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The Labour Factor in Agriculture: Comparison, Analysis and  
Actions Introduced in some EU Countries to Boost  
Competitiveness in the Primary Sector

by

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# THE LABOUR FACTOR IN AGRICULTURE: COMPARISON, ANALYSIS AND ACTIONS INTRODUCED IN SOME EU COUNTRIES TO BOOST COMPETITIVENESS IN THE PRIMARY SECTOR

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## Introduction

As things stand today, farm businesses, like those in other sectors, are being called upon to develop their managerial skills and improve their technical, economic and commercial performance so as to gain competitive strength/edge on the market. There is a growing necessity to plan and act with greater independence and dynamicity on the market, and thus efficient structuring (in terms of resources, business plans, trade contracts and so forth) becomes indispensable, modernizing and planning one's strategies. We are witnessing the disappearance of all those forms of financial support (be they from the EU or from regional subsidies, etc.) that helped maintain extra-marginal enterprises, dampening stimuli to "risk" facing the market in order to protect insufficiently competitive businesses. Adapting to this evolution, whilst also altering the farmers' mentality to some extent, could lead to a more spontaneous approach to world competitors and the rules of the global market.

In a reference framework such as this, the *labour* factor becomes strategically crucial in terms of supply and capacity, as well as for the relative *cost* and consequent *productivity*. Competition between businesses is played out according to parameters of quality and product price, and the choice of a collaborative workforce that will constitute a synergetic factor in achieving a positive result becomes fundamental.

A correct approach to labour research must consider the different levels of governance: regional, national and supranational (e.g., EU). The central themes for discussion, the order of priority and relevant decisions made arise first and foremost in worldwide contexts such as WTO and ILO (International Labour Organization) conferences, the United Nations, the Kyoto Conference, etc. If political decision making is done at a world level, it follows that the scope of studies and responses should be broader than just local-scale. Of course, there are governance responsibilities at every level, but actions must be coherent with an overall decision-making network.

On the basis of the above considerations, we decided to perform a comparative analysis between three EU partners: Germany, Spain and Italy. This was not a random selection: we chose Germany since we consider it still to be a leading country within the European economy, and innovative in

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certain of the employment policy instruments that it has adopted. The comparison with Spain, on the other hand, is logical from an agricultural point of view, given that it is Italy's main competitor in the sector (especially for fruit).

To sum up, the main objectives of this enquiry were:

- to outline and compare the main characteristics of the agricultural workforce in the three European partner countries studied (numbers, average wages, regulations, ...), without losing sight of each country's specific productive setting, within which the workforce and the legislators operate;
- to closely examine the evolving course of policies for the fixed-term workforce (especially in the agricultural sector) developed and applied in the three countries, and dominant trends in social and political ideas in this regard;
- finally, based on the information gathered and examined in the above two points, to try to outline the possible future evolution of the management of the fixed-term labour factor in the agricultural sector on the world market, so as to propose some possible strategic approaches to the matter, with particular attention to the Italian situation, with the aim of improving the competitive capacity of farm businesses.

### **Legislative aspects of the labour factor in the European Union**

Close examination of labour can lead to interesting and at times inspiring reflections regarding competitiveness in the agricultural sector, but it must necessarily be based on broader considerations that include EU and world regulations, the logic of which also influences national legislation. There is a vast amount of EU documentation on the matter; of particular interest are the "European Social Charter" signed in Turin on 18 October 1961, the 1989 "Community Charter of the Fundamental Social Rights of Workers", and above all the "Treaty instituting a Constitution for Europe"<sup>1</sup> which emphasizes that "(...) a highly competitive social market economy [aims] at full employment...<sup>2</sup>" and that one of the EU's most important roles is to promote and coordinate employment policies<sup>3</sup>.

In March 2000 the European Union promoted the "Lisbon Agenda", which lays down a strategy for employment and the job market, with the aim of "eradicating the scourge of unemployment" and making the EU "the most competitive and dynamic knowledge-based economy in the world". The strategy's objectives, to be fulfilled by 2010, are:

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<sup>1</sup> The "Treaty instituting a Constitution for Europe" has already been approved in a number of member states, is in the process of being approved in others, whereas in some states it has recently been rejected.

<sup>2</sup> Part I, Title I, art. 3.

<sup>3</sup> Part I, Title III, art. 12 and 15.

- 1- to attain an average economic growth rate of around 3%;
- 2- to raise the employment rate to 70%;
- 3- to increase the number of women in employment to 60%.

