

# COMMISSION OF THE EUROPEAN COMMUNITIES

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The first annual report on the activities  
of the new European social fund  
Financial year 1972

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1. Making use of the possibilities provided by Article 126 of the EEC-Treaty for action when the transitional period ended, the Council decided on 1 February 1971<sup>1</sup>, on an Opinion of the Commission<sup>2</sup> and after consulting the European Parliament and the Economic and Social Committee, to radically alter the initial character of the European Social Fund<sup>3</sup> within the framework of its mandate as defined in Article 123.

The Fund has been changed into a selective instrument, essentially to help in establishing preventive, coherent and dynamic policies which are steps along the road which the Community is following. It enables the Council and the Commission constantly to direct and adjust the action of the Fund to attain specific objectives, set progressively in accordance with Community requirements and priorities. Operations by the private sector have become eligible to benefit from the Fund; its scope has been enlarged, the Commission, after consulting the Committee, approves the plans of the operations submitted by the governments prior to their carrying out, and finally, assistance from the Fund can be given to many more different kinds of aid. These are the main features of the new European Social Fund<sup>4</sup> which will be administered, as in the past, by the Commission assisted by a Committee, in accordance with Article 124 of the Treaty.

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<sup>1</sup> Council Decision of 1 February 1971 on the reform of the European Social Fund (basic decision) - Official Journal No. L 28, 4 February 1971

<sup>2</sup> Official Journal No. C 131, 13 October 1969

<sup>3</sup> This was defined in Article 125 of the Treaty and subsequent implementing regulations, in particular Regulation No. 9 of 25 August 1960, Official Journal No. 56, 31 August 1960 (see Annex I of the Commission's Opinion)

<sup>4</sup> Cf. Annex A - Operations of the new European Social Fund

2. The new Fund came into effect on 1 May 1972; all the implementing regulations necessary for its operation had been enacted in the meantime (cf. Annex B).

This report has been drawn up in accordance with Article 6 of EEC Regulation No. 858/72, under which every year the Commission shall submit to the Council and to the European Parliament a report on the activities of the Fund during the past financial year. In view of the date on which the Fund was set up, this present report relates only to activities in the period from May to December 1972. The Commission considered it indeed desirable to inform the Council and the European Parliament of the first activities carried out and the problems already encountered during this period limited though it is. On account of the difficulties of all kinds inherent in starting a new machine, which confronted both the national authorities and the Commission, this first report is purely descriptive. It is supplemented by a memorandum on the main features of the new machinery (Annex A).

#### CHAPTER I - ACTION UNDER ARTICLE 4 OF THE COUNCIL DECISION

3. On a proposal of the Commission, made on 4 August 1972 after consulting with the Social Fund Committee, the Council decided on 19 December 1972<sup>1</sup> to open up the first two areas in which the Fund can intervene under Article 4 of the Council Decision of 1 February 1971. The following are eligible for assistance from the Fund: operations which are aimed at facilitating the employment and the geographical and occupational mobility of

- i) persons who cease to pursue an activity directly and principally in agriculture in order to take up a non-agricultural activity as employed persons or self-employed persons
- ii) persons occupied in the textile industry, including the processing of chemical fibres, and who are to pursue activities as employed persons

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<sup>1</sup> Official Journal No. L 291, 28 December 1972

either within that industry or outside, and self-employed persons in charge of textile undertakings, in particular small craft undertakings, who are to pursue activities as self-employed persons

The Council reserved to itself the possibility of deciding subsequently on some of the Commission's initial proposals which were not adopted on 9 November. These relate in particular to the Fund's possible intervention in the clothing sector and the introduction of aid to maintain agricultural workers' incomes for six months following the end of the training period.

4. These proposals are the result of work covering economic and social trends in the two industries considered, and particularly the development of the manpower situation: a survey on the readaptation of workers leaving agriculture and a preparatory study on actions aimed at facilitating adaptation and progress in the European textile industry. The problems dealt with in these studies, and their results, have been the subject of many consultations both with the national authorities and with the two sides of industry.

No application for assistance was made in 1972 under this Decision, since it did not enter into force until 2 January 1973.

#### CHAPTER II - STUDIES IN PROGRESS

5. Using "the appropriations allotted for that purpose in the Community budget to promote, carry out or give financial assistance to preparatory studies and pilot schemes in order to give guidance to the Council and the Commission in the choice of areas in which the Fund should be able to intervene and to enable the Member States and those responsible for operations to choose the most effective aid and to organize the implementation thereof to the best effect", the Commission is carrying out a series of studies with the objective of implementing the Council Decisions relating to the reformed Social Fund.

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A large number of them are aimed at determining, in predominantly agricultural regions, the means necessary for the Fund's intervention to be effective, as regards both the development conditions of these regions, in particular the employment possibilities, and the facilities for information, training, social integration and finance which are available or have to be created. This concern to contribute to the development of primarily agricultural regions has led the Commission to collaborate with the French Government in a study on the factors and conditions which must be present if skilled labour is to return from the Paris region to the west of France.

Three studies aim at evolving a strategy for developing the textile industry in regions where the indispensable structural alterations are meeting with special difficulties, either in spreading out and redeploying undertakings in this industry, or because of badly adapted structures.

In order to promote the modifications of occupational readaptation measures to suit the needs of handicapped persons, another series of studies is devoted to working out model training programmes for occupational re-adaptation instructors.

### CHAPTER III - ACTION UNDER ARTICLE 5 OF THE DECISION OF 1 FEBRUARY 1972

#### A - List of applications

6. By 31 December 1972, applications for assistance by the Fund submitted to the Commission under Article 5 covered a total of nearly 163 million units of account.

As these figures show, applications were submitted in large numbers from the beginning of the year and the total amount of money they represented was greatly in excess of the appropriations made available to the Commission by the Council.

