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EUROPEAN COUNCIL, VENICE

12/13 JUNE 1980

EMPLOYMENT AND SOCIAL POLICY

Brief by Department of Employment

OBJECTIVE

1. To be seen to be associated with Community concern at rising unemployment. But to focus attention on practical steps such as work on employment and training services now being discussed in the Social Affairs Council.

POINTS TO MAKE

Employment

2. a) The Commission is right to emphasise the importance of reducing inflation and increasing Community and national competitiveness to improve employment prospects. But only so much can be done by governments. The rest must be done by industry itself. Initiatives at Community level might usefully concentrate on aid for declining industrial areas and for traditional industries (Shipbuilding, steel, textiles) which are major local employers.

b) We must see that employment and training services meet the needs of our workforces which have to adapt to new technologies. But we must not

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raise expectations about Community initiatives in areas in which they cannot be expected to operate satisfactorily - work sharing, for instance, is substantially a matter to be settled by negotiations between managements and employees with an eye to what can be afforded in each individual firm or industry.

Social Measures for Steel (if raised)

c) The UK is broadly in favour of the Commission's proposals. But further discussions seem necessary to clarify the proposals and how they could best be used.

Council of Social Affairs Ministers, 9 June

d) [The Council has agreed a Resolution on Guidelines for a Labour Market Policy. This should usefully support the strengthening, where necessary of the training and employment services.] An approach of this kind is perhaps more relevant to present needs than measures to reduce or share working time which would have results which threaten the competitiveness of Community industry in world markets.

e) But the Community does itself no service if antagonism is allowed to grow between the Council and the ETUC. We need to continue efforts to seek common ground with unions and managements and encourage the Commission in its contacts to underpin the dialogue between them.

BACKGROUND

Reference: A: Commission Paper COM(80)304 final: 'The Unemployment Problem'

3. The Commission's paper on the Unemployment Problem points to the interrelationship of economic, energy and industrial policies in determining levels of employment. The paper stresses the need to develop the links with /managements

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managements and unions and expresses fears about the deterioration in the social climate that could arise from present economic and social difficulties. The paper makes no new specific recommendation but indicates the importance attached to new technology as a factor in employment and the Commission's wish to continue its work on the adaptation of working time (Work Sharing).

4. On points of detail in the Commission's paper the UK does not endorse the suggestion (page 3) that our overseas aid falls short of earlier commitments and believes that our ability to provide more aid depends on the strength of our economy. Nor do we go along entirely with the implications, e.g. in the paragraphs on energy (page 2) and industrial policy (page 3) that greater intervention by national governments and the Community will lead to improved employment prospects.

Social Affairs Council

5. [The Social Affairs Council met on 9 June] and agreed a Resolution on "Guidelines for a Labour Market Policy" - effectively a series of suggestions for improving national employment and training services where necessary and improving Community cooperation in this general area. The subject matter was not seriously controversial in itself. The unions, however, made clear when this same subject was considered at a meeting of the Standing Employment Committee on 29 May (unions, managements, employment ministers and the Commission) that they regard this kind of topic a secondary subject and a poor substitute for further Community action to bring down unemployment levels, in particular as they advocate, by measures aimed at sharing available work and reducing working time.
6. For its part, the Commission complains, e.g. at the Standing Employment

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Committee, of inconsistency between the remits it receives from the European Council and subsequent action in the Council of Ministers. The conclusions at the last two meetings of the European Council have included the following passages:-

November 1979 [our underlining]

"A more coordinated approach to employment problems should be defined. The European Council accordingly requests the Commission to submit proposals on specific measures which could be framed to promote more incisive Community action to deal with the enemployment problem."

April 1980

" efforts within the Community to reduce structural unemployment should be stepped up and better coordinated taking into account the proposals which the European Council had at its previous meeting asked the Commission to submit."

This kind of wording raises expectations. But the Council subsequently gets reproached by the Commission for going no further than agreeing limited generalisations of a non-binding character. Yet if managements and unions have no common ground, the Council cannot mark it out. And neither can the Commission bring effective proposals if they only have support of one side of industry.

7. The conclusions of the Council should, therefore, give some impetus to further development of the consultative relationship rather than call for further specific measures. The European Council might for instance:-

a) note a useful outcome to the Social Affairs Council on 9 June;

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- b) note the Commission's efforts (perhaps even commend them) for developing useful consultation with and between managements and unions;
- c) urge the Commission to continue with this task of consultation as part of the background preparation for the Commission work on employment policies including the effects of new technology, and the envisaged communications on working time which the Commission is now preparing;

Social Measures for the Steel Industry

8. The special temporary measures proposed by the Commission to help alleviate the social effects of the restructuring of the steel industry comprise 1) early retirement provisions, 2) assistance on a strictly limited and tapering basis for reorganisation of the work cycle. The proposals have been discussed in varying community fora but agreement has not yet been reached between member states. Meanwhile, officials at the Commission have held talks with representatives from BSC and with officials from the Department of Industry.

