

INFORMATION

SOCIAL POLICY

PROMOTION OF EMPLOYMENT :
COMMUNITY POSSIBILITIES AND RESULTS TO DATE

35/72

Below is an inventory of the various lines of action available to the European Communities for the expansion of employment. Each item in the list is accompanied by a short account of the action which has already been carried out.

1. The European Social Fund

A - The old European Social Fund

The European Social Fund in its older form, was formed under Article 123 et seq of the EEC Treaty, to promote employment facilities and the mobility of workers, from one place to another and from one industry to another, inside the Community. It refunds 50 % of the expenditure of member countries, or public organisations :

- on vocational re-training of unemployed workers ;
- on the re-housing of unemployed workers ;
- on maintaining at their previous level the earnings of workers affected by re-conversion schemes, during periods corresponding to definite and non-provisional changes in the production programme of their firm.

Up to October 1972, the Fund had paid out 225.8 million units of account for vocational re-training of nearly 800,000 unemployed workers; and 9.4 million units of account for the re-housing of 704,000 unemployed workers.

The operations of the European Social Fund in its older form will come to an end in 1975, or at latest in 1976. They involve an annual expenditure of the order of 50 or 60 million units of account.

B - The European Social Fund as renewed

- a) The Fund, in its renewed form, is authorised to intervene when the employment situation :
- is affected, or threatened, as a result either of specific measures decided by the Council of Ministers in virtue of policies of the European Communities ; or of agreed programmes designed to secure the achievement of Community objectives ; or
 - discloses the necessity for specific joint action to provide a better balance between the supply and demand for manpower in the Community.
- b) The Fund may also intervene when the employment situation is affected in particular regions, in particular economic branches or in particular groups of firms, by difficulties which do not result from any special measures taken the Council under a Community policy, but which are the indirect result of the functioning of the Common Market or act as obstacles in the smooth development of the Community.

The contribution of the Fund extends to 50 % of the eligible expenditure on action undertaken by public administrations or public organisations and joint social organisations handling missions of public interest.

As regards action of the first type, two draft decisions have already been submitted to the Council by the Commission. These would cover the use of the Fund for workers leaving agriculture; and for workers in the textile and clothing industries.

In the draft budget for 1973, as transmitted by the Council to the European Parliament, there is provision that the Fund, in its new form; shall be able, for intervention of the two types above mentioned, to undertake operations to a total of about 180 million u.a. (of which 70 million u.a. under Article 4 and 110 million u.a. under Article 5) ; authorise from 1973 onwards operations to be carried out in 1974 and 1975 to a total of, respectively, 120 million u.a. and 64 million u.a.; and carry out investigations or pilot experiments to a cost of up to 0.75 million u.a.

2. Activities under articles 54 and 56 of the Treaty setting up the ECSC.

A - Application of ECSC Treaty, article 54.

Under this article, the High Authority (of which the Commission is the successor) may facilitate the execution of investment programmes by loans to the sponsoring

firms, or by giving its guarantee of such loans.

Up to October 1972, the Executive body had made loans to a total value of over 900 million u.a. as contributions to the financing of investment programmes, and thus to the creation of many new and economically viable activities which, inter alia, are in a position to provide productive re-employment for manpower becoming available as a result of special difficulties.

B - Application of ECSC Treaty, article 56

If the introduction of new equipment for technical processes results in a reduction of exceptional importance in the manpower requirements of the coal and steel industries; and if this results, in one or more regions, in special re-employment difficulties for the manpower made available, the High Authority, i.e. the Commission as now constituted, may provide non-repayable aid to contribute :

- to the payment of "waiting money" enabling manpower to await re-employment ;
- to the payment of allocations to workers for re-housing and re-installation costs ;
- to the financing of vocational re-training for workers required to change jobs.

Apart from exceptions authorised by a two-thirds majority of the Council, the granting of these aids is subject to the payment of a special contribution, equivalent to at least the amount of the aid, by the government of the country concerned.

In addition if fundamental changes should occur in marketing conditions for the coal and steel industries, even though these are not directly connected with the formation of the Common Market, but have nevertheless the effect of forcing firms to abandon their activities, or to reduce or change them, procedures are set up by which the Commission may facilitate the financing of programmes to create new and economically viable activities; or the reconversion of firms on lines calculated to provide productive re-employment for manpower made available; and to provide non-repayable aid on the same lines as that above mentioned.

Up to October 15, 1972 the total readaptation aid granted for workers in the coal and steel industries amounted to 163.7 million u.a. for 453,000 beneficiaries;

and the reconversion loans contributing to the creation of 117,000 alternative jobs in the coal and steel districts amounted in all to 278 million u.a.

C - Finance aid for the building of workers' dwellings.

The High Authority of the ECSC agreed from the outset that it could not be imagined that industrial investment programmes could be carried into execution with a view to economic expansion and increased employment, without a parallel effort being made to improve the living and working conditions of the manpower engaged. Under this head the problem of housing is of special importance; and the High Authority accordingly decided — for the first time in 1955 — to use its special reserve for investments of a social character, primarily in the financing of the construction of workers' houses, which was considered as a complement to the financial aid provided for industrial investment. Up to October 15, 1972 the High Authority (and the Commission as its successor) have contributed to financing the construction of about 121,000 houses for workers in the ECSC industries, involving contributions of 298 million u.a.

