Social Security in the European Community

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CONTENTS

Introduction: A social Community 3

1 The Rome Treaty and social policy 4

2 Characteristics of social security systems in the Community countries 5
   The range of social security in the six countries 5
   Similarity and diversity in national regulations 5
   1. Administrative structure and organization 5
   2. Finance 5
   3. Benefits 5
   4. Points of divergence and convergence 5

3 Community social security policy 10
   Social security and freedom of movement for workers 10
   1. Principles of social security for migrant workers 10
   2. Scope of the Community regulations 10
   Harmonization 11
   1. Provisions of the Treaty 11
   2. Preparatory work 11
   3. Establishment of a general preparatory program 11

4 The future outlook 14
A social Community

It is commonly supposed that the European Economic Community is solely concerned with economic and commercial problems. Its official title and the popular term "Common Market" are partly responsible for this restrictive interpretation.

In addition, the most immediate and impressive results of the implementation of the Rome Treaty are seen in the economic prosperity of the Community and in expanding trade, not only between the six member countries but also with the rest of the world, following the abolition of quotas and the rapid reduction of customs tariffs. It is in this field that the clauses of the Treaty are most precise and compelling.

It would, however, be a grave error to imagine that the Rome Treaty which instituted the Common Market is just an extended commercial agreement.

Leaving aside its political implications, of which everyone is increasingly conscious, the social provisions of the Treaty also reflect the clear intention of those who negotiated it to found something more than a simple economic association.
1 The Rome Treaty and social policy

The social aspects of the Rome Treaty are summed up in two paragraphs of its Preamble in which the signatories pledge themselves "to ensure the economic and social progress of their countries by common action in eliminating the barriers which divide Europe," and "to direct their efforts to the essential purpose of constantly improving the living and working conditions of their peoples."

This aspect is further emphasized in Article 2, which describes the aim of the Community as being especially "to further . . . a more rapid rise in the standard of living . . ." So far, this is merely a general aim, and one might conceivably have supposed that such results could be achieved through economic policy alone, as the latter undoubtedly makes a major contribution in this direction. But this approach was not adopted.

The main social provisions of the Treaty are found in a chapter devoted to social policy and in another chapter on freedom of movement for workers. This group of provisions has two basic aims which are closely related: the promotion of employment and the raising of living and working conditions.

For the promotion of employment, the social policy of the Common Market Commission has three major aspects:

I. FREE MOVEMENT OF WORKERS, as envisaged in Article 48 of the Treaty. This should be pursued gradually and should be achieved at the latest by the end of the transition period (in principle, 12 years). The first measures were taken by Regulation No. 15, adopted in 1961; the next stage is defined in Regulation No. 38/64, adopted by the Council of Ministers on March 25, 1964. With the implementation of the latter the objectives of the Treaty will be in large part attained1. It should be made quite clear, so as to avoid misunderstanding, that the removal of obstacles to freedom of movement will only allow workers to migrate to other parts of the Community if they actually possess an offer of employment. Thus, freedom of movement, instead of producing a risk of unemployment, is a means of securing full employment.

II. THE COMMON POLICY OF VOCATIONAL TRAINING, as provided for in Article 128 of the Treaty; its general principles have already been adopted.

III. THE EUROPEAN SOCIAL FUND, which aims at "promoting within the Community employment facilities and geographical and occupational mobility of workers". To attain this objective, the Fund reimburses governments for half the expenditure incurred in:

- Promoting productive re-employment of workers by means of vocational retraining and resettlement allowances;
- Granting aid to workers whose employment is temporarily reduced or wholly or partially suspended following conversion of their factories to other production.

The second essential objective of the Community social policy — of which the search for full employment is only one aspect — is set out in particular in Article 117. This article stresses the need to improve living and working conditions so as to raise them to similar levels. We shall return again later to this clause, and also to its companion Article 118.

In addition to these general clauses, there are also specific provisions on equal pay for men and women, holidays with pay and overtime pay. The social provisions of the Treaty may appear less numerous and, taken as a whole, less detailed than the economic provisions, but this cannot place in any doubt the ultimate social purpose of the Rome Treaty. Quite apart from the texts, this social purpose is inherent in the Treaty, for the establishment of a common market cannot be an end in itself and can only be justified, in the last analysis, if the economic prosperity we expect from it is fairly shared among all social groups, especially among workers and their families, in all regions of the Community, and, indirectly, in the world as a whole.

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1 Official Gazette of the European Communities, No. 62, April 17, 1964.
2 Characteristics of social security systems in the Community countries

Before examining in detail the general lines of the Community's social-security policy, it is worth reviewing briefly the legislation in force in the six member countries, keeping strictly to essentials, so as to bring out (a) the range of social security in the six countries and (b) the existence, outside certain common features, of a large measure of diversity in the national regulations.

The range of social security in the six countries

The range of social security can be assessed by various methods. It is natural to consider first the size of the population covered by it. Except in the Netherlands (for old-age pensions and widows' pensions) none of the Six has a scheme similar to the system in force in Britain or Sweden for health and pensions - that is, covering uniformly the entire resident population.

