

STUDY
OF THE EUROPEAN COMMUNITIES'
RE-ADAPTATION AIDS
IN THE COAL AND STEEL INDUSTRIES



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STUDY OF THE EUROPEAN COMMUNITIES

READAPTATION AIDS

IN THE COAL AND STEEL INDUSTRIES

by

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Document

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APPENDICES

(Not Presented with this Report)

1. The Revised Methodology (25 pages)
2. The Belgian Study (91 pages)
3. The French Study (229 pages, plus Annex, 35 pages)
4. The German Study (160 pages)
5. The UK Study, Phase II (58 pages)
6. The Position in Denmark (4 pages)
7. The Position in Eire (11 pages)
8. The Position in Italy (30 pages)
9. The Position in Luxembourg (6 pages)
10. The Position in the Netherlands (12 pages)
11. Trends in Coal and Steel output and employment, and in ECSC expenditure (14 pages)

A. SUMMARY OF THE REPORT

This report presents the results of a project to investigate the practices and efficacy of the European Communities' funding of the Readaptation Aids in the coal and steel industries, payable under Article 56(2)(b) of the Treaty of Paris.

The study has been undertaken by academic researchers in the UK, Belgium, France and Germany, who worked to a common methodology under the direction of a research team from Durham University in the UK. Detailed studies were made of these four countries, and less in-depth investigations were made of the position in Denmark, Eire, Italy, Luxembourg and The Netherlands.

A major concern of the study has been to examine expenditure on specific Readaptation Aids and to identify the contribution of the EC and of the national governments to the benefits received by workers. The study has also examined the history of Readaptation Aids, the objectives which they serve, and the interpretations which have been put on the various agreements relating to Readaptation Aids between the Commission and Member States. Finally, some evaluation of the efficacy of the Readaptation Aids was attempted.

Objectives of Readaptation Aid

Up to the mid late 1960s the Commission (or its predecessor, the High Authority) had two objectives; (i) assuring the social protection of workers affected by restructuring, and (ii) promoting the reintegration of these workers into productive life by facilitating access to new employment. Over time the Commission broadened its interpretation of Article 56(2)(b), for example by extending the categories of workers eligible and making increasing use of the substitute principle.

In recent years four objectives of the Commission have been separately identifiable, although they are all highly interdependent. The ranking of

these objectives can and does change over time but from the late 1970s to the present it has been:

- (i) achieving acceptance of industrial restructuring by those involved;
- (ii) achieving withdrawals from the labour force;
- (iii) assuring reasonable social protection for the individual;
- (iv) attaining optimal reallocation of labour.

There are several underlying considerations which impinge upon these objectives. The first is additionality, i.e. the long standing notion in this context that the EC should add to the Member State's contribution and should not simply replace it or provide straight reimbursement to the Member State. The second consideration is complementarity, i.e. Readaptation Aids need to be satisfactorily aligned to other EC instruments such as Article 56(2)(a), the European Regional Development Fund and to the European Social Fund. The third consideration is harmonisation, the importance of which to the EC Commission has varied over time, although it has been a consistent concern. There are different interpretations of harmonisation.

Instruments and Trends

There are basically eight major ECSC Readaptation Aid instruments: (i) tideover allowances, (ii) earnings supplements, (iii) early pensions and related early retirement benefits, (iv) training allowances and costs, (v) mobility allowances, (vi) severance or lump sum payments, (vii) concessionary coal benefits, and (viii) short time working.

All eight instruments serve the EC objectives of acceptance of restructuring and assuring reasonable social protection. Four instruments especially concern optimal reallocation of labour, namely tideover allowances, earnings supplements, training and mobility allowances. Two instruments, early pensions and severance payments, are worth highlighting as especially concerned with achieving withdrawals.

There is diversity in the use of Aid instruments across the Member States and between the coal and steel sectors within Member States. Individual Aids also differ in importance at different times but some general trends are clearly discernible. During the 1980s early retirement benefits have universally become very important as an EC Aid across the Community whether de facto or de jure. In particular, early pensions and related early retirement benefits (including under the Social Volets - until their final demise in December 1986), training allowances, lump sum payments and short-time working are instruments which have generally become relatively more important while earnings supplements and mobility allowances have become less important. Tideover allowances have remained a highly important instrument but now have a more explicitly dual role depending on the age of the beneficiary. While historically tideover allowances were called waiting time allowances, that particular use of tideover allowances has become restricted to younger redundant workers who aspire to obtaining alternative jobs. For a larger group of beneficiaries, namely older workers, tideover allowances are an early retirement Aid. This represents a change in the use of this instrument dating from the 1970s by which time for many it had already become a de facto early retirement measure.

Of the principal Aids, training and early retirement are consistently the most expensive across the Community.

The Relationship between the EC and Member States

Member States' social security systems definitely influence the shape and form of EC Readaptation Aids when they are operationalised in each country. It has always been taken as given (by the Commission and Member State Governments alike) that EC Readaptation Aid is a topping-up process so that historically it has relied upon rather strong social security schemes (whether State or industrial sector based) functioning in Member States. Many of the EC Readaptation Aids are thus closely linked to - indeed grafted on to - each

country's social security provisions. In negotiating Bilateral Conventions the EC Commission is constrained by this factor. The terms of the applicable Bilateral Convention agreed between the Commission and the individual Government and/or under the Social Volet deals, together with the level of take-up of each Aid instrument, and the level of social security payments in a Member State, are thus important determinants of the size of the EC's contribution to Readaptation Aid in a particular Member State.

Theoretically the EC can contribute up to 50% of the payments made under individual EC Aid instruments, i.e. matching the Member State's contribution, subject to ceilings in relation to certain Aids (e.g. lump sum payments) which may substantially reduce the EC's contribution below 50%. Yet annually overall payments made in practice in recent years (since 1979) have sometimes represented only approximately 10% (or even less on occasions), in Belgium, Germany and the UK, of the gross cost of EC Readaptation Aid payments for the coal mining sector. In contrast, the EC contribution for the steel sector for these three countries has been at least 40% of the gross cost. The size of the EC contribution is largely determined by the eligibility rules.

The factors affecting the choice of Aids offered and then taken up shows some variation across countries and over time.

Historically there is some evidence to suggest that ECSC Readaptation Aid has acted as a catalyst to bring about additional finance by national authorities and the enactment of specific social measures.

Assessment of Readaptation Aids

The report provides some assessment of how far the Readaptation Aids promote the achievement of the objectives.

The extent to which industrial restructuring is made more acceptable is difficult to measure but our broad conclusion is that ECSC Readaptation Aid has produced a very significant easing of the process of restructuring

(notwithstanding the fact that there has been serious social conflict in a number of Member States). The composition of the package of Readaptation Aids is of some importance in promoting acceptability.

The objective of achieving optimal reallocation of labour has been adversely affected by the great rise in unemployment and training and mobility allowances seem to have had relatively little effect. Lump sum severance payments certainly seem to induce a shake-out of labour but they may impede the speed of job search and re-employment. However, the ECSC Contribution to this particular instrument is generally distinctly limited. Withdrawal from the labour force, which has become a prominent feature, is particularly promoted by early pensions.

The objective of achieving reasonable social protection is contributed to by all the Aids but tideover allowances have consistently been a key element. The study concludes that income support benefits provided by the EC do yield some additional benefits and the level of benefits has been reasonable if former incomes, or incomes in other sectors of the economy, are taken as the standard comparison. However, the duration of protection is now arguably weaker, in the face of long-term unemployment.

In general it is not possible to assign each particular type of Aid uniquely to one objective. There are complex interactions which make exact calculation of the cost-effectiveness difficult; but there is some strong, though impressionistic, evidence that the package of Aids as a whole is provided at a comparatively modest cost in relation to its achievements (and also in relation to the total cost of coal and steel restructuring policies).

Information and Data Requirements

The financial and statistical information which is available on the operation of ECSC Readaptation Aid is well suited to the needs of financial control, but in its present form, there must be reservations about how far it serves the needs of more general monitoring and evaluation of the

Aids. It would be possible, for example, to make better use of the existing data.

Some Broad Conclusions

The report concludes that there is a case, in the longer term future, for giving more attention to the objective of optimal reallocation of labour, though the very real difficulties of budgetary constraints and having to operate in an economic environment of extremely high levels of unemployment are fully acknowledged.

Attention is also drawn to the continuing need to ensure that objectives are clearly and widely understood so that transparency is improved.

Furthermore, it is suggested that more explicit consideration could usefully be given to clarifying and perhaps developing the interrelationships between Article 56(2)(b) of the ECSC Treaty and other EC instruments for job creation. It is argued that in areas heavily affected by coal and steel restructuring, job creation measures will be most effective if they work in harmony with the tried and tested Readaptation Aid measures.

In times such as the present, when there are tight budgetary constraints faced by the Commission, it is understandable that any case for expanding Readaptation Aids will be viewed with caution. Nevertheless, the study concludes that Readaptation Aids serve a sufficiently important purpose that any cutting back from present levels would be highly undesirable as Member States would be most unlikely to take over the financing of them.

B. INTRODUCTION

This report presents the results of a project to investigate the practices and efficacy of the European Communities' funding of the Readaptation Aids in the coal and steel industries, payable under Article 56(2)(b) of the Treaty of Paris.

The purpose of the study is to:

- 1) compare the operation of the system of Aids in the ECSC Member States which are recipients of the Aid, concerning all types of Aid for the major recipients and on the basis of a global approach in the other countries;
- 2) examine the degree to which Community funding under Article 56(2)(b) contributes within the application of the broader national policy to the following objectives:
 - a) acceptance of the restructuring programmes by those involved (workers, management, trade unions);
 - b) the optimal reallocation of the workforce including the withdrawal of the workforce from the labour market;
 - c) assurance of a reasonable social protection for the individual (income, future job prospects, etc.);
- 3) examine the extent to which Community funding made available under Article 56(2)(b) acts as a catalyst which brings about financial funding by national authorities (additionality) and the enactment of specific social measures (thus influencing social progress);
- 4) examine the distribution of the Aid across Member States indicating data requirements for achieving and monitoring such a distribution.

The study has been undertaken by members of the Industrial Relations Group of Durham University in the UK. They have been assisted by correspondents in Belgium, France and Germany who have worked to a common methodology¹ prepared by the Durham team.

An Interim Report² was presented to the Commission in July 1985 and references are made to it throughout this report.

The plan of the present report is as follows. In Part C there is a detailed discussion of the objectives of EC Readaptation Aid and an examination of the extent to which national policies have been influenced by Community funding. The relation between EC Aid and national social security systems is also examined. In Part D the effects of Readaptation Aid are considered, and there is a discussion of the extent to which the following objectives have been achieved: (i) acceptance of the restructuring process; (ii) optimal reallocation of the workforce including withdrawal from the labour market; (iii) assurance of reasonable social protection. Problems relating to data are explored in Part E. Finally, in Part F, a number of conclusions and recommendations are presented.

Substantial material is provided in the Appendices. In particular, the full reports of the Belgian, French, and German, and UK (Phase II)³ studies are presented. These studies give detailed information on those Member States and it should be stressed that what appears in the main body of this report is, for the most part, bold summary statements relating to these countries. For more exact and full accounts of the position in these countries it will be necessary for readers to consult these Appendices. The Appendices also include briefer reports on Denmark, Eire, Italy, Luxembourg and the Netherlands. A final Appendix outlines some trends in ECSC output, employment and expenditure on Readaptation Aids.

Notes to Section B

1. See Appendix 1.
2. "Study of the European Communities' Readaptation Aids in the Coal and Steel Industries: Interim Report" by D Bright, R W Grainger, W M Rees, R B Thomas. July 1985. (510 pp.; 234 pp. of main text plus 21 Appendices.)
3. The UK Phase II study follows up a number of issues arising from the UK Study, Phase I, which was presented as part of the Interim Report. The UK Phase II study deals with training, self-employment and lump sum payments.

C. THE READAPTATION AIDS SYSTEM

I Objectives of EC Readaptation Aid

1. Historical Overview

It is vital to appreciate that the objectives of EC Readaptation Aids can and do change over time as can and does the importance of both the objectives and specific Aids. Thus a brief historical outline of the objectives and their evolution will be presented. For it also needs to be understood that in setting objectives for Readaptation Aid, the Commission has had most influence historically. Thus in the 1960s and early 1970s there is evidence showing that EC Aid acted as a catalyst to bring about the enactment of specific social measures in Member States e.g. in Germany and in relation to steel in the UK. Up until 1960 the basis of High Authority intervention lay in para. 23 of the Convention on Transitional Provisions which had the objective of reducing employment problems caused by the creation of the Common Market. In early 1960 with the expiration of this Convention the Council of Ministers agreed to add para. 2 to Art. 56 to permit Aid to workers and to workers declared redundant due to fundamental changes in market conditions in coal and steel.¹

The first decade of EC Readaptation Aid was characterised by ad hoc and piecemeal developments. There was uncertainty within the Community as to what was the best way to proceed in utilising Art. 56(2)(b) of the Treaty of Paris. But it was agreed that a clear model had to be found to follow and discussions took place in an atmosphere of strong Community spirit. The ECSC High Authority (the EC Commission's precursor) initially agreed a Bilateral Convention on the coal industry with the French Government when faced with no more than a couple of hundred redundancies. 1960 also saw Conventions with Belgium and Germany followed in 1965 with

Italy and in 1966 with Luxembourg and the Netherlands. Up to 1967 the predominant concern had been Readaptation Aid in the coal industry in practice. Up until the late mid 1960s, the Commission always had two objectives in mind, though the Conventions were certainly not absolutely uniform in their provisions.² The first objective was to assure the social protection of the workers affected by restructuring, by guaranteeing them the continuation of their means of subsistence for a limited period. The second was to promote the reintegration of these workers into productive life by facilitating access to new employment. The Aids utilised to attempt to achieve these objectives were fivefold: (i) tideover allowances, (ii) income (earnings) supplements, (iii) training allowances, (iv) mobility allowances, and (v) limited lump sum payments. A particular Aid might be of considerable importance in one country (or indeed region) but be of little practical utility in another where it would be little taken up.³ Yet the two most important Aids overall were (i) tideover allowances and (ii) earnings supplements in that order up to 1967. Up to that date the Commission (or High Authority, its precursor) was able to conclude that its Readaptation measures had as a whole allowed the two industries to proceed with "inevitable rationalisations without the consequences of these being too serious for the personnel involved", adding that they "played a substantive and psychological role in reducing the usual fears at the time of closures and thereby avoided serious social clashes". (Our emphasis). Furthermore, "the waiting allowances and income supplements have, by maintaining the purchasing power of workers and their families, helped to prevent the deterioration of the social fabric", thus serving "as an indispensable link between closure and reconversion operations".⁴

It should be emphasised that from the inception of EC Readaptation Aid, the scope for Community initiative has been fairly narrow given that the basis of Community intervention is defined rather precisely in

Art. 56(2)(b) and that the Commission (originally the High Authority) must operate as a partner with each Member State. Art. 56(2)(b)'s "matching money principle" has always been rigidly followed with the EC Commission only contributing up to a maximum of 50%, for any Aid where the Member State provides under the terms agreed. The Commission, with its considerable interest in harmonisation (the importance of which has varied from time to time), has consistently had the underlying aim of giving comparable protection to each individual in the different countries. Yet even in the mid-1960s the Community was beginning to accept contributing a different amount per beneficiary in different countries, with some countries and beneficiaries receiving substantially more than others both on a per capita and global basis. Indeed it was acknowledged at the Commission that the EC could contribute four times as much to one country as to another. The Community has constantly recognised that it is not always possible for EC Readaptation Aids to be of a uniform level and duration in the light of different levels of social security provision pertaining in different countries with their differing legal regimes. The Commission has thus contented itself by contributing to Aids within its own specified broad ranges. Nevertheless the Commission has always believed that Art. 56(2)(b)'s major objectives can be fulfilled with the provision of different Aids (of differing magnitudes) in different countries.

2. Recent History

While over time in the light of social and economic developments, the Commission, as a highly reactive body, has had to modify its objectives by extending them, so too inevitably it has had to broaden its interpretation of Art. 56(2)(b). The latter has involved extending the categories of workers eligible by, for example, including workers not directly affected by restructuring but involved in the overall reorganisation plan as a consequence of restructuring.⁵ A notable instance of this is

the substitute principle, originally permitted to apply in Germany in the mid-1960s, but which also has been later applied in other Member States so that older ECSC workers not directly affected by a discontinuation or reduction of activities can free jobs for other notably younger workers so affected, by their taking up EC Aid instead of the younger. A further development from 1984 has been to extend this substitute principle to workers transferring between ECSC undertakings instead of being limited to those redeployed within the same industry. Broadening the interpretation of Art. 56(2)(b) has also involved recognising new Aids, most notably for early retirement (early pensions).⁶ Short-time working has also become a significant Aid in certain countries.

The EC Commission in the 1970s and 1980s (at least to date) has tended not to go out and publish formal grand declarations of its ECSC Readaptation Aid objectives. The Commission's Report,⁷ for example, surprisingly does not set out such a catalogue of objectives. The Commission could usefully do more to publicise and give emphasis to its ECSC Readaptation Aid objectives both at the European level and within Member States.⁸ Yet it is in fact possible to glean what the major objectives are through analysis of Commission documents and discussion with senior Commission officials. What we find is a set of objectives which not surprisingly has a sense of continuity with, while also being a development of, the Commission's statement of 1967, cited supra. The first objective of EC funding under Art. 56(2)(b) is to obtain acceptance of the re-structuring programmes by those involved (namely individual workers, trade unions and management). This was not formally stated as an explicit major objective in 1967 but can properly be taken to be implicit. The second objective is to achieve the optimal reallocation of the workforce. Since 1978 to some degree, and most particularly since 1981 (but most explicitly since 1983) this objective has the related and brutally realistic objective of achieving the withdrawal

of a significant part of the labour force, namely many older workers (i.e. those over 50 or initially those over 55) through early retirement.⁹ The third objective is to assure reasonable social protection for the individual affected.¹⁰ This involves providing appropriate compensation for loss of earnings. For some workers, notably the younger, this also means assisting them in improving their future job prospects. These objectives are naturally closely inter-related, with the achievement of the latter objectives being plainly dependent on the first. If there is a total refusal to accept restructuring by the interested parties and were it successful over a period, then the other objectives simply could not properly come into play.

3. Present Ranking of Objectives

Thus in terms of ranking the importance of these objectives on a Community wide basis, there can be little doubt that the primary one is the first; namely achieving acceptance of restructuring as part of a Community programme.¹¹ The fundamental aim in each Member State is to provide the basis for good consultation between the social partners in order to avoid open protest and thus high levels of social conflict, particularly riots and industrial action in the form of strikes, picketing and sit-ins,

The second most important objective across the community in the 1980s has become achieving significant withdrawals from the labour force. This is regarded as most easily and fairly achieved by putting considerable emphasis on early retirements (whether de facto or de jure) and avoiding compulsory redundancies, especially of younger workers.

The third most important objective in each Member State is to secure reasonable social protection for individuals affected. The highly inter-dependent nature of the ECSC objectives is thus again highlighted. Without offering what the workers and their unions regard as at least reasonable social protection, the restructuring programmes would not ultimately be even reluctantly accepted, or at least the opposition to them would be

all the more vehement and so possibly more effective (given certain political and social conditions). For example, in the UK coal industry, the highly generous lump sum redundancy payments under the RMPS have facilitated what the mining unions (most notably the NUM) have characterised as the "selling of jobs": in short, financial compensation for being declared redundant looks so attractive that many miners find the lure irresistible. It must be emphasised, however, that the Community was not heavily involved in these severance payments.¹² The recent experience in the UK coal industry would also appear to underline that offering reasonable social protection is not the primary major objective, though the two other major objectives cannot be achieved without it. If assuring reasonable social protection seriously means to incorporate a guarantee of future job prospects, it has become a much less important element of the objective in recent years operationally.

While the EC Commission under existing circumstances would place the objective of achieving workforce withdrawals from the labour market under the broader and more traditional objective of obtaining the optimal re-allocation of the labour force, we would suggest that it might be better treated today and in future as a separate objective. For in a theoretical sense it is difficult to regard achieving early retirements of able bodied, fit and enthusiastic workers as an optimal reallocation assuming that they never work again.

It would appear to represent an acceptance of a shrinking workforce not just in the traditional basic industries of coal and steel which have been broadly in decline in Europe in recent years but in the EC economies at large. While this may be a realistic, practical and defensible response to the present economic crisis in the short term, it would be undesirable for the two potentially distinguishable objectives to be automatically run into one in the future. This is not to say that a good case cannot be made out for automatic early retirement of all workers undertaking hard

manual jobs represented in the coal (viz. underground face worker) and steel industries. But should the European economies begin to expand significantly again, many older steelworkers and miners might wish to work and be able to compete successfully for jobs in different growing sectors of the economy. Then there would be an optimal reallocation of labour.

This optimal reallocation in the positive sense of the phrase (rather than in a negative euphemistic sense) has become the least important major objective, though it still exists.¹³ The retention of younger workers in ECSC industries who would otherwise have been declared redundant without the substitute principle represents one limited application of this objective of optimal reallocation, but one which is very important within organisations.

We shall next consider what the EC Readaptation Aid objectives mean in operational terms in individual Member States. In Belgium achieving acceptance of restructuring has been a highly important objective; to facilitate closure decisions, this being a measure of last resort by companies, and to make the position easier for Government and unions. Also a second major objective is to secure reasonable social protection by providing an additional level of social protection above that of state social security. The reallocation of labour objective can be related to re-deployment within coal and steel enterprises in Belgium, though more importantly the objective of achieving withdrawal from the labour market through the use of early retirement has been central (as it avoids dismissals i.e. compulsory redundancies). In France too this objective of achieving withdrawal from the labour market through early retirement has been vitally important for the same reason as in Belgium. It also safeguards younger workers' jobs which is considered important in France.¹⁴ Also the achievement of the acceptance of restructuring has been high on the list of priority objectives so as to avoid social conflict, for example in the

declining coal producing regions of the Nord Pas de Calais and Lorraine, which are regarded as "high risk" areas.¹⁵ The objective of providing reasonable social protection has been the necessary means of achieving management of the recession in the short term.¹⁶ The optimal reallocation of labour can still be regarded as an objective in France, although now extremely difficult to achieve with an emphasis on self-employment, the service sector and new industries having to become the practice, instead of, for example, the approach of the 1970s of taking car plants into the mining regions.

The operationalisation of the EC objectives in West Germany reflects a very similar pattern to that prevailing in Belgium and France, though there is no specific statement of EC objectives in relation to the "Sozialplanpolitik" of enterprises and unions of which EC Readaptation Aid is an integral part. Achieving acceptance of restructuring comes first as an objective so as to avoid open workers' protest: this concern is for example strongly reflected in the statements of personnel management. Achieving significant withdrawals from the workforce through early retirement is also a most important objective in Germany being linked with the desire to avoid compulsory dismissals as far as possible. The young, skilled and generally well qualified workers often leave their jobs in coal and steel before there is a need for the EC Readaptation Aid policies to impact, leaving the older workers who appear unable to move. The objective of achieving an optimal reallocation of labour in the positive sense has a lower priority in the 1980s as there can be very little re-employment given that we are not in a period of economic growth when new firms in the affected regions can be readily established. Yet redeployment within coal and steel enterprises through transfer of younger workers, has a longer history of utilisation in Germany under EC auspices than in any other Member State. The EC's objective of assuring reasonable social protection for workers affected has constantly had a high priority

through "Socialplane" financial aid. We would emphasise that the British experience has also been that achieving acceptance of restructuring has been of the highest priority. Since the advent of the 1970s the NCB has been able to avoid declaring compulsory redundancies with the judicious use of the RMPS. Achieving withdrawals from the labour force has been a second priority in the two British industries.

4. Aids and Objectives Related

We shall now attempt to specify which Aids (i.e. instruments) serve which objectives before considering which Aids are most important in practice.¹⁷ Some general points will be raised first before considering the position in Member States.

The whole package of EC Aids, taken both individually and as an integrated whole, is designed to contribute to the first objective of achieving acceptance of the restructuring programmes by those involved. Generous early retirement and lump sum Aids need nevertheless to be highlighted as potentially highly attractive "carrots" to workers.

Three Aids, namely earnings supplement, training allowances and mobility allowances specifically attempt to serve the objective of achieving an optimal reallocation of labour.

Early retirement measures, including early pension and severance payments, are particularly serving the objective of achieving workers' withdrawal from the labour market.

The whole package of Aids is designed to assure reasonable social protection for the individual: namely, tideover allowances for those not working; earnings supplements for those redeployed or in some instances re-employed; early pension for the early retired; training allowances for those unemployed seeking new types of work; mobility allowances for those redeployed or re-employed; severance payments in the form of lump sums granted to workers who then choose what to do with the money (it might be, for example, to purchase new or replacement consumer durables,

property, holidays, for investments to secure their future, for establishing themselves in self-employment or any combination of these purposes¹⁸); concessionary coal entitlements for miners; and short time working Aid in certain countries, particularly for steelworkers. In their individual countries workers may qualify for and receive more than one sort of aid, depending upon their age and situation.

In determining which Aids are most important, we shall take an instrument-centred approach taking into account practice in Member States. It should be noted that not all Member States are using all available EC Aids: they can only seek assistance from the Commission on the basis agreed in the Bilateral Conventions and under the Social Volet. Belgium has not always gone for EC Training Aid as has been the case historically for the British coal industry. In 1981, for example, not untypically the UK Government made no claim on the EC for earnings supplements or for any sort of mobility allowance (either for travelling or transfer allowances) in the coal industry. Belgium also has not been receiving an ECSC contribution to the special earnings supplement for older or disabled miners after being redundant through a closure which was agreed back in 1969. We shall now consider each individual Aid in turn.

