



Bulletin from the
E U R O P E A N
C O M M U N I T Y
for coal and steel

INFORMATION SERVICE • HIGH AUTHORITY • LUXEMBOURG

Europe Tests New Approach to Problems of Technological Unemployment

The High Authority of the European Community for Coal and Steel has embarked upon a series of experiments in Europe to help labor and management hurdle the social difficulties existing in areas where industrial advance and change threaten jobs and sometimes the welfare of entire communities. This issue is devoted mainly to a review and analysis of these efforts which have been undertaken through authority granted to the Community's executive arm by the Schuman Plan Treaty.

READAPTATION: A New Word for a New Concept

"Progress in Europe has often, in the past, been hampered by a desire to retain obsolete methods of production for fear of unemployment. Yet to maintain such methods prevents both the lowering of production costs and a rise in wages. The future European economy depends essentially upon the removal of this discrepancy between the desire for stability and the need for progress."* Readaptation is an attempt at a new and comprehensive approach to this problem which has dogged the economic expansion of Europe and embittered labor relations since the very start of the industrial revolution. It is, in the words of the French delegation in its report on the Treaty, the major contribution of the Treaty in the labor field.

Readaptation is the literal translation of a French word which seems to have been invented when the Schuman Plan was being drawn up. There is no English word that entirely covers its meaning. It implies all that is necessary to ensure the smooth passage of a worker from one job to another:

- a "waiting allowance" paid at a tapering rate to tide workers over until they obtain new jobs;
- re-training for a new job where necessary;
- payment of travel and furniture removal charges and

*JEAN MONNET, President of the High Authority, 1952-1953.
continued on page 2 column 1

The Historical Background in Europe "The Chilly Blast"

The 19th century annals of England and the Continent are full of heartbreaking stories of the distress caused by mechanization. Although some serious observers foresaw that the long-term effects of the industrial revolution would bring an unprecedented rise in the standard of living, the short-term effects were often disastrous. Lord Shaftesbury, the reformer perhaps most moved by the condition of England's poor, exclaimed, "The country is suffering under the chilly blast of political economy"; and the *London Times* in April, 1825, announced in a headline, "The Workers of Blackburn dying from hunger!" At that point, 14,000 out of 20,000 weavers were unemployed. Similar
continued on page 2 column 1

IN THIS ISSUE	
page	
3	READAPTATION IN PRACTICE—ITALY
4	TECHNICAL PROGRESS VS. UNEMPLOYMENT
5	READAPTATION IN PRACTICE—FRANCE
7	READAPTATION IN THE UNITED STATES
9	READAPTATION: A CRITICAL SURVEY
11	OFFICIALS LAY CORNERSTONE
12	LEARNING TO BECOME EUROPEAN IN SPIRIT
12	THE FIRST EUROPEAN SCOUTS

READAPTATION: A New Word For a New Concept

Continued From Page 1 Column 1

also of re-installation costs when the worker has to move to a new area, and

- in certain circumstances, the provision of investment loans for new industries to absorb labor even outside the field of coal and steel.

The High Authority of the European Community for Coal and Steel can use any or all of these methods to achieve the aim of ensuring that workers do not bear the brunt of technical progress or of increased competition brought about by the Common Market. Governments must, however, grant an amount equal to the High Authority's contribution, and the High Authority can only act at a Government's request.

Readaptation is envisaged as the means of raising living standards by eliminating the hardship of transitional unemployment and thus overcoming the worker's resistance to technical change. At a time when technical change, in the form of automation, has emerged in its most advanced form yet, a study of the Community's experience in readaptation, its achievements and shortcomings, seems particularly appropriate.

The Historical Background in Europe

Continued From Page 1 Column 2

stories could be found not only throughout Great Britain, but also in France and Germany. From Nottingham, William Cobbett wrote in *The Political Register* on the 23rd of November, 1811:

"For some days past the newspapers have contained accounts of riots in this town and in the county of the same name. Stocking-weavers going in search of machines, the use of which threw them out of work, appears to have been the original character of these assemblages. Much mischief is stated to have been done; one of the rioters killed in an attack upon a house . . . It was the misery arising out of a *scarcity* of work that produced the riots; . . . It is in vain to hope for the return of such a state of things as would restore the manufacturers (workers) to their *former* state. That state of things will *never* return, or, at least, in the lifetime of any man now twenty years of age. Something else must therefore be thought of. There must be something done to give employment to persons formerly employed . . ."

Cobbett's solution at that time was a proposal for the re-employment of "manufacturers" as agricultural laborers: others proposed their re-employment upon "works of public utility". Despite goodwill and various schemes to limit the consequences of economic crises, no satisfactory solution was immediately found, either to the problem of re-employment or to that of the pauperism which resulted from workers losing their jobs. The history of unemployment benefits and re-employment schemes is a long catalogue of piecemeal half-measures prompted by the best intentions but for long doomed to failure owing to lack of co-ordination and lack of funds.

Early Remedies

Unemployment benefits in Britain originated with the trade

unions as early as 1824. By 1900 about half a million workers were thus covered. The contributions paid were small, and the period of benefit was brief; moreover, the benefits were available only to the skilled craftsmen who formed the elite of British workers. Government contributions to unemployment benefits first began in Berne, Switzerland, in 1893. The Swiss plan depended upon the workers' contributions to trade union funds, voluntary contributions from employers, and gifts from individuals: the municipal government paid a subsidy to the existing trade union funds. Owing to the large part played by voluntary contributions, the scheme was only partially successful. Similar methods were applied in Ghent in 1901, but without contributions from employers. This type of plan was extended in 1907 to the rest of Belgium and to France, Norway and Denmark.