The common denominator in all six countries is the coverage of wage-earners by compulsory social security systems, in respect of the nine benefits provided for in the International Labour Office Convention No. 102 (medical care and sickness benefit, maternity, disablement, old age, death, employment injuries and occupational diseases, unemployment and family benefits). One reservation must be made: in Germany and the Netherlands an upper income limit is imposed for cover against certain risks.

Not only wage-earners and salaried employees benefit from compulsory social insurance, however. Broad categories of self-employed persons (especially farmers and artisans) are covered either for some risks or for all risks, in all the countries concerned except perhaps Germany, and there, too, there is now a clear trend towards complete cover for these groups. For old-age pensions (except in Germany) and family allowances (except in Italy), social security covers almost the whole population. For medical care, an average of between 80 per cent and 90 per cent of the total population was covered in 1963.

In spite of some limitations to its scope, social security in the Community involves substantial expenditure, representing percentages of national income ranging, in 1962, from 14.3 per cent (Netherlands) to 18.1 per cent (Luxembourg). This means that the total economic weight of official security systems is greater in the Six than in either Great Britain (about 12 per cent) or Sweden (total social expenditure including assistance: 11.1 per cent of national income in 1960).

Similarity and diversity in national regulations

Although, on the whole, social security in the Community countries has reached a standard of development equal or comparable to the most "advanced" systems in the world, it operates under a wide variety of forms. On the other hand, the regulations in force in the six Community countries include a certain number of common provisions, especially in comparison with the British or Swedish systems. Their organization, financing and benefits are examined below.

1. Administrative structure and organization

In comparison with social security organization in Great Britain or Sweden, the administrative complexity of the "Continental" schemes is striking.

The number of systems. It is very unusual in any of the six Community countries for a uniform system for any particular risk to apply to all the population groups protected. This is the result of the historical process by which social security has developed since the end of the nineteenth century. Each of the Six does have a single system which could be called "general" in the sense that it has a wide application, covering, for example, several million wage-earners in trade and industry. But, alongside it, are specialized schemes, either for particular groups of wage-earners (miners, railwaymen, seamen, farm workers, civil servants), or for certain groups of self-employed persons. Inside this broad pattern, the position varies greatly from one country to another. Thus, in Belgium, Luxembourg and Germany, a distinction is made, for certain risks, between manual workers and salaried employees. In the Netherlands there is a scheme for old-age pension insurance applying to all residents, while in other countries, especially Italy and France, there is a multiplicity of group schemes. This diversity is repeated at the organizational level for, in general, each group scheme is run by a special administrative body.

1 Even in the two countries of the Community which have not ratified this Convention - France and Luxembourg - the standard of coverage and benefit is in general superior to that of Convention 102.

2 Source: Exposé sur l'évolution de la situation sociale dans la Communauté, published late in 1964. Statistics on social security can at present be collected at the Community level only after a certain time-lag.
DIFFERENCES IN ORGANIZATIONAL PRINCIPLES. Furthermore, no Community country has achieved, even in its "general" scheme, an entirely unified administration. The administration of the different branches of social security is divided between different bodies, the exact structure varying according to the country. Thus, in Italy (in the "general" scheme and independently of the administration of group schemes) there are different national bodies for insurance against employment injury; for health insurance; for insurance against disablement, old age and death; and for unemployment insurance - each of them with its own regional and local branches. In France, in the general scheme there are, in addition to the National Fund, two other groups of administrative bodies; one responsible for family allowances and the other for all other branches of social security, except unemployment. In the other Community countries the position is often equally complex.

LEGAL DIFFERENCES. The social-security agencies may be either public or semi-public bodies, with a greater or lesser degree of administrative autonomy, or they may be purely occupational bodies. In all six countries, insured persons and employers are represented, to a greater or lesser extent, on the administrative bodies of the social-security schemes or on advisory councils.

SUPPLEMENTARY SYSTEMS. Supplementary schemes have their origin in collective agreements or conventions which supplement the basic social-security provisions, and are particularly highly developed in the Netherlands and France. In the latter country, there is also a supplementary unemployment insurance scheme, originating in a collective agreement, which covers all wage-earners in industry and trade. Moreover, since 1962, supplementary pension schemes have been made compulsory in all industries and trades represented on the French National Employers' Council. In the Netherlands, there are supplementary pension schemes for each branch of industry. However, in Germany, comparable schemes do not extend beyond individual firms. Thus a diversity of systems and administrative bodies is added to complex and diverse legislation, and the whole structure is subject to continual evolution. But this, in fact, permits the different occupational organizations to improve on their social security systems; these improvements subsequently tend to spread throughout the entire system and keep the other bodies on their toes.

2. Finance

The following account gives a general outline of the financial structure, with emphasis on the most characteristic aspects, so as to permit a comparison both between the Six and with the British- or Scandinavian-type systems.

