# Labor in the the Community

# Workers in a Changing Economy: Free Movement of Labor and Readaptation in the European Community

The creation of a unified economy by the European Economic Community

(Common Market) will permit the free circulation of labor within the six

member states -- Belgium, France, the Federal Republic of Germany, Italy,

Luxembourg, and the Netherlands.

The treaty establishing the European Coal and Steel Community (which went into effect in 1952) and the Common Market treaty (1958) provide for free movement of labor and the abolition of all discrimination based on nationality in employment, remuneration, or other working conditions.

The coal and steel experience has shown that free movement is not enough, however, in dealing with unemployment problems caused by the shutdown of non-competitive or inefficient industries.

Both the Coal and Steel Community and the Common Market have adopted "readaptation and redevelopment" measures to deal with these problems.

Redevelopment projects help establish new industries in depressed areas.

Readaptation provides for interim payments for displaced workers and retraining for new jobs.

This issue of Labor in the European Community includes articles on:

- \* Free Movement of Labor in the Community. Page 2
- \* Readaptation of Workers and Industrial Redevelopment. Page 9
- \* Wages in the Common Market. In our last issue we discussed wages under the ECSC. Now the results of the first preliminary surveys of EEC wages have become available. Page 11
- \* Social Security in the Community: Italy. In each issue, the social security system of an EEC member country is reviewed. This issue deals with the Italian system -- one of the most comprehensive in the Community. Page 13

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.

Material in this publication may be reproduced with or without acknowledgement. A copy of the publication or article containing the reproduced material would be appreciated.

# Free Movement of Labor in the Community

The Common Market treaty provides for the removal of all restrictions on movement of labor, capital, and services by the end of the transition period in 1970.

Free movement of labor was first introduced under the European Coal and Steel Community treaty. The treaty specified that in case of skilled-labor shortage in any one of the member countries, available labor in other countries was to be authorized to take the vacant jobs. No national economy was to be required to slow production while it trained workers to meet current needs.

Workers, given the right to take jobs anywhere in the Community, were to have some protection against disturbances in the national labor market at any moment.

ECSC member states took steps to implement provisions guaranteeing free movement of labor in 1957. In addition to specifying which workers were eligible to move freely in the Community, the member states signed a convention extending the benefits of national social security systems to migrant workers. The High Authority, the ECSC executive, was empowered to carry out the program for extending social security benefits.

A survey made in 1963 showed, however, that few trained workers had actually made use of their right to work outside their home country.

Workers in depressed areas often were reluctant to leave their homes and accept new jobs -- even at higher rates of pay. This reticence to move was particularly evident during the Belgian coal crisis of 1961-62 when inefficient mines were closed in the southern part of the country. These workers demanded redevelopment projects which would create new jobs in the same area. The ECSC then inaugurated its readaptation program.

#### EEC Adopts Broad Program

The Common Market has been equally concerned with the free movement of labor, as most workers in the Community work in industries covered by the EEC Treaty.

On September 1, 1961, the first EEC regulation stipulating conditions for the

free movement of labor went into effect. Community workers were authorized to take jobs in countries other than their own when there was no domestic labor available to meet the demand. The workers' families were permitted to accompany them, and were to benefit from the social security system prevailing at the place of work.

Under the first EEC regulation, workers had to have specific job offers before they could move to another country. The member states designated official employment agencies whose work was coordinated by the EEC Commission. In addition, a consultative committee was established to advise the Commission on policies affecting the free movement of labor. The Committee is composed of labor and management representatives as well as governmental delegates.

#### Free Movement of Labor -- the Second Stage

In 1962, the EEC entered into the second of three stages in the transition to a fully-integrated economy. At that time, the Commission proposed that measures be instituted enlarging the scope of the free movement of labor.

The Commission-proposed regulation, going far beyond the 1961 rules, are to be scheduled for full application by the end of the second stage in 1966, and enter into effect on March 16, 1964.

Under the regulation, priority for the home labor market is dropped, though exceptional arrangements could be made to prevent unbalancing of the labor market in a given region or occupation. The principle of priority for the Community labor market is flexible enough to avoid depriving enterprises of needed labor.

Equal rights for foreign workers are also extended.

<u>Prolongation of employment</u>. When a foreign worker has been employed regularly for two years in a Community country, he is permitted to engage in any wage-earning occupation in that state. He thus acquires the same rights to change jobs as the domestic worker. Under the 1961 regulation, the regular employment period was four years.

