

INFORMATION

S O C I A L P O L I C Y

WHY A NEW SOCIAL FUND ?

16/72

The European Social Fund, after ten years' operation, came out with a new look on May 1, 1972.

The transformation reflects a change in the background. In 1958, the Common Market was only a hope, and had scarcely begun to influence the structures of member countries. In 1972, it is an essential part of economic growth, and there is no sector of economic and social life which does not bear its deep imprint.

The Community Council, when it decided in 1971 to form an Economic and Monetary Union, was pronouncing in favour of balanced economic growth, which implied a desire to equip itself with adequate instruments to ensure that nobody should be left aside in the march of progress.

As in the past, the assignment of the Fund, in its new form, is to promote within the Community, employment opportunities and the mobility, both geographical and vocational, of the workers; but the instrument has been adapted to the needs of the time.

What was yesterday a simple inter-State equalisation fund, for the sole benefit of unemployed workers, has now become an active element in employment policy. Its resources have been increased and its mandate enlarged, so that it can contribute to the best possible utilisation of the whole working population, subject to a framework of priorities laid down at Community level.

In the initial phase (September 1960 - December 1971) the aid granted by the Fund amounted to 210.36 million units of account (UC)¹⁾. The Fund's

1) The unit of account, or UC, is equivalent to the pre-Nixon dollar. At the time of this writing (April 1972) it is equivalent to \$ 1,08571 US or 41,6667 pence stg.

budget for 1972 provides for an outlay of UC 97.75 million. This is a transition year, and the estimates cover UC 42.7 million for the new Fund and expenditure of UC 55 million for the old.

The main intervention sectors

Economic growth and social progress must go hand-in-hand. The first objective cannot be attained to the detriment of the second, but should result rather in the sum-total of human resources being used and developed as parts of a single system.

This is why the governments of the member countries have not curbed the action of the new fund by restrictive definitions, but limited themselves to considering exclusively the social impact of Community policies

Two types of intervention are planned. The first consists essentially of action required as a result of decisions taken by the Council. The need for this will arise when Community policies affect, or threaten to affect, the level of employment. It will also arise when specific joint action is required to coordinate the supply of, and the demand for, labour inside the Community. Such interventions are the subject of Article 4 of the Council decision of February 1, 1971.

The second type of intervention is not specifically linked with decisions of the Council, but seeks to correct a number of unsatisfactory employment situations, especially in backward or declining regions, and in industries particularly concerned with technical progress. During the first five years of the new Fund's activities, half the available money will be set aside for aid in this category. In these allocations, a certain priority will be given to the elimination of unemployment in backward or declining regions, to which will be allocated 60 % of the total appropriation for interventions of the second type. Interventions in this second category are dealt with in Article 5 of the Council decision above mentioned.

In both these categories, the field of application for the aid has been appreciably extended. The new types of aid will be available not only for the readaptation and reinstallation of workers, but also to help defray the cost of setting up vocational training centres in backward regions and,

under certain conditions, to cover expenditure by workers who have had to change their place of residence in adapting themselves to their new environment. Aid will also be available to help certain categories of working people to obtain vocational qualifications (e.g. handicapped persons); to maintain their previous wage level (e.g. older workers obliged to re-train or to find a job); women over 35, who wish to take up jobs for the first time, or after a period of interruption which has out-dated their previous experience; and young workers under 25, unemployed due to lack of qualifications or with qualifications not suited to the demand.

The new Social Fund is not solely concerned with full employment, but will also be taking part in the struggle against under-employment. It is therefore not only the unemployed who will have the benefit of its aid; but this will extend to any worker who, within the scope of arrangements laid down by the Council, has to adapt or improve his vocational knowledge, or to change his residence for the sake of a job.

Part of the Fund's work, therefore, will be aimed to correct conditions which actually exist; but its principal and permanent objective will be to support Community policies and ensure, throughout the Community, the best possible equation between the supply of jobs and the demand for them. Once the initial corrective, or catching-up operation has been completed, it is to this that the main part of the available resources will be assigned (Article 4 of the Council decision quoted). The task is comprehensive and delicate in an industrial society which is for ever changing, and in which the sustained pace of innovation inevitably produces counterpart reactions in the social field. In the strategy of movement, which is the law of enterprise, the worker will be required with increasing frequency to adapt himself to the behests of the production system; and this he cannot do unless he is assured of help from public authorities which alone are competent to foresee and organise the action needed to secure enough mobility of the labour resources, whether from place to place or from industry to industry.

