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Speech by Vice-President H. VREDELING
on the EEC's role in developing Job Opportunities
to Irish Management Institute

National Conference "Jobs, Enterprise, Employment, Conflict"

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I would like to thank the Irish Management Institute for giving me the opportunity to address such an important audience on "The EEC's role in Developing Job opportunities".

In Europe as in Ireland the provision of enough jobs to meet the growth in our populations has become since the early 70's the major challenge facing our economic and social system.

There are of course differences between the purely Irish situation and the overall European one, but these differences, I suggest, are of degree rather than of nature. If we look at the demographic figures - and here I must say that although I enjoyed reading the report in the April Fool's edition of the Economist that I was drawing up a plan for Eurobabies I must deny it - although sometimes I wish my real proposals were reported so widely - the European population will grow until 1984 and will then contract, whereas the Irish outlook is for a more sustained long-term population growth.

The Community outlook is that between now and 1984, 25 million young persons will reach the age of 16 while only 15 million are going to pass the age of 65 adding over that 7 year period about 10 million persons to the Community labour potential.

In times of healthy economic growth and full employment these population changes would be a source of strength. In Europe as a whole at the end of the 60's we emerged from a period of shortage of labour, during which we had a strong inflow of migrant workers. Our current unemployment rate however is running at 5.7 %, or 6 million persons. In particular youth unemployment which has been increasing steadily since 1969 now amounts to 2 million. The proportion of young people among the unemployed is now 38 % although young people only make up 17 % of the working population. Between 1974 and 1977 we achieved annual average rates of growth of less than 2 %. The level of investment fell in 1974 and in 1975. We lost almost 2 3/4 million jobs between 1973 and 1976 - 3/4 million in agriculture, 2 million in industry, and gained in return only 1 million jobs in the tertiary sector.

This then is the scale of the problem. I propose in my talk to outline the range of policies which the Community is pursuing and which are designed to make an impact on this situation. In the first place although I think there is now a general consciousness about the limitations of growth and of the structural problems associated with the form of growth which we knew in the 1960's. I am thinking here of energy, raw materials, pollution, and regional disparities. I am nevertheless convinced that we must do all we can to bring about as high a rate of economic growth as possible - a selective growth obtained by careful and comprehensive planning.

The precondition for this growth is growth in world-trade and here the Community has an important role to play. At the GATT negotiations in Geneva we will be working for the opening of trade barriers. At the same time however we must guard against being flooded by imports whose low price is based on the exploitation of labour. Thus with my colleagues I am looking at the possibility of the implementation of the Minimum Labour Standard Conventions of the I.L.O. as a precondition for preferential access arrangements with the Community.

Our priority must be to encourage the process of development and of income transfer to which the LOME CONVENTION has made a substantial contribution which will shortly be renegotiated. Our overall aim should be to achieve a Marshall-aid type impact with mutual benefits for Europe in the form of markets and in the form of development for the countries concerned.

We will also be working to bring about expansion in the world economy, particularly by absorbing the OPEC trading surplus, and by bringing order to the chaos which exists in international exchange rates.

On the European level our attempts to return to normal rates of growth have been also hampered by exchange-rate instability.

Balanced growth can only be achieved if we can coordinate our demand management and exchange rate policies. The President of the Commission, Mr. JENKINS, has succeeded in getting the message through to the member-states that the achievement of Economic and Monetary Union is more necessary than ever.

The recent Copenhagen summit gave good reason to hope that we are making progress towards this goal.

So much for the generation of jobs through overall growth. We have also been examining the investment situation in the Community and are now developing a new instrument for providing low interest loans for industrial developments. This instrument will be closely coordinated with the development of Community sectoral policies, particularly as regards projects to bring about energy saving and to promote European energy sources.

There is a growing agreement that sectoral problems can only be resolved in a Community framework. A Community approach to problems of excess capacity and to restructuration is the best guarantee against the danger that uni-lateral action in one member-state will only result in the creation of problems in another member-state. The Community speaks with one voice in trade negotiations which are often concerned with specific products - e.g. the multi-fibre agreements. It must therefore develop corresponding sectoral strategies. Plans and principles for aid have been drawn up for the sectors in greatest difficulty - shipbuilding, textiles, man-made fibres, shoes, steel. But the Community should not be concerned only with the industrial aspects of these problems. Employment considerations should be an integral part of these policies, drawing on our experiences with Article 56 of the European Steel and Coal Community Treaty.

