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## Report

on behalf of the Committee on Social Affairs, Employment and Education

on the motion for a resolution tabled by Sir Brandon RHYS WILLIAMS  
concerning a Community Social Security System (Doc. 382/75)

Rapporteur: Mr Ernest GLINNE

1.2.1

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At its sitting of 14 November 1975, the President of the European Parliament requested the Committee on Social Affairs, Employment and Education to draw up a report on the motion for a resolution tabled by Sir Brandon Rhys Williams concerning a Community Social Security System.

On 12 December 1975, the Committee on Social Affairs, Employment and Education appointed Mr Glinne rapporteur.

It considered this draft report at its meetings of 22 January and 24 February 1976. At its meeting of 26 April it unanimously adopted the motion for a resolution and the explanatory statement with 2 abstentions.

Present: Mr Van der Gun, chairman; Mr Adams, vice-chairman, Mr Marras, vice-chairman; Mr Glinne, rapporteur; Mr Albers, Mr A. Bertrand (deputizing for Mr Girardin), Mrs Carettoni-Romagnoli, Mr Härzschel, Mr Howell, Mr Kavanagh, Mr Pêtre, Mr Pisoni, Mr Prescott, Sir Brandon Rhys Williams and Mr Rosati.

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The Committee on Social Affairs, Employment and Education hereby submits to the European Parliament the following motion for a resolution together with explanatory statement.

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the motion for a resolution tabled by Sir Brandon Rhys Williams concerning a Community Social Security System

The European Parliament,

- having regard to the motion for a resolution tabled by Sir Brandon Rhys Williams (Doc. 382/75),
- having regard to the report of the Committee on Social Affairs, Employment and Education (Doc. 89/76),
- 1. Welcomes, in principle, the initiative of Sir Brandon Rhys Williams concerning a Community Social Security System;
- 2. Believes that this is a most important but also a highly complicated and delicate question and should therefore be handled with an overall, long-term solution in mind;
- 3. Notes that, though the national systems as a whole can only be harmonized in a very cautious and slow process that demands much thorough preparation, certain areas such as family allowances, pensions and other benefits should be considered in the near future;
- 4. Affirms, however, that these initiatives should be based primarily on the discussions which will be taking place within the framework of the conferences on social questions in Europe, so that account can be taken of the views of the representatives of the social partners, who are well informed about the possibility and advisability of taking certain steps at the present time;
- 5. Calls on the Commission to set to work without delay, on the basis of the priorities set out in this resolution, on a study of certain specific areas, taking real incomes into account, to make a comparative study of the opportunities for harmonization offered by current legislation in the Member States and to draw up proposals for areas where harmonization would be possible.

EXPLANATORY STATEMENT

1. Sir Brandon Rhys Williams' motion for a resolution enumerates in three groups the various systems of benefits in the Member States. The first concern is the effect of the various forms of taxation on net spending power. It especially stressed that the regulations governing family allowances must be harmonised. Furthermore, it stated that there are differences between sectors of industry. Finally, negative allowances in the form of deductions and rates of exchange are two problems to be taken into account in establishing the individual citizen's net spending power in each Member State. The objective to be attained should be a genuine European social union. For this it would be necessary to establish standard conditions of employment. Sir Brandon Rhys Williams admitted himself, however, during the reading of his motion for a resolution, that the Commission could be presented with something of a pioneering task in having to work out a Community social security system. To achieve such a system it would also be necessary to reform the various social security systems in the Member States and to ensure that social policies in each of the Member States are moved in the same direction.

2. Although it is acknowledged that the differences in national social conditions and legislation are overwhelming at present, general agreement on the desirability of such a system, in principle, could be reached. It does not, however, solve the difficulties of realisation which are not only of a technical nature in respect of the procedure to be followed, but also have far-reaching political implications.

3. On the other hand, it could be desirable to introduce harmonization within precisely defined areas. The Commission should be asked to draw up proposals for areas where harmonization is possible - for example, family allowances or unemployment benefits. In this context, the tripartite conferences could gain new momentum because, on the basis of the next as well as forthcoming discussions, ideas will be expressed by the representatives of the social partners, who are well informed about the possibility of the realization of certain matters at the moment.