This amount is broken down as follows (in thousands of units of account):

Germany	101 269
Belgium	6.883
France	12 882
Italy	36 251
Luxembourg	23
Netherlands	2 077

The applications came mainly from public authorities and bodies governed by public law, most of which benefited from the assistance of the old Fund in the past; there were only three applications from entities governed by private law.

This situation demonstrates the need to set up liaison machinery at national and Community level and to disseminate proper information, all of which requires a certain amount of time and the solving of certain practical problems.

7. Table 1 shows that the operations were apportioned as follows : less developed or declining regions, 60.5 million units of account ; adaptation to the requirements of technical progress in certain branches of activity, 15.5 million units of account; handicapped persons, 86.5 million units of account<sup>1</sup>.

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<sup>1</sup> These figures cover the three financial years 1972, 1973 and 1974, for the amounts of 90, 70 and 3 million units of account respectively.

Table 1Breakdown of applications submitted in 1972

	Regions	Application to technical progress	Handicapped persons
Germany	24.787	-----	76 482
Belgium	1 969	-----	4 914
France	2 937	9 945	3 591
Italy	28 880	5 782	1 489
Luxembourg	-----	-----	23
Netherlands	1 992	115	-----
Total	60 495	15 842	86 499

B - First series of applications for assistance submitted for  
the opinion of the Social Fund Committee and approval of  
the Commission

Selection of applications

8. The Fund's budget for the 1972 financial year totalled 65 million units of account, i.e. 35 million for 1972 expenditure and 30 million for commitments which the Commission was authorized to enter into for the subsequent financial years (20 million for 1973, 10 million for 1974).

Within this budgetary limitations, the Commission had to make a first choice from among the applications made. Table 2 shows that the operations were apportioned as follows : less developed regions, 50.8 million units of account; adaptation to the requirements of technical progress, in certain branches of activity, 15 million units of account; handicapped persons, 6.4 million units of account, i.e. a total of 72.4 million units of account.



Table 2

('000 units of account)

Breakdown of applications approved

	Regions	Adaptation to technical progress	Handicapped persons	Total
<b>GERMANY</b>				
- applied for	21.995	-----	-----	21 995
- approved	10 117	-----	-----	10 117
<b>BELGIUM</b>				
- applied for	-----	-----	1 741	1 741
- approved	-----	-----	1 741	1 741
<b>ITALY</b>				
- applied for	26 919	-----	1 040	27 959
- approved	25 183	-----	1 040	26 223
<b>FRANCE</b>				
- applied for	-----	15 127	3 591	18 718
- approved	-----	6 445	3 591	10 036
<b>LUXEMBOURG</b>				
- applied for	-----	-----	23	23
- approved	-----	-----	23	23
<b>NETHERLANDS</b>				
- applied for	1 922	-----	-----	1 922
- approved	1 922	-----	-----	1 922
<b>EEC TOTAL</b>				
- applied for	50 836	15 127	6 395	72 385
- approved	37 222	6 445	6 395	50 062

9. This choice was based on the following considerations:

- 60% of the appropriations available for assistance from the Fund had to be reserved as a matter of priority for operations which are aimed at eliminating long-term structural unemployment and underemployment

in areas which are less developed or where there is a decline in the main activities (Article 2 of the general implementing regulation No. 2396/71).

- Failing any precedent and frame of reference to provide guidance for the Fund's action, it was thought desirable to submit to the Social Fund Committee as many different types as possible of operations for which the Fund's assistance was requested.
- The majority of the applications came from public authorities, but some came from other bodies whose plans could not be carried out without immediate aid from the Fund. These were dealt with as a matter of priority.
- Since most applications were submitted towards the end of the year (September to October), it was physically impossible to obtain all the information necessary to determine whether some of them complied with the Fund's conditions for granting assistance. For this reason the applications could not be dealt with systematically in the order in which they were received.

#### Opinion of the European Social Fund Committee

##### a - Preliminary considerations

10. At its meeting on 1 December 1972, the Social Fund Committee was informed of the foregoing and admitted that it was impossible to wait until the many problems raised by starting up the new Fund had been settled before approval was given to a first batch of applications for assistance<sup>1</sup>. Nevertheless, the Committee stressed the need to lay down criteria to facilitate their future examination and expressed the wish to devote its next meeting solely to defining these criteria. Furthermore, the Commission's decisions to approve applications were not to be taken as precedents, least of all during the starting-up period.

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<sup>1</sup> See Annex D, "Some examples of applications for assistance".

b - Applications concerning the regions (cf. Annex C)

11. These applications, especially the one from the Federal Republic, were subjected to long and careful scrutiny. Failing a Community decision as regards priority regions, it became apparent that criteria which were indisputable nationally were far less convincing in a Community context; furthermore, the lack of clear and sufficiently detailed information on employment and unemployment was a particular obstacle to examining the applications.

The Committee mentioned two main problems :

- i) Finding the data for assessing whether an area is less developed or declining;
- ii) the advisability of considering these data from the national or from the Community point of view.

The Committee decided that these problems would be thoroughly gone into at the next meeting.

In conclusion, the Committee favoured approval of the Italian and Dutch applications. As for the German application, in the light of the work then in progress within the Council to determine the priority agricultural regions, the Committee proposed, in agreement with the representative of the German Government, that the Commission reduce the amount of this application to the expenditure in the regions which it considered to be priority ones in its May 1972 proposal to the Council.

12. c - Applications concerning adaptation to technical progress  
(cf. Annex C)

These were two applications from the French Government, one concerning agriculture and the other the building industry.

The Committee found that the first of these corresponded more closely to the aims of Article 4 of the Council Decision of 1 February 1971 and also that it satisfied the conditions for implementing Article 5 of this Decision; the application was therefore considered admissible. Nevertheless, so as not to mortgage the appropriations under Article 5, the Committee proposed that the Commission should approve only that part of the application relating to commitments during the 1972 financial year, i.e. approximately 4 million units of account, on the understanding that the French Government would submit a new application under Article 4 for the part of the programme to be carried out in 1973 and 1974 and that the Council would make an immediate decision.