(i) Tideover Allowances

Tideover allowances, now more properly called by their longer title of "Income Support in the event of Unemployment", above all serve the EC objective of attempting to assure reasonable social protection. But this first Aid also makes some contribution to achieving the objective of achieving withdrawal of older workers from the labour market.¹⁹ Historically this EC instrument was called "Waiting Allowance" as it was designed to help workers awaiting a new job so that it was cushioning them financially whilst they found a new job. Up to 1967 the High Authority's objective was to provide something additional to what was already being provided by the Member State. There was the strong desire

that ECSC should neither bolster up nor subsidise the Member State's social security system. Interestingly the German Government has still continued to favour additionality, as does the Commission itself theoretically, rather than a system of reimbursement, thus reflecting the view of the founding fathers of ECSC Aid over a quarter of a century ago. The Commission has historically favoured this Aid in the form of the percentage of protection of former earnings dropping over time with the objective of helping the worker through the post-redundancy period while also giving him a greater incentive to find a new job over time. During the 1970s the Commission engaged in debate with Member States over the duration of its contributions to "Income Support in the event of Unemployment". Before the start of that decade there was a commitment to a maximum duration of 12 months of payments. In the 1970s some Governments would not accept a 2-3 year commitment because of the impact of such "good deals" on sectors outside coal and steel. The Commission's freedom of action is thus constrained by the norms and wishes of Member States.

Increasingly there has been little or no prospect of alternative employment for those receiving "Income Support in the event of Unemployment", especially older people. Hence this income guarantee cannot now properly be called "waiting time allowance". Even in the 1970s it had become a de facto early retirement measure, though not called such. The other important development has been that as and when Member States themselves offer 100%, 90%, and 80% protection of former earnings, the EC's scope to provide additionality is effectively taken away so that the Commission is just subsidising the social security system (whether it be nationally or sectorally based) of the Member State and is reimbursing. The Commission is prepared to acknowledge that, for example, in the case of Italian steel it is now just reimbursing in contributing 18.75% of the income guarantee and 15% of the state social security contributions for 12 months.

Yet it should be emphasised that it is still the Commission's

objective to provide additionality whenever it can rather than just reimburse. There is a strongly held view within the Commission that 80-90% is a sufficient proportion of former earnings as an income guarantee for those not working. The Commission's general view is that 15% is the appropriate element for it to contribute to the total cost of this Aid, not least as this can permit a reasonable degree of harmonisation. For the Commission to go higher would require a much bigger Social Volet but since December 1986 the Social Volet has been completely cut. While the Social Volet may on occasions provide additionality, it often appears to offer reimbursement to Member States rather than directly providing extra Aids to ECSC workers. It should be noted however that the Social Volet was always a package deal and has played some role in negotiations especially in Germany; and even where there is a strong element of reimbursement, it facilitates the financing and makes the payments easier. This first Aid is now available to those who are early retired so that under a combination of Bilateral Convention and Social Volet it is possible for the EC to contribute for up to three years.

(ii) Earnings Supplements

Earnings supplements, sometimes called Income or Wage Guarantee, has become a less important EC Aid in recent years. This second Aid still seeks to fulfil the objective of assuring reasonable social protection; but it has become less significant, as has in practice the EC objective of achieving the optimal reallocation of the workforce in a positive sense, which this Aid serves. This has been the case recently, for example, in Belgium, France and Germany in steel and coal. Thus by the early 1980s this Aid accounted for only about 5% of total ECSC Aid expenditure.²⁰

(iii) Early Retirement Aids

The EC's early retirement Aids, which seek to serve the objective of achieving withdrawals of older workers from the workforce, as well as

the objectives of getting restructuring accepted and of assuring reasonable social protection, have quickly become undoubtedly the most important type of EC Aid. In the early 1980s early retirement and analogous Aids represented 50% of expenditure on traditional Aids and over 95% of the steel Social Volet No. 1.²¹ Whilst historically the EC would not contribute to early retirement and stuck strongly to this view throughout the 1960s, the Commission was slowly but surely forced to accept the new facts of industrial life in the 1970s and most notably in the present decade. Thus while early pensions were being provided in the Belgian coal industry from 1969, it was not until 1974 that the Commission agreed, in principle, if not quite in practice, to contribute;²² in relation to prime de départ (leaving bonus), best seen as a severance payment, the Commission only agreed in principle to contribute in the same year (1974) to those over 40 (with 5 years service) when this Aid had actually applied more broadly in the Belgian coal industry for at least a couple of years before. The Commission did not use the language of early retirement in this context. In 1978 there had been two political breakthroughs in the development of the Commission's acceptance of early retirement though significantly this phrase was just not used in relation to the agreements to constitute a "waiting time allowance" for Luxembourg and "Dispenses D'Activité" (work exemption) for France.

In the preliminary discussions within the Commission to establish the Social Volet, now best regarded as a financial instrument covered by Article 56(2)(b) to cope with extra expenditure necessitated by a crisis, the view was strongly expressed that early retirement Aid could not be paid under Article 56. Discussions took place as to whether Article 56 should be amended and as to how Article 95 could be a useful legal basis for certain new social measures. Yet draft amendments to Article 56(2)(b) proved unnecessary in the light of strong arguments from Member States that early retirement was the only means of dealing with the social consequences

of accelerated restructuring in steel. Discussion had been ongoing between the Commission and Council of Ministers for almost a full three years (from 1978 to 1981) about the Social Volet and its early retirement element before the Council realised that it was unnecessary to amend the Treaty of Paris, which was recognised would be a fraught process not necessarily guaranteeing a satisfactory amendment ultimately. It was agreed in 1981 that Article 56(2)(b) would in future be more broadly interpreted as permitting Aid for early retirement and that there would be some extra funding of the ECSC budget from the general EEC budget or through direct contributions from different Member States. Thus was born new aid to operate alongside traditional (or classic) aid basically agreed under the Bilateral Conventions.

By 1983 early retirement was being accepted under the terms of the Bilateral Convention on Readaptation Aid for steel between the Commission and Italy. Thus it was no longer being treated as a temporary mode of assistance to meet a crisis as it had been under the Social Volet in 1981. Early retirement has also been provided for in Bilateral Conventions with France, the Netherlands and in an agreement with Ireland. It has been in the process of being formally agreed with Belgium too. For the UK early retirement as such has not been formally explicitly recognised for a formal legal distinction is made between redundancy and early retirement so that a worker must be formally "dismissed by reason of redundancy" to qualify for ECSC Aid. But for the steelworkers "Income Support in the event of Unemployment" can be converted into a de facto early retirement benefit as it can be capitalised into a pension. For UK coal miners the RMPS has been used as a de facto early retirement scheme for many miners for some years.

In France, for example, early retirement had definitely become the most important EC Aid with the early retirement arrangements being greatly facilitated by the ECSC contribution. This applied to both their coal

and steel industries in the early 1980s even without the Social Volet; the same applied to Belgium, Germany (combined with lump sums), the UK (with the phraseology being loosely applied for it there) and to the steel industries of Luxembourg and the Netherlands.²³

(iv) Training Aid

Training Aid serves the objective of assuring reasonable social protection and in the medium term (plainly not in the immediate short term) of contributing towards a more optimal reallocation of labour. As with mobility Aids, the Commission has been content to follow national authorities' norms. The EC Commission has given training a high priority which is symbolised by its willingness in practice to contribute its maximum possible share, namely 50% of total benefits/organisations' costs. Training is very often the most expensive Aid on the basis of per capita costs because it provides income supplement and covers the cost of the training, though this has not applied in Italy recently.

Given that historically EC Readaptation Aids' primary objective had been to achieve productive re-employment and that this can no longer realistically remain the case given the difficult economic situation, retraining has become increasingly important to the Commission as a mode of its contributing towards providing optimal reallocation of labour, albeit deferred. The Commission fully appreciates that Training Aid does not per se create employment. The objective is that it should change the individual beneficiary's position in the queue of job seekers, though the Commission recognises that training may only theoretically improve job prospects. Even in relation to this Aid in the 1970s the German Government's strong adherence to the requirement for additionality and that Government's own commitment to generous financing caused a problem for EC financing.

Training has become more important as an Aid to the EC in the 1980s. In the British context younger steelworkers have had to be declared

redundant which gave particular reason to offer training to try and improve their job prospects. EC Training Aid in the late 1970s early 1980s has been most significant for British steelworkers. In France the union CGT in particular has been hostile to the precise form of EC Training Aid agreed between the French Government and the Commission (as well as to the EC Aids agreed more generally). The outcome in France has been that relatively few redundant steelworkers undertake training; those opting for it are tending to train for occupations in the service sector, where there is most scope for reconversion.

(v) Mobility Allowances

Mobility Allowances (for removal and travel) which serve the three objectives of getting acceptance of restructuring, of going for optimal reallocation of labour, and of assuring reasonable social protection, have had a relatively low take-up rate as an EC Aid with the EC element not representing a big incentive to Member States to claim (by comparison with other more expensive Aids). It should also be noted that, for example, in both France and the UK, miners affected by restructuring often do not easily accept the idea that they should transfer regions. The fact that it is now less important as an EC Aid is also partly due to the ECSC workers being redeployed and re-employed in the 1980s being not so numerous. Thus in the early 1980s where this Aid was claimed, mobility allowances represented under 5% of each sector of each country's total ECSC Aid granted.²⁴

(vi) Lump Sum Payments

Lump sum payments, which can serve all four major EC objectives, are not (and never have been) much favoured as an Aid by the EC Commission. This is the leading example of the Commission strongly resisting the lead taken by Member States on a particular Aid. Historically this resistance has been largely effective. In 1976-77 some Governments were strongly arguing that lump sums should become a priority EC Aid. Yet the Commission

stuck to its principle that it should contribute up to a maximum fixed figure as compensation for loss of income, opting for administrative simplicity. This figure has been raised from 750 ecu to 1,000 ecu and since 1985 has gone up to 2,000 ecu. Yet some 20% of total EC Aid expenditure was given in lump sums in the late 1970s and early 1980s, which was broadly the same proportion as for tideover allowances.²⁵

Recently the Commission has given a certain emphasis to lump sums in special cases. The Commission was able to justify this in Ireland's case (for steel) on grounds of size of problem and country so that the global sum contributed was small by comparison with that granted to larger countries. Nevertheless the Irish desire for an EC contribution of 10,000 ecu per man could not be met. The Commission agreed to double its previously normal contribution, settling for 2,000 ecu per man. More recently the Commission has also permitted putting an emphasis on severance payments in the case of new member Portugal for its steel industry. Again, as with Ireland, a factor for the Commission was the relatively weak social security system in Portugal, so that unusually the bulk of the ECSC contribution will go on lump sum payments there.²⁶

(vii) Compensation for Loss of Concessionary Coal

Compensation for loss of concessionary coal for redundant miners, given this concessionary coal's symbolic importance to them, contributes in a small but certainly not in an insignificant way to serving the objectives of getting restructuring accepted, of securing withdrawals from the labour market and of helping to assure reasonable social protection in each of the four remaining Member State coal industries. Overall this Aid has not undergone significant changes since its inception.

(viii) Short Time Working

Short time working as an EC Aid contributes towards the EC objectives of getting acceptance of the restructuring programmes and most particularly of assuring reasonable social protection in terms of income. It has only

been used in the Netherlands, Denmark and Italy. The Aid is normally only granted for workers who keep their jobs. It is not for job losses. The aim is to ease restructuring by phasing it over a longer period. It cannot be said to have the objective of directly contributing towards an optimal reallocation of the workforce as the workers concerned are still steel-workers, though temporarily withdrawn from the labour market; but it does promote optimal reallocation in one sense in that the alternative would be job loss or withdrawal from the labour market. The Commission may contribute up to 50% of the eligible cost of these lay-offs. In the Danish context for example, the ECSC contribution has actually worked out at 11% of the cost.

5. Underlying Conditions and Considerations

Having set out the objectives and the instruments by which they may be attained, we must now briefly outline the major underlying conditions and considerations which impinge upon the Article 56(2)(b) objectives.

Firstly, we must consider the notion of harmonisation in this context. As we have previously stated,²⁷ harmonisation is a multi-faceted concept, the importance of which to the EC has varied at different times.

Harmonisation is nevertheless undeniably a consistent concern of the EC. In relation specifically to EC Readaptation Aid, there are two interpretations which are of particular importance. The first is ensuring that every ECSC worker affected by restructuring obtains the same income in relation to his former earnings. For example, if a Member State had a relatively ungenerous social security scheme, then the EC could be expected to contribute more in order to achieve a given proportion of former earnings (say 80% or 90%). In this case the EC contribution is inversely related to the size of the Member State's payments. This interpretation takes the worker as the basis for harmonisation. The second interpretation is that the EC should make the same payment to ECSC workers in different Member States regardless of the Member State's own

payments. This second interpretation takes the Member State as the basis for harmonisation. Plainly there may be conflict between these two interpretations. The central question is to find the optimal balance between them since we consider that they are both legitimate interpretations of the meaning of harmonisation.

It is essential to take full account of the objectives of EC Readaptation Aid when seeking to determine what this balance should be. For example, it may take different amounts of Readaptation Aid on a per capita basis in different countries to achieve acceptance of the restructuring process. The same consideration would apply to achieving withdrawals from the labour force. The issue can be well illustrated with reference to the objective of assuring reasonable social protection for redundant/early retired workers. With respect to the second interpretation, i.e. the EC making the same contribution on a per capita basis in different countries, it can be argued that there should be limited variation across Member States in order to ensure that the EC contribution is acceptable within each Member State. For instance, disparities of more than say 30% across Member States might be considered either undesirable or unacceptable in Community terms. Precisely what the acceptable range of disparity should be is an important policy consideration with political ramifications. It is not within our brief to provide a simple answer to this particular issue. Concerning the first interpretation, i.e. ensuring that every ECSC worker affected by restructuring obtains the same level of benefit (regardless of the size of his Member State's contribution), it is appropriate to consider whether there should be a minimum standard of benefit for each eligible worker. Such a minimum standard could be specified in absolute terms (e.g. so many ecus per worker for a given period) which would be common to all Member States, or in terms of some reference point within each Member State (e.g. benefits should be at least X% of average wages). Where such a minimum standard existed the EC contribution would

have to ensure that affected workers were brought up to this level at least.

Thus the appropriate balance to be achieved between the two interpretations is to have more or less equal EC contributions on a per capita basis subject to the minimum standard being achieved. This basic proposition needs qualifying in two ways. Firstly, the proposition applies to the entire package of EC Aids and there might be legitimate and substantial differences in relation to individual EC Aids as long as they did not undermine the equalisation desired for the package of Aids as a whole. Secondly, our discussion has concentrated upon Aid paid on a per capita basis, whilst consideration also needs to be given to the total amount of Aid which is contributed by the EC to the Member State. Clearly, for example, the UK receives much more total EC contribution than Denmark or Eire where the number of affected ECSC workers has been and is considerably less.

A second underlying condition which impinges on the Article 56(2)(b) objectives is the need to align Readaptation Aids to other EC instruments. It has sometimes been the case that where different instruments complement each other closely there can be some confusion on the part of national authorities. An example of such confusion in practice is the Aid for vocational training programmes which is paid both by the European Social Fund and as part of ECSC Readaptation Aid.²⁸ Such confusion might not only cause administrative problems but also carries the danger that training projects may be financed twice over. Clearly any developments of the instruments of Readaptation Aid must have a clear and well understood relationship with other EC instruments.

Further underlying conditions are the need to secure genuine additivity and the need to work within the 50% ceiling for ECSC contributions. Finally, it is imperative to keep the overall position of Readaptation Aids in view by giving due weight to cumulative effects of the separate instruments.

II The EC Readaptation Aid System in Operation

1. The Social Security Schemes' Links with EC Readaptation Aid and the Importance of the ECSC Element in relation to the Gross Cost of EC Readaptation Aid

We shall next offer some brief comments on how the EC Readaptation Aid scheme links with national social security schemes including highlighting some more interesting and important aspects. Also we shall begin to offer some answers to the key questions of how important EC Aid is in relation to the gross cost²⁹ of Aid for the four EC Member States with both coal and steel industries.

(i) Some Anglo-German Comparisons

It has always been taken as given that EC Aid is a topping-up process. Indeed historically EC Aid has relied upon a strong social security scheme operating in Member States. This has been strongly the case with Germany. Without strong national social security schemes, EC Aid might have looked very different. The system of Aids including EC Aids available in both Germany and the UK, for example, is very directly linked with the nationally applicable social security system. In Germany both Federal and State Governments may contribute to the social security system. The German social security system is among the strongest in the Community whereas the British national social security system has become relatively less strong and generous to beneficiaries in the 1980s (viz. e.g. the abolition of earnings related supplement on unemployment benefit which caused particular difficulties for the steelworkers' scheme, ISERBS, early this decade and necessitated amendment to EC Aid arrangements). It needs to be emphasised that the coal and steel workers in Germany earn more than the national average wage, as has tended also to be the case with many such workers in the UK (historically particularly coal faceworkers).

(ii) The German Position

(a) Exposition of the System

In Germany there are high "replacement rates" for redundant workers who became unemployed or who are retraining, starting at 68% of the last wage. In practice both Federal and State Government help to guarantee (at best) 90% of the workers' previous net income for 2 years. In some areas this has gone down to 80%. The procedure in practice is that the enterprises top-up either unemployment benefits³⁰ or training allowances paid under the unemployment insurance scheme. It is difficult to assess precisely what additional public money is being given. For miners the EC topping-up element apparently represents between 5 and 10% of public money³¹ overall in 1981. While the EC theoretically can contribute up to 50% of the Member State's contribution, in practice the EC's contribution in the early 1980s to coal overall would not exceed 10%, but for steel the EC contributed 50% and the Government 50% of the topping-up element for both individual and total Aid (see German Report at 3-30 to 3-60).

In German coal mining there has been a long standing special social insurance system, which needs to be mentioned in this context of discussing EC Aid and social security. Historically miners retired early at 60 at higher "replacement rates" than other workers. In 1963 the retirement age was lowered to 55 for miners with very long underground service (Knappschaftsausgleichsleistung: KAL for short). In 1971 miners' retirement age was reduced to 50 (Anpassungsgeld: APG for short); the German Federal Government helped to pay for this, though the EC Commission initially refused to contribute at all but later relented to contribute in part until 1984 when the Social Volet further changed the EC's position. The normal retirement age in Germany has been 65 (subject to a couple of exceptions). But the quasi-retirement age for steelworkers has come down to 55 under the early retirement arrangements. The early retirement Aids

are now extremely important in relation to both the coal and steel industries but it is important to appreciate the significant differences between the two industries concerning financial assistance to their respective workers from Federal and Land (i.e. Central State and Regional State) funds and also the EC's contribution. Indeed these differences are more important than the specific variants in the individual Aid instruments and their legal form.³² Since the early 1970s the considerable emphasis placed on early retirement in the coal industry³³ has meant that the Federal Government, supported by Land funds, has had to pay in large measure itself with the EC making only a relatively small contribution to APG from 1972 until, as already noted, this was extended in 1984.³⁴

A further difference between the two industries has been in the timing of the restructuring with there being a much longer history of major restructuring - and on a grander scale - in the coal industry where the process has been ongoing for over 20 years. Indeed the total number of coal industry Readaptation Aid beneficiaries and the level of their individual benefits have considerably exceeded those applying in the steel industry with its major restructuring occurring in the last ten years. Thus the total cost of the social support measures has been significantly more for coal than steel.³⁵

Another difference between German coal and steel has been that only in the coal industry has there been an attempt to go for a single national Readaptation scheme. Indeed a standard minimum level of social protection for all miners affected by restructuring has been largely achieved under the overall social support plan. Thus only in coal have the various types of Aid been consolidated into a single body of tightly interlinking rules of a statutory or binding nature. In steel there has been no comparable extension of the social insurance system, nor have we seen the introduction of comparable quasi-pension type benefits. The pattern for steel has been one of gradually improving topping-up provision since the

late 1970s (and most particularly in the early 1980s) applying the Bilateral Convention agreed in accordance with Article 56(2)(b) of the ECSC Treaty.³⁶

Nevertheless the ECSC Readaptation Aid scheme applied in Germany has developed directly out of the statutory social security system.³⁷ It is noteworthy, for example, that all eligible workers have been entitled under general German social security law (under a 1969 statute) to unemployment insurance benefit at a rate of 68%, of previous net earnings (until the end of 1981),³⁸ for up to a year.³⁹ However, from 1984 the rate has been cut to 63% for those without dependent children.⁴⁰ We shall now provide a brief outline of the complex EC Readaptation Aid scheme in Germany with special reference to the position in 1981 (from July).⁴¹ The Commission contributes up to 50% of such Aid for a specified period.⁴² Income support in the event of unemployment (tideover allowance)⁴³ was provided for 2 years (from 1983 for 3 years) for married beneficiaries amounting to the difference between present net income (unemployment insurance benefit or assistance benefit and any additional allowance) and 55% of former gross income; the latter figure is reduced to 50% for single ECSC workers. Earnings supplement⁴⁴ was paid for those re-employed in a less well paid job for 2 years (again from 1983 for 3 years) at a rate of the difference between present net income and, if married 75% or, if unmarried 70%, of previous gross income. We next consider an EC Aid which was relatively much more significant for steel than for coal (APG for miners is discussed supra). This is early pension allowance, or supplement to unemployment benefit for displaced workers near retirement age, which was available with the EC contributing for up to 2 years (again from 1983 for 3 years) at a rate of DM 2,500 per month plus DM 100 for each dependent.⁴⁵ Retraining Allowance⁴⁶ may be paid for the duration of the training at the monthly rate of DM 75 for married trainees and DM 60 for unmarried. Mobility Allowances⁴⁷ have consisted of potentially three different elements:

i) Daily Travel Costs,⁴⁸ ii) Removal Costs,⁴⁹ and iii) Separation Allowance.⁵⁰ Lump sum severance payment⁵¹ has been payable to workers laid off and amounts to a cumulative advance payment of several months' tideover allowance worth DM 6,000.

(b) Summary of Costs and the ECSC Contribution

For APG for coal for 1981 the average gross cost per recipient was DM 70,093 (for 37 months i.e. DM 22,733 for 12 months) of which the EC contributed DM 4,148 (i.e. 18% of the 12 month total).⁵² Concerning the steel industry for 1981, for Aid payable under Article 13 of the Bilateral Convention (lump sum severance payments) the average gross cost per recipient was DM 6,000 of which the EC contributed DM 3,000.⁵³ Five samples concerning the operation of Article 9 of the Bilateral Convention (earnings supplements) in steel showed variation in the average gross cost per beneficiary ranging from DM 625 to DM 4,159 with the EC contributing 50% in each case; the overall average gross cost per beneficiary across the five samples was DM 2,332 with the EC contributing DM 1,166 per head on average.

The position in the German coal industry in 1981 is summarised in Table 1.

Table 1

READAPTATION AID: GERMANY; COAL 1981

(1 ecu = DM 2.5139)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Tideover Allowance (Anpassungsgeld)	32.929	27,882	93.7	1.949	1,650	5.9	1,181	
Tideover Allowance	1.226	1,746	3,5	0.613	873	50.0	702	
Lump Sum Severance Payment	0.543	933	1.6	0.274	467	50.0	588	
Earnings Supplement	0.005	273	(a)	0.002	136	50.0	20	
Travel and Removal Allowances	0.414	272	1.2	-	-	-	1,520	
Concessionary Coal	0.022	31	(a)	0.011	16	50.0	728	

Notes: Source App. 4
 (a) less than one tenth of one percent

(iii) The Belgian Position

(a) Exposition of the System

When Belgium first took up EC Readaptation Aid, significant changes were made in the relevant social security regulations. For example, ECSC workers had to take up EC Readaptation Aid before being entitled to comparable Belgian social security regulations. Subsequently, however, EC Aid has not had a big influence on national social security in Belgium. Belgium has a highly elaborate social security system, including an earnings related unemployment benefit scheme with which the complex EC Aid Scheme links.⁵⁴ For example, severance payments for certain miners (called prime de départ), where EC participation (subject to a maximum of 1,000 ecu per worker) is based on correspondence rather than a Bilateral Convention,⁵⁵ may be enhanced under the general Belgian social security law of June, 1966, by a payment from a special fund (called "Fonds pour les fermetures d'entreprises"), although this is unusual. Since the Royal Decree of 1963 under general social security law, a mobility allowance is available to the unemployed moving to a new home to find employment apart from those Aids specially available to ECSC workers under the Bilateral Convention.

Most importantly the tideover allowance granted to an unemployed redundant ECSC worker on a degressive basis under the Bilateral Convention (Articles 6 and 14) supplements general state unemployment benefit (UB) which (under the Royal Decree of December 1963) is worth 60% of their former average daily income (subject to a maximum of 1763 BF in 1985) in the first year of unemployment and in the second and third years if the beneficiary is the head of a family; but otherwise it is worth 40%. This tideover allowance is calculated on the basis of four periods with the reference income limited to a maximum of 48,6000 BF in 1985.

In the first period, 2 months long, the allowance received is the difference between 100% of their reference income and UB. In the second

period, 4 months long, the allowance is 90% of the reference income. In the third period, again 4 months long, the allowance is 80% of the reference income. And in the fourth - to the end of the Readaptation period - the allowance is 70% of the reference income.

A redundant miner, entitled to Readaptation Aid, neither re-employed nor redeployed at the end of the Readaptation period, is entitled to an early pension provided that (i) he was at least 40, or (ii) had 20 years' service underground, or (iii) had 25 years' service on the surface. The early pension, index linked, is worth the same as the full miners' pension if age and service conditions are met and includes holidays and coal allowances plus a health insurance cover allowance. It lasts until entitlement to a full pension is reached. The miner can opt for an early pension instead of tideover allowance from the sixth month of the Readaptation period. Entitlement to full miners' pension is reached at 55, with 25 years' underground service, and at 60 for surface workers: this is a benefit available under general Belgian social security law as applicable to miners (see Royal Decrees of October and December 1967).

It should be noted that Belgian ECSC workers have four early pension schemes compared with the generally applicable pensions for all workers: the four are: a) a general early pension scheme under the national collective agreement of December 1974;⁵⁶ b) the general miners' pension scheme (described supra. as the last sentence of the previous paragraph);⁵⁷ c) the early pension scheme for miners' described in the previous paragraph;⁵⁸ and d) the early pension scheme for steelworkers aged 55,⁵⁹ (under the Social Volet), which is under the National Collective Agreement of December 1974; the arrangements are complex but with there being no formal overlap between Readaptation Aid (RA) and Social Volet in the EC Commission's view, workers can choose between UB and RA or early retirement, whichever is best for them.

