

**ECONOMIC AND SOCIAL COMMITTEE
OF THE EUROPEAN COMMUNITIES**

**THE ECONOMIC
AND SOCIAL SITUATION
OF THE COMMUNITY**

2 OPINIONS

Brussels 1982

ECONOMIC AND SOCIAL COMMITTEE
OF THE EUROPEAN COMMUNITIES

THE ECONOMIC AND SOCIAL SITUATION
OF THE COMMUNITY

2 O P I N I O N S

Brussels, July 1982

The European Communities' Economic and Social Committee, chaired by Mr Tomàs ROSEINGRAVE, approved these Opinions at its 199th Plenary Session, held on 30 June and 1 July 1982.

The preliminary work on the economic situation was done by the Section for Economic and Financial Questions and the Rapporteur was Mr Silvain LOCCUFIER.

The preliminary work on the Social Developments was done by the Section for Social Questions and the Rapporteur was Mrs Ursula ENGELEN-KEFER.

This publication is also available in :
Danish, Dutch, French, German, Greek and Italian.

A bibliographical slip can be found at the end of this volume.

Texts appearing in this document may be produced freely in whole or in part so long as their source is mentioned.

C O N T E N T S

	<u>Page</u>
<u>PREFACE</u>	7
<u>OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE ON THE ECONOMIC SITUATION IN THE COMMUNITY (MID 1982)</u>	8
<u>OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE ON THE SOCIAL DEVELOPMENTS IN THE COMMUNITY IN 1981</u>	32

PREFACE

In its Opinions on the economic situation and social developments in the Community, adopted at its Plenary Session in Brussels on 1 July 1982, the Economic and Social Committee stresses that the deterioration on the economic and employment fronts in the Member States is very worrying.

It considers that European economic policy should basically seek to gradually reduce inflation, revive demand and investment and encourage an active employment policy.

The Committee also thinks that more use should be made of the opportunities offered by the Community's extensive domestic market. In particular it urges that the subsidization policies of the Member States be coordinated by the Community so that the subsidies granted by one country do not jeopardize jobs in other Member States.

In its Opinions the Committee draws attention to the problems faced by small and medium-sized enterprises in particular. It also highlights two specific problems - youth unemployment and migrant workers.

*

* *

O P I N I O N
of the
Economic and Social Committee
on the
Economic Situation in the Community
(Mid 1982)

THE ECONOMIC AND SOCIAL COMMITTEE

- HAVING REGARD TO the Treaty establishing the European Economic Community and, in particular, Article 198 thereof,
- HAVING REGARD TO the Resolution of the Council and Representatives of the Governments of the Member States on 22 March 1971 concerning the realization by stages of economic and monetary union in the Community,
- HAVING REGARD TO the Council Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Community,
- HAVING REGARD TO its Opinion of 25 November 1981 on the Annual Economic Report 1981-1982 (1),
- HAVING REGARD TO the decision taken by its Bureau on 27 May 1980, instructing the Section for Economic and Financial Questions to draw up an own-initiative Opinion on the economic situation in the Community in the second quarter of each year, this Opinion to be accompanied by a report on the economic situation in the Member State currently holding the Presidency of the Council,
- HAVING REGARD TO the discussions at the meeting of the Section for Economic and Financial Questions on 15 June 1982, the Report drawn up by the Rapporteur, Mr LOCCUFIER, and the additional Report appended thereto on the economic situation in Belgium, drawn up on 10 May 1982 (2),
- HAVING REGARD TO the discussions on 1 July 1982 during the 199th Plenary Session, held on 30 June and 1 July 1982,

HAS ADOPTED
by 74 votes to 8,
with 18 abstentions

THE FOLLOWING OPINION :

1. Introduction

The deteriorating economic position in the European Community has been marked by two unfortunate features : It has seen a serious deterioration in Europe's international competitiveness, which shows no sign of being reversed, and a considerable exacerbation of European social problems.

(1) Official Journal No. C 348 of 31 December 1981, page 10.

(2) CES 246/82 fin of 23 June 1982 and CES 246/82 + Appendix.

This demonstrates very clearly how closely economic and social problems are intertwined. The Opinions to be prepared on social developments and the economic situation in the Community in mid 1982 will thus complement each other and should be regarded as an integral statement of the Committee's views - particularly with an eye to the next joint meeting at the Council when Social Affairs Ministers and Economic and Finance Ministers will discuss economic, social and general political matters.

2. Analysis of the situation in 1982 and outlook for 1983 (1)

2.1. After an 0.5% drop in real gross domestic product (GDP) in 1981, the Commission expects 1.4% real growth in GDP in 1982. Growth should accelerate in the course of 1982, and a figure of 1.7% is forecast for the second half of the year.

2.2. Aggregate demand components in 1982, however, will contribute little to growth. Private consumption will be practically stationary (+0.5%). Government consumption will rise by 1.2%. Investment will decline by an average of 1.3% over the full year although the Commission anticipates an upsurge in investment in the second half of the year.

2.3. The key factors in the generation of real growth in 1982 will be stockbuilding as well as the balance on current account: the increase in stocks is expected by the Commission to contribute to a 0.8% rise in GDP and Community exports should increase significantly faster than imports.

(1) Cf. Appendix 1 and May/June 1982 forecast of the Commission (provisional).

The average rise in prices in the Community will decrease slightly in 1982, slipping back from 11.4% (1981) to 10.3% (1982).

After a reduction from \$37,400 million (1980) to \$15,500 million (1981), the Community's balance-of-payments deficit will be cut further to \$9,300 million (1982). The trade balance will move out of the red again. The terms of trade will change in the Community's favour.

2.4. There will be a 1% increase in the potential working population in 1982, partly as a result of demographic trends. Productivity will go up by 2%. Since output is expected to increase by only 1.4%, a further rise in unemployment to 9.1%, or over 10 million persons, is to be reckoned with. This rise in the rate of unemployment should, however, fall off somewhat in the second half of the year.

2.5. The Commission expects the pace of economic growth to pick up slightly in 1983. Investment in particular should be livelier than in 1981 and 1982. Nevertheless, the increase in the rate of economic growth will not be sufficient to offset the increase in the potential working population (unemployment rate at 9.3% in 1983) so that the European dole queue will grow even longer.

