

Manpower and the Common Market

1. Of the three freedoms which go to make up the ideal of the European Common Market — free movement of goods, capital and persons — there is no doubt that the third of these is the furthest from having been realized and the one about which there is most reserve.

Since, however, the problems of employment and unemployment dominate the whole question of the development of the Italian economy, it may be useful to try to clarify the way in which these problems are dealt with in the Treaty of Rome by which the European Economic Community (EEC) was set up.

It is essential, however, in the first place to form an idea of the quantitative and qualitative aspects of the problem, independently of the provisions of, or obligations under, the Treaty of Rome. We must, that is, take as our starting point the present size of the labour force in the six countries forming the European Community and try to determine future trends in terms of the *natural* development factors as they were before the conclusion of that Treaty.

I - QUANTITATIVE ASPECTS

The labour forces

2. Quantitatively speaking the most important point concerns the dimensions of the labour forces as they are at present time and as they will be towards the end of the transitional period. Labour force is taken to mean the population at work (i.e. *employed*), or, if not, looking for employment (i.e. *unemployed*).

The labour forces amounted to over 70 million in 1955, and will be over 75 million in 1971; by then, Germany will form almost a third of the total, Italy just under 30 per cent, and France slightly over 25 per cent.

LABOUR FORCES (in millions)

Countries	1955 (a)		1965 (b)		1971 (c)	
	No.	%	No.	%	No.	%
Italy	19.90	27.82	21.10	28.31	21.90	28.71
Belgium	3.60	5.03	3.40	4.56	3.42	4.49
France	19.20	26.84	19.80	26.56	20.60	27.01
Germany	24.50	34.25	25.30	33.94	25.00	32.77
Luxembourg	0.14	0.19	0.14	0.19	0.14	0.18
Netherlands	4.20	5.87	4.80	6.44	5.22	6.84
<i>Total</i>	71.54	100.00	74.54	100.00	76.28	100.00
<i>Variations</i>						
	1955-65		1965-71		1955-71	
Italy	1.2		0.80		2.00	
Belgium	— 0.2		0.02		— 0.18	
France	0.6		0.80		1.40	
Germany	0.8		— 0.30		— 0.50	
Luxembourg	0.0		0.00		0.00	
Netherlands	0.6		0.42		1.02	
<i>Total</i>	3.0		1.74		4.74	
Italy as a percentage of the total	40.0 %		46.0 %		42.1 %	

(a) OEEC, *Statistical Bulletin: General Statistics*, Nos. 5-6, 1957. (The figure for Italy has been estimated by the author).

(b) EUROPEAN STEEL AND COAL COMMUNITY, *Rapport sur le développement des économies dans les pays de la Communauté*, Luxembourg, 1956.

(c) Figures estimated on the assumption that the increase from 1965 to 1971 will be similar to that of the population of working age. (The latter estimate is taken from an OEEC publication: *L'évolution démographique en Europe Occidentale, 1951-1971*, Paris, 1956) which contains figures for the years 1951, 1961 and 1971.

Of the increase of 4.74 million in the combined labour forces from 1955 to 1971, Italy will account for about 2 million, i.e. 42.1 per cent; the Netherlands 21.5 per cent, and France 29.6 per cent (giving a total of 93.2 per cent).

An idea of the importance of the labour forces of the six countries of the European Community may be given by comparing them

with that of the United States of America, which has a population of slightly more than the six countries combined — 165 million as against 162 for the European Community. But, with a smaller total population, the Community has a larger labour force (about 72 million, as against 69.7 in the USA). Thus, the European Community is an economic aggregate with a population and a labour potential of the same order as the most powerful economic unit in the world at the present time.

Unemployment

3. Given these background figures, the first question to be tackled is that of the manpower needs of the six countries. In the case of Italy, there is no doubt about the existence of a surplus in the economically active population throughout the transitional period (1) — especially if account is taken of the labour reserve, as will be more fully explained in paragraph 7. For the other five countries, all of them enjoying full employment, the picture is one of a labour shortage which entails recourse to the services of foreign workers, coming in the main from Italy, but also from Algeria, Spain, Portugal and Greece (2).

This situation emerges even more clearly from the following figures on unemployment which, in the other five countries of the European Common Market, is practically only frictional (that is, there is no unemployment in the strict sense of the word).

(1) The Vanoni Plan envisaged the reduction by 1965 of unemployment to a frictional level, *i.e.* to 700,000, and the absorption of a large part of the underemployed. All this was on the assumption that net emigration would be on an average 80,000 a year (or 800,000 in ten years) which is a very modest estimate if related to the figure of about 200,000 net emigrants in 1956 and 1957. The attainment of that objective called for, and still calls for, nothing less than an economic mobilization, mass investments and substantial foreign aid.

(2) For some time there has been sharp competition among the six EEC countries to obtain foreign workers for the mines, especially the coal mines, and for the steel industry. In order to prevent emigration workers from leaving and to increase their numbers, Germany agreed in 1956 to considerable improvements in conditions (a reduction in the working hours, closing down on one Saturday every month, attendance premiums, wage increases) which were followed soon after by improvements in Belgium, Holland and France. France has met the situation by recourse to Algerian workers and by making requests to Spain. It has also drawn in Hungarian refugees. (Cf. ESCC, *L'emploi dans les industries de la Communauté*, Documents de travail, 1957).

Countries	Unemployment in 1957	
	average in thousands	as a percentage of total labour forces
Italy	1.970	9.8
Belgium	110	5.0
France	50	0.4
Germany	600	2.5
Netherlands	35	0.9

Source: I.L.O., *International Labour Review - Statistical Supplement and Annuaire des statistiques du travail*, 1957.

