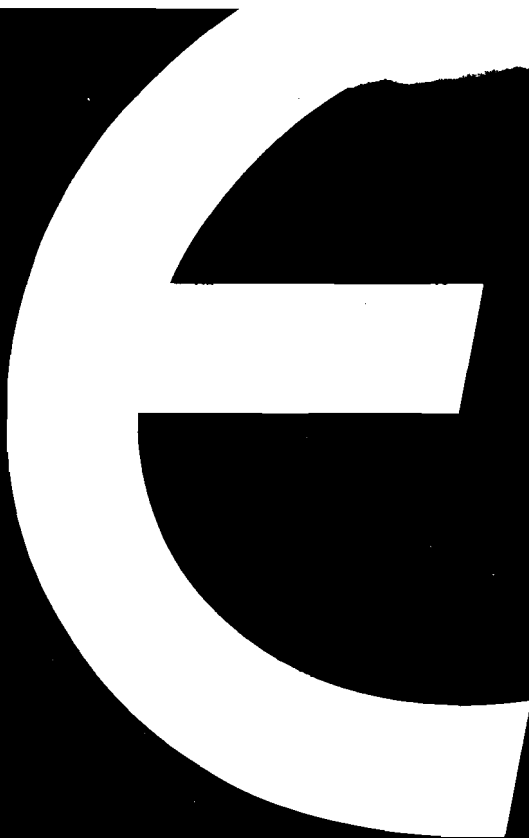


The European Social Fund

A WEAPON AGAINST UNEMPLOYMENT



European File

In 1982, 1 820 000 Europeans were aided by the European Social Fund.¹ They included:

- About 50 000 young people in Britain who took part in the 12 months 'New Style training place scheme', to help them to prepare for work.
- About 11 000 people in France, Italy, the Federal Republic of Germany, the United Kingdom, Greece and the Netherlands whose jobs were threatened or already destroyed by new technologies. They were given training allowing them to keep their jobs or find other ones.
- Several dozen youngsters who were trained in six sorts of building industry trades as part of an experimental German-Italian project. They were given training and job experience both in their native country and abroad.
- A total of 1 394 Greek farmers' wives, who were trained in second jobs, such as running farm holidays, processing food and manufacturing garments.
- Several thousand people on the French island of Reunion, who are taking part in a major scheme to train and set up crafts people over the next few years.

The present high levels of unemployment are the most serious consequence of the recession which has gripped Europe and the World. Since 1979 the number of registered unemployed in the European Community has almost doubled to the record total of 12 million people or nearly 11% of the working population. The length of time people are spending out of work has also increased. At the end of 1982, more than a million young people aged less than 25 had been out of work for more than a year.

One of the principal objectives of the Community is to improve the standard of living of its citizens. The battle against unemployment has become a major priority. By sponsoring training and job-mobility and by promoting job-creation schemes, the European Social Fund plays a central role in European employment policy.

Aims and methods

Why a Community policy?

- The European treaties created a common market and a number of common policies. Although beneficial in the long term, these policies can have uncomfortable short-term effects in certain areas. For instance, the opening up of competition between firms throughout the Community has fostered technical developments and entirely new technologies which have destroyed jobs in some

¹ This file updates and replaces our No 19/79.

industries. Clearly it would be suicidal to place obstacles in the way of new developments which are the surest guarantee of our future prosperity. By aiding the training and re-training of workers, the European Social Fund helps to combat the short-term difficulties which arise.

- The European Community can become genuinely a community only by reducing the inequalities which exist between different countries, regions, economic sectors and groups of workers. The Social Fund is one manifestation of this Community solidarity. It has two overriding priorities:
 - The Fund is largely reserved for the least favoured regions of the Community. Forty per cent of its resources are given over to six super-priority areas: Ireland, Northern Ireland, Greece, the Italian Mezzogiorno, French overseas departments and Greenland. The rest of its resources are increasingly being concentrated on those areas worst hit by unemployment and the decline of traditional industries. In 1982, nearly 90% of grants were given to workers in struggling regions, already supported by the European Regional Development Fund. Italy and the United Kingdom, countries where unemployment can be acute in densely populated areas, received 29.7% and 29% of the total Fund, respectively.
 - The Social Fund directs its aid especially towards the weakest groups on the jobs market: youngsters, women, migrants and the handicapped. Under its new rules, operative in 1984, the Fund will considerably increase its aid for the employment of young people. At least 75% of the total will be reserved for young people in future. The reason is self-evident. Workers aged under 25 represent 20% of the working population of Europe but 40% of the registered unemployed. The Heads of State or Government of the Community have committed themselves to creating new opportunities for the training and employment of the young.

