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Press Release*

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Extract from a speech by Dr. P. J. Hillery,  
Vice-President of the Commission, to the  
European Atlantic Group in the Grand Committee Room,  
House of Commons, London, February 20, 1975.

Revolution in Community Social Policy

The origins of the Community's concern with social issues are to be found in the Treaties creating the European Coal and Steel Community, and the European Economic Community. Both Treaties included a number of provisions which became the basis for the Community's social policy.

The major assumptions underlying such social actions at Community level, I think, as follows. Firstly, it was assumed that economic progress should constitute the major aim of the Community in its early stages since such progress would automatically bring social progress in its wake. Secondly, concrete social measures at Community level were only felt to be needed where the free movement of goods, services or labour might be impeded by inconsistent social provisions.

Most of the main concerns of Community social policy during the late 1950's and 1960's reflected these assumptions. There were for instance :

- Measures linked closely to the promotions of the free movement of labour, such as the measures to protect the social security rights of workers moving from one Community country to another;
- Manpower training and adaptation under the provisions of the ECSC Treaty and the original European Social Fund created under Article 123 of the Treaty of Rome, measures which in practice attempted to "Pick up the pieces" after industrial change had produced employment casualties.

It would, however, be wrong to give the impression that Community social policy during this period was entirely dominated by economic concerns. Many people, both inside the Commission and outside, particularly in the trade unions, sought to make the European Community into a positive instrument for improving the standard of living and working conditions of the whole Community population. Concrete progress was also made within the framework of the Coal and Steel Community, for example, in the field of industrial safety and with the housing of mineworkers.

Towards the end of the 1960's, and in the early 70's, a number of factors were at work to bring about a significant shift in the orientation of Community social policy. There was the growing awareness that economic growth is not an automatic catalyst for social progress - that such growth creates problems as well as solving them. There was increasing recognition that if social policy is to be a mere after-thought to economic policy, social policy is doomed to play an 'ambulance' role with little scope for preventive action. There was the fact that the 'Customs Union' side of the Community had been more or less completed creating a need for new policy initiatives to sustain the impetus of European integration. Finally, there was the growing recognition that the peoples of Europe, particularly the younger generation, were largely indifferent to the commercial aspects of the Community, placing more store by its potential for social development.

We saw a far more comprehensive view of social policy emerging from the summit meeting held in Paris in October 1972, prior to the enlargement of the Community. At that summit the heads of government speaking for the Community declared that economic expansion is not an end in itself. Its first aim should be to enable disparities in living conditions to be reduced. It must take place with the participation of all the social partners. It should result in an improvement in the quality of life as well as in standards of living.

In more specific terms the 1972 Paris communiqué went on to charge the Commission with the preparation of a Social Action Programme, which was accepted by the Council of Ministers in January, 1974, together with the European Social Fund.

### Social Action Programme

The Social Action Programme presents a coherent framework for Community policy in the social field. The three overall objectives are :

- full and better employment,
- improved living and working conditions,
- greater participation in economic and social decisions.

The Council of Ministers has already adopted a number of proposals submitted by the Commission last year. These include two important pieces of social legislation :

- the "Mass Dismissals Directive" establishing minimum standards for consultation and negotiation between management, public authorities and employees, prior to any large-scale redundancies,
- the "Equal Pay Directive" designed to tighten up the application of equal pay by providing certain legal and financial guarantees for women contesting discrimination.

Three new Community foundations will encourage cooperation and research into improved industrial safety, vocational training and other long-term aspects of living and working conditions. Within the Social Fund extra resources have been set aside for action on behalf of handicapped people and migrant workers and their families.

