may be a deficit in the European Agricultural Community area;

(b) organising a forum for discussions between the Governments and a centre for the collection of information on supplies available for export and on the insufficient supply of any of the products dealt with in the several countries;

(i) making use of available documentation and of the assistance of existing international organisations.

The attainment of these targets could be facilitated by the work of a financing body, which could assist trade between countries with still unconvertible currencies and promote investments in some of the Member Countries offering special opportunities for development: the object being to raise the living standards of the populations, and gradually lead some countries to modify their trends of productive activity, directing them along better suited lines. This action, however, should be undertaken only when the experience acquired of the advantageous effects of the commercial and technical policies followed by the European Agricultural Community will have convinced all the participating countries of the advisability of revising some of the crop policies so far followed.

To expect more would, for the present, be premature. A great step forward will already have been taken, if only some of the tasks, above set forth, are taken in hand.

The Sliding Scale System in Italy

by

RUGGERO SPESSO

In this study we shall examine, first of all, the features and development of the sliding scale system in Italy (Sec. I); we shall then consider the more characteristic effects produced by the introduction of this system on the real income of labour and on the monetary situation (Sec. II).

To understand the working of the sliding scale it must be borne in mind that the pay of the workers in Italy is divided in two parts, subject to different regulations. The first part, the basic wage (salario base), is fixed by trade agreements and varies in function of locality, and with the sex, age, and qualifications of the workers.

The second part, the contingency quota (indennità di contingenza), was originally fixed on a highly uniform basis, the only differences being those of locality, sex and age; but in the course of time (as will be pointed out in par. 2) important additional discriminations have been made according to qualification and specialisation of the work. Wage variations arising from the sliding scale are related to the pay of the worker as a whole; but they affect, and are incorporated in, the contingency quota only (1).

The contingency quota arose when the several allowances introduced during the war years as additions to wages, were unified; it thus acquired a definitely provisional character.

At the time of the agreements for the introduction of the sliding scale this provisional character was stressed by drawing a distinction between the contingency and the basic wage. Negotiations are now going on for the unification of the two wage-sections, thus eliminating the previous — and now unjustified — temporary nature of the contingency quota.

Table I shows the variations of the incidence of the contingency on the contractual wage; it shows the total contractual wage of a skilled worker in the engineering trades in Milan, the monthly contingency quota he receives, and its percentage ratio to total wage.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total monthly contractual wage</th>
<th>Monthly contingency quota</th>
<th>% ratio of the contingency to the total wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>12,368</td>
<td>5,320</td>
<td>42.5%</td>
</tr>
<tr>
<td>1947</td>
<td>13,368</td>
<td>5,320</td>
<td>40.5%</td>
</tr>
<tr>
<td>1948</td>
<td>14,368</td>
<td>5,320</td>
<td>38.5%</td>
</tr>
<tr>
<td>1949</td>
<td>15,368</td>
<td>5,320</td>
<td>36.6%</td>
</tr>
<tr>
<td>1950</td>
<td>16,368</td>
<td>5,320</td>
<td>34.6%</td>
</tr>
<tr>
<td>1951</td>
<td>17,368</td>
<td>5,320</td>
<td>32.6%</td>
</tr>
<tr>
<td>1952</td>
<td>18,368</td>
<td>5,320</td>
<td>30.6%</td>
</tr>
</tbody>
</table>

(1) The distribution of the total pay between the basic wage and the contingency quota has special importance for pension and dismissal allowances, as far as these are calculated on the basis of the basic wage only. As a result, however, accuracy is also taken of the contingency quota for many groups of workers, e.g. bank-employees, various branches of industry, etc.

The high ratio of the contingency as from 1947 onwards should be noted. In view of the relative uniformity of the contingency this fact has accentuated that narrowing of wage-differentials of which we shall speak further on.
1. The Evolution of the Sliding Scale System for the Several Groups of Workers. 

Industry. 

1. — Several stages can be noted in the history of the application of the sliding-scale to the wages of Italian industrial workers (2). 

The first agreement (3) was signed on May 25, 1946, and the first application of the sliding-scale was made in North Italy in the first quarter of 1946. The agreement of May 25, 1946 extended it to the Central and Southern provinces. 