Examining the application concerning adaptation to technical progress in the building industry first and foremost raised the problem, of how to interpret the concept of "occupation requiring high qualifications"; particular doubts were expressed as to certain types of training, called level V training in France. After discussing this, the Committee favoured approval of the application concerning the first phase of the programme, provided that, when checks were made, special attention was paid to judging the level of the qualifications conferred and that the agenda of the Committee's next meeting should include an attempt to define the criteria for "occupations requiring high qualifications". The Committee did not approve that part of the application relating to continuation of the programme in 1973 and 1974, because inadequate justification was produced for the estimated expenditure.

d - Applications concerning handicapped persons (cf. Annex C)

13. These primarily raised two problems :

- i) in rehabilitation operations, the difficulty of distinguishing which costs are specifically medical ones; for Article 1 (C11) of Regulation No. 2397/71 on aid which may qualify for assistance stipulates that the Fund may contribute to the "necessary costs for the rehabilitation of handicapped persons with a view to their acquiring trade or professional skills, excluding medical costs";

ii) whether the Fund should contribute towards rehabilitating handicapped persons who cannot engage in an occupation except in a protected workshop, and towards expenditure incurred in protected workshops, for example to adapt the handicapped person to his job or to adapt the job to the handicapped person.

The examination of these applications also revealed that integrating or reintegrating handicapped persons into economic activity entailed an overall policy without distinguishing between the various stages of the process, which differs more particularly with the age, the handicap, the intellectual and occupational abilities, and the family situation of the people concerned.

14. At this stage in the discussions mention was made of the advisability of examining the possible opening up of a "handicapped persons" area, in which the Fund could intervene under Article 4 of the Council Decision of 1 February 1971. Attention was also drawn to the report which the Commission had forwarded to the Council on the problem raised by the large number of handicapped persons in the Community, but nevertheless it was agreed that this should cause no delay in decisions on applications already submitted for handicapped persons.

The Social Fund Committee therefore decided to approve the applications which had been submitted, it being understood that Commission Decisions will state that the Fund's contribution shall not cover expenses considered as being medical expenses when checks are made, and that the fundamental problems will be discussed at a forthcoming meeting of the Committee.

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Commission Decisions

15. The Commission was informed of the Social Fund Committee's deliberations, and decided to approve the first batch of applications for assistance at its meeting on 20 December 1972. These decisions<sup>1</sup> are in accordance with the opinions rendered by the Committee; the appropriations thus committed are shown in Annex III, and the Member States concerned were informed on 29 December 1972. The Commission stated that these first decisions did not prejudice the criteria which might subsequently be adopted for the priority classification of applications for the Fund's intervention in the light of experience and after completion of the work in progress in its departments; in accordance with the wish expressed by the Social Fund Committee, the Directorate-General for Social Affairs has been instructed to examine with the help of the other Commission departments and Directorates-General concerned, the fundamental problems raised by this first batch of applications approved. The Commission also requested a definition of the criteria for consideration in evaluating applications, and a list of priorities in terms of the appropriations available. It wishes to be informed of these after the Social Fund Committee has been consulted<sup>2</sup>.

CHAPTER IV - FINANCIAL AND BUDGETARY ASPECTS

A- Legal bases

16. The budget of the new European Social Fund is governed by the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities<sup>3</sup>; Title VIII (in particular Articles 104 and 105) of this Regulation concerns the special provisions applying to the Fund.

In order that the financial machinery of the Social Fund may have the desired flexibility and be able to help Member States carry out programmes covering fairly long periods, special provision is made for two separate factors :

<sup>1</sup> Cf. Official Journal No. C 135, 28 December 1972, p. 9.

<sup>2</sup> This consultation could not take place until 3 May 1973, owing to the time required for appointing new members of the enlarged Committee.

<sup>3</sup> Official Journal, No. L 116, 1 May 1973, p. 1.

- a) appropriations for the financial years to which the budgets apply,
- b) authorizations to enter into commitments for the two subsequent financial years.

The Commission therefore has the resources to approve programmes which may extend over three consecutive years. This makes its operations in the social field particularly dynamic.

B - Budget of the European Social Fund for the 1972 financial year

L7. The appropriations in the budget for the new European Social Fund for 1972, the first year in which it was operating, were as follows :

Table 4

('000 units of account)

General Budget Title	Appropriations for the financial year	Authorizations for commitments		TOTAL BUDGET
		for 1973	for 1974	
Title 5 (part)				
Chapter 50 Article 500 Expenditure under Article 4	7.500	10 000	5 000	22 500
Chapter 51 Article 510 Expenditure under Article 5	35 000	20 000	10 000	65 000
Chapter 62 Article 520 Pilot schemes and preparatory studies	250	-	-	250
Total	42 250	30 000	15 000	87 250

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Use of appropriations and authorizations for commitments

18. The following table supplements the data in this report by showing the statement of account for the 1972 financial year.

TABLE 5 ('000 units of account)

	Amounts com- mitted on ap- propriations for the financial year	Amounts deducted from authorizations for commitments 1973	Amounts deducted for commitments 1974	Balance on appropriations at 31 December 1972	Carry-overs requested from the Council
Chapter 50 Expenditure under Article 4	0	0	0	7 500	7 500
Chapter 51 Expenditure under Article 5	30 438	19 436	189	4 562	4 562
Chapter 52 Pilot schemes and preparatory studies	193	-	-	57	0
<b>Total</b>	<b>30 631</b>	<b>19 436</b>	<b>189</b>	<b>12 119</b>	<b>12 062</b>

At the end of the 1972 financial year the situation could be summarized as follows :

Expenditure under Article 4

19. Appropriations for operations under Article 4 were allotted in the budget before the Council's Decision on the Commission's proposal of agriculture and textiles as areas in which the Fund could intervene. The Decision was enacted on 19 December 1972 and entered into force on 2 January 1973, so that no application for assistance under Article 4 could be made in 1972. This produced a request to carry appropriations forward to the 1973 financial year to cover any expenditure on operation in 1972.

