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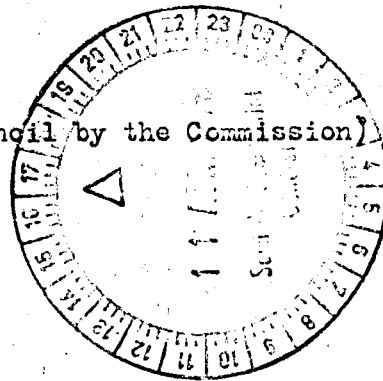
COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 89 final.

Brussels, 10 April 1978.

Proposals for community aids to
promote the employment of young people

(submitted to the Council by the Commission)



COM(78) 89 final.

STATE OF WORK IN THE FIELD OF YOUTH EMPLOYMENT

I. Purpose of this Communication

1. At its meeting on 28 October 1977, the Council held a preliminary discussion on the question of youth employment, based on a communication from the Commission. It invited the Commission to :

- develop detailed proposals for Community aid to programmes designed to encourage youth employment in Member States. The proposals should be selective and ensure that the aid be granted where the need is greatest ;
- develop actions to strengthen the links between training for school-leavers and youth employment within the framework of the European Social Fund ;
- increase aid and cooperation between Member States on the development of their institutions in order to improve the balance between supply and demand on the labour market.

2. The Commission, as a first reply to this invitation, is submitting to the Council a proposal aimed at Community support, within the framework of the ESF, of aids to youth employment.

It felt, however, that the proposal should be accompanied by a general communication detailing the various other work it has undertaken in this field and the context in which it plans to insert proposed new aids in order to outline the additional directions in which the Community could develop its efforts.

II. The problem of youth employment

3. Developments in the last six months have confirmed the analysis which the Commission put before the Council in October 1977, of which the major points are as follows :

4. In December 1977, 6,043,000 persons were registered as unemployed in the European Community ; they represented 5.7% of the civil working population. This was the highest recorded level of unemployment in the history of the European Communities.

5. Demographic factors play a major role. It is estimated that the working population in the Community will increase by 4.5 million persons (4%) between 1975 and 1980 and by some 5 million persons (4.5%) between 1980 and 1985. In the next ten years, the number of young persons reaching working age will be particularly high (on average, over 4 million a year) and the number of persons reaching retirement age will be abnormally low (an annual average of only 2.5 million persons).

6. The shortage of jobs is particularly marked with regard to the young generations just coming onto the labour market : in 1975, young persons represented 38% of the total number of unemployed, whereas they represented only 17% of the working population. The rate of unemployment of young persons aged under 20 is about three times higher than the overall average, whilst that of the young persons aged between 20 and 25 is almost double the overall average. This is due to the present structure of the labour market (recruitment costs, reluctance to recruit, priorities given under laws and agreements to workers in situ).

7. Youth unemployment is also influenced by certain qualitative factors, such as distortions between educational systems, the skills offered and the rigidity of professional hierarchies. Furthermore the rebuilding of a growth favourable to employment risks ~~failing to~~ correct the imbalance on the employment market.

8. The Commission is convinced that a coherent policy to fight youth unemployment can only be developed in the framework of a programme drawn up in successive stages. The Fund instrument, which has already been the object of fundamental adaptations, and more especially the new proposal for Community support for aids to promote youth employment, will serve to cover this objective.

9. The demographic profile of the coming years and the perspectives of a different growth are at the root of a situation which is radically different from the one which prevailed over the last twenty years. This quantitative imbalance, however, has brought to light a series of qualitative imbalances which accumulated over a long period in the area of the relationship between education, employment and working conditions.

10. The problem of youth employment is not a localised one capable of being solved by a series of specific measures. It would be illusory to expect labour market policy alone to improve a situation caused by economic mechanisms on the one hand and the development of educational systems on the other hand.

11. Since 1975-76, all Member countries have instituted measures to remedy the immediate consequences of youth unemployment : more vocational training courses financed by the State, subsidies or tax relief on youth recruitment, recruitment in sectors of general interest. The Commission has drawn up a preliminary report on these measures in a document forwarded to the Council¹.

¹ COM (77)476.

12. But, while these measures were being discussed among the Member countries, a fact was becoming increasingly clear. Palliative measures are for the most part designed to cope with conjunctural recession, they must be supported by in-depth action capable of dealing with the lasting nature of the present situation. The general growth of employment must be reestablished and vocational training and education adapted to the evolution of the labour market.