Britain in 1905 passed the Unemployed Workman Act, also dependent chiefly upon voluntary contributions, but administered out of public funds. Later the scheme received small grants of money from Parliament. The Act also instituted Distress Committees in order to deal individually with cases of unemployment; their help could take one of three forms. First, they might find fresh work for the unemployed worker, secondly, they could aid his emigration or migration to another district, thirdly, they might provide temporary work or contribute toward it. Six years later, Britain introduced the first national compulsory unemployment insurance under the National Insurance Act, 1911. To this plan, the employer and employee each contributed a small equal weekly sum to which the state added a further percentage. No benefits were paid during the first week of unemployment, and the maximum period of benefit thereafter was fifteen weeks per year. Unfortunately, the National Insurance Act (1911) covered only about 2,250,000 of the total labor force of some 14,000,000; but during the First World War and shortly afterwards, its coverage was extended to all workers except those in agriculture, domestic service, government and the higher ranks of clerical workers. In 1936 it was extended to agriculture.

Unemployment Spreads

Meanwhile, the period 1914 to 1939 was notable both for a rapid introduction in continental Europe of compulsory unemployment insurance and for an immense growth in unemployment itself. In France, where the unemployment problem was not as grave, no national compulsory unemployment insurance was introduced before the Second World War; but in Germany, where in 1923 and 1926 unemployment reached high peaks, a national compulsory unemployment insurance scheme was introduced in 1927. Its timing, however, was unfortunate, since it had no opportunity to build up a large reserve of funds: these were exhausted by the end of the following year. The total unemployment in Europe in the early thirties was around 15,000,000; few countries had an unemployment per-

centage of less than 20%, and several had more than 30%. In Britain, by 1932, the unemployment percentage had reached 22% or 3,000,000 unemployed. Despite attempts at economy after 1931, when payment rates were increased and benefits reduced, British unemployment funds faced a heavy deficit made up by Parliamentary subsidies.

Postwar Britain

The British National Insurance Act of 1946, which merged unemployment insurance with other types of social insurance, was perhaps the most advanced scheme of its kind to be brought into being in Europe. Together with the Employment and Training Act of 1948 and other special measures designed to facilitate the transfer of workers, it approached more closely than ever before a full readaptation program. Under the 1948 Act, the Government is empowered to grant (in addition to unemployment benefits):

1. Advance of fares, which are repayable, to any form of employment;
2. Free fares to persons who live in districts where unemployment prospects are poor. Such persons with household responsibilities who transfer to work away from home are eligible for a lodging allowance and, subsequently, for a refund of the cost of household removal;
3. Help, through unemployment exchanges, for persons seeking lodgings.

The Community

Although all Community countries have national unemployment insurance schemes, those who framed the ECC&S Treaty foresaw the need for a more comprehensive system of readaptation. The Common Market, exposing hitherto protected industries to competition from other Community countries would, they knew, lead to modernization and further mechanization. Clearly, such moderni-

zation programs must be paid for, not only in terms of capital and equipment, but also by labor. But one of the objects of the Community is to avoid such penalization of the worker. Technical progress, of course, is almost bound to produce temporary unemployment; but the Community's High Authority is specially empowered to alleviate and end such technological unemployment in any or all of several ways. (See box, page 4) To each operation, governments must contribute as much as the High Authority, which acts upon government requests.

A New Policy

These readaptation measures are novel in several respects:

1. They have been designed to forestall crises, rather than to alleviate them after their occurrence;
2. They do not depend upon a direct contribution, voluntary or compulsory, from the workers concerned, but are financed out of the general resources of the High Authority and the Governments;
3. They provide for "tiding-over payments" or "waiting allowances", usually based upon the workers' previous salaries, and are considerably higher than normal unemployment benefits; these "tiding-over payments" continue for periods of up to fifteen months;
4. They include special provisions for retraining;
5. Their re-installation benefits are not paid retroactively and may also include further lump sum grants;
6. They include investment provisions, and
7. They are supplemented by other measures, such as housing programs and the introduction of the European Labor Card, in order to encourage and facilitate labor mobility.

The following articles provide a review of some of the High Authority's practical applications of its readaptation policy and their varying degrees of success.

READAPTATION IN PRACTICE — ITALY

The Darfo Works

On the edge of the Italian lakes, nearly midway between the tourist regions of Lake Garda and the commercial heart of Milan, stands a small steelworks, the second oldest in Italy. This is the "Darfo", an establishment employing about 820 workers. Hemmed in between mountains and rivers, it has no more than 14 acres of space. It was founded in 1893, four years before the foundation of the ILVA steel combine which now owns it.

Until recently, Darfo's activities were three-fold. First came its hydro-electric power, drawn from the mountains and rivers that surround it. Today it controls seven new hydro-electric plants and an eighth is under construction. The second branch of its activities was the making of steel alloys. Today there are five blast furnaces in operation

and a sixth is planned. But its third specialty, rolling mills, did not prosper like the other two because of the cramped situation and the old-fashioned equipment, with the result that the rolling mill section of the works has been shut down.

The development of the Common Market for steel hastened the closing by stimulating competition, chiefly from the new steel mill at Genoa owned by the Societa Cornigliano, which turns out Darfo's products on a large modern scale.

The Problem

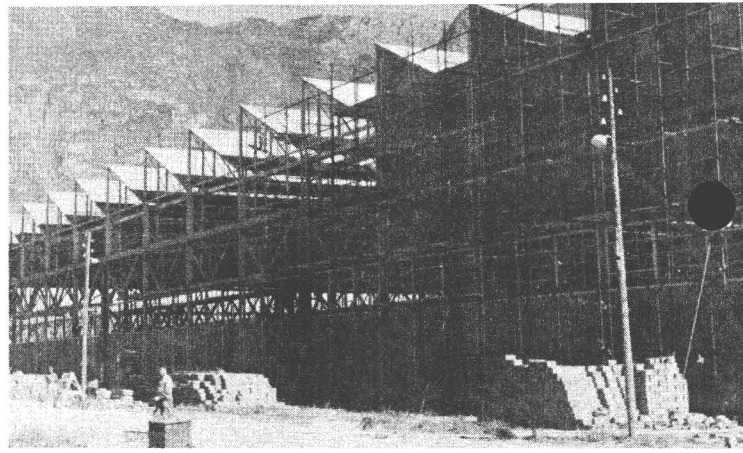
Three hundred and sixty men were employed in the Darfo rolling mills, producing 15 to 17 thousand tons per year. On July 13, 1955, the first of the rolling mills ceased operation. Since then, the mills have stopped, one by one, and