Expenditure under Article 5

20. By the end of 1972 the Commission had received applications for the approval of programmes under Article 5 covering two or even three years;

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the aggregate amount is 162 836 000 units of account, broken down as follows:

	(units of account)
- operations due to be completed by 31 December 1972	89 836 000
- 1973 programme	70 000 000
- 1974 projects	3 000 000

Owing to timetable difficulties and delays in forwarding applications, only a first batch of files relating to the amounts in Table 5 above could be submitted by the Fund departments to the Committee for the Commission's approval.

On 31 December 1972, applications relating to the following amounts still had to be examined (without prejudice to their legally admissibility).

	(units of account)
- 1972 operations in progress	59 205
- 1973 programme	50 564
- 1974 projects	2 811

This situation also produced a request to the Council (cf. Table 5) to carry forward appropriations available under Article 510 (expenditure under Article 5).

#### C. Budget of the European Social Fund for the 1973 financial year

21. When the 1973 budget was prepared, the Commission had only data on which to base its calculations.

However, it did anticipate a considerable increase in applications for intervention in the second year in which the new Fund would be functioning, because the new Fund was taking over operations which until 30 June 1972 had been, wholly or partly, the responsibility of the old Fund, and because the rules of the reformed Fund enabled new programmes to be implemented.

For this reason the Commission submitted to the Council proposals for allotting the following appropriations for 1973:

(appropriations for the financial year)	
(in million units of account)	
- Expenditure under Article 4	60
- Expenditure under Article 5	140
- Pilot schemes and preparatory studies	<u>0,75</u>
total	200.75

22. When the budget was adopted the Council considered that the Article 4 appropriation was inadequate and increased it to 70 million units of account, whereas the Article 5 appropriations were reduced to 1 million units of account. The 1973 budget was thus cut to 180 million units of account.

This showed that, for the second financial year of the new Fund, the Council wished to allot credits for action under Article 4 in the proportions mentioned in Article 9 (2) of the Decision of 1 February 1971.

As it had insufficient assessment data, the Council had reduced the aggregate amount of credits allocated to the Fund, but was not going back on the principle of its earlier decision. In fact, when adopting the 1972 budget, the Council accompanied its decision to grant a reduced amount with the following remarks in the explanatory memorandum for the European Parliament: "The Council has reduced the credits requested by the Commission for expenditure under Article 5 as it considers that for technical and administrative reasons these credits would not be spent in their entirety in 1972. Nevertheless, the Council does not rule out the possibility of increasing the credits in question by means of a supplementary budget, if this were to prove necessary".

Although the Council accepted this principle as early as 1971, the Commission did not use its opportunities to apply for the opening of supplementary credits. Actually, most applications relating to 1972 activities were made after 1 October 1972, so that the Commission was no longer in a position to propose a supplementary budget.

The European Parliament for its part considered that the Commission's original proposals concerning Article 5 credits ought to have been adopted.

23. Taking into account the alterations to the Commission's proposal, the Fund budget laid down by the Council for the 1973 financial year contained the following appropriations :

TABLE 6

(in '000 units of account)

	Appropriations for the financial year	Authorizations for commitments		TOTAL BUDGET
		for 1974	for 1975	
Chapter 50: expenditure under Article 4	70 000	60 000	34 000	164 000
Chapter 51: expenditure under Article 5	110 000	60 000	30 000	100 000
Chapter 52: pilot schemes and preparatory studies	750	-	-	750
Total	180 750	120 000	64 000	364 750

Very soon Article 5 credits should prove to be considerably lower than the level of applications to be met, even if the approval procedures lay down very restrictive selection criteria.

## Conclusions

The period covered by the present report is too short to allow us to gain significant lessons from the first steps of the Social Fund. Nevertheless, as this is written, one can see the outline of a major problem to be resolved in the months to come :i.e. the progressive formulation, on the basis of experiment, of the criteria of priority to be used for the future intervention of the Fund. If, in this regard, the regulations in force define certain criteria of eligibility, it is only through experience and the confrontation of policies that it will be possible to determine the types of projects which merit priority.

Quite apart from the regional and sectorial characteristics, particular importance should be given to the specific interest of the projects from the viewpoint of employment policy: the quality of the training given, effective adaptation to local needs etc... It should on the other hand take into account the total effects of community intervention quite apart from the financial aspects. In this respect, it will be useful to investigate firstly its affective contribution to community policy and then on the expansionary role of the projects, on its degree of innovation in the difficult area of training, and on the possibilities for spreading the experience gained to the other parts of the Community.

The Social Fund can provide for the Community an instrument "par excellence" for the development in practise of its employment policy, as a link between its economic objectives on the one hand and its social objectives on the other, as laid down by the Summit.

The Commission is committed to develop fully these possibilities in close cooperation with other interested community institutions, member states and the social partners.

Annex A

OPERATION OF THE NEW EUROPEAN SOCIAL FUND

Types of intervention

There is provision for two types of intervention :

The first type primarily consists of measures accompanying Council Decisions. This is the case when Community policies affect or are in danger of affecting the level of employment and also when specific joint action appears necessary to improve the balance between supply of and demand for manpower within the Community. This type of intervention is the subject of Article 4 of the Council Decision of 1 February 1971. When situations of this kind arise, and the Council thinks fit, it will be able, under this Article, to grant assistance from the Fund in a given new field by taking a specific decision on a Commission proposal.

The second type of intervention is directed towards correcting a certain number of worrying employment situations affecting areas which are less developed or where the main activities are in decline; branches of economic activity especially affected by technical progress; or certain categories of people (workers over a certain age, women, young people, handicapped persons). This type of intervention is the subject of Article 5 of the Decision of 1 February 1971; the relevant situations are defined in Article 1 of the general implementing regulation<sup>1</sup>.