III. The role of the Community

13. In its communication to the Council of October 1977, the Commission referred to the need both to undertake short-term measures capable of relieving the situation and to prepare measures to gradually remedy the deep-lying causes of the situation, by means of research and analyses, exchanges of experience and a critical review of past measures. It also reminded the Council that the means available to the Community to take action in the three major fields of economic policy, labour market policy and educational policy were very unequal.

(i) Measures concerning the demand for employment

14. As regards general economic aspects, the Commission will refer here only to the efforts it has made to reestablish a growth rate favourable to stability and employment. (1)

It should be noted in this context that the Standing Committee on Employment, having agreed to consider worksharing as a desirable concomitant to general economic policy measures, has invited the Commission to develop its initiatives in this field.

15. During 1975 and 1976 the ERDF contributed to the creation of 185.000 jobs. For its part the E.I.B. in 1976 agreed loans for an amount of approximately 1.086 M.U.C.

In 1977 the reconversion grants given under article 56 ECSC have helped to create 88000 jobs. These resources will soon be completed by a new instrument of Community loans for structural measures which is aimed at helping the recovery of investments and will thus also help the creation of new jobs.

(1) e.g. 4th Medium Term Economic Programme; the Tripartite Conference; EMU Programme

(ii) Measures concerning the transition from school to work and young persons' first jobs.

16. The measures are as follows : (a) specific measures, and
(b) measures to boost the development of national training and placement systems.

(a) specific measures

Pilot schemes carried out by the Education Committee

17. In accordance with the Resolution adopted by the Council and the Ministers for Education meeting on 13 December 1976, a programme of pilot schemes to be completed by the end of 1980 was drawn up. The purpose of these measures is to develop effective methods of facilitating the transition of young persons from school to working life. The schemes adopted include strengthening guidance and consultation, continuous training for instructors, vocational training and specific measures aimed at young persons in particularly vulnerable groups. More especially, efforts should be made in the assessment of these pilot schemes to ensure exchanges of experience at Community level.

Aids to young persons in agriculture

18. During 1975, 1976 and 1977 F.E.O.G.A. contributed to the implementation of socio-economic guidelines for young agricultural workers, through finance amounting to 4 M.U.C. In 1975, the Commission submitted a proposal for a Directive to the Council granting special financial aid to young persons entering agriculture. The proposal is still being examined by the Council.

European Social Fund

19. Since July 1975, the European Social Fund has granted over 280 million u.a. (under Article 4) to vocational training programmes for young unemployed persons. Over 200 000 young persons have benefited from this type of action which, for the most part, was granted for the preparation of the young for working life, in accordance with the Commission Recommendation in this field. This figure would be even higher if account were taken of the fact that the ESF also provides aid in other fields, e.g., the handicapped, agriculture. These measures are backed, when necessary, by the EIB and ERDF to finance the setting-up of training centres. Up to now, three centres of this type have received assistance.

Proposal for new ESF aids to job creation measures

20. This brief survey should also mention the possibilities provided by the exchange of workers (Art.50 of the Treaty). In operation since 1964 on a limited scale, these exchanges should receive fresh impetus. The Commission is currently drawing up a new programme, with wider reaching qualitative and quantitative objectives. The proposals it intends to submit will transform the earlier guidelines for the training courses (whose success was limited) through a new approach involving study tours of shorter length.

Proposal for a new ESF aid for the creation of employment

21. This new action is presented by the Commission in the proposal appended to this Communication.

(b) Measures aimed at the development of national training and placement systems

22. In addition to the above mentioned specific measures, it became necessary to develop an in-depth action to encourage the adjustment of national training and placement systems. In the majority of Member countries, these systems are finding it very difficult to adjust to new circumstances. The needs which crop up most frequently are not financial but conceptual and technical. It was found that the Community could provide a contribution in the form of comparative studies, comparison of experiences or more intensive cooperation.

23. In 1977, the Commission addressed a Recommendation on the vocational preparation of the young to the Member States. This was to encourage the setting-up of a period of preparation for working life for young school-leavers without vocational training. Member States are to furnish reports on the implementing of the Recommendation, which also provides the ESF with guidelines on youth aid. Its implementation is also being followed by CEDEFOP (European Centre for Development of Vocational Training), a Community body set up in 1976 with the task of supporting Community vocational training policy.