<u>Labor union participation</u>. Foreign workers are eligible for election as a labor union officer. Member states authorize this participation under laws regulating collective bargaining. A worker will have to be resident

## Free Movement of Labor in the Community

for at least three years in the member country where he was employed to be eligible for election, though he may become a union member when he accepts a job.

Admission of workers' families. The right of wives and young children to join the head of the family would be extended to fully-dependent parents and other close relatives living under the same roof. Member states would also permit the entry of any member of the worker's family living with him without being fully dependent. The admission of the family would depend on whether the worker could house them in a manner regarded as normal at the place of employment.

#### Extending Social Security Benefits to Foreign Workers

Already approved social security benefits are being extended early in 1964 to two special categories of foreign workers: seasonal and frontier workers. A regulation covering seamen will be drawn up in 1964.

Seasonal workers are assured family allowances and sickness, unemployment, and industrial accident benefits in the countries in which they are insured without any residence requirement. Benefits are also provided in the country of residence.

The most significant of these benefits is unemployment compensation. Workers are entitled to regular benefits in the country in which they become unemployed. On returning to their country of residence, they continue to receive these benefits for a certain period. In addition, a seasonal worker who is unemployed in his country of residence at the end of the season may claim unemployment benefits from this country.

About 200,000 seasonal workers are covered by these regulations. The biggest movements of seasonal workers are from Italy to France (farming and building trades) and from Italy to Germany and Luxembourg (building and metals industries). Belgian frontier workers entering France during the beet harvest are also classified as seasonal workers.

Frontier workers are, by definition, employed in a country adjacent to the one in which they live. They are affiliated with the social security system of the country in which they work. Consequently, they are not

eligible for all social benefits to which they would normally be entitled. (The social security legislation of a given country usually makes the grant of maternity, industrial accident, or unemployment benefits and family allowances conditional upon a period of residence in its territory.)

Frontier workers now receive all social benefits in the country where they are employed and are paid benefits in the country of their residence. The Community's regulation applies to refugees and stateless persons as well as nationals of member states.

Payments -- except for unemployment compensation -- made in the country of residence are financed by the social security administration in the country where the worker is employed. In cases of full unemployment, benefits -- including related benefits, such as medical care or family allowances -- are provided by the administration of the country of residence and the individual must comply with the regulations of that country. In the case of partial unemployment, the worker receives benefits from the country where employed as if he were residing there. Family allowances are paid by the country of employment at the rates of the home country.

Over 115,000 workers are covered by the regulation on social security for frontier workers. With their families, the total number of people benefitting from the regulation may reach 300,000.

Most frontier workers move from Belgium to France, where they work in the iron and steel and textiles industries. Many building and construction workers live in the Netherlands but work in Germany.

Seamen are an unusual category of workers, in that they do not work in the actual territory of any member state. They also may be on a vessel flying the flag of a Community country other than their own. A regulation extending social security benefits to them will be drawn up in 1964.

#### How Much Migration?

Millions of workers and their families migrated during the first five years of the Common Market. In the years 1958-1962, the net emigration from Italy reached 716,000. All other EEC countries had net worker immigrations.

Belgium's population was not greatly affected by the influx of workers.

## Free Movement of Labor in the Community

In the peak year of 1962, the net increase due to migration was 19,000.

Most of these were Italian manual laborers. The demand for additional labor was felt in only a few areas of the country and retrained coal miners met most of this demand.

In the Netherlands, emigration exceeded immigration during the first three years of the Common Market. Part of the Dutch population had been encouraged to emigrate, and many relocated outside Europe. Over the entire five-year period, however, there was a net gain of 5,000, due to an influx of Italian workers. Immigration exceeded emigration by 17,000 in 1962.

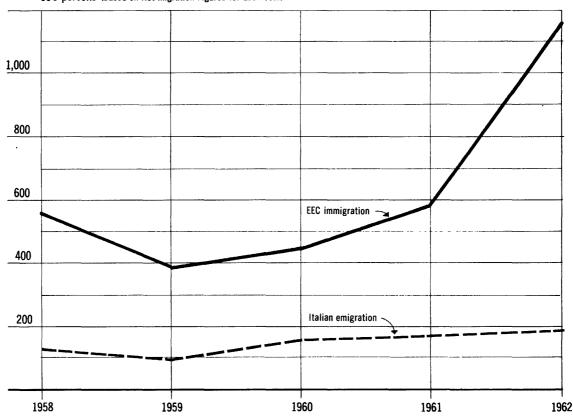
Luxembourg has consistently needed additional workers for public projects and in steel mills. In the 1958-1962 period, the net gain from population shifts was 7,200. However, the demand for foreign labor slacked off in 1962 as expansion in the steel industry slowed.