Unemployment

9. Average 5.7%. Highest is Belgium 8.5%; lowest is Germany at 3.2%. UK is 5.8% (source. Eurostat 4 - 1980 of 19 May '80).

DEPARTMENT OF EMPLOYMENT

4 June 1980

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REF A

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 304 final
Brussels, 29 May 1980

THE UNEMPLOYMENT PROBLEM
(Communication of the Commission to the European Council)

THE UNEMPLOYMENT PROBLEM

The Communiqué of the European Council of last November stated that a more coordinated approach to employment problems need to be defined, and asked the Commission to submit proposals on specific measures to promote more incisive Community action to deal with the unemployment problem.

In April, the European Council agreed that the reduction of inflation was an important means of combatting unemployment but that efforts within the Community to reduce structural unemployment should be stepped up and better coordinated.

The growth of unemployment

After the rapid increase in unemployment in the period from 1973 to 1977, the situation stabilised somewhat in 1978. Employment rose by almost a million although, with the increase in the supply of labour, this did not permit a fall in the unemployment rate from the level of 5.5% (some 6 million unemployed).

The prospects now are for a worsening of unemployment in 1980 to 6%, with the possibility of further large increases in 1981. This would be in part due to a slow-down in the supply of jobs as a result of low economic growth, and in part due to demographic factors, especially the large number of young people who will continue to come onto the labour market in the early 1980s - some 4m a year, 1m a year more than in the early 1970s.

Policy actions

The Commission welcomes the support of the Council for the development of actions to tackle unemployment.

However, there is a risk that makeshift solutions will be put forward which weaken the fight against inflation, yield to protectionist pressures, and lead to free-for-all national economic policies. These could further worsen the employment prospects in the Community by weakening competitiveness, and by fragmenting the labour market between different categories and groups, leading to greater inequality.

The Community must tackle these problems in a coordinated way by implementing measures to strengthen existing policies, by devising new policies where necessary, and by restoring closer links between economic and social policies.

Economic policy

The view of the Commission, on the general stance of budgetary and monetary policies is set out in the document on the Economic and Social situation in the Community.

Energy policy

Guidelines for a coherent energy policy at European level up to 1990 were adopted by Council, aimed at more energy saving and further reducing of oil import dependence by the exploitation of existing sources of energy and the promotion of new sources. This policy should take account of the employment aspect and in particular, additional jobs should be created by wider adoption of energy saving measures. A communication from the Commission on a new initiative to encourage energy investments was discussed at the last European Council, and the Commission has been requested to put forward detailed proposals.

External demand

It was agreed with the other industrialised countries and the OPEC members, that development aid falls far short of earlier commitments. An increase in financial aid, linked with an important effort in recycling of financial surpluses would furthermore help in supporting external demand by mobilizing the large potential demand in the developing countries.

Industrial policy

Support is being sought at Community level to help European industries to adapt to changes in the internal division of labour and to changes in internal demand. Such actions need to be strengthened in order to ensure adjustment to new trading patterns and to save the maximum number of viable jobs. The Commission has put forward specific measures of additional support and adjustment for workers in the steel industry.

Labour market policy

Guidelines to improve the operation of the labour market at national and Community level have been presented to the Council and discussed by the Standing Committee on Employment. These guidelines provide support for placement and training activities and orient labour market policy towards future needs.

New technology

The Commission has discussed this year, with the Standing Employment Committee the impact of the new micro-electronic technology on employment, including questions of vocational guidance and training and changes in job content and quality of working life. Work is continuing, in co-operation with the two sides of industry and the Governments, to exploit the different experiences in the Member States and to develop appropriate policy responses.

Working time

As a supporting action to assist employment, the Council adopted general guidelines on the re-organization of working time in December last. The Commission has now organized meetings with the two sides of industry and the Governments in order to follow up specific issues.

Follow-up action by the Commission in co-operation with the Social Partners

The Commission intends to develop these policy actions within its responsibilities and invites the European Council to support its initiatives. Links with the two sides of industry also need to be strengthened. Given the present economic and social difficulties and the growing fears about employment, there is a risk of a deterioration in the social climate which could itself make the achievement of economic and social objectives more difficult. This reinforces the need for consensus about the overall strategy needed to put the Community back on the road to stability and fuller employment.