

Extracts from the Address by Dr. Patrick J. HILLERY,
Vice-President of the Commission of the European
Communities to an Irish Council of the European
Movement symposium on 'Ireland's Need for Social
Planning' at the Royal Hibernian Hotel, Dublin, on
Tuesday, 23 March, 1976 at 9.00 a.m.

The likely evolution of employment patterns in the
Community as a whole and the policy responses at
Community level

Let me begin briefly with the figures. Over 5 million workers or $4\frac{1}{2}$ per cent of the Community labour force* are unemployed. But if we are to have a comprehensive view of the situation we must also allow for the $2\frac{1}{4}$ million workers on short time as well as those workers who are under-employed and those who have temporarily withdrawn from the labour market because of the difficult situation. The total rate of under-employment can then be estimated at at least 7 to 8 per cent. However you measure it, unemployment on such a scale has not been experienced since the 1930s.

The Commission has been closely following and studying the employment situation. We have consulted national governments and the social partners and our services are studying reports specially commissioned from employment policy experts.

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* January 1976 Unemployment figure for Community 5.7 million.

THE MAGNITUDE OF THE PROBLEM.

Let me now put together the figures we need to assess the magnitude of the employment problem facing the Community. We have a rate of underemployment of 8 per cent and a labour force growing 0.6 per cent or 0.7 per cent per year.

If we are to reduce the rate of underemployment in the Community to around 3 per cent by 1980, it will require an overall growth in employment of about 7 - 8 per cent between now and 1980, (this is $1\frac{1}{2}$ per cent per year). It has been calculated that this will demand an average annual rate of economic growth for the Community of 5 - 6 per cent.

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These orders of magnitude clearly indicate that it would be an illusion to expect growth alone to restore a satisfactory balance in the labour market. A policy of all-out growth would almost certainly lead to a vigorous renewal of inflation, to problems of external balance and finally to alternating expansion and deflation, without contributing to the solution of the problems of structural unemployment.

Let me be clear. I am not advocating no-growth or even low-growth. This would have very serious consequences for the supply of jobs. I am saying, however, that the problems of structural unemployment will not be solved by growth alone and furthermore, that the rate of growth needed in crude macro-economic terms to bring unemployment down to an acceptable level (leaving aside the crucial problem of structural unemployment) is unlikely to be realised in the years ahead.

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THE SEARCH FOR SOLUTIONS:

This is both diagnosis and prognosis, how far have we got in the search for a cure?

The symptoms of the unemployment crisis were first felt at national level and called for treatment at national level. As in facing any classical medical problem - and I hope I may pursue the analogy as it seems to me a good one - the immediate response was to alleviate the pain and to concentrate attention on the first casualties. Throughout the Community the Member States took initiatives to support the incomes of the unemployed and the under-employed. In a Community which had almost achieved full employment thanks to what was taken to be a well established growth pattern, the expense of such income maintenance looked tolerable in the short run.

The mounting cost of unemployment and the growing recognition that national measures and policies were not succeeding in turning round a deteriorating situation introduced a global dimension into the diagnosis. There was an understandable political temptation at this stage to advance the analysis in a way which was not justified by its logic.

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It is true to say that in seeking to remedy the present recession we must take account of its international aspects. But there is no proof for the assumption that international solutions are possible simply because national solutions have not yet been found. Like the national response, the international response to the crisis has been prompt and pragmatic but the work of diagnosis has been slow. Again, as is true of so many diseases, there is no obvious miracle cure, and the slow miracle of healing will emerge from a complex of effort involving many different disciplines. Where Europe is concerned, the correct response to the present situation may be difficult to recognise.

While there can be no guarantee of success, my personal experience of both science and politics has taught me two things. Firstly, that the pressure of crisis is an effective catalyst from which solutions emerge, and secondly, that from a properly co-ordinated team effort emerges that sense of confidence which itself contributes to success.

I should like to stand back a little and raise for discussion what I feel are some of the more promising elements emerging in the continuing debate on the shape of future employment policy.

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EMPLOYMENT INCENTIVES.

One element which I think is worth discussing is the likelihood that investment in the next two or three years will, unless otherwise directed, tend towards the increase of productivity rather than the creation of jobs. Among the reasons for this has been the development of wage-linked social security systems which has led to an increase of the cost of labour while on the other hand tax relief and investment allowances in respect of capital have led to a drop in the cost of capital investment. Can we find a policy which will encourage firms to take on new employees without inhibiting the prospects of economic growth? There seems at this stage no clear answer to this difficult technical question, particularly as a Community answer must take account of nine different systems of social security and investment incentives.

Match supply & Demand.

Secondly, I see a need to increase the efficiency of the machinery, at both national and Community levels, for the matching of the demand for and the supply of labour. There are 460,000 jobs unfilled in the Community despite all the unemployment. The three elements of such machinery: vocational guidance, vocational training and placement, continue in a number of member States to operate without liaison.