The first stage of the introduction of the sliding-scale came to a close in September 1946 and negotiations were opened to unify and revive the system. 

The second stage started with the agreement of October 27, 1946. The new basis for calculating the variations of the «contingency quota» was agreed on in October-November 1946. The new period witnessed the growth of inflation, and closed towards the end of 1947 when disinflation started, giving rise to new problems. 

On March 4, 1947 an agreement was signed for regulating the downward variations of the «contingency» setting up a series of protective zones for pay reductions related to a fall in the cost of living. This third stage began in some areas in October-November 1947 and in others in December-January 1948. 

As disinflation proceeded, the workers' organisations considered that in view of the low average real wages there was no possibility of curtailing them. The action of the sliding-scale was thus blocked. This de facto situation was sanctioned by the agreement of July 5, 1949, under which the «contingency» ruling in June-July 1949, was made unalterable. The block of the sliding-scale was moreover accompanied by the recognition of the need of adjusting the whole system to the new economic situation. Negotiations were thus opened for the purpose of agreeing on a new «family budget» more in keeping with the new situation and with the real cost of living trend, and for introducing a new national cost of living index. 

Under the pressure of the new wave of price rises that set in during the summer of 1950, the negotiations led to the agreement of March 21, 1951, which modified substantially the previous sliding-scale system. Thus in April-May 1951 the stage now in force, opened. 

2. — Under the agreements of October 27, 1946, the principles regulating the application of the sliding-scale were as follows: 

a) the average amount of the «contingency» was used as the basis for calculating the future variations, was fixed at lire 185 per day (arithmetical average of the data accepted as average for labourers and skilled workers). This amount then varied from one area to another in conformity with coefficients of correction, these coefficients being equal to the ratio between the local cost of living figure (i.e. that for the province) and the cost of living figure based on the average for eight standard provinces (2); 

b) the variations in time of the «contingency» quota were tied to a standard family budget. Special joint committees on which representatives of the workers and the employers sat in equal numbers were responsible for obtaining the data needed for compiling the local cost of living index numbers (3); 

c) October-November 1946 were selected as the basis on which to calculate the cost of living index numbers; 

(2) Milan, Turin, Mantua, Bergamo, Rome, Naples, Modena and Bologna. It should also be mentioned that the provincial «contingency», obtained by the multiplication of the coefficients of correction above described, could not exceed the maximum and minimum limits fixed by law in cities of the first or second group. 

(3) In Italy, the national cost of living index number, compiled by the Central Institute of Statistics is based on a representative budget (the so-called «budget») expressing the expenses of a family of 5 (3 adults and 2 children). When the sliding-scale system was unified, the family budget was replaced by the Central Institute of Statistics, which estimated it did not meet the necessary requirements, which called for a very sensitive cost of living index. Under the agreement of October 27, 1946, a new family budget was drawn up representing the expenses of a family of 5 (3 adults and 2 children). The essential feature of this budget was that it ensured an average of 266 calories for each unit of consumption (the STAT budget provided 600), food accounting for 45% of the total average expenditures of the eight «pivot» provinces (the ratio was lower in the STAT budget). 

Nevertheless, the question of the representative character of the family budget so far used has been often pointed out, and it is a question of the fundamental elements for judging the reality of a given sliding-scale system. 

(4) The variations were to be made every two months; 

(5) The amount of the variation in total pay resulting from the sliding-scale was to be determined by the use of a so-called «fixed ratio». 

(6) To understand the working of this «fixed ratio» we should remember that when the sliding-scale was first applied, the average daily wage of an adult male worker was 255 lire. This sum was divided into lire 240 «basic wage», and a «contingency quota» of L. 15. The ratio between the total daily pay and the «contingency quota» (15/240 = 6.25%) was called the «fixed ratio», whereas the so-called «ratio» was the ratio between the whole daily pay and the «contingency quota» (255/15 = 17) and was constantly varying (Table 1). 