the workers who operated them have lost their jobs. Ordinarily, without the European Coal and Steel Community, these workers would have found it almost impossible to get other employment in the steel industry. Although steelworkers' wages are among the highest in Italy, the province of Brescia, like the whole country, suffers from grave unemployment, running into 5 or 6 thousand heads of families. For the Darfo workers the prospects would, therefore, have been grim. A few might have been able to get seasonal work in building; a few might have migrated, possibly to Switzerland; a few might have attended local courses to train for work as waiters. But the majority, 90% of them family men, (many with four or five children) would have been added to the long roll of Italian unemployed. As such, they would have received 217 lire (33¢) per day, plus 80 lire (13¢) per day family allowance, a maximum of less than \$3.50 a week. And this aid would have come to an end after six months.

High Authority Intervenes

In the framework of its general measures for "readaptation", the High Authority has recently signed with Italy (see article on Bertrand report p. 9) an agreement providing 7,000 million lire (\$11,000,000) to compensate and re-employ the 8,000 Italian steelworkers put out of work by increased competition since the opening of the Common Market. Of the 7,000 million lire, one-half is supplied by the High Authority, and one-half, over a period of ten years, by the Italian Government. The Italian Government's contribution is being used to aid the development of new industries by reducing the interest on loans, on the condition that they provide jobs for the discharged coal and steel workers. It is this combination of High Authority and Italian aid which has enabled the Darfo workers to move smoothly into new productive jobs.

The ILVA Society, which owns the Darfo steelworks, is controlled by FINSIDER, a holding company which also controls the Dalmine steel combine, whose headquarters



The steel framework of the new Costa Volpino steel mill in northern Italy against an alpine background.

are in nearby Milan. Just at the time when the Darfo rolling mills were going to be put out of action, the Dalmine firm had decided to develop its production of fine quality steel tubes, for which it needed a new factory. Through FINSIDER, the ILVA combine asked the Dalmine firm to study the possibility of re-employing in the new factory the 360 workers who were to become redundant at Darfo. By doing this, Dalmine would benefit from the new Italian law, and the steelworkers would be able to pass to new but similar steel jobs within a few miles of their homes. After negotiation, this proposal was accepted.

The Solution

As a result, a large new steelworks is going up at Costa Volpino, some 5 miles from Darfo, and is being built largely by the steelworkers from Darfo, who will later be employed in the works itself. The new works is constructed very largely of steel; it will cover some 11 acres of land and will employ from six to seven hundred men. It is expected to go into production at the end of the year. The first steelworkers from Darfo went to work on the building at Costa Volpino without losing an hour's working time. So far, 141 of them have been taken on as laborers, masons, welders, etc. The remaining 219 will be engaged by August 15. The difference between their present wages and their former pay is being paid by the High Authority for 15 months; even after the building is completed and they have begun work again on steel production, any difference between their new pay and their old will be made up for a period of 15 months after they lost their jobs. (Steel tube workers, since their job is less laborious and tiring, are in general paid slightly less than workers in rolling mills.) Those of the Darfo workers who have left their old job before taking up the jobs assured them at Costa Volpino will be paid an "interim allowance" calculated on the basis of their previous wages; this also lasts, if necessary, for 15 months. For example, a worker who was paid 30,000 lire per month would receive 25,500 lire per month for the first three months of unemployment, 22,500 per month for the second three months, 19,500 for the third three months, and 16,500 lire per month for the last six months.

Meanwhile, as the building work is finished, the Darfo workers will be retrained on the spot for their new steel

Technical Progress vs. Unemployment

"Either we accept the inconveniences of modernization and notably technological unemployment, so that technical progress is possible and with it an improvement of the standard of living, or we refuse to face technological unemployment and seek security above all, in which case we are condemned to economic rigidity and must give up the prospect of any substantial improvement in the standard of living.

"At all events it seems manifestly possible to diminish the harshness of reconversions necessitated by technical progress, by taking measures on the one hand to reduce technological unemployment to a minimum, and on the other hand to diminish its ill effects as much as possible by adequate compensation." (Allais, "La liberalisation des Echanges Commercaux en Europe", Genoa Congress, *Economia Internazionale*, 1953, No. 1-2, pp. 7 ff.)

jobs. Only after all the Darfo men have been re-employed will other workers be engaged.

The new works is only 8 kilometers (5 miles) away from the old mill and consequently, the Darfo men have not had to move their families and households. This would have presented difficulties because on the rent of a new house, they would no longer enjoy the benefits of Italy's rent-freeze. Instead, they travel to work, chiefly by motor-scooter, which they were able to buy with advances of the 80,000 lire (\$130) from ILVA and the 20,000 lire (\$132) from FINSIDER, provided when they lost their jobs. For those who need it, there is also a local bus which runs along the valley.

Workers' Reactions

The Darfo branch of the Italian steelworkers' union had long recognized the necessity, and the difficulty, of modernization at Darfo. This had been pointed out at the end of the War by a visiting steel expert, and rumors of change had been in the air for several years when the opening of the Common Market and the consequent exposure to competition made action necessary. In general, the workers' response to the readaptation scheme was enthusiastic. Building work was not at first universally popular, but many steelworkers in Italy do casual work as builders, and all were anxious thus to hasten the prospect of re-employment as steelworkers. In addition, the construction of the Costa Volpino works, which is chiefly of steel, with very little brick, was close to the experience of many of the workers concerned.

Surprisingly enough, the scheme met no opposition from regular building workers. This was for two reasons: First, general building work in Italy is not regarded as a specialized and protected craft, but as ordinary labor, recruited as the need arises from the large numbers of unemployed.

