

1

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**Labor
in
the
European
Community**

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About this Publication

This issue of Labor in the European Community is the first of a series which will be published throughout 1964. Each issue will report on recent developments in European labor policy, union activities in connection with the Community, and decisions and activities of the European Economic Community (EEC) and European Coal and Steel Community (ECSC) likely to be of importance to American labor.

* By way of introduction, this issue contains a summary of the Common Market's labor program to date. A number of social policies affecting European workers are laid down in the treaties establishing the EEC and the ECSC. The best known of these is the establishment of a common labor market through the free movement of labor. There are other equally important aspects of the Community's policies which are now being applied, such as equal pay for men and women, job retraining, and high employment policies.

* A collective bargaining study, discussed in this issue, reveals the extent to which the nations of the European Community take part in the establishment of collective bargaining agreements.

* The social security system of each Community country differs from others. The EEC and ECSC seek to harmonize national legislation so that the highest levels of benefits are available to all workers. Each country's system will be examined in successive issues; this issue treats the French system.

Most of the articles appearing in Labor in the European Community are drawn from official Community publications in one of the official languages: French, German, Italian or Dutch. Certain labor publications do exist in English. A listing of recent Community publications on labor will be carried in each issue. In addition there is a wealth of material on general Community policies and activities available in English.

Requests for additional publications or for information on specific questions relating to the European labor situation should be sent to the European Community Information Service, Suite 808, Farragut Building, Washington, D. C. 20006.

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The next issue of Labor in the European Community will feature:
WAGES AND EMPLOYMENT IN THE COMMON MARKET.

The Common Market's Effect on Labor: A Summary

The Common Market's social policies are aimed at improving wages and working conditions and at maintaining a high level of employment.

The Rome Treaty, the "constitution" of the Common Market, provides a basis for equal pay, overtime pay, paid vacations and social services. High employment is to be ensured through the free movement of labor, investment in retraining and relocation of workers, and aids to economic development.

Improving Living and Working Conditions

"Member States hereby agree upon the necessity to promote improvement of the living and working conditions of labor so as to permit the equalization of such conditions in an upward direction." This sentence from the Rome Treaty is the foundation of the Community's social policy. Put in other words, it means that conditions in all member countries should be improved, with special efforts being directed toward raising standards in the more backward countries, without any of the others delaying further progress. Efforts to achieve this goal have been going on in three areas: equal pay, overtime pay and equalization of vacation time.

Equal pay for men and women was written into the Treaty as a binding requirement, largely at the insistence of France. In December 1961, the Council of Ministers agreed that pay equalization would take place in three stages, with discrimination being finally abolished at the end of 1964.

France served as the model for the Community policy on overtime pay. The rates in the other countries will be brought up to French level, which was more generous than those of the other countries when the Rome Treaty was signed in 1957. Since then, the rate of overtime pay has risen considerably in most member countries. Only Italy is still below the standard to be maintained by all.

The existing equivalence of paid vacations will be maintained in the Six. To meet the Community standard, the Benelux countries are extending their paid vacation periods.

Outlook for Harmonization of Social Policies

Marked differences in national social policies are evident in comparing amounts spent per capita, types of programs, and methods of financing them. Per capita welfare expenditures in the Federal Republic of Germany are twice as great as those in Italy. France spends more on family allowances than other states. In all countries, except the Netherlands, the employers' contribution is the major element in financing the benefits. Harmonization of the various plans will be a lengthy process; earliest changes are expected in the methods of financing the programs.

Free Movement of Labor

Labor is to move in complete freedom in the Common Market no later than the end of the transitional period -- December 31, 1969. The first stage in freeing the movement of labor, undertaken in 1961, facilitates the employment of nationals from other member countries and gives foreign workers, after four years of residence, the right to be treated as nationals of the country in which they are working.

There is a labor shortage in the Common Market which will probably prevent sizable shifts of the working force within the six countries. Because of lack of work at home, over 700,000 Italians moved to other Community countries in the 1958-62 period. This flow has been ebbing as industrial northern Italy has absorbed a great number of workers from the South. Furthermore, the economic development of the South itself has begun to create jobs for workers who otherwise would have emigrated.

