

## Report by a team of trade-union representatives from the ECSC on readaptation and re-employment of workers (1956)

**Caption:** In 1956, a delegation of trade-union representatives from the six Member States of the European Coal and Steel Community (ECSC) travels to the United States for an initial study mission on the readaptation and re-employment of workers hit by unemployment.

**Source:** Readaptation and re-employment of workers, Report on the visit to the United States by a team of trade-union representatives from the Community. Luxembourg: European Coal and Steel Community, 1956. p. 95-103.

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**Last updated:** 21/01/2015

## Report on the visit to the United States by a team of trade-union representatives from the Community - Readaptation and re-employment of workers

[...]

### Conclusions

We did not go to the United States to find panaceas for our own problems. We went to observe what is being done in that country so as to enable us to draw some fundamental conclusions.

Before going on to deal with the European aspect, we propose to give these conclusions in tabloid form.

### Section 1: Basic lessons of American experience

Relation between readaptation and full employment.

*1. Readaptation problems have hitherto remained in the background in the United States.*

They are now, however, receiving closer attention, particularly from the unions. Whereas they used to be dealt with by empirical and not always effective methods, they are now embodied in a systematic program elaborated by the Congress of Industrial Organizations (C.I.O.).

*2. Readaptation problems have until very recently been masked by the overall problems of establishing full employment.*

It is now a definite point in the full employment program that they should be dealt with directly, particularly in depressed sectors or areas.

*3. Readaptation and full employment measures are complementary to one another.*

Readaptation measures must supplement the full employment policy and make it thoroughly effective.

Full employment measures are an essential background to readaptation measures.

The principle underlying the solution of readaptation and full employment problems

*4. Readaptation measures dovetail with full employment measures; they are based on the same principle and use the framework of the system built up to comply with the requirements of a full employment policy.*

*5. The principle underlying the full employment policy, and henceforth also the readaptation policy, as pursued in the United States, is the demand principle.*

This means that:

- a) The whole of the economic system has to be organized in such a way that all technical production potentialities are used to the full.
- b) *Full employment* means not only that workers are fully occupied, but that technical potentialities, too, are fully utilized.
- c) *Together*, full utilization of technical potentialities and utilization of the labour force *make for optimum technical employment* of production potentialities.
- d) If optimum technical employment is to be feasible, if it is to be desirable and practicable in an economy centering on the enterprise, then *optimum technical employment has also got to be optimum economic employment.*

- e) Optimum technical employment is optimum economic employment provided:
- i) *demand can absorb the supply* produced by optimum technical employment, i.e. provided, more particularly, that wages are high enough to give the workers a purchasing power commensurate with the requirements which constitute the market for the commodities produced or likely to be produced;
  - ii) *competition is in operation in the market*, to compel enterprises to adapt themselves to the requirements of the economy as a whole;
  - iii) *the authorities* which are responsible for competition, encourage it, supervise it and correct any irregularities
    - by a policy of providing forecasts and information,
    - by a readaptation policy,
    - by a policy of stimulating economic activity;
  - iv) *the enterprises*, which are responsible for technical progress, give due consideration to both the technical, the economic and the social costs involved.

6. *When these conditions are fulfilled* i.e. when full employment is obtained, which is when full technical and economic employment are obtained simultaneously, *the result is high productivity.*

"High productivity" is *the result of the system taken as a whole*, i.e. when all conditions are fulfilled.

It has been said that *high productivity* is the precondition for the *high American standard of living*. Hence it is argued that to attain the high American standard of living, we must first have high productivity. This is a great mistake. *The fact of the matter is that the one is impossible without the other.* A strong purchasing power is essential for the full utilization of production factors at the highest possible level of technical productivity, and conversely, a high level of technical productivity is essential to meet the strong purchasing power.

7. *There is a crack to the effect that "American high productivity is a state of mind".*

This is a *serious misrepresentation.*

It is a state of mind insofar as this is taken to mean that all those concerned — employers, workers and authorities — realize the requirements of the demand system and act accordingly,

firstly, by ensuring that the enterprise constitutes a real team playing the same competitive game; secondly, by seeing to it that each individual, whatever his position in the enterprise or in the economic system feels he bears collective responsibility to be used in the general interest.

The credit for high productivity is thus due to the system itself, which by its organization ensures the continuity and effectiveness of that observance of the principles which is expressed by this "state of mind".

Conditions for dealing with readaptation and full employment problems

8. *The economic system must be organized to comply with the requirements of the demand system.*

The organization of the system with this end in view makes it possible to have effective full employment, both economic and technical, and hence high productivity and the high standard of living.