The case of the Federal Republic of Germany is typical. Having put to work millions of refugees from the east, the country is rapidly heading for a labour shortage. Unemployment, estimated at 10.2 per cent of the labour force in 1950, has gradually fallen to 7 per cent in 1954; 5.1 per cent in 1955; 4 per cent in 1956, and 2.5 per cent in 1957.

Migration Balance-sheet

4. To complete the picture as regards the quantitative aspects of the problem, it may be helpful to set the emigration of Italian workers against the immigration of foreign workers into the other five countries of the Community. The trouble is, however, that the statistics on the actual movements of workers are not of much use and not very reliable. As readers are aware, this is perhaps the most serious gap in international statistics. Even for Italy, the data on migration from and to foreign countries are particularly defective. Nevertheless, there are grounds for thinking that, from 1952 to 1957, total emigration (net of returning migrants) amounted to about 200,000 every year.

The other countries of the Community absorb foreign immigrants to a much smaller extent. Thus, for example, net immigration into Belgium amounted, to about 20,000 and into Holland to 7,500 in 1956 (3). In France, the net immigration of Algerian

(3) Cf. the ILO, *Annuaire des statistiques du travail*, 1957, Geneva, 1957.

workers alone was about 30,000 in 1955 (reaching a maximum of 55,000 in 1951) (4). In addition, there is an influx of other foreign workers. In 1954, the competent French immigration office put the figure at 12,130, which, if 4,068 members of their families are added, gives a total of 16,198 persons, which included 8,372 Italians (5).

In projecting the increase in its population, Germany has assumed an annual net immigration of 100,000 (6).

In spite of the defects of migration statistics, to which reference has already been made (7), there is no doubt that the migration from Italy alone could meet the needs of the other five countries for foreign labour, particularly if account is taken of the abundant latent manpower reserves which will be discussed in paragraph 7.

Technological Unemployment

5. If the present position of the labour forces gives grounds for the greatest optimism, caution is called for in the preparation of forecasts, in view of the serious imponderables, even though they are based on prudent hypotheses generally derived from projections of data for recent years. It would seem, however, that, in the absence of wars, the present expansion will continue under the impetus of an unprecedented technological development and of an awakening of the underdeveloped countries who are resolved, in one way or another, to put an end to their grinding poverty and therefore to pursue a policy of economic expansion.

But let us take a closer look at the process as it may emerge within the European Community. Gradual mechanization and

(4) Cf. *Etudes et conjoncture*, No. 3, March 1957 ("Les travailleurs musulmans d'Algérie dans la métropole").

(5) I.N.S.E.E., *Annuaire statistique de la France*, 1954.

(6) Cf.: OEEC, *L'évolution démographique en Europe occidentale*, 1951-71, Paris, 1956.

(7) Statistical data collected and selected for several countries of Western Europe (United Kingdom, France, Belgium, Sweden, Switzerland) for the period 1946-1953 are reproduced in the important study of XAVIER LANNES on "La Mobilité Internationale de la Main d'oeuvre en Europe Occidentale", *Revue Internationale du Travail*, Geneva, January and February 1956.

This study also describes the obstacles of all sorts (legislative, administrative, trade union and so on) that stood in the way of immigration; obstacles which were accompanied by measures (overtime, female staff, vocational training and so on) to use the national manpower more fully, and by an increase in productivity, stimulated by the high cost of manpower and by the situation of full employment.

automation — in addition to the development of atomic energy for peaceful purposes — can undoubtedly free large contingents of manpower. Will the larger labour force available as a result of technological progress be sufficient to meet the new manpower requirements resulting from economic expansion? The question is important also because certain tendencies which it is difficult to restrain — tendencies due to trade union action, to legislation or social forces — are reducing the size of the labour force available by shortening working hours; raising the minimum working age; and lowering the retiring age. However, the experience of the last ten years shows that the manpower freed in this way has not in fact been sufficient; either quantitatively or qualitatively, to meet the new needs.

With an expanding economy and rapidly developing technology, the United States increased its "employed" labour force from 52.8 million in 1945 to 60 million in 1950 and 64 million in 1955. This gives an average increase of 800,000 a year, and a total increase, over the ten years, of 21 per cent against a figure of 18 per cent for the whole population (8).

The same trend is visible in the nations with which we are concerned. For, whereas the average annual rate of expansion of manpower really employed was 0.82 per cent in the United States from 1950 to 1955, it was 0.83 per cent in England, 1.24 per cent in Italy, 1.5 per cent in Holland, and as much as 3.1 per cent in Germany. Only in Belgium and France (0.67 per cent) was the annual rate of increase less (9).

This means that technological progress and modernization in industry (mechanization, electrification, automation, atomic energy) have not only, by a further expansion in depth and on the surface, absorbed the manpower freed by technological advances and the new recruits to the labour market, but have given rise to unmistakable signs of a shortage of hands. The increase in manpower has taken place in the main in the tertiary sector which, especially in the United States, has undergone a remarkable expansion.

6. In spite of temporary phases of stagnation or recession, then, the western world may be said to be moving towards expansion

(8) Cf. the volumes of the Statistical Abstract of the United States (US. Department of Commerce).

(9) Data calculated on the basis of figures published by OEEC (*General Statistics*, cit.).

when manpower can be absorbed on an increasingly larger scale. In this connection, the implications of modernization and automation — which free manpower — are not quite as profound for countries like Italy, with mainly medium, small and handicraft industries. For them, automation, which is typically associated with large firms, cannot be applied except on a modest scale. In addition, the relatively low level of wages in Italy constitutes a serious obstacle to rapid technological progress. This means that the tendency for manpower to be thrown out of employment for technological reasons will be much less pronounced in Italy than in the other five countries. The Vanoni Plan allowed for a release of 800,000 workers under that heading over ten years (80,000 a year); that is, a fifth of the total of 4 million workers for whom the plan aimed at providing employment.

