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Social aspects of the Free Trade Area

Report[1]
Social, Health and Family Affairs Committee
Rapporteur: Marquess of George J. LANSDOWNE, United Kingdom

1. 1958 - 10th Session - First part

A. Draft Recommendation submitted by the Social Committee

The Assembly,

1. Convinced that a Free Trade Area comprising as many European countries as possible should be formed ;

2. Convinced that the primary objective of the creation of a European Free Trade Area is the economic and social progress of the European countries and the well-being of their peoples ;

3. Realising that it is not impossible that the establishment and operation of the Free Trade Area might have adverse effects of a temporary nature upon certain areas in Europe and upon certain groups of the population ;

4. Considering that positive social measures may be necessary both to achieve this primary objective and to protect those who may temporarily be adversely affected,

Recommande au Comité des Ministres :

1. that the Treaty relating to the Free Trade Area should:

   a. acknowledge explicitly its aim as being to further the economic and social development of the participating countries and to raise the standard of living for all;

   b. contain provisions for the maintenance of full employment;

   c. contain suitable provisions for collective action in cases where individual member countries are unable fully to safeguard the interests of workers in such sectors of industry as may be experiencing temporary difficulties as a result of the establishment of the Free Trade Area;

   d. ensure facilities for the collection and dissemination of all the necessary statistical and other relevant information pertaining to the social conditions throughout the Area, in order to co-ordinate the social policies of the member countries ;

   e. take full account of the special needs and circumstances of countries with less developed economies;

   f. ensure facilities for consultation with workers' and employers' organisations

   g. allow for the revision of the social provisions of the Treaty at reasonable intervals;

   h. that 0. E. E. C. should be encouraged further to develop its plans for the liberalisation of the movement of manpower;

   i. that all Member States of the Council of Europe should be encouraged to ratify International Labour Convention No. 97 (1949) on Migration for Employment, the European Interim Agreements on Social Security, and the European Convention on Establishment;

   j. that the European Convention concerning the Social Security of Migrant Workers, signed by the Members of the European Coal and Steel Community on 9th December 1957, should be extended to all Member States of the Council of Europe;

   k. that the European Social Charter and the European Code of Social Security and the Protocol thereto, now in preparation, should be adopted as soon as possible, and that all Member States of the Council of Europe should be urged to ratify them.

B. Explanatory Memorandum

1.

By Order No. 114, adopted on 29th October 1957, the Consultative Assembly instructed its Social Committee to consider the social implications involved in the proposals for a Free Trade Area, and " to put forward constructive solutions so that the establishment of such an area may, to the utmost possible extent, lead to a harmonisation of social charges, facilitate the liberation of services, improve stability of employment and contribute to a rise in the standard of living of working folk". The Social Committee has accordingly submitted to the Assembly a draft Recommendation based on the considerations set out in this memorandum, and arranged under the following four heads:

1. Brief survey of the social provisions of the Treaty instituting the European Economic Community;
2. Summary of the position taken by other interested organisations, such as 0. E. E. C, the I. L. 0., and the international trade union organisations;
3. Reference to certain points raised during the Assembly debate in October 1957;
4. Conclusions: the task of the Social Committee.

1.1. Social provisions of the Treaty instituting the European Economic Community

As the background for the considerations of the Social Committee it would seem appropriate to recapitulate briefly the social provisions of the Treaty[2]. The Committee has strongly endorsed these provisions and it has also made a number of suggestions concerning their effective implementation[3]. The Assembly incorporated some of these ideas in its Resolution 126 (1957) on the political, economic, social and agricultural aspects of the treaty instituting the European Economic Community.

Article 2 of the Treaty declares the accelerated raising of the standard of living to be one of the aims of the Community.

Article 7 forbids in principle all discrimination based on nationality in the sphere to which the Treaty applies.

Article 48 safeguards the free circulation of workers within the Community, which implies the abolition of all discrimination based on nationality with regard to employment, wages and other working conditions.

Article 50 obliges Members of the Community to encourage the exchange of young workers in the framework of a common programme.

Article 51 provides for the protection of the social security rights of migrant workers.

Article 52 establishes in principle the right to establishment.

Article 57 provides in principle for the mutual recognition by Members of the Community of diplomas, certificates, etc. required to exercise certain professions.

Article 117 expresses the need to improve living and working conditions in such a way as to permit of their equalisation at an increasingly high level.

Article 118 indicates certain fields in which a close collaboration is particularly important, namely:

employment;

labour legislation and working conditions;

social security;

protection against industrial accidents and occupational diseases;

industrial hygiene;

trade union laws and collective bargaining between employers and workers.

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2. An Analysis of these provisions is contained in Doc. AS/Soc. (8)23of 10th April 1957.
3. SeeDoc. 657of 29th April 1957

Articles 119 and 120 contain more specific provisions for obtaining or maintaining harmony in working conditions with particular reference to " equal pay for equal work for men and women " and schemes of holidays with pay. The question of working hours and overtime rates is dealt with in a Protocol to the Treaty.