3. Economic policy problems in mid-1982

3.1. The above analysis of the situation shows clearly the economic and social difficulties the Community is facing. All

economic forecasts are fraught with uncertainty. In other words it is by no means certain that there will be a surge in economic growth even in 1983. There is therefore no reason at all for expecting and believing that the economic upswing will occur automatically. Vigorous economic policies are therefore required from both Member States and the Community.

3.2. The following are obstacles to economic development :

- Moderate economic growth; the necessary investments, which should guarantee an additional source of supplies, do not seem to be materializing.
- As a result of the sluggish pace of structural change, competitiveness remains a problem in various countries.
- This situation gives rise to nations reacting by, for example, providing subsidies for certain industries or engaging in protectionism, even though the latter is incompatible with both international and Community agreements.
- In addition to the factors already mentioned, the cost of imported energy remains an important element in balance-of-payments deficits, despite the temporary decline in the price of oil.
- Internally-generated funds have declined alarmingly although a solid, self-financing capital base is vitally necessary because it determines creditworthiness - and more especially the creditworthiness of the large number of small and medium firms in the economy.

- No less important is the state of public finances in some Member States. The public debt and the debt burden have risen very steeply in some countries. It is not easy to change the structure of public spending since much additional expenditure has been needed to provide substitute incomes, including unemployment benefit.
- The wide variations in inflation rates in Europe have led to nervousness on the exchange markets; as a result two parity adjustments have already had to be made this year.
- This economic situation, viz. limited growth and the changes taking place in industry, are having the familiar effects on employment. To this should be added the fact that it is difficult to find jobs for young people.
- The high level of interest rates reduces the propensity to invest, increases the debt burden of firms, households and the government. Risk capital is also frequently attracted by the government - in many cases in competition with firms.

4. Positive economic policies in the Member States

4.1. Economic policy guidelines

4.1.1. Given the economic and social situation described above, a clear will to adopt measures to combat unemployment and stimulate the necessary investment has begun to manifest itself in some Member States. Concrete measures or plans have been adopted in some countries of the EEC but it is not yet possible to assess their impact on the economy and the labour market.

4.1.2. The Economic and Social Committee believes that economic policies should seek to ensure that both the supply and the demand situation make possible an economic upswing and a reduction in unemployment.

In practical terms this means pursuing a policy of gradually trying to bring down inflation, but above all seeking to reduce unemployment levels and revive overall demand, especially investments.

4.1.3. Although due account has to be taken of the need for a competitive economy, stable public finances and moderate incomes, Member States must not be allowed to engage in competitive reductions in incomes. Such action could have real and cumulative deflationary consequences at international level.

4.1.4. Economic and social policy problems can best be solved if all the groups participating in the economic process support a macroeconomically sound policy.

Here reference should be made again to the Committee's Opinion on the economic situation in the Community in mid-1981 (1), in which stress was laid on the need for a dialogue between the social partners. Where this dialogue has broken down, it should be restored as a matter of urgency.

4.2. Employment policy

Various Member States have recently launched an active policy in the shape of "jobs plans" aimed at boosting employment. A number of governments have taken measures for the employment of

people in the public sector and in industry. Some governments have also made changes in working time or are to do so shortly.

The government job-creation schemes which have been proposed or have already been decided on will entail additional public expenditure but, even from a purely economic point of view (1), unemployment results in considerable costs for the public authorities on account of the loss of revenue from income tax, social security contributions and other taxes (on consumer goods) and the need to provide unemployment benefit and other additional social assistance.

4.3. Investment policy

4.3.1. The governments of the Member States must create the basic conditions which will encourage investment, with the emphasis on new job-creating investment in growth areas. So far investment has not been sufficient to eliminate unemployment. For this very reason the various government plans incorporate incentives for additional investment. The positive effects of such a policy should make themselves felt in the short-term; really significant results, however, will only be forthcoming when there is increasing faith in the economic upturn. This business confidence is a decisive factor in economic activity. Public-sector investment, though necessary in certain areas, cannot alone make up for the decline in business confidence.

(1) For the social point of view see the Opinion on Social Developments (CES 227/82).

4.3.2 New investments involve new technologies. In this connection special attention should be devoted to two important problems :

- the introduction of new technologies requires the availability of highly skilled manpower, which can be achieved by the retraining or advanced training of existing personnel or by a flow of new highly-trained manpower on to the market. This will mean training programmes, especially for employees in small and medium-sized enterprises which have no facilities of their own for further training.
- the stimulation of programmes of fundamental and applied research so that the Member States can draw on their own advanced technology. Small and medium-sized enterprises should be provided with readier access to research findings through the creation of technology advisory centres.

4.4. Public-sector deficits

4.4.1. Because of tight public finances some Member States still have little scope for influencing the business cycle.

4.4.2. Some countries are reducing taxation in order to stimulate trade and industry. Certain elements of the policies pursued in Member States have so far made it impossible to stabilize public finances and re-establish budget equilibrium. The scope for cyclical measures by the public authorities has

therefore shrunk. Here, too, however there are differences between the Member States. In some Member States the public debt has reached such a level that a further rise is impossible, whereas other Member States could still give further impetus to the economic upturn through public spending, provided such spending entails productive investments and the creation of new jobs. The situation is made even more difficult because the possibilities for intervening in interest rates remain limited.

4.4.3. Although public finances will inevitably have to be consolidated in the medium-term, short-term economies by the public authorities must not be allowed to reinforce deflationary factors. This is particularly pertinent since economy measures may be outweighed by the resultant decline in incomes and output, leading to a loss of tax revenue, so that the public-sector deficit continues to grow despite, and even because of, the economies.

4.5. Sectoral problems

The restructuring of industries such as the iron and steel, textile and paper industries has remained a focus of concern in the Member States. Some countries, however, have already taken steps to improve the situation in these sectors. One of the major problems remains the high level of interest rates, which affects the housing sector in particular. Some Member States have already introduced tax measures to promote house-building. Incentives for energy conservation investments in industry and the housing sector - as well as urban renewal - can likewise help to stabilize the construction industry.