4. The principle need for the harmonisation of the social security systems has to be definitely regarded as a long-term prospective. Up till now some fundamental questions have not been articulated and these are whether, under the structure and effects of the crisis of our economic system, one could refer to the existing social system without questioning it as Sir Brandon Rhys Williams does in his conception. For example, the eighth paragraph of the recitals and paragraph 2(B) of his motion for a resolution, only point out partial aspects of the whole economic mechanism which would mean that many of his ideas would create only other disproportions. A concerted effort to suppress tax fraud and evasion moreover goes hand in hand with the need for the introduction of a Community social system aimed at providing security for everyone and eliminating tension arising from excessive disparities between incomes.

Note on Relevant Statistical Work currently in progress with the Commission

1. Personal Incomes

A number of studies are being undertaken by the Commission in this area.

- Agricultural Incomes. A task force under the chairmanship of Mr von Verschuur has been set up to examine direct support to incomes in the dairy farming sector. The results should be relevant to other sectors of agriculture.
- Low Wages. Within the framework of the social action programme the Commission is preparing a study on Low Wages, covering inter alia minimum wage legislation. The aim is to promote a selective and progressive upgrading of Low Wages, through concertation between Governments and the Social Partners.
- Social Aid. The Commission also intends to carry out a study on income support via Social Assistance in the Member States.
- General. The Statistical Office of the European Communities is at present taking up once more all the work in the "incomes" domain that had to be stopped in the above-mentioned field viz: Labour costs. In its previous publications SOEC had analysed "net income" by the number of dependent children. The calculation, starting from "Gross income" (wages in cash plus the value of benefits in kind) included any family allowances received but the social security contributions on the one hand and income tax on the other hand were excluded.

When comparing Member States among themselves, in terms of "real income" it is not possible to use, as for comparisons of Labour Costs, the rates of exchange of national currencies. This is why methodological studies were undertaken and prices were collected with a view to calculating "TEPAC"s (equivalence of purchasing power) for the various currencies. The latest available rates refer to 1972 and the next will relate to 1975.

- However attention must be drawn to the great number of statistical gaps and methodological difficulties which still beset any comparative work in detail. The most serious gap in income statistics concerns the structure and development of the different categories of income from self employment which are nevertheless indispensable for carrying out the large scale comparisons wished for. However it must be noted that SOEC has started some preliminary work with a view to improve the



data on this primary non employment income so as to conform with the wishes of the Economic Policy Committee of the Commission and with the Social Action Programme. On the other hand the calculations of "real net income" (mentioned above) include only family allowances where social security benefits are concerned whereas other types of such benefits should also be included, whether they be short term (sickness allowances, unemployment benefits, accident at work payments, etc.) or long term (old age pensions specially). It is precisely when trying to obtain a satisfactory quantitative evaluation of the total of these "indirect" wages and incomes that the most serious difficulties are encountered.

- The Commission is carrying out work in this direction but such work which is progressive can provide results only in the long term. It is however fully conscious of the importance which must be given to knowing these fields properly, because in its Social Action Programme it has envisaged the preparation of a system of statistics of the "finally disposable incomes" of different categories of households so that the amounts of transfers resulting from Social Security and taxation can be examined with a view to highlighting the real extent of a possible "redistribution" of incomes.

## 2. Distortions of Competition

The Commission has already undertaken a preliminary study on the "Impact of taxation and social charges on the price of consumer goods and the conditions of competition".

The object is to examine the considerable methodological problems which are raised so as to make possible a study in depth of this problem.

## 3. Analysis of Taxes and Benefits

- (i) Regarding taxation, several studies have been published by DG XV (Financial Institutions and Taxation) including an "Inventory of Taxes" covering national and local taxation. The Statistical Office of the European Communities (SOEC) has also published a series of Tax Statistics (Eurostat) presenting the latest data on taxes and social security contributions, etc.

Regarding Social Security DG V publishes the Comparative Tables on Social Security updated every 2 years. The work carried out on the European Social Budget also provides much comparative data as to the regular publications of SOEC on Social Accounts. SOEC also carries

out regular enquiries on the level and structure of Labour Costs including social security contributions, both legal and contractual.

(ii) Negative Benefits, Indirect Benefits and Services.

Tax allowances are partly covered in the documents described above. The calculation of the balance of taxes and social benefits for different income levels and different types of household has been undertaken in certain Member States, but this is a complex procedure which the Commission at the moment does not have the resources to carry out on a Community-wide basis.