The European Social Fund gives cash aid to projects which help to relieve unemployment in the Community. In particular, it assists training and job-guidance, migrant workers, the preparation of young and handicapped people for working life, the re-training of workers in struggling regions and industries, the creation and maintenance of jobs, the softening of the impact of technological change on employment and experimental schemes in the reorganization and reduction of working time.

Social Fund grants are reserved for:

- Subsidies to people under training;
- The cost of managing and running training schemes, including travelling and subsistence allowances, job-guidance and the training of instructors;
- The adaptation of jobs to the needs of handicapped people;

- Costs involved in the movement of migrants and their families and their social and professional integration;
- The payment, under certain conditions, of subsidies for the creation of jobs for young people, either in industry or public works. The jobs must be permanent in themselves or increase a young person's chances of finding a permanent job.
- The undertaking of studies or preparatory work for projects supported by the Fund, either to evaluate their effectiveness or encourage the exchange of information. Also, the setting up of experimental schemes, in, for instance, the reorganization and reduction of working time.

The management of the Social Fund is carried out by the European Commission, with the help of a consultative committee. This has representatives from member governments, trades unions and employers. Applications for aid can be made by private bodies, such as firms or voluntary groups, as well as public authorities. But, in all cases, it is up to national governments to pass them on to the European Commission. Private bodies must, therefore, make their first approach for grant aid to their national authorities. In the case of the United Kingdom, they should contact the Department of Employment, Caxton House, Tothill Street, London SA1 9NA. In Ireland, applications should be made to the Department of Labour, Mespil Road, Dublin 4.

- As a general rule, aid from the European Social Fund covers 50% of 'eligible' costs. But it cannot exceed the contribution of public authorities in the Member State concerned. In the regions worst effected by unemployment and under-development, the level of aid is 60%.
- For job creation grants, the contribution of the Fund is set at 15% of the average gross salary of the Member State concerned. Once again, the Fund's contribution must not be greater than that of the public authorities of the Member State.
- The Fund will finance the whole cost of studies designed to investigate the effectiveness of other projects supported by Fund cash.

A brief history

The European Social Fund goes back to the very origins of the Community:

- The 1951 treaty setting up the European Coal and Steel Community envisaged cash aids to workers whose firms were closed or re-structured. Since the 1960s the ECSC has supported projects which aim to maintain the income of such workers at a reasonable level and assist them to re-train and find new jobs, if necessary, in different areas. The scale of Community cash aid increased sharply in 1981 when it took part in emergency measures – such as early

retirement schemes — designed to soften the impact of the massive restructuring of the steel industry. In 1982 113 million ECU ⁽¹⁾ was spent on emergency action of this kind, benefitting about 110 000 people. In the same year the traditional ECSC retraining aids totalled 115 million ECU and assisted about 33 500 coal and steel workers.

- The Treaty of Rome, signed in 1957, to set up the European Economic Community, copied and extended the activities of the ECSC in this area. The Treaty provided for the creation of a Social Fund 'to increase the opportunities of employment for workers in the common market and to contribute thereby to raising the standard of living'. The aim was to compensate certain groups of people for the difficulties caused by the economic changes resulting from the creation of a common market. Between 1960 and 1973 more than one and a half million workers were helped in this way.
- For a variety of reasons (its weighty procedures and limited aims, especially) the European Social Fund was less than wholly successful in its first guise. The Fund was revised in 1971 and began activities in its new form on May 1, 1972. This new Fund has proved to be the motor for a more dynamic Community employment policy. The types of activities funded have increased considerably. Instead of continuing, as at first, simply to refund member States for their own efforts, the Social Fund has increasingly supported policies identified as priorities at Community level. More flexible management has allowed the Fund to pay advances, to transfer cash from one form of project to another and to extend its financial commitments beyond the immediate financial year.
- In 1983, the Social Fund budget was 1.76 billion ECU. In 1982 it had already reached 1.58 billion ECU, or 5.8% of the whole Community budget. This represented a 42.4% increase on 1981 and a 270% increase on 1978. Nevertheless, because of the recession, the gap between demand and available funds is still large. In 1982 only 55% of eligible requests were met.
- On October 17, 1983, employment and social affairs ministers of the Ten adopted new regulations to guide Social Fund policy from 1984 onwards.² Whilst safeguarding the interests of priority regions, the revised Fund will concentrate principally on job-promotion for young people. Special efforts will also be made to develop small and medium-sized industries. The share of the Fund devoted to pilot projects and experimental programmes in the battle against unemployment will also increase sharply to 5% of the total.

