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23 March 1979

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Report

drawn up on behalf of the Committee on the Rules of Procedure and Petitions

on Petition No 24/77 presented by Mr R. Thoma and 11 other signatories

on exchange losses suffered by certain persons in receipt of annuities or pensions.

Rapporteur: Mr R. LUSTER

122.

PE 54.242/fin.

English Edition

By letter of 6 March 1978 the President of the European Parliament referred Petition No 24/77, presented by Mr René Thoma and 11 other signatories, on exchange losses suffered by certain persons in receipt of annuities or pensions, to the Committee on the Rules of Procedure and Petitions, pursuant to Rule 48(3) of Parliament's Rules of Procedure.

At its meeting of 20 April 1978 the Committee on the Rules of Procedure and Petitions declared this petition admissible under Rule 48(3), appointed Mr Luster rapporteur and decided to ask the opinion of the Committee on Economic and Monetary Affairs.

The Committee on the Rules of Procedure and Petitions considered the petition at its meeting of 21 June 1978 and decided to draw up a report pursuant to Rule 48(4) of the Rules of Procedure. At the committee's meeting of 28 February and 1 March 1979 the draft report was adopted unanimously.

Present: Mr Leonardi, Chairman; Mr Santer, Vice-Chairman; Mr Luster, rapporteur; Mr Calewaert, Sir Derek Walker-Smith and Mr Yeats.

The opinion of the Committee on Economic and Monetary Affairs is attached.

C o n t e n t s

A

The Committee on the Rules of Procedure and Petitions hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on Petition No 24/77 presented by Mr René Thoma and eleven other signatories on exchange losses suffered by certain persons in receipt of annuities or pensions

The European Parliament,

- having regard to Petition No 24/77,
- having regard to the report of the Committee on the Rules of Procedure and Petitions and the opinion of the Committee on Economic and Monetary Affairs (Doc. 674/78),

1. Recalls its resolution of 9 October 1969 on the social consequences of currency devaluations and revaluations for workers, and particularly frontier, seasonal and migrant workers and also recipients of social benefits[1];

2. Trusts that, following the declarations made in favour of greater monetary stability at the European Council in Copenhagen on 7/8 April 1978 and the European Council in Bremen on 6/7 July 1978, work will be expedited to find a satisfactory solution to this problem;

3. Requests in the meantime that the Commission of the European Communities should recommend the Government of the Grand Duchy of Luxembourg to adopt measures similar to the Belgian Royal Decree of 9 May 1972 which provides for the payment of a compensatory amount to recipients of French pensions resident in Belgium;

4. Urges that consideration also be given to using the resources of the Social Fund to resolve this problem;

5. Instructs its President to forward Petition No. 24/77 together with this resolution and the report of its committee to the Council and Commission of the European Communities.

[1] OJ No C 139, 28.10.1969, p.35

B

EXPLANATORY STATEMENT

I. BACKGROUND

1. Petition No 24/77 has been submitted to the European Parliament by a group of pensioners resident in Luxembourg who are subject to the provisions of the French retirement benefits system. Briefly the petition has three main points:

(a) Depreciation of the French franc,

(b) Consequent loss of income,

(c) The need for an urgent solution to a problem which affects the economically poorest sections of the community.

2. The problem taken up in Petition No 24/77 has been evident for some years. At the E.P. sitting of 9 October 1969 the Committee on Social Affairs and Health Protection tabled a question to the Commission[1] expressing its concern about the serious social implications of the devaluation of the French franc and the loss of purchasing power of the salaries and social benefits paid to migrant workers and the recipients of pensions from the French social security scheme living in other Member States of the Community.

3. Following the debate on this oral question, the European Parliament adopted a resolution[2] in which it pointed to the absolute necessity of maintaining the purchasing power of the wages and social insurance benefits, including pensions, drawn by frontier workers, seasonal workers, migrant workers and their legal successors and expressed the wish

> that, until such time as a common monetary policy is introduced, the Commission of the European Communities should immediately seek Community solutions - e.g. within the framework of regulations on the free movement of workers, social security for migrant workers and the European Social Fund - designed to curb the detrimental effects of devaluations and revaluations on the European worker and his family.

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[1] Oral question with debate No 8/69, Debates of the European Parliament (October 1969)

[2] OJ No C 139, 28.10.1969, p.35

4. Unfortunately it has not been possible - as this petition shows - to find the hoped-for Community solutions. The Commission has been very cautious on the subject of exchange rates and in addition, the Member States have been anxious to preserve their complete freedom of action in this field.

