

COMMISSION OF THE EUROPEAN COMMUNITIES

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JOB CREATION : PRIORITIES FOR COMMUNITY ACTION

(Communication from the Commission to the Council)

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JOB CREATION: PRIORITIES FOR COMMUNITY ACTION

1. The object of the present communication is to define, in the context of the 30th May Mandate report, the priorities for stimulating the creation of employment which should guide the Community and Member States.

2. The promotion of employment will flow first and foremost from the restoration of economic growth in the Community. Policies to achieve this objective must be cast within an overall socio-economic strategy as defined in the Commission's Communication to the Joint Council of Ministers of Employment, Finance and Social Affairs, (1) and in its foreword to the 5th Medium Term Economic Programme (2). In this connection the Commission recalls also its proposals on regional policy (3), industrial policy (4) and innovation (5), in particular those elements relating to the creation of employment. The Commission will aid those efforts by Member States which correspond to agreed Community objectives.

3. It is a major objective of the Community to return to a satisfactory level of employment, on a long-term basis. This requires that European industry maintain its competitive position in world markets by means of increased productive investment and lower production costs. It also requires the Community to reduce its dependance on imported energy. The Commission has also emphasised the need to:
 - develop counter-inflationary measures in a manner most likely to favour economic recovery and employment growth;
 - adapt methods and forms of public expenditure in areas affecting employment with a view to stimulating the process of job creation;

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- (1) Problem of unemployment: Points for examination COM(81)154.
 - (2) Draft of the 5th Medium-Term Economic Policy Programme COM(81)344 final.
 - (3) New regional guidelines and priorities - COM(81)152.
 - (4) To develop industry in Europe - A Community strategy - COM
 - (5) Outline programme for industrial innovation - COM(81)620.

- promote greater flexibility in both the productive base and the labour market;
- establish a social consensus and the full participation of all parties concerned, in particular through dialogue with the Social Partners.

4. Common policies on industrial innovation and restructuring must be reinforced in order to exploit the single Community market more fully and to stimulate the development across the Community of new areas of economic growth. The Commission will make separate proposals to the Council in this respect.
5. In parallel, the work undertaken at Community level on the reorganisation of working time, which takes account of the pressures to maintain competitiveness, can also contribute to the objective of creating employment, and should be pursued with the aim of establishing a Community framework for negotiations within Member States.
6. The Commission proposes in the framework of the 30 May Mandate to use the various Community financial instruments directly in support of these objectives. The Community's limited resources cannot meet all needs and should therefore be channelled into specific areas for action of common concern. The Community should aim to stimulate innovation and contribute to policy development in Member States as well as promote economic convergence within the Community.
7. This communication suggests a series of interventions in two broad areas of political priority:
 - the problem of youth unemployment and the transition from education to adult working life;
 - the employment potential of small and medium-sized enterprises, including the contribution of new technologies;

(a) An employment policy for the young.

8. The highest priority must be the young. The general employment crisis is heightened by the arrival on the labour market of unusually large numbers of young people, for demographic reasons, at the depth of the recession in the Community. The result is an appalling level of unemployment amongst young people under 25. There is agreement at all levels of society that solutions must be found. At the same time, it will also be necessary to cater, on a larger scale than hitherto for other disadvantaged groups for the handicapped and the long-term unemployed, in particular.

9. The Commission suggests a two-part approach to the problems of the young. Unemployment among the 16-18 age group in particular is a reflection of the inadequacies and inequalities of existing provisions for providing young people with an adequate social and vocational preparation for adult life. The underlying problems facing young people attempting to find a role in the labour market were largely disguised during the period of economic growth, when even the more disadvantaged groups were able to get jobs and change jobs frequently, thereby gathering experience of working life "from within". Until now the great proportion of special measures for young people have been designed with a view to providing a substitute for employment and employment-based training. There are, nevertheless, increasing pressures within Member States to establish a more coherent strategy for 16-18 year olds.

10. Drawing on the experience of existing Community programmes in the area of transition from education to working life and training by 'alternance', the Commission has already suggested in its Communication to the Joint Council , that comprehensive provision should be made available to all young people during the two year period after the end of compulsory schooling. The Community through its financial instruments will support the development of this medium term strategy and should set itself the objective of ensuring that within 5 years every young person

under the age of 18 in the Community is guaranteed education, training or work experience as an alternative to unemployment.

11. Over the age of 18, young people may still need to benefit from specific measures to improve their employment opportunities, but the emphasis at this point should be of facilitating entry into the labour market rather than on providing a preparation for entry. For a number of years the greatest pressure for action is going to arise in this age group. Part of the Social Fund is already devoted to support initiatives in this area. However, increasing the possibility of intervention to aid the creation of a wide range of jobs for the 19 to 25 age group must be given greater emphasis.

For such intervention to be effective the Commission will urge and help Member States to better identify and analyse the obstacles to the creation of employment which do vary from country to country.

There is a wide range of measures available to the Commission to assist the entry into working life of this age group. The Commission would wish to consider inter alia:

- selective recruitment subsidies
- forms of managing working time
- training facilities leading to the encouragement of entrepreneurial activities
- assisting those schemes at present in operation in Member States whether public or private designed to create employment.