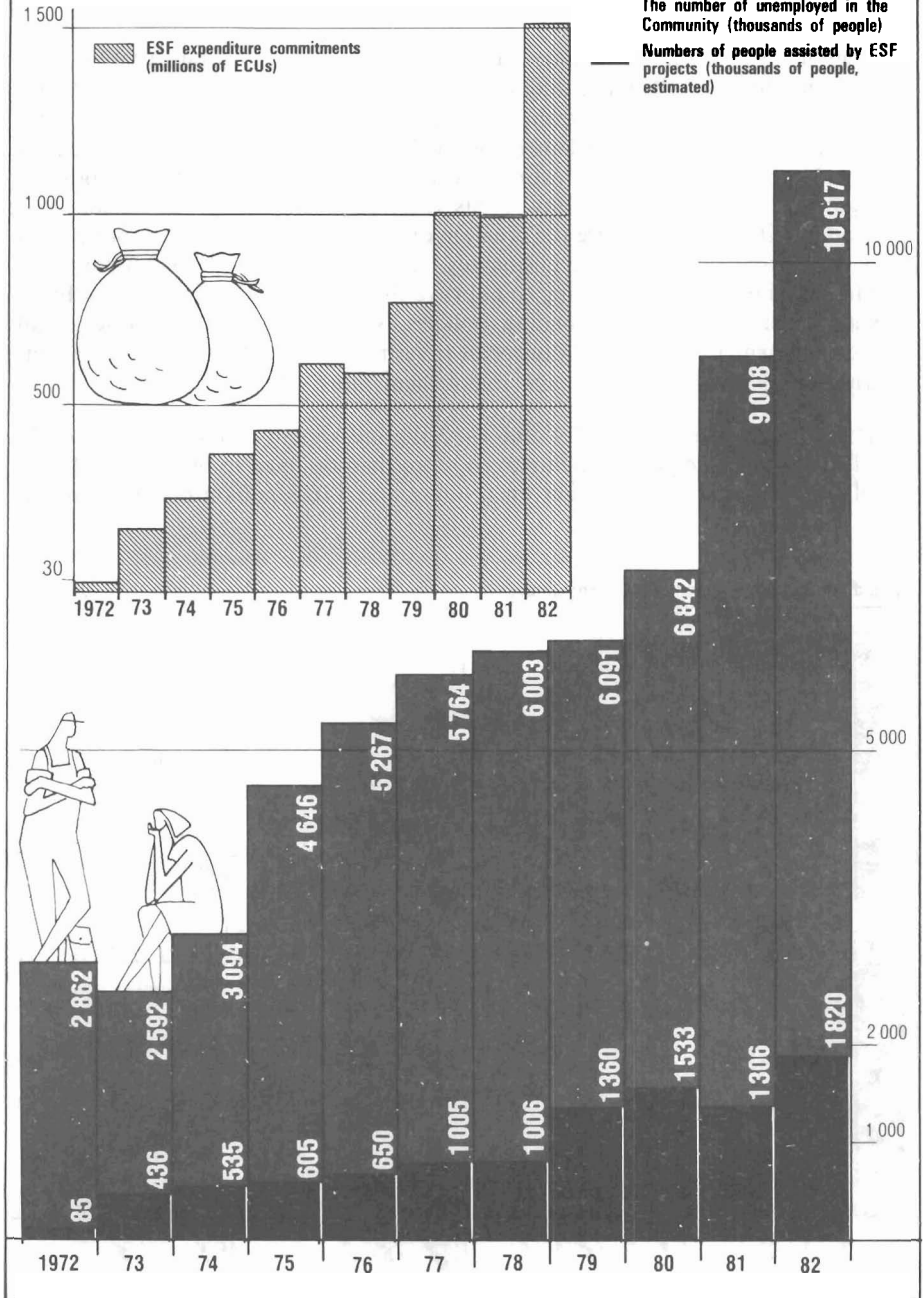
Areas of action

In all sectors of the Community economy there are problems of adaptation, retraining and improvement of working conditions. Up to now, the Social Fund has