In Belgium the average ratio of ECSC contributions to gross cost of

Readaptation Aid over the 7 year period 1979-1985 was fractionally over 6%, though there are substantial variations around this figure.⁶⁰

The position in the Belgian coal industry is summarised in Table 2.

For the steel industry the ratio of ECSC contributions to gross costs is much higher ranging between 42.2% (for 1983) and 44.4% (for 1979), with the average ration being 43.5%, over this 7 year period. In cash terms the EC has contributed twice as much to steelworkers as miners (378.1M BF as opposed to 190.1M BF), while the gross cost has been three times greater for coal than for steel for the Belgian Government⁶¹ over the 7 years.⁶² The reasons for this disparity between coal and steel are partially explained infra. (after discussion of the relative importance of traditional Aids). Gross cost is defined in our Methodology as "the figure given by applicants in the formal application to the Commission of the EC for assistance, under Article 56(2)(b) of the Treaty of Paris (as amended), as being the total cost of the benefits for workers affected".⁶³ It must be emphasised that none of these above Belgian figures takes account of the Social Volet payments, which cannot be divided up on a year by year basis for this purpose.

The ratio of ECSC contribution to gross cost can be considered in relation to specific Readaptation Aids for Belgium. We can thus see how important particular Aids are in terms of (a) total expenditure, and (b) EC contribution to those payments. Belgian experience of expenditure on payments bears out an earlier point (supra.) of tideover allowances having become more important than earnings supplements in recent years, though in their steel industry in two of the seven years from 1979-85 payments on earnings supplements exceeded those for tideover allowances (in 1980 and 1983).⁶⁴ Taking these two Aids together, tideover allowances accounted for 80.9% of their gross costs; tideover allowances accounted for 77.5% in 1984 whereas earnings supplements then accounted for just 22.5% of their gross costs that year.⁶⁵

For steelworkers' tideover allowances ECSC participation quite consistently amounts in practice to 45.4% of the gross cost (including on a yearly basis) whereas for steelworkers' earnings supplement it is quite consistently 40.4% of gross cost.⁶⁶

In relation to the coal industry, ECSC participation in practice has extended to severance payments and the removal allowances type of mobility allowances as well as contributions to the tideover allowances and earnings supplements.⁶⁷ The declining importance of the latter in the 1980s has meant less payments each year culminating in none (by Government or EC) for both 1984 and 1985. Where the ECSC has participated, which is every year when earnings supplements have been paid, its contribution has been 45.4% each year (i.e. slightly higher than for steel) in the 1980s. This same proportion has also applied each year in the 1980s for ECSC participation in tideover allowance payments (exactly as for steel). In relation to removal allowances ECSC participation has been consistently 50%. In relation to severance payments for coal, the percentage of EC contribution has varied from year to year: in both 1979 and 1984 it inexplicably⁶⁸ marginally exceeded 50% (50.7% and 52.8% respectively) with otherwise the proportion being between 40% (in 1981) and 45.6% (in 1985); the average % of EC participation was 45.4% over the seven years. In terms of rank ordering of importance for those coal industry Readaptation Aids in which the EC has actually participated in the 1980s, severance payments have come top both in terms of total payments and total EC participation, closely followed by tideover allowances on both of these bases, with earnings supplements third and removal allowances fourth (once again in terms of both total payments and total EC participation).

One reason why the EC has appeared to contribute much more proportionately of the total gross cost of steel payments, by comparison with coal payments, in Belgium, is that it has not apparently actually contributed to all the Readaptation Aids that it might have done for coal, most

notably the very expensive early pensions⁶⁹ between 1979-85. For coal the Belgian Government spent just over 16 times as much on early pensions as on tideover allowances in 1979 and just over 5 times as much on them in 1985. Annual Belgian Government expenditure on early pensions in this seven year period has varied between a low of 240.2M BF (approx. 5.3 Mecu) in 1984, and a high of 391.1M BF (approx. 8.7 Mecu) in 1985.⁷⁰ The EC furthermore has not contributed over the 7 years to either the coal redeployment benefit or the special redeployment benefit paid for coal-miners,⁷¹ albeit much smaller in terms of total payments (at its peak in 1979 the combined coal redeployment benefits being 14.8M BF, approx. 0.37 Mecu).

(b) Summary of Costs and the ECSC Contribution

The position in the Belgian coal and steel industries is summarised in Tables 2 and 3.

Table 2

READAPTATION AID: BELGIUM; COAL 1981

(1 ecu = BF 41.2946)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL	PER CAPITA	% OF TOTAL	
Earnings Supplement	0.199		1.9	0.090		16.5	45.2
Tideover Allowance	0.326		3.1	0.148		27.1	45.4
Removal Allowance	0.002		0	0.001		0.1	50.0
Severance Payments	0.766		7.2	0.307		56.2	40.1
Redeployment Benefits	0.046		0.4	0		0	0
Early Pension (Workers)	8.388		79.7	0		0	0
Early Pension (Employees)	0.670		6.7	0		0	0
Special Redeployment Benefit	0.123		1.2	0		0	0
	<u>10,521</u>		<u>100.2</u>	<u>0.546</u>		<u>99.9</u>	<u>5.2</u>

Notes: Source App. 2 p. 39-40

Table 3

READAPTATION AID: BELGIUM; STEEL 1981

(1 ecu = BF 41.2946)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Earnings Supplement	0.972	743	68.6	0.396	304	68.6	40.9	1,307
Tideover Allowance (Early Pension)	0.445	2,572	31.4	0.183	1,058	31.4	41.1	173
TOTAL TRADITIONAL AID	1.417	957	100.0	0.581	393	100.0	41.0	1,480

Notes: Source, App. 2 p. 51.

(iv) The French Position

(a) Exposition of the System

The French position is similar to that prevailing in the major ECSC Member States with the EC Aids, national social security system and special industry social security schemes (the miners having their own social security fund called CAN) closely interlinked. The resulting web of provisions is highly complex: hence its more extended treatment here. In short, in the 1980s the French national social security system has become geared towards encouraging early retirement. The system's recent evolution will be briefly charted. National legislation in April 1983 reduced the official retirement age to 60 from 65, which had been fixed in the Social Security Code just after the end of the Second World War. Pre-1983, people could receive a state retirement pension at 60 provided they had the requisite length of insurance to their name with the amount of pension depending on the duration of the insurance. Under the Social Security Code⁷² there was a supplementary allowance for the disabled and special cases (including Alsace-Lorraine miners). From 1971 certain workers⁷³ could retire at 60 with a pension at the rate normally applicable at 65. March 1972 saw arrangements agreed providing an income guarantee, integrated into unemployment benefit, for those redundant over 60. 1980 saw the introduction of a guaranteed allowance of 70% of gross salary (which would exceed 80% of net salary) initially for those redundant after aged 56 years and 2 months (exceptionally if aged 55).⁷⁴ These provisions, soon further expanded, represented in effect an early retirement system and were posited on departures agreed between employer and employee.

We shall next briefly consider special allowance in cases of total unemployment caused by redundancy for workers under 60 still seeking employment and who basically have worked 182 days in the 12 months preceding their unemployment. Until 1982 this allowance was a fixed sum (26.50 FF per day in 1981) added to a proportion of previous wage operating

degressively by 5% over 4 quarters from 65% initially down to 50%. A decree of April 1984 replaced these provisions with a basic allowance⁷⁵ which was initially fixed at 40 FF (later becoming 42.80 FF) per day plus 42% of gross wages⁷⁶ for 6-18 months for the under 50s and for 6-42 months for the over 50s.⁷⁷

Importantly for our purposes this basic allowance became a reference for the ECSC tideover allowance for both redundant miners and steelworkers.⁷⁸ The EC, under the Bilateral Conventions agreed by the Commission and the French Government, has been paying up to 50% of the difference between the French national unemployment benefit⁷⁹ and the complex tideover allowance payments for redundant ECSC miners and steelworkers which over the single year of payments during the 1981-83 period were degressive with, for example, the previously low earners receiving 90% of previous wages for the first two months and then 60% for the next 10 months. Those in the next former income bracket (earning in 1983 between 4280 and 6440 FF) received 80% for the first two months, 70% for six months and 40% for the last four months. The third former income bracket (formerly earning up to FF 12,830) got 60% for the first two months, 40% for six months and 20% for the last four months.

The complex earnings supplements arrangements for French miners and steelworkers have been quite different in recent years with even the duration of payments being twice as long (24 months as opposed to 12 months) for steelworkers.⁸⁰ Furthermore, the previous earnings bands as an important basis for determining what earnings supplement should be received have been different for each industry, though all the calculations based on various percentages are essentially the same.

There are special arrangements for transferred coalminers under the coal social volet, with the EC contributing up to 50% but with a ceiling of 2,000 ecu per man.⁸¹

The early retirement arrangements for French coal and iron ore

mine workers have been quite similar in terms of traditional Aid in recent years.⁸² The broad basic requirements of having had 30 years' service or to be the holder⁸³ of an invalidity pension indicating at least 30% permanent incapacity have applied to both. The benefits themselves are directly comparable. Iron ore workers, however, have had a maximum of 2 years' payments whereas coal miners receive early pension until they are entitled to full pension at 55 (the normal retirement age in French mining).⁸⁴ For coal, the EC contribution has been up to 50% of the total for 2 years subject to a ceiling of 6,000 ecu per beneficiary. The EC element of early retirement payments for steelworkers has been up to 50% of the cost under the Social Volet though subject to a number of limits described below. The Social Volet controls early retirement payments for steelworkers.

We shall briefly consider the early retirement arrangements specifically under the Social Volet. For coal miners under the Coal Social Volet there is the early pension and early retirement allowance⁸⁵ available in their third year of retirement, with the EC theoretically contributing up to 50% but with a ceiling of 3,000 ecu per man.⁸⁶

Under the steel Social Volets there is "dispenses d'activité" (DA), i.e. work exemption, for those aged 50-55, remaining part of the workforce, who receive 79% of their old gross income until they become 58 when they qualify for 'proper' early retirement. So in addition there is 'proper' early retirement, called "cessation anticipé d'activité" (CAA) for those at least aged 55 (up to 60) who receive a monthly pension, with 70% of former income plus a further payment of 20% of gross previous annual income. The EC contributes up to 50%, but with a ceiling of 2,000 ecu, for at least 18 months.⁸⁷

The EC's strong commitment to training is well reflected in both the coal and steel arrangements for Training Aid to which the Commission is pleased to contribute up to 50% of the cost. Workers may undergo training

before or after redundancy and qualify for EC Aid. For steelworkers we need to distinguish between internal training and training-conversion contracts. This does not apply to coal miners. Miners' length of training is normally a year, though potentially extendable by special agreement to 2 years; this also applies to steelworkers undergoing internal training. Two years is the normal duration for training conversion. A miner and a steelworker undergoing internal training receive the equivalent of basic salary and normally an end of course bonus (of between just over FF 5,000 and just over FF 10,000). Those on training conversion, who must normally be under 45, receive 70% of their former wages (or 65% if what they would have earned is capitalised). One interesting feature for those on training-conversion is that if they do not receive two job offers at the end of this course, their training continues at the enterprise's expense. As an incentive to placement of trainees this is admirable and could perhaps be usefully applied as a requirement in other Member States.

The quite expensive Mobility Aids are not the same for coal miners as for steelworkers though the job search allowance arrangements are similar.⁸⁸

Severance payments (or more precisely, "bonuses on departure") exist in both coal and steel industries in France with the EC contribution normally being limited to 2,000 ecu per beneficiary.⁸⁹ Steelworkers can receive a FF 50,000 bonus if they leave voluntarily: the EC share is 1,000 ecu per person. But for coal miners it takes the form of a re-conversion bonus, i.e. obtaining a job outside the coal industry, and is worth between 3 months and a year's wages (depending on length of service). The requirement of 10 years' service in the industry to qualify for this reconversion bonus was dropped in 1984. For steelworkers re-employed outside the steel industry the bonus is based on years of service; from 1984 such reconversion aid has also been linked closely with training contracts.

Concerning miners' concessionary coal, capitalisation of the value of heating allowances is possible under the head of surrender of benefits in kind.⁹⁰ Under the Coal Social Volet, miners retiring before aged 60 can receive transition allowance⁹¹ in the form of benefits in kind for heating, with the EC contributing up to 50% for 3 years.

The short time working Aid under the steel Social Volet has two aspects, offering aid to businesses who recruit and financial compensation for the unemployed who take up short time working where they are paid below the unemployment benefit rate. The EC contributes 25% for 1 year for those under 50 and for 2 years for those over 50.⁹²

Under the steel Social Volet there is also partial unemployment compensation⁹³ where working hours are reduced, which compensates for loss of wages up to 70%.

(b) Summary of Costs and the ECSC Contribution

Having provided a short exposition of all the EC Aids we shall offer some comments on their relative importance, which is a much more difficult task in relation to France.⁹⁴ Early retirement measures have become most prominent. Their importance in coal by 1981 is clear from the pit closures in Nord-Pas de Calais in 1981 when 70.5% of those eligible took up this sort of Aid⁹⁵ and also in relation to the Destival closure in the Cèvennes region when 85.7% took early retirement Aid.⁹⁶

For the steel industry in France entirely satisfactory figures are also extremely difficult to provide. But in relation to the Social Volet No. 1 (1979-81) and the early retirement benefits Aid element, that is i) DA and ii) mixed DA and CAA, it would appear as if the EC contributed approximately 31% of these Aids (on a backdated, reimbursement basis) whether these specific Aids are taken individually or collectively.⁹⁷ For steelworkers receiving the FF 50,000 voluntary departure bonus, to which the EC contributes up to 1,000 ecu per person, the EC's contribution under the Social Volet No. 1 represented 12% of the gross cost.⁹⁸

The EC's proportion of the gross cost of the reconversion bonuses was surprisingly 50%.⁹⁹

The position in the French coal and steel industries is summarised in Tables 4 and 5.

Table 4

READAPTATION AID: FRANCE; COAL 1984

(1 ecu = FF 6.87165)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
<u>TRADITIONAL AIDS</u>								
Training								
Transfers to EDF								
Training prior to transfer	2.025	7,130		1.013	3,565		50.0	284
Specialised training	3.394	14,320		1.697	7,160		50.0	237
Other transfers externally	0.362	16,444		0.180	8,182		50.0	22
Internal transfers	0.892	7,130		0.446	3,568		50.0	125
	<u>6.672</u>	<u>10,656</u>	<u>12.1</u>	<u>3.336</u>	<u>4,994</u>	<u>18.9</u>	<u>50.0</u>	<u>668</u>
Reinstallation								
Transfers to EDF	0.966	4,074		0.483	2,037		50.0	237
Other transfers	0.045	4,511		0.023	2,255		50.0	10
Repatriation	1.099	4,657		0.055	2,329		50.0	236
Internal transfers	0.362	1,455		0.181	728		50.0	249
	<u>2.472</u>	<u>3,377</u>	<u>4.5</u>	<u>1,236</u>	<u>1,689</u>	<u>7.0</u>	<u>50.0</u>	<u>732</u>

Table 4 contd

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Job Change Grant								
Transfers to EDF	2.707	5,195		1.353	2,597		50.0	521
Other transfers	0.281	6,534		0.129	3,012		45.9	43
Repatriation	2.693	11,409		0.474	2,008		17.6	236
	<u>5.680</u>	<u>7,100</u>	<u>10.3</u>	<u>1.956</u>	<u>2,445</u>	<u>11.1</u>	<u>34.5</u>	<u>800</u>
Capitalisation of Benefits in Kind								
Transfers to EDF	3.624	6,956		1.046	2,008		28.8	521
Other transfers	0.390	9,081		0.086	2,007		22.1	43
Repatriation	2.943	12,472		0.474	2,008		16.1	236
	<u>6.958</u>	<u>8,698</u>	<u>12.7</u>	<u>1,607</u>	<u>2,008</u>	<u>9.1</u>	<u>23.1</u>	<u>800</u>
Early Retirement	33.178	16,723	60.4	9.506	4,792	53.9	28.7	1,984
<u>TOTAL TRADITIONAL AIDS</u>	<u>54.961</u>		<u>99.7</u>	<u>17.642</u>		<u>99.5</u>	<u>32.1</u>	

Table 4 contd

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
<u>SOCIAL VOLET</u>								
Normal Retirement								
Heating & Habitation Grant) Installation Grant)	27.841	9,954	65.1	13.921	4,977	66.2	50.0	2,797
Mobility Allowances								
Internal transfers	1.683	6,757	3.9	0.500	2,008	2.3	29.7	249
Early Retirement	13.231	6,668	30.9	6.615	3,334	31.5	50.0	1,984
<u>TOTAL SOCIAL VOLET</u>	42.755	8,500	100.0	21.036	4,182	100.0	48.0	5,030

Notes: Source - EC Commission

Gross Costs are estimates of expected Gross Costs

ECSC Contribution is the ceiling

Table 5

READAPTATION AID: FRANCE; STEEL 1981

(1 ecu = FF 6.03992)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST (e)	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu (d)	PER CAPITA ecu	% OF TOTAL		
Early Retirement Pension (DA) (a)	164	19,255	40.5	50.74	5,958	43.2	31	8,517
Early Retirement Pension (CAA) (b)	137	18,026	33.8	42.63	5,609	36.3	31	7,600
Mixed DA/CAA (c)	50.8	18,642	12.5	15.75	5,780	13.4	31	2,725
Re-employment Bonus (b)	5	1,658	1.2	2.56	829	2.2	50	3,089
Voluntary Departure Bonus (b)	48	8,290	11.8	5.89	1,000	4.9	12	5,930
<u>TOTAL SOCIAL VOLET</u>	404.8	14,529	99.8	117.53	4,218	100.0		27,861

Notes: The French steel figures are subject to very wide margins of error. The figures in this table, based on information in Appendix 3, are for the Social Volet 1979-81 and a subsequent adjustment in 1984. This adjustment also included workers who were put into early retirement in 1982.

- (a) These figures have been calculated by adding data from line 1 of the table on p. 159 in Appendix 3 to an adjusted figure from the table on p. 164 of Appendix 3. The latter figure has been adjusted downwards to try to keep 1981 values.
- (b) Appendix 3, p. 159.
- (c) Appendix 3, p. 164 for the ECSC Contribution, the Gross Cost is an estimate based on information in the table on p. 164.
- (d) Some of the figures in this column are over-estimates because they include appropriations under the first Social Volet which added up to 78.21 Mecu, though this total was subsequently reduced to 68.51 Mecu.
- (e) Calculated on the basis of the Per Capita figures.

(v) The UK Position(a) Some General Considerations

Since very detailed expositions of the UK Social Security system¹⁰⁰ and of the Readaptation Aid schemes in the UK coal¹⁰¹ and steel¹⁰² industries were given in our Interim Report, we propose here only to highlight some important features.¹⁰³ EC Readaptation Aid as reflected primarily in ISERBS¹⁰⁴ and the RMPS has not had an influence on the UK Social Security system at large generally, though the latter has certainly very strongly influenced the shape of both ISERBS and the RMPS particularly as far as weekly payments for the unemployed are concerned.

Under the Bilateral Conventions the basic position has been as follows: RMPS weekly payments i.e. tideover allowances have been designed historically to provide for the redundant miner aged at least 55, with 10 years' coal industry service, a guaranteed make-up to approximately 90% of his previous net earnings for a married man, with the EC contributing up to 50% of the difference between the guaranteed income and UK State Benefits for two years. In contrast ISERBS tideover allowances under the steel Bilateral Convention have basically offered £16 per week for a year to men under 55 with the EC contributing up to 50% of the benefits for 12 months, which is a limited measure. However, for men of 55 and over the weekly ISERBS payment has been £16 per week for 6 months, then a make-up to 90% of previous gross earnings for 12 months, and finally 80% make-up for 6 months, making two years in toto, with the EC contributing 50% of benefits (less tax and abatement for other potential state benefits. Both the RMPS and ISERBS pay weekly payments for longer than the Commission is prepared to contribute.

(b) The Coal Industry, RMPS and Social Security

We shall now explain the complex link with the State Social Security scheme under the 1980 RMPS operative in early 1981¹⁰⁵ (our year highlighted for special study). A married man with no children declared redundant

in 1981, at aged 55 or over, who had average pre-redundancy weekly earnings of £96.32, would have received £36.79 RMPS "basic benefit" plus £33.40 State Unemployment Benefit (UB) for the first 52 weeks, with the weekly benefit being taxable. "Basic benefit" could have been reduced by the amount of, or increase in the amount of, these six benefits if they became payable after the last date worked: i) Earnings Related Supplement (ERS)¹⁰⁶; ii) Special Hardship Allowance (SHA) excluding general increases; iii) Injury Benefit payable in excess of Sickness Benefit; iv) Workmen's Compensation and Supplement; v) Colliery Workers Supplement; and, vi) Supplementary Benefit (SB) in the fifth and subsequent weeks following redundancy. However, State Disablement Pension awarded under the Industrial Injuries legislation was not deductible. The minimum amount of "basic benefit" payable under the RMPS in early 1981 was £7.37 per week, and from 6.4.81 £8.92 per week, from which was deductible the following state benefits: i) ERS, ii) State Injury Benefit to the extent that it exceeded Sickness Benefit or Invalidity Pension, and iii) SB.

Under the RMPS operative in 1981, payment of "basic benefit" terminated after 156 weeks of entitlement until 11.3.81 and then from that date after 5 years, or at 65 (for men), whichever came first.¹⁰⁷ If the beneficiary failed at any time to satisfy the conditions for State Unemployment (UB), Sickness or Invalidity Benefit, "basic benefit" would have terminated. This also would have occurred if he became re-employed for over 16 hours per week in the coal industry; if obtained outside the industry, "basic benefit" would have been reduced to a maximum of £8 per week, but from 25.3.81 this became £20 per week. "Unemployment Benefit Equivalent" (UBE) was paid under the RMPS between the expiry of the "basic benefit" period and retirement age and it was dependent upon registration for employment (as is UB). UBE would never be payable to those in jobs or receiving State Sickness or Invalidity Benefit.

Let us take the example of a married miner, aged 57, declared redundant on 1 May 1981 with 37 years NCB service. Apart from immediate receipt of non-taxable redundancy lump sum payments in total of £7,280 of which the RMPS lump sum element would be a half¹⁰⁸ - £3,640 - so that only the latter figure would be eligible for gross cost for EC contribution purposes, what would he receive in his first five years? After tax deductions his net weekly RMPS benefit over the five years would be about 90% of his former net pay: his total weekly pre-tax income would be £87.02 for the five years up to age 62. The ordinary state benefits element would have been weekly UB of £33.40 for a year plus ERS of £15 for 6 months. UBE would have been paid under the RMPS when UB ended after a year for as long as he was unemployed. What would happen to him after 5 years? At this point in 1986 - at 62 - he would have received a (non-taxable) Mineworkers' Pension Scheme (MPS) a) lump sum of £2,028, and b) weekly pension of £13 per week (to neither would the EC contribute) together with RMPS payments which would be UBE only now (i.e. £33.40 per week at pre-November 1981 level) up to age 65, though up-rated by the time he would have received it. At this stage the EC would not be contributing to any RMPS payments.

(c) The Steel Industry, ISERBS and Social Security

We shall now provide some comparative analysis with ISERBS for redundant, unemployed steelworkers and its links with the Social Security System.¹⁰⁹ In 1981 such male steelworkers under 55¹¹⁰ received a flat rate £16 per week "ISERBS unemployment benefit" for 12 months together with state UB (£33.40 per week) for this period, making a total of £49.40 per week. However, if the steelworker was male and at least aged 55¹¹¹ at the date of redundancy, he received flat rate ISERBS benefit at £16 per week for 26 weeks; then from the 27th week of unemployment, he received a make-up to 90% of previous gross earnings for 52 weeks and 80% for a further 26 weeks, less any of the following six state social

security benefits that he may have been receiving. The six were:
 i) UB; ii) Sickness Benefit; iii) Invalidity Benefit; iv) SB; v) any increase in, or new award of SHA awarded after the date of redundancy; vi) Non-contributory Invalidity Pension (NCIP).

Let us take the example of a 45 year old male redundant steelworker with 20 years' service who had been earning £120 per week at the date of redundancy in 1981 but was unemployed thereafter. He would have received £16 per week ISERBS benefit for a year, making £832 in toto for the year, to which the EC would contribute up to 50% (less, as it was 1981, any ERS payable), together with state UB weekly (to which the EC would not contribute). A 55 year old steelworker in the same situation and with the same credential would have received £16 per week ISERBS benefit for 26 weeks (plus state UB)¹¹² plus 90% of previous earnings for 52 weeks¹¹³ plus 80% for a further 26 weeks less theoretically any of six state benefits that he might have received. The ISERBS element over the two year period would have been a maximum of £7,563.40. The EC contribution would be up to 50% less tax, ERS payable¹¹⁴ and other potential state benefits. Incidentally a 60 year old steelworker in the same situation would have received the same. Each of the three would have stood to have done better if he had been a miner benefiting under the RMPS as operational in 1981.

The Aid of Income Support in the event of obtaining another job - Earnings Supplements - does not directly impinge upon the Social Security system where it concerns workers obtaining full-time employment at a lower pay rate. Nevertheless receipt of certain state benefits theoretically could affect the make-up to 90% of former earnings. This has been more important as an EC Aid in the UK steel industry than in the coal industry in recent years. It has been a central element of ISERBS for the re-employed or redeployed and from 1976 the self-employed, but not in the RMPS for any of these three groups.

(d) Early Pensions in Coal and Steel

Concerning the early pension option in the coal industry,¹¹⁵ this is available only to non-industrial (white collar) workers, aged at least 50 with 10 years' service, with the equivalence of 24 months' income support being put into the NCB Staff Superannuation Scheme Pension Fund for improvement of the early retirement pension through the purchase of 'extra years'; the EC is prepared to contribute up to 50% of the cost. Under the Coal Social Voleit the Commission was prepared to contribute towards an extra 12 months benefits for beneficiaries over 55. The RMPS does not provide for an early pension as such.