A new batch of major proposals has recently been submitted to the Council and we hope that during the next few months agreement will be reached on these. Among the topics they deal with are :

- Poverty : (The Commission has drawn up a programme of pilot projects to develop greater awareness of the problems of chronic deprivation),
- Migrants : (The Commission has suggested a series of actions to improve the social situation of migrant families and to develop a common Community approach to immigration),
- Women at work : (The Commission has proposed a new directive to end all forms of legal discrimination and has put forward recommendations on how to abolish the more intangible forms of social discrimination),
- Labour conditions : (Proposals on minimum standards for working hours and holidays and legal protection for employees in firms threatened with take-over bids).

### The Employment Crisis

The Commission has never proposed the transfer to Community level of those responsibilities and functions carried out more appropriately at other levels.

However, there are some problems which must be dealt with on the widest possible base and the number of these grows with the increasing interdependence of our economies. The present economic situation illustrates this well. From the point of view of employment, the current crisis has been seen primarily as a slowing down of economic activity, but the crisis is affecting the various industrial sectors unequally. These new structural problems have come on top of existing problems in declining industrial areas which were the result of longer term structural trends.

Within the European Community, the impact of the crisis varies considerably in each country - according to the degree of energy dependency - and the state of the industrial structure and its flexibility. It is possible to identify those sectors where growth will level out, but it is not yet clear which sectors will emerge as areas for expansion as soon as the economy picks up again.

In spite of this uncertainty, it is clear that the member states should work together to develop a common strategy for the redevelopment of activities and resources. The Commission, in actively promoting the co-ordination of employment policy, emphasises the need to involve employers and trade unions closely in the process of elaborating common guidelines. The meeting of the standing committee on employment on Monday, bringing together the ministers of labour, and the European federations of employers and trade unions, was an important example of this process of consultation, which must be an increasingly important characteristic of Community activity in the social policy field.

### Forms of Community Action

The instruments of Community social policy are still limited. Social legislation at Community level is appropriate only in exceptional cases, given the diversity of the social structures in the Community. Directives can be used to establish certain minimum legal standards. A classic example is the case of equal pay whereby member states voting unanimously agreed to exact their own national legislation to achieve specified results.

The Community also acts as a valuable clearing house for ideas, encouraging the spread of new techniques. This is done in various ways, by recommendations, by promoting and coordinating research, by organising pilot projects.

Furthermore, the Community offers financial incentives. The funds currently at its disposal are small in comparison with the vast sums spent on social benefits and social infrastructure at national level. Nevertheless they do serve as a valuable catalyst - highlighting specific types of action which might otherwise be neglected by member states, or subsidising projects which form part of a wider Community strategy. This applies most particularly to the Social Fund in its role of promoting a Community employment policy.

### Social Fund

The new emphasis which the Community places on social policy, particularly employment policy, is best illustrated by the growth of the Social Fund Budget. Between 1960 and 1968, the "old" Social Fund spent a total of £25 million in support of training activities in the original Six. In 1974, the new ESF budget was £137 million, and the fund will spend at least £157 million in 1975, representing about 7 % of the total Community Budget.

This money is spent in the form of grants towards projects submitted via member governments by both public and private bodies. The projects are closely examined on the basis of specific criteria and then grants are awarded by the Commission after extensive discussion with the representative of employers, trade unions and governments in the Social Fund Committee. As with all the other financial grants made by the Commission, assistance from the Social Fund is aimed at specific groups of people in specific areas and industries. It is intended to facilitate a particular type of social adjustment.

### Reflections on the Future

Since 1945, governments throughout Western Europe have introduced policies to deal with a wide range of economic and social problems - policies designed to protect individuals and promote their economic and social wellbeing in a variety of ways that would have been unthinkable before the last year.

Both the extent and nature of this public intervention in socio-economic affairs have, of course, differed substantially as between the member states of the Community. Thus the UK has developed a comprehensive array of social measures covering the fields of employment, housing, social security, health and education. Other member states have placed most emphasis upon providing the socially deprived with at least a minimum level of social security - 'safety nets' for those in need. We also see significant difference in the

nature of public intervention. The UK has built up a large stock of publicly-owned housing and has adopted public funding of its health service. In West Germany, on the other hand, the emphases have been on provision of incentives to individuals to build their own homes and on compulsory health insurance via a choice of private insurance companies. However, the growth of public intervention in socio-economic affairs has been inexorable throughout the Community. As a consequence, many individuals now look to the state, first and foremost, as being the guarantor of their social welfare.

