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Box 57

Information Liaison
F.W.B.HEADQUARTERS
ALLIED MILITARY GOVERNMENT
APO 512

EW/NAV/JS

6 December 1945

Memorandum: Policy Concerning Wage Increases in Region I

TO : All A.M.G. Officers in A.M.G. Headquarters and in Region I

1. Control of inflation in areas under A.M.G. (or A.C.G.) is one of the major requirements of A.M.G. Under this policy substantial additional wage increases cannot be granted, for such increases would be powerful inflationary forces. Officers are requested and instructed, therefore, to be extremely careful when wage questions are being considered to do or say nothing contrary or prejudicial to the A.M.G.'s efforts to control inflation.

2. Officers should understand that substantial additional wage increases leading to inflation are more harmful in the long run to the people than are the results of the present wage scale. The quantities of goods available in the area under A.M.G. control is limited to the amount on hand, plus the amount which can be produced in the area, plus the amount which can be imported. Because of war conditions payment of higher wages, with the consequent higher prices, will not alleviate the supply situation by increasing significantly the amounts of goods produced or imported. However, by furnishing added impetus to the inflationary tendencies the higher wages and higher prices will do positive harm. Inflation disrupts the civilian economy and creates civil unrest, thus reducing the amount of goods produced and available for consumption. The lot of the civilian is made worse and progress of the Allied armies is hindered because more men and more resources must be diverted to areas behind the combat lines.

3. A.M.G. is making vigorous efforts to forestall inflation and the fullest co-operation of all A.M.G. officers in not encouraging requests for wage increases is requested and expected.

By command of Brigadier General HOSLER:

CHARLES E. SPOTFORD,
Colonel, C.B.C.
Acting Chief of Staff

OFFICIAL:

E. V. Clough
E. L. CLOUGH
Lt. Col., A.M.G.
Actg Adjutant General

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Labor
Report

18659

HEADQUARTERS
ALLIED MILITARY GOVERNMENT
LABOR SUB-COMMISSION
APO 512

8 November 1943

AWGOM/9011/LAB

SUBJECT: Summary Report of Labor in Sicily from 10 July 1943 to
26 October 1943.

TO : Chief Civil Affairs Officer.

1. Introduction.

a. The original AWGOM Plan provided that Labor should be a section under the direction of the Civilian Supply Division. Later, September 1943, Labor was established as a separate division directly responsible to the Chief Civil Affairs Officer.

b. During the period of planning in North Africa prior to invasion of Sicily, the Civilian Supply Division had been unable to obtain current Italian labor intelligence which could be used as a basis for determining a definite labor policy. Intelligence was limited to:

- (1) Approximate number of Sicilian workers;
- (2) 1939 base wage rates;
- (3) Geographical distribution of workers
- (4) General theoretical description of the Corporative Syndical System, and
- (5) Type of industries.

c. It was decided that in view of the lack of information, study would be limited to theory; that labor principles would be tentatively established along general lines; and that definite decisions would be made in the field after contact with live problems and opportunity to study and evaluate them.

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4. A wage scale was proposed for use of the Seventh and Eighth Armies (Ex. A). This scale was to govern pay of civilians employed by the Armies during invasion and was submitted to the Armies as a tentative guide which would probably need correction and revision after experience in the occupied territory. There could be no assurance that the scale was consistent with the Sicilian pay levels of that period. The Seventh Army adopted the wage guide in toto and issued it in the form of a directive (Ex. B). The Eighth Army also adopted it, but made some revisions and additions. In the main, the guide was based upon the experience of the British wage classifications and rates in Tripolitania plus the available indefinite intelligence which had been received from Italy.

5. Formulation of the wage scale was the only specific labor action taken by the Division prior to D-Day.

6. The Sicilian labor experience.

a. First Phase. 10 July 1943 (D-Day) to 31 July 1943 (date of Allied Occupation of Palermo).

(1) During this phase the labor section had not yet commenced to function in Sicily. Labor was handled by civil affairs officers of AFHQ who were attached to tactical troops. This duty was in addition to theirs, and in view of the pressing nature of other problems, received minimum attention. Proclamation No. 8, which froze wages and prices to the 9 July 1943 level was posted in every occupied town and city (Ex. C). Employment offices were opened in cities where labor was needed by the Army or Navy, and notices posted inviting the public to register for work. Fascist syndicate offices were taken over and utilized for this purpose.