Ensuring High Employment

The Community's Social Fund and Investment Bank are doing much to ease labor problems. The Social Fund was set up to deal with unemployment created by the establishment of the Common Market. It contributes one half of the cost of all national programs designed to reduce unemployment and to encourage resettlement in areas where labor is needed. There is no ceiling on its expenditures, the only criterion being the relevance of the national proposals to the Fund's objective. The Fund provided more than \$38 million for alleviating pockets of unemployment between 1958 and 1962.

The European Investment Bank has spurred the economic development of

the less developed areas within the Community, especially southern Italy. The Bank's influence is less direct than the Fund's, but it could have a substantial effect on employment, depending upon the extent of its future investment activities. By the end of 1961 its loans totalled \$160.2 million.

The Rome Treaty does not specifically require full employment policies in the Community. Member states are required, however, to ensure a "high level of employment." The problem of unemployment has not yet arisen since the overall labor shortage in the Community has helped absorb the temporary surplus in Italy. The labor shortage in the Community is expected to continue and workers from outside the Community will still be needed.

The Common Market-New Opportunities for Workers

The economic burgeoning of Europe under the Common Market has done much to improve the outlook for industry, but it has done as much for the worker. His wages have risen, working conditions have improved, and his future is more secure.

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The EEC Treaty contains the basic provisions of the Community's social policy and is available in English from the European Community Information Service. Price \$1.30.

Collective Bargaining in the EEC

Collective bargaining agreements in the countries of the Common Market, as in the United States, are made by an employer or a group of employers with a labor union. Their object is to set wage scales and establish working conditions which must automatically apply to all individual contracts.

In Germany when the steelworkers sit down to bargain with their employers, for example, the two sides know that any agreement must include mutual obligations for the union and management as well as wage and hour provisions. French and Dutch law only require agreement on wages, hours and other working conditions; neither country requires the inclusion of mutual rights and duties for employers and employees.

Legislation in Italy, Belgium, and Luxembourg is much less complete and does not define the character of collective bargaining agreements. Italians consider such agreements merely as a way of creating requirements for wage scales and working conditions which will be observed in every contract between the employer and individual employees. Legal obligations exist between the worker and employer, but not between the labor unions and the employer. Belgian and Luxembourg law provides for employer-employee commissions to negotiate on working conditions but the two sides are not required to make formal collective bargaining agreements as they are in France, the Federal Republic of Germany and the Netherlands.

In all six countries, labor unions are given the power to represent individual workers in determining the conditions which will be part of every individual contract.

Legislation in each of the six Common Market countries covers conditions for making collective bargaining agreements, their scope and content, their application and the judicial sanctions which exist in the case they are violated. However, the actual provisions vary greatly from one country to another.

Who may Make Collective Bargaining Agreements?

If the workers in a Belgian glass factory decide they want to bargain collectively with "le patron" - the boss - how do they go about it? First, they have to find out if they constitute a group empowered to negotiate an agreement. The laws governing all associations determine what groups are eligible to take part in drawing up an agreement. In France, however, special labor law determines the rights and obligations of labor unions. According to Dutch law, unions and employer groups must have a legal personality recognized by the state.

In all countries the labor unions must prove that they have enrolled the workers they claim as members. Thus the Belgian glass workers union must have a list of members and written authorization to bargain on their behalf. In France, prior to negotiating each agreement, the union must obtain the written permission of all members to do so, and a special meeting must be held to authorize it to begin talks.

There are no such restrictions placed on employers. They may take part in negotiations either individually or through employers associations. However, if the agreement may be later extended to other firms in the same industry, only employers groups representative of most employers in that industry are permitted to sign the original agreement.

In most countries the consent of the original parties is required before additional labor or employer groups can be brought under an existing agreement. Naturally, the group must prove that it meets the same requirements to be a party to the agreement as were imposed on the original parties. In France, however, consent of the original parties is not required. The groups adhering to the agreement must merely represent a substantial number of workers or employers.

How Are Agreements Made?

