

SPEECH MR. VREDELING ON ITEM 4 OF THE AGENDA OF THE
OECD HIGH LEVEL CONFERENCE ON YOUTH EMPLOYMENT,
PARIS - 15 and 16 DECEMBER 1977

Mr. Chairman,

1. May I first of all congratulate the Organisation on having brought us together today to consider the problem of youth unemployment, with which all the Member States are grappling at the present time.

2. We in the European Community have been actively engaged for the past two years or so in joint efforts to analyse this phenomenon and to devise means of helping each other to tackle it. We know that it extends far beyond our borders, and that efforts to restore to all young people the opportunity to make an active contribution to the social and economic life of their countries will require concurrent and cooperative action by all countries affected, not merely by those of our own European Community.

3. So I am glad to be here today and my colleagues and I will be listening carefully to the discussion with a view to learning from it. The Commission's own contribution falls conveniently into the two main items of our Agenda: item 4 which concerns the diagnosis of the problem and item 5 under which we shall deal with the policy option open to us if we are to reduce unemployment among young people. Let me confine myself in these initial remarks, therefore, to the diagnosis. If you are agreeable Mr. Chairman, I hope to intervene again when we move on to Agenda item 5.

Diagnosis

4. I am making available to Members of the Conference copies of the Communication on Youth Employment which the Commission addressed to the Council of Ministers on 17 October last. Part II of this document contains a very brief analysis of the situation and prospects for young people in the Community. This corresponds in many respects with that set out in the Diagnosis Paper YU(77)2 circulated to us for today's meeting. It is clear that at present a wide range of factors coincides in such a way as to render particularly acute a problem which in many countries has its origins in the late sixties. In the European Community there has been an increase both in the number of young people unemployed and in the proportion of young people among the unemployed each year since 1969 (with one exception).
5. In the years since then the growing numbers in the population coming on to the labour market and the declining demand for labour, in agriculture, in the manufacturing industries as well as in some service sectors have produced the acute difficulties we face today.
6. The growth in the supply of labour derives on the one hand from demographic causes. In the European Community alone the number of people of working age (i.e. between 15 and 65 years) will continue to grow (by about six million) between now and 1982, requiring about 3,5 million additional jobs. At the same time we can look forward to a further significant growth in the participation of women in the labour market. The Community Directive on equal opportunities for men and women at work comes into operation in August 1978. Member States are now engaged in bringing their national legislations into line with

The indications are that the quantitative effect will be matched by a qualitative change. Women will increasingly regard the period of childbearing as an interruption of a lifetime career in the primary labour market rather than as the end of a brief period in the secondary labour market. I endorse what is said in para. 44 of the Diagnosis paper about the danger of equating correlation with causality. The best we can do is to confront the projected increase in the demand for work with the projected decrease in supply.

7. Four factors seem to me to contribute, in varying degrees, to the decrease in the supply of work available on the open labour market, particularly in manufacturing industries. The first is the growth of manufacturing capacity in Africa, Asia and elsewhere at a rate exceeding the aggregate world growth of demand. When this happens, the older, less efficient plants suffer first. Given the expansion of capacity in such sectors as steel, heavy engineering, shipbuilding, textiles and clothing, shoes and footwear, throughout the world it is not surprising that long-established plants in these sectors in Europe, where labour costs are a good deal higher, find it difficult to compete.
8. The slowing down in the growth of demand generally accentuates the employment difficulties. We have come in the last generation to regard as "normal" very high levels of demand. We have perhaps become too accustomed to a growth rate which was realistic in terms of the re-stocking and the investment needed after a major war. Though growth will continue, there is no reason to suppose that it will do so at the rates which were once regarded as "normal".

9. Both these factors lead to the conclusion that units costs of production must be reduced if firms are to remain competitive. This involves modernisation and rationalisation, almost always involving a reduction in manpower. There is of course some expansion in the tertiary sector, but this does not make up for the loss of jobs in the productive sector. We have to try to offset these declining industries by expanding potential growth sectors, such as the development of alternative sources of energy and energy saving, telecommunications, data processing and electronics. Although these are capital rather than labour intensive, they provide export opportunities and could increase growth. We are at present much engaged in attempts to handle effectively the employment consequences of modernisation and rationalisation in the context of the European Community.
10. Two further consequences of slower growth are demands for greater job security, and pressure on public expenditure. It is obvious that the pressures for personal job security increase as jobs generally become less secure. This accounts for much of the legislation of recent years, making it more difficult to dismiss workers and increasing their entitlement to redundancy pay etc. Employers, particularly the smaller ones, therefore think more carefully before recruiting additional workers, thus decreasing the supply of work.
11. Public sector employment also comes under pressure owing to the need to limit public expenditure. Thus here again jobs are lost. The offsetting costs of unemployment, loss of social security contributions and reduced purchasing power are rarely taken into account.

12. All these factors, Mr. Chairman, lead me to think that what faces us is not only a temporary and quantitative divergence from the pattern of full employment established in many of our countries after the end of the second world war, but a qualitative mutation in the relationship between the production of goods and services on the one hand and employment on the other. The effect of this mutation on those seeking work is compounded in the case of the young.

It is difficult, in periods of job shortage, to find work in any case, because fewer new jobs are created. At the same time, existing jobs are disappearing. Firms which have to reduce their labour force try to do so by natural wastage in order to safeguard the position of their existing workers. Thus the jobs occupied by these workers disappear as soon as they leave or retire. They are not, as in the past, available for the new generation of job seekers. Furthermore, in all our countries the much expanded educational and training systems are based on the assumption that there will be jobs for those who emerge from them. The young rely in this expectation, and if it is not fulfilled the effect on their outlook on life is bound to be damaging.

13. If this analysis is correct, two consequences follow. The first is that we can (and should be glad to) recognize the arrival of a time when not all men have to work all the time merely in order to secure their subsistence. This trend has been noticeable for some time (between 1960 and 1975 total working time declined by 1 % each year). The trend has important implications for the ordering and division of work among the working population. The

second is that we have human resources to spare for the raising of the standard of personal and environmental care in our societies, and should explore ways and means of using these resources.

14. I hope to make some suggestions following on this diagnosis when we come to discuss the policy responses to the present situation.
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