SOURCES OF FINANCE. Social security in the Community is financed in varying proportions by contributions by insured persons, employers, and the public authorities. The public authorities' share in the financing of social security is much smaller in the Community countries than in Great Britain and the Scandinavian countries. However, in three of them, it is fairly large: Germany, with 17-6 per cent, Luxembourg, with 23 per cent, and Belgium, with 23·5 per cent (1962 figures; recent measures will increase these proportions). In France and the Netherlands the share of public funds is of very secondary importance (slightly above 6 per cent), while Italy occupies an intermediate position (11·2 per cent in 1961), as the latest measures have confirmed. The social-security systems of the Six are thus essentially contributory. Another central feature is that, excepting the Netherlands, employers' contributions are larger than those of insured persons (from 38 to 45 per cent of the total in the Netherlands, Belgium, Germany and Luxembourg, and as much as 69 per cent in France and Italy). Schemes for self-employed persons are usually financed by the contributions of the insured persons themselves, though in many cases the state is now providing an increasing share, particularly in schemes for farmers. For various reasons, special schemes for wage-earners often receive a larger proportion of support from public funds.

FINANCING THE VARIOUS BRANCHES. In five Community countries the cost of family allowances and employment injuries is born entirely by employers. In Germany, on the other hand, since July 1, 1964, family allowances have been provided entirely out of the Federal budget; at the same date, the amount of family allowances was raised, the increases being progressive with the number of children. In the other branches of social security, with some exceptions (the principal one being the Netherlands' national old-age pension scheme, which is financed entirely by the contributions of insured persons) both employers and employees contribute. As a general rule, the contributions are calculated as a percentage of wages paid, although the wage on which calculation is based may be limited by a
Characteristics of social security systems in the Community countries

 ceiling. The system of lump-sum contributions for a series of income groups, fairly widespread in Scandinavia, is hardly known in the Six, except in some schemes for farmers or self-employed persons.

Firms' Contributions. The large differences from country to country in the amount of employees' contributions paid by their firms has been the basis of a belief that they affect industrial competition within the Community. However, it appears that such disparities are often compensated for by lower wage costs; surveys by the Community Statistical Office show that total wage costs are closer for a given industry in different member countries than for different industries in the same country, and that the proportions in which the total wage costs are divided between direct costs and indirect charges does not directly influence the level of total wage costs. However, inquiries are planned into the possible effect of different wage cost structures on competition, and these will also take social security into account. Significantly, it was because of the burden of social charges imposed on employers that the Italian Government decided, for the period from September 1, 1964 to the end of 1965, to meet from taxation a proportion of social-security contributions equivalent to some 3 per cent of the wages paid.

3. Benefits

Only two main groups of benefits are dealt with below.

I. Health Care. A full range of benefits is available to insured persons in all the Community countries. They include, in particular, medical consultations, hospitalization, surgical operations, dental treatment for all, and the supply of drugs. But there are considerable differences between the six countries in the amount of assistance given by the social security organizations. No National Health Service of the British type, bearing all costs directly, exists in the Community. However, in Germany, the Netherlands and to a large extent Italy, insured persons bear little or none of the cost of such treatment. The other three countries, like Sweden, have retained, for some or all benefits, a system under which part of the costs (never more than 30 per cent) is paid by the insured person. The treatment payable by the social-security agencies may also in some cases be limited in time; this is notably the case with hospitalization in Germany, Italy and the Netherlands.

These costs are normally borne in one of two ways: (a) the insured person himself pays the costs incurred, and is later reimbursed wholly or partially by the insurance fund (France, Belgium); or (b) the insured person makes no direct payment (Germany, the Netherlands).

Each of these alternatives creates, in the matter of doctors' fees, a particular type of relationship between the medical profession and the social security system. In type (b) systems, doctors are paid in various ways by the social security organizations, while in type (a) systems, the principle of free agreement between doctor and patient, with the direct payment of fees by the latter is preserved (the scales of fees depending on agreement between the doctors and the social security organizations). Belgian and French experience has revealed delicate problems (for example, the Belgian doctors' strike of April 1964), which are giving rise to further changes.

II. Cash Benefits. In the Six, benefits designed to replace loss of occupational income have one general characteristic: they are not flat-rate benefits, but are calculated as a proportion of wages or wage-related contributions, while the conditions for the grant of benefits and their level may differ.

In fixing the conditions for qualifying for benefit, the main factors are: (a) the contribution record (minimum number of contributions paid, length of insurance period), which is important, especially in qualifying for old-age pensions; (b) conditions regarding age, such as the age-limit for children entitled to family benefits (normally varying between 14 and 19 years, though it is extended to 20-27 years for students); the minimum age for widows' pensions; or the minimum retirement age (65 years for men under general schemes, 60 in Italy and France under contributory schemes, with a lower age for women and for arduous occupations, such as mining).