24. A series of studies has been compiled on the apprenticeship systems in force in Member Countries.

The Commission is currently examining the results.

25. The job creation or employment programmes are the subject of an overall study covering four countries, the purpose being to compare solutions.

These studies form part of a larger study programme on the labour market begun in 1975.

Different lines of work have been undertaken in order to contribute to the solution of the qualitative imbalances that are preventing an adjustment between the supply of and demand for employment, and affecting the young in particular. Within the framework of SEDOC (European System of the international clearing of vacancies and applications for employment) a registry of occupational activities and occupations has been completed for the use of national placement services. The Commission has now started putting the SEDOC system into action with the assistance of the national placement systems in order to facilitate the geographical mobility of labour within the Community. Important work on the development of qualifications and the way it relates to technology and training (undertaken with the assistance of the Berlin Centre) is now being exploited and is arousing great interest among users. In addition, the Dublin Foundation for the Improvement of Living and Working Conditions has included the upgrading of manual trades in its programme of work. Each one of these measures is likely to increase young persons' chances of access to stable employment.

26. A question of central importance concerns the relationship between each link of the education-training-placement-employment chain. The necessary decentralization between these various stages must be compensated by strengthening the links between the persons responsible for each one.

27. Furthermore, the problem ^{highlights} the importance of the placement services, which are particularly suitable, given the appropriate instruments, for transmitting information at local and national level between the economy and education. For this reason, the Commission intends to develop cooperation between the placement services.

✓ Supplementary measures

28. Faced with a problem of considerable scope involving different types of remedies, the Commission has mobilised its resources to make a viable contribution. Its financial assistance, legislative action, technical and operational activities must be focused on the need to support Member countries' efforts, to encourage them to develop in-depth measures.

29. It is primarily a question of taking stock of a fundamentally new situation and of adjusting traditional instruments or measures that have been set up in the short- or medium-term in the last three years.

30. As its work develops, the Commission will keep the Council and the Standing Committee on Employment informed. It is prepared to supplement this instrument with other proposals as and when the need for Community financing, legislation or operational assistance are defined. It is convinced that a youth employment promotion policy should be developed in stages.

31. With the aim of promoting a dynamic policy to promote youth employment it will present, when the time is right, new appropriate proposals drawing on all the means available to it.

**Proposal for a Council Regulation concerning
the creation of a new European Social Fund
aid in favour of young persons**

Proposal for a Council Regulation
concerning the creation of a new
European Social Fund aid in favour
of young people

Explanatory memorandum

1. In recent years all the Member States have taken more direct action in various forms and to differing degrees to facilitate the access of young persons to employment. The Commission has drawn up a provisional statement (1), showing that these measures correspond to a gross annual expenditure of about 350 million u.a. and relate to some 220,000 young persons.

2. Intervention takes two forms:

- recruitment premiums given as an incentive to undertakings to increase their labour force for their normal activity. The incentive to recruit may take the forms of premiums paid directly to employers, or it may be in the form of a reduction in employers' social security contributions. The premium is usually granted for a limited period (often six months) for every additional worker recruited.

A distinction should be made between recruitment premiums intended to increase employment and employment maintenance premiums, which are simply designed to maintain the firm's work force at a given level.

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(1) Doc. COM(77) 476 final, Annex

- Subsidies for programmes involving the recruitment of young people for newly created jobs in the context of activities or services in the public interest (1).
3. Both types of subsidies cover a broad range of job creation measures for young people. The Commission intends to encourage Member States to expand them by means of a new Community aid measure under the European Social Fund. This aid which will cover: extending the scope of assistance beyond aids to vocational training and to mobility.
- expenditure on employment subsidies in respect of young people under 25 newly recruited by undertakings in the production sector;
 - expenditure in respect of wage costs for young people under 25 incurred in connection with newly established programmes in the public interest.
4. The aid will be granted under either Article 4 (intervention - young people) or Article 5 of Decision 71/66/EEC (2), as amended by Decision 77/801/EEC (3).

In theory it would have been preferable to restrict the new measures to "young people" as defined in Article 4 of Decision 75/459/EEC (4) as amended by Decision 77/802/EEC (5), to preserve the specific nature of the action and for the sake of good management; but such a restriction might deprive the Social Fund of the necessary means to successfully implement the new measures. The rule laid down in Article 9 of Decision 71/66/CEE (2) as amended by Decision 77/801/EEC (3) predetermines the division of appropriations between intervention under Article 4 (specific joint action) and Article 5 (actions falling under Member States' Labour market policies) (6). An increase in the appropriations under Article 4 would therefore come up against limits which would make it difficult to plan action to help young people on a sufficiently large scale. Moreover, this limitation might result in a reduction of expenditure made for the other areas under Art. 4 (ex-farmers, textiles/clothing, migrants, women). For this reason, budgetary means to implement the new measures must also be sought under Article 5.