An agreement between the Belgian glassworkers union and management would be hammered out at the bargaining table and might represent a "treaty" settling a labor dispute. In Germany and Italy such direct bargaining is the only method by which agreements can be made.

French law provides for permanent employer-employee commissions where agreement may be worked out at any time, as well as for the kind of special bargaining sessions which exist in Germany and Italy. Commissions composed of an equal number of employer and employee representatives (Commissions paritaires) perform the same function in Belgium and Luxembourg as the mixed commissions in France. For example, the Belgian glassworkers might be represented on such a commission on which there were an equal number of management members.

A general rule is that all collective bargaining agreements must be in writing and must be widely publicized. In Germany, the agreement must be registered with the government, although such registration is not necessary for the agreement to be in force. An agreement must be filed with the French government before it can enter into effect. The Dutch government must actually approve the agreement, and requires that it be posted and given to each member of all contracting groups before it can be applied.

Extension of Collective Bargaining Agreements

Extension means expanding the coverage of an agreement to all workers and employers in a given industry or profession - not the extension of benefits to workers who join firms and labor unions already parties to an agreement. In all cases of extension, governmental approval is necessary.

The original parties to an agreement that is to be extended must represent a large part of the industry. In Germany, the agreement must initially apply to more than 50 per cent of the workers in the industry. Only the agreements initially concluded in the framework of the commissions paritaires may be extended in Belgium.

Only agreements which contain a provision specifically permitting extension may be expanded to cover additional firms and workers. The territory (province, region) covered by the original agreement cannot be enlarged in the extended agreement. By the same token, the extended agreement must apply only to the single profession covered in the original. An agreement originally covering glassworkers can only be extended to cover other glassworkers.

The governments have certain powers over the extension of agreements that they do not enjoy when the original agreement is made. For example, the state itself may begin negotiations on the extension of an agreement while only union and employers initiate the basic accord. In addition the state must approve the extended agreement and publish it in its official register, before it may enter into force.

Scope and Content of the Agreements

Almost all professions may be covered by collective bargaining agreements; special rules govern agreements covering agricultural workers and those working in nationalized or quasi-nationalized industries. Separate agreements are usually made for each kind of worker and may later be extended to cover similar workers in all firms. While there are no provisions for extending the agreement beyond a given type of worker, in practice similar or even identical agreements may be made for closely related categories of workers. Hence other workers in a glassmaking shop may have agreements identical to those previously made for glassblowers.

The territorial scope of an agreement may be national, regional, local or by enterprise. In this last case the agreement covers an entire company no matter where its factories are located.

In practice, agreements are usually of unlimited duration with a one-year minimum. French and Dutch law set five-year maximums on agreements, but they are renewable.

Collective bargaining agreements both establish labor standards and create contractual obligations for all parties. Under European law, these are two essentially different functions. Provisions creating mutual obligations are, of course, legally binding, but the labor standards are not compulsory in all Community countries.

Three countries, France, the Federal Republic of Germany, and Italy, treat the part creating labor standards as automatically binding the employer. For coal miners, these standards might include wages, rest periods, hours below ground, and safety conditions. In German law these standards are the minimum ones which must be observed, but they are not a ceiling on the benefits which may be given to the workers. Even when

an agreement is no longer in effect, the standards which it created must continue to be observed. Similar requirements exist in France and Italy.

In Belgium standards laid down in a collective bargaining agreement are only binding after publication in a royal decree. In a number of cases, the standards cannot be made binding since only agreements made in the commissions paritaires can be published as a royal decree. Much the same system prevails in Luxembourg. The state approves agreements made under the auspices of the National Conciliation Office, and the standards thus established are binding on all parties. The government can also rule that standards are binding on all employers and employees in a given industry in the country if it receives requests from both employer and employee groups (for example steelmill owners and a national steelworkers union) and from all other groups likely to be affected.

The Dutch system for collective bargaining agreements differs considerably from those of the other Community countries. The Labor Foundation, composed of employer and employee representatives, must approve every agreement before it enters into effect. The Economic and Social Council, an organization composed of labor and employers representatives and impartial experts, advises the Labor Foundation on future labor costs. Once the agreement has been approved both the part setting up labor standards and the contractual obligations are binding upon all parties.

