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Report

drawn up on behalf of the Committee on Social Affairs and Employment

on the proposal from the Commission of the European Communities to the Council (Doc. 1-370/80) for a regulation on assistance from the European Social Fund to provide income support to workers in the shipbuilding industry

Rapporteur: Mr F. VAN DER GUN

By letter of 9 September 1980 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the proposal for a Council regulation on assistance from the European Social Fund to provide income support to workers in the shipbuilding industry.

On 15 September 1980 the European Parliament referred this proposal to the Committee on Social Affairs and Employment as the committee responsible and to the Committee on Economic and Monetary Affairs and the Committee on Budgets for their opinions.

On 30 September 1980 the Committee on Social Affairs and Employment appointed Mr Van der Gun rapporteur.

It considered this proposal at its meeting of 28/29 October 1980 approved by 14 votes to 0 with 2 abstentions.

Present: Mr Van der Gun, chairman and rapporteur; Mr Peters and Mr Frischmann, vice-chairmen; Mrs Baduel Glorioso, Mr Ceravolo, Mrs Dekker, Mr Estgen, Mr Henckens (deputizing for Mr Nordlohne), Mrs Herklotz (deputizing for Mr Sarre), Mr Van Minnen, Mrs Tove Nielsen, Mr Oehler, Mr Prag, Mrs Salisch, Mr J.D. Taylor and Mr Vernimmen (deputizing for Mr Dido).

The opinions of the Committee on Economic and Monetary Affairs and the Committee on Budgets are attached.

The explanatory statement to this report is to be given orally.

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The Committee on Social Affairs and Employment hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposal from the Commission of the European Communities to the Council for a Regulation on assistance from the European Social Fund to provide income support for workers in the shipbuilding industry

The European Parliament.

- having regard to the proposal from the Commission of the European Communities to the Council (COM(80) 410 final)¹,
 - having been consulted by the Council on 8 September 1980 (Doc. 1-370/80),
 - having regard to the report by the Committee on Social Affairs and Employment and the opinions of the Committee on Economic and Monetary Affairs and the Committee on Budgets (Doc. 1-553/80),
1. Recalls its resolution of 13 June 1974², in which it supported the proposal for a decision at that time on aid from the ESF for workers in the shipbuilding industry and asked for the aid to be extended to dependent sub-contractors;
 2. Draws attention to the Council's own resolution of 19 September 1978, in paragraph 4.2 of which it 'requests these public authorities to lay particular stress on the creation of new jobs in conjunction with those progressively lost in the shipbuilding industry and urges them to limit the social consequences for those workers affected by reduction in the industry's activity'³;

¹OJ No C 218, 26.8.1980, p. 16

²OJ No C 76/74, that of 14.2.1980, OJ No C 59/80, also concerning the shipbuilding industry

³OJ No C 229/78, p. 1

3. Welcomes the fact that since 1974, and in particular since the entry into force of Directive No 78/338 on economic aid to the shipbuilding industry¹, the Commission of the European Communities has not hesitated to link social aid to economic aid;
4. Approves this proposal unreservedly, both the legislative part and the factual and legal justification that precedes it;
5. Regrets that the Council has failed to adopt a coherent general industrial restructuring policy of which social schemes such as this one would form part;
6. Agrees that the aid in question should be granted primarily within the framework of the EEC Treaty to the shipbuilding sector as this has already in past years received assistance, for example, from the Community's Regional Fund² and is also closely connected with the ECSC sector, in respect of which the Commission of the European Communities already has experience in the field of income support;
7. Strongly urges the Commission of the European Communities, as soon as it has acquired some experience with the effects of this regulation, to consider whether it should be extended within the shipbuilding sector itself or to other sectors;
8. Urges the Council, with reference to the appropriations which have remained unused under Item 512 of the Community budget since 1979, to implement this proposal before the end of 1980.

¹OJ No. L 98/78, p. 19

²cf, report on the shipbuilding sector, COM(80) 443 final, p. 22 and, in particular, Regulation No. 2617/80, OJ No. L 271/80, p. 16

OPINION OF THE COMMITTEE ON ECONOMIC
AND MONETARY AFFAIRS

Draftsman: Miss N. FORSTER

On 23 September 1980 the Committee on Economic and Monetary Affairs appointed Miss N. Forster draftsman of the opinion.

At its meeting of 28/29 October 1980 the committee considered the draft opinion and adopted it unanimously.

Present: Mr Delors, chairman; Mr Beazley, presenting the opinion in the absence of the draftsman; Mr Beumer, Mr von Bismarck, Mr Bonaccini, Mr Delorozoy, Mr I. Friedrich, Mr Herman, Mr Hopper, Mr J. Moreau, Mr Turner, deputizing for Miss Forster, Mr Wagner, Mr Walter, Mr von Wogau.