The coordination of these services is essential if optimal results are to be achieved. Whether this can be done without their unification under the control of one national agency is a matter for discussion in relation to each country's circumstances. It is clear, however, that it requires, among other changes, a new definition of the role of employment officials. They need to be able to analyse the needs of the labour market and to intervene at the local level in the development of employment opportunities, rather than to operate in a restricted role which at present effectively limits them to the reception and diffusion of such information as public and private sector employers choose to give them.

More extensive training facilities need to be provided, particularly for the less skilled sections of the working population, which contain those most affected by unemployment. The Social Fund is making a major contribution to strengthening retraining facilities in order to improve inter-sectoral mobility. It is however becoming apparent that, when a move from one sector to another also involves geographical mobility, other assistance is usually required if workers are to move. Housing constitutes a major obstacle to relocation, and the modification of housing policies could do much to improve the mobility of the labour force.

Vocational guidance is needed not only at the beginning of the working life-span but at later stages when economic or structural changes make workers redundant. As conceived in the majority of member States at present, vocational guidance tends to be undertaken either during the last year at school or on leaving the educational system.

Job Creation.

A third kind of policy approach which is arousing widespread interest in Community circles involves the direct creation of employment. Perhaps the most striking examples of the successful implementation of this kind of policy are to be found in the American Emergency Jobs and Unemployment Assistance Act and the Canadian Local Initiatives Programme. These have involved putting public funds to work in support of jobs in the services sector and in community activities. These are not filling "holes in roads" type projects. They range from the provision of day-care centres and consumer advisory services to bridge-building and home repairs.

Such schemes have a significant social pay-off in terms of meeting the needs of local communities and of the involvement of local groups in the solution of their own employment problems, as well as providing useful training and experience for the unemployed. Like many small scale enterprises, such job creation projects are increasingly regarded as providing the precondition for further organic, durable economic and social development.

We should be clear about the economics of such schemes. The unemployed are already being paid a wage through the social security system for doing nothing. The net cost of a job creation scheme is therefore the difference between the wage provided by the scheme after income tax and social security payment and the wage paid through the social security system. To this must be added the cost of administration and the cost of materials and equipment.

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Can it be said that the sort of job-creation process I have described here is as radical as some seem to think?

Work Sharing.

A fourth kind of policy approach is one of job sharing. This involves measures to reduce the total size of the labour force by increasing the school leaving age or encouraging earlier retirement; or by measures leading to a less intensive use of labour, such as a reduction in the working week.

They could also involve the finding of "acceptable remunerated substitutes for work" such as more education, frequent recycling of skills and more generally the promotion of a better balance between work and the rest of life.

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We must recognise the fundamental nature of such policies. Would people prefer to do less work? Would this inevitably mean less pay? Would people be ready to give up some of their work in order to allow the unemployed to be occupied? The answer will be different according to the income level, the kind of employment and the way in which alternatives to work are presented. But I believe strongly that questions like these should be asked and should be discussed at all levels throughout the Member States. It is not in Brussels alone that answers to these basic problems of choice can be found.

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CONCLUSION:

I should like to end by trying to draw some conclusions from this recital of the Commission and Community response to the employment situation and the more promising ideas that have been discussed in Community circles.

Firstly, the most important contribution of the Community is that it has been instrumental in protecting its members against an even worse situation, a beggar-my-neighbour struggle for survival.

Secondly, the Community dialogue has shown the Member States and the Community Institutions that where there are no instant solutions you do not produce an answer simply by pressing other people harder and harder. Shared responsibility at national as well as at Community level is an obligation - not an option. Agreement on the best way forward must have the endorsement of tripartite mechanisms bringing together government and social partner representatives.

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Finally, the ideas and proposals emerging from the search for what I have called "the slow miracle" show clearly that almost all the possible approaches to the structural aspects of the recession should themselves be organised on the subsidiarity principle. Whether we are talking about achieving a redistribution of resources or job creation, there are different roles to be played at shop-floor level, in the regions, by national governments, by the social partners at national and Community level, by the Community and by international organisations. This is not a hierarchy of responsibility, it is a political, social and economic structure in which the obligation on everyone must be to apply as much energy and imagination as possible to creating a new equilibrium which will not only meet current demands but lay a basis for future stability.

Because all of us have perhaps been sheltered by the successful performance of the structure as it stood in the 'Sixties, and because there is no guarantee of resolving the situation in which it lies now, there is a risk we may lose our nerve. This symposium is designed to say we can control our destiny if we grasp the situation we are in and can agree together a plan of action for the future. It is a message I have been echoing and re-echoing in Community terms since the start of the recession and I am glad to have had the opportunity to drum it out again here today.