Enforcing the Agreements

If one of the binding provisions of an agreement is violated, both labor and management may have recourse to either judicial or non-judicial proceedings. If labor standards have been infringed, the violator is usually punished by the group to which he belongs. In those countries recognizing the binding force of labor standards, the law prohibits any suspension of these minimum standards.

The obligations accepted by both parties are, of course, binding on them. Labor and management are often required by law to utilize the national conciliation services if they are unable to settle a dispute over an alleged violation of the agreement. On the other hand, arbitration is not mandatory in any member country of the Community. Usually the state

does provide arbitration services and their existence alone often influences the parties to settle their differences.

Judicial procedures are also available in case the terms of the agreement are violated. When one of the labor standards is infringed, an individual may make a complaint against the alleged violator. This is his right under contract law and, in France, under the labor law. French and Dutch law also allow unions to bring suit against alleged violators.

If one party violates its commitments under the agreement, the other party may, of course, bring suit rather than resorting to conciliation. If, for example, the employer has agreed to observe certain labor standards and violates them in a single case, the union can bring suit not on behalf of the worker, but as a breach of contract. In Belgium, France and Luxembourg, the union would go to a different court than would the individual if he made the complaint himself.

Collective Bargaining under the Community Social Policy

The EEC promotes the raising of labor standards to the highest level possible and encourages member states to harmonize their legislation. The EEC itself is not empowered to develop a Community collective bargaining policy.

A recent study of collective bargaining, on which this discussion is based, has indicated the essential similarities which already exist in the legislation of the six member countries. There are, however, certain important differences. For example in some member countries, the labor standards laid down are binding while in others they are not. By causing the raising of legal standards in all countries to the same level, the Community will promote greater bargaining power for more workers.

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The report on which the discussion is based, "Law and Practice of Collective Bargaining in the EEC Countries" by Professor Gerard DeHove, is available in French from the European Community Information Service. Price \$1.

Social Security in the Community: France

Each of the six member countries of the Common Market maintains its own social security system. The Community's social policy aims at harmonizing the provisions of these national systems while improving the overall level of benefits.

A harmonized social security system in the Community is of particular importance to workers who find jobs outside of their home country. Under the EEC, the foreign worker is guaranteed the same treatment and social benefits as his colleagues who do not migrate. In addition, the foreign worker usually plans to leave the country where he works and wants to receive retirement and other benefits when he returns home. An Italian working in a Volkswagen plant, for example, looks forward to the day when he can return to Naples and receive his pension. A social security system with similar provisions for all countries is especially important if workers are to be encouraged to work outside their home countries in areas where labor is scarce.

Each year the European Coal and Steel Community and the European Economic Community survey the national systems of social security to determine where differences still exist. In this way efforts can be made to remedy inequities, and workers can be informed of the coverage in any Community country in which he may consider working.

In successive issues of Labor in the European Community, the social security systems of the six Community members will be described. France will be treated first.

What is the Coverage, and Who is Covered?

In France, as in all other Community countries, there are eight types of coverage under social security: sickness, maternity, disability, old age, survivors, workmen's compensation, family allowances and unemployment insurance.

All workers are accorded all eight kinds of benefits, though miners, farm workers, sailors, civil servants, and railroad men are under special

programs. How may Pierre Du Pont, a typical (and mythical) French worker benefit from the French social security system?

Health Insurance

The comprehensive French health insurance program is under state control, although employers and employees participate in its administration. Pierre Du Pont, of course, has no choice between programs since only the official one exists. It is organized in a three-tiered structure: the local funds make benefit payments and receive deposits, the regional organs set the approved medical and hospital rates which will be paid, and the national fund makes payments to the local groups and coordinates the entire program.

All doctors participate in the program. Their rates of payment are fixed by agreement between the social security administration and the medical association. These rates may be suspended when the doctor consulted has an especially high standing or when the patient makes unusual requests for medical care. All public hospitals and a number of private institutions approved by the social security administration participate. An individual has free choice of doctor and hospital.