Summary of proposal

1. This proposal from the Commission would extend the scope of the Social Fund with regard to accompanying social measures to be taken in the context of the restructuring of the shipbuilding industry. The proposed new form of Community aid would provide income support for elderly workers losing their jobs as a result of industry restructuring, and who would find it particularly difficult to be retrained and to find new jobs. They would therefore be able to stop work before pensionable age under acceptable conditions, while a considerable number of other vulnerable jobs would be protected. A more orderly process of restructuring could thus be ensured.
2. The proposed aid would be limited to workers of 55 and over engaged in new ocean-going merchant vessel construction. The programme would be of an experimental nature and of limited duration. The Commission estimates that from 2,000 to 3,000 persons would be affected, and that the cost of the programme over the 1980 and 1981 financial years should not exceed 11 million EUA.

seriousness of situation in the sector

3. In the resolution that it adopted in February 1980, the European Parliament approved the designation of shipbuilding (along with man-made fibres) as a sector eligible for Community assistance. These were the first two sectors designated for assistance under the Commission's proposed more general framework for industrial restructuring and conversion. Parliament thus acknowledged the seriousness of the current situation in the shipbuilding sector.
4. The outlook for the sector is still poor, at least in the short term. In the explanatory memorandum to its proposal, the Commission states that "it is possible that the jobs of some 30,000 people in the shipbuilding industry will be under threat in 1980 and 1981" (page 3).
5. A more detailed analysis of the current situation is provided in the Commission's latest "report on the state of the shipbuilding industry in the Community" (COM(80) 443/fin.). This points out that there were signs of a recovery in the Community shipbuilding industry in 1979, that the Community held on to its share of the market and that there was an increase in the number of new orders. Nevertheless, even in this "good" year, 22,000 jobs were shed in non-military new building within the Community.

6. The same report goes on to state its belief that underlying trends are still unpromising and that a shortfall in activity is still predicted to last until around 1984-1985. In the short term the level of new orders is likely to be depressed "until 1981 at least, except perhaps in certain fairly limited segments of the market" (page 17). "Given the prospect of a very low rate of growth and the disparity between competitive positions on the world market, it is possible that the volume of new orders received by the Community industry will continue, at least in 1980 and 1981, at a very low level of some 2 to 2.5 million Cgrt." (page 16)

The need for Community action

7. All this indicates the importance of a coordinated Community action in this area, using in an integrated way the various possibilities of assistance open to the Community.
8. The Social Fund is clearly one such instrument, and it should play an important role in this sector, since the necessary restructuring must be accompanied by a number of social measures if the period of transition is not to be too abrupt and the social costs too great. Among these measures should be aid for vocational training and aid to help increase mobility in general. The Commission's latest report on the state of the industry indicates that the Social Fund has indeed received applications for contributions towards assistance of this kind, and that it is giving sympathetic consideration to these applications.
9. The Commission's proposal for assistance towards income support for workers in the shipbuilding industry, intended as a temporary and experimental measure, would seem to fit in well within this context and should, therefore, be approved.
10. Nevertheless, the Committee on Economic and Monetary Affairs, while it approves this specific proposal, wishes to point out the importance of it being linked to other Community measures to help mitigate the crisis in the shipbuilding industry, since the record of achievement since the Council adopted its resolution on 19 September 1978 (OJ No. C.229) on the reorganization of the shipbuilding industry is not very encouraging.
11. A number of important proposals have recently been made by the Commission, a proposal for Community assistance towards investment in the restructuring or conversion of the shipbuilding industry

(Doc. COM(78) 769), a communication from the Commission to the Council concerning a counter-cyclical scrap-and-build scheme which would help to increase the level of new orders (COM(79) 446) and, finally, a proposal for a Council Regulation instituting a specific Community regional development measure in certain zones adversely affected by the restructuring of the shipbuilding industry (COM(79) 540), which, since the loss of jobs in the shipbuilding sector has particularly marked regional effects, is intended to help overcome constraints on the development of new economic activities in such areas.

12. Unfortunately the Council has only acted on the last of these proposals.
13. As regards assistance for industrial restructuring, the Council has still not adopted the framework regulation for all such sectoral interventions by the Community. The Parliament has already given its strong support to the concept of such a regulation. As regards the very limited appropriations that were available from the Community budget for specific sectoral interventions, the Commission eventually used the appropriations that were carried over from the 1978 budget until the end of 1979, but only in the synthetic fibres sector, and not in the shipbuilding sector. Although the Council eventually gave its approval this was an unsatisfactory and ad hoc procedure.
14. Finally, the scrap-and-build proposal is controversial, and is encountering opposition at Council level.
15. The necessary integrated approach is thus far from being achieved. A proper Community industrial sectoral policy from which the shipbuilding industry would be a major beneficiary, needs to be developed, and given adequate means. Coordinated use needs to be made of all available Community instruments, including the ones mentioned above, as well as the resources of the European Investment Bank and the new Community loan mechanisms.
16. Community policy towards aids can also play a useful role. In this context it is encouraging to note that, in its latest proposal for a Council Directive on aid to shipbuilding (COM(80) 461 fin.), the Commission has included a new article concerning aid to deal with the social and regional effects of restructuring (Article 5 of the proposal) which states, inter alia, that "the Member States and the Commission shall cooperate to deal, so far as possible, with the social and regional consequences of restructuring of the shipbuilding and ship repair industries". Aid to this end could thus be considered compatible with the Common Market. This would seem a useful addition to Community rules on such aids.