Skilled building labor, which is better organized, is in short supply and was, in fact, recruited for the specialized foremen's jobs at Costa Volpino. Secondly, the proportion of steelworkers unemployed in the province is greater than that of professional building workers, and the free trade unions recognize the contribution, small in scale but real as an example, which the Darfo readaptation has made.

A Strong Agreement

Even the Communists were realistic enough to accept the new arrangements. The small number of Communists in the Darfo works have never, in fact, been belligerent, and in ten years, the mill had not lost a single minute through strike actions. This may partly be explained by the small size of the works, which engenders a community feeling which may be lacking in larger and more impersonal organizations. In fact, the director at Darfo lives at the gates of the factory and the principal allegiances at Darfo and at Costa Volpino are those of a mountain people to the valley in which they live.

The Italian investment law, whereby the scheme has been furthered, was supported by the extreme Left as well as by the Center parties when it was passed in the Chamber of Deputies in Rome. Among the workers at Darfo and Costa Volpino, there is a new understanding and approval for the work of the Coal and Steel Community. Formerly a little suspicious and conservative, they are beginning to see some of its results, if only on a small scale. Similar problems have arisen elsewhere in the Italian steel industry; to solve them, as has been seen, the High Authority and the Italian Government are together supplying readaptation funds. The existence in Italy of two million unemployed, outside the coal and steel industries, is one of the strongest arguments for Italian support of even wider economic integration.

READAPTATION IN PRACTICE — FRANCE

Some of Europe's most up-to-date and efficient steel plants lie in France, where, under the Marshall Plan and France's own postwar Monnet Plan, large credits were granted to rebuild its war-damaged basic industry. But, for a number of reasons, such as former under-investment, traditional independence of the small producer, indifferent labor relations, and deliberate war-time stagnation, some backward "pockets" still existed in the French steel industry in 1953, when the Common Market in steel was established.

To keep going, these industries had relied on various forms of protection: the French Government, like its neighbors, protected its domestic steel industry at the expense of foreign steel through government manipulation of tariffs, quotas and discriminatory rates for non-French steel. Weaker plants also relied on market allocations and other disguised government subsidies. The establishment

of the Common Market in steel was a threat to the existence of these weaker plants: from an economic point of view, such a threat was justified, even desirable, since the continued existence of such backward "pockets" acted as a brake on the full economic expansion of the French steel industry and was a source of weakness for the country itself. From a human point of view, the transformation of such plants presented serious social problems of threatened unemployment in already depressed areas.

The Compagnie des Ateliers et Forges de la Loire

One of the backward "pockets" of the French steel industry was situated in the Saint Etienne area, in central France.* These steelworks had known great prosperity dur-

*See p. 5, ECC&S Bulletin No. 4, January, 1955.

ing the First World War, but after 1919, with the recovery of the Lorraine steelworks, they entered into a long decline, partly as a result of the recovery of the Lorraine steel industry, partly because their production could not easily be switched from military to civilian purposes. During the Second World War, the factories in this area patriotically used every device to hold up the production of steel which might be used by the enemy.

After 1945, producers were encouraged to turn out steel at any price to meet the unprecedented demand in Europe. Although Marshall Plan funds helped rebuild and modernize France's steel industry in record time, the problem of the Saint Etienne steel mills was a local one that could not be solved only by dollar aid. The Saint Etienne plants acquired new equipment, but in some cases the investments duplicated, rather than complemented, those of nearby mills. As early as 1946, M. Jean Monnet, then head of France's plan for modernization and reconstruction, had urged the merger of these plants, which between them produced around 200,000 tons of steel a year. His proposal was turned down. It took the creation of the European Coal and Steel Community with its threat of European-wide competition to compel the producers to take action.

The four separate steel plants, all within a 10-mile radius of Saint Etienne, merged into one company, the *Compagnie des Ateliers et Forges de la Loire*, and this newly formed company was the first to benefit from readaptation measures contained in the Treaty.

As the first step, the Company gave a detailed report of its position to the French Government, explaining that the merger and modernization plan of the former four companies was the direct result of the threat of competition in the Common Market; that the merger would affect some 12,000 workers, and that consequently, the French government should approach the High Authority to propose joint French and High Authority aid. In turn, the employers, confident that their reconversion plan would lead to greater productivity at lower costs, indicated they were prepared to guarantee that if such aid were obtained, not a single worker would be laid off for a four-year period.

The French Government forwarded the proposal to the High Authority, and the High Authority, having investigated both the labor position in the plants and the proposed reconversion plan, agreed to help.

By a High Authority decision, \$420,000 was earmarked for financial aid to the labor force of the *Compagnie des Ateliers et Forges de la Loire* affected by reconversion; the French Government earmarked an equal amount. The Company was allowed to draw on the total of \$840,000 in the following ways:

- 1) to pay basic wages of those who would otherwise have been laid off;
- 2) to pay the costs of technical training for those who would otherwise have been redundant after reconversion plans were completed, and
- 3) to pay the costs of moving those workers who preferred



An interior view of one of the mills of the Compagnie des Ateliers et Forges de la Loire in central France where a full-scale readaptation program is underway. Photo: Roger Schall, Paris to settle in a house nearer their work after reconversion plans were completed, and paying them a settling-in allowance. (In some cases, workers had to move from one plant to another, but in no case was the distance greater than 17 miles.)

How the Experiment Has Worked

The High Authority was determined that both employers and workers affected by this scheme should not regard it as charity in disguise. It was stressed that while steelworkers drew wages paid for in part by the High Authority and the French Government, they were not unemployed, but undergoing training to equip them for new jobs within the industry. In fact, the scheme has been successful because it has worked slowly and unobtrusively. The present steel boom has meant that even the more backward plants have had no difficulty in selling their steel; this in turn has meant that the concentration and reconversion of the four plants has gone slowly, with the minimum disturbance to labor. In many cases, the transfer of labor from one workshop to another, or from one factory to another, went so smoothly that not a day's work was lost.