The early pension option is of much more broad significance in the steel industry than in the coal industry as it again has been a central plank of ISERBS¹¹⁶ for unemployed men aged at least 55. A lump sum equal to 18 months' tideover allowance goes into the pension fund to supplement the worker's income. The rules concerning eligibility for the early pension have been strict: the requirement to be unemployed when making the option and to have been unemployed since the date of redundancy has meant historically (including in 1981) that workers should sign on as unemployed at the (State) Unemployment Benefit Office to safeguard their position.

(e) Training

Training as an EC Aid has historically only been of any significance in the UK in the steel industry.¹¹⁷ The coal sector has made no use of it historically as an EC Aid, despite having the wherewithal under Article 8 of the major 1974 Bilateral Convention for individual Aid¹¹⁸ and under the 1975 Bilateral Convention on Training Expenses¹¹⁹ to claim from the Commission. The reality has been that the RMPS has had no provision for training whereas it has been a central plank of ISERBS. However, in 1985 the NCB announced its Job and Career Change Scheme (JACCS) offering retraining opportunities with its main target for courses

being men under 50: negotiations with the EC Commission are under way for specific EC support for JACCS. In relation to steelworkers on Training Aid, the guarantee of 100% of previous net earnings for 52 weeks from the inception of ISERBS in 1974, was always subject to abatement of any state benefits being received. Thus state social security provisions can impinge on this Aid.

(f) Mobility Allowance

Mobility Allowances as an EC Aid as such appear in recent years to have been more important to the steel sector than the coal sector because of the lack of claims in recent years for the latter sector.¹²⁰ It is noteworthy also that, for example, in 1981, a steelworker moving to a new job beyond daily travel distance in the same steel company obtained similar benefits under ISERBS to those under the DE Transfer Scheme. This EC Aid does not link directly with the State Social Security Scheme as such. The RMPS is not concerned with Mobility Allowances: these are provided by a unilateral NCB scheme.¹²¹ At the end of 1981 the re-settlement allowances in particular within both coal and steel were virtually the same.¹²²

(g) Lump Sum Payments

Given that ISERBS does not provide lump sum payments and there is indeed no provision for lump sum severance payments in the steel Bilateral Convention (even as amended), the EC generally contributes nothing to such payments made to steelworkers so that then they are not part of the "gross cost" in the sense of EC eligible cost.¹²³ Over time the RMPS placed an increasing emphasis on lump sum payments following their introduction in 1973:¹²⁴ the second statutory instrument on the RMPS in 1980,¹²⁵ the 1981 RMPS,¹²⁶ which introduced extra lump sums for those redundant aged between 21 and 59, the 1983 RMPS,¹²⁷ and the first 1984 RMPS¹²⁸ were the implementing instruments. In 1985 the EC Commission agreed to contribute up to a new ceiling of £1,175 for certain miners receiving RMPS

lump sums.¹²⁹ Technically lump sum redundancy payments under the EP(C)A 1978 represent the interface between Social Security Law and Labour Law in the UK, though British lawyers more generally regard this matter as an integral part of Labour Law.¹³⁰ Some use is made of the EP(C)A redundancy lump sum figure in the calculation of RMPS lump sums. There is certain technical interlinking between the RMPS and EP(C)A redundancy regimes.

(h) Summary of Costs and the ECSC Contribution,

Coal

We shall next consider the ratio of ECSC contributions to gross cost of Readaptation Aid for the UK. We shall summarise the major results from our Interim Report for ease of comparison with the position in other Member States. We shall first consider the coal industry by individual Aids on the basis of actual payments (not appropriations) for redundancies made for 1981 (the year chosen in our Methodology for detailed study). The data that we obtained was quite sophisticated. The EC contribution to RMPS weekly benefits for mineworkers (tideover allowances) was 39% (£12 M out of £30.5 M) and to RMPS lump sums 9% (£209,000 out of £2.2 M), making a combined total EC contribution of 37% for the RMPS weekly and lump sum benefits for 1981 (i.e. £12.2 M out of £32.7 M).¹³¹ However, we would reiterate that these figures represent an over-estimate of the actual EC contribution because ... "there would be subsequent payments by the UK for those still entitled to benefit (our emphasis). This will substantially inflate the total of £32.77 M and thereby lower the percentage contributed by ECSC" ...¹³² In 1981 for the concessionary coal Aid, which is under the RMPS, the EC contribution was precisely 50% (in each of the half dozen NCB Areas examined, making the sample some 75% of total payments) with the EC contribution being £221 per head on average;¹³³ we estimate the total gross cost of the concessionary coal Aid for 1981 redundancies for the whole UK as £2.52 M with the EC contributing £1.26 M.

We shall briefly mention the position in 1981 of non-industrial,

i.e. white collar, NCB redundant employees to which the EC contributed some 10% of the £4.56 M total¹³⁴ of weekly payments and lump sums, which do not come under the RMPS.

Typically - and 1981 was no exception - in recent years the UK has made no claim on the EC for earnings supplements on mobility allowances (the ostensible reason being stated as the uneconomic cost of the exercise to the NCB). The lack of claims for these two Aids historically again brings down the percentage of EC contribution to the gross cost of total Readaptation Aids.

Our estimate of the actual percentage of EC contribution to overall coal industry Readaptation Aid in the UK is presented in Table 6. It cannot be emphasised too strongly that the ECSC contribution is exaggerated in this table. The principal reason is that the gross costs of RMPS are likely to be substantially more than the figure shown, because payments relating to 1981 redundancies were only taken up to 1983, at which time all the ECSC obligations had been met though there were still subsequent payments to be made by the UK. The true figure of the ECSC contribution could easily be 10% or less.¹³⁵

It should be noted that the UK Department of Energy has recently stated that the terms of the Bilateral Convention between the Commission and the UK have in recent years failed to reflect improvements made in redundancy benefits paid under the RMPS; furthermore, the improvements agreed in the Bilateral Convention's terms in 1985 (after two years of negotiations) "fell well short of those sought. As a result Community support in this area does not come anywhere near matching the UK Government's own expenditure".¹³⁶

Table 6

READAPTATION AID: UK; COAL 1981

(1 ecu = UKL 0.55311)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Tideover Allowances								
RMPS, Weekly Payments	55.219	9,459	74.4	21.752	3,724	83.3	39.4	5,838
Cokeworkers, Weekly payments	1.812	9,199	2.4	0.703	3,567	2.7	38.8	197
White-collar, Weekly payments	7.376		9.9	0.738		2.8	10.0	
Lump Sums								
RMPS	4.021	12,847	5.4	0.378	1,207	1.5	9.4	313
Cokeworkers	0.347	2,343	0.5	0.173	1,172	0.7	49.9	148
White-collar	0.867		1.7	0.087		0.3	10.0	
Concessionary Coal	4.562	799	6.2	2.281	400	8.7	50.0	4,280
Training	0	0		0	0		0	
Earnings Supplement	0	0		0	0		0	
Mobility Allowances	0	0		0	0		0	
	<u>74.204</u>		<u>100.5</u>	<u>26.112</u>		<u>100.0</u>	<u>35.2</u>	

Notes: Source - Interim Report Section C viii and Appendix 16.

(i) Summary of Costs and the ECSC Contribution,
Steel

Turning our attention to the UK steel industry, we were able to analyse ISERBS payments for redundancies declared in 1981¹³⁷ in terms of a worker-based classification, which can also be directly related back to an instrument-based classification.¹³⁸ The worker-based classification could be provided under four heads: i) unemployed, ii) re-employed /re-deployed, iii) "early retirement", and, iv) retraining. In terms of the instrument-based classification this basically converted into i) tideover allowance, ii) earnings supplement, iii) early pension option, and iv) training Aid. We shall next present the EC contribution element of gross cost under each of the four heads, which now have a two-way classification (both worker and instrument based).

The ECSC contribution under i) was 47%; under ii) 50%; under iii) 35%, and under iv) 50%. Overall the ECSC contribution to ISERBS payments for 1981 redundancies was 46%. The ECSC contribution to iv), Training Aid, represented slightly over twice its combined contribution to Aids ii) and iii), as shown in Table 7.

Table 7

READAPTATION AID: UK; STEEL 1981

(1 ecu = UKL 0.55311)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Tideover Allowance	62.415	3,119	29.6	29.272	1,462	30.0	46.9	20,016
Earnings Supplement	15.179	1,536	7.2	7.590	768	7.8	50.0	9,864
Early Pension	42.298	13,007	20.0	15.023	4,620	15.4	35.5	3,252
Training	91.300	12,569	43.2	45.650	6,285	46.7	50.0	7,264
	<u>211.192</u>	<u>5,228</u>	<u>100.0</u>	<u>97.735</u>	<u>2,419</u>	<u>99.9</u>	<u>46.3</u>	<u>40,396</u>

Notes: Source - Interim Report Section C viii, where figures were given for a sample of approximately 25%. These figures have been grossed up from the sample.

In terms of average amounts paid on a per capita basis, for steel redundancies in 1981, the EC contributed most to Training followed by Early Pension with Tideover Allowances and Earnings Supplements coming third and fourth respectively in rank ordering on this basis. It is noteworthy, however, that Early Pensions were the most expensive Aid on a per capita basis for the UK Government as the gross cost of this Aid exceeded that for Training on this basis. The EC contributed less on a per capita basis to Early Pensions than to Training for workers declared redundant in UK steel in 1981.¹³⁹

By far the largest number of beneficiaries on ISERBS EC Readaptation Aid, who had been declared redundant in 1981, had a period of unemployment on ISERBS and received Tideover Allowance in the form of weekly payments; indeed, almost twice as many as received Earnings Supplements, which were by far the cheapest Aid to both the UK Government and the EC on a per capita basis and in toto. Thus assisting workers who are re-employed/redeployed is by far the cheapest way of assisting redundant steelworkers, costing about half as much in £ sterling for both the UK Government and EC Commission on a per capita basis as Tideover Allowances. Just over twice as many ISERBS beneficiaries declared redundant in 1981 went for Training Aid than for an Early Pension.

Data, for the 25% sample, are given on a weekly basis in Table 8. This very much bears out our above analysis.¹⁴⁰ The average cost of Training per person per week is considerably more expensive for both the EC and UK Government than are Tideover Allowances and Earnings Supplements but on average a lower number of weeks is spent on Training than on these other two EC Aids.

Table 8

UK STEEL: AVERAGE AMOUNT PAID PER MANWEEK IN THE SAMPLE FOR 1981

<u>Aid/Position of Worker by Category</u>	<u>Gross Cost in £</u>	<u>ECSC Contribution in £</u>	<u>% EC Contribution</u>	<u>Average Duration in Weeks on ISERBS Benefit per Person by Aid</u>
i) Tideover Allowance Unemployed	32.06	15.03	50%	53.8
ii) Earnings Redeployed Supplements Re-employed	19.47	9.73	50%	43.7
iii) Training Training	183.91	92.00	50%	37.8

(j) An Explanation for the Disparity of ECSC
Contribution to EC Readaptation Aid Between
the Coal and Steel Industries

The UK steel industry has, from the UK's very accession to membership of the Community, been much more geared to the EC's predominant approach to the problem of redundancy and thus to Readaptation Aid over the past three decades. ISERBS arose out of very extensive consultations between EC Commission officials, the UK Government (Department of Industry) and the parties in the steel industry.¹⁴¹ In contrast the RMPS was already a statutory instrument some 4½ years before the UK entered the EC. Yet the 1973 RMPS, introduced before the UK Coal Bilateral Convention was agreed, could have reflected ECSC priorities like training.¹⁴² Like the EC, ISERBS is concerned with Training, which is expensive for both Government and Commission, and not with lump sums, in relation to which the EC places severe restrictions on its contributions in terms of ceilings. Thus by opting for a scheme with an emphasis on Training, with a 50% contribution from the Commission, and weekly payments for both the unemployed and make-up payments for the redeployed/re-employed, again with basically a 50% contribution from the Commission in practice as well as in theory, together with an early pension option, ISERBS is designed to maximise its EC contribution. Indeed its very name, the European Communities Iron and Steel Employees Readaptation Benefits Scheme, is symbolic. In contrast the RMPS has never attempted seriously to reflect the ECSC priorities: it has never had a Training option within it. The RMPS has been placing an increasing emphasis on lump sum payments. It does not go for extensive weekly make-up payments should a redundant miner get a job outside coal mining. In our view the major reason for the differences in level of EC contribution to Readaptation Aid in the UK coal and steel industries lies in the process of history rather than in an explicit recognition of differences between the two industries and their workers.¹⁴³

Furthermore, as already mentioned, the UK has in recent years (e.g. in 1981 and 1982) tended not to claim from the EC for earnings supplements or mobility allowances for miners despite being able to do so under the Coal Bilateral Convention.¹⁴⁴ Yet in the five years 1981-85 there have been a) 1237 Long Distance Transferees (i.e. involving moving home to a new area) within the NCB, and b) 34,346 Short Distance Transferees (i.e. they do not need to move home).¹⁴⁵ The UK can claim EC contributions for Transfer (i.e. Removal and Resettlement) Allowances¹⁴⁶ for a) and for Travel Allowances for b) for such workers under the terms of the Bilateral Convention. The average cost per man for b) would be much less than for a). The decision not to claim for these Aids by the UK is thus one small factor in helping to explain the recent disparity in EC contributions to UK coal and steel Readaptation Aid.

(vi) Other Countries' Steel Industries

An analysis of the position in the steel industries of Denmark, Eire, Italy, Luxembourg, and the Netherlands is presented in Tables 9 - 13. Some commentary on the situation in these countries is provided in Appendices 6 - 10 of this Report.

Table 9

READAPTATION AID: DENMARK; STEEL 1981

(1 ecu = DKR 8.0698)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Early Retirement	0.961	35,573	48.6	0.214	7,915	37.7	22.3	27
Short-time Working ^(a)	0.399	703	20.2	0.044	78	7.7	11.1	567
Tideover Allowances ^(b)	0.618	5,237	31.2	0.310	2,620	54.6	50.0	118
	<u>1.978</u>	<u>2,778</u>	<u>100.0</u>	<u>0.568</u>	<u>797</u>	<u>100.0</u>		<u>712</u>

Notes: Source - based on figures in Appendix 6

(a) Average of years 1980-82

(b) Average of years 1979-84

Table 10

READAPTATION AID: EIRE; STEEL 1985 (Appropriations)

(1 ecu= IRL 0.71516)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Tideover and Early Retirement Allowance				0.3585		52.8		
Earnings Supplement				0.0074		1.1		
Training				0.1000		14.7		
Mobility Allowance				0.0126		1.9		
Redundancy Severance Payment				0.2000		29.5		
TOTAL TRADITIONAL AID	1.8438	15,895		0.6785	5,849	100.0	36.8	116

Notes: Source - Appendix 7 Table 4

There was also a possible arrangement of 147,000 ecu under the Social Volet

READAPTATION AID: ITALY; STEEL 1981-1987 (Appropriations)

(1 ecu = LIT various, see notes a - d)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
TRADITIONAL AID								
Tideover Allowances CIG (1983-4) ^{a,f}	46.859	9,583	16.4	8.470	1,732	14.3	18.1	4,890
Other (1983) ^b	0.141	7,038	0.1	0.070	3,475	0.1	49.7	20
Wages Supplement (1985-6) ^{c,e}	0.606	4,627	0.2	0.302	2,305	0.5	49.8	131
Training and Retraining (1982-7) ^d	18.918	3,942	6.6	9.054	1,887	15.3	47.9	4,799
Early Retirement (1983-4) ^{a,e}	219.880	17,451	76.7	41.353	3,282	69.8	18.8	12,600
TOTAL TRADITIONAL AID	286.404		100.0	59.249		100.0	20.7	
SOCIAL VOLET								
1st Social Volet (1981-2) Tideover Allowances				5.436				
Early Retirement				12.480	3,580			3,486
2nd Social Volet (1983-6) Early Retirement				7.970				
TOTAL SOCIAL VOLET				25.886				

Notes: Source - figures supplied by the Commission.

- (a) 1 ecu = LIT 1495.13. This exchange rate was supplied by the Commission for these figures
- (b) 1 ecu = LIT 1349.92: exchange rate in 1983
- (c) 1 ecu = LIT 1447.99: exchange rate in 1985
- (d) 1 ecu = LIT 1397.71: exchange rate average 1982(1)-1987(1)
- (e) not yet paid: no demand made
- (f) short-time working

Table 12

READAPTATION AID: LUXEMBOURG; STEEL 1981 (All Beneficiaries)

(1 ecu = LFR 41.2946)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL	TOTAL Mecu	PER CAPITA ecu	% OF TOTAL		
Training	0.723	3,090	2.9	0.362	1,545	9.8	50.0	234
Early Retirement	7.560	13,499	30.3	0.624	1,114	17.0	8.3	560
DAC	16.656		66.8	2.143	1,104	73.1	16.1	1,942
Travaux Extraordinaires								
Re-employment Earnings Supplement				0.135				
	<u>24.939</u>		<u>100.0</u>	<u>3.673</u>		<u>99.9</u>	<u>14.7</u>	

Notes: Source - Appendix 9

Table 13

READAPTATION AID: NETHERLANDS; STEEL 1978-86

(1 ecu = HFL 2.75409 to
HFL 2.51885)

	GROSS COST			ECSC CONTRIBUTION			ECSC CONTRIBUTION AS % OF GROSS COST	NUMBER OF BENEFICIARIES
	TOTAL ecu	PER CAPITA ecu	% OF TOTAL	TOTAL ecu	PER CAPITA ecu	% OF TOTAL		
<u>BILATERAL CONVENTION 1978-80</u>								
Tideover Allowance	417,804	12,000	7.1	207,984	598	11.7	50	348
Pension Rights	4,459,760	12,815	76.1	1,478,210	4,248	83.4	33	348
Income Guarantee Moving Allowance and Reinstallation	426,956	1,220	7.3	86,306	247	4.9	20	350
Training	557,072	5,926	9.5	0		0.0	0	94
	<u>5,861,592</u>		<u>100.0</u>	<u>1,772,500</u>		<u>100.0</u>	<u>30</u>	
<u>SOCIAL VOLET 1981-82 (APPROPRIATIONS)</u>								
Short Time Working				1,012,953	66			15,365
Early Pension				1,405,047	4,812			292
<u>SOCIAL VOLET 1983-86 (APPROPRIATIONS)</u>								
	Mecu	ecu		Mecu	ecu			
Early Retirement	1.040	1,437		0.520	718		50	724
Short Time Working	0.252			0.126			50	

Notes: Source - Appendix 10

(vii) Conclusions

Some Concluding Comments on ECSC Aids and Their Interrelationship with National Social Security Schemes:

From the above analysis it should be abundantly clear that Member States' social security systems do influence the shape and form of the EC Readaptation Aids when operationalised in Member States. Many of the EC Aids are linked to the social security provisions in Member States. In negotiating Bilateral Conventions the EC Commission is constrained by this factor, particularly as there has been no serious attempt to harmonise social security systems within the EC since the Community's inception. This latter point raises much broader questions than just ECSC Readaptation Aids' practical operation. Concerns about ECSC Readaptation Aid (and its equalisation across Member States) will plainly not generate harmonisation of European social security systems, though it would be one small factor in the longer term which might encourage such a gradual bigger process.

We have considered the hypothesis that countries with lower social security levels obtain relatively more from the EC under the ECSC Readaptation Aids scheme than those with higher social security provision. We have so far been unable to test this hypothesis in a systematic way, which is really the only worthwhile way of approaching such testing. For we would need to be able to obtain genuinely comparable data from the Member States, including the precise amounts of money received in terms of former earnings and now Readaptation Aid by typical individuals (if such can be found) as well as their precise social security entitlements and payments post-redundancy. We could then ascertain real replacement rates in percentage terms. We would also need precise data on the cost of living (and possibly standards of living) in each Member State. What determines the eligible cost for EC contribution are the terms of the Bilateral Conventions, various correspondence with Governments and the

deals under the Social Volet. In relation to income support in the event of unemployment (tideover allowances for short) it should be possible to calculate the crucial "differential allowance" by subtracting the social security element (generally unemployment benefit) from the totality of the income guarantee in each country. There is a view within the Commission that a considerably higher percentage is eligible for EC contribution in the UK (70%) than in Germany (20%), for example, because of Germany's more generous social security system.

A Concluding Comment on the Importance of the ECSC Element in Relation to the Gross Cost of EC Readaptation Aid:

It is noteworthy that the EC contributions to the gross cost of Readaptation Aid payments are considerably less for coal (approximately 10% or less of the whole) than for steel (broadly over 40% of the whole) in Belgium, Germany and the UK.¹⁴⁷ We cannot comment on the position in France with quite the same degree of authority because of the enormous difficulties encountered by our French research team with the data in relation to their country. But there again appears to be a considerable differential with the French steel getting a much higher proportion in terms of EC contribution than its coal counterpart.

In short, can and should this position be justified? We should emphasise that it is, of course, very largely because of the basic shape of the eligibility rules that the EC payments are of the size that they are. We have already offered a partial explanation in relation to Belgium.¹⁴⁸ It can also be explained by the fact that the coal Bilateral Conventions in the French, Belgian and German cases date from a slightly earlier period. We also need to bear in mind the Social Volet for steel, which with its retrospective effect applied to the very end of the 1970s as well as the 1980s.

2. The Interrelationship Between EC Readaptation Aid and National Policies

(i) Does EC Readaptation Aid Act as a Catalyst?

We wish to consider the issue of the extent to which EC Readaptation Aid acts as a catalyst to bring about additional finance by national authorities and the enactment of specific social measures. An historical perspective on this subject is very necessary because it has been historically that the EC has most acted as a catalyst in these respects. For example, the German team found some evidence that in the very early 1960s and the early 1970s EC Readaptation Aid acted as such a catalyst in Germany by directly influencing "Sozialpläne" policy and practice. It must be remembered, however, that the Sozialpläne is not strictly a national policy in so far as the Public Authorities have nothing directly to do with the negotiations between the two sides of industry though they can exert some influence on the process. The catalytic role of EC Aid in Belgium is exemplified by the major EC influence on the original introduction of Readaptation Aid there in 1958 and then its fundamental change by the first Bilateral Convention of February 1965. The very considerable influence of EC Readaptation Aid on the terms of the Bilateral Convention for steel in the UK in the early 1970s is an excellent example of the catalytic effect of EC Aid.¹⁴⁹ ISERBS was designed to maximise EC financial participation, which encouraged the UK Government to help design a scheme which would provide greater and more expensive benefits for workers than might otherwise have been the case.¹⁵⁰ The training provisions and the emphasis in ISERBS on weekly payments, instead of lump sums, were clear examples of the EC's catalytic influence on the enactment of specific social measures.

More recently it has become more difficult to specify the extent to which EC Aid has been acting as a catalyst. Part of the reason for this is that once the Readaptation Aid system has become highly established,

many of the new solutions tend to be worked out in the national arena. There is certainly evidence of this in relation to Germany. Yet that is only part of the story. For the German team report that there has been at least one occasion when workers' representatives at local enterprise level have made use of the existence of the EC element in Readaptation Aid in bargaining.¹⁵¹ Pressure was placed on the German Federal Government to obtain more financial assistance from the EC. While on that occasion the final outcome of the bargaining process may not have been much influenced by the EC, it symbolises the continuing potential catalytic effect of EC Aid in generating the expenditure of additional finance in Member States.

It should not be overlooked that the very existence of the EC facilitates and even encourages inter-country cross-fertilisation in terms of specific Aid instruments being tried or enlarged in one Member State and then later being used or expanded in another. This process can have an influence on EC policy and in that sense the EC can work as a catalyst. The shape of the new French Bilateral Convention for coal, for example, has been influenced in certain particulars by the Italian Bilateral Convention concerning steel.¹⁵² The acceptance and use of early retirement measures by the EC has had a distinct but limited influence overall on some national authorities spending more money on this type of Aid. Yet the German Federal Government changed its guidelines to Article 56(2)(b) to give enterprises the opportunity to offer ECSC workers early retirement. This is an example therefore of an enactment of a specific social measure where the EC acted as a catalyst. Furthermore there is one major case in the German steel industry emanating from 1981 where there is evidence that the substantial improvement of tideover allowances, reimbursed by the EC out of the Social Volet to the tune of 50% of the costs, directly influenced the decision making of the Federal Government and the outcome of labour-management bargaining.

Methodologically there are essentially two ways of seeking answers to the question of assessing the extent to which EC Readaptation Aids acts as a catalyst. We can look to the documentary evidence and undertake interviews. The Belgian team found that the former was lacking and officials tended to state that no relevant policy decisions on social measures have recently been affected by the EC. EC Readaptation Aid could not add much to available benefits to facilitate redundancies as they were already rather generous to redundant ECSC workers. The Social Volet did not generate any new Aids in Belgium: all the Aids used since the introduction of the Social Volet had been in place before so that the Social Volet's role was above all one of extending co-financing. While there is no direct evidence for this, the Belgian team considered that the existence of EC Readaptation Aid probably influenced Belgian thinking in lowering the age for early pension entitlement since officials may well have had the expectation that the EC would contribute later to such payments. Also during re-negotiations for the Bilateral Convention it is believed that the EC had some influence, albeit unmeasurable, on the Belgian authorities. It is indeed not always possible to pinpoint precisely whether or how the EC Commission has had a catalytic influence in generating either additional finance by national authorities and/or specific social measures given the course of extensive two (or even three) way negotiations for a Bilateral Convention conducted both formally and more informally. Nevertheless in relation to Belgium on existing evidence we must conclude that EC Readaptation Aid has had a limited role as a catalyst in recent years in bringing about specific social measures. The EC's role thus has been more consolidatory, but not less important for that reason.