The level of benefits paid in Community countries, though fairly high on average, is difficult to compare, and the differences between countries are wide. Statistics on expenditure by the various branches of social security show that, according to country, provisions vary for several reasons, for example, demographic development. This is the case especially with family allowances and old-age benefits; in the other branches, differences are less marked.
Social security expenditure by branch of insurance in 1962
as percentage of total expenditure

<table>
<thead>
<tr>
<th>Branch of Insurance</th>
<th>Germany</th>
<th>Belgium</th>
<th>France</th>
<th>Italy (1961)</th>
<th>Luxembourg</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sickness and maternity</td>
<td>31·1</td>
<td>26·8</td>
<td>30·5</td>
<td>24·7</td>
<td>22·3</td>
<td>30·0</td>
</tr>
<tr>
<td>Disablement, old-age and survivors</td>
<td>56·1</td>
<td>35·2</td>
<td>29·1</td>
<td>38·3</td>
<td>45·7</td>
<td>47·1</td>
</tr>
<tr>
<td>Employment injuries and occupational diseases</td>
<td>5·6</td>
<td>7·8</td>
<td>8·1</td>
<td>5·2</td>
<td>13·2</td>
<td>3·6</td>
</tr>
<tr>
<td>Unemployment</td>
<td>3·1</td>
<td>8·0</td>
<td>—</td>
<td>4·9</td>
<td>0·1</td>
<td>5·3</td>
</tr>
<tr>
<td>Family allowances</td>
<td>4·1</td>
<td>22·2</td>
<td>32·3</td>
<td>23·9</td>
<td>18·7</td>
<td>14·0</td>
</tr>
</tbody>
</table>

The very variable place occupied by family allowances in the social security budget of the six Community countries arises from the considerable differences in benefit rates; for example, for a family with three children, the monthly allowances on June 30, 1964, were as follows:

- £4 9s. ($12·50) in Germany; £6 14s. ($18·75) in cases where the annual income of the family is below £650 ($1,800)
- £17 6s. ($48·40) in Belgium
- £19 15s. ($55·30) in France – including the single wage allowance
- £8 11s. ($23·90) in Italy
- £11 14s. ($32·70) in Luxembourg
- £8 0s. ($22·30) in the Netherlands

Comparison between benefits not paid at a flat rate is more difficult, for their real worth can only be judged very approximately by merely comparing the formula or methods of calculation. To provide a clearer picture, an investigation has been made comparing the value of benefits by applying the calculation formula to a given wage. The calculations have been made by two methods:

(a) On the basis of a reference wage (specific wage) proper to each country, this wage being the national average income per head of population (aged 15 to 65);

(b) On the basis of a common wage calculated as the weighted average of the reference wages for each country.

No attempt will be made here to summarize the results obtained, but two examples may be cited concerning sickness benefit and old-age pensions. In the case of a beneficiary without dependants, not hospitalized, the sickness benefit as a proportion of the specific wage is as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion of Specific Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>61·5%</td>
</tr>
<tr>
<td>Germany</td>
<td>100 % (first six weeks)</td>
</tr>
<tr>
<td></td>
<td>50-60 % (following weeks)</td>
</tr>
<tr>
<td>France</td>
<td>50 %</td>
</tr>
<tr>
<td>Italy</td>
<td>50 %</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>50 % (minimum)</td>
</tr>
<tr>
<td></td>
<td>75 % (with supplementary benefits)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>80 %</td>
</tr>
</tbody>
</table>
These rates vary by up to 100 per cent. Still larger disparities exist between old-age pensions; for a beneficiary, a man without dependants, aged 65 years at the end of a career of 40 years, the amount of the monthly pension is as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (£)</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>£9 18s. ($27·69)</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>£13 0s. ($36·34)</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>£17 6s. ($48·46)</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>£19 10s. ($54·51)</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>£31 4s. ($87·41)</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>£32 8s. ($90·66)</td>
<td></td>
</tr>
</tbody>
</table>

These figures do not take into account recent increases in benefits (notably in France) resulting from rises in the cost-of-living index, as in Belgium, Germany and Italy, or from increases in benefit rates, as in the Netherlands and Luxembourg.

These figures would require an extensive explanation to be fully comparable, and further reference may be made to the study referred to above, from which these extracts are taken. Made in 1962, the study was based on legislation in force on July 1, 1961; the statistical data, which are always subject to delay, refer to the years 1958 and 1959.

4. Points of divergence and convergence

This rapid and incomplete illustration demonstrates the complexity and diversity of legislation in the Community countries, though certain broadly common features have been noted. The British and Swedish systems are based on the concept of comprehensive and largely state-financed social security schemes; the “Continental” systems on that of more orthodox social insurance. These different concepts are, however, approaching each other by a process of evolution; the former systems are losing their uniformity and rigidity, especially as regards the development of supplementary pension benefits, while the latter systems are losing their narrowness, particularly by extending their scope and by introducing minimum non-contributory pensions, financed by the nation as a whole. Thus, a convergence in the social security systems of countries with a comparable level of development is evident, arising no doubt partly from a sense of similar needs and partly from the exchange of experience within such international organizations as the Council of Europe, the International Labour Office (ILO) or the International Social Security Association (ISSA).