In recent years the Commission has insisted that part of the resources available for the building of dwellings for workers in the ECSC industries should be appropriated to the housing of migrant workers. The Commission has also decided to increase its intervention by an additional credit of 3 million units of account, primarily for providing home facilities for migrant workers who live alone.

3. Action taken under the joint agricultural policy

On April 17, 1972 the Council gave three directives, which may have a considerable influence on the employment and under-employment position, especially in the less prosperous agricultural areas.

The action provided for by these directives may be summarised as follows :

- modernisation of farm units, for which a development plan has been approved, implying the availability as a matter of priority of farm areas liberated through measures for the cessation of agricultural activities. Aid is provided in the form of interest-rate rebates on the investment required for carrying out the plan, or in the form of equivalent capital subsidies, together with guarantees for loans contracted in cases of inability by those concerned to provide sufficient real or personal guarantees. The estimated total cost of

this joint action to the Agricultural Guidance and Guarantee Fund over the first five years is 432 million u.a.;

- encouragements to the cessation of farming activity, and the re-allocation of the agricultural land used, which will be liberated for purposes of structural improvement. The encouragement consists in the provision of an annual indemnity to farmers aged 55 - 65 which can, in particular cases, be commuted for a lump sum payment. Eligibility for this indemnity from the AGGF is limited to an annual amount of 900 u.a. per married farmer and 600 u.a. for a beneficiary living alone. The estimated total cost to the AGGF of this joint action for the first five years is 288 million u.a.;
- creation and development of social-economic information services, either of public sponsorship or specifically appointed and approved for the purpose by the member governments ; or specialised social-economic information sections forming a part of services already in existence;

the training, or re-training of social-economic advisors ;

the welfare, or vocational training, of persons over the age of 18 working in agriculture.

In the latter classes, the AGGF is to reimburse 25 % :

- of a sum not exceeding 7,500 u.a. per newly-appointed advisor ;
- expenditure effectively incurred in the training and re-training of social-economic advisors up to a total amount of 4,500 u.a. per advisor trained or re-trained ;
- expenditure incurred for the welfare or vocational training of persons concerned up to a total amount of 1,500 u.a. per person.

The estimated cost to the AGGF of the joint action under these heads is estimated at 110 million u.a. for the first five years.

4. Action under the regional policy heading

By article 130 of the Treaty of Rome "the European Investment Bank has the mandate of contributing to the balanced and undisturbed development of the Common Market in the interest of the Community. For this purpose, it shall grant loans and guarantees without seeking a gainful objective, to facilitate the financing of projects connected with the development of the more backward areas, projects aimed at the modernisation or conversion of firms, or the creation of new activities called for by the progressive establishment of the Common Market"

At the present stage, the resources of the European Investment Bank are the most direct instrument at the disposal of the Community to enable it to contribute to a better balance in regional development. In fact, the loans granted by the EIB for financing projects connected with the development of the less prosperous regions (article 120 a), represent about three quarters of the loans it has granted inside the Community, amounting to a total of nearly 2,000 million u.a.

The EIB, in order to come within reach of viable small and medium-sized firms and undertakings, without an undue dispersion of its resources, has adapted its intervention technique by making block loans through national finance institutes. Since 1972, it has been using the authority it possesses for giving guarantees in respect of regional development projects.

On March 21, 1972 a resolution by the Council agreed, in principle, that AGGF resources could be used, in and after 1972, for regional development purposes.

On October 21, 1972 the heads of State and governments invited the Community institutions to set up a regional development Fund which should be in condition to operate before December 31, 1973. The Fund will be constituted from the Community's own resources as from the beginning of the second phase of economic and monetary union. In line with the achievement of the economic and monetary Union, the help derived from this Fund, coordinated with the national aid, should make it possible to correct the chief regional imbalances within the enlarged Community, more especially the imbalances resulting from the predominance of agriculture, changes in industry and structural under-employment.

The Council has already agreed in principle to a part of the funds of the guidance section of AGGF being used for the creation of non-agricultural jobs in the priority agricultural regions of the Community, as proposed by the Commission on May 25, 1971. This relates to an amount of 50 million u.a. per annum for five years, to provide an aid of 1,500 u.a. per newly-created job, which can be taken up by a person who has ceased work in agriculture.

On June 19, 1972, the Commission submitted to Council a communication and proposed resolution relating to the decisions the Council had undertaken to make before October 1, 1972 in relation to regional policy. In this communication the Commission insists on the necessity for operating a regional policy at the Community level

and to provide the Community for this purpose with appropriate financial resources.

In addition, the Commission takes the view that a useful purpose would be served by setting up — in addition and not as an alternative — a regional development company. The Community would participate in this; and its scheduled purposes would cover research and information regarding investment, technical assistance, authority to take temporary shareholdings in firms (especially small and medium-sized undertakings) set up in priority regions. The operation of the European guarantee system for regional development, proposed in 1969, should be applicable to the borrowings of a corporation of this description.

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