(ii) Broader Considerations

In considering the interrelationship between EC Readaptation Aid and national policies more broadly, we must at least raise the issue of

whether the Member State Governments and enterprises in the ECSC sector have objectives and/or priorities which are different from those of the EC Commission. In Belgium, for example, both coal and steel employers have in recent years had twin major objectives: these are avoiding major closures and compulsory dismissals by heavily relying on early retirement. In British coal too an emphasis has been placed on avoiding compulsory redundancies in the 1970s and 1980s. The EC Readaptation Aid objectives are not in conflict with these particular national objectives. Indeed they facilitate the national ones. In Belgium it is vital to appreciate that there would be stronger pressure to reduce the cost of social policies in steel if there was no EC participation. Any reduction or elimination of EC Readaptation Aid would be vehemently opposed there - as indeed elsewhere. The importance of EC Aid to Member States is reflected in the strong way in which they negotiate with the Commission on both Bilateral Conventions and also for Social Voleet monies (viz. France and the UK for example). In relation to Belgium it is possible to argue that the EC's contribution to Readaptation Aid is of greater direct assistance to the States' and enterprises' efforts to restructure the coal and steel industries than it is to redundant workers. This underlines our earlier point that the primary objective of EC Aid is to secure acceptance of restructuring. In France EC Aids do provide additionality because without them, the social measures in coal and steel would not be at the same level and the French Government could not have got the workers affected to accept the restructuring without these social measures.

Within Member States while EC Readaptation Aid will frequently have played a minor or barely any role in their decision making about the volume of capacity reductions (viz. a minor role in Belgium and virtually none in the UK coal industry), it will have had a more significant impact in so far as the Aids' availability will have influenced Member State Governments to accept the Commission's proposals for steel restructuring.

In this way national policy will have been influenced by EC Readaptation Aid.

(iii) Constraints on the Influence of EC Readaptation Aid on National Policy in Perspective

Yet the EC Commission historically has not generally attempted to influence Member State Governments' industrial policy through its social policy directly, though (as we have noted) the latter can and does¹⁵³ have an impact here.¹⁵⁴ The Aids are certainly not intended to interfere with industrial policy making. Perhaps a more important constraint on the amount of influence which the EC element of Readaptation Aid can have lies in its limited funds. This will become a more acute problem if there are no new Social Volets. Given that the total amounts paid by the ECSC under Article 56(2)(b) represent a relatively small percentage of total restructuring expenditure (significantly smaller in coal), they cannot be expected to have a big impact on national policy making. Obtaining agreement on a Bilateral Convention involves a process of compromise by both Commission and Member State Government. The Commission generally refers to practice in other Member States partly in order to try to get agreement more on its terms (and with harmonisation considerations in mind). But the Commission is under constant pressure to fit in with the wishes of Member State Governments. It should be remembered that if there is no agreement then there can be no EC Readaptation Aid because of the matching principle.

3. Factors Affecting the Choice of Aids Offered and then taken up

(i) The German Position

From the individual worker's perspective the choice of Aids depends very largely upon their age. In Germany with the emphasis on encouraging older workers to leave the ECSC industries, a major measure now used is early retirement (whether official, unofficial or quasi).

Thus if a coal miner is aged at least 55 (official national retirement age being 65) and a steelworker is aged at least 60 (official national retirement age being 65), they are eligible for early retirement.

From the employers' and Government's viewpoint, their objective is to maximise the amount of money that can be obtained from the EC. Thus the aim is to maximise the number of lost jobs recorded as redundant.¹⁵⁵ These job losses are the figure which represents the head count of the number permitted by the EC Commission as the basis for EC contribution. In the German steel industry it has proved possible for all workers made redundant to be directly matched with job losses so that each worker affected has been eligible for ECSC Aid. The substitute (or "one for one") principle's application has considerably assisted in maximising the EC contribution, particularly in the steel industry.

In the German steel industry the major measure used in recent years has been early retirement, which has been the avenue for departure accepted by employers and workers alike. Earnings supplements and mobility allowances¹⁵⁶ are measures taken up by miners to a much greater extent than steelworkers. In the steel industry there are no travel allowances for local transfers so that there are no cost calculations for them. For in relation to younger coal miners the enterprise normally has to offer an alternative job.¹⁵⁷ The German research team could find no evidence of any significance that those workers who qualify for any type of early retirement do not take up ECSC Readaptation Aids which are part of the Sozialpläne. Coal miners have a choice of two types of early retirement Aid: APG, to which the EC less heavily contributes, or alternatively Aid specifically provided under the Article 56(2)(b) guidelines. Miners can choose the Aid which guarantees the best "replacement rate", i.e. the highest proportion of their former income. The enterprise is required to offer the miner another job if his replacement rate, with the assistance of any type of relevant Aid applicable, is under 60% of his former gross

income. In contrast there is only one type of early retirement Aid for steelworkers; there if problems arise concerning unemployment payments, which are means tested after one to two years, the enterprise will offer the worker another job.

(ii) The Belgian Position

In recent years in Belgium (as in each Member State) the long standing objective of trying to maximise the amount of EC contribution has been reflected in the efforts to obtain co-financing with the EC for the most expensive Aids, particularly early pensions.¹⁵⁸ As to whether the Belgian Government in its applications to the EC Commission for EC contribution places the emphasis on reimbursement for tideover allowances or earnings supplements becomes largely an accountancy issue with the enterprises¹⁵⁹ also being much concerned in this whole formal process. In recent years in the Belgian steel industry there has been more emphasis on tideover allowances than on earnings supplements, which has also broadly been the position in Germany. This is in line with the emphasis on early retirements. Basically the same sort of pattern of Readaptation Aids - and their take-up - has emerged for both coal and steel in Belgium. Mobility allowances are a minor feature by comparison with severance payments and tideover allowances.

From the individual worker's perspective, as in Germany, the choice of Aids very much depends on their age.¹⁶⁰ Indeed in Belgium there is no real choice for workers. If they qualify for early retirement in the context of a closure, then that will be the basis for their departure. Exceptionally and in recent years increasingly less often, workers of early pension entitlement age could be redeployed in the enterprise for a limited period if they have broad based abilities and are quickly adaptable. Belgian union officials recognise that a better deal for workers can be secured as a result of EC Aid; the wage guarantee arrangements facilitate the task of union officials. Lastly, EC Training Aid

could be important in relation to a massive reorganisation in a major steel company. Transferring workers within companies has yielded no EC reimbursement though this is a high cost for companies: reorganising shifts is notably very expensive.

(iii) The French Position

In France the emphasis again has been on early retirement Aids, with workers volunteering for early retirement (though compulsory redundancies are looming). Enterprise level is that which applies the system in practice so that managerial attitudes are an important factor. Coal industry management has spent a decade promoting early retirement measures.¹⁶¹ Also the worker's occupational status is a relevant factor. Aids concerned with transferring workers have been less important.¹⁶² Yet the transfer programme for redundant coal miners to Electricité de France (EDF) has been significant.

(iv) The UK Position

In the UK it is important to distinguish between the coal and steel industries when isolating the factors affecting the choice of Aids. As in the three other Member States which have both coal and steel industries, the choice of Aids depends largely upon the worker's age.

(a) The Coal Industry

The fact that the choice of Aids depends upon age applies particularly strongly in relation to the UK coal industry. There the individual generally has little or no choice of the particular EC Aid: it is determined for him by the shape of the RMPS operating at the time. In the 1970s the RMPS was used primarily as a de facto early retirement scheme particularly for those aged over 55 as well as those over 60. As the average age of the NCB workforce diminished, so in the 1980s has the management need developed, particularly with the restructuring process gaining pace in the mid-1980s, for men under 55 to leave the industry on the basis of voluntary redundancy. As it has developed, the RMPS has always been designed to shake-out miners

in particular age groups. In the early part of 1981 redundant miners aged at least 55 only received RMPS weekly payments (tideover allowance) if they had ten years' coal industry service; those aged at least 55 without this length of service received only RMPS lump sum payments as did those declared redundant when aged between 21 and 54. In order to attempt broadly to triple the rate of redundancies from the 1980 level in 1981-82,¹⁶³ for those declared redundant from 11 March 1981, a new 1981 RMPS was introduced offering improved and extended weekly payments for those aged at least 55 (tideover allowances) plus for the first time an RMPS lump sum payment. For those redundant aged 21-54 an extra RMPS lump sum was made available. The Government's (and NCB's) main objective here was quickly to reduce those remaining in the industry over 60 and to shake-out those aged 50-54 and 55-59. The hope and expectation was that the retention and transfer of younger miners would be facilitated by this 1981 RMPS. The substitute principle could be used. Transferred workers could use Mobility Aid, albeit not in fact EC mobility Aid.¹⁶⁴ Achieving these objectives has been a priority for the UK Government and NCB. While consistently negotiating strongly in attempt to maximise its EC contribution, the Government's commitment to offering lump sums as the best method of persuading workers to leave the coal industry has remained undiminished (despite the EC's reluctance to contribute more than a very small element,¹⁶⁵ which cannot be said to have increased proportionately with the increase in RMPS lump sums).

In short, then, Government and NCB managerial decision making above all determined the choice of EC Aids utilised by miners in the early 1980s.¹⁶⁶ Earnings supplements as an EC Aid were not being utilised. By way of contrast the concessionary coal EC Aid has been used consistently from the inception of the coal Bilateral Convention for redundant miners aged at least 55;¹⁶⁷ not least because of its symbolic importance it has helped to encourage miners to leave the industry,

secure in the knowledge that they have a social protection guarantee in the form of a package of Aids under the RMPS.

(b) The Steel Industry

In contrast to the RMPS, ISERBS has been directly and extensively geared to facilitating steelworkers, whatever their age, in obtaining another job. The structure of ISERBS, the steelworker's age, perceived job market possibilities and individual aspirations and wishes are all key factors in determining the choice of Aids taken up by individuals.

With there being no ISERBS lump sums and thus generally no EC lump sum Aid,¹⁶⁸ the redundant steelworker's age determines his overall period of ISERBS eligibility and which level of ISERBS weekly tideover allowance payments (and their duration) that he receives. Steelworkers have had some real choices of EC Aid instruments to take up in contrast to many miners. We shall pay particular regard to the 1981 position in our discussion.¹⁶⁹ ISERBS has been so structured that redundant men under 55¹⁷⁰ have only been permitted to take weekly tideover allowance for a relatively short period, indeed for a maximum of 12 months. This category of worker has been permitted through the structure of ISERBS to use up to three ISERBS Aids, (one at a time), namely, weekly tideover allowance, Training Aid and earnings supplements, in a flexible manner to suit their particular needs over their total 1½ year eligibility period: they could receive these different ISERBS benefits at different times until their ISERBS entitlements were exhausted. The intention of the authors of ISERBS was that the most attractive deals to the redundant male steelworker under 55 should be Training Aid and Earnings Supplements Aid.

In the early 1980s many less than half of those eligible for Training Aid opted for it, even given its offering 100% protection of former net earnings for a year and the hope for a future job. The EC strongly encouraged the take-up of this Aid by agreeing to the particular terms of the Bilateral Convention and by attempting to make it particularly

attractive as an Aid to workers in itself and by comparison with the alternatives.¹⁷¹ A further dimension to its possible attractiveness has been its flexibility so that it might be taken up before a worker was formally declared redundant provided that he was actually redundant within six months of the end of the course. The worker might thereby avoid undergoing any period of unemployment.

It should be noted that a redundant steelworker has been able to couple receipt of Earnings Supplement with EC Mobility Allowance, the latter not being part of ISERBS, at the same time if his needs required this. Alternatively, depending on his circumstances, he could receive either Aid alone. The value of Earnings Supplements as an EC Aid was shown by the fact that about a quarter of all ISERBS beneficiaries declared redundant in 1981 took up this Aid. The newly self-employed can receive Earnings Supplement to give them 90% protection of their previous earnings, which protection is a factor in encouraging workers to risk a self-employment venture.

ISERBS offers older workers longer overall periods of eligibility for its benefits: for those aged 55-59 the period has been 2 years and for those at least 60 the period has been up to 2½ years. The older workers were considered to be in greater need of benefits of longer duration with the younger being expected to be more adaptable and being encouraged to find a new job as soon as possible. In the early and mid 1980s the older workers would be expected to opt more for tideover allowances given the rise in unemployment in the 1980s. About half of all ISERBS beneficiaries opted for tideover allowances in 1981. Those over 55 theoretically would have greater flexibility to switch individual EC Aids under ISERBS because of their longer entitlement to benefit. But today they would not be expected to go for training. The rise in unemployment levels has thus reduced the practical choices for older workers so that the 1980s have seen ISERBS being employed as a de facto early retirement scheme for

older workers, mainly over 55, though technically they have to be declared redundant to qualify for ISERBS benefits. The early pension option has been confined to redundant male steelworkers aged at least 55 (and to women aged at least 50) given the widespread understanding (in the 1970s as well as the 1980s) that they would often find it impossible to obtain another job and so would otherwise be unemployed for long periods if they did not have this opportunity of de facto early retirement. In the early 1980s about one third of those eligible opted for the Early Pension Aid, which automatically cut them out from receipt of any other ISERBS benefits.

In conclusion, we would just emphasise that the strength of particular factors affecting the take-up of EC Aids by redundant steelworkers can and does change over time.

Notes to Section C

1. See Official Journal of the European Communities, No 33, 16 May 1960, p. 781.
2. See Commission of the European Communities, Memorandum for the Members of the Consultative Committee concerning Community measures regarding Readaptation and reconversion, dated 20 October 1967 (Luxembourg) Doc No 4998/1/67f, which produced an explicit statement on its objectives.
3. See further Annexe II, Doc No 4998/1/67f.
4. Op. cit. In part the Commission relied upon the findings on its "Readaptation measures in West Germany, Belgium and France. Summary and results 1960-1965" for these conclusions.
5. This is well documented, for example, in the EC Commission's "Report on ECSC Readaptation Aid (Article 56(2)(b) of the ECSC Treaty) (1976-1983)", Doc No SEC (85) 175.
6. Discussed further infra.
7. Op. cit.
8. There is evidence that even in the UK Department of Trade and Industry there is still some uncertainty as to the exact objectives of the EC here.
9. The Social Volets have been particularly important from their inception in the 1980s in extending EC early retirement benefits so that the SVs have been intended to contribute most to the objectives of gaining acceptance of restructuring and achieving withdrawals from the labour force. On the Social Volets see further Interim Report, Part C at pp. 168-175.
10. One function of the Social Volet has been to extend the duration of the EC's contribution to Aids, particularly by combining with Bilateral Convention provision. The SV's are thus intended to contribute to this third objective.
11. The Community offered Readaptation Aids as a compensatory measure which accompanied the industrial policy at the supra-national level.
12. It is interesting to note that even while the social protection offered to UK miners was more than 'reasonable' - relatively in monetary terms - at least in the short term (Cf the 1984 version of the RMPS), the NCB's unilaterally imposed pit closure programme ostensibly caused a year long miners' strike in 1984-85.
13. The Steel Social Volet No 1 and that for coal were not designed to contribute to this, though the reintegration grants under the Steel Social Volet No 2 have been intended to contribute to this.

14. See further "Report on ECSC Readaptation Aid ..." Doc No SEC (85) 175, p. 26.
15. This is confirmed by the statement of the Chairman of Usinor in his Reply in "The Report of the French Court of Auditors to the President of the Republic", Official Journal, July 1986, "Steel making: State Interventions, Financial Situation of the Nationalised Companies, Management of Sheet Metal Sector" (at page 34 of the English translation) "... the magnitude of the steel crisis was so great that there was an almost insurrectional climate in certain of the more affected regions ..."
16. Concerning the level of protection, the Usinor Chairman concluded in this reply (op. cit.): "... one might consider, now that calm has been restored, that the price paid was excessive ..."
17. We do not consider here the unique Anti-crisis unit "DAC" Aid exclusive to steel in Luxembourg and now apparently having a limited life. But it is discussed in Appendix 9 devoted to Luxembourg.
18. Not all these purposes might be properly considered to be providing social protection as such. This issue is further discussed in Part D of the Report.
19. It is noteworthy that about half of the workers leaving the French Steel Industry between May 1979 and December 1982 under the Social Protection Agreement of 1979 went out on the basis of early retirement, receiving tideover allowances "to help them through to normal retirement age"; some 40% of Usinor and Sacilor workers were aged 50-54 at the date of their early retirement (i.e. in the two major undertakings).
20. See "Report on ECSC Readaptation Aid ..." Doc No SEC (85) 175, p. 27. It should be noted that the expenditure figures in this Report are based upon appropriations (not actual payments).
21. Ibid., p. 26.
22. It was only from January 1984 that the Commission effectively contributed to the cost of early retirement pensions when the 1,000 ecu limit for severance payments, which was entirely used up for the latter, was doubled.
23. See further Annex 4 of the "Report on ECSC Readaptation Aid..." which provided a breakdown of EC Aid by category giving ranges of percentage figures of the total EC Aid granted in the Member States concerned.
24. This applied to the coal and steel sectors in France and Germany as well as to UK steel. See "Report on ECSC Readaptation Aid ...", Annex 4.
25. See further op. cit., p. 27.
26. In relation to Ireland under the Commission's decision of December 1985 on appropriations, applying the Ad Hoc Agreement between the Commission and the Irish Government of 1985, almost 30% of the total appropriations was for severance payments. See Appendix 7, p. 5.
27. This is discussed at considerable length in the Interim Report, Part B.

28. ECSC Aid for training is for workers obliged to change their occupation or leave their job prematurely as a result of restructuring, whereas initial training given to workers newly recruited to ECSC industries and recurrent and continuing training measures which are not linked to restructuring are eligible for support from the European Social Fund. Italian experience provides an example of confusion on this issue, c.f. Appendix 8.
29. As defined in the Methodology for this study, see Appendix 1, p. 23. This is discussed further infra. in relation, for example, to Eire and Italy in the respective Appendices devoted to those countries (Appendices 7 and 8).
30. These are not means tested for between 1 to 2 years. It should be noted that workers early retired may receive lump sums.
31. See German Report especially at 3-5 which shows an overall EC contribution of 8.2% for laid off workers for the year 1981. This low percentage is due to the low EC contribution (5.9%) to APG then prevailing. For earnings supplement and concessionary coal the EC contribution was 50%. See further generally German Report at 3-1 to 3-27.
32. See the German Report at 1-7 (p. 6 of the English translation).
33. Over 70,000 workers from the single firm covering mining in the Ruhr (Ruhrkohle) have been declared redundant between 1970 and 1986 with some 2/3 of them receiving the expensive early retirement tideover allowance, APG. See the German Report at 1-8 (p. 7 of the English translation).
34. See further the German Report at 2-9 to 2-12 especially (pp. 15-18 of the English translation). From 1972 APG, originally designed to tide over miners aged at least 50 until they became eligible for retirement pension or for KAL, got an EC contribution at a flat rate of DM 2,750 per worker when the Commission finally accepted that it was within the scope of Article 56(2)(b) together with a calculated sum (which amounted to DM 103 per month in 1983). Thus the maximum EC contribution to APG as such was DM 3,640 for workers under 55 plus DM 1,000 towards the lump sum paid under Article 13 of the Bilateral Convention. From 1984 the new maximum EC contribution to APG became DM 11,150 per worker.
35. See the German Report at 1-9 (p. 8 of the English translation).
36. The State Aids for steel are paid on a more ad hoc basis than for coal which has more of an overall readaptation programme.
37. See the German Report at 2-1 to 2-4 (pp. 9-12 of the English translation). The special miners' social insurance arrangements are usefully discussed at 2-6 to 2-8 of the German Report (pp. 12-14 of the English translation). Interestingly our German correspondents consider that the development of the EC Aids and the general underlying policy of social plans should be best seen as an integral part of company restructuring policy rather than state social policy (see the German Report at 2-26; p. 30 of the English translation).
38. From 1982 overtime has been disregarded.

39. See further the German Report at 2-2 (p. 10 of the English translation).
40. When entitlement runs out, the unemployed person must fall back on to unemployment assistance benefit which is means tested and paid at a lower rate (like supplementary benefit in the UK).
41. The EC Readaptation Aid scheme as developed and applied in Germany is clearly and fully set out in the German Report at 2-8 to 2-27 (pp. 15-33 of the English translation).
42. See Tables at 3-2 and Chart at 3-3 of the German Report.
43. Basically under Article 12 of the Bilateral Convention (our Category 1 Aid under our Methodology), workers may actually in practice receive more than this but the extra is not then part of gross cost or EC eligible cost (unless paid under the Social Volet).
44. Basically under Article 9 of the Convention (our Category 2 Aid).
45. Basically under Article 14 of the Convention (our Category 3 Aid). Often called Interim Assistance. The Federal Government supports this Aid for 4 years.
46. Basically under Article 11 of the Convention (our Category 4 Aid).
47. See the German Report at 2-25 (p. 28 of the English translation for the details); this is our Category 5 Aid.
48. Article 6 of the Bilateral Convention.
49. Article 7 of the Bilateral Convention.
50. Article 8 of the Bilateral Convention.
51. Article 13 of the Bilateral Convention; this is our Category 6 Aid.
52. See the German Report at 3-5.
53. See the German Report at 3-30 et seq. These figures are based on a number of samples.
54. See generally Ch. 1 of the Belgian Report in Appendix 2.
55. This is more fully discussed in the Belgian Report at para. 2.1.2. at pp. 6-7.
56. See Belgian Report, para. 3.1/c at p. 15.
57. See Belgian Report, para. 2.5.1/c at pp. 12-13.
58. See Belgian Report, para. 2.5.1/a at pp. 11-12.
59. See Belgian Report, para. 3.1/a at pp. 14-15.
60. See Belgian Report, Table a on p. 37.
61. The total "gross cost" for coal was 2,762.9M BF whereas it was 865.8M BF for steel.

62. Ibid.
63. At page 23. A synonym is the "eligible cost" to be taken into account as the basis for EC participation of up to 50% of the total cost. It thus covers all the specific ECSC Readaptation Aid measures (rather than ordinary social security elements).
64. See Belgian Report, p. 37.
65. For the raw figures, see Belgian Report p. 38.
66. But for the 1981 sample of steel closures examined by the Belgian team the ECSC proportion of participation in the payments was 41.1% for tideover allowances (including early pensions) and 40.9% for earnings supplements; see Table 3.
67. See Belgian Report, pp. 39-40 (Table C).
68. Possible explanations include exchange rate variations, timing of payments and administrative inconsistencies.
69. See Belgian Report, p. 40. Though under the Social Volet for coal (the 1984 Coal Mining Social Support Programme) it should be remembered that 1 million ecu (out of the EC total of 60 million ecu) was granted to Belgium. In relation to 515 redundant workers at Roton, under this Social Volet an intervention of 1.22 million ecu was approved ultimately.
70. See Belgian Report, p. 38.
71. Loc. cit.
72. See FSE Book IX, Art. 684.
73. Under 'Loi Boulin'. See French Report, p. 2.
74. Called special FNE allowance funded from the FNE, the National Employment Fund, and from contributions by employers and employees.
75. Known as the ASSEDIC allowance.
76. Before deduction of national insurance contributions.
77. The period worked before unemployment is also a factor taken into account, though the amount paid should be between 60% and 75% of previous gross basic income.
78. See French Report, p. 26 especially and our Interim Report, pp. 492-3 and 502 for the 1981-83 position.
79. i.e. the ASSEDIC basic allowance.
80. See French Report, p. 27 and our Interim Report, p. 494 and p. 503.
81. See French Report, p. 32.
82. See French Report, p. 28 and our Interim Report, p. 504.
83. Of at least 40 years of age.

84. By contrast the French steelworkers normally retire at 60.
85. Plus benefits in kind considered infra.
86. See French Report, especially p. 32.
87. See French Report, especially p. 32.
88. See French Report, p. 30.
89. See French Report, p. 31, and our Interim Report, p. 500.
90. See French Report, p. 31. It also includes capitalisation of accommodation allowances.
91. See French Report, p. 32. The benefits in kind can also cover accommodation.
92. See French Report, p. 31.
93. Op. cit.
94. See French Report, pp. 148-166.
95. See French Report, p. 154, i.e. 323 of the 458 eligible for EC Aid; of the remainder 18.6% transferred (i.e. could have received earnings supplements and mobility allowances basically) and 10.9% were relocated (i.e. could have had relocation allowance and benefits in kind).
96. See also French Report, p. 154, i.e. 300 of the 350 eligible for EC Aid, though 133 of the 300 actually left in 1979.
97. See French Report, p. 159.
98. See French Report, p. 159.
99. Ibid.
100. See Interim Report, Part C v. and Appendix 15.
101. See Interim Report, Part C ii. and Appendices 2, 3, 6, 7, 8, 10, 11, 12b) and 14.
102. See Interim Report, Part C iv. and Appendices 4, 9, 10, 11 and 12a).
103. See also supra. II 1. (i) "Some Anglo-German Comparisons".
104. Historically ISERBS has been more generous in certain particulars to workers than the Bilateral Convention. Furthermore in 1974 BSC and the steel unions agreed the Employment and Income Security Agreement (EISA) which improved upon what both the Convention and ISERBS provided. See further Interim Report, Appendix 4, pp. 275 et seq. Extra payments offered over and above those agreed with the Commission are not part of our "gross cost" o EC eligible cost.
105. See Appendix 6 at pp. 304 et seq. of the Interim Report for further details. There was a new 1981 RMPS (1981 SI No. 482) which applied for those redundant on or after 11.3.81.

106. The beginning of the phasing-out of ERS occurred from early January 1981 with a reduction in the maximum weekly ERS rate being introduced then. The Social Security (No. 2) Act 1980 s.4(2) totally abolished ERS with effect from 3 January 1982.
107. It should also be mentioned that the RMPS links with the miners' own special social security schemes, causing RMPS basic benefit to be reduced.
108. The other half would be the £3,640 EP(C)A state redundancy lump sum payment.
109. See generally Interim Report, Part C iv. and Appendix 4.
110. Also female steel employees under 50 qualified for this.
111. Also female steel employees of at least 50 qualified for this.
112. For up to a year, to which the EC would not contribute.
113. State UB being a factor in this calculation for the first 26 weeks of this second period.
114. The complex position on ERS is fully discussed in Part C iv. of the Interim Report, see pp. 131-135 especially at 133, with ERS being phased out in 1981.
115. Set out in outline in Appendix 21 of the Interim Report at p. 495 for direct ease of comparison, with the position in other Member State coal industries. See also Appendix 3, p. 268 for recent developments.
116. See Interim Report, pp. 279-80, 288, and 504.
117. See Interim Report, Part C iv. at pp. 126-127 and Appendices 4, especially at pp. 280-281, 284, 289, 11 and 12.
118. See Interim Report, Part C ii. at p. 86.
119. See Interim Report, Appendix 12, where our analysis shows that the two Conventions on Training Expenses for UK coal and steel workers are couched in the same terms.
120. See Appendices 9 and 10 of the Interim Report.
121. See Interim Report, Appendix 8.
122. In 1982 the EC Commission expressed unwillingness to amend the Coal Convention to grant a better Mobility Allowance deal to miners alone.
123. Subject to one exception under SV. Severance payments are often made by steel employers to steelworkers in addition to the EP(C)A redundancy payment. See further Interim Report, Appendix 4 at pp. 292-297 c.f. also infra. footnote 168.
124. See Interim Report, Appendices 6 and 7.
125. See Interim Report, at pp. 303 and 306-307.