5. The economic policy of the Community

5.1. General guidelines

5.1.1. Because of the seriousness of the economic and social situation, the Community has to react rapidly and effectively. It is clear that it must also do so because the political room for manoeuvre of individual Member States is limited and Member States cannot solve their problems in isolation. Collective solutions can sometimes be found at European level or else they emerge from commitments entered into under the Treaty of Rome and the decisions deriving therefrom.

5.1.2. The Community's role in such an economic policy is to coordinate and align national economic and social policies. It must prevent the economic policy measures of the different Member States from clashing or even cancelling each other out.

5.2. Special problems facing the Community

5.2.1. Consolidating and extending the common market

Efforts to make full use of the economic opportunities offered by the Community's extensive domestic market must not be relaxed. The tendency to resort to protectionist measures to resolve national economic problems must be resisted. Every effort must therefore be made to remove the outstanding technical barriers to trade and differences in fiscal conditions in order to align conditions of competition between undertakings on the domestic market.

Although considerable success has been achieved with the integration of the market in goods since the Community was set up, no major progress has been made in the services sphere. In the transport, insurance and banking sectors, efforts will therefore have to be stepped up to establish a single Community domestic market.

As regards the international situation, attention must again be drawn to the increasing protectionism in world trade which is considerably hampering this trade. The Committee is against such a development and trusts that negotiations will be carried out under GATT or in other bodies to reduce these trade barriers.

The realization of the common market in goods and services and the coordination of national economic policies with a view to making them convergent, must go hand in hand with the coordination of monetary policy. The parity adjustments of the past few months have shown clearly the urgent need for an expansion of the European Monetary System and, in parallel with this, greater economic coordination. This was made clear in the Committee's Opinion on the extension of the EMS of 29 April 1982 (CES 390/82).

5.2.2. Subsidization policy

Very special importance attaches to the subsidies paid by Member States for the temporary or permanent support of certain sectors or groups. It is clear that any kind of subsidy

can be justified under national policy. Subsidies must, however, conform to the rules laid down in the Treaties. Articles 92 et seq. of the EEC Treaty stipulate certain conditions for national subsidies.

Subsidies, which can take the form of direct grants, tax relief and loans at reduced interest rates, serve to :

- safeguard or create jobs;
- stimulate investment (either for new production or for the restructuring of industries);
- promote innovation;
- make possible new technologies in old sectors and particularly in growth sectors;
- encourage energy conservation investments.

The Committee considers that such subsidies may be warranted if they are temporary and taper off over time. The subsidization policies of the individual Member States must not, however, lead to a situation where subsidies maintain or create jobs or serve the other purposes mentioned above in one State but endanger jobs or harm the competitive position of firms in others. The subsidization policies of the Member States must

therefore be coordinated by the Council in line with the rules laid down in the Treaties. When examining national subsidies in pursuance of Art. 92 et seq. of the Treaty of Rome, the Commission should consider whether all the objectives of a coordinated economic and industrial policy are being achieved by the subsidization policies operated by the Member States concerned. The Commission's findings, together with the measures which it takes under Art. 92 et seq., could be communicated to the Council of Ministers for Economic and Financial Affairs, which was made responsible for the coordination of policies in these fields by the decision on convergence taken in 1974. At its regular meetings the Council should assess the extent of the positive or negative influence on the convergence of Member States' and Community economic policies brought to bear by particular measures.

A distinction should be made between national subsidies and Community measures. Community assistance, such as that provided by the Regional and Social Funds or that given to promote research, has already been coordinated at Community level and serves Community objectives.

5.2.3. Small and medium-sized enterprises

The economic crisis and the high interest rates are weighing particularly heavily on small and medium-sized enterprises (1) as indicated by the increasing number of bankruptcies and closures. These developments not only strengthen the trend

(1) See Committee Opinion of 27 May 1982 (CES 474/82).

towards the unnecessary concentration of economic activities, a trend which must be counteracted in a market economy, but they also bring about a further increase in unemployment.

The Economic and Social Committee therefore believes that it is the duty of the Community and the Member States, acting within the framework of the rules governing competition (eg. Art. 92 et seq. of the Treaty of Rome) to provide support for existing small and medium-sized enterprises and to encourage the establishment of, in particular, new small businesses whatever their legal form (individual enterprise, manufacturing cooperatives, etc.). To this end the Community and the Member States should :

- help with the procurement of risk capital and external finance by means of interest subsidies and loan guarantees;
- make new technology and research findings available for new products by setting up regional advisory centres to publicize innovations;
- set up a data bank (eg. INSIS) to achieve the abovementioned aim and also to provide better information about private and public invitations to tender;
- provide management training facilities and advanced training facilities for workers at interplant centres.

The Community and the Member States should lay down more powerful measures to restore SMEs in a critical sales or financial situation to viability. In this connection, consideration should be given to the possibility of turning such enterprises into production cooperatives.

5.3. Economic policy measures to be taken at Community level

5.3.1. The aim of economic and finance policy is to safeguard and create jobs and improve domestic and external competitiveness.

The Community policy recommendations set out by the Committee in its Opinion on the economic situation in the Community in mid-1981 (CES 773/81) remain valid.

5.3.2. Community policy may avail itself of :

- measures already put to the test or in preparation in individual Member States;
- the instruments available for immediate application in the Community.

These steps must be taken in accordance with the 1974 Council Decisions on the convergence of economic policy (1). It is recognized that individual Member States cannot overcome the problems of high unemployment and lack of growth by themselves. In order to enhance its credibility the Community must therefore adopt the following programme of immediate action: increased investment within the framework of a Community industrial policy and social policy measures to help improve the economic and social situation.

(1) Council Decision of 18 February 1974 on the achievement of a high degree of convergence between the economic policies of the Member States of the Community (74/120/EEC) (OJ No. L 63 of 5 March 1974, page 16).