Because the scheme has worked slowly, the *Compagnie des Ateliers et Forges de la Loire* recently asked the High Authority through the French Government to prolong the period during which High Authority aid would be forthcoming from two to four years, i.e. until 1958. It was pointed out that less than a third of the resettlement funds at their disposal had actually been used, and that in May, 1956, about half the company's modernization and concentration plans remained to be done. This request was granted.

Achievements and Shortcomings

Trade union leaders recognize that the scheme was of great psychological importance to the area of Saint Etienne where labor relations have, in the past, been notoriously bad. The knowledge that there would be no lay-offs encouraged the workers to co-operate with management in playing their part. But recent investigations show that on the workers side, the scheme, although a great advance on the past, still falls short in certain respects.

To begin with, the workers complain that they have little knowledge of what is going on in the plants. They are not informed of the progress of the scheme and are not told what sums are being spent on resettlement. They were not a party to the original agreement although it was

welcomed by the unions. They know that \$824,000 has been provided jointly by the French Government and the High Authority. They point out that their employers have absolute control over the use of these funds and that both the French Government and the High Authority seem to have been more concerned with mere accountancy than with following the scheme's progress. More important, perhaps, the workers point out that while welcoming the pledge that none of them would be laid off, the agreement entered into between the French Government, the High Authority and the employers of the Company in fact has resulted in financial loss for those affected by the scheme.

According to the agreement, workers who would normally have been laid off are paid "basic" wages calculated on the basis of a 40-hour week. But the unions point out that normal earnings were based on a 48-hour week, and that special production bonuses were granted which, together with overtime pay, brought wages to a considerably higher level than those paid through the joint French-High Authority fund.

They recognize, however, that in the absence of the High Authority-sponsored scheme, they would be drawing a mere 30% of their normal wages through unemployment benefits.

Another complaint, about which the High Authority can do little, concerns those workers in the Company who do not come under the jurisdiction of the Treaty because they are employed in the fabrication side of company activities. These are precluded by limitations of the Treaty from becoming beneficiaries of the scheme. Until the competence of the High Authority is extended through amendment of the Treaty, it is not likely that any way can be devised to help them.

But the over-all picture of the *Compagnie des Ateliers et Forges de la Loire* is encouraging. French parliamentarians have described the scheme as a model for all French firms undergoing reconversion. For the first time, said one of them, a French firm has made it clear that it is standing by its workers instead of laying them off. Other industries in the area are watching the experiment with interest, and workers in some of the marginal industries in the area, such as cycle, file and printing works, some of whom are conscious of their precarious status, are urging that the same methods be applied to their concerns. Whether they will or not must depend on the outcome of the Brussels Conference meeting to draft treaties on the pooling of atomic resources and the establishment of a customs union for all commodities in the Community area.

READAPTATION IN THE UNITED STATES

Report on Visit by Community Trade Unionists

A 19-man team of Trade Unionists visited the United States at the end of 1954 to see for themselves how, in a market of 166 million consumers, the employers and trade unions are organized to deal with the problems of readaptation and re-employment, and how in a country where new processes and equipment are rapidly adopted by firms, workers are protected from the burdens of technical change. A main problem of the team, whose visit was organized by the Foreign Operations Administration (now ICA), was how to get an answer to the question: "What happens to redundant workers?"

A Readaptation Program?

Although the team's report on its visit nowhere says so outright, it becomes clear from the text that the team was hard put to find readaptation and re-employment measures in the United States which it could compare with those practiced in the Community. They encountered rather "surprise and uneasiness at the idea of a system of 'taking discharged workers by the hand and leading them to new jobs.'" But the report does stress that the CIO's (AFL-CIO) policy seeks:

- special retraining programs financed by Federal authorities;

- the financing of transportation for workers, their families and belongings, in circumstances where they are unable to find work locally but have offers of employment from another area, and
- extended benefits over a longer period for unemployed workers in depressed areas.

The report of the Community team cautiously describes these goals as "the only points calling for changes in the system" but, their similarity to readaptation and re-employment programs in the Community and other countries are obvious.

Full Employment Policy

American employment policy, the team found, was directed mainly toward providing for the general conditions in which full employment would exist, rather than to active re-employment of individual workers or groups of workers who lost their jobs. Remedial action, where workers did become unemployed, was concentrated on assistance rather than re-employment. The forms of Federal and State assistance (unemployment benefits, averaging \$25 weekly for the U. S. as a whole, payable for periods ranging from 5 to 26 weeks, depending upon the State regulations and unemployment contributions paid by the worker; employment bureaus, which circulate labor market information to workers, management and the trade unions) are sup-

plemented in some cases by community, labor union and employers' efforts, and also directly by the employers in certain cases under collective bargaining agreements or private arrangements. The Federal or State governments could also provide direct assistance in the form of tax reductions, Federal orders and measures to attract industry to declining or depressed areas and to draw workers to expanding areas.

The report finds that it is in re-employment policy that American measures are least effective, precisely because readaptation and re-employment are pushed into the background. Yet the figures quoted show that unemployment persists, and the report goes on to show that certain of the workless remain without benefits. Finally, the team's report cites Labor Department data showing that 19 major areas and 48 small areas are classified as having chronic unemployment. It concludes that unemployment in declining communities is beyond the scope of local measures, which are too sporadic. There is a time-lag between dismissals and the creation of new jobs, which necessitates the creation of temporary jobs, and frequently only 50 to 70% of the unemployed in these depressed areas receive unemployment benefits.

If the report finds little in U. S. re-employment policy to apply to European conditions, in its appraisal of the American full-employment policy as a whole, the team was greatly impressed. Before drawing its conclusions, it studied in detail the features of the "demand economy," in which "lowest-cost production must coincide with demand ready and able to absorb it". It noted three dominant features:

- the large market, which is characterized as the outcome, as well as the condition of, technical advancement;
- teamwork, with each enterprise, employers, management and workers, functioning as a team and competing with other enterprises, and
- the doctrine of a collective responsibility.

The report admired the interplay of competition, wages and technical advancement, with the nationally organized labor unions playing a fundamental role in raising wages (here the report ignores the difference between the American economy, which can afford to behave as if it were a closed system, and European economies which are dependent on large-scale imports and in which wage levels play an important role in determining a country's competitive power in foreign trade).