9. *The organization of the system to comply with the requirements of the demand principle implies:*

- a) that the authorities must establish economic structures in which the operation of competition is not distorted;
- b) that the authorities must be constantly at work to adapt the system effectively to the requirements of the demand principle in order to ensure consonant organization in all areas and all sectors;
- c) that the labour force must be organized *at all levels of economic activity* in order to ensure that
- i) its conditions of employment, wages and living conditions are not used for purposes of competitions;

- ii) conditions of employment, wages and living conditions are, on the contrary, a determining factor in the application of the demand principle, since it is on the consumers' wages and working and living conditions that production depends;
- iii) the conditions are established within the enterprise for mutual confidence and effective co-operation between the workers and the employers for the most satisfactory achievement of their common objective;
- iv) the labour force is itself in a position to bear its share of collective responsibility and contribute, in collaboration with the authorities and the enterprises, to the promotion of what is best for the community;
- d) that the employers, in organizing their enterprises, must
  - i) look upon their workers as consumers essential to production, and hence give them the requisite purchasing power;
  - ii) establish a relation of openness, confidence and co-operation with their workers;
  - iii) do everything in their power to make the maximum use of technical and scientific possibilities.

The large market

10. a) *The system organized on these lines constitutes a "large market" provided the purchasing power and number of the consumers together assure the minimum sales required for production methods to be properly utilized.*

Modern technical methods are such as to call for a rather high minimum of sales.

- b) A geographically small market cannot guarantee this minimum.
- c) A geographically extensive market does not, however, necessarily constitute a "large market". It is essential that the purchasing power should be high enough.
- d) Where there is a geographically extensive market, it therefore depends on the purchasing power whether there is a "large market" or not.
- e) Where there is a geographically extensive market, where the enterprise is the basic cell of the economy, where technical potentialities are not being fully utilized, where the standard of living of the population is inadequate, either in general or in particular areas or sectors, the problems will never be solved or the "large market" achieved so long as
  - it is intended to improve the standard of living by efforts confined to the technical level, without establishing the necessary sales outlets and, more particularly, without raising wages;
  - it is intended to improve the standard of living by making the increase in wages dependent on the results of efforts on the technical level alone;
  - it is intended to improve the standard of living without any efforts on the technical level at all;
  - no genuine demand system is organized in and around the enterprise.

Obviously, these fundamental principles of the American system have not been fully implemented in the United States. They do, however, form the basis for the working and organization of the system.

In the following pages we shall turn our attention to Europe and deal with readaptation and full employment there in the light of American experience as outlined in this Report.

## **Section 2: Readaptation and full employment in Europe in the light of American experience**

The Common Market for Coal and Steel and the "large market"

The Treaty establishing the European Coal and Steel Community aims at organizing a systematic policy of readaptation and re-employment of labour, as a contribution to economic expansion, the development of employment and the raising of the standard of living in the member States.

Accordingly, the Treaty aims at providing the Community with a background of principles comparable to those emerging from American experience.

At the same time, two important limitations should be noted:

firstly, the Treaty concerns only coal and steel;

secondly, it represents only a contribution to economic expansion, the development of employment and the raising of the standard of living.

Clearly, therefore, the Community, as it does not enable a complete economic demand system to be organized, does not enable the objectives of a full employment and readaptation policy to be fully achieved.

Even if the governments of the six member countries were to adopt identical policies of full employment and readaptation, this would still be inadequate for the institution of a genuine demand system. What is required is a common organization and common institutions to set up such a system and ensure that it functions smoothly.

Thus a general common market subject to common institutions is necessary for any effective exploitation of all the technical, economic and social potentialities offered by the “large market” to all those taking part in it.

The Common Market for Coal and Steel, full employment and readaptation

In the limited field of coal and steel, experience shows that the provisions of the Treaty and the Convention containing the Transitional Provisions are

- a) too circumscribed,
- b) not being adequately brought into play.

*(1) Article 56 and Section 23 are too circumscribed.*

The types of assistance for the readaptation and re-employment of workers laid down in Article 56 and Section 23 are to a great extent the same as those empirically worked out in the United States.

But systematization of readaptation and re-employment measures as laid down in the Treaty and the Convention carries the disadvantage of seriously limiting the number of cases in which these measures can be applied.

The system in the United States has so far been an empirical one, but it was always at the same time very broad in scope: there are no circumstances prescribed as entitling to readaptation, for any and every case may receive assistance.