During the first five years in which the reformed Fund operates credits for action under Article 5 will not in any year be less than 50% of the total credits available<sup>2</sup>. Sixty per cent of these appropriations will be reserved as a matter of priority for eliminating unemployment in less developed or declining areas.<sup>3</sup>

This apportionnement must be reviewed no later than five years after the date on which the new European Social Fund came into affect "it being understood that in the long term the greater part of the available credits must be reserved for action under Article 4".

<sup>1</sup> Regulation (EEC) No. 2396/71 of the Council, Official Journal No. L 249

<sup>2</sup> Article 9(2) of the Council Decision, 1 February 1971 10 November 1971.

<sup>3</sup> Article 2 of Regulation No. 2396/71 of the Council, Official Journal No. L 249, 10 November 1971.

Scope as regards persons

The Social Fund may be used to help all persons, including nationals of a non-member country, who belong to the working population of the Community and who are to pursue activities as employed persons. It may also, "in special cases" to be determined by the Council, grant assistance for persons who are to pursue activities as self-employed persons<sup>1</sup>.

The "special cases" eligible to benefit from operations carried out under Article 4 of the basic decision will be determined, on Commission proposals, in ad hoc Council decisions opening up an area in which the Fund may intervene.

A separate regulation<sup>2</sup> has already been adopted indicating those who may benefit from operations under Article 5 : they are handicapped persons and persons directly engaged in agriculture in a self-employed capacity.

Those who may receive aid from the new Fund

In view of the great structural changes which are occurring in the Member States, the Council felt that the Fund should be able to marshal all activities which might help in making the necessary efforts. With this in mind, it decided<sup>3</sup> that assistance from the Fund can be granted not only to public authorities and bodies governed by public law, but also to joint social institutions entrusted with tasks in the public interest<sup>4</sup> and to bodies or other entities governed by private law. In this latter case, the public authorities of the Member States or States concerned must guarantee the completion of such operations and also share in the financing. The Member State submitting an application for assistance to the Commission must

<sup>1</sup> Article 3 of the Decision of 1 February.

<sup>2</sup> Regulation No. 2398/71.

<sup>3</sup> Article 8 of the basic decision.

<sup>4</sup> For instance, the primary and regional social security funds in France, which are not recognized as bodies governed by public law under national legislation.

indicate the legal status it accords to the body undertaking the operation in question<sup>1</sup>; this detail is important since it affects the amount of assistance granted from the Fund.

The amount granted from the Fund is in fact fixed in a different manner according to whether the operation is undertaken by the public or semi-public sector or by the private sector. In the first case, the amount granted to the body undertaking the operation is 50% of eligible expenditure as laid down in the regulation on aids which may qualify assistance from the Fund. On the other hand, an operation undertaken by the private sector is financed jointly by the Social Fund, the public authorities and the private entity; in this case, the amount granted from the Fund to the body undertaking the scheme will be equal to the part of the eligible expenditure provided by the public authorities, with the further condition that part of the costs must be borne by the private entity itself. However, departures from this principle are possible in the case of operations undertaken by a private non-profit-making body which bound by its statute to act in the field of vocational training. Operations can then be financed entirely by the Fund and the public authorities, each party defraying half of the costs.

As regards the definition of "public authorities", it was decided that each Member State will provide the Commission with a list of the departments or bodies which it has empowered to participate as "public authorities" in the financing of operations which are eligible for assistance from the Fund, and these lists will be published in the Official Journal of the European Communities<sup>2</sup>.

Thus, it is now possible for assistance to be granted from the Fund for operations in the private sector; this is one of the major innovations of the reform.

#### Procedure for granting assistance from the Fund

The procedure is the same for operations carried out under Article 4 as for those carried out under Article 5 of the basic decision of 1 February 1971.

<sup>1</sup> Article 5 (1) of the general implementing regulation.

<sup>2</sup> Ibid Article 4.

Under Articles 6 and 7 of this decision, assistance from the Fund may be granted only for schemes for which applications have been made to the Commission in advance by the Member State concerned and approved by the Commission (Cf. also Article 5 (2) of Council Regulation 2396/71).

The Commission examines these applications and, after consulting the Social Fund Committee, approves them if they comply with the conditions laid down in the Regulation and with the economic and social objectives pursued by the Community, taking account of the credits available and the priority to be given to schemes aimed at eliminating unemployment and underemployment in less developed or declining areas.

Assistance from the Fund is paid in instalments concurrently with the progressive development of the operations<sup>1</sup>, subject to the controls which the Commission must carry out<sup>2</sup>.

The Latest Regulation enacted by the Council<sup>3</sup> lays down the procedures for forwarding applications to the Commission and procedures for having these approved by the Commission, for the payment of assistance, and for checks on operations financed by the Fund.

In order to help applicants submit applications for assistance, the Commission supplemented this regulation by a "Notice"<sup>4</sup> listing the main information to be provided.

Aid for which assistance may be granted from the Fund

To ensure that the Social Fund is as flexible as possible, the Council laid down in the general implementing regulation (Article 3)<sup>5</sup> the basic guidelines for aid for which assistance may be granted from the Fund. It also drew up on this basis an initial list of aid for which assistance may already be granted. This list appears in a separate

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<sup>1</sup> Article 8 of the general implementing regulation.

<sup>2</sup> Ibid Article 11.

<sup>3</sup> Regulation No. 858/72 of the Council on certain administrative and financial procedures for the operation of the European Social Fund.

<sup>4</sup> Official Journal No. C 96, 20 September 1972.

<sup>5</sup> Regulation No. 2396/71.



regulation<sup>1</sup>, so that any subsequent amendments may be made by a simple procedure. These amendments will be proposed to the Council by the Commission as the need arises, and in particular when a new field for intervention by the Fund is opened up, if the aid eligible for assistance does not prove to be a suitable solution for the problems being tackled.