Readaptation and a Full-Employment Policy are Complementary

The report concludes that readaptation and re-employment problems, which have hitherto been masked by expansion, prosperity and high living standards, are now coming to the fore in the United States. Readaptation and a full-employment policy are not substitutes for each other, but complementary. It is not in accordance with the logic

of the demand system, it says, that sectors or areas should suffer from insufficient purchasing power. The system requires that these areas should be brought into line with the rest of the economy. Readaptation must supplement a full-employment policy to make it fully effective.

Lessons of U. S. for Community

From the nation-wide centralized full-employment policy of the U. S., the 19-man Community team drew the lesson that "a Common Market subject to common institutions is necessary for the effective economic and social potentialities offered by a large market. In the Community, the field has so far been limited, not only by the restriction of the Common Market to coal and steel, but also by the Treaty, which since it does not permit a "demand system" like that of the U. S. to be set up, does not allow the objectives of full employment to be followed. What the Community trade union team appears to seek is a general Common Market with a central authority having power over general economic policy.

Even in the field of coal and steel, the team draws attention once again to the limited nature of High Authority powers. Under Article 56, assistance in readaptation can only be requested if the introduction of new technical processes or equipment, installed as part of the High Authority's general objectives, should lead to an exceptionally large reduction in labor requirements. The report also criticizes the clause under which readaptation can be applied for only through governments. Even within the letter of the Treaty, the report says that the High Authority could do more: it could use its information-gathering powers (Art. 46,5) and its right to stimulate governments (Art. 86) more than it does. The High Authority should also use its readaptation powers in conjunction with its powers under Articles 2, 3, 4 and 5, i.e., it should use them to further the Treaty's general aims of raising living standards, rationalizing production and expanding the economy.

Finally, the report makes two further suggestions: that while the U. S. unemployment relief system needs centralization, the ECC&S system needs "ramification", by which it means the setting up of regional bodies to search out problems by areas, irrespective of frontiers; and it needs the centralization of the Community trade unions to give them power similar to that wielded by their American counterparts. (The Christian coal and steel unions have already set up a Community-wide federation with its headquarters in Luxembourg, and unions belonging to the International Confederation of Free Trade Unions (ICFTU) have established a liaison bureau in that city.)

Thus the team came back from the U. S. without having picked up many "tips" on readaptation, but with their desire for a European central authority, with full powers to exploit a large common market and to regulate labor policy, strongly reinforced by their six weeks of first-hand experience on the American industrial scene.

READAPTATION: A CRITICAL SURVEY

The Bertrand Report

For the second half of the Common Assembly's Ordinary Session at Strasbourg in June this year, a report on readaptation problems was drawn up by M. A. Bertrand for the Assembly's Labor Affairs Committee. The Report deals in detail with the major readaptation programs, their advantages and shortcomings, which the Committee was able to investigate on the spot in visits to France and Italy; it also makes suggestions for the future organization of readaptation. On its contents much of the following article is based.

The clauses of the Treaty dealing with the readaptation of workers are, the Bertrand Report affirms, "one of its major innovations, and as an assertion of principle, one of its happiest".

The High Authority's Powers

The High Authority's powers in this field stem from two sources. The first of these is Section 23 of the Convention on the Transitional Provisions, which allows the High Authority to place funds at the disposal of governments and firms to deal with unemployment and organize readaptation of dismissed workers, and also to aid the financing of government-approved reconversion schemes and programs to re-employ dismissed workers, not only in the coal and steel industries but in any other industry. Intervention under this Section is limited to cases where firms have been put out of business or compelled to change their activities through the setting up of the Common Market for coal and steel. Since this power is granted under the Transitional Provisions, it is valid for the first five years of the Common Market only, although it can be extended for a further two years by decision of the High Authority and with the consent of the Council of Ministers.

Article 56 grants powers of similar intervention, valid as long as the Treaty remains in force. They are applicable wherever the introduction of technical processes or new equipment leads to an exceptionally large reduction in labor requirements in the coal or steel industries, making it especially difficult in one or more areas to re-employ the discharged workers. The wording of this clause clearly permits a considerable latitude of interpretation, and it is perhaps not surprising that the High Authority has hitherto used only Section 23 and never Article 56.

Readaptation So Far

So far, readaptation programs approved by the High Authority cover 20,000 workers in France, Belgium and Italy. Of these schemes, by far the largest have been the attempted transfer of 5,000 coal miners from the declining Centre-Midi mines in Central France to the expanding

Lorraine, and the measures taken to deal with the discharge in 1953 of 8,000 Italian steel workers. Other major schemes in which the High Authority has aided readaptation include: the modernization and rationalization of production at the Sulcis coal mines in Sardinia, where the High Authority has allocated 395 million lire (\$246,000) for some 2,000 discharged miners; the concentration and rationalization of the Loire special steel mills (Ateliers et Forges de la Loire), where the High Authority's allocation was 300 million French francs (\$840,000); the modernization of several other French steelworks (total High Authority contribution 215 million French francs, or \$502,000); and the massive overhaul project (including closing several uneconomic pits) for the Borinage mines in South Belgium, to which the High Authority has granted 200 million Belgian francs (\$4 million). The Borinage scheme was expected to involve dismissal of 1,100 miners between 1956 and 1958.

In these projects the High Authority's readaptation programs have been carried out with varying degrees of success. Two of the more successful schemes are dealt with elsewhere in this issue; the purpose of this article is to deal critically with the two major projects which raised the most problems, the Centre-Midi transfer scheme and readaptation of the 8,000 Italian steelworkers, and in particular to examine the Common Assembly's suggestions for solutions of those problems.

The Centre-Midi

The Centre-Midi scheme was undertaken on the grand scale, based on plans presented by Charbonnages de France, the French nationalized coal mines, to close down uneconomic mines in the Centre-Midi coal field and at the same time retain the valuable skilled labor force by moving it to Lorraine mines.