The E.C.S.C. system lays down a very inadequate range of entitling circumstances: thus, Section 23, which is the broadest in scope, is operative only during the transition period.

Article 56, which lays down the fundamental rules, provides for assistance only if the introduction of new technical processes or equipment as part of the High Authority's general objectives should lead to an exceptionally large reduction in labour requirements.

Again, the enterprises or workers actually concerned in readaptation cannot apply direct to the High Authority: the request must come from the government of the country in question.

These limitations are incompatible with a genuine readaptation and full employment policy. In point of fact, they leave most of the practical cases to be dealt with by the enterprise, which is to say, in the final analysis, by the labour force itself.

As the Treaty can be revised after the expiry of the transition period, this limitation on applicability should be dropped so that all cases of readaptation may be covered by the Treaty.

(2) *Even in their present form, the provisions of the Treaty are not being adequately brought into play.*

a) The provisions of Article 56 and Section 23 should be implemented in conjunction with the provisions of Articles 2, 3, 4, and 5 of the Treaty, i.e. the basic provisions laying down the objectives and methods of the Community.

In other words, the readaptation and re-employment policy should be carried on as an integral part of a full employment policy.

Experience has shown, however, that for the most part Article 56 and Section 23 are applied independently of any real full employment policy, and that assistance made available through them really forms more of a supplementary unemployment fund than a genuine contribution toward readaptation and re-employment.

Its measures in the economic field doubtless help indirectly to deal with the social problems. But it can and must help directly.

For such direct action, the High Authority has, in accordance with the general articles (2, 3, 4, and 5), various possible courses open to it under the other special provisions of the Treaty.

Thus, for instance, under Article 46,5, it may "gather any information required to assess the possibilities of improving the living and working conditions of the labor force in the industries under its jurisdiction, and the risks menacing their living conditions." These provisions enable the High Authority to publish the prerequisites of a policy to achieve the general objectives of the Treaty, including, more particularly, full employment and the raising of the standard of living. By means of the information it assembles and publishes, it can do that work of co-ordinating the full employment policy and the readaptation policy which the American economy itself feels to be needful.

Article 86 of the Treaty provides that the member States "bind themselves to take any appropriate general and particular measures to ensure the execution of their obligations under the decisions and recommendations of the institutions of the Community, and to facilitate the accomplishment of the Community's objectives." The provisions of this article thus empower the High Authority publicly to draw the attention of the governments to their responsibilities.

The organization of readaptation in the Community

The American system needs centralization, and an authority to do the centralizing; on the other hand, it has the ramifications needed for the full employment and readaptation policies to be adapted to local conditions.

In the European Coal and Steel Community, there is a central authority, even though its powers are inadequate, but there are no ramifications.

The problems of labour mobility, re-employment, readaptation, and the creation of new activities can only gain by being treated on a regional basis.

To make High Authority action effective in these fields, it seems reasonable to suggest the establishment of regional bodies to search out the problems (e. g. an enterprise is going to reconvert, another is going to close down, a shift in population is starting), and to study all possible means of dealing with them in accordance with the Treaty and through the existing institutions.

These regional bodies, like the Community itself, would be organized on an essentially geological basis, irrespective of frontiers. The Community countries would thus be divided into a number of areas fixed in accordance with geological, economic, sociological, population and other surveys.

Each regional body would in fact be a local office of the High Authority, assisted by representatives of the government or governments concerned, of the employers and workers, of the Chambers of Commerce, of the trade organisations, of the local economic councils, etc.

Of course, the establishment and operation of regional bodies of this kind may prove difficult. Doubtless there are other possibilities, by making direct use of existing local organizations. But experience has shown, both in the United States and in Europe, that it is essential to have the closest possible contact between the central authority and the problems at local level.

The unions, for their part, will need to act in the opposite direction, i. e. they must centralize, in order to adapt their organization to the work they will be called upon to do at European level. Union history in Europe is much longer and more complex than it is in the United States, but the importance accruing to the union movement in the United States from the fact that it is organized at Federal level, both administratively and economically, provides an outstanding object-lesson.

Our tour of the United States revealed to us both the scale of the problems Europe has to tackle and the scale of the results it can achieve.

In this Report, we have dealt not so much on these possible results as on the methods by which they can be achieved.

Provided each in his own field realizes his share of the collective responsibility, it will be possible to build Europe. And Europe must be built, for we are convinced that the building of Europe will be a decisive and unparalleled contribution to the well-being of its peoples.