5.3.3. The Community's economic and social policy should therefore take the following form :

5.3.3.1. Measures to combat unemployment

The Community should approve and support the measures taken by a number of Member States with a view to pursuing an active employment policy. There is thus a need to:

- speed-up the measures recommended by the Committee in connection with the coordination of labour market instruments (1);
- apply coordinated direct or indirect stimuli to growth sectors. Aid for problem sectors (the Committee has already commented on these in separate Opinions on the construction, textiles and paper industries) must further the aim of restructuring these sectors. These subsidies must be in line with the requirements outlined above.
- In the case of the construction industry (a labour-intensive sector) the Community must not only coordinate the latest measures adopted by some Member States (such as interest-rate subsidies for house-building loans and tax concessions) but also recommend them to the other Member States.

(1) Doc. CES 187/82

- The studies of various economic sectors carried out hitherto by the Committee should be continued and could provide a basis for a further extension of the reports on the structures of Community industries.
- The Committee notes that effective proposals have been put forward in various Member States for reducing working hours following a variety of procedures. It is essential that the measures which might be taken by the Community on this matter, and which are in any case necessary, are formulated in such a way as to respect the contractual procedures and practices currently observed by both sides of industry in the various Member States.
- At the same time it is absolutely necessary for the Community to set out a political strategy for industrial policy.
- The Community should adopt a measure whereby Member States guarantee that either training opportunities or jobs will be found for all young school leavers.

5.3.3.2. Investment programmes

There is a need to encourage the investment necessary for economic revival by :

- speeding up Member States' energy-conservation programmes with the help of Community aid;
- promoting investment programmes;
 - . extending short-haul public transport;
 - . building additional accommodation for rent, modernizing old accommodation and redeveloping dilapidated urban areas;

- . reconstructing and safeguarding the natural environment;
- taking steps at international level to reduce interest rates;
- incorporating technological renewal programmes into EC industrial policy strategy on the basis of the findings of the scientific research programmes implemented or coordinated by the Community. Small and medium-sized enterprises should be covered here too. Innovation advice centres should provide SMEs in particular with an up-to-date overview of new technologies and help them with the innovative introduction of these technologies;
- The Community should coordinate and support with its own funds Member States' investment and research programmes which serve in particular to improve the economic and social infrastructure of the job-creating growth sectors. In other words, one must prevent national measures from clashing and cancelling each other out, and thus wasting public funds, without any overall reduction in unemployment.

5.3.3.3. Investment finance

Member States must adopt a joint approach to the financing of investment. At both national and Community level consideration should be given to employing all the resources of the capital market and any new forms of financing. The Commission should coordinate and make immediate use of the funds available

from the Community budget, loans and the European Investment Bank. In other words, therefore, there should be coordinated and purposeful deployment of Community instruments in support of national measures for the promotion of investment and employment.

Expansion and selective use of the New Community Instrument (NCI) can make a contribution to this. The Committee therefore reaffirms its Opinion on the NCI (1).

In this connection the Committee welcomes the Commission's proposal applying for the first time the decision empowering the Commission to raise loans for the purpose of promoting investment within the Community (2).

The loans issued by the Community for the promotion of investment should be devoted not only to public infrastructure projects - in particular the rational use of energy - but also to investment in industry and agricultural infrastructure. Here special account should be taken of SMEs, which are important for the restructuring of production.

The Committee thinks that EIB loans should be coordinated and linked with loans made out of funds raised through the New Community Instrument.

(1) Doc. CES 230/81

(2) Doc. COM(81) 790 fin.

The other Community financial instruments should also help to bring about a marked revitalization of investment. This is desirable and feasible within the terms of reference of the Regional Fund, the Social Fund and the Agricultural Guidance and Guarantee Fund (Guidance Section) in particular. Given the scale of the unemployment problem, the Funds are inadequately endowed. The Regional and Social Funds should therefore be increased substantially, as the European Parliament has advocated.

Done at Brussels on 1 July 1982.

Tomàs ROSEINGRAVE

Roger LOUET

Chairman
of the
Economic and Social Committee

Secretary-General
of the
Economic and Social Committee

A P P E N D I X
to the Opinion of the Economic and Social Committee

The following proposals for amendments submitted in accordance with the Rules of Procedure were rejected by the Committee in the course of the discussions :

Page 6, point 4.1.3.

Reword to read :

"In recent years, real wages have risen much more sharply than the real yield on capital. It is therefore necessary to pursue an active incomes policy in order to restore the international competitiveness of the Community's industries."

Reasons

Self-explanatory.

Result of the vote

Votes in favour : 13
Votes against : 55
Abstentions : 17

Page 11

Replace the third paragraph by the following :

"During the 3½ year period in which the EMS has been in operation there have been 6 realignments within the system, involving 14 revaluations or devaluations of national currencies. Trade and industry is hardly receiving the protection against exchange rate risks which it was promised when one considers that, for example, the Bfr. has fallen 18.25% against the Hfl. in 9 months.

The Community authorities should concentrate on measures to reinforce economic and institutional coordination. Here further foundations must be laid before any extension of monetary arrangements could be useful".

Reasons

The Section expresses satisfaction with the EMS's operation and calls for an extension of monetary arrangements in the third paragraph on page 11 of its Opinion.

However, recent developments in the monetary field in particular give cause for a more critical attitude.

It would appear necessary :

- a) to attract attention to the cumulative effect of the realignments that have taken place since the EMS came into operation;
- b) to emphasize once again the need to reinforce economic and institutional coordination.

Result of the vote

Votes in favour : 14
Votes against : 53
Abstentions : 19

Page 17 - Insert the following text immediately after the Chapter heading : "5.3.3.2. Investment programmes"

"Since Member States have a greater chance of implementing a successful anti-cyclical policy if they act in unison at EEC level, the ESC considers that Member States should promote Community investment of the order of 1% of GDP."

Reasons

Everything in Europe militates in favour of concerted action to stimulate investment. The experiences of 1978-79 and calculations made inter alia by the OECD and the European Commission show that a properly coordinated spur to investment activity (in all countries at the same time) can lead to very positive results in terms of increased production and employment. The overall effect is double what it would be if each Member State acted independently.