The greatest influx of foreign workers has been in the Federal Republic of Germany. In the first five years of the Common Market, there was a net immigration of 1,600,000. Workers for German industry came not only from

#### IMMIGRATION INTO EEC COUNTRIES AND ITALIAN EMIGRATION 1958-1962

000 persons (Based on Net Migration Figures for Each Year)

6



Italy but from outside the Community -- Spain, Greece, and Turkey. Even with this substantial addition to the German work force, the demand for more workers remains. It is increasingly being met by workers from outside the Community since the Italian surplus is expected to be increasingly absorbed at home.

France, too, has added to its labor force from workers outside the country. Most of this gain has resulted from the return of Algerian French to metropolitan France. Over 800,000 of the 1,450,000 net gain in the 1958-62 period entered France during 1962. However, some workers from Italy and countries outside the Community have found work on the French labor market.

#### Social Fund Increases Labor Mobility

The European Social Fund was created to assist in resettling and retraining workers. It is authorized to make reimbursements to Community countries for payments they have made to operate vocational training centers and to promote mobility of workers.

The Fund made its first payments in 1962 when it made reimbursements for vocational retraining and resettlement programs carried out three years before. The Fund spent \$12,291,000 in five Community countries in 1958-59 (Luxembourg made no application).

The European Social Fund enabled 183,000 unemployed workers to find new employment in 1958-59.

Activities of the European Social Fund, 1958-59

Country	Amount Refunded (\$)	Number of Workers Retrained	Resettled
Belgium	461,421	1,400	
France	4,624,641	9,700	
Germany (F.R.)	1,999,912	19,700	
Italy	3,733,198	69,000	79,200
Luxembourg			
Netherlands	1,472,626	3,500	

## Free Movement of Labor in the Community

All workers resettled came from Italy. Some 48,000 found employment in France, 27,000 in Germany, and 4,000 in the Benelux countries, particularly in Luxembourg.

Estimated expenditures for 1963 total \$17,818,000, including \$11,640,000 for vocational retraining, \$5,950,000 for resettlement, and \$228,000 for conversion of industry.

#### Supplementing Free Movement of Workers

Guaranteeing and assisting the free movement of workers has not been enough to meet the need for additional trained labor in the Community. The activities of the European Social Fund show that more emphasis is being placed on vocational retraining programs, enabling the unemployed to take new jobs in their home region. As this vocational training program develops, the need for unskilled labor will be met by workers from non-Community countries.

Despite the programs for the free movement of labor, skilled workers are still needed in some areas of the Community while other areas have a surplus. Consequently, in future years other aspects of the Community's social program, such as readaptation are expected to acquire a greater importance.

Information on migration of workers is reviewed each year in the Report on the Labor Situation in the Community (in French). The annual reports of the European Coal and Steel Community and the European Economic Community provide general reviews of Community policy on free movement of labor and other labor questions. Copies of these reports may be purchased from the European Community Information Service.

Ten Years of the Coal-Steel Common Market, available free from the European Community Information Service, reviews ECSC social policy in the 1953-63 period.

# Readaptation and Industrial Redevelopment in the ECSC

Both the ECSC and the Common Market are committed to the expansion of the Community's economy. Through readaptation, industrial and agricultural enterprises in the six countries can meet changing needs. At the same time, workers can be retrained for skills needed in new Community enterprises.

The Common Market has just begun its readaptation and redevelopment programs. The European Social Fund has already made payments to member states for their vocational retraining and resettlement programs, and its budget will be increased.

The Community's common agricultural policy provides for rationalization of farming and retraining of farm workers. Because of greater efficiency in agriculture, some 500,000 Community citizens have been leaving the farm each of the past several years to seek jobs in industry. This trend is expected to continue. The Community's Agricultural Guidance and Guarantee Fund will assist in this shift. Its activities will be financed by levies on intra-Community trade. By 1970, all readaptation programs in agriculture will be under the Community's Fund.