All contributions to the health insurance program are taken from the single payment made to the social security program each month. The ceiling on this overall payment is \$162. The payment is 20.25% of Pierre's income; his employer pays 14.25% and he pays 6%. His father, who is already receiving a pension, makes no contribution. The state does not contribute, but it may make advances to the fund in order to help pay benefits.

All paid workers, their families and all pensioners and unemployed are eligible for health benefits. Pierre must have worked 60 hours in the three months preceding the illness to be eligible for benefits.

Health insurance benefits begin at the onset of illness and are unlimited. Pierre Du Pont pays the doctor directly and is reimbursed. Except in the case of long illnesses, he is expected to pay 20% of the doctor's and hospital's fees.

There is no limit on the length of hospitalization covered. With

the advance approval of the administration, sanitarium fees will also be paid. Health insurance also covers dental bills for cleaning and extraction of teeth, orthodontic and prosthesis work. Du Pont must pay 20 per cent of these expenses. From 70-90 per cent of the cost of drugs will be paid as well as from 80-100 per cent of the cost of prosthetic appliances.

Pierre Du Pont is eligible to receive cash payments during his illness. He may receive payments for a period of twelve months in any three year period. His right to receive payments during the first six months is based upon his having worked 60 hours in the previous three months. For further payments he must have worked 480 hours in the last twelve months, 120 of which were in the last three months.

After a three-day wait, Pierre begins to receive his daily payments. If he is not hospitalized, he receives 50 per cent of his pay, increasing to 66.67 per cent after 31 days if he has three or more children. However, the maximums for these payments are approximately \$2.70 and \$3.60 per day respectively. If the worker is hospitalized he receives 20 per cent of his income if he has no family and 50 per cent if he has at least two children. Pierre's father, on pension, receives 100 per cent of his benefits while ill. Benefits paid for lengthy illnesses are periodically aligned on current wages.

On French territory, foreigners receive the same benefits as the French. Workers from Common Market countries may also receive benefits if they have worked in France but are not in French territory when they fall ill. Such benefits are extended to other non-French workers only by special treaties.

Maternity Benefits

Maternity benefits are part of the health insurance program. Working wives, such as Pierre's wife Marie, and non-employed wives of workers are eligible to receive benefits if contributions have been made on their behalf for the preceding ten months. Virtually all medical and hospital bills are paid by the social security administration. Marie Du Pont also receives from 60 to 66 per cent of her income for the 14 week period

she is away from work. All families receive an allowance for feeding the baby in its first five months.

Disability Insurance

If Pierre cannot earn one-third of his normal wages following an illness or injury, he is entitled to disability benefits. The social security system for these benefits is much like the one for health benefits.

Workers are placed in one of the three categories: 1) able to do some work, 2) unable to work, and 3) needs the help of another person for normal activities. The amount of payments is set in relation to the worker's average earnings over the most recent ten year period, or over a lesser period if he has not been working long. Those in the first group receive 30 per cent of this amount, those in the second 50 per cent and those in the third 70 per cent. The annual maximum salary on which these benefits may be computed is \$1,994.00. Thus the maximum for group two, for example, is almost \$1000.

Benefits may be stopped if Pierre is able to earn more than 50 per cent of his former salary or if he engages in salaried or unsalaried work which indicates that he no longer needs help.

Pierre may receive workmen's compensation payments at the same time as disability insurance, but total benefits cannot exceed the individual's full wages previously.

The disability program also provides for job retraining, partly financed by the state. Pierre would continue to receive most of his benefits during his retraining.

All disability benefits are adjusted annually to account for increase in the cost of living.

Old Age Benefits

The social security administration provides old age benefits in much the same way as other payments. The regional group under the social security administration is composed of 18 workers and 6 employers and other disinterested representatives, despite the fact that the employers actually contribute more than twice the amount paid by the workers.

All salaried workers are eligible for old age benefits. Maximum benefits of 20 per cent of his annual wages are paid to an individual who has worked 30 or more years. A person who has worked between 5 and 15 years receives ten per cent of one-half the payments he and his employer have made to the old age program. The minimum pension payable is \$160, while the maximum is approximately \$770 a year.