If it is assumed that from 1955 to 1965 — beyond which forecasts of this kind cannot be hazarded — the increase in employed manpower will be at the same rate in the six countries combined as it was in the United States of America (which, as already pointed out, has an employed population slightly lower than that of the European Economic Community), the EEC should have a manpower requirement, for that period, of about 8 million, against a natural supply (i.e. based on the natural increase of population and on the past rate of employment) of about 3 million as we saw at the beginning. Even if we reduce the estimate of 8 million to six, there would still be a gap of 3 million which Italy could easily fill by herself.

Latent Manpower Reserves in Italy

7. But it must always be remembered that Italy can draw on substantial latent or potential manpower resources. These reserves do not normally affect the labour market, but they come out into the open and weigh on the market at the first sign of attractive employment (which, for the southern farmhand, includes even the job of the humblest northern unskilled labourer).

These potential reserves are comprised of:

a) the underemployed in family farms or businesses — mainly the former but also in crafts and trades.

This underemployment, expressed in terms of men, can be estimated at about 1 million who could be transformed into fully employed labour units in a non-agricultural sector without lowering the productivity of their sector of origin;

b) women who, because of non-economic considerations, do not go out to work (especially in southern Italy) but who can easily be induced (particularly in family businesses) to replace their husbands when these have emigrated.

It has been calculated that, if the percentage of working women per hundred employees were to rise from the present figure of 20.3 per cent to 30 per cent, as many as about 2 million more women would become available. (The figure of 30 per cent has already been reached or exceeded in a number of countries. For Germany, it is 32.5; France 30.0; Yugoslavia 30.8; Denmark 33.9; Japan 39.6; Austria 36.8; Turkey 54.2; Czechoslovakia 32.5; Soviet Union 45) (10);

c) the underemployed in the commercial sector — especially small shopkeepers — in which tens of thousands of people “get by” cloaking their actual lack of a job by pompously terming themselves “businessmen”.

We can therefore count on a total of over 3 million persons who alone would be able to satisfy all the demands arising in the transitional period, as pointed out at the end of the preceding paragraph. This is a large reserve which should always be borne in mind.

Potential benefits and real obstacles

8. If it were really possible, by means of emigration, to liberate the Italian economy, in particular agriculture, from the substantial burden of excess hands — which increases costs and bars the way to improvements in the standard of living — a better use could be found for the ample means (over 5,000,000 million lire) which, under the Vanoni Plan, were to be raised in order to find work for 4 million people in a ten year period. A considerable part of this amount, at least, could be allocated to the furtherance of technological and managerial progress and also, above all, to elementary

(10) Cf. the ILO: *Annuaire des statistiques du travail* (1956 and 1957).

and vocational training which are among the weakest points in our economic and social structure. If this could be achieved, the European Common Market might constitute a supremely effective instrument for raising the level of Italian agriculture and indeed of the Italian economy.

9. There are, however, two important obstacles to be overcome before this optimistic prospect can come true, even if the maximum liberty of movement of manpower were ensured by the Treaty; which is not the case.

In the first place it is open to the five countries of the EEC to employ manpower from third countries. In this connection, it should be pointed out that the Treaty contains an inherently adverse provision in respect of the workers.

Unlike "goods", the importation of which from third countries is protected by a customs barrier, the importation of "persons" from these countries — in competition with the importation of Italian workers — is unhampered by any restriction. Unlimited migration is allowed from countries and colonies with a much lower standard of living than Italy. A defence against this competition might be obtained by means of a clause which guarantees to Italian manpower, and to that of the other five member States, the exclusive privilege of benefiting from the freedom of movement of workers (which the Treaty provides for at the end of 12-15 years); and this freedom should not be extended to workers from third countries. But this protection is a modest one and still some way off.

The other obstacle is the inadequate level of education (both general and vocational) of our workers. This brings us to the other aspect of the problem, i.e., the qualitative one.

II - QUALITATIVE ASPECTS

Education and qualification of Italian manpower

10. So long as the manpower needed by the other countries was for agriculture, mining and, generally speaking, for heavy work — as was the case up to the end of last century — our emigrants had no difficulty in placing themselves. But the position is different now. There has been an impressive development of

industry; agriculture has declined in importance; and it is likely to decline still further; the prospects of using sources of power other than coal are constantly increasing (with a consequent reduction, at least relatively, of mining). The demand for manpower, therefore, in all countries is concentrated on skilled and specialized workers with the minimum elementary education needed to pick up new technical knowledge in a short space of time.

Moreover, this trend leads to a reduction in the need for unskilled labour and an increase in that for skilled and specialized workers, and for technical and scientific personnel (11).

Estimates based on a recent Italian survey of the educational level of workers in this country (by ISTAT) indicated that the total of illiterates (about 10 per cent) and semi-illiterates (32 per cent) (12) together account for 42 per cent of the great mass of 1,200,000 unemployed (formerly employed), that is, almost half. Fortunately, in the case of youths in search of their first job, the percentage falls sharply, and is only about 15 per cent.

Nevertheless, the estimated percentage is still high among those in employment: 35 per cent, of whom 7 per cent are completely illiterate and 28 per cent practically illiterate.

In January 1957, the Ministry of Labour noted that, of the unemployed registered with employment bureau, as many as 47.13 per cent were either illiterates (8.71 per cent) or semi-illiterates (38.12 per cent) (cf. Ministry of Labour, *Supplemento Bollettino Statistico del Lavoro*, series on "Disoccupazione", No. 4, May 1957).

The lack of adequate education and skill among our manpower constitutes a serious objective restriction on the flow of Italian emigration.

To eliminate this bottleneck, Italy must make a tremendous effort to develop with all possible speed elementary education and vocational training.