Result of the vote

Votes in favour : 38
Votes against : 58
Abstentions : 5

O P I N I O N
of the
Economic and Social Committee
on the
Social Developments in the Community in 1981

THE ECONOMIC AND SOCIAL COMMITTEE

HAVING REGARD TO the Treaty establishing the European Economic Community and, in particular, Article 198 thereof,

HAVING REGARD TO the request made by the Commission of the European Communities on 21 June 1982 for an Opinion on the Social Developments in the Community in 1981,

HAVING REGARD TO the decision taken by its Bureau on 14 December 1981, instructing the Section for Social Questions in anticipation of the consultation to draw up an Opinion and a Report on the matter in accordance with Article 22 of the Rules of Procedure,

HAVING REGARD TO the Opinion adopted by the Section for Social Questions at its meeting on 10 June 1982,

HAVING REGARD TO the Report submitted by the Rapporteur, Mrs ENGELEN-KEFER,

HAVING REGARD TO the discussions on 1 July 1982 during the 199th Plenary Session held on 30 June and 1 July 1982,

HAS ADOPTED
by 45 votes to 11,
with 15 abstentions

THE FOLLOWING OPINION :

I. INTRODUCTION

1. The Committee is very concerned to note that, after a period of slight improvement in the economic and employment situation in the Member States, a fresh deterioration began in 1980 and gathered momentum in 1981 as unemployment rose sharply.

A detailed description of economic developments in the Member States is to be found in the Section for Economic and Financial Questions' Report on the mid-1982 economic situation in the Community (R/CES 222/82).

2. The Committee notes that wage and salary earners and the jobless are the main victims of the cuts in social welfare benefits now being made as a move to save money. This is especially true in Belgium, the Federal Republic of Germany, Italy and Luxembourg. There are also more and more cases of bankruptcy and insolvency in the self-employed and small/medium business sectors, and the profits of firms in these sectors are plummeting. The Committee would stress that basic social welfare provisions should not be threatened, especially in view of the problems in the fields of employment and finance and in particular in the budgetary sector.

3. It is realized that there are major economic and financial difficulties at domestic and international level and savings may also be made elsewhere if urgently needed employment measures are to be financed. The disputes about where such savings are to be made must not, however, be resolved one-sidedly at the expense of the lower and middle income brackets, since (a) the need for social balance must be taken into account and (b) purchasing power would be syphoned off in this way and the threat to economic growth and employment thus increased.

4. The Committee would stress the need for an active labour market and employment policy in order to combat the persistently high and ever rising unemployment and counter the fact that underprivileged groups of persons are being hit more and more. There is little point, not only from the social angle but also in terms of employment and financing, in making considerable cutbacks in measures which demonstrably help to reduce or even avert unemployment. The savings made with regard to such labour market policy measures are cancelled out in part by the extra expenditure on unemployment.

Cuts in the level of unemployment benefits or greater restrictions on eligibility for unemployment benefits, would not only increase social imbalances at the expense of the unemployed, but would also erode their purchasing power, thereby having an adverse effect on the economic and employment situation.

5. Making up the deficits in one sector of social security - in particular unemployment insurance - by transferring money from another sector, is a ploy for evading the urgently required employment and labour market policy and is by no means a satisfactory answer to the budgetary problems.

6. The Committee thinks that unemployment benefits and labour market provisions should not be abused. Illegal labour sub-contracting should be combatted further and something should be done about undeclared work. However, this should not detract from the fact that the employment and funding crisis cannot be resolved until a sufficiently effective employment policy has been introduced.

7. Considerable cuts in social welfare benefits and hence the risk of vital social needs not being satisfied would intensify the conflict between social groups and thus make it even more difficult, if not impossible, to lay the foundation for an effective employment policy and to create the conditions for eliminating the economic, employment and funding crisis.

II. DIAGNOSIS OF THE EMPLOYMENT SITUATION AND OUTLOOK

8. The scale and pattern of unemployment are clearly described in the Commission Report on the Social Developments in 1981. The number of registered unemployed in the Community rose to over ten million by the end of the year, roughly a third more than in 1980. Germany, the Netherlands, the UK and Luxembourg in

particular recorded an even greater rate of increase. The unemployment figures would be even higher if they included the unregistered and the underemployed, i.e. those people who do not register as unemployed because they see no chance of finding work. In particular, young, elderly and disabled persons as well as women fall into this category.

9. The Committee is particularly concerned about the increasingly intractable problem of hard-core unemployment. More and more groups are joining the pool of "disadvantaged problem groups" and thus being condemned to long-term unemployment, since they are actually or supposedly less capable. Particularly affected are young people, women, the elderly and disabled, the low skilled, migrant workers and workers in structurally weak branches and regions. (Often an unemployed person falls into more than one of these categories, which makes his employment much more difficult.) Measures must be taken to ensure that workers in these categories are re-integrated into working life (or remain in employment, as the case may be). Long-term unemployment is already widespread. It imposes major financial sacrifices on its victims, and involves health hazards whose extent has still to be fully recognized. Society is having to pay large and increasing amounts to finance unemployment and meet the costs of the physical and psychological damage done to the jobless and their families. The proportion of long-term unemployed differs from Member State to Member State. The Committee would advise the Commission to carry out a comparative analysis whose results would enable the Governments to take specific action to help the long-term unemployed.

10. Forecasts hold out little hope of a substantial improvement in employment in the medium or longer term. For demographic reasons, the working population will continue to increase till the end of the decade. Technological change will continue to eliminate jobs not only in industry, but also on an increasing scale in the office and administrative sectors too. It should also be borne in mind that the level of investment and forward-looking innovation vital for the creation and safeguarding of jobs is inadequate. In addition, the size of the population from non-member countries is increasing sharply. It follows that the unemployment problem is unlikely to be eradicated this decade. Indeed, high unemployment levels could persist beyond the end of the eighties, unless there is adequate level of investment and support is given to forward-looking innovation.

11. With the prospects on the labour market being as they are, it will be necessary to come up with an employment policy which creates the maximum possible number of jobs in all regions and for each age group. In practice, it must be borne in mind, however, that young job-seekers are given some priority and that this has led to a shift in the pattern of unemployment, with more elderly people now being out of work and faced with the prospect of no job. The abilities and experience of these many elderly people without a job, including a good many pensioners, are not put to use by society. Some thought should be given to the problems of this group of people and, in particular, whether by working for their local community or in an advisory capacity they could not find some self-satisfaction and be of benefit to society.