There are six basic guidelines, relating to occupational training, geographical mobility, the temporary maintenance of income, information and guidance to help find a job, access to employment for certain categories of workers, who are at a disadvantage, and the promotion of better working conditions in less developed areas.

The initial list contains:

- (i) Aid for the preparation, operation and management of training courses, including training of instructors.
- (ii) Aid for persons obliged to change their place of residence within the Community in order to take up a job. The aid is to cover transport costs and the resettlement allowances generally granted in the Member States.
- (iii) Aid to encourage integration of these persons and members of their families into the new social and working environment, and in particular aid for information schemes, hostels for young people, and language teaching.
- (iv) Aid to eliminate obstacles which make it difficult for certain categories of workers who are at a disadvantage to take up available employment - handicapped persons and persons aged over 50.

The Council has decided that all these aids can be used to counter the employment difficulties set out in Article 5 of the basic decision. It has reserved the right to decide which are the most suitable aids to

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<sup>1</sup> Regulation No. 2397/71.

meet the requirements of any field that it makes eligible for assistance from the Fund under Article 4 of the Decision.

In this connection the public and private bodies enjoy all possible freedom of choice and combination of the aids which are best suited to the social, economic and administrative context of the operations which they decide to organize.

#### Preparatory studies and pilot schemes

The setting up of the reformed Fund raises serious problems as to directing assistance from the Fund, in particular under Article 4 of the Council Decision of 1 February 1971.

For this reason the Council empowered the Commission to promote, carry out or give financial assistance to studies and pilot schemes<sup>1</sup>. Special credits are earmarked for this purpose. The Fund may finance up to 50% of the cost of the pilot schemes, on condition that they have a limited scope - 30 jobs at the most - and have been approved in advance by the Government or Governments on whose territory they are to be carried out.

#### The European Social Fund Committee

The EEC Treaty states that the Fund shall be administered by the Commission, assisted by a Committee presided over by a member of the Commission and composed of representatives of the Governments, trade unions and employers' organizations<sup>2</sup>.

This Committee is consulted on all questions connected with the activity of the Fund and is kept regularly informed on the various aspects of the Community's general economic and social policy<sup>3</sup>. It helps the Commission to assess the merits of applications for assistance by the Fund. It provides a link between Community level and national level; its members inform the Commission on the different factors of the real national situation and help to bring to the fore the fields where assistance can

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<sup>1</sup> Cf. Regulation No. 2396/71, Article 7.

<sup>2</sup> Article 124 of the Treaty.

<sup>3</sup> Articles 9 and 10 of the general implementing regulation.

best be given; they are also in a position to inform and advise those whose task it is to take basic initiatives.

With this in mind the Commission submitted an Opinion to the Council on the need to change the Statute of the Committee<sup>1</sup>, in order, in particular, to allow various sectors of economic life to be represented; to adjust the ways in which it operates, in the light of the new tasks which it must undertake following the reform of the Fund; and to alter the procedures for appointing representatives of the two sides of industry. As yet, no response has been made to this Opinion.

#### Setting up of national links

As soon as the necessary information is available to it, the Commission will publish in the Official Journal of the European Communities the procedure laid down by each Member State for submitting and forwarding applications for assistance<sup>2</sup> and the list of public authorities empowered by each Member State to provide financial assistance for operations by bodies or other entities governed by private law<sup>3</sup>.

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<sup>1</sup> Official Journal, 31 August 1960

<sup>2</sup> Article 1 of Regulation No. 858/72

<sup>3</sup> Article 4 of the general implementing regulation No. 2396/72.

Annex B

BASIC LEGAL REFERENCES

The rules for the operation of the new European Social Fund are laid down in the following legal instruments<sup>1</sup> :

- (i) Treaty of Rome (EEC) - Articles 123, 124, 126 and 127 ;
- (ii) Council Decision of 1 February 1971 laying down the fundamental principles of the new European Social Fund (basic decision)<sup>2</sup> ;
- (iii) Council Regulation No. 2396/71 implementing this decision and laying down the general conditions under which the European Social Fund is to operate (general implementing regulation)<sup>3</sup> ;
- (iv) Council Regulation No. 2397/71 on the types of aid which may qualify for assistance from the European Social Fund ("aids" regulation)<sup>3</sup> ;
- (v) Council Regulation No. 2398/71 on assistance from the European Social Fund for persons who are to pursue activities in a self-employed capacity<sup>3</sup> ;
- (vi) Financial Regulation laying down special provisions applicable to the European Social Fund<sup>4</sup> ;
- (vii) Council Regulation No 858/72 on certain administrative and financial conditions under which the European Social Fund will operate<sup>4</sup> .

A number of Commission regulations will be added to this batch later, in particular as regards the maximum amount and the methods for calculating expenditure in connection with certain aids, in accordance with Article 2 of Council Regulation No. 2397.

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<sup>1</sup> It should be noted that when the Fund was reformed the Council adopted a decision extending the application of these legal instruments to the French Overseas Departments (Official Journal No. L 249, 10 November 1971, p. 73).

<sup>2</sup> Official Journal No. L 28, 4 February 1971.

<sup>3</sup> Ibid, No. L 249, 10 November 1971.

<sup>4</sup> Ibid, No. L 101, 28 April 1972.

TABLE II (in thousands of u.s.)