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- (1) Examples of these two measures can be found in the "statement" provided as annex to the document referred to above.
- (2) OJ n° L 28, 4.2.1971, p. 15
- (3) OJ N° L 337, 27.12.1977, p. 8
- (4) OJ N° L 199, 30.7.1975, p. 36
- (5) OJ No L 337, 27.12.1977, p. 10
- (6) This rule reads as follows: "Appropriations for interventions in respect of operations under Article 5(1) which are carried out in regions referred to in Article 5(1)(a) shall not, in any year, be less than 50 % of the total appropriations available".

Some applications, in particular those concerning action to help young people in the regions referred to in Article 5 (1)(a) of Decision 71/66/EEC could be presented either under Article 4 ("young people") or Article 5. It would be up to the Commission, in cooperation with the Member States, to ensure that the projects are divided between the two areas of intervention with due regard to budgetary constraints. Further, the Commission will have to ensure, through the guidelines for the management of the Fund (Article 3a of Regulation (EEC) n° 2396/71), that although the new aid measures have a different legal basis the same principles of selection are applied and the specific nature of projects for young people is preserved.

5. The substance and technical aspects of the new aid measures will have to be specified in the light of the characteristics of each type of aid and the impact expected from the Community aids. More particularly Fund assistance approved under the new aid measures must provide sufficient incentive and at the same time must contribute to a more equitable distribution of the financial burden they represent between promoters and public authorities, who do not all have the same means to develop their programmes.
6. Consequently, the level of assistance will be different for the two types of aids. The size of the subsidy to be granted under each intervention measure and the resulting repercussions on competition) will vary depending on the greater or lesser impact of the actions, the savings achieved by the Member State (recovery of funds spent on unemployment allowances for example), or the promoters' ability to mobilize financial resources. Care must be taken to ensure that massive recourse to Fund intervention does not lead to the commitment of too great a share of available appropriations and that the assistance granted does not too closely reflect existing differences in wage levels between the countries.

7. Taking all these factors into account, it would seem appropriate to limit expenditure eligible for Fund assistance under the new measures to:
- a maximum of 30 EUA per person per week for recruitment premiums, and
 - a maximum of 60 EUA per person per week for employment programmes.
8. Under Article 8 of Council Decision 71/66/EEC (1), as amended by Decision 77/801/EEC (2), laying down the Fund's intervention rates, Community contributions to national initiatives may never exceed 50 % of these two amounts except in the case of operations carried out in regions defined in Council Regulation (EEC) No 2895/77, where a higher intervention rate (plus 10 %) is applied (3).
9. In calculating the amount of Community assistance, the duration of the period of application will have to be taken into account:
- for recruitment premiums: 26 weeks
 - for employment programmes in the public interest: 52 weeks.

In the latter case, payment of contributions may extend over a longer period, since their success depends largely on sizeable and continuous public financing, particularly since although the product of such activities corresponds to real needs it is hard to evaluate it according to the usual criteria of economic viability.

The premiums payable under this programme cannot be used to support assistance aimed at employment maintenance.