If social security trends in the Community countries are examined in more detail, it is seen that there, too, some convergence is taking place, as each country concentrates on remedying the weak points in its social security legislation and as general social and economic progress brings them closer together (a clear example is the “catching up” in Italian legislation). However, spontaneous development, not concerted at the Community level, appears quite inadequate to reduce the differences within a reasonable time or to reach the Community’s objective of harmonized progress.

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1 On this subject, and for more recent statistical data see: Exposé sur l’évolution de la situation sociale dans la Communauté en 1963, published late in 1964.
Community action on social security is essential, and is laid down in the Rome Treaty. As Lionello Levi Sandri, Vice-President of the Common Market Commission and President of the Social Affairs Group, has stated:

"The fulfilment of the social objectives of the European Communities should be the subject of deliberate policy, and not merely a consequence of the achievement of economic objectives; this is the century of the triumph of social welfare."

Common action is now taking place at two distinct but related levels:

- the coordination of national systems, necessitated by social security for migrant workers;
- the application of Articles 117 and 118 of the Treaty, providing for levelling-up living and working conditions, and the alignment of conditions, coverage, benefits, etc., of the social security systems. This second task is described by the term "harmonization".

Social security and free movement for workers

The problem of social security for migrant workers is recognized throughout Europe, including Scandinavia, where it has features similar to those found in the Community countries. The setting-up of the Nordic Labour Zone in 1954 revealed the inadequacy of existing bilateral and multilateral social security agreements and led to the convention of 1955 between the Scandinavian countries. A European Social Security Convention, broadly inspired by the achievements of the Community, is being worked out by the Council of Europe with the help of the ILO and the cooperation of the Community.

1. Principles of social security for migrant workers

In the six Community countries, the problem of social security for migrant workers arose earlier than the question of true freedom of movement. Thus between 1946 and 1958 they concluded between them 80 bilateral agreements and several multilateral agreements; but their scope was limited, being based on different national legislation, and the provision they made for the workers concerned was inadequate.

Free movement of workers, with the right to take a job anywhere in the Community, was one of the aims of the Rome Treaty. To achieve it, it was necessary to provide for the removal of all obstacles to free movement. One of these obstacles was the lack of coordination in social security systems. The signatories of the Treaty were aware of this and inserted Article 51, as follows:

"The Council, acting unanimously on a proposal of the Commission, shall, in the field of social security, adopt the measures necessary for the free movement of workers, notably by introducing a system which would ensure for migrant workers and their dependants:

(a) the adding together, for the purposes of qualifying for and retaining benefit rights, and for the calculation of these benefits, of all periods allowed by the various national legislations;

(b) payment of benefits to persons resident in the territories of the member states."

On the basis of this article, and of regulations already drawn up by the European Coal and Steel Community, regulations Nos. 3 and 4 of the Common Market Commission on social security for migrant workers were adopted in 1958 and put into force from January 1, 1959. The preparation of these regulations was the first action of the Commission in the social-security field, and the amount of work involved explains the delay in implementing social policy in other directions.

2. Scope of the Community regulations

The first aim was to give wage-earners and their families who move within the Community all appropriate social security benefits, including family allowances, unemployment benefit, and compensation in case of employment injury or occupational disease. The basic principles of the regulations are as follows:

(a) equality of entitlement to social security for all nationals of Community countries;

(b) aggregation of periods of insurance and employment in more than one country, both for entitlement to benefit and for calculation of its amount;

(c) payment of most benefits in any Community country.

The first two principles were already found in bilateral agreements; the third represents an appreciable advance. Under these regulations health care is available for workers and their families who fall sick during temporary residence in a Community country, other than their own.

1 This advantage has recently been extended to non-migrant workers, and their families, on holiday in the other Community countries.
and also for members of the family not residing in the country where the worker is employed. Similarly, family allowances are paid for a worker's children who are being brought up outside the country of employment; in the latter case, however, the rate of benefit does not exceed that of the country of residence.

These regulations benefit about two million persons (workers and their families, pensioners and holiday-makers) in all sectors of the economy, including mining and agriculture, and are thus of great social and practical significance. They also set a precedent, for they were the first Common Market regulations. They were adopted unanimously as early as 1958 by the Council of Ministers, and are directly applicable in the member countries, without ratification by their Parliaments; they thus mark the abandonment of the fundamental principle of territoriality by which benefits were paid only to residents. This goes beyond the mere coordination of legislation and constitutes a major step towards the foundation of Community law.

The adoption of regulations must be followed by their implementation, and this presents many problems. A special Committee has been set up with the power to "settle, by binding decisions, all questions of administration or interpretation arising from the regulations". On this Committee the directors of social security bodies in the six countries meet nearly every month with representatives of the Common Market and the ECSC; meetings are also held periodically with workers', employers', and farmers' representatives.

These regulations are to be supplemented in the case of certain categories of wage-earners for whom special rules seem desirable, for example, seasonal workers and frontier commuters. Special regulations were adopted in 1963, after consultation with experts from the six governments, the trade unions and employers' organizations, the European Parliament and the Economic and Social Committee, and they came into force on February 1, 1964 (Official Gazette of the European Communities of April 20, 1963 and July 24, 1963). A special scheme is also being drawn up for seamen. In addition, considerable improvements have been made in Regulations Nos. 3 and 4, by means of amending regulations. Finally, similar solutions are being sought for self-employed persons so as to avoid hampering the right of establishment and the freedom to supply services.