(2) The Armies had no difficulty in procuring labor. Large surpluses were available where required. In addition, the AFHQ wage scale was particularly attractive to workers in view of Proclamation No. 8 and the fact that the scale paid was in many cases 70% above the scale prevailing prior to occupation.

(3) In each occupied city where offices of Fascist trade unions and associations were located, records were impounded and left for subsequent examination.

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(4) There was one development which indicated trouble ahead. While the Seventh Army had adopted the ASOT wage scale, the Eighth Army had adopted it only in part, and the Air Force and Navy paid wages without careful consideration of existing wage rates or the ASOT scale, falling back on the expedient of paying whatever they thought should be paid, and using the American or British standards of payment as a criterion. The line had been devastated. Thinking was in terms of the line being worth 1 cent.

b. Second Phase. 22 July 1943 to 26 October 1943.

(1) During this phase a definite labor policy for Sicily was established. A study was first made of the labor situation in Palermo Province. As the Allied tactical situation improved, the study was enlarged to include newly acquired occupied territory, until finally on 19 August 1943 the entire island was in Allied hands.

(2) Certain immediate general observations were made which should be recorded in this report for background purposes. First, immediately before D-Day every important labor and trade association official on the island had fled to Rome. It was apparent that they had left in a hurry, because in many cases personal possessions and correspondence were found intact, some of which disclosed that they had departed right up to the last minute, 8 to 10 July 1943. This left labor and trade associations and their officials completely leaderless, though in each instance clerical staff remained at work, and records were found intact. Second, pre-invasion statistics were confirmed in that island employment was found to be approximately 50% agricultural, 20% industrial, and 30% miscellaneous. In these categories, agricultural employment was least affected by invasion. Workers remained, and as circumstances permitted, continued their daily duties. Industrial employment was at a standstill. Pre-invasion bombing had completely disorganized and disrupted industry. Many cities had been reduced to ruins and industrial workers feared the personal physical risk incident to further employment. This was especially true in sea port cities like Palermo, Catania, Siracusa, Messina, and Agrigento. Miscellaneous employment which included shopkeepers, carpenters, domestic workers, and government employees was in varied state of disorganization. The shopkeepers and domestic workers were not working, while government employees of all levels, except those who had fled to Rome, remained at their work waiting to begin

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whether or not the allies would permit them to continue in their employment. Third, there was no evidence of pre-invasion sabotage by workers. Fourth, during Fascism, there was general non-compliance by employers, employees, trade unions and associations with wage conventions or wage provisions stipulated in collective labor contracts. (This did not apply to government employees. Their wage scale was statutory and not covered by collective contracts.) The level of wages depended largely upon labor supply and demand. The black market had become an accepted institution, and official Fascist commodity price lists were respected only in their breach. Cost of living was high and presented a problem with which the Fascist Government had not been able to cope.

(3) Labor was divided into the following broad classifications for preliminary study and action:

Procurement and Supply of Labor.

Wages, which included the question of cost of living.

Trade unions, associations, and labor relations.

(a) Procurement and Supply of Labor for Branches of the Allied Armed Forces.

(1) This was given A-1 priority. The various S.I.A.S.'s in each province had done their jobs well. In each province the main Fascist trade union office was taken over by the S.I.A.S. and opened as an employment office. The clerical and executive staffs (except known Fascist leaders who were removed on the spot) who were familiar with the office records, and registration of workers under Fascism, were directed to continue to work under S.I.A.S. supervision. The public was invited to register for work and the offices were immediately overrun by men, women, and children of all ages who desired employment. (Compulsory registration was not required. The problem was not one of procuring sufficient labor, but in finding enough work for the thousands of persons who for the moment were out of employment because of disorganization of trade, industry and commerce. In Palermo city alone, over 1,000 persons were registered for work the first day. Headquarters of the Allied Forces were notified of the location of the employment offices. The offices were kept open 24 hours a day until the latter part of August when the pressure was relieved as a result of fulfillment of the larger military labor requirements. The offices were then put on a 10 hour a day working schedule. An employee was always kept on duty to handle emergencies and the military made its own arrangements for transportation of workers to work areas.

