

NOTE FOR THE RECORD OF A MEETING BETWEEN SECRETARY OF STATE AND
 COMMISSIONER VREDELING - 7 MARCH 1980

Present:	Secretary of State	Commissioner Vredeling
	Lord Gowrie	Mr Tak
	Mr Moore	Another Official
	Mr Butcher	
	Mr Dykes	
	Mr Murray (DI)	
	Mr Hardman	

1 The Secretary of State welcomed Commissioner Vredeling, and said he was glad to have this opportunity of discussing current issues in the employment and social policy field.

SPECIAL MEASURES FOR STEEL (AND SHIPBUILDING)

2 Commissioner Vredeling said that he had met Adam Butler on 4 March, and Len Murray and David Lea on 6 March. These meetings had provided a valuable opportunity of going over the issues involved. Technically the Commission's role was passive at this stage, while detailed talks took place about the form for possible schemes of assistance. There had been misunderstanding about the social proposals for steel which had become wrongly associated with the Community debate on Worksharing. The proposals had been aimed primarily at giving the industry time to adapt. He recognised that the UK position was complicated by differences in organisation, structures and financing compared to the steel industry in other member states [the question of the availability of matching support from European Community funds for BSC pension arrangements was a case in point]. In other countries it had proved possible to provide support from European Community funds to help to maintain earnings levels during periods of re-training and adaption to new skills - in Luxemburg, for example, steel workers had not always been made redundant and many had retained their employment links but had been transferred to other work, sometimes at lower pay rates. European Community funds had protected their earnings levels during this process. Also, in the UK the arrangements for guaranteed pay meant that workers on short-time (say 20hrs/week) did not get less than their 40-hr rate while in other countries there was a proportionate reduction of pay. This had enabled

the European Community to give assistance in maintaining earnings levels above the short-time working level (thus encouraging this form of worksharing) - but this model was not available in the context of current UK arrangements. However, despite these problems, he was hopeful that arrangements could be worked out to enable the European Community to assist the UK in efforts to allow workers made redundant to adapt to new skills and different forms of employment.

3 The Secretary of State wondered if the Commission was confident that the necessary funds could be made available for any special measures?

4 Commissioner Vredeling said that there were problems, and the original proposal for 100 MUA had been modified to provide 50 MUA over 5 years. He felt confident, however, that this proposal would get through the budgetary process. He recognised it was specially important to get French agreement and he would be approaching them.

5 The Secretary of State said that he was, of course, concerned to ensure that the UK obtained a substantial share of any funds available.

6 Commissioner Vredeling said that he could not give any firm commitment, and it was important that the UK appreciated that benefits could come over 3 years - and would not necessarily be concentrated in the first year. A lot depended on the age profile of the workforce in member states if early retirement was to be supported. Len Murray had pointed out that it would be an anomaly if early retirement was encouraged at the same time as systematic overtime working continued. Assistance under Article 96 would be subject to discretionary distribution rules laid down by the Commission, and such rules could take account of the circumstances and needs of the UK. Such assistance was to be preferred to funds under Article 56, where the money was available for all eligible applicants - possibly even profitable plants which had no real need for assistance to cushion an inevitable redundancy problem. The plan was for funds to be transferred from within the current European Community budget to the ECSC budget.

7 Lord Goyrie said that he hoped that the Commission might be able to provide some special assistance for young people in areas like South Wales which were likely to be particularly badly affected by steel closures and loss of job opportunities. We had so far not persuaded the Commission to provide help for them under the European Social Fund. It was important that some way should be found in helping them.

8 Commissioner Vredeling said he was aware of the problems which had affected European Community assistance to certain geographical areas of the UK due to technical issues related to the available employment statistics and the UK pattern of assistance to young people up to 19 years through "national" rather than "regional" youth aid programmes. Of course he had to beware of creating precedents that might help South Wales today, but would lead to similar claims from other regions (eg Lorraine, South Italy) tomorrow. In answer to a question he was hopeful that the next relevant meeting of the Social Fund Committee (June 1980) would be able to use statistics updated from national sources which might help applications for Wales.

9 The Secretary of State said that he hoped that the European Community might be able to provide funds to help with redundancies in the shipbuilding industry as this was a problem likely to loom large in the future.