17. One final point might also be emphasized, looking perhaps at the longer rather than the short term. In this proposal for aid to income support, the Commission is clearly treading on delicate ground since Social Fund aid may not be granted for social security benefits. The Commission points out that, while this is not normally the case, aid of the type covered in this proposal (income support payments in the case of involuntary redundancy) may occasionally be covered by social security. The Commission goes on, however, to make a strong argument in favour of a partial exception to the normal rule even in such exceptional cases.
18. Looking further into the future, however, greater Community involvement in this type of action may well be desirable, going beyond the rather limited precedents cited by the Commission.
19. Recently there have been suggestions that a fund for temporary lay-offs needs to be created. Going well beyond this the so-called MacDougall report (Report of the Study Group on the Rate of public finance in European Integration - Economic and Financial services - No. A 13 - April 1977) points out (page 16) that there may well be major advantages in a "Community Unemployment Fund on the lines suggested in the Marjolin Report under which part of the contributions of individuals in work would be shown as being paid to the Community and part of the receipts of individuals out of work as coming from the Community", and that this "need not necessarily involve any increase in total public expenditure or contributions to the Community as a whole".
20. A more innovative look at the Community's role in this area may well be necessary in the future.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee to Mr VAN DER GUN,
chairman of the Committee on Social Affairs and Employment

Strasbourg, 18 November 1980

Subject: Opinion of the Committee on Budgets on the proposal for
a regulation on assistance from the European Social Fund
to provide income support to workers in the shipbuilding
industry (Doc 370/80)

Dear Mr van der Gun,

At its meeting of 18 November 1980 the Committee on Budgets discussed the abovementioned proposal for the introduction of a new kind of support to maintain the income levels of older workers who lose their jobs as a result of restructuring measures in the shipbuilding sector.

This initiative is provisional in nature and is limited in time to the 1981 financial year. The proposal should be seen in the framework of the restructuring and reconversion measures in industry for which Parliament expressed its support in its resolution of 26 April 1979 (OJ No C 127, 21 May 1979).

This is not the first time that the Commission has proposed taking up funds in the budget for a measure of this kind. The 1979 budget already contained 5 m EUA in Chapter 100. This amount was transferred to Article 512 'Consequences of industrial conversion' but could not be disbursed.

This is an important precedent since the Commission intends to finance the measures for workers leaving shipbuilding in the course of 1980 from funds carried over from the previous year (provided that the regulation is adopted in time). For 1981 the Commission proposes the inclusion of payment appropriations amounting to 6 m EUA in Article 512 and that this money should be divided equally between 1981 and 1982. These amounts figure in the preliminary draft budget for 1981.

In view of the attitude already expressed by the European Parliament on this matter and of the experimental and temporary nature of the proposal, our Committee believes that it can give a predominantly favourable opinion. It calls on the Committee on Social Affairs and Employment to exert pressure on the Council to ensure that the implementation regulation is adopted as quickly as possible and that authorised appropriations do not again have to be carried forward.

The question of extra staff to administer the allocation of this new kind of support (one category B post and two category C posts) is, on the other hand, astonishing. Minimal though this request is, it is impossible to understand why the Commission has to create new posts for measures which will presumably cease next year. The Committee on Budgets has therefore decided to discuss any requests for increases in staff in the context of the consideration of the 1981 budget.

Yours sincerely,

Harry A.C.M. NOTENBOOM

Present: Mr NOTENBOOM, vice-chairman and acting chairman; Mr SPINELLI, vice-chairman; Mr ADONNINO, Mr ARNDT, Mr BAILLOT, Mr BALFE, Mrs BOSERUP, Mr DANKERT, Mr FORTH, Mr GOUTHIER, Mrs HOFF, Mr HOWELL, Mr R. JACKSON, Mr LANGES, Mr MEGAHY (deputizing for Mr O'LEARY), Mr MOTCHANE, Mr NEWTON-DUNN, Mr K. SCHON, Mr J.M. TAYLOR, Mr TUCKMAN and Mr WOLTJER (deputizing for Mr LANGE)