126. See Interim Report, at pp. 308-313.
127. See Interim Report, at pp. 316-317 and 324-325.
128. See Interim Report, at pp. 321-322 and 325-328.
129. See Interim Report, discussion at pp. 269-270.
130. See Interim Report, Part C v. at pp. 154 et seq.
131. See Interim Report, pp. 179-181. The EC contributed on average £668 per man for lump sums and £2,060 per man for weekly payments. Almost 19 times as many beneficiaries received weekly payments as received RMPS lump sums.
132. See Interim Report, p. 181. The UK Department of Energy estimated in 1985 that the lifetime RMPS payments concerning those made redundant in 1981 could amount to £220 m: op. cit., p. 182.
133. See Interim Report, p. 185.
134. Of this £4.56 m total of payments, the weekly benefits accounted for £4.08 m of the payments.
135. A different (though problematic) set of data, presented as Table 2 at p. 183 of the Interim Report, suggested a figure of less than 10%, and this was the view of the UK Department of Energy.
136. The Department of Energy, "The Coal Industry: Memorandum 42" at pp. 219-220 for House of Commons Energy Committee Session 1985-86, The Coal Industry in Memoranda Vol. II, June 1986, HMSO, London. The Department of Energy explicitly recognised that: "One of the main reasons given by the Commission for their inability to offer further improvements has been budgetary constraint ..." (at p. 220).
137. See Interim Report, pp. 187-191. The analysis is based on a 25% sample with at least 95% of the redundancies in the sample definitely occurring in 1981. See further Appendix 16 of the Interim Report for more detailed figures.
138. See further the Methodology, Annex, presented as Appendix 1 of this Final Report.
139. This was not because the Commission had agreed to contribute a lower proportion for Early Pensions than for the other Aids: it was agreed that it would contribute up to 50% of the cost less tax (the lump sum, equivalent to 18 months, income support being transferred into the pension fund). See further Appendix 21 of the Interim Report, "Summary of Main Provisions on Readaptation Aids", p. 504.
140. There are unexplained disparities across UK steel plants in terms of EC contribution per head and per man week, most particularly for Tideover Allowances and Earnings Supplements but to a lesser extent for Training.
141. This is fully documented in the Interim Report, Part C iv.
142. Instead it placed some emphasis on lump sum payments. See Interim Report.

143. See further Interim Report, especially Appendices 2 and 6.
144. The UK did claim for these Aids in the early years of the Bilateral Convention but the EC contributions were relatively small (£0.19 m for earnings supplements and £0.64 m for mobility allowances in toto over the first three years of the Bilateral Convention's operation 1973-75). On NCB Transfer Allowances generally, see Interim Report, Appendix 8 and for comparison with the steel position Appendix 10.
145. Source: Commission of the European Communities, DG V/A/3, Mixed Committee for the Harmonisation of the Working Conditions in the Coal Industry, Doc. No. V/792/86-EN, "Mobility of personnel in coal mining". Presented by UK: Author, NCB, 1986. For a more detailed breakdown for 1981-86 (the first 9 months of 1985-86) on an annual basis, see "The Coal Industry: Memorandum 2" submitted by the NCB to House of Commons Energy Committee Session 1985-86 on The Coal Industry, Memoranda, 196-i January 1986, HMSO, London. However, the two sets of figures do not tally precisely.
146. From June 1980 the NCB improved their long distance transfer arrangements.
147. See further Part C vii: "UK Expenditure on Readaptation Aid" of our UK Interim Report, and our revised analysis on the UK supra.
148. Supra. in this chapter.
149. See further our Interim Report, pp. 119-130 and Appendix 4 which fully analyse the genesis of this Bilateral Convention and the original ISERBS.
150. It may not be possible to prove this last statement irrefutably largely because the EC's influence was so strong and from so early in the conception and design of the scheme (with the Commission being involved in discussions before the UK had become a member of the Community).
151. There is, however, no evidence of this phenomenon in Belgium or France.
152. On the latter, see Appendix 8 on Italy.
153. See the French Report, pp. 169-70.
154. Also the Coal Social Volet was offered largely in order to facilitate Commission industrial/energy policies and implemented through the determination of Viscount Davignon.
155. There is no ECSC Aid for workers affected in excess of the number of jobs recorded as redundant. But the Federal Government will still contribute towards Aid given in such circumstances.
156. There is bussing of workers when they are transferred from one area to another. For example, Ruhrkohle has quite a complex bussing system but obtains no reimbursement for this from the EC.
157. This does not generally quite apply in steel to this extent.
158. For which the Social Volet has been extremely helpful.

159. This particularly applies to the steel companies who are concerned to make their balance sheets look good so that timing is often important. Precisely which Aids are sought and at what time can make a difference to the out-turn of their accounts. Early pensions, which are expensive, figure prominently in their calculations here.
160. This is a basis accepted by both management and unions.
161. It has been concerned to have a younger workforce.
162. Though there have been some transfers from the North to Lorraine.
163. See Interim Report, Appendix 6, p. 308 et seq. generally.
164. The UK's decision in the early 1980s not to seek EC contribution to Mobility Aids is fully discussed elsewhere in this Report.
165. It was up to £675 provided that the worker was at least 40. In 1985 the EC contribution ceiling went up to £1,175, and the age requirement was dropped.
166. This still applies in 1986. One slight qualification to the general point concerns older white collar workers (not miners as such) choosing to take up the early pension option.
167. It was agreed in 1985 that the Commission would contribute up to 50% of the cost of compensation for loss of concessionary coal for 24 months under the Bilateral Convention for workers aged at least 50 (with 10 years' service).
168. That is, under the Bilateral Convention. However, the Commission agreed to contribute effectively retroactively to severance payments paid to BSC employees made redundant between April 1979 and March 1982 under the Social Voleit No. 1. See further Interim Report, p. 169. Being a retroactive decision effectively it could have no direct impact on the choice of Aids offered and taken up in 1981.
169. The position has not greatly altered since that time since ISERBS basically has consistently provided the same Aids to the same age groups unlike the RMPS which has been significantly amended quite regularly.
170. And redundant women under 50.
171. See Interim Report, Part C iv., pp. 126-127. We have evidence that steelworkers regard it as an attractive option. Nevertheless, for example, just under 17% opted for training in the private sector Brymbo labour force rundown in 1981. (See Interim Report, Appendix 17, p. 421). This is in line with the finding in our sample of steelworkers for 1981 which showed that some 18% opted for training.

D THE EFFECTS OF READAPTATION AIDS

I The Acceptance of Restructuring

1. The Measurement of Acceptability

An important purpose of Readaptation Aid is to make the restructuring of industry more acceptable. It is, in this respect, a social measure which is designed to promote an economic objective. The social measures have gained greater significance now that the context within which economic objectives¹ are pursued has changed from one of growth and expanding industry to one of contraction.²

It is hard to quantify the extent to which Readaptation Aid has made restructuring more acceptable because there are no appropriate scales of measurement. There are, however, two indicators which may be used. The first is a reduction in the 'costs' of conflict. If a lack of overt conflict can be attributed to the Aid then this can be regarded as a help in the restructuring process. The second indicator is delays in restructuring. It is unlikely, given the economic imperatives, that closures of coal mines and steel works could be prevented completely but it is almost certain³ that in the absence of social measures there would be a slower pace of rundown. This indicator is not susceptible of precise measurement because it is not possible to be certain what would have been the pace of rundown had the Aids not existed (or had been at some different level). Knowledgeable observers of the restructuring process are, however, able to form judgements on this matter. Indeed, the great unanimity of the views of our correspondents in France, Belgium and Germany and our own researches in the UK, Ireland and Italy give us confidence in the validity of such judgements.

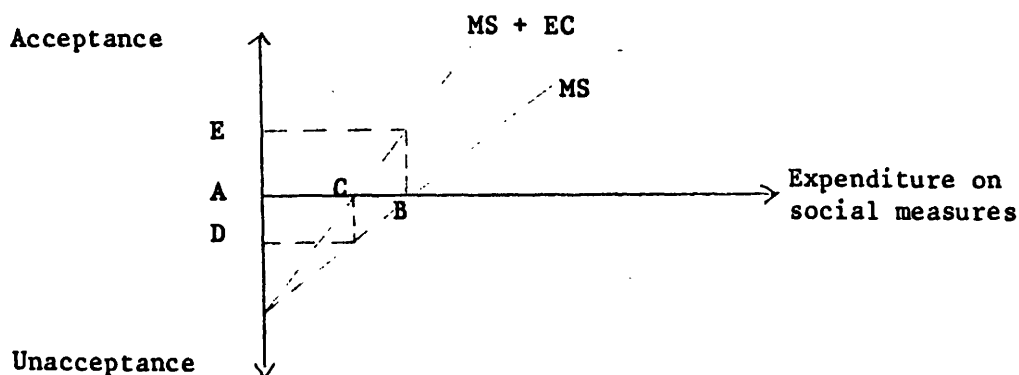
It is, however, important to realise that whereas there is a very strong consensus that the social measures have helped to make the restructuring process more acceptable, it is harder to be sure of precisely

what is the influence on this of the EC contribution to the gross costs of Readaptation Aid. We do not know for certain what would be the level of each Member State's own social measures in the absence of EC Aid. Logic dictates that if they were higher then this could make the EC Aid less necessary in achieving acceptability. On the other hand if they were lower then this could make the EC Aid more necessary in achieving acceptability.

Although it is not possible to measure the degree of acceptability induced by Readaptation Aids it is useful to distinguish three aspects of quantification which contribute to our understanding of the force of the Aid.

(i) The Level of Aid

The first is the level of Aid. Higher levels of Readaptation Aid make restructuring more acceptable. This idea can be illustrated very crudely in the following diagram.⁴



Greater acceptability is shown on the vertical axis above Point A and greater unacceptability below A. Points below A are where the social cost is 'too high' in terms of overt conflict and resistance. Point A is a satisficing level.⁵ If the line MS shows the influence of Member States' own social measures, then the appropriate level of expenditure on benefits is AB. A greater level is 'unnecessary' if the aim, given tight budgetary restraints, is merely to produce a satisfactory degree of acceptance (i.e. Point A). A level of social benefits less than AB would be too low to make restructuring acceptable.

If EC Aids are additional to Member States' Aids, as they should be ideally, then the relation between total expenditure on benefits and acceptance is shown by the MS + EC line. This means that a lower level of expenditure (than B) by Member States is now 'adequate' to achieve the 'satisfactory' level of acceptance. AC expenditure which, in the absence of EC Aid, would have produced the unsatisfactory point D, is now satisfactory because of additional EC Aid. If Member States continued to spend B then the EC Aid yields the 'unnecessarily' high acceptance level of point E.⁶

The key questions concern the extent to which the EC Aid is additional and whether there is an adequate level of acceptance. If EC Aid merely replaces Member States' Aid and there is no additionality, then so far as the acceptability of restructuring is concerned, there is less justification for it from the EC Commission's viewpoint. Our conclusions are that there is some additionality and that in most Member States there is overall a satisfactory degree of acceptance of restructuring even given the continuing opposition of some prominent trade unions.

(ii) The Form of Aid

A second aspect of quantification related to the form of Aid. The composition of the package of available Aid might be crucial. In the UK, for instance, the substantial lump sum⁷ payments available to workers in the coal industry have contributed to ensuring that all the redundancies have been voluntary. Workers have been queueing up to take voluntary redundancy in the last 18 months. If Aid had only been available in an alternative form, without substantial lump sums, then it is almost certain that there would have been less willingness to take redundancy and some compulsory redundancies would have been necessary. This would have strengthened the resistance of workers to change. However, only a very small proportion of the UK RMPS lump sum in coal is contributed by the EC so that EC Aid as such has not been influential in this specific context.

In other countries too the particular form of benefits is significant. In Germany for example evidence from interviews⁸ shows that management knows exactly that it is 'cheaper' (using this term in a wide sense which embraces costs of conflict) to offer a 'sozialplan' with substantial aid for early retirements, and to put a temporary ban on recruitment, than to terminate employment of a greater number of workers by compulsory redundancies.

(iii) Acceptability to Different Groups

The third aspect of the quantification of acceptability is the fact that acceptability to different groups - governments, employers and workers, may differ. Our primary focus must be on the workers as they have to bear the social burden of the restructuring process, and there is widespread agreement that without the EC Aid the burden would have been intolerably high and thus unacceptable. The greater resistance would have brought costs of conflict which would be unacceptably high for governments and employers.

The EC component of Aid is often not known to individual workers. The studies of most Member States found that this was the position. In France and Belgium, for example, workers do not see the EC as a supplier of aid. Rather they assume that such aid is merely part of the national social security system. Similarly, in Germany, individuals may be unaware of the European component, though knowledge of this does go down to Works Council level. The position in the UK and Eire is slightly different as there is more publicity given to Aid from Europe.

This aspect of intransparency, so far as individuals are concerned, may not matter greatly in that it does not alter the behaviour of individual workers, though the Commission may feel that more direct publicity about its Aids would be useful. From the viewpoint of governments, employers and unions, where the restructuring is perceived as prompted from the supra-national level, then acceptability will depend necessarily on there being an EC contribution, even if there is no EC additionality as such.

2. Conclusions

While virtually all observers agree that EC Aid has helped to make the restructuring process more acceptable, we would note that sometimes this was by a more subtle route than simply the provision of cash. In Belgium for instance, "the possibility to obtain co-financing of part of the concessions made in negotiations with the social partners, may have had a psychological impact, making it easier for the employer and the government to make concessions, and creating a climate in which it was psychologically easier for the unions to accept restructuring".⁹ In Ireland it was a factor which enabled Irish Steel Ltd to secure the agreement of trade unions and employees. In Germany too, there is clear evidence that without a substantial level of aid, workers would have protested against the process of restructuring and tremendous costs of conflict would have been incurred. In the UK steel industry the substantial EC contribution to the gross cost of Readaptation Benefit has been an important factor in promoting the general acceptability of restructuring. This substantial agreement by different independent observers in various Member States enables us to say with conviction that the aim of acceptability is well served by ECSC Readaptation Aid.

The success in meeting this aim is not, however, entirely unqualified and it should not mask the fact that serious social conflict has occurred in a number of Member States. For example, in the UK, in both the steel and coal and steel industries, there have been major disputes in 1979-80 and 1984-85 respectively. It should also be noted that the degree of acceptability varies for different kinds of workers. In France, for example, where the younger are the workers involved, the less easily will they accept redundancy and early retirement.¹⁰ Furthermore, in some Member States, such as Italy, the existence of EC Aid for social measures does little to moderate the general hostility felt by the social partners, particularly the trade union side, towards the restructuring process.

In France there are parts of the trade union movement (particularly the CGT, but also more recently the CFDT) which have argued strongly in favour of saving French steel and coal, and have denounced the constrictions of the steel quota system. In the UK the NUM also has been particularly vigorous in its attempts to prevent pit closures in the 1980s.

Our broad conclusion is that what is achieved by the Aid is a very significant easing of the process of restructuring though this achievement is unquantifiable in precise terms.

Without an EC contribution Member States' own schemes would in many cases have been less generous. The French Report made this point very strongly. It concluded that "the government would not have been able to get those workers involved to accept the necessary restructuring without European Aid".¹¹

II Optimal Reallocation and Withdrawal from the Labour Force

One declared aim of Readaptation Aids is to promote the optimum re-allocation of labour, and, or, withdrawal from the labour force. The Commission does not in general wish to determine the industrial policies in Member States through its social measures but Readaptation Aid is designed to complement and thus promote economic policies such as restructuring.

Economic objectives include a direct concern with efficiency.

Article 2 of the Treaty of Paris states that the ECSC

"shall progressively bring about conditions which will of themselves ensure the most rational distribution of production at the highest possible level of productivity while safeguarding continuity of employment and taking care not to provoke fundamental and persistent disturbances in the economies of Member States".

This statement embodies the concept of the optimal allocation of resources. Social and labour market measures should therefore support this objective by ensuring that labour resources are optimally allocated.

If social measures achieve this, then they will be improving the efficiency of the economy generally, as well as that of the coal and steel sectors.

1. What is Optimal Reallocation of Labour?

There are many perspectives on this but for our purposes it is helpful to view it as the re-employment of labour in sectors of the economy where it can be used most productively. Furthermore, the speed with which workers are transferred from one job to another should be a maximum, given the constraints on adjustment.¹² Stated in this way, optimal reallocation implies full employment of labour resources. In practice of course Member States have experienced high levels of unemployment and so some of the Readaptation measures have been designed to achieve a withdrawal from the labour force of workers who lose their jobs in the coal and steel sectors. This raises the important issue of whether such withdrawal is an optimal reallocation of labour. The answer to this question hinges in part on whether older workers are more or less productive than younger workers. If they are more productive, then there is a loss of human capital in the form of accumulated experience, and the early retirement of older workers is sub-optimal because the composition of the workforce changes to having a higher proportion of younger, less experienced workers. Alternatively, if younger workers are regarded as actually and potentially more productive because they are more adaptable and able to learn, then early retirement is optimal as it leaves a workforce with a higher average productivity.

This matter is not settled, but in general, evidence favours the view that younger workers are more productive, so withdrawal of older workers will enhance the average productivity of the workforce remaining. Older workers, especially in the coal industry, are often less suitable for coal face work and they tend to have greater health problems.

An important exception to this general view was expressed by our Belgian correspondents who noted that younger workers in the steel industry were significantly less experienced and adaptable than older

workers. This was partly because of a lack of technical manuals which would give them appropriate information about the job.

The various forms of Readaptation Aid affect the optimal reallocation of labour differently.

Training and mobility allowances are obviously designed to affect optimal reallocation, though in practice their effectiveness in achieving this is probably limited. This is discussed more fully in Section D IV of this report. However, it can be noted at this stage that although the cost effectiveness of training is questionable, it would be undesirable to rule it out. The Commission is probably justified in its view that "special attention should be given to vocational training initiatives set up by firms which reduce their staff ... (and that it will) ... be necessary to ensure that community assistance granted in this context is able in future to cover periods of training longer than twelve months."¹³

Whether early pensions contribute to optimal reallocation depends crucially on the view taken about whether withdrawal from the labour force is a form of optimal reallocation. There is ample evidence that early pensions do produce a flow of withdrawals from the market.

Lump sum severance payments also contribute significantly to withdrawal from the labour force. It is much less apparent that lump sums do much to advance the process of optimal reallocation generally. They certainly induce a shake-out of labour which is part of the process, but they may in fact impede the speed of job search and re-employment.¹⁴

Optimal reallocation of labour is adversely affected by a number of factors. One constraint is the regional immobility of labour.¹⁵ Such regional immobility appears to be common, especially among older workers and the availability of mobility allowances does little to overcome this problem. In practice transfer and relocation benefits have been a relatively minor form of Readaptation Aid. Where workers are immobile then the only possibility of their transferring to jobs in other expanding

sectors of the economy is if such jobs are available locally. In many of the areas where coal and steel jobs have been shed such alternative employment is often not available. Furthermore, more importantly, such jobs can be difficult to attract because the affected regions experience a serious general economic decline where there has been a heavy dependence on coal or steel. Thus, in many Member States, the position is one of workers not moving to the work and problems in taking the work to the workers. These difficulties are serious but (as the French Report noted p. 221) it is highly likely that the problem would only be aggravated if there were no EC Readaptation (and other) Aids.

More generally the process of optimal reallocation is often frustrated by the great rise in unemployment in Member States. The process of early retirement, and the consequent withdrawal of workers from the labour force, is now more difficult to achieve. This is because many firms have now exhausted their stock of older workers who are more suitable for early retirement. In the UK coal industry, for instance, only 3.2% of the workers were 55 years or over, and only 11.5% were 50 or over, at March 1986.¹⁶ The average age of the workforce has been declining in all Member States, and this is documented in the reports on individual countries.¹⁷ Further rundown of labour would now require the shedding of younger workers who do not wish to withdraw from the labour force but who might be difficult to place in new employment because of the high levels of unemployment prevailing.

2. Conclusions

The conclusions with respect to optimal reallocation and withdrawal are that some of the EC Aids have contributed positively to these aims. Most notably the early pensions have induced withdrawal from the labour market. Lump sum severance payments have certainly contributed to the voluntary shaking out of labour from the coal and steel industries though they have done little in the case of older workers to ensure re-employment of any kind, let alone re-employment in the most productive uses. Training

and mobility allowances, which are designed to achieve optimal reallocation, have had a limited degree of success.¹⁸ Weekly payments in the form of tideover allowances or wage supplements¹⁹ do not seem to contribute to optimal reallocation, mainly because they have been frustrated by the very high levels of unemployment.

Finally it should be noted that there are some differences in emphasis between the coal and steel industries in Member States. In the UK for instance the steel industry schemes have been much more geared to achieving reallocation of labour through the earnings supplements, retraining and weekly cash payments than the coal industry where the predominant form of Aid, the Redundant Mineworkers' Payments Scheme, can be regarded as seeking withdrawal from the coal industry labour force, which is de facto early retirement for older workers.²⁰ Where there is withdrawal from the labour force, especially of older workers, then this can lead to some improvement in the structure of the remaining labour force. This occurs because younger, and arguably more productive workers remain, and because of 'cross-matching' (i.e. the process of substituting workers in such a way that when a given job is lost, the worker holding that job may be transferred to the job of some other worker who is made redundant).

III The Level of Social Protection

It has always been an important aim of Readaptation Aid to provide a reasonable level of social protection for workers who lose their jobs in the rundown of the coal and steel industries. This idea is the basis of the tideover allowances which try to ensure that redundant workers who become unemployed do not suffer excessive loss of income until they find a new job. Those workers who are re-employed have the level of their income protected through wage supplements.

Other forms of Aid can also be seen as part of the process of social cushioning but to a lesser extent or less directly. For example, short-time working benefits offer income support and concessionary coal as a

way of compensating for benefits which would otherwise be lost to them. Benefits in the form of training or mobility allowances can be regarded as a concern with longer term income protection by providing greater possibilities for future employment.

Early pensions for workers who retire early provide income protection for those who withdraw from the labour force. While this form of Aid may be related to tideover allowances, the philosophy underlying it is rather different from the shorter term income protection for workers who are in the process of adjusting to new jobs with a temporary intervening period of unemployment. Severance payments also provide significant social protection but they differ from income support payments in that they are also more directly concerned with getting acceptance of restructuring and inducing voluntary withdrawal of labour.

In this way virtually all the Aids could be seen as a means of achieving income protection, though the key ones are the tideovers and wage supplements.²¹

At first sight the rules made under the Bilateral Conventions seem to provide for reasonable social protection. When they are coupled with provision under the Social Volet, the social protection is enhanced. Thus tideover allowances can, for example, be up to 36 months in some Member States and may raise the income of the workers concerned to a level which in some cases approaches 100% of previous wages.²²

1. What is 'Reasonable' Social Protection?

The first consideration is duration of the benefit. The Commission has historically taken the view that 12 months is reasonable in order to provide a cushion for unemployed job seekers. This would be hard to challenge in a period of economic prosperity when alternative jobs are available, but the levels of benefit appear much less adequate in current circumstances with very high levels of unemployment. Social problems are no longer transient and are likely to persist well beyond the typical

duration of income support benefits. The Commission has responded to this by lengthening the duration of some benefits to which it contributes.

A second consideration is the form of protection. The Commission has understandably been primarily concerned with the income level of affected workers but there may be other aspects of an individual's well-being which are important. There may be, for example, significant psychic benefits from training which promote a feeling of self-worth and purpose even if such activity does not directly lead to another job. For those who withdraw from the labour force, especially those under 60 years of age, there can be problems such as a deterioration in physical and mental health, which are similar to those suffered by the long-term unemployed. The problem is not simply one of income deprivation.

A third consideration is deciding on an appropriate standard of comparison for judging whether the benefits are reasonable. The reference point which is generally used by the Commission is the previous wage in the coal or steel industries. This is appropriate for it is changes in the individual's position relative to his accustomed circumstances that are likely to be of most concern to him. A broader comparison would try to compare the position of redundant coal or steelworkers with similar workers in other countries. In the longer term interests of harmonisation this is desirable, but it would only be a meaningful exercise if due account were taken of differences in purchasing power and other factors which influence the standard of living. A different comparison would be to look at the position of redundant coal and steel workers relative to the position of redundant workers in other sectors of the economy.

Taking this yardstick the level of social protection offered to coal and steel workers in all Member States appears generous. Sectors such as textiles have suffered a decline in many Member States but workers receive

much less favourable treatment than coal and steel workers. In several countries the conditions in the coal industry have been superior to those in steel, and the steel industry has sought the same terms.

While it is true that the coal and steel levels of social protection appear generous compared with other sectors it must be remembered that the scale of the rundown is often far greater in coal and steel than in other sectors and its impact is often more concentrated in particular communities. Moreover, the economy and culture of such communities is often dominated by the industry so that individuals lose more than just a wage when the coal mine or steel works closes. The value of capital assets, such as houses, falls, and worker's pride in and support from the community declines as the deterioration of the social and physical fabric of society sets in. This is especially acute where regional mobility is limited, for example by housing as in the UK, and where the poor health of some ex-miners makes them difficult to place in new jobs.