10 Commissioner Vredeling said that talks were in progress on our application to the Social Fund from British Shipbuilders, but that there was still some considerable way to go in formulating special measures for this industry.

11 In discussion it was noted that a full consideration of the best way of assisting workers in the UK steel industry would have to await the end of the present strike, when the details of the BSC closure programme would be more clearly established.

EQUAL PAY

12 Lord Goyrie expressed the concern felt by the UK at the prospect of infringement proceedings over the issue of the reconciliation of domestic legislation with the European Community Directive. He pointed

out that the record of the UK in achieving equal pay and equal treatment for women was as good or better than that of other countries which were not being threatened with infringement proceedings. In addition, the publicity given by the Commission to the affair was creating problems for the government because it was stimulating groups to publicly demand legislation changes where, in reality, these were not necessary and might prove very disruptive.

13 Commissioner Vredeling said that he appreciated much of what Lord Gowrie had said, but the Commission had to fulfil its technical duty, and the issue of the form of domestic legislation and its relation on the terms of the Directive was basically a legal question. In these circumstances there was little he could say about the prospects for action against the UK in the European Court of Justice.

5th DIRECTIVE/INFORMATION FROM MULTI-NATIONAL COMPANIES

14 The Secretary of State asked about progress on these issues.

15 Commissioner Vredeling said that a priority as far as he was concerned lay in a Commission initiative on the issue of the provision of information to employees of multi-national companies. He thought there was a genuine case to be made out for providing employees with the right to obtain information from the HQ of a multi-national enterprise in which they were employed. He fully recognised the need to adapt any Commission initiatives to the circumstances and patterns of employee participation in the various member countries of the Community. He cited the informal and private views of Philips, who had supported the concept, while suggesting that there was also a need for unions to make clear the use to which any information obtained would be put.

16 The Secretary of State said he was glad to hear that the Commission appreciated the need for flexibility, and he stressed his concern that the flow of investment into the UK by multi-national companies should not be diminished by the imposition of undue burdens and requirements.

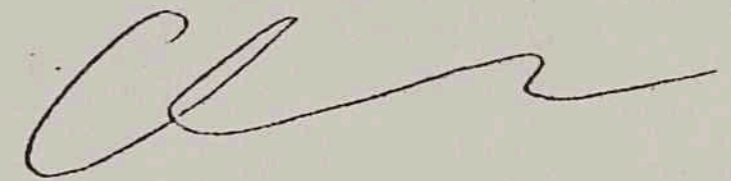
Turning to the issue of the 5th Directive, the Secretary of State said that he had heard that the Legal Committee of the European Parliament was about to produce a report which suggested a much better arrangement for encouraging employee participation than the rigid and unrealistic 5th Directive itself. From what he had heard of the report, he felt that the UK would be able to support its recommendations.

18 Commissioner Vredeling said that this subject was the responsibility of his colleague Viscount Davignon, but he would pass on to him the Secretary of State's comments.

VENICE CONFERENCE

19 Commissioner Vredeling reported the Germans had now agreed, albeit reluctantly, to a joint meeting between Finance and Employment Ministers as part of the informal meeting to be held by the Italians in Venice. Signor Scotti had found some other reservations but he was hopeful that the meeting might take place around 16 May. The subject would be discussed at the Finance Council later this month.

20 In conclusion, the Secretary of State thanked Commissioner Vredeling, and said that he looked forward to meeting him again.



ANDREW HARDMAN

(0 March 1980

Private Office

cc	PS SoS FCO	Mr Shepherd	Mrs Kent
	PS SoS Treasury	Mr Hudson	Mr K T King
	PS SoS Trade	Mr Derx	Miss Rice-Pyle
	PS SoS Industry	Mr Galbraith	Mr Seaman
	PS MoS Industry	Mr Hillier	Mr Butler
	Mr Taylor	Mr Pirie	Mr Brand
	Mr Norris	Mr Hodgkins	Mr D West
	Mr Waring	Mr Moore	Mr Dawe
	Mr Wye	Mr Billam	Mr G R Wilson UNREP EEC Byss
		Mr Garcia	Mr L Pritchard Welsh Office
		Mr Paul	Mr Murray (DI)