In addition to the pension benefits, Pierre Du Pont will receive 50 per cent of the pension amount if his spouse is over 65. Further payments of 10 per cent of the pension may be made to an individual who raised at least three children.

If a person decides to delay receiving a pension after age 60, when he is eligible to begin receiving it, the pension is augmented by 1 per cent for each quarter year beyond 60 that it is delayed.

Survivors Insurance

Benefits payable to survivors are limited to certain widows, since many payments to survivors are possible under other programs. Family allowances are payable to children, for example, so they do not receive survivors benefits.

A widow (or dependent widower) younger than 60 years of age and an invalid is eligible for survivors benefits resulting from the death of the spouse before his sixtieth birthday. A widow over 65 years old will receive survivors benefits following the death of her spouse who was older than 60. The survivor receives one-half the retirement benefit with a \$120 minimum. Benefit payments cease upon remarriage.

A payment for funeral and other expenses in an amount equal to 90 times the daily income of the deceased is also made.

Workmen's Compensation

Injuries from all accidents occurring on the job are covered by workmen's compensation. If the employer is directly responsible for the accident the amount of benefits may be increased; if the worker is responsible they may be reduced.

All workers are covered by the plan, and they are given a free choice of doctor and hospital in case of injury. Workers also receive

cash payments until they are rehabilitated. The amount Pierre Du Pont receives is based on the rate of income and the degree of disability, as determined by the local social security board. The maximum benefit is almost \$10,000 a year. This may be augmented by payments for a nurse's or attendant's charges. Family benefit payments continue while Pierre receives workmen's compensation.

The worker may receive both a pension and workmen's compensation at the same time; their combined amount cannot exceed 80 per cent of his former wages. If he is receiving an old age pension there is no such limit. In the event Pierre dies while receiving compensation, his widow, children and other dependent relatives receive survivors benefits in addition to those ordinarily paid. There is also a lump-sum payment for funeral expenses.

The workman's compensation program also provides for job retraining and placement in a new job.

Family Allowances

The family benefit plan is relatively new in the Community countries. Parents of two or more children receive family allowances which are augmented for each additional child. A head of family allotment is also paid. Additional payments may be made for families living in a section of France where the prices are high. There is a supplementary payment for "single-salary" families, in which the wife does not work, and benefit payments begin even before the birth of the first child.

If a family has only one working member and includes three children, for example, the monthly family benefits would be \$51.81. It would be reduced to \$32.11, in Pierre Du Pont's family in which both parents are working.

Family benefits also provide for prenatal care, medical expenses at birth, and rental and moving assistance for a family which must find a new place to live because of a growing family.

All workers, pensioners, and unemployed are entitled to these benefits. The allowances are financed by employer's contributions equal to 13.5 per cent of the worker's wages.

Unemployment Insurance

All unemployed workers who are able to take a new job but cannot find one are eligible for unemployment compensation. Pierre du Pont must have worked 150 days in the last year to be eligible for unemployment payments. His former employer contributed .2 per cent of his wages and Pierre .05 per cent to finance the fund. He receives payments from both the state (90 per cent) and his locality (10 per cent).

Benefits paid are based on the average wages for the six months preceding unemployment. These benefits may be reduced by 10 per cent a year over a three year period if the individual remains unemployed, but he may continue to receive reduced payments until age 65. The benefits are small -- less than \$2 a day -- but family allowances are also payable. Pierre's compensation will be reduced if he finds part-time employment; the total of his wages and unemployment compensation may not exceed \$150 a month. When it exceeds this level, compensation stops.

French Social Security

The French social security system provides a wide range of benefits. Similar systems exist, with some notable variations, in all countries of the Community.

Benefits such as those available in France constitute important fringe benefits for all workers. Although there are ceilings on benefits, they provide an adequate scale of payments for all French workers. Many elements of the French system are the standards which the social security systems of the other member countries will have to meet as Community social benefits are harmonized.

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The Table of Comparison of Social Security Systems in EEC Countries is available in French from the European Community Information Service. Price \$1.20.



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