The High Authority decided to make a grant of 1,000 million French francs (\$2.8 million) toward this project, while the French Government allotted a similar amount. The scheme, at first organized on an entirely voluntary basis, provided for:

- Payment of a transfer allowance of 200,000 francs (\$560) to married miners and 75,000 francs (\$210) to single miners, and
- Payment of all transport and furniture removal costs involved.

In July, 1955, the French mines notified the High Authority that dismissals would have to be effected in the Centre-Midi Mines, and the following new proposals were agreed on:

- 1) Only workers suitable for re-employment in Lorraine would be dismissed;
- 2) Workers who agreed to go to the Lorraine coal field would be guaranteed employment there and would obtain the same financial treatment as those who had voluntarily agreed to the earlier transfer, and

3) Those who refused to leave their area would be given financial aid similar to that granted to certain French steelworkers:

- payment of all re-training costs;
- payment of travel and removal costs, plus a transfer bonus, and
- payment of a "waiting allowance".

The High Authority also notified the French Government that it was ready to give its financial guarantee to aid reconversion of enterprises or creation of new industries to re-employ the discharged miners on the spot.

Assembly Committee's Investigation: The Snags

The Assembly's Social Affairs Committee found in its on-the-spot investigations in the Centre-Midi and Lorraine coal fields that out of the 5,000 miners expected to move to Lorraine over a period of five years, only 650 had done so since the transfer scheme started in 1953. In December, 1953, the mines had on their own initiative asked 116 foreign miners to move to Lorraine or be discharged, an action which aroused violent opposition not only in the press, but among all sections of local opinion. The result was a hardening of opinion against transfer which affected the voluntary scheme also.

The Centre-Midi scheme is now generally admitted to have been a failure, and little more is likely to be heard of the transfer of the miners to Lorraine. Booming activity was followed by efforts at a different form of permanent solution, and new power stations are now being built to consume the coal produced. There is now no surplus labor in the Centre-Midi coal fields and there is no fear currently of fresh dismissals. What were the reasons for the failure of the transfer scheme?

The Social Affairs Committee mentions the initial disadvantages with which the scheme started: the difference in climate between the Centre-Midi and Lorraine; the difference of language (in the Lorraine coal field the local Germanic dialect is used in everyday intercourse); the shortage of accommodations and higher cost of living in Lorraine and the stricter labor discipline. But other shortcomings it found were avoidable, such as:

- inadequate psychological preparation of the miners for the transfer;
- the failure of the reception committees to function;
- bad accommodations for a minority of those moved (60% were given new houses, but some had to move three times; single men were put into a disused barracks);
- seniority of appointment was not respected, and wages were cut (transferred miners received only 80% of their former earnings, on the average);
- only one-quarter or one-third of the allowances was paid on departure;
- there was a complete lack of collaboration between the employers' organizations and the trade unions, and
- the scheme was characterized by lack of preparation.

The Committee concludes that large-scale transfer is in general the least efficient form of readaptation, but recognizes that it is a necessity in the coal mining industry in order to avoid the loss of skilled labor as production declines in one coal field and expands in another.

Program for Italian Steelworkers

Although the Italian Government applied for a readaptation grant for the 8,000 dismissed steelworkers in December, 1953, after they had been dismissed, agreement between the Italian Government and the High Authority on the methods of indemnification was not reached until May of this year. The whole of the compensation to workers will be financed by a High Authority grant of 3,500 million lire (\$5.6 million).

The steelworkers will be paid a "waiting allowance" starting at 35,000 lire (\$56) a month from the date of their dismissal, and payable at a diminishing rate for up to 15 months. If a worker should remain unemployed for the whole of the 15 months, he would receive 380,000 lire (\$600). The waiting allowance continues at the full rate for workers who undergo training courses.

Workers who move to a new job are granted a transfer allowance of 200,000 lire (\$320) if married, plus 25,000 lire (\$42) for each child, or 100,000 lire (\$160) if single, in addition to the full costs of travel and removal.

Part of the total of 3,500 million lire can also be used to aid vocational training schools and to accommodate workers.

The Italian Government's obligation to make an equivalent contribution was waived by special decision of the Council of Ministers in July, 1955. But the Italian Government will spend 3,500 million lire over ten years, in the form of a 2½% contribution of interest on loans to firms, in providing new industries to employ as many as possible of the dismissed workers.

The Special Problem of Italy

The problem of the 8,000 Italian steelworkers dismissed in 1953, after the opening of the Common Market, arose from the effort of the Italian steel industry to improve its efficiency, technical advancement and equipment. The Italian steel industry had long been protected by customs and quotas and was backward.

The Italian Government, looking at the country's two million unemployed and its even greater number of partly employed, was from the outset more concerned with the creation of new industry than with paying indemnities to, or even retraining, the drop in the ocean of unemployment which the 8,000 steelworkers represented.

The long discussions between the High Authority and the Italian Government on how readaptation should be organized were termed "Byzantine" by trade unionists with whom the Committee members spoke. Workers' representatives also stressed that application for readaptation should be made to the High Authority before and not after dismissal of the workers. The trade unions said they

found it difficult to organize any collaboration with the employers and strongly urged the extension of the Community's provision for free circulation of workers to cover all workers and not merely specialists.

The Italian Government said that the delays were not due to the High Authority but to the smallness of the problem relative to the unemployment problem in Italy. The Committee found it strange that neither employers, trade unions, nor the Government knew exactly how many workers had been dismissed.

The Committee's Recommendations

The Bertrand Report closes with a series of recommendations for the future application of readaptation in the Community. First, applications by Governments for aid under Section 23 and Article 56 should always be made as soon as possible, and not several months after the dismissals have been effected, as has happened in several cases. The interested parties, employers and workers, should be fully informed of the Treaty's provisions in the field of readaptation, and there should be greatly increased collaboration between employers, workers and the government at all stages. There should also be close examination on-the-spot of the situation before readaptation programs are organized, so as to ensure that difficulties are recognized and catered to before the program goes into operation.