(1) OJ N° L 28, 4.2.1971, p. 15

(2) OJ N° L 337, 27.12.1977, p. 8

(3) OJ N° L 337, 27.12.1977, p. 7

10. Lastly, it should be pointed out that for obvious reasons of good management, any combination of the aid measure with aid (e) (1) provided for in Article 3(3) of Council Regulation (EEC) N° 2396/71 will have to be avoided. Nor should the latter constitute an alternative to the new aid measures for special programmes to help young people. It may be used, as in the past, to encourage the promotion of employment amongst other categories of workers in the regions referred to in Article 5(1)(a) of Decision 71/66/EEC.
11. The order of priority to be defined by the Commission in order to establish guidelines for the administration of the new aid will have to take account of the following ideas :
- the new aid supplementing the Community intervention system can play a limited role only in relation to the vast range of needs; the new jobs likely to have a determining influence on the reabsorption of youth unemployment must therefore be created within the framework of the normal economic process. Aids to employment are liable to result in the creation of temporary or unstable jobs if they are not applied with a view to real and viable needs.
 - The gravity of the youth employment situation nevertheless justifies every effort to ensure that the Social Fund takes part in certain measures, either in the context of an aid to economic revival or in that of a redistribution of the limited volume of available work, so as to benefit categories of workers excluded from the labour market.
 - The boundaries of Community aid must be carefully drawn. The Council expressed the hope that intervention by the Social Fund be selective and granted to situations in which the needs are greatest. The development of the proposed measures must be assisted in countries or regions with the highest rate of youth unemployment.
 - The Social Fund must not limit itself to simply supporting national measures already adopted. It should, by means of its selective criteria, influence the quality of the projects to be financed. The "additionality" criterion must operate both in quantitative terms, in less-favoured countries or regions, and in qualitative terms, in the nature and the result of the operations.

(1) This aid includes the possibility of the E.S.F. bearing the cost of part of the remuneration of workers newly-recruited in FEDER (European Regional Development Fund) regions, for a period of six-months.

When the Council has decided on the current proposal, the Commission will complete the guidelines on the administration of the Fund as required under Article 3bis of Regulation (EEC) no. 2396/71 in order to take account of the application of the new aid.

PROPOSAL FOR A COUNCIL REGULATION CONCERNING THE CREATION OF A NEW
EUROPEAN SOCIAL FUND AID IN FAVOUR OF YOUNG PERSONS

The Council of the European Communities,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) N° 2396/71 of 8 November 1971 implementing the Council Decision of 1 February 1971 on the reform of the European Social Fund (1), amended by Regulation (EEC) N° 2893/77 of 22 December 1977 (2) and in particular Article 3(3) of that Regulation;

Having regard to the proposal from the Commission;

Having regard to the opinion of the European Parliament (3);

Having regard to the opinion of the Economic and Social Committee (4);

Whereas one of the main features of the employment situation in the Community in recent years has been the inadequate growth in the number of jobs available to young workers under twenty-five years of age;

Whereas, to strengthen Community aid to the employment of this category of persons, a form of aid designed to assist employment, not falling within the classic types of aid to vocational training and labour mobility, should be created within the framework of European Social Fund;

Whereas, in order to respond effectively to existing labour market needs, a Fund aid designed to promote employment should permit both the covering of a part of the expenditure incurred in granting recruitment premiums and the financing of job creation programmes;

(1) OJ N° L 249, 10.11.1971, p. 54

(2) OJ No L 337, 27.12.1977, p. 1

(3) OJ No

(4) OJ No.

Whereas an aid of this type is not envisaged in Article 3(1) of Regulation (EEC) No 2396/71 amended by Regulation (EEC) No 2893/77 and whereas it is necessary to create the aid as laid down by the provisions of article 3(3) of the above Regulation:

has adopted this Regulation:

Article 1

Assistance may be granted from the Fund pursuant to Articles 4 and 5 of Decision 71/66/EEC amended by Decision 77/801/EEC for the following categories of aid:

aids to promote the employment of young job-seekers under 25 years of age, intended to cover:

- expenditure incurred in granting recruitment premiums; aid from the Fund shall be calculated on the basis of a wage allowance not exceeding the sum of 30 European units of account per person per week for a maximum of six months;
- expenditure incurred in financing programmes to recruit young persons for newly created jobs relating to activities or services in the public interest; assistance from the Fund shall be calculated on the basis of a wage allowance not exceeding the sum of 60 European units of account per person per week for a maximum of twelve months.

These aid measures may not be combined with those provided for under article 3(1)(e) of Regulation (EEC) No 2396/71 amended by Regulation (EEC) No 2893/77.

Article 2

This Regulation shall enter into force on

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council.

Proposal for a Council Decision amending
Decision 75/459/EEC of 21 July 1975 on
action by the European Social Fund for
persons affected by employment difficulties,
amended by Decision 77/802/EEC of
20 December 1977

EXPLANATORY MEMORANDUM

In its proposal for a regulation concerning the implementation of a new aid measure by the European Social Fund to promote the employment of young persons under 25 years of age,⁽¹⁾ the Commission's intention is to restrict this aid to specific operations under Article 4 and Article 5 of Council Decision 71/66/EEC of 1 February 1971 (2), amended by Decision 77/801/EEC of 20 December 1977 (3).