12. In Germany each unemployed person costs the public purse DM 28,000 (approximately 11,800 ECU) per year. It is reckoned that the average unemployment figure for 1982 as a whole will be 1.75 million or so - over 1 million of whom will draw unemployment benefits. It will thus cost between DM 30,000 and DM 40,000 million (approximately 12,600-16,800 million ECU) just to finance unemployment (payment of unemployment benefits and offset loss of taxes and social insurance contributions). In the UK each of the more than 3 million registered unemployed last year cost £4,380 (approximately 7,680 ECU) on average as a result of the payment of unemployment benefits and the loss of taxes and social insurance contributions. The cost of the mass unemployment to the State totalled £12,000 million (approximately 21,000 million ECU) in 1981 and will rise to £14,000 million (approximately 24,500 million ECU) this year. The loss to the economy as a whole reached the record level of £20,000 million (35,000 million ECU) in 1981. The Committee recommends that the Commission make a study of the various measures taken in the Member States which have led to the creation of permanent, productive jobs. This could contribute towards a general raising of the Community's competitiveness.

13. Apart from the financing aspect, unemployment is developing more and more into a menacing social problem - especially in view of the high percentage of the jobless who are young (40% average throughout the Community).

III. NEED FOR NATIONAL AND COMMUNITY EMPLOYMENT MEASURES

14. The longer unemployment remains at a high level, the clearer it becomes that there is no simple solution. What is needed is a coordinated approach using all the economic, structural, financial, technological, training, labour-market and collective-agreement measures available at national and Community level which influence employment. It is crucially important to implement a short, medium and long-term employment strategy and not just rely on short-term economic programmes. In addition, the encouragement of investment could help to increase the world-wide competitiveness of the Community's economy. It is necessary in this connection to boost qualitative economic growth and hence private and public investment and employment in, for example, the following areas: construction, safeguarding and conservation of energy, expansion of local transport, improvement of housing, urban renewal, education and training, protection of the environment. All Governments in the Community have, in the face of the rising unemployment in their countries, planned or implemented a whole host of economic measures designed to improve the employment situation. These include the employment programmes that have recently been worked out in some countries. The Commission, which has referred to these programmes in its Report on the Social Developments in 1981, should devote its special attention to these programmes' practical effect.

15. Employment programmes

Initiatives have been taken in the field of employment in many countries. Examples of special employment programmes include the plans devised in the Federal Republic of Germany, France, the Netherlands and Denmark. The Committee thinks that coordinated action would be made easier if Governments exchanged more information about individual measures taken in the employment sector. In this connection the Committee would refer to the Commission Report on Social Developments in the Community in 1981.

16. Since it can hardly be expected that sufficient new jobs will be created, efforts will have to continue to be made to apportion the existing employment opportunities more evenly among job-holders and job-seekers. In this connection, there are various methods for reducing working hours and working life that could be applied in keeping with the requirements and possibilities of the individual Member States and industries.

17. These main elements of an effective employment strategy have been under discussion for years in the various Community institutions, since it is proving less and less possible to solve the increasingly difficult economic, employment and financial problems at national level alone. There is therefore no alternative to continued efforts to achieve coordination at Community level. Here one must repeat the recommendation made by the Committee in previous Opinions on the social situation, namely that more effective use should be made of the existing forums for the discussion of employment topics - in particular, the Standing

Committee on Employment. This will involve further efforts to improve the preparation of the Standing Committee's meetings and in particular follow-up action on the results. It is also necessary to improve cooperation and coordination of work between the Standing Committee on Employment, the ESC and the sectoral committees, which should be made more efficient.

18. In view of the growing severity of the employment problems, one must welcome the fact that the Commission is studying how more effective use could be made of the European Social Fund. Here support must at all events be given to the more concentrated use of the increasingly scarce funds for regions and groups of people that pose special employment problems. The Commission's suggestion that more funds be made available in future for training and practical assistance in small and medium-sized enterprises and the self-employed sector should also be taken up. What is crucial, however, is that the real problem regions and problem groups in all the Member States should be given equal attention in any moves to place greater emphasis on employment policy in the ESF. It is questionable, however, whether it will be possible to expand the ESF's sphere of competence to include measures for the creation and safeguarding of jobs without making provision for a considerable increase in the ESF's financial resources, as the European Parliament has proposed. At all events, steps must be taken to ensure that financing is not provided simply for measures that would have been adopted without ESF participation. The Committee may return to this point in work on the reform of the ESF. In general, however, it should be borne in mind that the ESF is not endowed with adequate financial resources for this purpose and therefore can make only a minor contribution in the field of employment policy.

19. The Committee would point out that the its own initiative Opinion on the Coordination of Labour Market Instruments (CES 187/82), which was adopted by a unanimous vote recently, contains important suggestions for national and European labour market policy, which must be put into practice straightaway.

20. In the face of the deteriorating employment situation, the Committee can only encourage the Commission to continue with its efforts in the area of work sharing. The importance of the initiatives already taken in the area of part-time work is not to be underrated, but these initiatives alone cannot get at the core of the employment problem.

It would certainly help if the Commission's initiative on flexible retirement were followed up. Experience in the various Member States has shown that voluntary early retirement can help towards improving the situation of older workers and provide additional employment opportunities for younger unemployed people (1). Some of the additional expenditure required for this purpose could be offset by the reduction in unemployment, which would lead to a reduction in the related costs.

(1) The Economic and Social Committee adopted an Opinion on this subject on 28 April 1982 (Opinion on the Draft Council Recommendation on the Principle of a Community Policy with regard to Retirement Age - CES 386/82)

21. It is also desirable to examine the implementation of the Council Resolution of 22 November 1979 on the adaptation of working time. The shortening of working hours in its various forms can help to safeguard jobs and under certain conditions can also help to create new jobs. The parties to collective bargaining in several countries have made efforts to conclude agreements to this effect. In France the reduction of the working week to 39 hours has been introduced as a general principle. In the United Kingdom the 39-hour week is now worked by 6.5 million workers, that is to say, roughly one half of all workers in industry. And in other countries the age of retirement has been lowered and more annual leave has been granted. The Committee calls on the Commission to keep a watch on further developments in the light of employment policy objectives.