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(ii) Certain fundamental rules were established for the employment of personnel. (a) Registration was voluntary; under certain rules it was compulsory. (b) Personnel were classified for work by skill with full listing of all skills; unlike in general labor law, the listing was not only for the purpose of determining the minimum wage but also for the purpose of determining the maximum wage. (c) Preference in employment to members of the Fascist party was established. Persons were to be employed on an equal basis regardless of race or creed. (d) Preference for employment was to be given to political prisoners and persons who had been imprisoned by the Fascists for activities under Fascism, whether of religious, anti-Fascist activity, or refusal to join the Fascist party; and to heads of families who could show great economic need.

(iii) Actual statistics on the number of workers employed through these offices are not available at this time; the figures will be published at a later date. It can be said, however, that labor was well absorbed in the larger central cities -- the balance being taken care of by temporary relief or "clean-up" projects. However, in areas where the economy was depressed, the situation was not so favorable. For example, in the mining industry (Agriculture, etc.) there were many unemployed workers. Approximately 100,000 persons were in that category. They received temporary relief and were given "clean-up" projects. In the mining industry, the situation was not so favorable. In the mining industry, the situation was not so favorable. In the mining industry, the situation was not so favorable.

(b) Wages and Cost of Living. This problem fell into the following categories: Civilian employees employed by the Armed Forces, Government employees, and persons employed by private employers. First, Civilian employees employed by the Armed Forces. This category presented problems of an emergency nature because the military was at the time the largest single employer of labor on the island; wage rates paid were not uniform between the various branches of the service; and it was obvious that the official and unofficial rates of pay were in most cases too high, and in some too low. Wages were not related to the economy of the island, and in cases where they greatly exceeded prevailing rates, were drawing persons away from private employment and causing the spiral of inflation. The lack of an official Armed Forces wage policy and scale caused confusion in the labor market. In view of these circumstances, confer-

the worker's sense of security. It was found that neither employers nor employees were able to calculate the precise wage due employees. Examination of State Government payrolls disclosed that this confusion was not limited to private employers and employees, but also to State agencies (including the Department of Finance) which were unable to give precise calculations of wages due government employees, and admitted that they "just did the best they could". The Italian wage structure had not been analyzed or revised since 1931. It was decided to make a careful study of wage structure, rates of pay, cost of living, and then decide whether or not to change the structure, and whether or not wage increases should be granted. The study was concluded, but not submitted for official action because of decision by higher authority to await developments in the relationship between the Allies and the Italian government before making changes which would so vitally affect the basic financial and economic structure of the country. (See E - Rough draft of summary report.)

(c) Trade Unions and Labor Relations.

(1) There was no free labor movement or industry association under Fascism. State labor-industry control was the key to the Fascist theory of government and was accomplished through the Corporative Syndical System. The syndicate was the basic cell of the Fascist social and economic concept. Workers and employees within certain occupations were organized into separate syndicates and permitted to function by positive law. The economic field (except government) was divided into industry, commerce, banking, and agriculture. In addition there was the group known as artists and professional men. Each of the aforementioned economic divisions had a separate independent organization for employees and employers, except artists and professional men, who were combined into one organization. Each province had 9 such organizations known as provincial "Unions". Syndicates were constituent members thereof. Provincial Unions then selected representatives which composed the Federations, and the Federations selected representatives for the Confederations. The Federations and Confederations were situated in Rome and represented the Unions involved, but at different levels. All representatives of each unit starting with the base syndicate and ending with Confederations had to be members in good standing of the Fascist party and approved by Mussolini. That was the syndical structure. On top of that was the corporative superstructure. This was composed of 32 Corporations, the members of which were Confederation delegates and Fascist party members appointed by the Ministry of Corporations. Each Corpor-

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ation represented a whole cycle of an economic activity. At the head of these Corporations sat the Minister of Corporations -- Mussolini.

(ii) Workers and employers paid dues in the form of syndical taxes. Dues were deducted from payrolls by employers and sent directly to the Ministry of Corporations in Rome, not to the syndicates. Rome decided how much was necessary for the next annual budget of the syndicates, and sent some to the Provincial Unions for allocation to itself and syndicates, and kept the balance. Collective labor agreements were negotiated by the Federations and approved by Mussolini, after which they became the law of the industry involved. Members had no voice in them, or right of ratification. Contracts stipulated hours, wages and working conditions. Strikes and lockouts were prohibited and punishable as crimes. Disputes were conciliated through machinery established in collective contracts. If the disputes were not adjusted through this channel, they were submitted to the Ministry of Corporations. If still unsettled, they would be referred to labor courts for final decision.