Herein lies the direct responsibility of the Community institutions. The modernisation of agriculture, or the progressive opening up of the market to goods from outside sources (to give only two examples), will have their effect on the level of employment. The new Social Fund will

have several lines of action. It will be able, if necessary, to help in the adaptation of workers, even within a single industry, or in the transfer of part of the working population from one production sector to another. It will help, too, in the promotion of workers, enabling them to keep their skills up-to-date.

How will Social Fund policy be implemented ?

Intervention by the Council is required on any question of easing the adaptation to Common Market conditions of specific regions, economic "branches" or groups of firms; or of anticipating or neutralising the impact on employment of Community measures or complying with their requirements.

Under the first heading the Council has issued a regulation (No. 2396, dated November 8, 1971) defining the type of operation which may receive aid from the Fund. In general, the Fund is authorised to intervene in cases of serious and prolonged imbalance of employment, or in which employment is affected by a considerable reduction in the number of eligible workers, due to the demands of technical progress or to important changes in production or marketing conditions.

In the second case, the Council may authorise Fund intervention by a decision ad hoc, as required. In this case its decision requires a qualified majority vote on a proposal by the Commission, which may make it on its own initiative, or at the request either of the Council or of one or more member governments.

The formal decision by the Council is to specify the field open to Fund intervention, and the types of aid towards which it may contribute; and to determine where necessary, the categories of persons other than wage earners in whose favour the Fund may intervene.

Who may apply for aid from the Fund ?

Under the old system the private sector was ignored. The Fund intervened solely in projects undertaken by public authorities.

Because of the magnitude of the structural changes which may lie ahead, this distinction has not been continued. There is thus a

prospect of opportune cooperation between the public and private sectors; and this has been officially sanctioned by the regulation which governs the application of the new Social Fund.

The initiative may, therefore, come either from the public and related sectors (administrations, public bodies, joint social organisations with responsibilities of general interest), or from the private sector.

The Fund's intervention procedure, however, differs according to the character of the organisations which benefit from it.

When the operations are directed by a public authority or quasi-public body, the Fund covers 50 % of its expenditure commitments. When the initiative comes from a private organisation, the national public authorities are required to guarantee the execution of the project and to bear part of the cost. The Fund will contribute in the same proportion as the public authorities concerned, it being understood that part of the cost must fall upon the private organisation itself.

The only exception to this pattern for the public financing of private projects, concerns non-profit organisations which, by their Articles of Association, exist for the purpose of vocational training. In these cases the financing may be taken over in its entirety by the Fund and the public authorities, each covering half the expenditure.

In the absence of agreement on what is meant by a "public authority", the member States have agreed to inform the Commission of the administrations and organisations in their countries which they have authorised to participate in financing operations organised by the private sector.

This list will be published in the Official Journal of the Community.

What is the procedure for securing aid from the new Social Fund ?

Briefly, requests for aid from the Fund must be sent to the Commission by member governments, in accordance with the methods fixed by each of them, and published in the Official Journal. The

Commission has then to consult the Fund Committee, and will approve the applications, subject to their compliance not only with the relevant regulations, but also with the general policy and objectives of the Community, and subject to the money available and the priorities for backward or declining regions. The contribution from the Fund is paid out as the operation is carried out.

Who benefits from the aid ?

The scope of the Fund has been enlarged. Before the reform it was only empowered to intervene in favour of the unemployed, or under-employed, seeking wage-earning employment.

Since then, there have been two important relaxations in these criteria. Aid from the Fund may now be granted to anybody of working age, on condition that he or she be required to accept a wage-earning appointment.

Secondly, the Council may now authorise aid from the Fund to certain categories of independent workers. By Article 5 of the decision quoted, it has already determined the categories which may benefit from this. They are non-wage-earning workers in agriculture, and persons classified as handicapped.

Those who may benefit from operations financed under Article 4 of the same decision, will be specified in the relevant ad hoc decisions mentioned above in the paragraph dealing with the implementation of Fund policy.

Will the whole category of independent workers ultimately come within the scope of the Fund ? All that can be said at present is, that there is no objection of principle to this extension, since the new Fund is no longer reserved exclusively for persons seeking a wage-earning job.