The first of the Common Market Commission's tasks is thus by no means completed. By itself it represents several years' work, for its aim is not only to supplement but to improve and simplify the existing measures; it must increase their effectiveness on behalf of those whom we would in future prefer to call not "migrants" but "workers moving within the Community".

Harmonization

The second part of this program is the harmonization of social security systems - a difficult task about which the Rome Treaty is not very explicit, conferring only limited powers on the Commission.

1. The provisions of the Treaty

Definition of the aims of harmonization depends on the interpretation given to Article 117, as well as the general tendency of the Treaty in social policy, to which allusion has already been made:

"The member states hereby agree upon the need to promote improvement of the living and working conditions of the work force so as to enable their harmonization at the highest level. They consider that such a development will result not only from the functioning of the Common Market, which will favour the harmonization of social systems, but also from the procedures provided for under this Treaty and from the alignment of legislative and administrative provisions."

This article has been variously interpreted and has given rise to much controversy. The debate is not over; its future course is closely linked to the political tendencies likely to be predominant in European integration. The Commission has therefore acted pragmatically, avoiding the formulation of doctrine and relying on the less disputable elements in the letter and spirit of the Rome Treaty.

The approach to harmonization cannot be purely economic: it cannot just aim at eliminating distortions of competition arising from differences in social charges. In any case, this is provided for by specific clauses in the Treaty (Articles 100-102). It is doubtful whether this approach can justify any but sporadic interventions by the Community in social policy.

Harmonization must therefore find its justification - its raison d'être - in social considerations. This is a field that does not lend itself to exact definitions: here, abstract, finely-constructed theories are dangerous. Common sense indicates that there can be no question of completely unifying social systems, particularly social security systems. For the moment, complete uniformity does not seem necessary or fundamental to European unity. What is required is that countries which have linked their destinies and set
out together on the road to integration should reduce their
differences as much as possible, and that their peoples
should feel part of the same Community. This is possible
only if each feels he is the equal of the other. People must
feel that their social levels are equivalent. This does not
for one moment presuppose that everyone must be reduced
to the lowest common denominator.

The term “levelling upwards” (in French: égalisation
dans le progrès) is clear enough. There can be no question
of checking progress in one country so that others may
catch up with its level. Every country must gradually be
enabled to join those at the top in each particular field.
Social security is one of these fields; what should be aimed
at is an equivalent protection throughout the Community
against every risk covered by social security legislation. It
may indeed be thought that the six countries have already
reached a comparable level of development in this field.
But there are still disparities within each branch of insur-
ance and each type of benefit, and the same country is not
always in the lead. Harmonization should seek to reduce
these disparities or to abolish them, as appropriate, for
during their lifetime workers and their families are not all
exposed to the same risks.

The means at the disposal of the Commission to achieve
these ends are slight and it lacks the power of enforcement.
The Commission must point out to the six national govern-
ments the implications of their decisions for the Community
as a whole, but it has no powers to act in their place.
Article 118 defines Community action as being close co-
operation between member countries, and it directs the
Commission to make studies and organize consultation
while Article 155 gives it the authority to formulate
recommendations or opinions. Within these limits the
Commission’s activity has already been considerable, if
unspectacular.

2. Preparatory work

During the first stage of applying the Rome Treaty, from
1958 until the beginning of 1962, the Common Market
Commission concentrated on the preparatory studies and
consultations needed before it could define the first steps
to be taken in harmonization; it was a question of
harmonizing not just six legislative systems, but the many
social security schemes operating within each national
framework.

This has required, first of all, the publication of a great
number of documents describing the different schemes in
operation¹. Legal and comparative studies of the schemes
in the six countries have been completed; special economic
studies have been undertaken on the financing of social
security and on the relative value of benefits, and research
has been carried out into the comparability of statistics.
This work has been done in cooperation with experts from
the six countries and from international organizations such
as ILO and the International Social Security Association,
and close contact with employers’ and workers’ representa-
tives.

As well as taking steps to harmonize legislative texts,
the Commission has also brought together the people in-
volved by organizing courses for social-security officials to
familiarize them with the legislation of each other’s coun-
tries, and also meetings between the directors of the
principal social-security bodies, trade-union representa-
tives and senior officials of the six countries. The Commission
hopes that this human approach, with the exchange
of ideas and the widening of knowledge beyond the national
horizon, will develop into the spontaneous harmonization
already referred to.