The specific operations under Article 4 are operations falling within the sphere of aid to "young persons" as defined in Council Decision 75/459/EEC of 22 July 1975 (4), amended by Decision 77/802/EEC of 20 December 1977 (5).

The aid measures eligible for assistance from the Fund pursuant to this Decision are those referred to in Article 3(1) of Regulation (EEC) N° 2396/71 of 8 November 1971 (6), amended by Regulation (EEC) N° 2893/77 of 20 December 1977 (7).

It is proposed that the Council, by this Decision, should supplement Article 3 of Decision 75/459/EEC in such manner that the operations referred to in the Decision on "young persons" may also be eligible for the new aid measure to promote the employment of young persons, in addition to aid measures for vocational training and occupational mobility.

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- (1) Doc. COM (78)
 - (2) OJ N° L 29, 4. 2.1971, p. 15
 - (3) OJ N° L 337, 27.12.1977, p. 8
 - (4) OJ N° L 199, 30. 7.1975, p. 36
 - (5) OJ N° L 377, 27.12.1977, p. 10
 - (6) OJ N° L 249, 10.11.1971, P. 54
 - (7) OJ N° L 337, 27.12.1977, p. 1

PROPOSAL FOR A COUNCIL DECISION AMENDING DECISION 75/459/EEC OF 21 JULY 1975
ON ACTION BY THE EUROPEAN SOCIAL FUND FOR PERSONS AFFECTED BY EMPLOYMENT
DIFFICULTIES, AMENDED BY DECISION 77/802/EEC OF 20 DECEMBER 1977

The Council of the European Communities,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Decision 71/66/EEC of 1 February 1971 on the reform
of the European Social Fund (1), as amended by Decision 77/802/EEC (2),
and in particular Article 4 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament (3),

Having regard to the opinion of the Economic and Social Committee (4),

Whereas the Council has adopted, in giving effect to Article 4 of Decision
71/66/EEC, Decision 75/459/EEC of 22 July 1975 on action by the European
Social Fund for persons affected by employment difficulties (5) amended by
Decision 77/802/EEC of 20 December 1977 (6);

Whereas on the Council adopted Regulation No; creating
a new category of European Social Fund aid for young persons (7) and
whereas, in order to make this category of aid applicable to operations
carried out under Decision 75/459/EEC, it is necessary to amend this
Decision;

(1) OJ No L 28, 04.02.71, p. 15

(2) OJ No L 337, 27.12.1977, p. 10

(3) OJ No

(4) OJ No

(5) OJ No L 199, 30.07.1975, p. 36

(6) OJ No L 337, 27.12.1977, p. 10

(7) OJ No

has decided as follows:

Article 1

The following shall be added to Article 3 of Council Decision 75/479/EEC of 22 July 1975 on action by the European Social Fund for persons affected by employment difficulties, as amended by Decision 77/802/EEC of 20 December 1977:

"and in Regulation (EEC) No ...".

Article 2

This Decision shall enter into force on ...

Done at Brussels,

For the Council.

FINANCIAL DETAILS

PROPOSAL FOR A COUNCIL REGULATION AMENDING REGULATION (EEC) No 2396/71
AS AMENDED BY REGULATION (EEC) No 2893/77 - NEW AID FROM THE EUROPEAN
SOCIAL FUND FOR YOUNG PERSONS

1. Budget entries concerned

- (a) Article 501: Action in favour of young people
- (b) Chapter 51: Expenditure under Article 5 of the Council Decision of 1 February 1971.

2. Legal basis

Regulation to be adopted by the Council under Article 3(3) of Regulation (EEC) No 2396/71 of 8 November 1971 implementing the Council Decision of 1 February 1971 on behalf of the European Social Fund, as amended by Regulation (EEC) No 2893/77 of 20 December 1977.

3. Aims of the measure

To encourage the employment of young people aged under 25 within the framework of measures under the European Social Fund (Article 123 of the Treaty).

Specific aim:

Creation of a new form of aid so that the Fund can bear the expenditure necessary for granting recruitment premiums and subsidizing youth employment programmes in the common interest.

4. Financial effects of the measures on expenditure

The measure concerned is a permanent measure beginning in 1979.

The implementation of the new kind of aid does not entail the introduction of a corresponding separate budget entry. In fact, the necessary appropriations for implementing the new aid will come under several budget entries relating to various measures by the Fund, as is the case for the other forms of aid from the Fund.