Article 123 provides for the creation of a Social Fund, the functions of which are outlined in Article 125. It may, among other things, help workers to find new productive employment by covering, in specified circumstances, part of the expenses involved in learning a new trade and the expenses of moving to a new place of work.

These are the main social provisions of the Treaty. It should be added that the activities of the Investment Bank will also have social implications, in so far as it operates in development areas.

1.2. The position of other interested organisations

International Labour Organisation

Following the First European Regional Conference of the I. L. 0., the Governing Body decided to convene a group of experts to study the social aspects of European economic co-operation, although this initiative was not directly linked with the negotiations either for the Economic Community or for the Free Trade Area

This group of experts endeavoured to reply to the following main questions[4]:

1. Do international differences in labour costs and especially in social charges constitute an obstacle to the establishment of freer international markets?
2. What are the measures that could be taken to reduce to a minimum the hardships which closer economic co-operation may involve for persons engaged in particular industries?
3. If a freer international market were established, would it then be necessary for European countries to shape and carry out their social policies with a greater degree of international consultation and co-operation than at present?
4. What are the social problems connected with freer international movement of labour?

It is not the purpose of the present paper to go into the details of this Report. Its general trend, however, is that only a limited action is required in the social field. Harmonisation of social conditions, policies and charges is not a prerequisite for closer economic co-operation, and competition in a common market would not prevent the rise of the standard of living in any country. Identical social policies are not necessary, and harmonisation is important only in so far as serious distortions are concerned.

The Assembly has already, on the initiative of the Social Committee, expressed its view about the Report of the ILO group of experts.[5]The Assembly agreed that, from a purely economic point of view, the conclusions of the experts might be fully valid. It stressed, however, the fact that the considerations set out by the experts could usefully be supplemented by other considerations of a long-term social political nature. The Assembly stated it was not certain that the increased wealth generated by closer economic co-operation would automatically benefit the workers to an equitable extent. Measures in the economic field should be supplemented by an active social policy.

It should further be added, in connection with the ILO activities of particular interest in relation to the Free Trade Area, that an inquiry on wages and related elements of labour costs in Europe has been undertaken by the I. L. 0. as a result of the ILO European Conference of 1955; the Office is now analysing and tabulating the information which has been collected. This study will also contain over-all figures relating to social security schemes and national accounts. This work will be published shortly, and copies will be supplied to 0. E. E. C. and to the European Economic Community in an effort to aid them in their studies of the social implications arising as a result of the establishment of the Common Market and the Free Trade Area.

Organisation of European Economic Co-operation

Since the proposed treaty of the Free Trade Area will be prepared and concluded within the framework of 0. E. E. C, the position taken by t h a t organisation will obviously be of paramount importance. It is, however, not possible at the present stage to know what may be decided in this matter. The Working P a r t y which the

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4. Its Report was published in Geneva in 1956: Social Aspects of European Economic Co-operation: Report by a Group of Experts, I. L. 0. Studies and Reports, New Series, No. 46.
5. Part 3 of Resolution 108 (1956) in reply to the Sixth Report of the I. L. 0. to the Consultative Assembly.

Council of 0. E. E. C. established in July 1956, and whose Report was published in January 1957, barely touches the social problems. It appears from the Report that there was disagreement within the group with regard to these social aspects. Paragraphs 42 and 43 read as follows:

> *" 42. Some Members of the Working Party, however, while recognising that the move towards a Free Trade Area will call for considerable harmonisation of the economic, financial and social policies of member countries, and that governmental action to this end may prove necessary, have indicated that their countries are not prepared to commit themselves to finding, in advance, solutions to all the problems which are liable to arise in these fields*
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> *43. Other Members of the Working Party consider that there are certain disparities evident between the social regulations in different countries, which are likely to distort the free play of competition. In their opinion, these disparities should be corrected by harmonising these regulations from the beginning of the transitional period. Certain other Members consider that common institutions for the financing of investment will be necessary for the creation of a Free Trade Area ".*

The Report then goes on to refer briefly to some of the most important social provisions now included in the Treaty of the Economic Community or in a Protocol thereto, such as those relating to equal pay for equal work, the length of the working week, the duration of paid holidays, and the arrangements for liberalisation of the movement of manpower. The Report takes no particular line with regard to these problems but says that it will be for the Council of 0. E. E. C. to decide to what extent similar means should be provided to meet the requirements of the Free Trade Area. Resolutions Nos. 221 and 222 of the Council, adopted on 17th October 1957, only outline the action to be taken by 0. E. E. C. and do not refer to social problems.

These matters are at present under consideration in the Intergovernmental Committee on the establishment of a Free Trade Area.

It is by exercising an influence on the Council of 0. E. E. C, through the Committee of Ministers, that the Consultative Assembly can play its role in this matter.