This article makes special provision for the reemployment of redundant workers through grants for vocational training, for income maintenance, and for the creation of new jobs.

While I am on the subject of aid and of sectoral policies I should perhaps add that the Commission recognises the need, in the short term, for State aid to ease the running down and/or redeployment of the labour force of a non-viable firm or sector. We believe however that national measures should be aimed at making firms and sectors viable in the medium term without state aid.

But the Community's sectoral role can not be confined to acting as a Red-Cross agency or ambulance. We are also developing sectoral policies which look ahead to the key growth areas such as microprocessing, aerospace, nuclear energy. We are introducing more adequate monitoring and forecasting systems for sectoral changes and policies to promote innovation through encouraging research and development and through a more coordinated use of government contracts.

The most important Community instruments for structural development and the provision of stable employment remain the European Social Fund, the European Regional Development Fund and the European Agriculture Guarantee and Guidance Fund.

As the Commissioner primarily responsible for the European Social Fund

I am convinced of the importance of maintaining and developing vocational training provision. Unfortunately there appears to be a decline in the training opportunities offered in the private sector. But if we are to respond to the technical changes of the future and to the industrial changes that will be called for we must continue to develop a highly skilled and flexible labour force. This is why the Commission

has continually pressed for an increase in the allocation of the European Social Fund and has extended its range of application.

The relationship between Ireland and the ESF has been a happy and fruitful one. Up to the end of 1977 ESF grants to Ireland totalling £ 60 m have been approved. In 1973 for example AnCo trained 4,000 persons, in 1977 13,000. Ireland has developed its vocational training systems, both public and private, at a rate which would not have been possible if it had had to rely on its own resources. It has been estimated that over 3/4 of the total expenditure of the national training body is supported by the Fund along with a large share of the training carried out by enterprises. Several national training bodies have developed their existing programmes and have introduced entirely new ones along with new schemes of training grants. This has had a direct effect on the ability of Ireland to attract industry, and to allow existing industries to develop and to maintain competitiveness.

If the relationship has been fruitful it has been because the rules of the Fund were well adjusted to the needs of countries suffering from regional disadvantages, such as Ireland. But it has also been due to the intelligence and resourcefulness with which Irish managers, in the public and private sectors, with the active support of the unions have exploited the possibilities of the Fund.

Last year we carried out a reexamination of the rules governing the operation of the Social Fund. The new rules of the Fund will have the effect of further concentrating the impact of the Fund on the regions of the Community suffering most from employment difficulties.

Projects in the hardest hit regions, which have been identified as Greenland, the Mezzogiorno region of Italy, the French Overseas Departments and Ireland, North and South are now eligible for financing at a rate of up to 55 %. We have revised our method of calculating our support for projects which fall outside our top priority criteria in such a way as to favour economically weaker countries. A number of administrative improvements will mean that thirty per cent of the aid agreed will be paid in the form of an advance at the start of the project, a further 30 % at the half-way point of the project and the rest when the final stage of the project is completed. This one change alone is expected to make a substantial difference to the Fund's effectiveness.

I am pleased to point out here in Ireland that in December the Commission obtained the opening of the Fund for programmes of training and re-training for women. With the availability of Fund support the practical achievement of equality between men and women will become easier especially for the weaker member-states. I hope this new possibility will be fully exploited also in Ireland with an imaginative range of proposals for training programmes.

The Commission through its Directives on Equal Pay and on Equal Opportunities has already established the legal framework which the new Fund opportunities support. As you know, this was one of the priorities of my predecessor, President Hillery, to whom I would like to pay tribute.

In Ireland you have an understandable preoccupation with the impact of growth and economic integration on regional and less developed areas. Attention is often focused on the size and allocation of the European Regional Development Fund. But you should not overlook the regional impact of the European Social Fund. Last year grants totalling

£ 20 million were approved from the Social Fund as compared with £ 13 million from the Regional Fund. This year, within the introduction of the new unit of account the Irish gain from the Regional Fund will almost double, reaching £ 25 million. With the new measures which I have outlined and with the new proposals for young people which I will deal with later, the Irish gain from the Social Fund in 1978 is likely to continue to be greater than the gain from the Regional Fund. In 1977 about 70 % of all Social Fund expenditure took place in the poorer regions. I quote these figures to show that the Commission which alone is responsible for the allocation of the Social Fund and which is not obliged by the Council to operate within quota guidelines has ensured that Social Fund aid helps the poorer regions most. I will continue to promote this policy.