(7) Now, if an adult male worker was really earning, as a matter of fact, L. 500 a day, and the «contingency quota» he really received amounted to L. 200, the real ratio between the whole wage and the «contingency» was equal to 2.5 (500/200). But the actual variation of the total wage was determined not by this actual ratio, but by the «fixed ratio» one. Therefore if, for instance, the cost of living varied by 3% this percentage was multiplied by the «fixed ratio» (6.25%), and the result (0.1875) was multiplied by the «contingency» (200 x 0.1875 = L. 37.5). The «contingency», consequently on the 3% rise in the cost of living, attained the new level of L. 237.5 (200 + 37.5) and therefore the total wage amounted to L. 537.5 (i.e. the unaltered «basic wage» was majorized by the new level of the «contingency»: 200 + 1500). It should be noted that had the rise in the cost of living reacted on the whole pay (L. 500), the variation would have been of L. 15 and the new wage would have stood at L. 515; but this would have implied the adoption of the actual ratio of 2.5. 

(8) «The fixed ratio» of 2.3 refers to an adult male worker; for women and minors the respective ratios adopted were first 2 and 1 and later on 2.1 and 1. 

But the principle of applying the sliding-scale to the part of the wage only, a part which varied in a fairly uniform way for all workers, and fixing the national contingency quota on the basis of local index numbers, soon led to serious drawbacks. 

In the first place, the ratio of the «contingency» to the whole pay kept increasing, to the detriment of the basic wage (see Table 1). Consequently, as the «contingency» was — as we have time and again seen — with linear discriminant analysis — was the case for the basic wage, the wage-differentials for sex, age, and all for specialisation were always narrowing (9). At first, an attempt was made to correct these deformations by transferring to the basic wage a part of the «contingency», but the rise in the cost of living was swiftly wiped out the results secured, and the specialised groups were steadily losing large quotas of real income. Therefore it was decided to revise the «basic wages» of the more skilled groups and to find some means of guaranteeing this new discrimination by introducing special rules in the sliding-scale system. 

In the second place, the use of local index numbers for calculating the variations in the «contingency» led to a fan-shaped spread between the pays current in the several zones (7). A series of factors, chief among which the different movement of price trends, the partial application of the agreements in certain areas, the defects in the methods of making the returns, etc., contributed to bring about this situation. 

The agreement reached between the Trade Unions and the Confederation of Industry on March 21, 1951 entirely modified the sliding-scale system, creating the framework for a sliding-scale system of automation so as to reduce territorial divergences, and attenuating the distinctive features between the two parts of the global wage (differences in the discriminations made for qualifications, areas, etc.). 

The fundamental principles underlying the new system may be summed up as follows: 

(a) in view of the greater price stability, the better standardisation of commodities, and the disappearance of such abnormalities as the black market, the first purpose of the reform was to lay down new lines on which to draw up the family budget. The

(b) In January 1948 the wage of the specialised workers, of the skilled worker, of the ordinary worker and of women differed respectively by +175%, +55%, +10%, -35% from the wage of the «ordinary worker», whereas in 1938 the differences had been respectively +35%, +175%, +20%, -47%. Again in January 1948 the differences between average wages and average wages stood at +4% against +9% in 1938. For further particulars on this matter see O. Vecchietti, Conti ed effetti dell'apporto salariale, in a Rivista di politica monetaria, vol. XVI, fasc. 1, 1951, pp. 237-240. 

(c) The interesting discussion on the problem by Cesare Vannucchi, in Annuale statistiche dell'apporto salariale, loc. cit. p. 57.
The Sliding Scale System in Italy

After the great strike in the Valley of the Po in 1947, the sliding scale was introduced for the wages of agricultural workers in North Italy. But as a result both of initial uncertainties and of the opposition of the farmers and also because the operation of the sliding-scale was almost immediately blocked by the advent of the disinflationary period, the introduction of the new system did little for the agricultural workers.

When the new agreements of March 1951 were drawn up for industrial workers, the rules for applying the sliding-scale to agriculture were also revised. Farm workers thus benefited by the application of the system in the provinces of Novara, Vercelli, Venetia, Trent, and Bari, and in all the provinces of Lombardy, Emilia and Tuscany (11). A little later the employers in the provinces of Venetia and Bari gave notice of withdrawal from the agreements. The principal rules regulating the variations of the "contingency" were similar under these agreements to those in force for industrial wages in most of the provinces, and the value of the "point" varied over a range of one-half of the full scale. But in some provinces, the sliding-scale was applied under independent local agreements.