The flood of requests for skilled and specialized workers comes not only from abroad but also from inside the country since, in

(11) The Italian economic census of November 1951 pointed out that of every 100 manual workers in industry there were 15.4 specialized workers; 40.2 skilled workers; 44.4 unskilled workers or labourers.

(12) That is, those who have attended for one or several years the primary school without obtaining their elementary certificate.

spite of the surplus of hands available, there is, even in Italy, a shortage of such labour. Moreover, the very long term school plans are not only too little but too late. Pending the implementation of these plans, it is essential to set up and operate intensive specialized courses in order to give our manpower the minimum preparation.

It is estimated that, by and large, our country needs, for the industrial sector alone, at least 100,000 trained and specialized workers (some writers put the figure as high as 150,000) against a figure for those being trained at present (in all the numerous types of existing schools) of between 12,000 and 15,000 a year. In other words, we are covering only from a tenth to a sixth of our needs (13). The number of specialized and trained workers in industry amounted to 1,512,511 according to the 1951 census.

For a discussion of the contribution which the EEC could make to vocational training, please turn to paragraphs 15 and 16.

III - THE TREATY OF ROME AND THE PROBLEMS OF LABOUR

12. In the preceding paragraphs we have attempted to outline the main characteristics, both quantitative and qualitative, of the manpower problem, quite independently of the provisions of the Treaty setting up the EEC. In the light of these considerations, it is easier to attempt a critical evaluation, from the Italian point of view, of the implications of the provisions of the Treaty itself with the main object of singling out principles by which the concrete implementation might be guided in the coming years.

It should be noted, in this connection, that the present study deals exclusively with labour in the narrow sense of the word, and therefore does not cover the clauses regarding the exercise of non-wage earning economic activities, and hence with the "right of establishment", i.e. the right to settle in a country for carrying on a business.

(13) This does not include courses of simple vocational training at the appropriate centres (about 800) set up by the Ministry of Labour with about 50,000 working posts. In financial year 1956-57 the Centres were attended by 116,000 workers of whom 45,000 were in the South. That Ministry also holds vocational training courses for unemployed (2,856 courses in 1956-57 with 11,668 workers. (Information supplied by the Ministry of Labour and Social Welfare).

The free movement of workers

13. For the reasons set out above, the problems of most direct concern to our economy are the free movement of workers and their vocational training.

Freedom of movement implies (article 48, point 2) the abolition of any discrimination on account of nationality in matters of employment, wages and other conditions of work (14). Article 49 (sub-paragraphs *b* and *c*) contains a pledge to eliminate, by stages, any restrictive provision, even if it is only administrative, giving less favorable treatment to immigrants than to workers of the nation concerned.

The snag is that the freedom of movement which is regarded as so desirable (Article 48, point 2) is ensured only at the end of the transitional period, that is, in 12-15 years. The text gives grounds for hoping that the provision will be applied somewhat sooner in view of the addition of the words "at latest", but there need be no illusions on that score, although the possibility is not excluded that energetic and resolute action by Italy might reduce the waiting period. If we really have to wait till 1970-1973, the advantage accruing to Italy from a rapid absorption of its surplus population would be completely cancelled. From 1971-75 on, the demographers predict (15) that the annual increase in the labour force will diminish (sharply in North Italy) so that by then problem, which is a burning one at present, will be reduced to very modest proportions.

It follows that Italy's efforts should be concentrated on achieving the application in the near future of the provisions concerning the free movement of labour. If these fail, one of the principles on which Italy relies for the development of the Common Market would be relegated to the limbo of good intentions.

These affirmations do not disregard the fact that the principle of freedom of movement of persons comes up against real obstacles. These can, however, be removed if the other five countries of the Community which all need manpower were determined to put this principle frankly and fully into effect.

(14) Disregarding the numerous and insidious saving clauses in view of their exceptional nature.

(15) Cf., for example: SVIMEZ, *Popolazione e forze di lavoro*, Rome, 1952.

Difficulties in placing foreign manpower

14. Article 49 of the Treaty prescribes that, as soon as it enters into force, the Council (at the proposal of the Commission and after hearing the views of the Economic and Social Committee) should establish "directives" and draw up "regulations" for the setting up of suitable machinery and bring together the supply of and demand for labour "in such a way as to facilitate the achievement of a balance...".

It is obvious that the freedom of movement will be largely determined by the efficiency of that machinery, which is in fact a chain of employment offices. Unfortunately, the experience of the last five years and more in OEEC in connection with "the liberation of manpower" can be defined as no less than disastrous. The bureaucracy of the countries importing manpower has created such a mass of restrictions, escape clauses, special cases, quibbles and hair-splitting as to form an impassable wall impeding the free movement of manpower which it was desired to introduce. If it turns out that we have to go through all this hideous process again, the much more honest course would be to say straight away that the clause on the free movement of workers cannot be applied (16).

On the contrary, the examples on which we should model our policy from the start (and which should be applied at the latest during the first four year period) are the existing agreements between say, England and Ireland and the Commonwealth countries; or between the Scandinavian countries, or the one in force between Belgium and the Netherlands, or between Belgium and Luxembourg; or between Spain and Portugal.

Yet it must be admitted that the wording of some of the clauses of the Treaty does not hold out much hope. The very terms of Article 48 (point *iii*) which makes freedom of movement conditional on its "corresponding to effective offers of work" — which is technically correct — reminds one of the negative measures adopted by the EEC group referred to above. It would seem essential, in any case, to set up a central office under the EEC at an international

(16) A concrete idea of the obstacles placed in the way of the immigration of foreign manpower by the other countries can be obtained from the European legislative measures reviewed in the study referred to above of X. LANNES, "La mobilité internationale de la main d'oeuvre en Europe occidentale", II.

level with branches in each of the six countries. The national placement offices should regard themselves as under this central office.