The Committee's first recommendation for the adoption and execution of programs is speed, without which the benefits of readaptation are lost to the workers. Among the principles which should be observed in drawing up the programs, the Committee stresses the following:

- 1) Workers should suffer no loss of salary; the indemnities should be based on amounts actually paid to workers and not theoretical rates;
- 2) Reconversion or the creation of new industries should be effected quickly and the worker should get an equivalent job with equivalent pay;
- 3) Transfer should be used only as a last resort;
- 4) The individual liberty of the worker should never be infringed, and
- 5) The High Authority could and should impose prior conditions on governments and push readaptation to the maximum extent.

In the execution stage, the Committee urges the High Authority to keep in constant touch with the authorities in charge and the employers' and workers' organizations concerned, so as to solve difficulties which arise. In particular, the Report says that High Authority on-the-spot investigations are indispensable.

Readaptation and the Trade Cycle

The Report stresses that the problem of readaptation has so far taken a very mild form because of the favorable economic conditions. Booming activity has meant that some firms which would otherwise have had to go out of business or dismiss substantial numbers of workers have

been able to pull through the difficulties they expected. The possibility of a recession must be seriously considered, and if it should come after the end of the transition period (after February, 1958) there would remain only Article 56, under which the High Authority could act. Application of this Article has not yet gone beyond the stage of academic discussion. Yet in a recession, appreciable numbers of workers would undoubtedly be laid off or dismissed.

The Bertrand Report therefore calls on the Common Assembly to examine immediately the possibility of revision of the Schuman Treaty, to draw the attention of the High Authority to the problem and to invite it to submit the matter to the Governments for examination. Article 56 should be revised to transform it into a workable instrument, and the slow procedure for setting the readaptation machinery in motion should be drastically revised. The Committee would also like to see the High Authority have power to initiate readaptation schemes when governments do not make applications in good time.

Finally, the Report urges the necessity of widening the scope of measures taken so far to permit free circulation of labor throughout the six Community countries and of developing to the limit vocational training. These two measures, while outside the field of readaptation, could make a major contribution to the problem of re-employment, the Report says.

The Bertrand Report is the work of a critical parliamentary standing committee, whose task it is to see that the Community functions with maximum efficiency. Readaptation, like many other features of the Common Market, is at an early stage, when mistakes are still being made. There are many lessons still to be learned, but with its edge sharpened, readaptation is likely to play a major role in the integrated Europe now being discussed by the six Community countries in Brussels.

Officials Lay Cornerstone for European School

Next fall, the three hundred-odd students from eight nations who attend the European School in Luxembourg, will be attending classes in a permanent new building now being constructed in Luxembourg.

The cornerstone of the new building to house the school, founded in Luxembourg by the European Community for Coal and Steel, was laid last July fifth at the school's new site on the Boulevard de la Foire.

Jointly presiding at the ceremony were High Authority President René Mayer and Joseph Bech, Luxembourg Prime Minister. Also present were members of the Luxembourg Government, members of the school's Board of Governors, the Director of the school, Mr. Decombis, Ambassadors of the six Community countries and of the countries with representatives at the High Authority.

The European School was created in 1953 for the sons and daughters of Community employees with the aid of



High Authority President René Mayer deposits the Latin text in the cornerstone of the new European School at ceremonies in Luxembourg. On his left is Joseph Bech, Prime Minister of Luxembourg.

the Community and of the Education and Foreign Affairs Ministers of its six countries. The new building will house the various grades of students who have hitherto been taught in separate buildings. Children from Belgium, France, Germany, Italy, and the Netherlands, together with other associated countries, will be taught together in the new school building.

In the European school, each child studies his own language, literature and national history under a teacher of his own nationality, and also has an opportunity to learn other languages and learn the culture of other nations from infant grades onwards.

The new building will accommodate about 620 pupils, twice the number of the present pupils of the European School. Teaching now extends from the kindergarten level to part way through the secondary grades. When the new structure is completed, it will include grades to the pre-university level. The School's diplomas are recognized by all the six countries of the Community, following an agreement between their Ministries of Education.

Learning to Become "European in Spirit"

The translation of a Latin text inserted in the cornerstone of the new European School reads in part: "The young pupils educated in contact with each other, freed from their earliest years from the prejudices which divide one nation from another, and introduced to the value and beauty of different cultures, will have a growing sense of their common solidarity. Retaining their pride in and love for their own countries, they will become Europeans in spirit, ready to complete and consolidate the work that their fathers have undertaken for the advance of a united and prosperous Europe."

The First European Scouts

In Europe where it is usual for boy scouts and girl guides to be grouped not only by nationality but also by religion, the European School at the Coal and Steel Community's headquarters in Luxembourg has formed the first "European" scout troops.

Last year the parent-teacher Council of the school, which is attended by the children of the Community's employees, decided to stop the pupils from banding together in national "gangs." They weren't worried so much by the natural tendency of young boys to get into after-school scraps as they were by occasional tales of Gaston returning home with a bloody nose and boasting: "we gave the Dutchmen a good beating today," or of battered young Hans coming home proclaiming victory over "those French."

So two parents, Constantine Goudima, a Frenchman working in the Cartels Division of the High Authority and Dutchman Albert van Houtte, Clerk of the Community's Court of Justice, both ex-scouting enthusiasts, volunteered to help develop a spirit of international co-operation among the youngsters.

Together they formed the first European scout and guide troops with their complements of wolf cubs and brownies for the more diminutive students. Out of the school's 320 students, 100 boys and girls immediately joined. It was a babel of nationalities with boys and girls from the six Community nations plus a transatlantic flavoring of one Canadian and one American boy for the European potpourri.

Out of it has emerged guide, scout, brownie, and wolf-cub groups who know no discrimination of nationality or religion. This summer the scouts spent a ten-day camping holiday on the Dutch coast. Soon the troops hope to become recognized as international scouting groups dependent directly on the central organizations in London.

A bevy of Brownies from various Community nations assembled for their scouting instructions.