APPLICATIONS FOR ASSISTANCE APPROVED IN 1972

V/989/73-E

Annex C

Responsible bodies	Period for carrying out operations	GERMANY			BELGIUM			ITALY			FRANCE			LUXEMBOURG			NETHERLANDS					
		Amount applied for	Amount approved	Number of workers	Amount applied for	Amount approved	Number of workers	Amount applied for	Amount approved	Number of workers	Amount applied for	Amount approved	Number of workers	Amount applied for	Amount approved	Number of workers	Amount applied for	Amount approved	Number of workers			
<b>REGIONS</b>																						
Bundesanstalt für Arbeit	May - December 1972	21 995	10 117	18 600																		
IRI Naples	May 1972 - July 1973							5 088	3 352	11 575												
Taranto	May 1972 - April 1973							1 625	1 625	3 675												
Bielle	May 1972 - May 1974							1 416	1 416	1 581												
ANAP	July 1972 - December 1973							5 835	5 835	3 200												
Fiat	May 1972 - December 1972							12 955	12 955	11 452												
Ministry of Social Affairs	May - December 1972																1 922	1 922	2 850	50 836	37 222	34 233
<b>ADAPTATION TO TECHNICAL PROGRESS</b>																						
Ministry of Agriculture	May 1972 - through 1974										9 945	5 155	8 137									
Ministry of Public Works	May 1972 - December 1974										5 182	1 290	1 612							15 122	6 445	9 749
<b>HANDICAPPED PERSONS</b>																						
National Fund for the social rehabilitation of handicapped persons	May - December 1972				1 741	1 741	(2)															
Ministry of Social Affairs	May - December 1972										3 591	3 591	8 700									
CENSIS	October 1972 - June 1973							1 040	1 040	1 500												
Accident Insurance association (industrial sector)	May - December 1972													14	14	600						
(agricultural and forestry sector)	May - December 1972													9	9	50				6 395	6 395	10 850 + B.A. + Belgium
<b>TOTAL</b>		21 995	10 117	18 600	1 741	1 741	(2)	27 959	26 223	32 983	18 718	10 036	18 449	23	23	650	1 922	1 922	2 850	72 358	50 062	54 832 + B.A. + Belgium

(1) Derived from the number of workers involved in operations accepted

(2) Figures not available

Annex D

SOME EXAMPLES OF APPLICATIONS FOR ASSISTANCE SUBMITTED TO THE COMMISSION

A. APPLICATIONS CONCERNING THE REGIONS

German application - Bundesanstalt für Arbeit

This concerns the 21 programmes for regional activities decided on to help improve living conditions in areas where economic structures are weak. These are regions in which the economic potential is distinctly lower than the average for the Federal Republic or is in danger of falling far below this level or else where the prevailing activities are affected or in danger of being affected by transformed structures in such a way that considerable negative consequences are felt or are foreseeable.

Under these programmes, the Fund's assistance is requested for operations of occupational retraining and resettlement with the object of helping:

- (i) workers to be transferred from stagnating or declining activities, particularly in agriculture ;
- (ii) workers to engage in occupations requiring high qualifications ;
- (iii) the integration or reintegration into employment of workers who are difficult to place in employment again on account of their age, women over thirty-five years, and young people under twenty-five years.

The amount applied for is 22 million units of account for operations concerning 37 280 people, carried out between 1 May and 31 December 1972.

Italian applications

Four applications (IRI (Naples and Tarento), FIAT and ANAP).

These applications concern operations aimed at helping to solve problems of serious and prolonged employment imbalance in the South of Italy and the Islands.

The operations are accompanied by an effort to create jobs by setting up undertakings in this region: Alfa-Sud automobile factories in the Naples area, 10 FIAT establishments distributed throughout the South of the country (Apulia, Abruzzi, Molise, South Lazio, Sicilia) and new investments enabling capacity to be doubled in the Italsider iron and steel centre in the Taranto region.

The operations concern about 30 000 workers and are directed towards the vocational training of unemployed workers from agricultural areas and towards the further training of workers and technicians with a view to giving them the high qualifications called for by technical progress in the automobile and iron and steel industries.

The training programme is carried out by Fiat, a private undertaking, and 35% of the expenditure is financed by the Ministry of Labour. Since the Fund's contribution should equal that of the public authorities, 30% of the expenditure is payable by the undertaking.

The total amount of assistance requested is approximately 13 8 million units of account.

One application concerning the Biella area, in the north of the country

This area is situated on the borders of the Alpine valleys, and the largest industry in it is the textile industry. The applicant is the Unione industriale Biellese, a body governed by private law, which needs both to reorganize and to diversify its activities. The Ministry of Labour, as a public authority and in accordance with the regulations in force, has undertaken in financing the operations concerned to the extent of 50% of the outlay.

The whole programme envisages training or retraining 7 000 people from the region in five years; these operations are for redundant textile workers, unqualified young people, and to a lesser extent people from agriculture. This programme is particularly interesting because it plans to combine restructuring the largest industry, setting up new activities, and training and placing labour.

The programme will extend over two years : assistance from the Fund is requested for the first phase, which is concerned with expenditure for training 1 581 people in engineering trades for jobs in a Lancia factory now being set up in the area.

The amount of assistance requested is 1.4 million units of account.

Netherlands application

North Netherlands (Groningen - Friesland - Drenthe - northern Overijssel)

This agricultural region, cut off from industrial centres, has long had an unemployment rate two or three times the average rate recorded for the whole country (3.4% in 1971 as opposed to 1.8%).

The Government has taken a number of measures to stimulate economic activity there :

Some of these are aimed particularly at encouraging improvements in infrastructure and promoting the creation of jobs.

The Philips company, in particular, in agreement with the Ministries of Economic Affairs and Social Affairs, has decided to set up a new undertaking at Winschoten to manufacture special glass for television tubes.

In this context, the operations covered by the application for assistance submitted by the Ministry of Social Affairs are aimed at adapting the occupational skills of adults to facilitate their reemployment. Training programmes (choice of occupations, number of trainees) are drawn up jointly by the public authority and the undertakings so that the people concerned may be re-employed in their new occupations almost immediately after the end of the course. For the period from May to December 1972, training operations are carried out either in centres or at undertakings and concern approximately 735 people.



There have been other measures under the regional economic development policy which are directed in particular towards helping to set up enterprises in regions in difficulties or to transfer enterprises to such regions; in this context, the Fund's assistance has been requested for operations to transfer 125 specialized and qualified workers or young people to the North region of the country.