But the most serious obstacle is not the written regulations but the concrete opposition of the trade unions of the various countries to the immigration of foreign workers (especially Italians), and even — with the inclusion in the Treaty of the overseas territories — of Algerians and Africans. This opposition is mainly because of the fear of a lowering of the working conditions enjoyed by the workers who are nationals of the five countries as a result of full employment. Even when the trade unions cannot oppose the actual immigration, they can discourage even those most anxious to migrate by making life extremely difficult for immigrants — by, for example, surrounding our communities with an atmosphere of distrust and hostility, or by keeping them in isolation.

In this connection, there should perhaps be a re-examination of the desirability of giving the workers' trade unions a greater role in the various bodies, Committees and Commissions which are called upon to implement the Treaty.

We should explain that the above remarks are not intended to create the indiscriminate mass emigration which is seized upon as a pretext for erecting the stiffest hurdles to the free movement of persons. They are meant, on the contrary, to ensure a smooth flow of skilled manpower to the extent that there is a real demand for it and with all the guarantees needed to avoid the formation of pockets of unemployment in the countries asking for the immigrants.

For the sake of completeness, it should be observed that the Treaty provides for restrictions on free movement for reasons of public order, security, and health. The considerable scope for an elastic interpretation of these grounds cannot but arouse some concern.

The alternative if freedom of movement of labour cannot be achieved

If the freedom of movement of the workers cannot be achieved, or only to an insufficient degree, the alternative for the Community would be to make an equivalent contribution to the expansion of our economy by means of new investments, especially in the South. Thus, instead of our workers going to the Community's capital resources, (either already invested or to be invested in the economic

activities of the other five countries) a flow should be set up in the opposite direction carrying new capital from the Community to Italy in order to occupy the manpower available on the spot. It might be in the interest of the trade unions in these five countries if the surplus manpower were employed in the places in which it arises. And it is from this point of view that we should consider the usefulness of a *European Investment Bank* (Article 129 *et seq.*) which, as it is recommended in the protocol concerning Italy annexed to the Treaty, will be responsible for granting "adequate employment of resources", i.e., to effect investments in Italy (17).

Recourse to the "Social Fund" offers another alternative, but a very partial one, since it is confined to the carrying out of industrial reconversion and does not cover the normal surpluses of labour, independently of the effects of the Treaty of Rome.

Vocational training

15. Even if the workers were assured of the freedom of movement in the six countries foreseen in the Treaty, no such movement could take place unless the labour complied with the occupational qualifications demanded by employers. We have already referred to the importance and the urgency of the need to step up the vocational and general education of our workers and to set up intensive courses of specialization.

The trouble is that the lines along which specialization for modern manufacturing industry can be developed are very numerous. In principle, therefore, the staff available for teaching should not be dispersed in too many directions. On the contrary, education should be concentrated on the qualifications required in the short run by the immigration countries. To that end, these countries should themselves supply every year, sufficiently far in advance, their probable needs, together with detailed indications of the occupational qualifications.

It may, however, be asked what steps the EEC can take as regards vocational training.

(17) The Bank's capital amounts to a thousand million dollars. The Bank is empowered to grant loans and guarantees up to two and a half times its paid up capital, that is, up to 2,500 million dollars, or 1,562,500 million lire.

The Treaty does not contain any explicit concrete provisions designed to offer an adequate solution of the problem of vocational training. That document is confined to generic affirmations of principle (Article 3, subparagraph *i* and Article 123), or to an appeal for "close collaboration in the social field" (Article 118) or, again, for a "common policy" on vocational training (Article 128) without suggesting specific rules or concrete measures (18).

16. This being the situation, it may not be amiss to remind readers of a proposal, submitted in December 1957 to the Meeting on parliamentary studies, concerning the creation of a *European Agency for Vocational Training* for the setting up of vocational training centres in the Community countries, or, more precisely, in those which intended to avail themselves of our manpower (i.e. Germany, France and Belgium). These Centres should be financed by the Community from the European Social Fund (although the Treaty does not provide for such an arrangement) (19).

The creation of Centres for vocational education and for the improvement of qualifications for workers from the emigration countries (i.e. Italy) should not encounter serious difficulties if it is remembered that all of the five countries who may be expected to import Italian labour already possess training schools or institutes intended to enable labour from the agricultural sector to be transferred to industry and to tertiary activities.

Transfers from agriculture to industry

From 1955 to 1965, this drift of manpower from the agricultural sector to other work was estimated — before the European Common Market was thought of — at 2,500,000 (or an average of

(18) Only for "occupational re-education" are special measures envisaged (Article 125). But these do not have in mind "preliminary" vocational "training", with a view, that is, to facilitating possible future employment in the territory of the Common Market — but of a subsequent facilitation, *a posteriori*, in favour of the State which has undertaken the re-education of those thrown out of a job. The concession, moreover, is hedged in by a great many restrictions.

(19) Cf. ISTITUTO DI STUDI PARLAMENTARI, Convegno di studi per i problemi relativi al Trattato istitutivo della Comunità Economica Europea. *Il lavoro e la politica sociale* (Paper prepared by the Study Committee under the chairmanship of Professor MARIO PANTALEO, experts Dr. GIUSEPPE GLISENTI, Professor CESARE VANNUTELLI, Rome, December 1957).

250,000 a year) for the six countries of the Community combined (20). From 1965 to 1971, the exodus might reach a maximum of 4 million giving an annual average for the whole period from 1955 to 1971 of 250,000. After the constitution of the Community, this process is likely to be accelerated. For, as a result of the smaller degree of protection which agriculture will be given against third countries, it is forecast (21) that, in view of the reduction in the tariff on wheat alone (to the arithmetical mean of the tariffs in force in the countries of the Community), there will be an additional exodus of manpower from agriculture to non-agricultural work of about 1,000,000 in the five countries. The reductions in customs duties on agricultural imports from other countries and of quotas and of the obstacles to the import of such products into the countries of the Community will further stimulate the dismantling of agriculture in these countries and thus entail the marked intensification of vocational training and reconversion.