Certain work in this respect has been carried out within the framework of the European Social Budget and it is intended to widen the scope of this work.

However there are problems with the fragmentary nature of such data and with comparability between States.

4. Recommendations for the Ending of Poverty

As stated poverty is a complex phenomenon and to formulate recommendations for ending it demands much more information on its nature and incidence than is at present available. The programme of pilot schemes and studies being launched by the Commission aims to provide some of this information.

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MOTION FOR A RESOLUTION

tabled by Sir Brandon RHYS WILLIAMS concerning a Community Social Security System

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The European Parliament,

- seeking to define precisely the policy implications of the Community's commitment to the ultimate objective of 'European Union' and recognizing the need to adopt new approaches to economic and monetary union as an essential preliminary stage,
- aware of the need to put statutory social security benefits and contributions throughout the Community on a comparable basis as an indispensable preparation for economic and monetary union,
- deploring the persistence of acute poverty within the Community, which still afflicts substantial numbers of its citizens,
- admitting the need to examine new methods of supporting the spending power of low-income families, particularly in agriculture,
- judging that a Community scheme for the support of personal incomes is vital as a counterpart of the investment policies and development projects aimed at assisting the Community's less prosperous regions,
- recognizing that the cost of living of single people and of families may vary widely according to the number of dependants and the numbers of breadwinners in each household; and that intervention to secure minimum rates of wages, or of earnings for the self-employed, cannot take account of all the factors contributing to the persistence of poverty,
- observing that statutory deductions and supplements affecting earnings may be significant factors governing the level of net spending power and that variations in the rates applicable in different parts of the Community between different categories of workers or between the sexes may give rise to unacceptable distortions of competition,
- noting the weakening of the incentive to work which follows inevitably from the adoption of systems of income support which concentrate benefits only on the lowest paid or on individuals who are unemployed or sick, leaving them with little advantage in returning to work or improving their earnings,
- recognizing the need for an integrated and easily comprehensible European social security system throughout the Member States, to take account of community migrant movements and the existing complicated pattern of reciprocal social security arrangements between individual

Member States,

- stressing the desirability of making citizenship of the Community a direct commitment, and a living relationship for every individual, bringing tangible personal benefits and also requiring the acceptance of specific responsibilities in the spirit of Article 117 of the Rome Treaty,
  - emphasizing that the establishment of an integrated basic personal taxation and social security system for the Community as a whole in no way limits the scope of national, local or voluntary schemes,
1. Considers that preparations should now be made to amalgamate the basic national schemes of income support and social security of Member States to form a rational, fair and comprehensive Community system;
  2. Calls upon the Commission:-
    - (A) To publish a full analysis of the effect on the net spending power of individuals in each Member State over a broad range of incomes and with different family commitments (converted to a comparable basis at realistic rates of exchange, having regard to actual living costs) of all the following factors:-
      - (i) personal taxation and the provisions for social security, taking account of employers' as well as personal contributions, and the levels of direct benefits in terms of cash;
      - (ii) the value to individuals in different categories of the negative benefits conferred by means of the concessions and allowances included in the systems of personal taxation;
      - (iii) an estimate of the value in personal terms of indirect cash benefits, such as food and housing subsidies, and of the social services which are received as benefits in kind, such as public education and services for health;
    - (B) To make recommendations for changes in rates of personal benefits which would be the most effective in the short run in ending poverty throughout the Community and in achieving a more even level of net spending power in relation to comparable earnings and personal responsibilities;
    - (C) To make an analysis of the practicable methods of achieving an amalgamation of the various systems of income support and social security of Member States (with particular reference to the implications for economic and monetary union), including the establishment of an integrated Community Social Security Fund responsible for the payment of indexed benefits;

(D) To study the measures necessary to prepare for the introduction of an integrated Community tax-credit system, bearing in mind the necessity to protect incentives to work while providing adequately for social needs; to achieve the most useful savings in administration; and to preserve the transparency of the direct relationship of obligation and entitlement between each individual citizen and the united European Community as a whole;

3. Requests the Committee on Social Affairs and Employment to maintain contact with the Commission in the preparation of these reports;
4. Instructs its President to forward this resolution to the Commission of the European Communities.