2. Conclusions

In attempting to evaluate Community Aid in terms of whether it provides reasonable social protection, account has to be taken of the EC contributions. If we consider income support in the form of tideovers and wage supplements the ever-present question of additionality versus reimbursement has to be considered. Aid payable under Article 56(2)(b) should not just be reimbursement. In some cases there appears to be genuine additionality. In Germany there is a topping up of national Aids. But in some other cases the EC aid seems to be only a very small part of the benefits provided.²³ And sometimes it is almost certainly a form of reimbursement. This is often so in the case of the Social Volet.²⁴ It is also true of the Redundant Mineworkers' Payments Scheme in the UK where the EC contribution is paid under the Bilateral Convention.²⁵

Where there is simply reimbursement then the EC contribution cannot be said to be adding to social protection unless it is apparent that the

Member States set the level of their Aid in the sure expectation of being reimbursed.²⁶ It must also be recognised that even where there is apparent additionality there are sometimes abuses of the system as where employers deliberately pay extremely low wages to ex-steel and coal workers because they know that employees can claim 'make-up' pay.²⁷ In this way the EC is, in effect, subsidising the workers in such firms. (The EC has always been aware of the possibility of such abuses and the problem should not be exaggerated. Such abuses tend to be for limited periods. Where this happens it is, however, possible that there is genuine additionality because workers in such firms might not have been employed if the employer had not been able to take advantage of the system.

The overall conclusion on social protection is that the income support benefits provided by the ECSC do yield some additional benefits²⁸ and the level of benefits has been 'reasonable' if former incomes, or the levels of protection available to workers in other sectors of the economy, are taken as a standard of comparison.

Details of the actual income levels, in relation to former earnings levels, can be found in the appended reports on individual countries. These, in many cases, do appear to show a sizeable income at least for twelve months but thereafter there is a drop; in Germany, for example, it was noted that the real level of protection has fallen over time and become less reasonable. The same point was made in France now that we are in a crisis period. The duration of the benefits becomes relevant.

Our overall conclusion must, however, be qualified when consideration is given to the very high levels of unemployment currently prevailing in Member States. The duration of the protection now seems weaker in the face of long-term unemployment,²⁹ and now that withdrawal from the labour force has become prevalent the whole concept of temporary social cushioning has become a less important issue.³⁰

Finally, it must be emphasised that our entire discussion of social protection has made no mention of those workers who are made redundant from the coal and steel sectors but who are not eligible for ECSC Aid under Article 56(2)(b). Ineligible workers who work in close proximity to others who are eligible, for example when non-ECSC and ECSC work is carried out in nearby location, may perceive some anomalies and injustices in their treatment.

IV Evaluation of Readaptation Aids

1. General Considerations Concerning the Relationship Between Instruments and Objectives

There are many types of study which can be used to examine the effectiveness of Aid. These range from simple monitoring with no attempt to identify the effectiveness of the Aid to a thorough Cost Benefit Analysis.³¹ A rigorous evaluation of the cost-effectiveness of Readaptation Aid has not been possible, though some tentative remarks have been presented in Section D I to D III and in this section some conclusions on the specific instruments are presented.

Earlier discussion has shown that it is not possible to assign each particular type of Aid uniquely to one objective. Any particular Aid serves more than one objective, and each objective is served by more than one type of Aid. For example, retraining may be seen as an Aid which promotes optimal reallocation, which helps to make the restructuring process more acceptable, and which also in the longer run provides social protection by raising the chances of a redundant worker getting employment. Thus, one form of Aid contributes to several objectives. A different example can be taken to illustrate the point that a given objective may be served by more than one type of Aid. Withdrawal from the labour force, for instance, may be achieved by the use of early pensions and by lump sum severance payments.

These complex interactions mean that exact calculations of the cost-

effectiveness of individual instruments are difficult. Furthermore, it is essential to have a clear idea of the objectives of EC Readaptation Aid in order to evaluate the effectiveness of the Aid. Objectives are a political matter and consequently, and understandably, often imprecise and subject to change. It has not always been easy to discern the Commission's objectives but our perception is that the objectives of Readaptation Aid are:

1. The acceptance of restructuring;
2. (i) Optimal reallocation of labour;
2. (ii) Withdrawal from the labour force;
3. Reasonable social protection.

The various instruments of Readaptation Aid are related to these objectives as shown in Table 14. For many purposes it is not possible to separate the individual influence of particular Aids on particular objectives and they must therefore be seen as a 'package'. This is certainly the way that they have been viewed in many Member States and at this general level of analysis the impressionistic evidence from different countries firmly supports the view that the Aids are cost-effective. In Ireland it was observed that the very variety of measures which may be utilised allowed the national authorities to channel Aid in a flexible and cost-effective manner.³² In Germany there was seen to be no real alternative to EC Aids if the costs of conflict are taken into account, and in France the general conclusion was that although it is difficult to gauge their effect precisely, the Community does make a positive contribution in a relatively efficient way.³³ There was widespread agreement across Member States that the acceptance of the restructuring process had been substantially enhanced by Readaptation Aid and, as the Belgian Report concluded, "the cost of policies directly supported by the ECSC under Article 56(2)(b) is comparatively modest in relation to the total cost of the coal and steel restructuring policies",³⁴ so that again the general impression is one of cost-effectiveness in broad terms.

Table 14
Instruments and Objectives

	Acceptance of Restructuring	Optimal Reallocation	Withdrawal from the Labour Force	Social Protection
Tideovers -				
for unemployment	1	3		1
for early retirement	1		1	1
Earnings Supplements	2	1		2
Early Pension	1		1	1
Training Allowances	2	2		2
Mobility Allowances	3	1		2
Severance Payments	1	4	3	3
Concessionary Coal	4			4
Short Time Working	3			1

A Note on Table 14

Table 14 provides a highly simplified statement of the relationship between ends (objectives) and means (forms of Readaptation Aid). It is based on our general impressions of the actual impact of the Aid. It does not purport to describe the intended impact (either as formally set out or implied in the Bilateral Conventions or other agreements on the one hand, or as envisaged in practice on the other); nor does it necessarily hold in every particular for each Member State, nor at every time. In short, it presents our perception of the broad picture.

The numbers in each column show our interpretation of the relative importance of each instrument in influencing the specified objective. The number 1 shows those instruments which have the greatest impact and subsequent numbers show a correspondingly lesser impact. It should be stressed that this is no more than a perceived ranking. The numbers do not necessarily imply a proportional weighting of the impact, nor that the lowest ranked aids are insignificant. Furthermore, the ranking in Table 14 relates to a given objective. The rank ordering is by column and not by row, though in most instances (as it turns out) it would also be reasonable to interpret the numbers as a rank ordering by row. For example, Tideover Allowance for unemployment are ranked 1 with respect to both 'acceptance' and 'social protection' but 3 with respect to 'optimal reallocation'. We would interpret the relative impact of the Tideover Allowance as being greater in relation to 'acceptance' and 'social protection' than for 'optimal reallocation'.

We have referred in Table 14 to the ranking of instruments for each

objective. There is also the question of ranking the objectives themselves in terms of their importance to the Commission. This latter question is discussed elsewhere (see Section C. 1 and Section F). While the different objectives are closely inter-related it is possible to rank order them. In Section F the view is put forward that achieving acceptance of restructuring is the highest-ranked objective because it is a precondition for the satisfaction of other objectives and all instruments are considered to have some impact on this, as Table 14 shows. The next most important objective is achieving withdrawal from the labour force. This has become such because of the extensive reliance on early retirement in recent years due to the high unemployment. It might appear from Table 14 that withdrawal is not widely served by the different instruments; only three are shown to have an impact, but they are all considered to be of the first importance. Securing reasonable social protection is ranked below withdrawal. This might seem surprising in view of the fact that all instruments can be supposed to affect the achievement of reasonable social protection. It is, however, inherently easier to perceive some direct link between the instruments and this objective, than is the case with other objectives, though certain instruments, such as concessionary coal and mobility allowances, very probably have only a slight impact.

2. Evidence on Specific Aids

Some more specific evidence relating to particular Aids is given in the UK Phase II report (see Appendix 5).

Training:

A sample of 91 UK steelworkers who were made redundant in 1983 and who went for retraining was taken. Detailed records were available for 85 of these. There was a wide dispersion of ages of workers who opted for training and a variety of courses was taken. At first sight the results indicate that retraining is of limited value although for the EC it is the most expensive Aid.³⁵ Only 23 of the 85 workers examined got a job at the end of their training period and in only 4 cases was this job using the training acquired directly. Moreover, there was a substantial fall in the income level of retrainees who found new jobs after training. New earnings were on average 44% lower than their last pre-redundancy wage. These facts suggest that retraining is not cost-effective in strictly financial terms.

There are, however, a number of points which must be considered. Firstly, some of the short-fall in earnings was attributable to the general recession³⁶ and a control group of non-trainees who found new jobs also exhibited a very marked fall in earnings compared with their previous steel employment. Thus the trainees do no worse than re-employed non-trainees. The appropriate comparison is whether the particular individuals who undertook training would have had even lower wages had they not been retrained.

Secondly, even though a remarkably small proportion of trainees used their training directly, it is quite likely that the fact that workers had undertaken any training course made them more attractive to employers because such workers have retained work habits and shown a positive attitude and commitment. It must be recognised however that if more attention were given to the provision of relevant training this must

enhance the cost-effectiveness,³⁷ and the extent of EC support could be altered to reflect this.

Thirdly, individuals almost certainly benefit from retraining even if they do not get a new job. These psychic benefits can be very real even though they are intangible.

Fourthly, the cost per job found through the retraining option was estimated at about £28,000 which, although high, compares favourably with some alternative forms of job provision. (This estimate does not take account of any displacement effects, i.e. the possibility that retrained workers who get a job may simply be replacing other unemployed workers who might have taken the job.)

These qualifications to the apparent low cost-effectiveness of training lead us to the view that it would be wrong to curtail this form of Aid.

Self-employment:

The UK Phase II study, and various other studies noted in Appendix 5, have shown that about 5% of redundant workers in steel have become self-employed. There is a high concentration of such workers in the service industries. The average cost of benefits paid to these workers was £6,544. Although there was very little additional employment generated by those who became self-employed, this seems a modest figure when compared with assistance for job creation. Furthermore, it is a positive role for the individual.

Lump sums:

Evidence from the UK suggests that lump sum payments in the coal industry have certainly been effective in buying out jobs and inducing a shake-out of labour from the industry. But some important qualifications have to be made which indicate that they are of limited cost-effectiveness. The total costs could arguably be lower and still achieve the same degree of acceptance and shake-out from the coal industry. There is some evidence

that at least a portion of the lump sums are used to buy large consumption goods or services (such as cars or holidays), and there is no direct incentive to seek new employment speedily. Finally, in psychological terms the receipt of a lump sum does not per se contribute positively (as is the case with retraining and self-employment) in promoting self-confidence and a sense of purpose in the individual. Nevertheless, there can be little doubt that workers strongly want lump sum payments and, consequently, such payments are very significant in achieving acceptance of restructuring on the part of the workers (though the EC contribution to such payments is small).

Notes to Section D

1. See Article 2 of the Treaty of Paris.
2. As Swann has noted, "While in theory restructuring is as much concerned with growth as contraction, in practice Community policy has been concerned overwhelmingly with problems of how to cope with industries that are in decline". Swann D, Competition and Industrial Policy in the European Community, Methuen, London, 1983.
3. All our researches in Member States indicate, on the basis of interview evidence in particular, that this is the case.
4. The diagram is of course a drastic simplification of a complex position. It is merely meant to indicate some of the characteristics of the relation between expenditure on aid and the acceptance of restructuring. The relation in practice is likely to be subtle and changing and it is quite possible that the MS line is non-linear and prone to shift.
6. It should be stressed that the argument here deals only with making the restructuring process acceptable and does not deal with other EC objectives such as providing a reasonable level of social protection.
7. See the UK Report, Appendices 6 and 7, for a discussion of lump sum payments. The lump sums currently available to workers leaving the coal industry can be more than three times the annual salary, depending on age and length of service.
8. Reported in the German study.
9. The Belgian Report, p. 59.
10. The French Report, p. 220.
11. The French Report, p. 220.
12. These constraints include the need for retraining and mobility.
13. See Commission working document General Objectives Steel 1990, COM (85) 208 final, pages VI/18-19.
14. This is perhaps surprising because lump sums are like a wealth effect on labour supply. If workers are concerned to maximise the present value of the discounted stream of all future incomes then they should aim to find a new job as quickly as possible, regardless of any lump sum increment in wealth.
15. Historically there have been some substantial movements of labour between regions, for example the inter-area transfers of coal workers in the UK, though this example is of course transfer within the industry and not between industries.
16. In the UK the new NCB Redundancy Compensation scheme will be aiming to get workers under 50 years of age out of the industry when it comes into operation in March 1987.

17. See the French Report, p. 87; the Belgian Report, p. 21.
18. Training was often a popular option amongst workers but there is little evidence that 'trained' workers have superior chances of finding a job. See, for example, the experiences of UK steelworkers reported in Appendix 5 to this study.
19. In relation to the UK steel industry there is abundant evidence that workers have frequently been unable to obtain jobs outside the industry at wages comparable with their former earnings.
20. See the Interim Report, pp. 229-230.
21. No specific mention has been made of the DAC in Luxembourg but this is of course a form of social protection.
22. See the Interim Report, Appendix 21, for details of the provisions in different Member States.
23. For example in the Belgian and UK coal industries.
24. This is not the case in Germany where the Social Volet, which started in July 1981, was discussed simultaneously in the Commission and in the German Parliament. Payment of money from the German Government was almost certainly influenced by EC policy.
25. This is partly because of the historical position that the RMPS was in existence before the Bilateral Convention.
26. There appears to be some evidence of this having occurred in Belgium.
27. For evidence see Morris L D, 'Patterns of Social Activity and Post-Redundancy Labour-Market Experience', Sociology, Vol. 18 No. 3 August 1984.
28. For an interesting example of additionality see the experience of the UK abolishing the State social security earnings related supplement in 1982 and its impact on ISERBS, see Interim Report Part C iv., pp. 131-136, especially at pp. 135-6.
29. In the UK for example in July 1986 more than 60% of the stock of unemployed workers had been unemployed for over six months, and over 40% had been unemployed for over a year.
30. See our conclusions on the ranking of different objectives. In Section F we argue that withdrawal from the labour force has taken precedence over assuring reasonable social protection.
31. These were discussed in the Interim Report in Part B iii.
32. The proviso was added that more emphasis could be put on encouraging the re-employment of redundant ECSC workers, for example, through a broadening of the wage support allowance (e.g. lengthening the period of application).
33. The French Report, p. 222.
34. The Belgian Report, p. 83.

35. Average ECSC cost per head of Steel Payments for 1981 in the UK were:

	<u>Gross cost</u>		<u>ECSC contribution</u>	
	£	ecu	£	ecu
Pension	7194	13007	2555	4620
Unemployed	1725	3119	809	1462
Employed	851	1536	426	768
Retraining	6952	12569	3476	6285

For further discussion see supra. in C II 1. v.

36. It may also be due in part to abuses by employers.
37. The courses available to the sample in the UK Phase II study were largely determined by the providers of the courses.

E INFORMATION PROBLEMS AND REQUIREMENTS

I The Purpose of Information

Financial and statistical information on the operation of EC Re-adaptation Aid is required for the purpose of financial control. It is also required for the monitoring and evaluation of the aids in order to allow some appraisal of how far the objectives (including harmonisation) are being met, and for assessing the cost-effectiveness of different instruments. At present the data available are used mainly for the purpose of financial control. They are occasionally used for some kinds of appraisal such as internal monitoring and auditing, but these exercises are primarily concerned with whether the 'rules' are being complied with and scarcely, if at all, with evaluation in a more general sense.

II Problems with the Data

There are several problems with the data in their present form:

1. they are inadequately used as a system of financial control;
2. the figures of actual job losses, job losses covered by commitments, and the number of beneficiaries do not coincide;
3. data are used inappropriately;
4. data problems mean the aid is not transparent;
5. recorded payments in any year do not relate to specific events.

These will be dealt with in turn. By far the most important from our point of view is 5.

1. Past Inadequate Financial Control

The data presently available are used as an instrument of financial control but the effectiveness of this control has in the past been questioned. The Court of Auditors made a number of critical remarks in their 1983 report¹ about accounts (in their role as an instrument of control in implementing commitments) but this is beyond the scope of the present report which is concerned with evaluation.

2. Discrepancies Between Job Losses, Beneficiaries and Commitments

The figures of the number of job losses covered by commitments entered into by the Commission, do not correspond with the number of workers for whom ECSC Aid is planned. In some Member States, such as Italy and Germany,² the number of workers forecast has at times exceeded the job losses. The discrepancies differ at different times and for different countries and this makes the use of the Commission's record of limited value for the purpose of evaluation. It must be stressed that this is not always the fault of the Commission; records of certain Member States are sometimes of doubtful value. In some cases requests are even based on figures for which records have not always been kept. This was the case in France, for example, with the first Social Volet. The figure given as the number of beneficiaries was therefore an approximation. Figures were sometimes adjusted after negotiations between the French Government and the Commission. Much of the responsibility for the lack of precision lies with the French steel industry which presented records with insufficient care. It should be noted however, that more recently there have been significant improvements. (See French Report p. 165.) In Belgium there were problems in establishing the number of beneficiaries since global government statistics are based on the number of 'cases' (monthly payments) and not on the number of beneficiaries (Belgian Report p. 54), and different information was obtained from different sources (p. 55).

The commitment decisions of the Commission are a poor guide to job losses in a given period. Not all job losses result in the application of Article 56(2)(b). The following table (Table 15) illustrates this point. In the UK coal industry in 1981 and 1982 the number eligible for EC Readaptation Aid was only about one half of the reduction in employment.

Table 15
Numbers Eligible for EC Readaptation Aid
in the UK Coal Industry

	<u>1981</u>	<u>1982</u>
1. Reduction in Employment	14,421	10,788
2. Redundant	7,385	5,989
3. Eligible Under Bilateral Convention	6,880	5,495
3. as a percentage of 1.	47%	51%

Job losses at the level of the individual plant, which determine the number of eligible beneficiaries may also, on occasion, be offset in the global statistics by increases elsewhere.

Another source of disparity between job losses and commitments arises when, for example, the Commission assists in cases where only a small number of employees is dismissed while the remainder is retrained for redeployment in the same undertaking following a change in activity.

3. Data Used Inappropriately

An example of this is the presentation in tables of both figures of appropriations and of the number of workers,³ the juxtaposition of which invites readers to make comparisons even though they may refer to quite separate events. Occasionally explicit 'cost per worker affected' (or 'cost per job lost') figures are presented⁴ but this is a misleading use of data. Sometimes the misuse is because the figures are used, in the absence of appropriate data, as a very imperfect proxy for the true figures.

4. Data Problems and Transparency

Data problems of the kind which have been discussed so far mean that EC Readaptation Aid is not very transparent. Transparency requires that all parties know what aid is available and under what circumstances, and that the method of administration and impact of the aid are known.⁵ This can only be achieved if there is regular and comprehensive gathering and

storage of information on aid actually provided. Without this no thorough evaluation or external reporting of the aid programme is possible. The OECD has suggested that the kind of information required to ensure transparency would include:⁶

- (i) The objective of the Aid as well as the legal authority under which the Aid is given. Our discussion of objectives has shown that these are not always clear.
- (ii) Identification of the type of the Aid (tideover allowance, mobility allowance, retirement grant, early pension etc); its cost to the Commission (and to Member States); its value to the recipient; and how this value was determined.
- (iii) Identification of the recipients including their characteristics (such as location, their age etc).
- (iv) Identification of the use actually made of the Aid by the recipient and the direct and indirect consequences of the Aid.
- (v) Identification of performance indicators (preferably quantitative) to evaluate the Aid.

By themselves these points do not give an immediate practical guide to appropriate procedures in the case of Readaptation Aid but they do indicate some general criteria for transparency. By these criteria much of the aid does not seem transparent. It was noted in a number of our studies of Member States that individual workers do not realise that the source of some of the benefits they receive is the ECSC. Payments are simply regarded by workers as being part of the national social security system. This was the case in Belgium and in Germany (though knowledge of EC Aid in Germany did go down as far as Works Council level). This ignorance, by workers, about the source of funds was less apparent in the UK where newspaper headlines often made reference to "European Money". However, ignorance on the part of individual workers may not be a serious problem. It is much more damaging when administrators and policy makers

are not clear about the identification of the recipients or the use made of the aid.

5. Payments and Events are not Related

It must be emphasised that there is proper financial control of payments. The system is thorough and seems entirely adequate. Data problems do arise, however, when one wants to go beyond financial control and use the data for evaluation. From this latter standpoint perhaps the most important problem of all is that of linking events and payments.

There is information on the monetary amounts of the applications for aid and on the budgetary appropriations (or commitments) which are made in response to these applications. There is also information on the claims for payment, which follow approval of the application, and on the consequent payments that are made.

These data are each assigned a particular date, e.g. the date of the receipt of the application, or the date of the payment, but crucially these amounts and dates may bear no relation to the timing of the event, i.e. the date of the redundancy. Thus an application for aid may be for some past or current or future event. (And the payments by the ECSC, to take another example, may be for some events which took place at various dates in the past.) In some instances applications are submitted for projects which had already finished as much as six years previously. There are some understandable reasons why this should be so.⁷ In the first place, reduction in the number of workers employed is typically phased over a long period. The Belgian study, for example, observed that "it is difficult to determine at what moment in time ... a plant or division really and totally closed", (p. 54) and even if a closure can be pinpointed exactly there may be problems because "certain companies introduce their redundancy list or supplementary redundancy lists several years after the official closure date". (p. 53)

A number of difficulties arise when the commitments or payments

recorded in any year cannot be related to specific events. Most importantly from our point of view is the fact that evaluation becomes troublesome or impossible. The notion of the effectiveness of EC Readaptation Aid must relate to events, and it is thus imperative to link ECSC contributions to particular redundancies. Any consideration of 'value for money' entails an examination of the costs and the benefits of specific events. If data are not readily available on an events basis, evaluation becomes a possibility only if a realignment of the data can be achieved.

It is also worth noting at this stage that when payments are made by the Commission to Member States a substantial time after the event then this may be no more than reimbursement if payment had already been made to workers at the time of their redundancies (either through the National Budget, or by the undertaking themselves). The Social Volet is open to this charge of being simply a reimbursement of funds. Where the national system is such then the workers do not receive anything prior to the Commission's decision that they might receive aid at an inappropriate time, perhaps even when the individuals' problems have lessened so there is no real social cushioning.

6. Further Data Problems

There are various other data problems. There are, for example, some substantial differences between commitments⁸ and payments. These can arise because of currency variations and because of the fact that commitments are based on estimated numbers of beneficiaries and estimates of the age composition of such beneficiaries and of the benefit options which they take up. These factors are difficult to predict accurately and the out-turn, on which payments are based, is therefore often different from the estimates, on which commitments are based. The resulting discrepancies can run into many millions of ECUs for an individual Member State. These, and related points, were discussed, with some examples of the size of the discrepancies, in the Interim Report.⁹

III Possible Changes in the Use and Collection of Data

While all the problems described so far are serious, it must be recognised that there is a considerable amount of information available. Much of it, however, is not always readily accessible in known locations or in a suitable form for evaluation purposes.¹⁰

What changes to the present system of gathering and presenting information are desirable? In this discussion attention will be given primarily to the question of data for evaluation purposes because this, rather than data for financial control, is our central interest. At the outset there are three points which must be recognised.

- (i) The past is dead. It might be possible in some cases to manipulate past data to make them more meaningful. In the UK for instance an extremely laborious and very time-consuming exercise was undertaken to make data on commitments and on particular beneficiaries correspond,¹¹ but this may not be feasible in other countries. It is better therefore to concentrate on future possibilities for change.
- (ii) Any suggestion for change must be practical and in order to maximise co-operation from Member States wherever possible better use should be made of existing information (for example, by presenting it in a more useful form) rather than calling for additional data.
- (iii) The information should be easily accessible and then fully used. The mere collection of information does not ensure this. We do not favour nor advocate the collection of data for its own sake (or for that of researchers).

A number of possible improvements could be made to the present data.

These are:

- (a) the use of longer periods (than one year) in analysing the data;
- (b) the imposition of time limits on the Commission's decisions following an application for aid;
- (c) the use of follow-up surveys of a sample of beneficiaries;
- (d) the use of a standard form of reporting.

These will be discussed in turn but by far the most important are the last two and these will therefore be examined most fully.

1. The Use of Longer Periods in the Analysis of Data

It has often been suggested that if the period of analysis were say 3-5 years then many of the problems of relating events to data would be diminished. All data would thus relate to events and payments in a longer span of time and thereby stand more chance of corresponding. This, however, would only be of limited value as there would still be some events within any arbitrarily chosen longer period for which payments occurring later lay outside the period.

2. Time Limits on the Commission's Decisions

The introduction of time limits into the agreements might at first sight seem attractive, but as the Commission has already argued, "it is not self-evident that time limits could contribute toward the shortening of the period between the implementation of the redundancy programme and the Commission's agreement. In particular, the decision that a closure should be permanent, in accordance with Article 56(2)(b), may intervene only some time after the event. It would also seem impossible to introduce stricter time limits than those accepted by the National Authorities which themselves contribute substantial amounts of aid. If the Commission refused to reimburse employers who have financed benefits, if they apply with excessive delay, the effect in practice may well be to deprive the redundant steelworkers of Community benefits at the time of greatest need".

3. Follow-up Surveys of a Sample of Beneficiaries

A follow-up study of a sample of beneficiaries would provide some evidence for judging how far some of the objectives of Readaptation Aid were being met. The objectives of providing a reasonable level of social protection,¹² of promoting an optimal reallocation of labour or withdrawal from the labour force, and of promoting harmonisation across Member States can only be evaluated with information of the kind obtainable in follow-up studies. The definitional problems which arise in the case of the objectives are substantial. Some of the issues, for example, on the possible meanings of harmonisation/equalisation were discussed in our Interim Report (1985).¹³ There are of course very real problems in comparing levels of social protection across Member States. Adjustments have to be made for differences in such factors as purchasing power, and various indicators of the quality of life. The follow-up studies would also provide information on the general appraisal of different instruments in terms of their cost-effectiveness.¹⁴

Follow-up studies could be of three kinds:

- (i) company reports;
 - (ii) sample surveys;
 - (iii) more elaborate studies.
- (i) Company Reports

Companies benefiting from EC Readaptation Aid could be obliged to provide, after the end of the programme, a report on the restructuring that has actually taken place and the out-turn with respect to job losses. This would only be a very slight burden on companies but would provide a systematic point for evaluation.

