

No. 10/1973

April 19, 1973

BACKGROUND NOTE

E U R O P E ' S   S O C I A L   S I T U A T I O N

Much has been said about the European Community's plans for economic and monetary union by 1980. Few realize that the nine EC member governments, as stated at their Paris "Summit" last fall, "attach as much importance to vigorous action in the social field as to the achievement of economic and monetary union."

By the end of this year the EC institutions, in consultation with labor and management, will have drawn up an action program for a comprehensive Community-level social policy. In the words of the Summit communique, "this program should aim, in particular, at carrying out a coordinated policy for employment and vocational training, at improving working and living conditions, at closely involving workers in the progress of firms, at facilitating on the basis of the situation in the different countries the conclusion of collective agreements at European level in appropriate fields, and at strengthening and coordinating measures of consumer protection."

The necessary starting point for such a program includes an analysis of the past and present social situation in the Community. The Commission of the European Community recently released a report on the social situation.

#### Inflationary Trends

The report says that rising prices throughout the Community last year had an inevitable impact in the social area. Family living standards suffered due to higher consumer prices, especially in those member countries in which family allowances are not geared to costs of living. In France and Germany, however, government policy for offsetting the cost of family responsibilities is becoming more "socially enlightened."

Inflation also had a negative effect on housing: both building and land cost more. Nevertheless, 1,573,300 houses were completed in the Community in 1971 (latest available statistical year) -- 97,800 more than in 1970. Moreover, the member governments are taking actions to encourage the rationalization of construction methods to offset increased building costs.

Workers in the Community did not, for the most part, have to feel the pinch of wage-controls to combat inflation. Instead, the member governments cooperated in such ways as cutting back on public expenditure. Wages in at least three countries -- France, Germany, and the Netherlands -- are progressively being supplemented by asset-ownership schemes for employees.

Total unemployment in the EC rose from 1.4 million in 1971 to 1.6 million in 1972, potentially offset by 750,000 job vacancies. The main problem appears to be one of structural disequilibrium; the European System of Distribution of Vacancies and Job Applications (SEDOC) is expected to be made more effective in 1973.

#### Employment benefits

Other developments in the labor field include stepped-up vocational training programs and a Commission proposal to coordinate member states' policies for the migration of foreign workers. This year, important first measures will be taken toward gradually implementing a common vocational training policy throughout the EC, and social services for foreign workers are receiving increasing attention.

Long a leader in social security, the EC member states continue to extend its benefits and scope. Last year Germany introduced sickness insurance for farmers. Italy extended social security to domestic servants. The EC Council of Ministers is studying a Commission proposal for a comparative examination of social security problems through the European Social Budget.

The Commission has also submitted to the Council two reports on environmental policy, which include a Community approach to public health and environmental hygiene. Community and national measures for industrial safety are increasingly supplemented by "grassroots" action for preventive measures at the place of work itself.

In the wake of the Paris Summit, the Commission held discussions with employee and employer representatives to encourage participation in the EC decision-making process, not only in the social area but also in the context of economic and monetary union. The Commission has taken action to encourage worker participation through proposals for employee representation at management level and for the harmonization of rules on collective dismissals by multinational firms.

#### The Social Fund

The key to the EC's developing social policy remains the Social Fund, which is expected to assist approximately 70,000 workers in 1973. The Fund has a budget this year of 240 million units of account (one u.a. is equivalent to one 1970 dollar).

The Fund may intervene in any EC decisions that may affect or threaten to affect employment. It may also intervene when asked to help employment in less developed regions or in declining industries. In human terms, the Fund helps unemployed workers learn new jobs and helps the handicapped acquire useful skills.

Two recent Council decisions have expanded the Fund to assist agricultural workers wishing to leave farming and textile workers thrown out of jobs. The resources and activities of the Fund are keyed for continued expansion.