¹ One ECU (European Currency Unit) = about £ 0.57, Ir.£ 0.73 or US\$ 0.83 (at exchange rates current on 5 December 1983).

² *Official Journal of the European Communities*, No L 289, October 22, 1983.

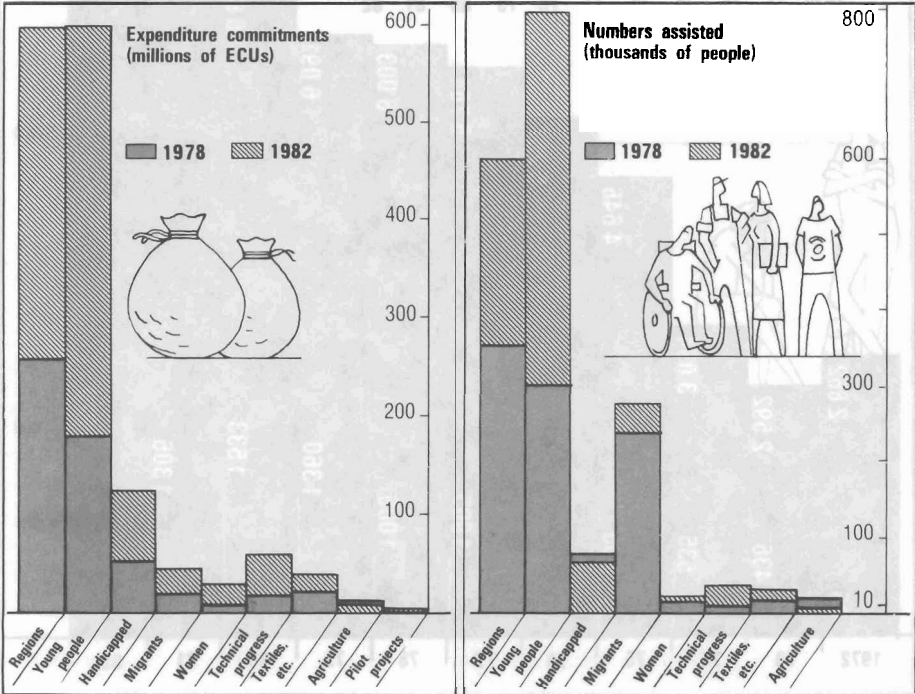
The growth of unemployment and expenditure by the European Social Fund



concentrated on eight areas: problem regions, the young, the handicapped, migrants, women, adaptation of industry to technical progress, textiles and agriculture.

- **Regions:** Social Fund investment in regional development totalled 598 million ECU in 1982 – 44% more than the previous year – and aided about 600 000 people. Projects included training or additional training, job-creation and, where necessary, the resettlement of workers, as well as the improvement of local training facilities. Investment was directed above all to the priority regions. The six ‘super-priority’ areas received 64% of payments under this heading. Other targets were the creation or maintenance of jobs, the promotion of small and medium-sized businesses, and tackling chronic unemployment. The Commission is attempting to improve the coordination of the Social Fund with other Community spending policies, such as the European Regional Development Fund and the European Investment Bank. The aim is to concentrate development activities and make them more effective.
- **Young people:** between 1979 and 1982 the investment of the Social Fund in efforts to help the young unemployed more than doubled to 600 million ECU. Of this 453 million was spent on training and 146.5 million on job-creation.

Spread of European Social Fund expenditure



Top priorities are vocational preparation and training operations, linked to the needs of the labour market and recruitment and job-creation in the least developed regions and areas with acute youth unemployment. Another major priority is training and retraining to promote a better mix of job opportunities in new jobs and jobs where women are traditionally under-represented. This programme helped 35 000 people. Grants are also made for the improvement of local training facilities and to support experimental training programmes. The aim is to plug gaps in traditional training systems which have failed the worst-off unemployed youngsters. Grants from the Fund in 1982 helped to train 501 910 young people and find or maintain jobs for 290 500 (79% in the commercial sector and 21% in public works).