In the first years of its application, the strategy did not show any real effect on markets, so in order to relaunch it, the European Commission produced the document (COM 141/2005) “Integrated Guidelines for Growth and Jobs (2005-2008)”, which contains proposals to support member states who, in turn, had to set out their own national plans for growth and employment by the autumn of 2005.

Also significant is the Council Recommendation of 14 October 2004, currently in force, in which the EU seeks to achieve successful implementation of the Lisbon Agenda, with the help of an employment task force, emphasizing the need to foster, in a balanced manner, three complementary and mutually supportive objectives:

- full employment,
- quality and productivity at work,
- social cohesion and inclusion of workers within the fabric of society.

The document also calls for structural reforms to increase the adaptability of workers and enterprises, to attract more people to enter and remain in the labour market, and to invest more effectively in human capital.

Finally, in the field of work, it is worth noting point 21 of the European Parliament resolution on the Mid-term review of the Lisbon Strategy, dated March 2005, in which the European Parliament considers rural development agricultural expenditure, which is of particular importance in the new Member States, to be a crucial part of the Lisbon strategy.

By taking a close look at community policies regarding work in general we are bound also to touch upon the problems faced by agricultural workers, given that any relevant action at a national level must necessarily conform to the dictates of the EU.

### **Productivity, employment costs and average wages in Germany, Spain and Italy**

In the period 2000-2004 labour productivity in the EU-15, measured in terms of GSP<sup>4</sup> per worker, recorded an increase of 2.14% per year (constant values, base year 2000), at just over € 48,000/employee. Of the three countries compared, Italy and Spain show below-average levels (in 2004 respectively € 36,000 and € 39,000/employee), whilst Germany’s figures are higher (over € 74,000/employee). It should be emphasized, however, that the agriculture of the first two countries

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<sup>4</sup> Gross saleable product.

is substantially similar, whereas in Germany there is a high proportion of animal husbandry<sup>5</sup> which influences the workforce's production results. During this period, Spain enjoyed marked growth, over 5.6% per year, thus outstripping Italy, where productivity increased at a more modest pace (+1.15%). Germany shows an intermediate rate, with productivity increasing by just over 3.5% annually.

In terms of value added per employee, the most notable figure is for Spain: in the five years in question labour productivity increased by almost € 5,000 per year per employee (+6.11% annually); in Germany, where intermediate consumption is high, this indicator is stable (+1.82% per year), whilst Italy was the only one of the three with a value below the community average (over € 22,000 against an average of almost 25,000).

It should also be noted that in the period 2000-2004 the average gross annual salary per employee increased at a higher rate than productivity in all three countries: Italy shows the widest gap of all (+2.62% for salaries and +0.67% for productivity).

The total sum of wages paid annually accounts for just under 6% of the GSP in Italy and Germany, and 4.4% in Spain: of the three countries, only in Italy has this figure dropped in the period studied (-0.4% annually). The entity of wages paid by each national system proved analogous to the dynamics of agricultural production, whilst the relative amounts per worker show a considerable spread between the figures recorded in the two Mediterranean countries and those for Germany (Table 1).

**Table 1 – Average gross annual salary per agricultural worker (Euro)**

	2000	2001	2002	2003	2004	<i>relative value (Italy=100)</i>	
						2000	2004
<i>GERMANY</i>	11,114.36	11,306.43	11,763.43	12,042.51	12,364.28	<b>212</b>	<b>212</b>
<i>ITALY</i>	5,237.64	5,357.33	5,557.56	5,591.65	5,833.41	<b>100</b>	<b>100</b>
<i>SPAIN</i>	3,357.51	3,715.76	3,904.15	4,286.38	4,564.22	<b>64</b>	<b>78</b>

Source: our elaboration on ISMEA and EUROSTAT data

In 2004 the differential between Germany and Italy worked out at 6,530.87 Euro per worker. This can be explained by the different cost of labour in the two countries and the presence of a significant quota of permanently employed workers in Germany due to animal husbandry, but this still does not justify the fact that the figures have remained at a fairly constant double over time. Spain, on the other hand, shows a lower salary than Italy (-22% in 2004) but with a clear trend towards gradual alignment with the figures of the other two countries.

According to data supplied by the Spanish Ministry for Agricultural Policies, the average national salary in 2005 increased on average by 4% on the previous year, with considerably higher

<sup>5</sup> Animal products account for almost 50% of the country's agricultural GSP, as against some 33% in the other two countries.

figures for certain jobs. In Spain, workers are classified and distinguished in detail according to their activities; an excellent example is the salary differentiation within the animal husbandry sector, for those working with sheep, cattle or pigs.