- (ii) Sample Surveys

A sample survey of, say, 2% of beneficiaries (with a minimum of say five individuals from each programme) should be followed-up for at least the period of their entitlement to benefit¹⁵ and preferably for a much

longer period, say 5-10 years. Such regular surveys should provide profiles of the individuals' incomes (and its components, e.g. earnings, make-up pay, etc) and activities (training, unemployment, re-employment etc) which would give an indication of what happened to individuals and the source of their income. This would be a basis for evaluating the level of social protection which was actually achieved. The type of information required is that which is set out in question 11 of the revised methodology for this study.

(iii) More Elaborate Studies

More elaborate follow-up studies could be conducted from time to time in particular regions. These would differ from the regular follow-up survey which has just been described. They would not be on a regular and continuing basis but they would seek much fuller information on the circumstances and behaviour of individuals, and on the wider labour market context. Such occasional studies need not be 'in house' exercises by the Commission but could be undertaken by outside researchers. The kind of proposal made in the French Report (pages 228-9) could serve as a model for such studies. In the French Report (loc. cit.) it is suggested that in addition to an examination of the mechanics of decision making there should also be a socio-economic analysis of the impact of aids particularly within the context of local labour markets.¹⁶ The studies should also include an in-depth sociological analysis of the impact of these aids on individuals.

4. Standardised Reporting

Some standardisation in the supporting documents which accompany the applications and requests for payment sent to the Commission by Member States would be desirable. It seems possible that if the information, which many Member States currently provide, were presented in a different form it could be more useful. The Commission has already indicated that it is "prepared to examine the possibility of requesting

summary information in a common format",¹⁷ and it would be useful if the Commission were to explore the possibility further.

The most useful form in which summary material could be presented would be to concentrate on the out-turn statistics rather than expectations.¹⁸ This means concentrating on information from the claims for payment rather than the original applications for aid. The information in the claims should specify the number of beneficiaries of each type of aid,¹⁹ identified by their year of redundancy (or possibly by programme).²⁰ The gross cost and ECSC contributions relating specifically to these beneficiaries should be given. Thus a claim in, say, 1986 may contain requests for payment in respect of workers made redundant in 1986, in 1985, and in other previous years. These should be separately identified, and a cumulative total of the number of beneficiaries of each type of aid, and the cost, will build up for each year of redundancy.²¹

More sophisticated information, covering such matters as the duration of the benefit and the variation across plants could be added (again, see the Interim Report Part C (vii), especially page 190) with very little additional work.

All this should be possible with very little or minimal re-arrangement of data provided at present. Rather more detailed information, such as that suggested in the Belgian Report,²² would require some modest additional work by certain Member States. Finally it should be noted that, in general, more uniform accounting and auditing systems (and perhaps more updated and co-ordinated Bilateral Conventions²³), together with some permanent monitoring, will serve to make the system more transparent.

Notes to Section E

1. See for example point 2.7.3.2.2 of the Report on the Accounting and Financial Management. Annex to the Annual Report ECSC 1982 by The Court of Auditors. Criticisms of the financial management have also been made in the Review of the Bilateral Conventions, DOC V/206/82.
2. See the German Report at 3-28 for a discussion of the use of forecasts of beneficiaries in the coal industry.
3. For example in the EC General Report each year.
4. For example in the Court of Auditors' Report op. cit.
5. See OECD, The Case for Positive Adjustments, Paris, 1979, for a discussion on transparency.
6. See OECD, Transparency for Positive Adjustment, Paris, 1983, for a discussion on these points.
7. See point 3.1.11 of Annex III to the Court of Auditors Report, op. cit.
8. 'Commitments' are synonymous with 'appropriations', with 'amounts made available' and with 'allocations'.
9. Interim Report, pp. 14-16.
10. There is very little systematic and regular collection of data which is appropriate for evaluation. There are, however, some ad hoc sample surveys. In the UK for instance, there is a study of training on behalf of the Department of Industry and the British Steel Corporation, but such studies are not part of a regular monitoring system.
11. The results were presented in the UK Interim Report, Part C.
12. Another, and arguably the most important aim, is to make restructuring more acceptable, the achievement of which is likely to be strongly linked to the achievement of adequate social protection.
13. See Interim Report, especially Part B.
14. The data problems are so severe that none of our studies of individual countries was, on the basis of presently available data, able to provide a fully adequate study of cost-effectiveness.
15. Such records would normally be available in the Member States at the agency which actually makes the payments.
16. A number of such studies do exist in Member States but they are often not comparable because they have different purposes and methods. More co-ordination and a common format would increase their usefulness.
17. See point 3.1.25 of Annex III to the Court of Auditors' Report, op. cit.

18. Information in the form of estimates is of course crucial for some purposes such as deciding on EC commitments.
19. See further the German Report at 3-61.
20. Where redundancy programmes span two calendar years it may be difficult to identify all the redundancies in a particular year, and it may be more useful to use closure programmes as the unit within which beneficiaries and payments are linked.
21. Information of this kind was presented in the Interim Report (Part C vii) for the UK Steel Industry for closures in 1981.
22. See the Belgian Report, pages 56-7, where the inclusion of personal data such as date of job loss, seniority, age, nature of previous jobs, new job situation, income, and amount of Readaptation Aid, is advocated.
23. See Belgian Report, p. 87.

F. CONCLUSIONS AND RECOMMENDATIONS

I Publicity

The different EC Commission objectives of EC Readaptation Aid need to be well publicised because they are not always sufficiently well known or appreciated in Member States by the relevant actors including Governments (both Ministers and officials), management, trade unions and individual workers. Action needs to continue to be taken to ensure that in future the objectives of ECSC Aids are clear and widely understood. The Commission's proposed publication of a brochure on EC Readaptation Aid should assist in this regard and its regular updating with extensive circulation throughout Member States are strongly recommended.

II Ranking of Objectives

We shall next specify the ranking of the EC objectives and their inter-relationship in terms of contemporary history (from the late 1970s through to the mid 1980s) before putting forward some recommendations on these matters for both the shorter and longer terms. Our interpretation of what has been happening in recent years is set out in Table 16 (Part A) for ease of comparison with our recommendations for the future (Parts B and C) with respect to ranking.

Table 16
The Ranking of Objectives

Part A: Recent Past

1. Acceptance of restructuring (objective 1).
2. Achieving withdrawal from the labour force (objective 2(2)).
3. Assuring reasonable social protection (objective 3).
4. Achieving optimal reallocation of labour (objective 2(1)).

Part B: Shorter Term Future

1. Safeguarding acceptance of restructuring (objective 1).
2. Assuring reasonable social protection (objective 3).
2. Achieving withdrawal (objective 2(2)).
4. Achieving optimal reallocation (objective 2(1)).

Part C: Longer Term Future

1. Safeguarding acceptance of restructuring (objective 1).
2. Assuring reasonable social protection (objective 3).
2. Achieving optimal reallocation (objective 2(1)).
4. Achieving withdrawal (objective 2(2)).

1. The Recent Past

Concerning the position of recent years, getting acceptance of restructuring has been the pre-condition of achieving the other major objectives. We have concluded that achieving withdrawals from the labour force has become such a high priority objective in the face of the crisis, particularly over the last seven years, that it should be regarded as an EC objective in its own right rather than put in a category with optimal reallocation of labour, which has become less important through being very much more difficult to achieve than formerly given the state of the European economy over the last eight or so years. Assuring reasonable social protection as an objective has remained a key imperative: it is so closely interlinked with the first two objectives that they cannot be achieved without it. It should be appreciated that assuring reasonable social protection can remain a major objective without going for the objective of optimal reallocation of labour. Equally, reasonable social protection can be achieved without fulfilling the objective of optimal reallocation if policy makers are prepared to write off many, particularly older, ECSC workers as future productive workers. But this cannot surely be desirable in the medium or longer terms economically or socially; it would be a recipe for stagnation.

2. The Future

While considering future, including possibly new, developments, the objective of assuring reasonable social protection remains the key. Some no doubt would argue that this objective thus should become the major primary objective, if it is not already. But this is, or would be, to use an old English maxim to "put the cart before the horse" as assuring reasonable social protection under Article 56(2)(b) of the ECSC Treaty is a social policy response to the economic imperative of the need for industrial restructuring in coal and steel. If restructuring is not accepted and if the workers in the coal and steel enterprises can keep

their jobs, there should be no need for the interventionist social policy with its objective of assuring reasonable social protection because they will be earning relatively reasonable or even good wages in work.

(i) The Shorter Term

So where should the EC Commission with its Readaptation Aid objectives and instruments go from here and for what reason? We shall now set out our recommendations. The first objective of achieving acceptance of restructuring must not be lost. Indeed it must be safeguarded as the first priority.

In the shorter term future, seeking withdrawals from the labour force will in our view still be important as an objective particularly in certain countries, especially if their ECSC workforce has a rather high average age and their economy is sluggish with very few growth areas offering job opportunities to middle-aged and older ECSC-type workers. It must be faced that we still have relatively high unemployment in Europe, which will not disappear quickly, thus guaranteeing the high priority of this objective as far as the Commission is concerned, at least into the early 1990s.

Yet the case for making assuring reasonable social protection the second and equally important objective as seeking withdrawals from the labour force in the shorter term future is strong. Some Member States with even younger workforces in coal and steel are going to find it extremely difficult to accept and implement the EC objective of going for withdrawals as the singular second highest priority of objectives. It has only been the exceptionally grave crisis, symbolised by the need for the Social Voleit which had put withdrawal as the sole second objective.

The objective of seeking optimal reallocation of labour in the shorter term future must remain the fourth priority primarily because of the state of the European economies.

Force of economic circumstances has pushed the EC into rank ordering

its ECSC Readaptation Aid objectives in the way that it has in the 1980s. So for the shorter term future we recommend little shifting of the balance of priorities.

(ii) The Longer Term

Nevertheless for the longer term we do recommend raising the objective of achieving optimal reallocation to rank in importance on a par with assuring reasonable social protection as the joint second objectives. Withdrawal from the labour market would thus become the fourth most important objective. Having taken a long time to become an objective formally for the Commission, it would be unrealistic to expect it to fade away given that Member State Governments are ready to see it utilised (and indeed have been for some years).

But why do we wish to see withdrawal as an objective dropped down to become the least important of the four EC objectives? The more withdrawal is used the younger becomes the remaining workforce: so we have recently seen reductions in the average age of the workforces in the ECSC industries in Belgium, France, Germany and the UK. Increasingly it will be the under 50s age group who will be sought to be shaken-out of coal and steel. Withdrawal means, of course, early retired, facing psychological problems.. Indeed some early retirees can suffer problems akin to the longer term unemployed: they may become isolated, apathetic, lacking a sense of purpose, and inactive. Loss of social status achieved from work can lead to loss of self-confidence and feelings of worthlessness which can lead to a deterioration in their mental and physical health. Furthermore, these sorts of difficulties are likely to be even more serious if the major target group for early retirements were to shift from the over 50s to the under 50s.

We can, in fact, put forward very positive reasons for promoting optimal reallocation from its present low (i.e fourth) priority point as an EC objective. The importance of work and having a job is culturally

determined. Within the EC there is still a strong emphasis on and belief in the work ethic. For very many declared redundant, lacking a job is not a liberating experience. Some suffer an acute sense of failure, despite there being less stigma related to being made redundant. Giving people productive jobs plainly has individual and societal benefits. ECSC Readaptation Aids are an essential precondition for effective reconversion (or job creation). The EC Aids provide financial cushioning allowing for a period of readjustment as well as the possibility of training. Thus it is not only in relation to transfers through earnings supplements and mobility allowances that EC Readaptation Aids can contribute ultimately to reconversion.

III The Relationship Between Article 56(2)(b) of the Treaty of Paris and Other Instruments for Job Creation

In relation to both objectives and Aid instruments, more explicit consideration needs to be given by the Commission to clarifying and perhaps developing the interrelationship between Article 56(2)(b) and other instruments for job creation. Article 56(2)(b) and these other instruments are not and should not be perceived as mutually exclusive and thus should not be used as a basis for simple alternative strategies.¹ Indeed they should be working together, reinforcing each other. Given the state of the European economies in the 1980s and into the foreseeable future, massive job creation in heavily ECSC orientated areas cannot and will not be widely achieved without strong EC Readaptation Aid. Equally Readaptation Aid needs to be more than just picking up the pieces left from redundancies, i.e. an exercise in damage limitation. In the longer term it needs to be viewed more positively as assisting people on the move into new jobs: thus we believe that we should see the ranking of the objectives of EC Readaptation Aid almost moving full circle back to those of the 1960s in effect. The under 50s shaken out will need alternative jobs to those in ECSC industries, unlike a number of miners and steelworkers over 50, and most particularly over 55, who have in the recent past been relatively or

very content to leave their hard manual jobs, having given 25, 35 or 40 years' service and in quite a few instances having no longer enjoyed the best physical health latterly while at work. While our brief has not involved us in assessing the cost effectiveness of job creation programmes, we conclude that the longer term future of such programmes should certainly be explored in conjunction with the continued essential utilisation of Article 56(2)(b), particularly given tight budgetary constraints. We acknowledge that some observers have argued for job creation as the priority strategy and thus for cutting the EC element of Readaptation Aid in Member States. While we recognise the considerable relevance of job creation measures in attempting to provide extra jobs which the European economies undoubtedly do and will need, we conclude that such job creation measures will be most effective if they work in harmony with the tried and tested EC Readaptation Aid model.

IV The Future Use of Specific Instruments

We shall next deal with our recommendations for the future use of specific Aid instruments, particularly in the light of our recommendations for rejigging the priorities in terms of EC objectives. The Commission should see the Readaptation Aids very positively as devices for securing their priority objectives. Some, no doubt, will need reconsideration.

1. Acceptability of Restructuring

(i) Lump Sums and Early Retirement

While all the EC Readaptation Aids contribute to a greater or lesser extent to making restructuring more acceptable, some Aids have proved particularly effective. Lump sum payments whatever the age of the worker fall into this latter category particularly if the lump sum is large, though the EC only contributes a very small element of this whole Aid. For the older worker an early pension and related early retirement package has proved attractive and succeeded in getting such workers out of the coal and steel industries across Europe. We have considered whether there

has been additionality achieved by the EC element of the Aid with the French experience in particular suggesting that there had been in making restructuring reasonably acceptable. This is no mean feat. Indeed it would be fair to say that the Aid has contributed to the level of acceptance being surprisingly high, particularly given the great strength of opposition from many of the trade unions across the Community; the indicators for acceptability on which we have concentrated have been levels of social conflict and delays in getting restructuring.

(ii) Consequences of Reducing or Eliminating
EC Readaptation Aid

If the EC element of Readaptation Aid were to be substantially cut back, we would predict that acceptability would be quite likely to be significantly reduced or even be lost. This is because the mature, stable and strong Readaptation Aid system within ECSC would become destabilised (for the first time in its history) especially with the Commission trying to use its recently acquired escape clauses incorporated into Bilateral Conventions (by unilateral amendment effectively). The latter would create considerable resentment and difficulty if widely used in the Member States. If the ECSC element of Readaptation Aid were to be excised altogether, then we would predict that acceptability of restructuring would almost certainly go. Many on both sides of industry throughout the ECSC now see ECSC Readaptation Aid as an unconditional right for individual workers. In relation to steel in particular it is perceived as the EC simply 'paying its dues' for demanding and implementing restructuring. The very concept of 'Community' would be seriously undermined if the EC element were withdrawn with there no longer being ECSC Readaptation Aid as such at all. Opposition to restructuring and closures in coal and steel across Europe would become more fierce and the industrial policy imperatives would almost certainly break down. It is highly improbable that all Member State Governments would simply 'pick up the tab'

left by the Commission's withdrawal of financing. The major practical purpose of the ECSC levy, which levy would presumably continue to exist, would be undermined. Indeed what future, if any, would the ECSC have in such circumstances of those just outlined of EC Readaptation Aid being dropped?

2. Optimal Reallocation

Turning to the objective of optimal reallocation, which has been given light weight in the period of high unemployment, we advocate its being given higher priority in the longer term. But how and with what Aids? Unquestionably the EC Commission will need to be imaginative and innovative.

(i) Training

We have noted that training has not been cost effective in relation to UK steel according to our own research evidence. Nevertheless we still recommend training to be continued as an EC Aid. Our UK research evidence is limited and it covers a fairly bleak economic period for the UK. We would not seek to generalise from this particular. It is by its very nature bound to be an expensive Aid. We have noted that there are psychic benefits from undertaking training and that it can contribute to the stock of trained workers for the future. Our research on this Aid in the UK has not permitted us to look at the longer term position of beneficiaries undergoing training. Such research needs to be undertaken in the future across the Community. It may be found that there is deferred gratification from training and that there are indeed longer term benefits. While more general training can help workers to be more adaptable in a rapidly changing world and needs to have a place in EC Aid, one future consideration might be to relate training to specific jobs. Careful selection of workers for training has its merits for likely cost effectiveness as does careful choice of suitable training courses.

There is a case for introducing incentives in relation to trainees

finding jobs at the end of their courses. Re-employment bonuses for workers are one possibility. There are various ways of making training more effective apart from the European economies' coming out of recession and generating new jobs, which would admittedly be the most important development. Consideration needs to be given, for example, to extending the French ploy of requiring jobs to be offered at the end of the training period or otherwise the employer has responsibility for continuing to train the worker receiving no job offers. Training for jobs is very much preferable to the alternative possibility of offering training for leisure activities (e.g. sports or carpentry) or for local community activity (e.g. management of a tenants' association). In short, sensible EC investment in training represents hope for the future; to drop it as an EC Aid would contribute to undermining the attainment of the objective of optimal reallocation of labour so that in the longer term it would not have the position of second equal priority objective with assuring reasonable social protection.

(ii) Earnings Supplements and Mobility Allowances

Earnings supplements and mobility allowances both need to be continued as Aids. Any methods that can be found for beginning to overcome the strong tendency towards regional immobility in coal and steel regions in the Community (viz. France and the UK for example) should be implemented. For example, consideration could be given to the idea of the EC offering financial aid in relation to workers, who cannot sell their houses within a reasonable period, so that they can be facilitated to move to another area where a job awaits them. EC financial assistance for purchase of a property in the new area by the worker is also worthwhile.

(iii) Self-Employment

On the basis of the results concerning our small UK sample, and in the light of current discussions for the new Bilateral Convention with Portugal, there is a case for the EC contributing towards self-employment

as one limited but potentially useful way of contributing towards an optimal reallocation of certain, but not all, members of the labour force.

3. Social Protection

We have noted that all the individual Aids contribute to assuring reasonable social protection. In relation to early retirement Aids, we recommend that the Commission should give more explicit recognition to the role of early pensions in providing reasonable social protection. It would be beneficial if the Commission were to monitor the degree of counselling undertaken for early retirement in each Member State; counselling should be offered during workers' early retirement rather than just immediately prior to it (in this context training for leisure and community activities would be very useful).

We recommend that the eligibility criteria for Readaptation Aid under Article 56(2)(b) should be kept under review. There is a case for extending the criteria so that more workers are included. While recognising that workers basically have to be declared redundant as a result of restructuring rather than exhaustion of coal seams, it should be noted that, for example, only about a half of those declared redundant in the UK coal industry are eligible for EC Aid. Changing the eligibility criteria would require a reinterpretation of Article 56(2)(b) but, as we have earlier noted, there are precedents for this. If the EC wishes to maximise its contribution to achieving reasonable social protection, this could usefully be done.

4. Further Considerations

(i) Lump Sums

Conventional lump sum payments are very important for acceptance of restructuring and also for achieving withdrawals. While they are excellent for 'shaking out' workers, they do not necessarily help us to get workers back into work. Large lump sums give workers plenty of freedom of choice of action as to how to spend them: however, depending upon what the workers

actually do with the lump sums, the EC's objective of assuring reasonable social protection will or will not be fulfilled by this Aid. It should be stressed that the present small contribution which the EC makes to severance payments is explicable in historical terms. The UK coal industry is the best exemplar of heavy reliance upon lump sums as a major Aid but it has not proved possible to interview workers to find out how they spend them. We fully accept that the EC should continue to pay towards lump sum payments but further research would need to be done to provide an evidential justification for a significant alteration to the present possibilities for development in the future. One possible such development which could be usefully considered immediately is raising the EC's contribution to lump sums in specified limited circumstances. This could be done where a worker obtains another job so that the EC could then, say, in relation to the UK coal industry provide an Aid which offered genuine additionality for there is no evidence to suggest that this will be done at national level within the UK. While at present under the RMPS certain redundant coal miners may receive a lump sum worth some three and a half times their annual wage, this lump sum is a 'once and for all' payment which will be received regardless of whether the miner concerned finds another job the next day, next month or next year or never works again.

Under the 'British Coal' (called NCB until recently) unilateral redundancy compensation scheme to be introduced next Spring to replace the RMPS statutory instrument, lump sums will continue to be offered but on a less generous basis. Since the new scheme is in part designed to encourage shake-outs of the under 50 age group, the case for giving emphasis to the EC objective of their optimal reallocation is strong.

(ii) Re-Employment Bonus

While recognising historically the EC Commission's justification for not substantially increasing its share of the lump sum payments, not least

because the lump sums would be offered anyway at national level, there is a case now for the EC to act as a catalyst to introduce a specific social measure, namely a re-employment bonus, which would require additional finance from national level (here arguably the UK Government rather than British Coal).

The notion of a re-employment bonus is not novel with ECSC² but would be considered to be highly so within the UK. The amount of the re-employment bonus could be calculated on the basis of a sliding scale so that the lump sum could be larger the more quickly the worker obtained a new job outside his ECSC industry. Safeguards would need to be devised to deal with the worker who took a job for only a short period in order to get the re-employment bonus. This whole proposal would represent a significant incentive to workers to obtain a new job (if such is available) and at an early date post-redundancy. It also takes into account that many ECSC workers are rather immobile geographically and so could be specifically designed to contribute to overcoming this tendency.

Particularly in those Member States and ECSC industries where lump sums are not as central to the Readaptation Aid strategy at national level, consideration could be given, particularly in the longer term, to the ECSC only contributing to re-employment bonus lump sum payments and then doing so on a much more substantial basis than at present to lump sum payments. This would represent a shift away from the severance payment or quasi-job property concept. Thus the re-employment bonus and the severance payment can be regarded as two separate Aids to be on offer or as alternatives. Use of a re-employment bonus represents placing a higher emphasis on reallocation of labour - our recommendation for the longer term - and is posited critically on the basis that alternative jobs are available so that they may have more longer term relevance than in the shorter term. Our proposal in relation to UK coal avoids the difficulty inherent in going more radically for the re-employment bonus

instead of a severance payment as an EC Aid. This difficulty is that the person who fails to find an alternative job has a sense of double failure in that he has both lost his original job and has no lump sum either. By way of contrast, the job finder has a new job and a lump sum payment so that he has a double success. In present circumstances this would be very hard to justify in social terms and it would create considerable resentments in practice. In short, in the longer term, it will be a question of getting the balance right depending on the state of the labour market.

(iii) Weekly Payments

Weekly payments (income support in the event of unemployment) are in the present period primarily about providing reasonable social protection. They can provide social protection for the younger looking for new jobs as well as for the older withdrawing from the labour market. Unless they offer sustained high replacement rates (viz. 90% of former earnings) and are of long duration (and the EC itself has only relatively recently, under the Social Volet - when combined with Bilateral Conventions - agreed to contribute for up to three years), weekly payments safeguard acceptance of restructuring in a very limited way. Weekly payments can and do contribute towards getting older men to withdraw from the labour market, especially if they are linked with providing early pensions. There is a strong case (resources permitting) for the EC Commission continuing to contribute towards weekly payments for three years even after the very recent demise of the Social Volet. Short term financial cushioning has some utility for the younger; but given the high unemployment levels and limited opportunities for alternative employment, so that it takes longer to find a new job, the social protection offered has become less adequate under the rules of the Bilateral Conventions than it was historically. There is certainly a case on the grounds of maximising both acceptance and reasonable social protection for extending the

EC's contribution beyond three years but for practical budgetary reasons³ we cannot strongly advocate it.

V Data Requirements

Concerning data requirements there are a number of rather serious difficulties and deficiencies at present. Most crucially the data are not suitable for evaluation because payments and specific events are not related. It should be recognised that much of the data currently provided by Member States is provided solely in order not only to obtain but to maximise EC contributions to Readaptation Aid. We make above all two basic recommendations. The first is for better use of existing data, by more standardisation of its presentation, which identifies actual numbers of beneficiaries, categorised by the type of aid which they receive, and the time of their redundancy. The second recommendation is to consider explicitly both regular and more specialised occasional follow-up studies. It is very important that future studies which follow up workers should be on a comparable basis in each Member State.

VI Concluding Comments

We should like to make some final concluding remarks. We are fully aware of the difficulties faced by the Commission with regard to budgetary constraints. There is possibly a tendency for Member States to want 'more for less' which is understandable, particularly in a period of major recession, when negotiating with the Commission about a Bilateral Convention. In times of both severe financial stringency and recession, it is all the more imperative for the Commission to have and to publicise clear priorities in the application of Article 56(2)(b). We fully acknowledge that some expansion of aggregate demand in the European economies is essential in the longer term for the higher priority that we accord to the objective of optimal reallocation of labour to be fulfilled.

Notes to Section F

1. Article 56(2)(b) does itself permit a limited form of job creation through the use of self-employment.
2. Viz. the French experience. It is briefly described as an EC Aid at p. 46 supra of this Report.
3. For example, in 1981 in relation to the British coal industry, the EC contributed almost sixty times as much on weekly payments as on lump sums. See Interim Report, p. 180.

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