THE EUROPEAN SOCIAL FUND

1. Object of the Fund: The European Social Fund is an employment fund. It may grant assistance to schemes of training, re-training and resettlement to help mainly the unemployed.
2. How the Fund works: There are no national quotas under the Social Fund. Member States submit applications which, assuming they are eligible under the Fund's Regulations, are judged according to a pre-determined set of guidelines which enable the applications to be ranked in an order of priority. The guidelines are necessary because eligible applications exceed the Fund's budget.
3. To be eligible for assistance from the Fund, a scheme must have financial support from a public authority. In the case of a scheme run by a public authority, the Fund can meet up to half the cost of a project. In the case of a scheme run by a private organisation, the Fund may match the public authority support. In Northern Ireland, and a few regions of similarly serious unemployment in other member states, the amount of assistance calculated on these criteria is increased by 10 per cent, i.e. for the most part Northern Ireland schemes earn a 55% contribution from the Fund.
4. Measures assisted by the Fund: The Fund operates under two main budgets. The Article 4 budget assists particular groups of workers with special difficulties in the labour market. The groups at present assisted are young people, migrants, women, former agricultural workers, and workers in the textile/clothing sector. The Article 5 budget is mainly reserved for schemes to help workers from regions of high unemployment (at least half the Fund's total budget must go to such schemes). These regions are in practice those eligible for ERDF assistance - in the UK this means the Assisted Areas. Note that though the Social Fund makes no specific provision for steel workers, high priority is given to schemes to assist workers "in regions and areas eligible for assistance from the ERDF affected by serious industrial restructuring problems, notably steel, for which Community policies exist."
5. The Social Fund Budget: The total budget for the Fund in 1979 was about 2500 m; in the draft for 1980 about 2600 m. The UK share of the

Fund has averaged 23.39% since accession.

6. UK Benefit from the Fund: In 1979 the UK was allocated £130 m. from the Fund (26% of the budget). A summary of the main headings included over £21 m. for Training Opportunities Scheme (TOPS) training. Over 90% of the UK's allocations are for measures run by central government departments and agencies. Applications from local authorities, private and voluntary organisations, are also received, though on a relatively small scale in view of the conditions of eligibility required, notably the need for a financial contribution from a public authority.

7. Social Fund Help for Steel Closure Areas: Steel closure areas benefit from the Fund through the general allocations made to MSC and Department of Employment Schemes like TOPS, Employment Transfer Scheme, etc.

8. In addition to these general measures, an application has been submitted to the Fund by British Steel Corporation (Industry) Ltd for £4 m. assistance. This application is for assistance towards the retraining of unemployed persons in areas affected by steel plant closures. The application is provisional, pending decisions about the details of the scheme and the public authority share of the funding.

MEETING BETWEEN COMMISSIONER VREDELING AND SOS FOR EMPLOYMENT,
7 MARCH.

Commissioner Vredeling called at his own request on Mr Prior, in the course of a visit to London [for talks with Mr Len Murray]. There was a general discussion of the problems posed by the need to restructure the UK steel industry. Commissioner Vredeling explained to Mr Prior as he had earlier in the week to Mr Adam Butler how his "social proposals" now under discussion in Brussels might have a part to play in easing the UK problem. Social matters discussed other than steel, included:-

Possible infringement proceedings on Equal Pay

Industrial Relations: Multi-national Companies

Fifth Directive on Company Law

Future Meetings of the Social Affairs Council

Record of meeting is attached.

STEEL AND THE EUROPEAN SOCIAL FUND

BACKGROUND - ANNEX A

Line to Take (if raised)

The Social Fund provides assistance for training, retraining and resettlement of unemployed workers generally. It does not provide for specific help to steel workers. Steel closure areas benefit from the general allocations made from the Fund's resources to schemes of the Manpower Services Commission and Department of Employment such as the Training Opportunities Scheme and the Employment Transfer Scheme.

In addition to these general measures, an application has been submitted to the Fund by British Steel Corporation (Industry) Ltd for £4 million pounds assistance. This application is for assistance towards the retraining of unemployed persons in areas affected by steel plant closures. The application is provisional (and is being discussed with the European Commission on that basis) pending decisions about the details of the scheme and the public authority share of the funding.