In the course of this preparatory work, the Commission
initiated a pilot experiment on one specific matter: a
study for compiling a Community list of occupational
diseases giving entitlement to compensation. A detailed
recommendation on this was sent to member countries in
August 1962. This is a field in which there is no justification
for differences in national legislation: it is unacceptable
that a worker who contracts an occupational disease should
or should not receive compensation, depending purely on
the Community country he works in. This example illus-
trates the link between harmonization and coordination:
the adoption of a Community list of industrial illnesses
will also facilitate the application of regulations Nos. 3
and 4, parts of which contain provisions for workers who
have been exposed to the same risks in two or more coun-
tries. These regulations would be difficult to apply if the
same complaints were not recognized as occupational ill-
nesses in all six countries’ legislation. Difficulties of this
sort are found in many other fields, especially in connection
with disability and old-age pensions. Differences in the rules
relating to the degree of disablement, the minimum period
of insurance, or the retirement age make it an extremely
complicated matter to decide on the entitlement of insured

1 See appendix for list of Common Market publications on social security.
2 Official Gazette of the European Communities, No. 80, August 31, 1962.
persons who have spent their working years in different countries; and frequently a reasonable solution is impossible. These are practical reasons for harmonization which must be taken into account in the Commission's program.

3. Establishment of a general harmonization program.

The Commission's memorandum on a Community action program for the second stage of establishing a common market formally provides for the framing of a general harmonization program.

The year 1962 saw the convocation of a Community conference on social security, the purpose of which was to discuss the opportunities for, and the requirements and limits of, harmonization, on the basis of studies made in previous years. The discussions were lively and did not always produce general agreement: the views of workers' and employers' representatives on harmonization, and even in the whole concept of social security, differed widely. Other disagreements arose from attachment to this or that national method. But the participants were unanimous in recognizing the value of the meeting, and in a joint declaration stressed the following points:

The meeting had enabled the Common Market Commission, and government representatives, to become acquainted with the main currents of opinion;
• It had enabled all concerned to acquire greater knowledge and a better understanding of each country's experience and an appreciation of the inadequacies of their own country's social legislation.

A basis for action was provided by the points of common agreement and a general desire to pursue further the study of the problems raised with a view to the levelling upwards of living and working conditions envisaged by the Rome Treaty.

Following the 1962 Community conference on social security the Commission submitted to the six governments in July 1963 a proposal for harmonizing social security systems; it comprised both general guidelines and a short-term program.

The latter, in its revised form, is now being implemented. Some of the fields covered are: studies of benefits in cases of employment injury or occupational disease; conditions for implementing the action program in the common agricultural social policy; definition of a number of social-security concepts which will be the subject of alignment; and a study of the economic effects of social security.

As requested by the Commission, the contents of certain important social security bills have been communicated to it by the member countries and the other countries have been kept informed.

There have also been studies on supplementary schemes (e.g. in building and general sectors) and special social security schemes, and others, undertaken with the cooperation of working parties from institutions in the Community countries belonging to the ISSA, on harmonization of criteria relating to disablement, relations between the medical profession and social-security organizations, and the adjustment of benefits to meet economic fluctuations. At the Community level, the Commission also consults employers' and workers' representatives.
The future outlook

The Community's future action in the field of social security is likely to take two directions: the linking of social security to free movement of persons, and harmonization. As regards the former, the aim of the Commission (as indicated in paragraph 73 of its Action Program for the second stage of the Common Market) is that "... the various systems of social security must be coordinated more promptly and more efficiently ..." Regulations Nos. 3 and 4 cited above have already been partially amended in recent months without prejudice to a more complete revision in due course. In addition to these important measures, which concern wage-earners, a study is being made of the associated problem of removing obstacles to the free establishment (as provided for in Article 52 and succeeding articles of the Treaty) of self-employed persons and those whose careers have covered more than one sector and who therefore pass from one scheme to another.

It is in the second field of harmonization that new developments are most profitable, however. As it said in the Action Program, "the Commission considers it necessary to inaugurate a program to harmonize social security systems; a Community conference on social security to be held at the end of the year (1962) will produce suggestions on the aims and methods of harmonizing the various systems in force, particularly as regards their field of application, the methods of financing them and the benefits they provide." Consultations have taken place between representatives of the member countries with a view to applying Article 118 of the Treaty and these problems have been raised at meetings of the Labour Ministers of the Six, which are becoming increasingly frequent. Without prejudice to the final outcome, the Community's efforts are likely to be guided by the following considerations:

1. Harmonization of social security systems is not an end in itself, but a means of attaining the aims of the Treaty, particularly the raising of working and living standards for the citizens of the Community with a view to their alignment at the highest possible level, the free movement of persons, and the elimination of disparities which may distort competition between the member countries.

2. These aims should be pursued during the second stage, ending December 31, 1965, by means of certain specific measures which should have priority. Apart from the points mentioned at the close of Chapter 3, these include: the scope of social security for occupational groups not yet covered against specific risks; the level of particular benefits and the conditions for paying them (health care for retired persons, the age limit for family allowances and harmonization of social-security statistics).

3. An essential long-term aim is the gradual alignment of national legislations. Following the contacts already made and the documentation already carried out, the exchange of experience and information should be intensified, so that reforms proposed in each country should take into account new requirements arising from the economic and social developments which are gathering momentum generally, both at Community and at national levels. The more important social welfare bills laid before the national Parliaments could well be communicated both to the Common Market Commission and to other member countries. There could be closer cooperation within certain technical committees engaged in preparatory work, and an annual meeting of social security directors, or of the responsible Ministers, to enable them to keep abreast of the development of social security in the Community as a whole.