Negotiations were opened in December 1951 for drafting a national agreement which would regulate on uniform lines the application of the sliding-scale to the wages of agricultural workers in all the provinces of Italy. An agreement was reached and the text drafted on September 10, 1952 (12), extending the sliding-scale to all workers employed in agriculture, with the exception of salaried workers. The cost of living index used for calculating the variations of the "contingency" is that of the Central Institute of Statistics, whose base is fixed on the period 1 January to 30 April 1952 = 100. The variation period is bi-monthly (13). Each variation point of the index represents 1% of the average wage of the workers engaged on ordinary kinds of work. The starting point supplied by the average wage also varies from one group of provinces to another. The other rules for the use of the sliding-scale are modelled more or less on those laid down for industry.

Commercio.

5. — The application of the sliding-scale in this field was approved on August 10, 1946, under the agreement stipulated between the Italian Confederation of Merchants and the Italian Federation of Workers in Commerce. It was agreed that, beginning on October 1, 1946, the payment of the "contingency" should be in accordance with the procedure established for industrial workers. Later on it was agreed that, as from the 1st December, 1946, the whole sliding-scale system should be amended in conformity with the agreements reached in the case of industry. In October 1947 the sliding-scale system was again amended on the same lines as in the case of industry, and two economic branches having reached agreement together, and so the latest agreement on the sliding-scale for industrial wages has been applied also to those for commercial workers as from 1st April, 1951. Although the procedure followed in applying the sliding-scale is the same, the size of the basis selected for calculating the value of the "point" differs in each of the two branches.

Banking and Insurance.

6. — It was arranged under the agreement of December 7, 1945, to divide the remuneration of the workers in three parts: the "basic salary", the "contingency quota" uniformly applied, and the differences between being territorially dependent on the population of the place of residence; the "supplementary contingent quota" that varied with seniority and category. In addition to these quotas, other items of the remuneration were taken into consideration such as family allowances, allowance for bus fares, allowance for special assignments, etc.)
Pensions.

- Pensions are not tied to any sliding-scale system, with the exception of some marginal groups whose labor contracts contain clauses providing for a rough adjustment of pensions to the cost of living index.

Sec. II - Economic Effects of the Sliding Scale.

- The growth of wages in Italy has been affected not only by the application of the sliding-scale, but also by the wage rates obtained under local or general agreements. In any case, the study of the trend of the cost of living and of money wages during the critical periods of the inflationary movement, shows that in the postwar years in Italy the price movement has always been caused by facts foreign to the wage movement.

If we consider the initial phase of the inflationary movement, we can see that the rise in the cost of living preceded that of money wages. A clear proof is afforded by the marked time-lag between the two curves in 1944, i.e., a year after the beginning of open inflation in Italy (see graph A). This time-lag became more marked in the course of the following years, and was slightly curtailed in 1947, when the beginning of the downward price trend, in the second half of 1947, and the then widespread adoption of the sliding-scale, had contributed to arrest the steady erosion of the real wages (19).

It was only in the Autumn of 1947, as a result of Einaudi's policy for currency stabilization, that prices began to fall, whereas during that same period wages continued to trend upwards (see graph B). Later on, at the beginning of the new upward price movement caused by the Korean War, a survey of the facts shows that the movements in the cost of living did not depend on the wage movement, but were dependent on other factors of an international nature. In any case, here again the rise in prices preceded that of wages (see graph C).

These simple observations seem to us a decisive answer to some too hasty assertions, according to which the sliding-scale has been an important factor in Italy in causing price rises—a thesis which is now rejected even in the review published by the General Confederation of Industry (20).

- Let us now examine how and to what extent the sliding-scale system was really able to resist the normal consequences of an inflationary movement: higher profits and a fall in real wages. The decline in real wages can, indeed, be avoided if a variety of conditions inherent in the sliding-scale system, are allowed to develop in full.

