% and 7%.

#### V. Conclusions

16. Having regard to the foregoing considerations, the Committee on Budgets:

(a) deplores the fact that the Commission has failed to provide the information (on priorities, methods of distribution and selection criteria, etc.) needed for a thorough appreciation of the measures proposed, and urges that in future it adopt a procedure that takes more account of the tasks to be performed by Parliament.

(b) Considers the information at its disposal to be insufficient for determining exactly the amount of staff necessitated by the adoption of the measures under consideration.

(c) Urges the Commission to adopt a more thorough costing procedure and to provide more detailed estimates.

17. At the committee meeting of 26 April 1978 an initial exchange of views was held on the proposals concerning the employment of young persons.

Your rapporteur appreciated the Commission's cooperativeness in providing him on that occasion with the necessary background information.

He also met Mr LEZZI, rapporteur for the Committee on Social Affairs, Employment and Education, and noted the critical but generally favourable report that the committee had adopted at its meeting of 24 April 1978.

Finally, he studied a supplementary note on the management guidelines (guidelines for the determination of selection criteria for the application of a new category of aid from the European Social Fund for young people) proposed by Mr VREDELING at a meeting of the Committee on Social Affairs, Employment and Education.

Therefore:

- having regard to the political importance of the proposed measure, which will enable the Community to deal with one of the most serious social problems and one that has different implications for each Member State;
- having regard to the information the Commission has procured and the constructive attitude it has shown;
- having regard to the discussions in the Committee on Social Affairs, Employment and Education;
- having regard to the guidelines set out by Mr VREDELING, Vice-President of the Commission;

your rapporteur feels able to deliver a favourable opinion but would nevertheless ask the Commission to work out the necessary instruments for the supervision of this aid and to keep Parliament informed of the progress made with the proposed measures.

ANNEX I

COMMUNITY MEASURES TO STIMULATE EMPLOYMENT

<p>(1) Measures concerning the demand for employment</p>	<ul style="list-style-type: none"> <li>- general economic aspects:             <ul style="list-style-type: none"> <li>{ (a) Fourth Medium-Term Programme</li> <li>{ (b) Tripartite Conference</li> </ul> </li> <li>- measures by             <ul style="list-style-type: none"> <li>{ (a) the EIB</li> <li>{ (b) the ERDF</li> </ul> </li> </ul>
<p>(2) Measures to facilitate transition from school to <u>working life</u></p>	<p>(I) <u>Specific measures:</u></p> <ul style="list-style-type: none"> <li>a-Education Committee pilot schemes             <ul style="list-style-type: none"> <li>{ - guidance and consultation</li> <li>{ - teacher training</li> <li>{ - vocational training</li> <li>{ - specific youth employment measures</li> </ul> </li> <li>b-Aids to young agricultural workers             <ul style="list-style-type: none"> <li>{ - EAGGF financing of socio-economic guidance schemes</li> <li>{ - proposed directive to assist young agricultural workers (now before the Council)</li> </ul> </li> <li>c-ESF aid             <ul style="list-style-type: none"> <li>{ - vocational training</li> <li>{ - exchanges of young workers</li> <li>{ - new vocational guidance programme</li> </ul> </li> </ul> <p>(II) <u>Development of national placement and training schemes</u></p> <ul style="list-style-type: none"> <li>(a) Recommendation on development of vocational training schemes for young people</li> <li>(b) Studies relating to apprenticeship schemes</li> <li>(c) Comparative studies</li> <li>(d) SEDOC scheme to facilitate geographical mobility of labour</li> <li>(e) Study on development of qualifications in relation to technology and training (in collaboration with the Berlin Centre)</li> <li>(f) Work programmes by Dublin Foundation on upgrading of manual work</li> </ul>
<p>(3) Youth programme</p>	<p>Now before Parliament and the Council</p>

## ANNEX II

EMPLOYMENT SUBSIDIES GRANTED BY THE MEMBER STATES  
BETWEEN 1975 AND 1977

COUNTRY	TYPE OF SUBSIDY	Year of adoption		
		1975	1976	1977
Belgium	Employment premium for small and medium-sized firms in areas of industrial change or development (Royal Decree of 23.1.1975, amended by Decree of 14.1.1976)			
Federal Republic of Germany	(a) 'Arbeitsförderungsgesetz', para. 54 Programme of 10.12.1974 / Programme of 16.11.1976 (b) Maintenance of jobs (recruitment regulations of 24.3.1977)			x
Ireland	(a) Employment incentives: £10 per week for '2nd level' school-leavers recruited (NB: only in respect of additional workers) (b) Training grants for new or expanding industries		x	x
Italy	(a) Recruitment subsidy (Law 285 of 11.6.1977) Age Limits: 15-29 years / Duration: 18 - 24 months (b) Subsidy for agricultural cooperatives (Law 285 of 11.6.1977). Age limits: 18-29 years / Duration: 24 months			x x
Luxembourg	Subsidies to maintain employment (Law of 26.7.1975)			x
Netherlands	Subsidy for young people 30% wage subsidy Measures to encourage the pursuit of part-time courses of study Aid to the handicapped	x x	x	x

ANNEX II (CONTD)

COUNTRY	TYPE OF SUBSIDY	Year of adoption		
		1975	1976	1977
United Kingdom	(a) Employment subsidy (general) (b) Small firms/temporary employment subsidy (c) Premiums for the recruitment of trainees		x  x	  x