Moreover, as Community action does not take place in a closed circle, but in close cooperation with other international organizations, such as the Council of Europe and the ILO, it is likely to engender moves to encourage ratification by the member countries of the international instruments prepared or adopted by these institutions in the field of social welfare. This is the case, for example, with the European Social Charter and the European Social Security Code.

Although much remains to be done to improve protection against social risks for the citizens of the Community, whether they live or work in their own country or in another member country, there is a growing awareness of the importance of social policy in the general development of the Common Market and the role of social security in raising living standards and working conditions.

The far-reaching implications of this policy are confirmed in the following words of Professor Walter Hallstein, President of the Common Market Commission, to the European social security conference:

"Our political strength is bound up with the social progress which can be achieved within our Community; an adequate degree of security in the social field is indispensable for the expansion of freedom."
Publications of the European Communities on social security

I. ANNUAL SOCIAL REPORTS
Each of these reports contains a chapter and statistical appendices on social security in the six countries in the year under consideration
Exposé sur la situation sociale dans la Communauté (September 1958)
Exposé sur l’évolution de la situation sociale dans la Communauté – from 1959 onwards (these reports are generally available the following December)

II. SOCIAL SECURITY IN GENERAL
Tableaux comparatifs des régimes de sécurité sociale applicables dans les Etats-membres des Communautés Européennes (“General” brought up to date to July 1, 1964; “Agriculture”, second edition in preparation; “Mining”)
Lexique comparatif de sécurité sociale (Provisional edition)
Social policy series:
No. 3: Etude sur la physionomie actuelle de la sécurité sociale dans les pays de la CEE
No. 4: Etude comparée des prestations de sécurité sociale dans les pays de la CEE
No. 5: Financement de la sécurité sociale dans les pays de la CEE

Compléments aux monographies de la Haute Autorité de la CEECA, en ce qui concerne les systèmes qui ne s’appliquent pas aux travailleurs du charbon et de l’acier1, see under IV
Recommandation de la Commission aux Etats-membres concernant l’adoption d’une liste européenne des maladies professionnelles. (Official Gazette No. 80, August 31, 1962)

Le Travail social et la Sécurité Sociale dans les pays de la CEE

Enquêtes annuelles sur les coûts de la main-d’œuvre ouvrière dans les industries de la CECA

III. DOCUMENTATION ON THE SOCIAL SECURITY OF MIGRANT WORKERS
Regulation No. 3 of September 25, 1958, concerning social security for migrant workers. (Official Gazette, December 16, 1958)
Regulation No. 4 of December 3, 1958, on implementing procedures and supplementary provisions in respect of Regulation No. 3 concerning social security for migrant workers. (Official Gazette, December 16, 1958)
Regulation No. 36/63/CEE of April 2, 1963, concerning social security for frontier workers. (Official Gazette No. 62, April 20, 1963)

Premier rapport annuel de la Commission administrative de la CEE pour la sécurité sociale des travailleurs migrants. (December 19, 1958 to December 31, 1959)
Deuxième rapport annuel de la Commission administrative de la CEE pour la sécurité sociale des travailleurs migrants. (January 1, 1960 to December 31, 1960)
Troisième rapport annuel de la Commission administrative de la CEE pour la sécurité sociale des travailleurs migrants. (January 1, 1961 to December 31, 1961)
Quatrième rapport annuel de la Commission administrative de la CEE pour la sécurité sociale des travailleurs migrants. (January 1, 1962 to December 31, 1962)
Dépliants et guides sur la sécurité sociale des travailleurs migrants

IV. PUBLICATIONS OF THE ECSC HIGH AUTHORITY ON SOCIAL SECURITY
Monographies sur les régimes de la sécurité sociale applicables aux travailleurs du charbon et de l’acier dans la Communauté et en Grande-Bretagne 1961
Rapport sur la comparaison du système britannique de sécurité sociale avec les systèmes des pays de la Communauté. 1962
Événements sociaux dans la Communauté. Monthly information memo

1 This publication is obtainable from the Association européenne d’éditeurs juridiques et économiques, 16 rue Gisbert, Luxembourg.
This booklet is a revised version of an article published by the International Social Security Association.
Community Topics

An occasional series of documents on the current work of the three European Communities

1. The Common Market 1960–1 (July 1961) out of print
2. Economic integration and political unity in Europe, by Walter Hallstein (August 1961) out of print
3. A guide to the study of the European Communities (November 1961) out of print
4. The Common Market and the law, by Michel Gaudet (November 1961) out of print
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14. ECSC and the merger, by Dino Del Bo (September 1964)
15. Initiative 1964 (December 1964)
16. The Euratom joint nuclear research centre (January 1965)
17. Some of our “faux problèmes”, by Walter Hallstein (January 1965)
18. Social security in the Common Market, by Jacques Jean Ribas (June 1965)
20. Social policy in the ECSC (June 1965)

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