The total appropriations to be set aside for the new aid can be estimated as follows, with the dates when the payments will fall due:

	Commitments 1979 (in millions of EUA)	Payments (in millions of EUA)		
		1979	1980	1981
Article 501	55	20	20	15
Chapter 51	55	20	20	15

Multi-annual estimates

Commitments (millions of EUA)	Payments (in millions of EUA)			
	1979	1980	1981	82 and subsequent years
1979 110	40	40	30	-
1980 165	-	60	60	45
1981 225	-	-	80	145
TOTAL 79-81 500	40	100	170	190

Method of calculation

- (Maximum) amounts of aid:

Under the terms of Article 1 of the proposal for a Regulation, aid from the Fund is calculated on the basis of a wage allowance not exceeding:

- . in the case of recruitment premiums: 30 EUA per person per week, for a maximum of 26 weeks;
- . in the case of the employment programmes: 60 EUA per person per week, for a maximum of 52 weeks.

In accordance with the rate generally applying to aid from the Fund (1), the Community contribution will be restricted to a maximum of 50 % of the eligible expenditure thus defined, i.e.:

- . in the case of the recruitment premiums: 15 EUA per week per person, for a maximum of 26 weeks;
- . in the case of the employment programmes: 30 EUA per week per person, for a maximum of 52 weeks.

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(1) of Article 8(1) and (2) of the Council Decision 71/66/EEC, as amended by Decision 77/801/EEC - OJ No L 28, 4.2.1971, p. 15 and OJ No L 337, 27.12.1977, p. 8.

The amount of aid is increased by 10% where the measures are implemented in Greenland, the French Overseas Department, Ireland, Northern Ireland and the Mezzogiorno (1).

- The number of persons receiving aid:

On the basis of the anticipated guidelines for the management of the Fund, one would expect aid to be granted only in respect of regions marked by a high rate of unemployment (regions where youth unemployment is higher than the Community average, plus regions where the rate of youth unemployment is appreciably higher than the national average). Thus, roughly half of the young unemployed persons in the Community, i.e. 1 million people, are to be regarded as "eligible" for this aid.

It is estimated that about 10% of these young people, i.e. 100.000 (2), will in fact benefit from the new aid. This figure is similar to the number of young people (about 110.000) who received aid from the Fund for vocational training in 1977 under the Article 4 decision on young people. It corresponds to about half of the number of persons who, during 1977, benefited in the Member States from the various measures which might well qualify for financing under the new aid arrangements (about 220 000 persons).

If, as is likely, each of the two kinds of assistance covered by the new aid is granted to about the same number of young people, then expenditure in the first year may be calculated as follows:

. under the heading of the recruitment premium:	
15 EUA x 26 weeks x 50 000 persons	39 million EUA
. under the heading of the employment programmes:	
30 EUA x 52 weeks x 50 000 persons	78 million EUA
TOTAL	117 million EUA

These amounts are divided in equal proportions between the two budget entries concerned.

(1) Cf Article 8(3) of Council Decision 71/66/EEC, as amended by Decision 77/801/EEC - OJ No L 28, 4.2.1971, p. 15 and OJ No L 337, 27.12.1977, p. 8 and Regulation (EEC) No 2895/77 - OJ No L 337, 27.12.1977,
(2) That is, 100 000 young people at any given moment in the course of the year. Assuming that the young people are divided equally between the two types of assistance and given that those eligible for the recruitment premium are only covered for 26 weeks, the number of individuals receiving aid will be 150 000 per year.

This total should be adjusted slightly.

- . On the one hand, the amounts of aid referred to above are maximum amounts. Since a few applications may be for aid less than these maximum amounts, the total assistance should be reduced by between 5 and 7 %.
- . Secondly, in the case of about a fifth of the applications the maximum amounts will have to be increased by 10 % to take account of the higher rate of assistance applicable to measures implements in certain regions (see Council Regulation (EEC) No 2893/77 of 20 December 1977).

After these adjustments, the total budget estimate for the first year of assistance under the new aid arrangements amounts to 110 million EUA.

5. Necessary additional staff

- 2 Grade A officials
- 3 Grade B officials
- 3 Grade C officials.

In view of the existing staff shortage in the Social Fund team, which has been pointed out on several occasions even by the European Parliament, there is no likelihood whatsoever that the additional administrative work involved in the implementation of the new aid arrangements can be properly carried out with the present staff numbers. This shortage is particularly noticeable in the Band C grades.