IV. PROBLEMS FACING YOUNG PEOPLE - YOUTH UNEMPLOYMENT

The Committee notes that numerous groups of persons have been hit by the economic crisis. In accordance with past practice the Committee's Opinion on the Social Developments in the Community in 1981 will concentrate on certain specific issues - in this case, the problem facing young people and migrant workers.

22. The employment situation in the Community deteriorated sharply last year. Unemployment was 30% up on the previous year. By the end of 1981 there were more than 10 million registered

unemployed including some 4 million young people. Youth unemployment rose very steeply in the course of the year and this trend will continue if new measures in the employment sector are not taken straightaway.

23. The scale and special nature of youth unemployment calls for special action in the Member States and at Community level as a back-up to general economic and employment policy.

24. There must be a consensus between Governments, employers, trade unions and all other groups in society on the urgently required overall strategy for reducing youth unemployment. A reduction in youth unemployment cannot be achieved by means of temporary or isolated measures.

25. An overall strategy must be guided by the following considerations:

- Vocational training and guidance systems must be tailored to the specific requirements (interests and aptitudes) of young workers of both sexes. At the same time, the vocational guidance provided for young people should cater for the job openings which will exist on the future labour market.

- Concrete measures must be taken to prevent young people from becoming failures at school and leaving early, and ensure that the quality of the practical training provided is monitored by workers' representatives.

- Very special attention must be given here to measures designed to prepare school-leavers - both boys and girls - for working life and to ensure that young employed persons of both sexes or young people wanting to work for themselves are able to acquire occupational skills, either at their place of work or during their period of unemployment.

- The job creation schemes for young workers of both sexes should be expanded in such a way that the jobs created - including jobs with cooperatives (especially in the agricultural sector) - are commensurate with comparable jobs from the point of view of pay and other conditions.

- The creation of jobs in smaller businesses and cooperatives should be encouraged, bearing in mind too the initiatives being studied by the OECD.

26. A number of Governments have taken steps in this direction or are planning to do so. The Commission should make a systematic study of the practical effect of these measures and produce a report thereon.

27. At Community level the Commission's employment strategy has been defined and given priority in its programme for 1982-83. It provides, inter alia, for the introduction of a "social guarantee" for young people covering the first two years after compulsory education. The Commission considers that this goal can be achieved more readily than in the past by direct job-creating measures for young people between 19 and 25.

This approach is to be welcomed in principle. The Commission should, however, give substance to the plan in joint consultations with the two sides of industry and, in so doing, also indicate the financial, institutional and operational requirements for the plan's swift implementation.

These specific employment measures for young people must form part of the general Community employment strategy, which in turn is part of an economic policy geared primarily to reflating the economy and creating lasting employment.

The effectiveness of Community instruments such as the European Social Fund, the European Regional Development Fund and the European Investment Bank should also be considered in this connection. These instruments should be better coordinated and there should be closer cooperation in specific regions, in order to ensure that the funds are used as efficiently as possible.

28. Specific measures have been taken by various Governments. The main aims of the programmes have been to extend and improve training, create places for trainees, stabilize existing employment and create new jobs for young people.

There are considerable differences in the forms these measures take and the amount of financial aid given by the Governments. The French Government's "plan for the future of young people" deserves special attention because it not only seeks to ease the plight of the young unemployed in the short term, but also aims to provide permanent jobs after training.

V. PROBLEMS OF IMMIGRATION POLICY

29. The European Community's immigration policy has to distinguish between migration from one Member State to another and migration from non-member countries.

30. Within the Community there are 1.5 million workers who have migrated from one Member State to another and a further 4.5 million workers who have come from outside the Community. These workers together with their families represent a total of 9 million persons. A large number of these migrants (approximately 0.5 million) are unemployed. The national origins of the migrant communities, and the proportion which they constitute of the labour force of the host country, vary sharply from Member State to Member State. For instance, workers from non-member countries account for 7% of the workforce in Germany and 8% in France compared with less than 1% in Ireland, Italy and Greece.

31. There are considerable similarities between the problems encountered by migrants throughout the Community as regards working conditions, housing, education and training (including that of their children).

32. The whole question of immigration policy needs to be kept under review in the light of the deteriorating economic position and decreasing employment, especially for migrant workers in the Community, and the difficult economic problems in the countries from which the immigrant workers come. The Committee, however, considers that the basic principles laid down in previous Opinions (2), as regards workers migrating between Member States and workers coming from outside the Community should still stand.

(2) These include :

- Opinion on the Action Programme in Favour of Migrant Workers and their Families
(Rapporteur : Mr PURPURA)
OJ No. C 12 of 17.1.1976
- Opinion on the Combatting of Illegal Migration and Illegal Employment
(Rapporteur : Mr KIRSCHEN)
OJ No. C 77 of 30.3.1977 and
OJ No. C 269 of 13.11.1978
- Opinion on the Consultation on Migration Policies vis-à-vis Third Countries
(Rapporteur : Mr WILLIAMS)
OJ No. C 53 of 3.3.1980

The Committee notes that the present economic crisis encourages the spread of xenophobic tendencies. It urges, as it has in previous Opinions, that national and Community authorities, as well as the two sides of industry, take effective action to combat this.

33. The Committee has constantly supported equal rights for Member State workers migrating within the Community (precedence for the Community labour market), i.e. the freedom of movement embodied in Article 48 et seq of the Rome Treaty should be enjoyed by all Member State workers. These rights must not be undermined by unjustified administrative provisions.

34. Often the conditions and rights enjoyed by workers from other Community countries are not fully on a par with those enjoyed by nationals. The Member States and the two sides of industry should ensure that this situation is remedied as quickly as possible.