(a) In the first place the sliding-scale should be extended to cover the whole of the remuneration of each working unit and all groups of workers. Otherwise some part of

(b) In graph A, the movement of the cost of living is based on the index number compiled by the Central Institute of Statistics (ISTAT), from December 1933 to June 1936, and on the series of the Italian money wages, which has been compiled by the Statistical Office of the National Institute of Statistics (ISTAT). Both series are, respectively, the average of the average of the cost of living and of money wages.

(c) The graph B and C show the growth of the cost of living as reflected in the index number compiled by the ISTAT (1935-100), and of money wages in industry in the special index number (1935-100) also compiled by the ISTAT.

(d) Cit. Cesare Vannitelli, Le nostre norme per la riforma degli stipendi dal costo della vita e il sistema della scala mobile delle aldiri, in "Rivista di Politica Economica" n. 1951, p. 548.
the labour income may be curtailed by the price rise and there will therefore always be erosion of real wages.

(b) In the second place measures should be taken to assure a full adjustment of the variations in the sliding-scale to the real movement in the cost of living. To assure this, the measurement of the cost of living should be very accurate and sensitive. But this requirement is not easily attained because the index is generally speaking, more related to price changes than to changes in expenditure patterns, whereas the evolution of the business situation may cause a change in incomes and other relevant factors, and thus affect the consumers choices. Indeed a family budget may be modified not only by price variations but also by the quantitative and qualitative variations in the "basket" selected to calculate the variations in the sliding-scale. And this apart from the difficulty in compiling a "basket" which represents as fully as possible the real expenditure of a typical family, even at the time when the application of the sliding-scale is first made.

(c) Moreover, if the adjustment is to be satisfactory, no time-lag should occur between the variations in the cost of living and the wage changes consequent on the sliding-scale operation.

To what extent has this variety of conditions, necessary for preventing a reduction of real wages, been present, in the Italian experience?

(a) We may conclude from the examination made in Sec. I, that not all groups of workers or of ex-workers (pensioners) have benefited by the application of the sliding-scale system. It did not apply: (1) until September 1957 to the agricultural laborers in North Italy; (2) over the whole period to the agricultural laborers of Central and South Italy (during a later stage to the latter only), to domestic servants, to civil service pensioners, to war pensioners and to the social insurance pensioners; (3) since 1947 to the civil servants and the employees of semi-official bodies.

In studying the effects of the introduction of the sliding-scale it would be valuable to know the volume, expressed in terms of income, of the branches to whom the sliding-scale has not applied during the most relevant periods; unfortunately the statistical material available is scanty and fragmentary. Nevertheless, as in such an enquiry the comparative weight of income branches is more important than their actual amount, we have tried to give an idea, even if only an approximate one, of the situation in Table II.
We are justified in considering that in 1947 the quota of labour income not covered by the sliding-scale was a quite noticeable one; it corresponded to nearly 32.7% of all labour income. In the first quarter of 1951, this quota rose to 41.5% (even including the agricultural labourers for whom the sliding-scale was introduced in September 1950).

(b) The failure to adjust the variations in the sliding-scale to the real movement of the cost of living has also depended substantially on the degree of sensitiveness of the «basket» taken as the basis on which the calculation of the variations is made.

In this connection, we must bear in mind the cost of living trend as shown by the Instituto di Statistiche and by the trade unions (see Tab. II). Now, Table III shows that the «syndical» budget which came into force in the period July-November 1946, was found to be more sensitive than that of the STAT budget. While the former had risen by 111%, from September 1946 to November 1947, the latter showed an increase of 100%. Moreover, while the syndical budget registered a fall of 11% in the cost of living in the period elapsing between

What may have been the causes of this greater sensitiveness?

In the first place, the different method of obtaining returns on prices, which was essentially a «bureaucratic» one in the case of the STAT budget, while it was a «democratic» method in the case of the Syndical Committees whose data were checked and discussed.

In the second place, and above all, we should note the different weight of the items food and total expenditure. As is known, this item of consumption accounts very largely for the volume of consumption as a whole. When the real wages of labour are falling, that ratio tends to rise. On the other hand, foodstuff prices are subject to marked fluctuations. Now the syndical family budget, which came into force in July-November 1946, established a number of calories (about 3,200) than that established for the STAT budget, yet the wider range of total expenditure considered reduces the ratio assigned to the item food as compared to that of the STAT budget, and therefore the STAT index number was found to be more sensitive than the syndical index number in the last period (see Table III).