- The handicapped: the integration of handicapped people into working life is assisted by training and rehabilitation schemes. Numerous public and private bodies, including charities, have been helped to extend their operations by the European Social Fund. In 1982, the Fund aided 37 demonstration projects, which aimed to test new techniques and improve methods of rehabilitation. The Fund also gave direct assistance to the integration of handicapped people in working life by financing training and recruitment and the adaptation of workplaces and equipment. About 66 000 handicapped people were assisted by the 121.7 million ECU spent by the Fund in this area in 1982.
- Migrant workers: the Social Fund assists the integration of migrant workers, both professionally and socially. Aid is available whether the migrants come from another Community country or from outside the Community. Increasing attention is given to the children of migrant workers. The Fund gives cash aid to special coaching needed to prepare them for schooling in the host countries. In 1982, the Fund gave 50.7 million ECU for the education of 95 000 migrant children, language courses for 180 000 young and adult migrants and the training of 3 500 teachers and social workers.
- Women: The Social Fund supports programmes specifically designed to help women aged over 25 to find new jobs, especially in the fields of computers, electronics, and office-work. It also helps women to find jobs in industries where they are traditionally under-represented, or more qualified jobs in industries where women are frequently employed. The Fund also assists women who have lost their jobs in mass redundancies and women who wish to return to work after interrupting their careers to bring up families. In 1982, the Fund helped about 14 000 women in these ways, at a cost of 26.2 million ECU. It should also be remembered that the Fund's activities for young people included specific actions for women aged less than 25. Women benefit from all other forms of Fund activities as well as men. It is thought that, about one third of all the people assisted by the Fund are women.
- Technical progress: the Social Fund aids technical progress and the modernization of firms in all branches of the economy. Projects have included the training or retraining of car, telecommunication and newspaper workers. The

Fund also helps to pay for the technical updating of the production and management methods of small and medium-sized businesses as well as the protection of jobs threatened by the introduction of new technologies. In expanding sectors, such as information technology, where qualified workers are in short supply, the Fund pays for the training of workers for genuinely new jobs. In 1982, the Fund gave 58.5 million ECU to programmes of this kind, assisting 35 400 people.

- Textile and Clothing: these industries and others where restructuring has meant large-scale redundancies (shipbuilding, for instance) are also assisted by the Social Fund. In 1982 the Fund gave 43.2 million ECU towards the training or retraining of 25 850 workers, including more than 16 000 in the textile and clothing industries. The aim of the projects is to retrain workers for viable jobs in their original industry or some other sector of the economy.
- Agriculture: the flight from the land has been slowed by the lack of job-opportunities in industry. Nevertheless, the Social Fund spent 9.6 million ECU in 1982 to retrain 7 558 farmers, to support farm workers and families wishing to quit their land or to promote activities complementary to agriculture, such as farm holidays and rural crafts.

From 1984 all these categories will be rearranged under two principal types of Social Fund aid. The first – and largest – will be reserved for young people aged less than 25. Aid will be aimed especially at youngsters whose training is poor or insufficient and those who have been out of a job for a long time. As already mentioned, projects to promote the employment of young people will in future take up 75% of the cash available.

Social Fund grants will, however, continue to be available to adults in the following categories: the unemployed (especially the long-term unemployed), workers threatened with redundancy or part-time employment, women wishing to resume a career, the handicapped, migrant workers, workers – especially in small and medium-sized businesses – who need retraining to keep abreast of new technologies and new methods of production and management. Grants will also be available for people working in the field of employment promotion: instructors, experts in job-guidance and recruitment. At the same time, the regional concentration of the Fund's activities will be strengthened.

The rearrangement of all these categories under one heading will considerably simplify the hitherto complex structure of the Social Fund and should make things easier for applicants for Fund aid. In its new guise, the Fund will be able to make an even greater contribution – more effective, more coherent and more dynamic – to the solution of the greatest problem now facing the Community, the problem of unemployment ■

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