#### ECSC -- Over a Decade of Experience

The Coal and Steel Community has conducted readaptation and industrial redevelopment programs since 1953.

The operation of the Common Market itself is encouraging the development of the most efficient producers at the expense of those less able to compete. But the ECSC's High Authority has determined that the Community cannot rely alone on the automatic effects of market forces to promote the even expansion of the economy. The High Authority has powers to deal with problems arising from regrouping and rationalization of production and closure of inefficient firms. The ECSC Treaty was amended in 1960 to make readaptation available to all those adversely affected by radical changes in the demand for coal or steel -- especially workers affected by mine

shutdowns. The Treaty thus embodies the most comprehensive provisions in any international agreement for guaranteeing the right to work.

#### Redevelopment Complements Readaptation

Member governments and the High Authority are cooperating in redevelopment in action of two kinds: for depressed areas and for individual unemployed workers.

At the regional level, attempts are being made to introduce alternative activities into mining areas affected by pit closures. New kinds of employment are to be made available under the Community program either immediately after the workers become unemployed or on completion of occupational retraining. Jobs are also to be made available to recent high school graduates. Working closely with the governments, the High Authority advances funds to create new employment, some of which is reserved explicitly for unemployed miners. Following a 1960 intergovernmental conference on redevelopment, the Community began helping to establish industrial parks around pits before they were actually closed.

#### Direct Aid Given to Workers

In its first ten years, the High Authority approved readaptation programs for over 156,000 workers, including 119,000 miners. The ECSC contributed more than \$53 million and member governments have matched this sum.

These funds have been and are used to continue payment of wages while the unemployed seek work, or to provide occupational retraining free of charge. Workers who take new jobs at lower pay are maintained at their previous pay level for up to two years. All travel and moving costs are refunded to workers leaving their homes to take new jobs. In some countries, discharged workers may be paid a single lump sum.

E.C.S.C., 1952-1962 is a comprehensive study of all phases of the Coal and Steel Community's activities. It is available in French from the European Community Information Service. Price \$5.

# Wages in the EEC: a Statistical Note

The EEC Treaty covers all phases on industry and agriculture except those specifically mentioned in the Coal and Steel Community and Euratom Treaties. Consequently, workers in almost all sectors of the economy benefit from the social policy established by the Common Market.

ECSC wage scales, discussed in the last issue of <u>Labor in the European</u>

<u>Community</u>, have already been the subject of detailed surveys. These more sophisticated studies have been possible because of the relatively small number of industries involved and the eleven-year experience of the ECSC which permits periodic comparisons.

The EEC is now completing its first study, a three-year survey of 35 branches of industry. The first two parts of the EEC survey, covering 22 branches of industry, represent over 40 per cent of the Community's industries. The coal and steel industries, studied separately, represent from 10 to 20 per cent of the Community's industries.

The 35 industries were studied over the 1959-1961 period. The survey will be repeated for the years 1962-64, permitting for the first time an accurate analysis of rising wage patterns by country and by industry.

Direct wages were studied as a part of the employer's total labor cost.

This cost also includes fringe benefits and social security payments. The total amount was converted to an hourly cost. A statistical summary follows:

Comparative Hourly Labor Cost in 35 Selected Industries in the EEC								
(Percentage above wages in Italian fruit and vegetable canning industry)								
<u>Ind</u> (19	ustry 59)	<u>Ger</u> .	<u>Fr</u> .	<u>Italy</u>	Neth.	Belg.		
1.	Sugar refineries	90	85	60	70	120		
2.	Breweries	125	80	55	70	85		
3.	Wool spinning	60	70	35	40	60		
4.	Cotton spinning	65	55	25	60	60		
5.	Synthetic fibers	120	145	60				
6.	Paper	100	105	55	70	110		
7.	Chemicals	135	130	75	85	105		
8.	Rubber	110	100	110	65	100		
9.	Cement	125	130	60		165		
10.	Ceramics	65	60	40	35	65		
11.	Machine tools	130	130	80		135		
12.	Electrical products	95	100	65	65	100		
13.	Shipbuilding	130	115	100	95	170		
14.	Automobiles	150	105	145				
	Average	105	105	70	65	105		