In conclusion, we may say that it is not ceteris paribus that the volume and distribution of expenditure established in the standard family budgets coincide with the situation of the real budgets of the working class family, both when that budget is first drawn up and as time goes forward.

(c) The adjustment of the sliding-scale variations to the real movement of the cost of living has never been perfect. The periods for which the adjustments have been agreed upon have always been rather long. The details given above prove this point. It would be interesting to ascertain the size of the income that the workers have lost owing to these time-lags. In the case of industry, we may reckon at 28,000 lire the average amount lost by each worker in the period of the steepest price rises (which runs from the July-September quarter of 1946 to October-November 1947), as a result of the delay of two months in making the wage changes consequent on the variations in the cost of living. This sum has been calculated on the basis of the daily loss suffered during an average of two months, and corresponds to the increase in the «contingency quota» which should have been made had the adjustment been perfect.

This shows that the working of the sliding-scale, even when devised on well conceived lines as it was in the period under consideration, still left labour incomes exposed to serious curtailment.

<table>
<thead>
<tr>
<th>Period</th>
<th>7-9-1946</th>
<th>9-12-1946</th>
<th>11-12-1946</th>
<th>7-9-1947</th>
<th>9-12-1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Expenditure</td>
<td>450</td>
<td>450</td>
<td>450</td>
<td>450</td>
<td>450</td>
</tr>
</tbody>
</table>

The sliding-scale system in Italy

In conclusion, we may say that it is not ceteris paribus that the volume and distribution of expenditure established in the standard family budgets coincide with the situation of the real budgets of the working class family, both when that budget is first drawn up and as time goes forward.

(c) The adjustment of the sliding-scale variations to the real movement of the cost of living has never been perfect. The periods for which the adjustments have been agreed upon have always been rather long. The details given above prove this point. It would be interesting to ascertain the size of the income that the workers have lost owing to these time-lags. In the case of industry, we may reckon at 28,000 lire the average amount lost by each worker in the period of the steepest price rises (which runs from the July-September quarter of 1946 to October-November 1947), as a result of the delay of two months in making the wage changes consequent on the variations in the cost of living. This sum has been calculated on the basis of the daily loss suffered during an average of two months, and corresponds to the increase in the «contingency quota» which should have been made had the adjustment been perfect.

This shows that the working of the sliding-scale, even when devised on well conceived lines as it was in the period under consideration, still left labour incomes exposed to serious curtailment.

The sliding-scale system in Italy

In conclusion, we may say that it is not ceteris paribus that the volume and distribution of expenditure established in the standard family budgets coincide with the situation of the real budgets of the working class family, both when that budget is first drawn up and as time goes forward.

(c) The adjustment of the sliding-scale variations to the real movement of the cost of living has never been perfect. The periods for which the adjustments have been agreed upon have always been rather long. The details given above prove this point. It would be interesting to ascertain the size of the income that the workers have lost owing to these time-lags. In the case of industry, we may reckon at 28,000 lire the average amount lost by each worker in the period of the steepest price rises (which runs from the July-September quarter of 1946 to October-November 1947), as a result of the delay of two months in making the wage changes consequent on the variations in the cost of living. This sum has been calculated on the basis of the daily loss suffered during an average of two months, and corresponds to

11. - The enquiry so far made has enabled us to ascertain that the introduction of the sliding-scale for some groups of workers, even if it has not fully prevented, has nevertheless fairly satisfactorily limited the expansion of the entrepreneurial profits arising from inflation.

Yet the introduction of this system has not encountered very great opposition from the employers' organisations, apart from the agricultural and civil service sectors.

The fact is that a basis for agreement had been created by the objective conditions of the Italian post-war situation. On the eve of the introduction of the sliding-scale, the real wages of the workers had been curtailed in a striking degree, first by the vicissitudes of war economy, and then by inflation (22). The sliding-scale system in Italy

(22) Cf. *Alcuni problemi*, *Annotazione in onore dell'Illustre...,* in the Review *Olimpia*, February 1957. Rome. This introduces the wages of the workers had been over 50% above the average figure in 1945, while the wages of industrial profits had shown a 30% rise. In March 1957 the money wages had been 30-35 times against a rise in prices of industrial products of about 45-50 times.