In conclusion, it may be contended that, in order to solve the problem of the specialization of our manpower and facilitate its rapid absorption by the EEC countries, we must:

a) in Italy, take steps, by means of programmes on an exceptional scale, not only to extend elementary education and vocational preparation (up to the age of 14-15) to *all* Italian towns and villages (Comuni) — by constructing the necessary schools and halls — but also to organize, in all regions from which manpower emigrates, intensive qualification and specialization courses — for adult workers — in basic trades (in schools on the lines of the existing schools of this type in Genoa and Naples);

b) in those countries which import Italian labour, to organize intensive courses of *further* specialization for Italian workers, either in existing centres of occupational training (or in new ones still to be created *ex novo*) or in firms, with a view to their acquiring the specific knowledge of trades to be practised in those countries.

It would be necessary, of course, for there to be a body effecting liaison and co-ordination between the arrangements made in Italy,

(20) Cf. ESCC, *Rapport de la Commission, et cetera, cit.*

(21) Cf. P. SARACENO, *La politica economica della Comunità Europea e l'agricoltura*, Rome, 1958.

the placement offices of the six countries, and the specialization "Centres" set up in all, or some, of the five other countries. It is felt that common planning in this field is indispensable.

The modifications of industrial and employment structure

* 17. Those drafting the Treaty of Rome, bearing in mind the valuable experience obtained from the European Community for Coal and Steel, drew up appropriate arrangements to meet the adverse effects which competition was expected to entail for the workers employed in existing industries.

It may be prophesied that these consequences will be felt with special force in Italy (22) so much so that the special protocol concerning Italy annexed to the Treaty — which deals in particular with the execution of the Vanoni Plan — recommends that "in order to avoid the emergence of dangerous tensions, with special reference to... the level of employment", recourse be had to an "adequate employment of the resources of the European Investment Bank and of the European Social Fund". This provision, or an analogous provision, is not to be found in the protocols regarding the five other countries.

The "social" (23) "economic" and "civil" security of the workers

18. There is a dual distinction to be made between workers who emigrate from Italy (and who will be termed "migrants") and those who, though remaining in their country ("non-migrants"), will, as a result of the Treaty, experience certain changes in their conditions of work (equality of wages between men and women, overtime pay and so on) (see below). As will be obvious, the

(22) Above all, in the case of medium and small scale industries, since the big industries of the six countries, in addition to possessing the means required for a rapid increase in productivity by automation and other forms of technical and managerial progress, can easily agree (as they seem to be doing already) to avoid competition (large engineering, chemical and other such industries) by sharing out the markets, fixing minimum prices, and similar measures.

(23) "Social security" generally covers the following risks: (a) sickness; (b) maternity; (c) disability and old age; (d) labour accidents and occupational diseases (for the more important illnesses, there are a large number of international agreements concluded by the ILO); (e) unemployment; (f) family responsibilities (family allowances).

category in which we are primarily interested is that of the migrant workers.

19. The Treaty does not specifically cover the "social" security of the workers. That document, apart from a modest concession, refers to the Commission the implementation of common measures — which are not further defined — concerning the social security of migrant workers (Article 121). The exception in question is contained in Article 51 which lays down that:

a) all the periods under all national legislations shall be taken into account in connection with both the entitlement to, and the conservation of, the right to benefits and the amount of such benefits;

b) social benefits shall be paid to those persons resident in the territory of member States (24).

«Economic» security and the free transfer of savings

20. "Economic" security, in addition to the right to remuneration, overtime, piece work and so on, which, in the EEC countries, are adequately guaranteed by labour agreements, whether collective or individual, should also cover the free transfer of savings to the country of origin of the worker. This complete freedom of rapid transfer of funds, without administrative let or hindrance, is not only one of the greatest incentives to workers to emigrate but a natural right which should never, on any account, be infringed.

The Treaty of Rome specifies (Article 106 and annex III) that wages and salaries can be transferred, and considers them as items in the balance of payments (Articles 104 and 109), thus linking the transfer to all the exceptions and safeguards — which may be numerous and drastic — provided for when ever difficulties arise

(24) In order to ensure that foreign workers enjoy full rights to social benefits (unemployment, sickness, maternity, disability and old age, family allowances), a European Convention on the subject was concluded and signed in Rome on 9 December 1957. It provides for a fair distribution of social charges between the country of origin and the immigration country.

Although this is an important step forward towards the reduction of one of the many marginal barriers to the free movement of labour, it does not remove any of the basic obstacles to the implementation of the principle of freedom to which we have alluded.

("or a serious threat of difficulties") or a crisis in the balance of payments. This restriction deals a grave blow at the worker's basic right to dispose fully and at once, whether at home or abroad, of his hard won earnings.

The transferability of savings should, we feel, be detached from the ups and downs of the balance of payments and be the subject of further negotiations if necessary under the common measures of social security envisaged in Article 121 to which reference was made in the preceding paragraph.

It could be argued — but this might be contested — that these transfers come under the rulings of the Treaty governing transfers of "current capital" (Article 67) in respect of which the restrictions should be eliminated, at latest, in the first stage (that is, in four-six years). Yet even this would constitute an unacceptable delay.

Nor can we, on the other hand, think of leaving in force for any length of time the existing bilateral agreements, not only because the agreements themselves cannot be considered satisfactory, but because that would be committing a violation of the very spirit of the Treaty. In any case, the savings should be protected against devaluations (which are no less than an exaction) as in Brazil, Argentina and, of late, in France.

«Civil» security

23. As regards "civil" security, it should be borne in mind that in a united Europe the worker must be assured of a dignified existence both for himself in his family, communal and social life.