	Industry	<u>Ger</u> .	<u>Fr</u> .	<u>Italy</u>	Neth.	Belg.
(19	60)					
15.	Chocolate, confection, biscuits	50	65	45	35	60 -
16.	Fruit, vegetable canning	35	40	0	50	50
17.		85	75	40		50
18.	Shoes	75	55	40	35	60
19.	Veneers	75	80	20	60	80
20.	Wooden furniture	85	80	45	60	85
21.	Glass and glass products	95	135	85		115
22.	Instruments, optical goods	90	110	70	65	85
	Average	75	80	45	50	75
(196	1)					
23.	Meat preserving, canning	115	110	70	90	85
24.	Fish preserving, canning	95	40	15	65	40
25.	Knitwear mills	95	80	40	40	45
26.		90	55	40	20	30
27.	F-F, Green	105	100	65	70	110
28.	Printing industry	165	220	150	125	120
29.		130	105	75	85	90
30.	Plastic products	105	110	55	65	80
		140	80	50	90	130
		170	165	120	135	170
	Metal products	150	120	80	110	125
34.	Agricultural equipment, tractors	150	140	85	110	120
35.	Aircraft	150	190	120		155
	Average	115	115	70	85	100

#### A Look at the Present Situation

The index of gross hourly wages in the industries of the six member countries may be computed using this and other data available from member governments.

These figures illustrate the substantial changes in the wage picture in the 1958-1963 period:

<u>Index of Gross Hourly Wages in Industry</u> (1958 = 100)

	Ger.	Fr.	<u>Italy</u>	Neth.	Belg.
1959	105	106	102	101	102
1960	115	113	197	111	105
1961	127	122	115	116	109
1962	142	133	132	127	115
1963 Jan./June	150	141	150 est	. 138	119est.

In no other Community country have wages increased so much since 1961 as in Italy. The Benelux countries are maintaining their same relative distances from Germany and France.

The average number of percentage points above the low industry in the

survey	would	now	be:		Ger.	<u>Fr.</u>	<u>Italy</u>	<u>Neth.</u>	Belg.
				Average	170	155	130	115	110

Statistics on EEC labor costs and wages have been published for the first two parts of the survey. The two volumes are available from the European Community Information Service, price \$5.50. The third part of the survey will be available in the near future.

# Social Security in the Community: Italy

Italians benefit from one of the most comprenensive social security systems in the Community. The Italian system, along with the French program, provides many of the standards upon which other Community systems will be aligned. Since harmonization of social benefits is one of the fundamental objectives of the Community's social policy, the Italian system will, in many ways, help determine the character of that policy.

#### What Is the Coverage and Who Is Covered?

In Italy, as in the other five Community countries, there are eight types of social security benefits: health insurance, maternity payments, disability insurance, old age payments, survivors benefits, workmen's compensation, family payments, and unemployment compensation. Most Italian workers and their families are covered under the general social security program; seamen, civil servants, and railroad workers have special programs.

#### HEALTH INSURANCE

The Italian health insurance program is operated by an autonomous administration under the national government. The insured, employers, and governmental representatives oversee the management of the health insurance fund.

Local branches assure that appropriate medical care is available and make benefit payments. The regional organizations collect contributions and administer the funds, while the national council supervises the entire program. There is a separate administration for tuberculosis patients in Italy.

#### Who Is Eligible to Participate and Under What Conditions?

All paid workers not employed by the government and their families, pensioners, and unemployed are covered. There is no ceiling on the income of participants. Medical costs are paid for all dependents for whom the worker receives family benefits. There is no required period of work before an individual can receive benefits. Benefits are paid from start of illness, but for no more than six months a year.

# **Social Security**

#### How Are Health Benefits Financed?

A single payment is made to the social security administration. For blue in the Community. collar workers, employer contributes 7.15% of wages; the worker, 15%. White collar workers contribute .15%; their employers pay 5.15% of wages. The state contributes nothing to the benefits. There is no ceiling on the wage base for contributions.

#### What Doctors and Hospitals Participate?

All licensed doctors may participate. The national health insurance council makes special agreements with both public and private hospitals. The tuberculosis administration has its own sanitariums. Doctors either are under contract with the social security administration or they are paid separately for each patient. No doctor can have more than 2000 insured persons assigned to him. When payments are made directly to doctor or hospital, the insured must select one associated officially with the health plan. When he is to be reimbursed for his medical costs, he may choose any doctor or hospital. In this case, he must pay some of the costs himself.