Finally, to help the recruitment of unemployed workers in the region and those over 50 years of age, the law makes provision for a wages aid to be granted to employers who provide re-employment for these workers; this aid is 35% of the wage-costs over a 12-month adaptation period.

The Fund's assistance is requested for 75 cases.

The total amount of assistance requested for all these operations comes to 1.9 million units of account.

B - APPLICATIONS CONCERNING ADAPTATION TO TECHNICAL PROGRESS

France - Ministry of Public Works and Housing

Directorate of Building, Public Works and Economic Cycle.

The following justification is given for the application :

The pattern of employment in the building and public works sector in France is still characterized by too much undertrained labour and too few executives, technicians and qualified workers. This is a considerable obstacle to the development of undertakings, in view of the radical changes taking place in building technology.

To enable the labour force to be adapted to the new qualifications required (prefabrication caster and assembler, methods officer, quantity surveyor, draughtsman, tower crane driver, acoustics expert, etc.), the Ministry of Public Works decided to start a specific training programme for occupations requiring high qualifications. This programme is to be

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carried out over a three-year period in order to satisfy part of the most urgent requirements and also lay the foundations for a proper training system which can later be used and developed by the bodies concerned. The first phase, carried out in 1972, affects 1 612 workers.

The total amount of assistance requested for the three years is a little over 5 million units of account, 1.2 million of which is for carrying out the first phase.

C - APPLICATIONS CONCERNING HANDICAPPED PERSONS

Belgium - Fonds national de reclassement social des handicapés (National fund for the social rehabilitation of handicapped persons).

The applicant is a body governed by public law, administered by the Ministry of Employment and Labour and managed by a Board of Management including representatives of trade unions and employers' organizations.

According to Belgian law on the rehabilitation of handicapped persons (Law of 16 April 1963), the Fonds national de reclassement may intervene to help persons whose employment possibilities are reduced because their physical capacities have been diminished by at least 30% or their mental capacities by at least 20%, and who undertake to fill the adequate post offered them after completing the rehabilitation programme laid down for each of them individually with a view to their acquiring trade or professional skills.

Assistance by the Fund amounting to 1 741 million units of account is requested for the following operations, to be carried out between May and December 1972 :

- setting up the individual rehabilitation and readaptation programmes for approximately 688 people (expenditure relating to the various examinations necessary) ;
- rehabilitation of approximately 12 000 people in specialized centres (in particular, expenditure on physiotherapy and ergotherapy, carried out by doctors or by rehabilitation auxiliaries, and the supply, adaptation, maintenance and replacement of prosthetic and orthopaedic appliances) ;

- vocational guidance and readaptation - expenditure relating, in particular, to subsidies granted to vocational training centres (equipment, maintenance of buildings and machinery, teaching staff), for the remuneration of trainees and travelling and subsistence costs ;
- vocational and psychological adaptation to the job either in undertakings or in protected workshops (expenses relating in particular to assuming responsibility for part of the remuneration of the people concerned during a period varying from 4 weeks to 1 year, and to adaptation of the job).

France - Ministry of Social Affairs

The following justification is given for the application for assistance:

The results of the 1972 census and various more recent studies indicate that, in the years ahead, about 1.5 million adults will rank as "handicapped persons".

The VIth Economic and Social Development Plan (1971-1975) provides for the rearrangement and increase of the resources devoted to the occupational reintegration of handicapped persons; the target is the long-term placing in undertakings of approximately 10 000 people a year.

Measures will be taken in particular to assure :

- improvement in the quality of diagnoses,
- ergonomic research and adaptation of jobs,
- establishment of specialized "preparatory and after-care teams" to give the necessary support to handicapped persons while they are being rehabilitated and acquiring trade or professional skills and during the period of adaptation to their occupations.

The initiative here is mainly the responsibility of the departmental committees for the guidance and training of handicapped persons, which are competent to classify people as "handicapped persons" and guide them either

into immediate employment or to a retraining centre.

In this context, assistance from the Fund amounting to approximately 3 6 million units of account is requested for the following operations, to be carried out from May to December 1972 and concerning 8 700 people :

- training teaching staff and guiding and retraining handicapped persons (operating expenditure of centres, remunerating trainees, adapting teaching methods) ;
- adaptation of jobs, either in undertakings or in protected workshops.

Italy - Centro Studi Investimenti sociale (CENSIS)

The applicant body is governed by private law and coordinates the activities of the various institutions dealing with handicapped persons; its aim is to prepare and implement a comprehensive policy with regard to handicapped persons which goes beyond the strict legal obligation for firms to employ a certain quota of them.

The operation covered by the application is to be carried out from October 1972 to June 1973; its purpose is to enable 1500 workers registered at the provincial level by the Employment Office as persons entitled to benefit from obligatory employment to be integrated into the Alfa-Sud undertaking set up near Naples. These are persons under fifty-five years of age who are unemployed and likely to acquire the skill to fill a job.

There is provision for three types of action :

- i) preparation and acclimatization of 347 handicapped persons for life in industry; the duration of the courses is from 350 to 400 hours, spread over 10 weeks ;
- ii) training 153 handicapped persons for occupations as welders, car-body painters, technical assistants for car-body production and inspection, drivers of mechanical equipment ;

the duration of the courses varies from 840 hours over 21 weeks to 250 hours over 7 weeks ;

- iii) supplementary courses of 60 hours, spread over the whole training period, for the 1500 people concerned, in order to interpret and justify the readaptation effort and to tackle the problems which different types of handicap pose when people are to be integrated into an undertaking.

The total amount of assistance requested is a little over 1 million units of account, for the operating expenditure of centres (teaching staff, equipment, management costs) and for the expenditure concerning trainees (remuneration, food, housing, transport, etc.).

As the body responsible for the operation is governed by private law and non-profit-making, and its aims and activities are of special importance, the Minister of Labour undertakes to finance 50% of the expenditure provided the European Social Fund does the same.