On the subject of the income of the middle classes cf. *Costestructione di Mercato*, *Costo di Vita, Salarii, Consumo* of the Middle Class, in No. 2 of this Review (1957).
had therefore become a vital instrument for the protection of the working-classes, and viewed from this angle it was seen to be a fundamental instrument for the maintenance of that social peace for which the employers' organisations were so anxious.

On the other hand, the sliding-scale could only act as a partial check on the erosion of real wages by inflation for the reasons we have already seen, and because the wage basis taken as a starting point for industrial workers in the last months of 1940, was at a level below the corresponding level of 1913, in real terms (2).

(2) See A. Mozetič, op. cit.

In conclusion, while the introduction of the sliding-scale called a halt on runaway erosion of real labour income, it nevertheless allowed a mitigated erosion to proceed. The curtailment only ended when, during the disinflationary period, the workers succeeded in blocking the operation of the sliding-scale and increasing the real wage level. Wage adjustments, and the revision of family allowances further improved this situation. Only in the section of civil service and semi-official and local government bodies, and of pensions this erosion has not ceased, evidently because of budget considerations, connected with the needs of the present economic situation.

Compulsory Unemployment Insurance in Italy

by

GINA PAPA

1. - Features of the Italian System.

1. The Extent to which Insurance is Compulsory.

By virtue of the regulations in force (1), insurance against unemployment is compulsory in Italy for dependent workers as from their fourteenth year of age, except for certain categories enjoying stable employment, such as persons in the regular service of the Government, of the Provinces or the Municipalities, or persons who are subject to special labour conditions, such as those engaged in domestic service, or the share-croppers (mezzadri and colliers). In a general way, it is dependent workers in branches of activity other than farming that are subject to compulsory insurance. The insurance of agricultural labourers, which was provided by Law No. 264 of 29th April, 1949, with effect from 6th June, 1949, has not yet come into force.

The number of participants can only be estimated. In 1951, on the basis of the weekly contributions paid by the insured, and of the number of days' benefits paid to them, it may be put at a little over 5 million. In 1952 there will be a certain increase owing to the abolition of the previously existing age limits and the consequent extension of the scope of compulsory insurance (2); and there will be a further

very considerable rise when the regulations about the insurance of agricultural labourers come into force (3).

2. Insurance Contributions.

The amount of the contributions, as at present in force, is fixed by Law No. 218 of 4th April, 1952. They include a «basic quota» paid by means of stamps on a scale fixed according to wage and salary groups (4), and a «supplementary quota», which has to be fixed from year to year as a percentage of the wage or salary actually received, starting from a minimum of 400 lire per day. For 1952 this supplementary contribution was fixed at 2%. The whole contribution is borne by the employer.

Under the present regulations the contribution for an industrial worker, receiving for instance the average wage of 5,147 lire per day, amounts to L. 23.27 per day, of which L. 0.33 represents the basic quota and L. 22.94 the supplementary quota (5).

The Government bears a part of the burden of the insurance, in the form of a contribution which is fixed from year to year on the basis of the results of the preceding financial years.

(1) Decrease Law No. 289 of 6th October, 1935 is substantially still in force, subject to later amendments relating to the obligations in Italy: to the conditions on which benefit payments are made, to the duration of such payments; and to the persons to whom they are granted.

(2) As from 1st May, 1951, by virtue of Law No. 218 of 4th April, 1951. It is however thought that, owing to the difficulties found by persons of more advanced years in obtaining work, this regulation is not likely to produce any important result.

(3) The increase in numbers as the result of extending the insurance to cover agricultural labourers may be put at about 2,000,000 insured persons.

(4) For purposes of unemployment insurance the Law provides for 4 weekly and 3 monthly wage or salary groups. They range from a minimum not exceeding L. 6,900 a week or L. 15,000 a month to those exceeding L. 27,270 a weekly or L. 90,000 monthly.