Should the Assembly wish in this way to stress certain considerations of a social nature, it would certainly find a strong support in important labour circles, as can be seen from the position taken by the international trade union organisations.

International Confederation of Free Trade Unions

The European Organisation of this Confederation held a conference in May 1957, for the purpose, among others, of stating its views on the Free Trade Area. The conference drew attention to the necessity of maintaining full employment and of providing for effective aid to workers adversely affected by the creation of the Free Trade Area, such as adequate unemployment allowances, adequate facilities for vocational rehabilitation, economic support during re-training, and removal allowances. With regard to the liberalisation of the movement of manpower, the conference considered that such movements would not be very great within the Free Trade Area, and that the machinery existing in 0. E. E. C. and the I. L. 0. might be sufficient to cope with such problems when they arise.

On the other hand, the conference called for a harmonisation of working conditions at a high level, although it realised that the difficulties involved increased in proportion with the number of countries participating.

The conference called upon the Governments to consult workers' organisations both in preparing and in implementing the proposed treaty.

International Federation of Christian Trade Unions

This organisation expressed its views in a letter of 17th October 1957 to the Chairman of the Council of 0. E. E. C. With regard to the social aspects, it states that the establishment of the Free Trade Area should not directly or indirectly impair the economic and social guarantees contained in the Treaty of the Economic Community, which are considered by the I. F. C. T. U. as a minimum. This implies that organs should be created within the Free Trade Area that will secure an effective co-ordination of national economic and social policies. Workers' organisations should be associated with the implementation of the proposed treaty of the Free Trade Area. The establishment of the Area should be a factor in accelerating the economic and social development of the overseas countries having special links with the European countries

1.3. The October 1957 debate of the Assembly

Several speakers in the above debate referred to various social aspects of the establishment of the Free Trade Area. Two points of view have been presented with regard to the desirability and possibility of a harmonisation of social policies: they are clearly expressed in the speeches of M. Ohlin and M. Heyman.

The former referred to the work of the group of experts set up by the I. L. 0 . over which he had presided, and to which reference has been made above. He could not admit that there was a need for the gradual harmonisation of social legislation whereby the social costs of one hour of labour to the employer over and above the cash wage would be equalised. Above all, it was, in his view, obvious that a Free Trade Area did not require the equalisation of cash wages per hour. The whole idea of a harmonisation of social legislation as a prerequisite of fair competition was untenable. The advantages of a freer market would come from the very fact that conditions of production were different, whether this was due to natural or to social circumstances. On the other hand, a gradual co-ordination of monetary, economic and social policies could help to maintain an equilibrium in the balances of payment of the participating countries. Once a certain equilibrium had been achieved, the trend of production costs could not differ radically over long periods if foreign exchange rates were to be maintained on a stable level. It would be better to discard the idea of a harmonisation of social policy and concentrate on the problem of maintaining a balance-of-payments equilibrium by means of an appropriate co-ordination of economic policy in its widest sense[6].

M. Heyman referred to the views already expressed by the Assembly with regard to the Report of the 1 L 0 experts in Resolution 108 (1956), which has been mentioned above. He stressed that even if social harmonisation might be unnecessary from an economic point of view, and as a prerequisite to the functioning of a Free Trade Area, it constituted nevertheless a very important factor. He called for a greater emphasis on the social problems and referred to the Statute of the Council of Europe which speaks of greater unity also in the social field. The aim was not uniformity, but the point was that certain essential principles of social policy and certain minimum standards should be recognised. Therefore, economic measures should be supplemented by a more co-ordinated social policy. In this connection, M. Heyman referred particularly to the European Social Charter and the European Code of Social Security which are in preparation[7].

Several speakers stressed the- importance of maintaining full employment. Reference was also made to the need for an investment bank to assist less developed countries within the Free Trade Area; the need for a development area policy to give aid to those areas which would be adversely affected by free trade ; a policy to ensure that work was brought to the workers wherever possible rather than the worker being forced to transfer to new work; aid to workers in the form of travelling allowances, lodging allowances, etc., as well as to the need for a harmonisation of the ways in which various social advantages are financed.

1.4. Conclusions— the task of the Social Committee

The October 1957 debate of the Assembly was based on Reports by the Economic Committee, the Political Committee and the Agricultural Committee. It was natural, therefore, that the social problems should not have occupied the foreground. Reference was, however, made to the draft Order tabled by the Social Committee requesting permission to examine the social aspects.

Having undertaken this study, the Social Committee saw it as its task to submit to the Assembly a draft Recommendation setting out its views as to the provisions of a social nature which might be proposed, either for inclusion in the treaty of the Free Trade Area, or for consideration in close connection with the implementation of this Treaty.

6. See Official Report of Debates, 9th Session, Vol. II, p. 509.
7. See Official Report of Debates, 9th Session, Vol. I I I, p. 583.