The question of housing takes pride of place in this connection. It can no longer be tolerated that our emigrants should be left in more or less improvised shelters which lack even the minimum prerequisites regarded as the birthright of any self respecting country in our time.

The conditions of work

24. The Treaty deals specifically with only very few of the questions regarding workers who do not emigrate. These questions comprise both conditions of work and social provisions.

As to the former, only three issues are regulated by the Treaty — the equalization of wages for male and female workers, paid leave and overtime. The fact that the document does not explicitly deal with the numerous other delicate questions constitutes, for Italy, an advantage since it leaves the door open for specific agreements.

The impact on the Italian economy of the planning of wages in both directions and of paid holidays is not considerable.

As regards overtime pay in industry, the Treaty does not contain or contemplate any provision, but it forms an integral part of the document since the "Protocol on certain measures regarding France" lays down that at the end of the first phase overtime pay and the "average rate of increase" for overtime should correspond in member countries to those in France (average datum for the year 1956). Should it be otherwise, France will apply saving measures (which might more appropriately be called retaliation).

Although the Treaty does not specify the relevant data for France, it is believed that they are higher than in Italy.

Social provisions

25. As to the social questions affecting non-migrant workers, the Treaty does no more than lay down (Article 118) that the Commission shall promote "close collaboration in the social field" among member States, but does not indicate more precisely the object of that collaboration. It is only stipulated that it will be effected by means of "studies", "consultations" and "opinions" (the latter being given by the Commission after having consulted the Economic and Social Committee). The scope of collaboration is vast. It is thus defined: employment; right to work; working conditions; vocational training and improvement; social security protection against occupational accidents and illnesses; labour hygiene; trade union rights and collective negotiations between employers and workers.

«Harmonisation» of economic and social policies

26. In the preceding paragraphs of this third section, we have examined at bottom those questions relating to manpower which the Treaty explicitly mentions. But other important problems concerning

employment, which are not explicitly mentioned and left in the shade, should be the subject of regulations whenever there is a need to apply the general principles concerning the "rapprochement" of economic policies (Article 2) and their co-ordination (Article 3, subparagraph g), and, above all, the rapprochement of the provisions, not only legislative but also the regulations and even the measures left to the discretion of the Civil Servants applying them (Article 3, subparagraph h, and Articles 100 and 102), subject however, to these provisions having a direct bearing on the establishment and functioning of the Common Market.

As regards social welfare as such (Section III of the Treaty), Heading I (Social measures) refers (Article 117, paragraph I) to a principle of "equalization of progress" with the aim of improving the living and working conditions of labour and the "harmonization of the social systems". The term "harmonization of the social systems" might lead one to think that we have to deal only with a tendency to bring about the same relative progress in the different countries, that is, a parallel increase in these countries and not an equalization, in absolute terms, of their working and living conditions.

27. The question most directly concerning Italy is that of the "rapprochement" of wages and working conditions.

As readers will be aware, Italian wages are lower than those of the five other countries. The gap is in general lower for skilled and specialized workers and greater for unskilled workers, especially if they are women. This inferiority is greater in agriculture and handicrafts and smaller in industry. It is less marked in large concerns and more so in small firms. Lastly, it is more extensive in the South than in Northern Italy.

Why the principle of equal wages and working conditions cannot be applied

28. These differences, like those in respect of social charges (whether borne by the employer or not) and of working conditions, cannot be regarded as in any way constituting an infringement of the principle of free competition, since they are only the counterpart of other, sometimes far more onerous conditions of inferiority

— and hence entailing greater costs — whether natural, environmental, economic, technological, demographic or structural.

This view is shared by a broad current of scholars in Italy and elsewhere (25). The principle of equalization, even if only achieved gradually, contains a large dose of injustice, quite apart from the way in which it affects Italy. If wages and social security weigh less heavily on costs and if working conditions (working day, overtime, piece work, paid holidays, non-working days) are less favorable, all this can be, and is, offset by higher costs resulting from the smaller availability of natural resources and raw materials; differences of climate; the lower level of general and vocational education; shortage of capital; the higher cost of money and transport; the less efficient organization of central and local government; differences of habit and level of living, behaviour and psychology (26); the predominance of the rural or industrial "type" of society; the greater or less sums allocated to scientific research or the study of productivity; the different degree of effectiveness of trade union action (whether of the workers or the employers); less extensive industrial experience; the different degree of economic and social evolution; the greater or smaller propensity to save; the different rates of births and of the natural increase of population; the less rapid adaptation to technical progress; the state of the budget; military expenditure; foreign trade and exchange policy; and so on.

The higher wages paid by the other countries are the consequence of favorable factors (greater natural resources, greater indus-

(25) Cf., for example, in "Le marché commun et ses problèmes" (*Revue d'Economie Politique*, No. 1, 1958) the following studies: BERTIL OHLIN, "Problèmes d'harmonisation et de coordination des politiques économiques et sociales" (translated from the English); J. TINBERGEN, "Les distortions et leurs corrections"; FRANÇOIS PERROUX, "Les formes de la concurrence dans le marché commun".

Cf. also the joint declaration of the member countries other than those in the EEC (in *Mondo Economico*, No. 18, 3 May 1958).

Cf. also: M. FANNO, *Note in margine al Trattato del Mercato Comune Europeo* (proofs submitted to the Accademia dei Lincei, May 1958); RAYMOND BERTRAND, "Prix, concurrence et 'harmonisation' dans le Marché Commun", in *Moneta e Credito*, No. 39, September 1957, p. 310.

