

# European Community



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## INFORMATION NOTE

### WHAT THE EC IS DOING TO PROVIDE MORE JOBS

Adapted from a speech to the Irish Management Institute by Commission Vice-President Henk Vredeling, responsible for Employment and Social Affairs.

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In Europe the provision of enough jobs to meet the growth in our populations has become since the early 1970s the major challenge facing our economic and social system.

If we look at the demographic figures, the European population will grow until 1984 and will then contract.

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, so adding over that seven-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 1960s 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 per cent or six million persons. In particular, youth unemployment, which has been increasing steadily since 1969, now amounts to two million. The proportion of young people among the unemployed is now 38 per cent although young people make up only 17 per cent of the working population. Between 1974 and 1977 we achieved annual average rates of growth of less than 2 per cent. 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, two million in industry - and gained in return only one million jobs in the tertiary sector.

### Range of EC Policies

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 1960s - 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.

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### Generating Jobs Through Overall Growth

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 Lomé Convention, which will shortly be renegotiated, has made a substantial contribution. 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 be achieved only if we can coordinate our demand management and exchange rate policies. The President of the EC 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.

### Resolving Sectoral Problems in EC Framework

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 unilateral 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 Arrangement. 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 experience with Article 56 of the European Coal and Steel Community Treaty.

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

The Commission recognizes 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 cannot 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.

#### Extending Role of European Social Fund

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 provisions. 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.

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 per cent. 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 30 per cent of the aid agreed will be paid in the form of an advance at the start of the project, a further 30 per cent 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.

The Commission, through its Directives on equal pay and on equal opportunities, has already established the legal framework which the new Fund rules support.

The rules of the Fund have until now limited its intervention to the support of training. However, the particularly difficult employment position of young persons had 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 in April it put formal proposals to the Council of Ministers and the European Parliament which will empower the Fund to use resources to support such measures for young persons.

These proposals call for increased resources amounting to \$150 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 \$20 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.

#### Work Sharing - and How to Share its Costs

As Commissioner responsible for Employment and Social Affairs, I am concerned with the problem of consensus between the social partners - management and labour - 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 made to draw up and carry out effective policies. I particularly welcome their contribution made on 5 April, 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 organization of a third Tripartite Conference which could take place in the 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. The fourth paper 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 cent 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. There is a need for Community initiatives on overtime and shift work.

The real work-sharing issue is how we might share the costs between social partners, and between them and the governments representing society as whole. Sharing costs through sharing work, rather than through governments taxing the employed and the employer 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.

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