(iii) After examination of the Corporative Syndical System, conferred with pre-Fascist labor leaders, anti-Fascist groups, government representatives, employers, and workers; and after an intensive survey of the Island, it became clear that the system should be abolished. Revision was impossible. It would have meant appointing administrators of syndicates, financing them, and hence complete government regulation and control. Continuation of the system meant continuation of Fascism. (This view was concurred in by the Finance Division, which had already abolished the syndical tax.) The situation demanded a new start with an assurance to both employees and employers that they would not be coerced by government into any particular organization. Collective bargaining had been a mockery. Collective contracts were imposed by decree. The Corporative Syndical System was openly resented and protested against by the great majority of employers and employees. Syndicates were not labor organizations or trade associations, but rather agencies of the Fascist party. The system to the public meant object slavery, and they literally asked to be freed from it -- not by half measures, but by a clean sweep which would leave them free to digest their new liberty and decide on a fresh course of action. It was, therefore, decided that each group should be left to build for itself what ¹⁹⁷thought would best serve its purposes, the social and economic welfare of the Island, and its sense of freedom and liberty. To this end,

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the Fascist Corporative Syndical System was dissolved and all Fascist officials removed.

(iv) Various plans were drafted to accomplish the objective stated above. Plan "B" was finally approved (Ex. F) and was signed on 24 September 1943 to become effective 1 October 1943 as General Order No. 8 (Ex. G). This plan dissolved the Corporative Syndical System; established a system of Provincial Labor Offices, a Regional Labor Office for Sicily, method of adjusting labor disputes; and assured a free labor movement for Sicily. Rules and Regulations were issued to aid in effectuating the order (Ex. H), and a covering letter of preliminary instructions to all S.S.A.C.'s to emphasize its importance (Ex. I).

(v) To assure stability during the period of transition from the old system to the new freedom, Administrative Instruction - Labor No. 3 was issued (Ex. J). It provided for continuation of the substantive hour, wage, and condition of employment provisions of existing collective agreements pending opportunity for revision.

(vi) The Inspectorate Corporative which was a direct representative of the Ministry of Corporations in Rome and functioned in Sicily for the purpose of inspecting health, hygiene and similar laws for workers was continued, though transferred for administrative and other purposes to the new Regional Labor Office for Sicily (Ex. K).

(vii) On 10 October 1943 labor proposal No. 3 was prepared and submitted for approval (Ex. L). The purpose of this proposal was to clarify the question of whether or not General Order No. 8 actually gave employees the right of selection of representatives for purposes of collective bargaining, and to round out the labor program. The proposal was submitted to AMHQ, HQS for instruction. No reply to date.

3. Conclusion.

A. Part I. By 26 October 1943 AMHQ had accomplished the following in the field of labor:

(1) Established a uniform wage scale for Sicily governing civilians employed by branches of the Armed Forces.

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(2) Completed a study of the Italian wage structure and system with recommendations for revision and adjustment.

(3) Completed a cost of living study for Sicily (Ex. H).

(4) Concluded the task of procuring and supplying labor to branches of the Armed Forces.

(5) Abolished the Fascist Corporative Syndical System.

(6) Substituted civilian government agencies for handling labor problems subject to A.S.C. guidance and supervision.

(7) Consolidated under the Regional Labor Office for Sicily previous Fascist functions which were found to be of benefit to workers and the public; having eliminated those which were found objectionable.

(8) Provided a machinery for present and future self determination of labor disputes and contracts.

(9) Assured a framework for a free labor and trade association movement.

(10) Initiated a study of cooperatives, workmen's compensation, and public health systems.

b. Part II. As of 26 October 1943 there was considerable unrest among the workers who were asking for wage increases to meet the higher cost of living. Several unions had been organized on the Island. The most prominent in Palermo (Ex. H). The public was voicing itself in the first free press that they have had in 25 years, on questions relating to labor. There had been no strikes or lockouts. There had been 4 important labor disputes between employers and employees, all of which were resolved by agreement between the parties after reference by employer and employee representatives to the new Regional Labor Office. The outstanding grievances were scarcity of food, the growing black market, and rising cost of living.

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c. Part III. A framework for democracy in labor and industry has been established in Sicily. The third phase will answer the question of whether or not the Sicilians will responsibly accept their new challenge of freedom. Much will depend upon the ability of the population and the Allies to meet the need for procurement and supply of food, eliminating the black market, and arresting the rise in cost of living.

DAS/thw

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