(26) In one country it may, for example, be preferable to increase disability and old age pensions and in another to increase unemployment or sickness benefits; a country may prefer to the system of getting a bigger wage by working on Saturdays to that of having a day off without pay, etc. Thus France's social policy in favour of large families is not followed in Holland.

trial experience, abundance of capital, greater technical progress, a higher level of training of the personnel, and so on) which may combine with others to raise the level of productivity above ours. In a word, these are factors forged in the course of time under the influence of complex causes and circumstances of different orders — political, historical, social, economic and financial — which cannot be materially altered, and all the less done violence to, since they constitute the fundamentals of the economic structure of the nation. These factors must therefore be accepted as factual data in the same way, for example, as natural resources. Countries with high wages, moreover, have exported more and balanced their payments better than low-wage countries (27).

We cannot, therefore, confine our attention to wages alone or to working conditions, detaching them from the rest of the country's economy. The economy must, on the contrary, be considered as a whole, with all its constituent factors, both economic and social. If we were to "harmonize" wages and social security, we ought simultaneously to harmonize all the other factors which combine to make up the cost. Which is impossible and which, in any case, would run counter to the very principles of the Treaty of Rome, since we would thereby be suppressing any stimulus to competition and to the constant improvement of economic and social conditions.

Prospects as regards wages and unemployment

29. The above observations do not all mean that we want to bar the road to possibilities of economic and social advance. That would, moreover, be impossible, since the trend towards freedom of transfer for goods, capital and persons envisaged by the Treaty tends to set in motion changes in wages and working conditions in the direction of adjustments to the higher levels of the other EEC countries. This tendency will be reinforced by the need for Italian manpower on the part of third countries (such as Switzerland and

(27) "The example of Benelux proves that a union can function in spite of considerable differences in prices and wages, and without leading to a rapid rapprochement" (Cf. R. BERTRAND, *op. cit.*).

Britain) and by possible joint action by the workers' trade unions of the six countries (28).

The inevitable increase in wages will undoubtedly provide a further incentive to technical progress — and hence to a rise in productivity — and to a further attraction of the peasants towards industry. But it must be remembered that these tendencies may give rise to reactions in the opposite direction in all or some sectors. The increase in wages, if not matched by a rise in productivity, means an increase in costs and hence a fall in exports. As against this, while the great industrial concerns command large financial and credit resources to carry out huge investments of capital goods, which can increase productivity, or can transfer most of the cost to the consumer, medium and small industries — especially in the poorest regions — are already feeling the pinch of competition from the bigger industries of the six countries and might be forced to close down or to reduce their activity, thus throwing more people out of work (29).

Conclusions

30. From the preceding paragraphs, we may draw the following conclusions:

1) For the whole of the transitional period, Italy has at her disposal an excessive labour force which, quantitatively speaking, is capable of meeting all foreseeable manpower requirements of the other five countries of the EEC.

The absorption of the surplus Italian manpower would afford the economy of the nation a substantial measure of relief by accelerating the pace at which unemployment and underemployment could be eliminated on the lines of the Vanoni Plan, or by channelling a part of the capital set aside for that purpose into more profitable uses.

(28) It is not improbable that the trade unions — which have 15-16 million members in the EEC — will ask for a common *minimum* wage to be fixed for the six countries or merely for common minima for social guarantees. The possibility cannot even be ruled out that collective labour agreements will be concluded which are valid for all the six countries of the Common Market. In that case, Italian workers would undoubtedly derive certain benefits.

(29) Cf. M. FANNO, *op. cit.*

2) From the point of view of the quality of manpower, Italy is not in a position to satisfy all the demands of the immigration countries, nor does the Treaty contemplate explicit rules on vocational training. To solve the problem, it would be necessary to make a special effort to intensify education in the country, both fundamental and occupational, setting up intensive training courses and at the same time entering into agreements with the immigration countries in order to give Italian workers a chance to specialize in these countries themselves in the trades in which there is a real demand for labour.

3) The achievement of these objectives outlined in the two subparagraphs above is dependent on the real freedom of movement for the workers inside the EEC countries. In order to bring about this state of affairs, there must be frank and whole-hearted collaboration on the part of the other countries, and the approach must be different from the entirely ineffective one adopted in the past. To facilitate this freedom of movement, a European placement office should be set up with sections in each of the countries concerned, and there should be quotas of skilled workers (fixed suitably far in advance) for the various countries and hence transferable gradually without bureaucratic red tape.

4) It is indispensable that the principle of freedom of movement of the workers should be put into effect in the first stage. Otherwise, a much of the benefit accruing to Italy through the application of that principle would be lost.

5) Should the full freedom of movement of manpower not be achieved, it would be necessary to direct towards Italy, and in particular to the depressed areas, substantial investments sufficient to provide employment for the surplus manpower. This solution, however, represents only a temporary retreat, and must not in any way prejudice the acceptance of the fundamental principle of the free movement of manpower.

6) The clauses relating to manpower rendered redundant as a result of the changes in industrial structure, flowing from the application of the Treaty, repeat the measures issued with the analogous object by the EEC but are hedged in by extremely restrictive rules which detract from their intrinsic effectiveness.

7) The social security, as well as economic and civil security, of the migrant workers cannot be considered as being sufficiently

protected by the Treaty. Supplementary agreements are therefore necessary, especially to ensure that the savings of workers employed abroad can be freely transferred to their home country and also to create, in those foreign centres where they are living, environmental and social conditions worthy of a civilized country.

8) The principles of the "harmonization" and "rapprochement" of the economic and social policies and provisions cannot and should not — save in exceptional cases — be applied to wages and working conditions. Where they are more favorable to the employers, there are generally a host of other unfavorable factors — which combine to form the total cost of production in individual countries — and which cancel out the advantage of the lower cost of labour.

9) If, on the one hand, there seems no doubt that the entry into force of the Treaty must lead, in Italy, to an increase in wages and an improvement in conditions of work of the employed workers, there are grounds, on the other hand, for fearing that there may possibly be an increase in unemployment.

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