As long as the Community was experiencing a rapid rate of economic growth, the growth of state intervention in social affairs together with its budgetary implications proceeded largely unopposed. Indeed, there was, I think, a general consensus in favour of a more dynamic, interventionist state role in social affairs. Sufficient additional resources were being created to permit large (by historical standards) increases in both private and public 'consumption' of goods and services, including social services. However, the serious economic recession through which all member states are now passing and the prospect of somewhat slower economic growth over the medium-term is going to force us to think more deeply than hitherto about the implications of the social developments set in train since the war.

I see the basic problem as follows. The total Community resources available for private and public consumption, for investment and exports will grow little if at all during 1975 and more slowly than we have been used to in the years immediately thereafter. On the other hand, rising expectations and the spiralling costs of the social measures already implemented are placing increasing demands on the resources available. Rapid post-war growth, the spread of education on a large scale and the wider dissemination of information via the mass media have produced a West European society which has rapidly rising expectations about living standards and the quality of life. The great majority in the Community now aspire to things which have hitherto been the preserve of a privileged minority - steadily rising real incomes, secure jobs, comfortable working conditions, home ownership and so forth. At the same time we are witnessing the semi-automatic way in which the costs of existing welfare measures rise in real terms in the face of an increasing number of claimants as well as more articulate demands for improvements in per-capita welfare standards. In short, large and growing numbers within the Community want to increase their consumption of private and public goods and services which, under conditions of no-growth or slow-growth, means the maintenance or expansion of their share of the cake.

In the light of these developments, I think you will agree that the broad consensus which has hitherto fostered the growth of social welfare expenditures as part of the general raising of living standards threatens to come under strain during the next few years. Signs of the strains produced by competing claims on limited resources are already emerging - the problems we are now facing in reconciling near-full employment with price stability, the deterioration in standards of some public services such as transport, and the erosion of the financial independence of local or regional authorities from central governments are just three examples which are unrelated on the surface, but which can, I think, be traced back to the basic problem of increasingly ambitious socio-economic objectives and limited means.

## Conclusions

What conclusions can be drawn from these reflections about the issues facing those of us concerned with social policy? I should like to suggest three - two of a general nature and one concerning the role of the Community in particular.

Firstly, and perhaps most important, I think we have to bury once and for all the idea that there is any clear dividing line between the economic and social policy responses to the kind of problems facing our societies over the next few years. I have said enough, I hope, to indicate that I do not attribute strains to which West European societies are now being subjected simply to the rise in oil prices, mismanagement of the money supply or some other purely economic factor. I am convinced that social policies dealing with matters such as job security, worker participation, the distributions of income and wealth, and living conditions have a fundamental role to play in overcoming what we choose to call our current 'economic' problems.

Second, the situation we face is going to force us to re-appraise the scale and nature of public intervention in social affairs - not with a view to concluding that such intervention is 'too great' or 'too little', but with a view to strengthening the consensus within our societies about an equitable balance between private and public consumption, with a view to concentrating the welfare resources available on the areas of greatest social deprivation and with a view to using social policy to prevent or remedy social problems rather than simply alleviate the most obvious hardships to which they give rise.

Finally, we should recognise that we are not dealing with socio-economic problems which are peculiar to one country but with problems which are, to a greater or lesser extent, common to all nine member states of the Community. A major preoccupation of the Community over the coming years will be to understand and seek to remedy these common socio-economic problems without, however, in any way seeking to impose common solutions against the wishes of individual member states. The mere act of coming together at Community level can avoid a situation in which social expenditures in the member states are 'bid-up' against each other instead of being determined in the light of real social needs. We all have a great deal to gain from a Community approach to social policy.

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