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INFORMATION SOCIAL POLICY

THE SOCIAL FUND — NEW VERSION 6/72

As from January 1,1972 the European Social Fund will have been operating for ten years. This is the moment chosen for its entering a new phase in its development, under a reform plan proposed by the Commission,and duly decided upon by the Council of Ministers, so as to deal with the present requirements of the European Community.

Since the Fund began operations in 1961,the surrounding circumstances have changed considerably.Frontiers between the Six have been thrown open; across the whole world customs barriers have been lowered; there has been a boom in new techniques and technology. All this has added to the production potential; but it has also put the accent on another need. The brisker tempo of economic change is calling for positive action in adapting manpower to new requirements,and for a balance to be maintained,or created, both structurally and on the regional scale,between the various parts of the Community.

The Treaty of Rome came into operation in 1958; and the main initial task for the Six member countries was to determine and take the necessary steps for creating the Common Market. By February 1971,the need was for a balanced state of economic growth; and this was uppermost in the minds of the Community Council when it decided to set up an Economic and Monetary Union. Success in this would constrain the Community to use its manpower resources to the best advantage; and this called for the creation of a very flexible instrument which could respond,without delay, to the needs of economic growth which was already rapid,but required the harmony of uniformity.

It was for this reason that the Social Fund was given a face-lift. In its new form it is no longer a mere inter-State equalisation fund,for the sole benefit of unemployed workers. It has now become an active element in Community employment policy; and its task will be to contribute to the best possible use of all the working population under a system of priorities determined at Community level. Its original mission remains — the promotion, inside the Community, of employment opportunities and the mobility of labour from place to place and from industry to industry. This mandate,however, now stands in a different political context. Articulate growth,on the social and the economic side, has now become a guiding principle. In future the working of the Social Fund will be part of an employment policy,seeking to promote the structural adaptation of industries and firms to the requirements of progress, to secure a balanced and harmonious development of the different regions and to help in bringing the problem members of the working population usefully into the economic circuit.

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It stands to reason that the European Social Fund,as a Community institution with only limited financial resources,cannot by itself solve all the employment problems. Its action will be selective.

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 seem likely to affect,the level of employment. It will arise,too, when specific joint action is required to co-ordinate the supply of,and the demand for, labour inside the Community.

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 activity of the Fund in its new form,half the available credits will be set aside for aid in this category.

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 re-adaptation and re-installation 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 in their environmental adaptation after having to change their place of residence. Aid will also be available to help certain categories of working people to obtain vocational qualifications (e.g. handicapped persons),or to maintain their previous wage level (e.g. older workers obliged to re-train).

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 of Ministers, has to adapt or improve his vocational qualifications,or to change his residence for the sake of a job.

Under the old formula,the Social Fund had to intervene automatically on the basis of machinery laid down once for all,and leading to the reimbursement, exclusively,to national administrations or public bodies, of expenditure they had already incurred. In its new version it becomes an essential instrument of employment policy,and its intervention is required to conform to the lines of Community policy. The memberStates undertake to inform the Commission of programmes drawn up either by the national governments themselves,or by any public or private body; and it is the duty of the Commission,which handles the administration of the Fund, to check whether these programmes are indeed conformable to the regulations in force and the current lines of Community policy.

Another characteristic of the Fund in its new form, lies in its speed of action. This now takes place in the form of payments on account while the aided operations are actually taking place. In the former system two years would elapse before expenditure actually incurred was effectively refunded.

An additional element of flexibility lies in the fact that the Fund can now undertake expenditure commitments extending beyond the current financial year. In this way the promoters of Fund-aided operations will be assured of continuing finance without having to envisage obstacles arising from the passage of the following year's budget.

Up to January 1,1971 the Fund's resources came from contributions by the member countries.Now,however, it is supplied from the Community's own resources. In view of the important employment problems linked with the forthcoming development of the Community economic structures, it is probable the resources of the Fund will have to be of quite a different order of magnitude from what they have been hitherto. The rate of expenditure has been running at an annual 50 million units of account (1); but in a normal year the Fund in its new form will have to envisage meeting expenditure up to UC 250 million.

The budget for 1972 is that of a transition year, in which the Fund has to deal with earlier commitments and to finance the first of the operations assigned to it under the new rules. The credits provided by the Council amount to UC 97.5 million against UC 55 million in 1971.

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(1) The unit of account (UC) is equivalent to the pre-Nixon dollar currently (August 1972) equivalent to $ US or pence sterling.