What type of aid may the Fund finance ?

Once the principle of Community solidarity was broadly accepted, in dealing with the social consequences of structural economic changes, and the difficulties of specific regions, the next step was to decide how it should be made effective.

This is what the Council has done, first by laying down the basic guide-lines with which aid must comply; and secondly by compiling, conformably to these guide-lines, a first list of the aids to which the Fund may contribute.

There are six of these guide-lines. They deal with the following points - vocational training; geographical mobility; temporary maintenance of income; vocational guidance; access to employment; and various aids to employment in backward regions.

To establish a complete catalogue of eligible aids within these guide-lines, would have been to prejudge economic and social trends which are essentially dynamic. As a beginning, therefore, the Council adopted only an initial list to deal with the known requirements of today. It can at any time be changed on a simple proposal by the Commission to deal with future developments.

The interest attaching to the list consists mainly in the very flexible and realistic conception of the worker's readaptation.

Thus, the eligible aids are not exclusively for workers who are forced to move (geographical mobility) or recycle their careers (vocational mobility). They also cover the training of teachers, the creation of an educational infrastructure and the social and linguistic integration of workers and their families into their new environment. They are grouped under three headings, sub-divided into 19 sub-headings as follows :

A. Aid for training programmes :

- staff costs
- hire or depreciation of material and equipment
- hire or depreciation of buildings, and working expenses.

B. Aid to trainees :

- cost of ensuring an income for trainees and guaranteeing social security benefits
- board and lodging
- transport expenses
- cost of the individual's educational materials, working clothes, incentive and attendance bonuses
- necessary expenditure on temporary indemnities for workers newly recruited in backward regions.

C. Aid to workers forced to move :

- travel expenses
- transport of furniture
- installation costs
- expenses arising through family separation.

D. Integration aid (new social and vocational environment) :

- payments to reception, information and orientation organisations for services rendered
- board and lodging for young persons forced to leave the family home
- expenditure on language instruction
- expenditure on initiation into vocational security regulations.

E. Aid to certain categories of less favoured workers :

- cost of adapting jobs to be reserved for the handicapped
- expenditure on functional rehabilitation of handicapped workers (excluding medical expenses)
- contribution to maintaining the earnings level of elderly workers involved in vocational readaptation.

Preparatory studies and pilot schemes

The Community is setting out, with all flags flying, on the road to a general strategy of re-adaptation, in which the social element is closely linked with the economic. All operations must be appraised either in terms of a Community policy, or as part of programmes designed to remedy employment disequilibria. A general image of the tasks entrusted to the new Social Fund is contained in the desire to relate the action taken to its economic context.

The Community institutions have broken new ground in seeking to equip themselves with what amounts to a test bench, on which the action programmes will be measured up in terms of the needs to be satisfied.

The Commission has now been given powers to promote, conduct or provide financial support for studies and pilot schemes. Special

credits are to be provided for the purpose. The experiments may be financed by the Fund up to 50 % of the cost, subject to a size limitation (not more than 30 jobs) and previous approval by the government, or governments, on whose territory they are to take place.

A N N E X E

The rules governing the functioning of the new Social Fund result from the following legal documents (1) :

- Treaty of Rome - art. 123, 134 and 127
- Council decision of February 1, 1971, fixing the basic principles of the new Fund (Basic decision (2))
- Regulation implementing this decision, defining the general methods of the Fund's operations (General implementing regulation (3))
- Regulation regarding the types of aid eligible for assistance from the Fund (Aid regulation (3))
- Regulation regarding Fund aid for persons having to practise non-wage-earning activities (3)
- Finance regulation containing special provisions applicable to the European Social Fund (to be enacted shortly by Council)
- Regulation concerning certain administrative and financial methods in the operation of the Fund (to be enacted shortly by Council).

These instruments will be completed later by regulations enacted by the Commission, including a regulation fixing the maximum amount and method of calculating certain aids, in conformity with Article 2 of the regulation setting out the list of aids.

(1) This legislation applies, also, to the French Overseas departments, in virtue of a decision adopted by Council at the time the Fund was reformed (J.O. L.249 of 10.11.71 - p. 73).

(2) J.O. L.28 of 4.2.71

(3) J.O. L.239 of 10.11.71