The rules of the Fund have until now limited its interventions to the support of training. However the particularly difficult employment position of young persons has led many governments to the conclusion that overall economic measures, even if accompanied by expanded training facilities would be insufficient to deal with the scale of the problem. They have therefore introduced a wide variety of schemes to encourage employers to provide jobs for young persons and, through work creation programmes, directly to organize and provide jobs. The Commission has been active in suggesting and promoting such measures and on the 5th April it put formal proposals to the Council of Ministers and the European Parliament which will empower the Fund to use its resources to support such measures for young persons.

These proposals call for increased resources amounting to £ 75 million

to ensure that ^{the} new activities will not weaken its efforts in the field of vocational training. We have proposed two forms of aid : The first form of support is for recruitment premiums given as an incentive to enterprises to take on young persons. Up to £ 10 per week for a period of 26 weeks should be available.

The second form of support is for direct job creation programmes for young persons. Here up to £ 20 per week for a period of 52 weeks should be available.

These measures will be concentrated on the priority regions with Ireland, North and South, qualifying for the special 55 % intervention rate. I am particularly anxious that the job-creation programmes will be a success because they provide an opportunity to carry out projects of community betterment such as environmental actions or services to community residents.

As Commissioner responsible for Employment and Social Affairs I am concerned with the problem of consensus between the social partners and with the fair sharing of the burden of unemployment.

I give great importance to the restraint and responsibility which the European Trade Union Movement has shown in what is a difficult situation. This restraint can only be expected, however, if a vigorous and comprehensive effort is being made to draw up and carry out effective policies. I particularly welcome their contribution, made on April 5th, which was European Trade Union Day, when they declared that solutions to employment problems would be found on a European rather than a purely national level.

This is why I am taking a special interest in the organisation of a third Tripartite Conference which could take place in autumn of this year.

These Conferences bring together the social partners, the economics and employment ministers and the Commission. To prepare this Conference the Commission has presented papers on four key issues for the future outlook for employment. Three papers examine the international outlook, the relationship between investment and employment, and the possibilities for employment in the tertiary sector. I would like here to go into detail on the fourth paper, which deals with work-sharing, i.e. the organization of work available in the entire economy in such a way that all those wishing to work can do so.

There has already been a decline in total working-time of an average 1 % per year between 1960 and 1975. We are now examining the feasibility of accelerating this trend. We could then seek to strike a better balance between growth in incomes on the one hand and an increase of leisure and better working conditions on the other. I am convinced that there is a need for Community initiatives on overtime and shift work.

This conviction was confirmed by the reception which our document received at the recent Standing Employment Committee, representing Governments and the social partners.

The question of the cost of work-sharing measures has already been raised at this Conference. The cost we would face would not only be due to work-sharing measures, but to the failure of the economic system to create enough jobs to fulfill the needs of the working population. Every unemployed person, and every person forced to leave the labour market is a cost since they cannot work and cannot produce output.

The real work-sharing issue is how we might share the costs between Social Partners and between them and the Governments representing Society as a whole. Sharing costs through sharing work, rather than through Governments taxing the employed and the employers in order

to pay the unemployed is clearly a matter requiring careful discussion and negotiation. However, we feel that the seriousness of the situation is appreciated, and that there is a willingness to accept a just sharing of the costs on all sides in order to achieve a more orderly adjustment to present levels of economic activity. The long-term nature of our employment problems forces us to contemplate the adjustments which working sharing entails.

In summary, I have indicated in my speech three developments which I have promoted within the Community - the extension of the role of the Social Fund into employment creation and subvention, the examination of work-sharing measures and the drawing up of comprehensive sectoral plans.

In conclusion if we agree about nothing else at this Conference I think we can at least agree that there are no easy solutions to the employment situation we face. We can rule out solutions on the purely internal level. There are, however, possibilities for action at the Community level. It is our duty not to leave any of them unused. I will be doing all I can to fully exploit them and I will be working to have the full support of the member-states and of the social partners in doing so.