#### What Special Health Benefits Are Covered?

Complete payment of sanitarium fees for tuberculosis payments are made with no limit on payments. Up to 50 per cent of the costs of cures may be paid, if the administration gives its approval in advance. Normal dental care is provided free. Small allowances are made for payments on prosthetic devices. Most prescriptions are free. For hearing aids and eye glasses, the fund may pay up to 50 per cent of total costs. Health benefits for recuperation, even after the six months normally covered, can be made.

What Cash Payments Are Made to Individuals Receiving Health Benefits? After three days of illness, all blue collar workers are eligible for as much as six months of cash payments. If he is not hospitalized or is hospitalized but has a family, the worker receives 54 per cent of his wages. If he is single and is hospitalized, he receives 22 per cent of his wages.

#### Are Payments Made to Foreigners?

All foreign workers in Italy receive the same benefits as Italian workers.

Workers from Common Market countries receive benefits they have earned, even if they have left Italy.

#### MATERNITY PAYMENTS

As in all other Community countries, Italian maternity payments are administered under the health insurance program. Payments are available to working wives or wives, daughters, and sisters of an insured worker. Program covers costs of mid-wife, maternity fees, and drugs. Benefits are paid over a 14 to 22 week period at 80 per cent of the wages of the person insured.

#### DISABILITY INSURANCE

Administered through regional centers, disability insurance is tied to the old age benefits program. Management is similar to the health insurance program: participation of insured workers and employers, under the control of the state.

#### Who Is Eligible?

All workers must participate in the plan. An invalid is a blue collar worker who cannot earn a third of his former wages or a white collar worker who cannot earn more than a half. There is no ceiling on participants' income. Workers must have participated in the plan five years before being eligible for benefits.

#### How Is Disability Insurance Financed?

Employers pay the basic contribution: from .1 per cent to .2 per cent of the basic wage. Contributions to finance retraining are 15.75 per cent of the wage, the employer paying two-thirds of this amount and the employee one-third. This contribution also goes for old age and survivors benefits. The state pays about 25 per cent of the expenses of the fund.

#### What Benefits Are Given?

The basic pension is slightly more than 20 per cent of monthly wages. The adjusted yearly pension is 55 times the basic pension plus one-twelfth.

Maximum payable is 80 per cent of average wage for past five years but there is no ceiling on the wage covered. Ten per cent extra is given for each dependent child. Disability insurance provides for retraining for a

# Social Security in the Community: Italy

new job. Payments are adjusted to keep pace with the cost of living.

#### OLD AGE PAYMENTS

This system is administered jointly with disability insurance. The benefits are exactly the same for workers who have participated for at least 15 years. Benefits begin at age 60.

#### SURVIVORS BENEFITS

The ground rules for this program are exactly the same as for disability insurance. Payments (50 per cent of old age benefits) are made to widows, dependent widowers and orphans (30 per cent). The maximum total payments cannot exceed 100 per cent of the old age pension.

#### WORKMEN'S COMPENSATION

Employers contribute on the average 3.7 per cent of wages to a fund paying benefits to workers hurt on the job. Most workers are not covered by workmen's compensation -- only manual laborers. Maximum annual individual benefits are \$720; they are payable in conjunction with other benefits and, in a reduced amount, to dependents upon the death of the insured. Benefits are adjusted in accordance with changes in the cost of living.

#### FAMILY PAYMENTS

Financed by employers' contributions of 17.5 per cent of wages, family benefits provide about \$8 a month for each child. Smaller payments are made for dependent spouse and other relatives.

#### UNEMPLOYMENT COMPENSATION

Employers contribute about 2.4 per cent of wages to finance unemployment payments made to eligible workers for six months in any year. The state also contributes to the program. A worker must be available for work and have worked at least two years. If a worker is laid off or has his hours cut back, he receives reduced payments.

A copy of this material is filed with the Department of Justice where, under the Foreign Agents Registration Act of 1938, as amended, the required registration statement of the Information Office, European Community, 808 Farragut Building, Washington 6, D.C. as an agent of the European Economic Community, Brussels, the European Atomic Energy Community, Brussels, and the European Coal and Steel Community, Luxembourg is available for public inspection. Registration does not indicate approval of the contents of this material by the United States Government.



INFORMATION SERVICE WASHINGTON OFFICE-THE FARRAGUT BUILDING, WASHINGTON 6, D.C. BULK RATE U.S. POSTAGE PAID WASHINGTON, D.C. PERMIT NO. 41445