35. First of all everything must be done to stamp out illegal immigration from third countries. The measures to be taken should include a tighter ban on illegal labour sub-contracting and effective action against firms employing clandestine labour. The Committee will deal separately with the question of private employment agencies. In the spirit of its Opinion adopted on 23 February 1977 (3) the Committee calls on the Council to adopt at the earliest possible opportunity a draft directive on the harmonization of laws in the Member States to combat illegal migration and illegal employment.

(3) Opinion of 23 February 1977 on the Draft Directive on the Harmonization of Laws in the Member States to Combat Illegal Migration and Illegal Employment (OJ No. C 77 of 30 March 1977).

36. Political refugees are a very special category of migrants. The European Community is an advocate of human rights and in keeping with this the Member States are prepared to grant asylum to political refugees. The procedures for determining which applicants are to be recognized as refugees should be improved and speeded up.

37. The Committee thinks that all workers from third countries who have been working in the Community for a certain length of time and who want to stay here should be given the chance to remain in the host country. In order to encourage the voluntary repatriation of workers from third countries great care should be taken to ensure that the rights they have acquired in their host countries are taken into consideration and that they can obtain a training which furthers the economic development of their home countries.

38. As far as integration policy is concerned, migrant workers who want to stay in the host country must be given the chance to improve their linguistic knowledge and occupational skills. This applies in particular to migrant workers' children,

who must be given the same training opportunities as all other school-leavers. Schooling itself is a special problem, since foreign workers very often settle in areas where many other members of the same religion or speakers of the same language live already. There are many schools where migrant workers' children outnumber native children. The Committee therefore calls for the provision of adequate housing and schools, which are a major prerequisite for integration into society. The drive to integrate migrant workers should ensure that ghettos do not become a feature of society.

39. Physical planning and urban development models should be studied by the European Commission as a matter of urgency with migrant workers' housing and social problems in mind.

40. The Committee would expressly stress, however, that migrant workers must be put on an equal footing with nationals as far as possible. It would also confirm its earlier statements regarding the granting of full rights to migrant workers as members of workers' organizations (trade unions, etc.) and the gradual involvement of migrant workers in local politics. Within the framework of the constitution of his host country, each migrant worker should be free to exercise his personal rights with regard to political and religious beliefs.

41. Because of the plight of migrant workers, the Committee considers that priority must be given to meeting the demands listed above. All Member States should work together in liaison with both sides of industry to meet these demands. The Commission is called on to submit the requisite proposals. The Committee may decide to use its power of initiative in this field.

Done at Brussels, 1 July 1982.

Tomás ROSEINGRAVE

Roger LOUET

Chairman
of the
Economic and Social Committee

Secretary-General
of the
Economic and Social Committee

A P P E N D I X

to the Opinion of the Economic and Social Committee

The following amendments were defeated during the discussion :

Page 12, Point 20

Add the following to point 20 :

"and to take new and more daring initiatives to break out of the impasse as regards a re-distribution of work".

Voting

For : 31
Against : 42
Abstentions : 1

Page 19, Point 36, lines 2-3

Delete the words "for a certain length of time".

Reasons

As the sentence stands, only migrant workers who have worked "for a certain length of time" will be able to stay in the host country.

This means that all those who have worked here for less than this "certain length of time" will have to leave. On the principle that migrant workers who have been admitted to the host

country and legally worked there must be free to decide whether to stay or leave, I cannot accept a text which would endorse their expulsion.

Voting

For : 20
Against : 48
Abstentions : 4

Page 20, Point 39

Delete "gradual" in the second sentence.

Voting

For : 31
Against : 39
Abstentions : 2

The following passages in the Section Opinion were modified following the adoption of amendments tabled during the discussion :

Page 2, Point 3, first sentence

"It is realized that there are major economic and funding difficulties, generated by domestic and international pressures, so that savings must be made

somewhere if urgently needed employment measures are to be financed".

Voting on the relevant amendment

For : 37
Against : 9
Abstentions : 5

Page 18, Point 34, last sentence

"It calls on the Council to adopt at the earliest possible opportunity the Draft Directive on the Harmonization of Laws in the Member States to Combat Illegal Migration and Illegal Employment (Committee Opinion of 23 February 1977, OJ No. C 77 of 30 March 1977).

Voting on the relevant amendment :

For : 56
Against : -
Abstentions : 15

The following words in the Section Opinion were deleted following the adoption of an amendment tabled during the discussion :

Page 20, Point 39

"The Committee would expressly stress, however, that in the long term migrant workers must be put on an

equal footing with nationals as far as possible."

Voting :

For : 35
Against : 31
Abstentions : 1

European Communities - Economic and Social Committee

a) "Economic Situation in the Community (Mid 1982)"

b) "Social Developments in the Community in 1981"

2 Opinions of the Economic and Social Committee

Brussels : General Secretariat of the Economic and Social
Committee

1982 - 57 pages

DK, D, E, F, Gr, I, N.

a) The Committee Opinion on the Economic Situation describes the problems besetting economic policy-making: moderate economic growth, sluggish structural change, balance-of-payments deficits, high public debt.

The Committee feels that economic policy must be geared to the realization of certain aims and the solution of certain problems: inflation must be gradually reduced; demand and investment must be regenerated; public finances need to be consolidated.

The Committee also stresses that Member States cannot solve their problems in isolation. The Community therefore has the special task of coordinating national economic and social policies, and securing a concerted approach.

Lastly, the Committee points out that the first and foremost aim of the Community must be to combat unemployment, and that an active employment policy should be pursued to this end.

b) In its Opinion on Social Developments the Committee is worried about the deterioration in employment and the economic situation in the countries of the European Community, and stresses that even though this is so basic social welfare provisions should not be put at risk. When deciding how the necessary savings are to be made, it will be necessary to take the need for social balance into account.

The Committee also stresses the need for an active labour market and employment policy in order that unemployment can be combatted effectively. A graduated employment strategy is needed.

This Committee Opinion also devotes special attention to youth unemployment and the problems of migrant workers.

Rue Ravenstein 2
1000 Brussels

ECONOMIC AND SOCIAL COMMITTEE
Press, Information and Publications Division

Tel. 512 39 20
513 95 95

Adr. Telegrams: ECOSEUR
Telex: 25 983 CESEUR

Catalogue Number: ESC-82-008-EN