A comparison of the “tax wedge”<sup>6</sup> in the three countries in question proved to be extremely topical<sup>7</sup>. In Italy this wedge bears considerable weight, and according to the latest tax policies, is the key to lightening the cost of labour and becoming more competitive on an international level. We should also emphasize that in studying the wedge no figures were available for the agricultural sector, and so data regarding factory workers were used for the purpose, according to the principle of proximity (Table 2).

The comparison highlighted the way in which labour costs are directly correlated with the tax wedge, which bears 50% more weight in Germany. It is interesting to note that Germany is the only one of the three countries to show a trend reversal, with the wedge shrinking by 1.2% between 2003 and 2004.

Finally, the distribution of the burden of social security expenses between workers and employers also appears to be highly significant: in Italy and Spain, around 80% is shouldered by the firm, whereas in Germany employee and employer divide the expense equally.

**Table 2 – The tax wedge as a proportion of labour costs \* (2004)**

Country	Labour cost (€)	Personal tax on income %	DISTRIBUTION OF THE BURDEN			
			Worker %	Employer %	Tax wedge 2004 %	Δ on 2003 %
<i>GERMANY</i>	42,543	16.2	17.3	17.3	50.7	-1.2
<i>ITALY</i>	35,005	14.0	6.9	24.9	45.7	0.3
<i>SPAIN</i>	29,382	9.7	4.9	23.4	38.0	0.3

Source: Ocse – Taxing Wages, March 2005

\*average factory worker, single and childless

### **A strategic approach for intervention on the labour factor in Germany, Spain and Italy**

Within the broad theme of the labour factor in agriculture, the more specific question regarding its cost is a common denominator between the three countries investigated. Social, cultural and political traditions and historical legacies are long-term influential elements that no country can escape, and they have led each country to deal with this matter in different ways. Of course, this is a particularly delicate issue, due to the human implications of many of its aspects, and first and foremost the basic question of salaries and consequent costs for employers. This comparison brought to light fundamentally different approaches between the countries studied: the German

<sup>6</sup> The term “wedge”, now firmly rooted in economic literature, denotes the difference between the amount paid by employers and the “take-home” wages received by workers for their services.

<sup>7</sup> In Italy the reduction of the tax wedge was a key strategic element in the recent national elections.

approach, which tends towards radical and systemic interventions, aimed at offering greater flexibility for the job market by innovative and traditional means; the Italian approach, which seeks to partially reduce the social security burden and contemplates tax amnesties for the agriculture sector; finally, the Spanish approach, in which the primary objectives of the reforms of paid agricultural work are the level and stability of wages, and in particular, employment for immigrant workers from outside the EU.

### **Germany**

We can identify two lines of analysis that indicate a commitment to seek out common solutions that are systemic and not short-term in nature.

Briefly, the first approach considers the free circulation of workers from outside the EU, with legally regulated time limits. Agreements on labour contracts with non-EU citizens in Germany date back to 1988, and their aim was to regulate arrangements with various Eastern European countries, and Turkey in particular, facilitated in part by the lack of German workers available to carry out heavy manual labour (mining and building industries, etc.).

It is also interesting to take a close look at the German organization of Work Agencies. There, with a “Promise of employment/Labour contract”, businesses can request seasonal workers with specific requisites. The placement of seasonal workers for up to three months in some sectors, including agriculture, seems worth investigating.

An extreme case, for which it is too soon to express any judgment, is that of workers who leave their country of origin during the summer holidays to look for a seasonal job in German agriculture. In this way, Germany benefits from low-cost labour, with social security contributions almost eliminated, whilst the worker, given the difference in cost of living, earns a salary considered to be satisfactory, and the country of origin benefits from the money brought home.

Furthermore, data found at the Chambers of Agriculture (*Landwirtschaftskammer*) shows that fruit and vegetable harvesting work offers very low wages, between €4.00 and 6.00 an hour, but in some cases the employment office pays a subsidy of €12.00 a day. Agricultural labour offers<sup>8</sup> are handled entirely by employment offices. As a rule, lodgings are provided by employers, who then subtract the cost from wages.

The second research perspective regards a more systemic approach that takes into account the organization of German labour as a whole, and not only that of the primary sector, extrapolating ideas and considerations that can be suitably adapted and applied to the world of agriculture. Indeed, it should be borne in mind that Germany’s production system has a strong manufacturing

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<sup>8</sup> Search for offers through the website [www.arbeitsam.de](http://www.arbeitsam.de) in the database *SIS-Stelleninformationssystem*.



element, with a largely unskilled workforce, as is the case for the agricultural workforce.