II. THE COMMISSION'S POSITION

5. The Commission's position on the matter raised in Petition No 24/77 is clear from a series of answers to oral and written questions by Members of the European Parliament[1]. These questions have repeatedly emphasized the highly adverse effects of fluctuating exchange rates, particularly for workers and pensioners who receive their wages or pensions in French francs although they live in Belgium, Luxembourg or the Federal Republic of Germany.

6. In its answers to these written questions the Commission has always pointed out that there is no way it can directly provide full or even partial compensation for the loss of earnings suffered by frontier workers or pensioners as a result of fluctuating currency parities or central rates[2]. It 'does not intend to recommend either in the field of social security benefits in general or with regard to pensions and annuities in particular, the introduction of arrangements such as a compensatory mechanism, to offset losses resulting from exchange rate changes'[3] and is of the opinion that a satisfactory solution may only be found within the framework of a common monetary policy[4].

7. In its answer of 13 March 1978 to Written Question No 721/77 by Mr Bangemann, the Commission confirmed this view and noted in conclusion:

> 'As long as no real progress is made in establishing economic and monetary union, any decision made by a worker in the framework of the free movement of workers within the European Community remains subject to the risk of a loss (or gain) due to exchange rate changes'[5].

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[1] For list see footnotes to Oral Question(Doc. 286/78) and Written Questions:
No. 266/78, OJ No. C 199, 21.8.78, p.50
No. 267/78, OJ No. C 199, 21.8.78, p.50
No. 898/78, Bulletin No. 45/78 (PE 56.200)

[2] OJ No. C 106, 6.12.1973, p.19

[3] OJ No. C 127, 31.5.1977, p.13

[4] OJ No. C 24, 27.2.1970, p.3

[5] OJ No. C 88, 11.4.1978, p.1.

III. OBSERVATIONS

8. Pensions are at present considered to be a deferred wage and hence they are calculated in the currency of the country of employment in which wages were drawn.

9. It must be conceded however that even though monetary fluctuations can be considerable, their negative effects (or positive ones, according to circumstances) on the material situation of the ex-migrant worker pensioner are generally attenuated by other factors.

10. Let us take the case of an insured person who retired in 1960 and settled in Germany after working in France and whose pension was initially FF 500 which was then worth 500 x 0.85071 = DM 425.35. This pension paid by the French pensions organization was adjusted several times to the rise in prices and salaries. According to information received the 1969 index was 263.49[1] which meant that the pension went up to 500 x 2.6349 = FF 1,317.45. As a result of successive devaluations, the pension-holder resident in Germany received just 1,317.45 x 0.658962 = DM 868.15. Compared with 1960 the pension he received in Germany was increased by 104.1%, although the cost of living in Germany rose less quickly than in France.

11. Let us now compare this situation with that of a pension holder resident in Germany receiving a pension paid out under the German system equal to DM 425.35 in 1960. In 1969, for the reasons indicated above, this pension rose after adjustments to increases in the German cost of living to 425.35 x 1.9122 = DM 813.35.

Consequently, despite the devaluation of the FF by 22.5% against the DM between 1960 and December 1969, the ex-migrant worker pensioner was still in a favoured position.

12. Applying the same method of analysis to the period 1960-1976, we do however find that the ex-migrant worker pensioner was at a disadvantage compared with the recipient of a pension granted under German law who had always worked in Germany.

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[1] 1960 = 100

13. On the other hand, the advantages due to the revaluation of the DM against the FF which the recipient of a pension from a German organization residing in France could obtain are attenuated if not totally offset for a time by the smaller adjustment of pensions in Germany than in France.

14. The fact remains that the difficulties which the signatories of Petition No 24/77 complain of ought to be taken into consideration by the responsible authorities in order to compensate possible losses suffered by ex-migrant worker pensioners following variations in exchange rates. Conversely, possible advantages should also be kept within certain limits.

IV. CONCLUSION

15. In the light of the above, the Committee on the Rules of Procedure and Petitions hopes that the recognition by the European Council on 7/8 April 1978 in Copenhagen and 6/7 July 1978 in Bremen of the need to stabilize exchange rates will bring a satisfactory solution to this problem nearer. Furthermore, the Committee on the Rules of Procedure and Petitions requests the Commission of the European Communities to recommend the Government of the Grand Duchy of Luxembourg to adopt measures similar to the Belgian Royal Decree of 9 May 1972[1], Article 4 of which provides for the payment of a compensatory amount to recipients of French pensions resident in Belgium. To this end, use might perhaps be made of the Social Fund.