(b) Employment potential of small and medium-sized enterprises
Innovation and new technologies.

12. The Commission reported to the Joint Council of Economic, Social and Finance Ministers that it would be seeking ways to support the spread of innovative capacity and enterprise throughout the social fabric: "There is considerable potential in the development of small-scale job creation, mainly in small and medium-sized firms, but also in co-operatives and an array of initiatives at the local level, and the conditions for the success of such actions should be examined and encouraged."
13. This confidence flows from earlier reports showing the scale of small or medium-sized enterprises (SMEs) in the Community (two thirds of the Community's workforce outside agriculture and public administration) and their increasing role (3) (4). The potential for job-creation through a significant expansion of this sector is thus very great. The Community is already assisting this process via its loan mechanisms particularly by the increasing use of global loans. The use of the regional fund is also being further developed in this regard.
14. It is also clear from this work that the inherent advantages of SMEs (flexibility and readiness to innovate) and the contribution they can make to creating employment, are often neutralised by their lack of expertise in areas of knowledge beyond their natural horizons, their lack of status with the financial institutions and difficulties in exploiting government contract and export markets. Moreover, the tendency for traditional large-scale enterprise to be replaced by smaller ones creates a need for more entrepreneurs to exploit local potential in setting up and guiding small businesses, either on a conventional basis, or through alternative forms, such as cooperatives and Community based industries.

(3) "Report on some structural aspects of growth" COM (78) 255

(4) "Small and medium-sized enterprises in the Community" COM (80)

The physical needs of small businesses in terms of size, cost and location of premises are different from larger enterprises and involve a new approach to land allocation, use of buildings, and provision of infrastructure. In the present crisis the desire to find local solutions is often strongly evident: what is needed is both the capital and the "software" in the terms of expertise to do the job.

15. In principle the revolution in information systems means that many of the advantages of large-scale integrated operations will in the future be available to small independent enterprises: thus computing, data storage and retrieval, market information and analysis, design financial and accounting services of a high standard should become generally available. In practice there are major lags in the distribution of this expertise, not only through financing problems, but also insufficient preparation of businesses and their managers, fear of social consequences, and sometimes the absence of associated services (access to software companies).

16. The Commission accordingly suggests:

- (i) National and local authorities have an important role to play in ensuring that sufficient public and private investment takes place to provide the physical conditions and an infrastructure for job-creation through new business. The financial instruments of the Community will give priority to financing preliminary investment at the local level with this objective (5).
- (ii) Improving the access of small business to finance for expansion and innovation. The problem here has already been stated: "To safeguard and stimulate investment which is thinly spread, of restricted scale and involves a high risk". (4)

(5) Proposal for a regulation of the council amending Regulation (EEC) No. 724/75 establishing a REGIONAL EUROPEAN DEVELOPMENT FUND COM (81) 589 Final.

Much progress has been made in reducing the minimum size of loans from the Community institutions: but financial problems remain, both where the infrastructure costs of developing small business are high, and where the private banking sector have no difficulty in placing funds with "blue chip" companies. The Commission will pursue its earlier proposals for stimulating interest among financial institutions in SMEs.

(iii) A programme to encourage dissemination of the new technologies, especially among SME. The programme should permit financing training courses, or initiation courses, access to software companies, investment in small-scale information equipment and possibly assistance to workers during periods of re-adaptation.

(iv) Provision of technical and marketing services: the provision of technical services has been largely covered above. In the marketing sphere, provision should be made to encourage the establishment of service companies which offer market research and agency services to small industries to encourage exports both within the Community and outside.

(v) Encouraging a better appreciation of the process of developing new enterprises. Some training has already been undertaken of people starting new ventures (6): this should be more widely available and should extend to staff of co-operatives, community industries and local development agencies, as well as entrepreneurs and managers of small firms.

Conclusions

17. There is an urgent need to improve the process of creating employment in the Community, and action shall be directed to the priorities outlined here. The Commission will alter the emphasis of the instruments under its control at the earliest opportunity so that a start can be made. Much needs to be done at every level in the Community.

(6) CEDEFOP : Role of training in setting up new economic and social activities: 1980.

It will be necessary to bear in mind, as policy and practice develops, the need :

- to provide at all levels, in Member States, the financial resources necessary to support the job creation process; the Social Fund will have to be strengthened in this respect;
- to encourage the development of a programme approach in Member States - and to introduce it in the Community instruments, with a view also to improve the efficiency of the training and labour market systems;
- to develop a regional perspective in job creation policy, which takes account both of the need to concentrate resources and initiatives in disadvantaged regions, including those where major closures of traditional industries are taking place ; and the desirability of supporting, throughout the Community, technical or social innovation;
- to involve the social partners and draw on their experience;
- for continuing monitoring and analysis of the measures which are adopted;
- to enable the existing funds to finance a wider range of measures working to an agreed objective;
- to promote integrated operations at local or regional level through a combination of Community instruments.