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[1] Moniteur Belge of 24.5.1972

ANNEX I

Petition No. 24/77

by Mr René THOMA, Mrs Flora CARNALI, Mr Edmond POOS, Mr Albert REISER, Mr Fausto CASALI, Mrs BASANI, Mr Louis PERUZZI, Mr Giordano MANENTI, Mr Fiorendo SCOLASTICE, Mr Vincenzo RIGANELLI, Mr August FUMANTI and Mr SICK CZESLAW

Subject: Exchange losses suffered by certain persons in receipt of annuities or pensions

The undersigned, who are resident in the Grand Duchy of Luxembourg and who are in receipt of annuities or pensions from France, wish to draw the attention of Mr Emilio COLOMBO, President of the European Parliament, to the fact that their incomes are steadily being eroded by the depreciation of the French franc. They would therefore ask the European Parliament to act promptly to find a solution to this problem, which daily creates greater hardship for a section of the population in the lower income bracket.

Luxembourg, 23 February 1978

René THOMA
Profession: retired
Nationality: Luxemburger
8, Sentier de Kayl
ESCH/ALZETTE
Luxembourg

Flora CARNALI
Profession: retired
Nationality: Luxemburger
6, rue des Boers
ESCH/ALZETTE
Luxembourg

Edmond POOS
Profession: retired
Nationality: Luxemburger
173, rte. d'Ehlerange
ESCH/ALZETTE
Luxembourg

Albert REISER
Profession: retired
Nationality: Luxemburger
13, Cité Reichling
ESCH/ALZETTE
Luxembourg

Fausto CASALI
Profession: retired
Nationality: French
10, rue P. Dupong
<u>SOLEUVRE</u>
Luxembourg

Mrs Gaston BASANI
Profession: retired
Nationality: French
18, Cité Molter
<u>MONDERCANGE</u>
Luxembourg

Louis PERUZZI
Profession: retired
Nationality: Italian
27, Cité Steichen
<u>MONDERCANGE</u>
Luxembourg

Giordano MANENTI
Profession: retired
Nationality: Italian
15a, Cité Molter
<u>MONDERCANGE</u>
Luxembourg

Fiorendo SCOLASTICE
Profession: retired
Nationality: Italian
194, rte. de Luxembourg
<u>ESCH/ALZETTE</u>
Luxembourg

Vincenzo RIGANELLI
Profession: retired
Nationality: Italian
4, rue des Boers
<u>ESCH/ALZETTE</u>
Luxembourg

August FUMANTI
Profession: retired
Nationality: Italian
3, rue P. Claude
<u>ESCH/ALZETTE</u>
Luxembourg

SICK CZESLAW
Profession: retired
Nationality: Polish
29, rue Stalingrad
<u>ESCH/ALZETTE</u>
Luxembourg

Annex II

QUESTIONNAIRE

to the Commission of the European Communities
on the procedure for payment of pensions
with reference to Petition No. 24/77

Draftsman: Mr LUSTER

What is the procedure for payment of a pension in the following cases:

1. where the retired person has worked in a Member State other than the one in which he resides;

2. where the retired person has worked in several Member States other than the one in which he resides;

3. where the retired person, having worked in several Member States, resides in one of the Member States in which he has worked;

4. where the pension is paid directly to the holder of the pension or through an appropriate body?

Strasbourg, 15.6.1978

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

Letter from the chairman of the committee to Mr E. COLOMBO, President of the European Parliament

Brussels, 26 May 1978

Dear Mr President,

By letter of 12 May 1978 from the Secretary-General, the Committee on Economic and Monetary Affairs was asked to deliver an opinion on Petition No 24/77 by Mr THOMA and others concerning exchange losses suffered by certain persons in receipt of annuities or pensions.

After careful consideration of this petition, I feel that the question raised by the petitioners, who are resident in Luxembourg and in receipt of French annuities or pensions, is primarily a social problem which should first of all be brought to the attention of the Commission of the European Communities with a view to furthering the well-founded interests of the persons concerned.

Bearing in mind the responsibilities assigned to the various committees of the European Parliament and the urgency of this petition from a social point of view, I feel that it should also be referred to the Committee on Social Affairs, Employment and Education.

Yours sincerely,

(sgd) Ernest GLINNE