Our interest in the response that the German government tried to offer to the economic crisis is not due to its success, which in all truth has only been partial: indeed, German employment figures are not particularly encouraging, although businesses have shown a considerable increase in productivity, and according to statistics, since 2003, Germany has become the world's biggest exporter, overtaking the USA. Alongside this, however, there have been a series of labour reforms, begun under the previous government of Chancellor Schroeder.

We need to go back to the economic reform proposed by the “Five Wise Men” on 13 November 2002. It is based on two points with the aim of changing the nation's economy: particular attention should be paid to the reduction of non-wage costs.

The reform of the labour market, known as the Hartz reform<sup>9</sup> was developed in several phases: I, II, III and IV. A core element was the reduction of what the German chancellor described as the “second salary”, i.e., the various social security contributions (P.B. Kleiser, 2003). In-depth examination of the solutions adopted will enable us to become familiar with the route planned and taken in Germany, and thus to evaluate the feasibility and likely results of applying any or all of its provisions in Italy.

The four sets of laws promoted by the Hartz Commission essentially involve:

1. greater satisfaction in finding employment for those out of work, through more efficient organization of work placements, the large-scale set-up of decentralized job centres and the creation of agencies providing temporary jobs for the unemployed;

2. improvement of general employment conditions by:

- simplifying temporary work, following the elimination of certain legal constraints, provided that the stakeholders can agree on a collective contract;
- simplifying so-called *minijobs* (part-time and short-term), partly in order to reduce undeclared work;
- funding new forms of autonomous work for the unemployed (micro-enterprises);
- support for the employment of the over-50s.

One very innovative element regards the so-called “unemployed people for hire”, i.e., the fact that unemployed workers can be “loaned out” to businesses by service agencies for 3-4 Euro an hour, of which just 1 Euro goes to the worker (who continues to receive unemployment benefits);

3. transformation of the “Federal labour office” into a “Federal employment agency”, efficient and client-need orientated, by streamlining the organizational structure and reducing administrative

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<sup>9</sup> Peter Hartz was the Human Resources Manager for Volkswagen.

activities, and also by simplifying legislation regarding the requisites in order to benefit from the various services;

4. back-to-work schemes aimed at reducing long-term unemployment, and the introduction of a single economic support system<sup>10</sup>. The personalization of services also appears extremely interesting: at job centers each long-term unemployed person is assigned to a personal consultant, with whom he/she signs an agreement for re-entry into employment. In order to improve financial incentives, the options for supplementary earnings have been expanded for those receiving unemployment benefits, whilst refusal of an acceptable job offered by the employment office or of back-to-work measures lead to cuts in the same benefits.

Factors such as the approach taken by Germany to face the problem, the fact that these events are first and foremost legislative, but also bureaucratic/administrative, linked in part to world economic trends and, finally, the reflections developed over time by analyzing the problems, statistics and solutions seen in a world, EU or extra-national context, all highlight once again the need to seek mid- to long-term options in order to make serious, structural changes in the socioeconomic fabric of the labour market.

### *Spain*

In Spain, again, optimization of labour costs is the factor underpinning the growth of the primary sector and the competitiveness of agricultural products on international markets. According to research by Spain's INE (Instituto Nacional de Estadística) in a survey of the population carried out in 2004, employees of the agriculture sector account for 5.1% of the national total, showing a drop relative to the previous four years (in 2000 the figure stood at around 5.7%). Thus the number of agricultural workers is decreasing despite the fact that the production system is still prevalently centered around the family farm business. At the same time, also in Spain, salaried work is on the increase, which creates a problem for Spanish farmers given that an increase in labour costs considerably diminishes Spain's marked competitive edge over other EU member states in terms of production costs.

Marked increases in production yield, particularly for citrus and other fruits, crops for which there are seasonal peaks in demand for labour, have exacerbated the difficulty in finding local workers, increasing the recourse to workers from foreign countries, and especially from the African coasts of the Mediterranean basin. This process has not followed any precise pattern or plan, although it has been heavily regulated. In particular, entry into the EU in 1986, and the considerable

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<sup>10</sup> In Germany there used to be two economic support systems for unemployed people in need: welfare-type unemployment benefits, previously paid after insurance-type redundancy pay, partly based on the amount of wages previously earned, and a municipal social security allowance.

economic growth seen in Spain over recent decades, have attracted a stream of immigrants, especially from Morocco, due to its geographical proximity and the existence still today of Spanish enclaves in the area (Ceuta and Melilla), and from Latin American countries, for obvious reasons of cultural similarity. As well as this, Spain has found less difficulty than other EU partners in opening the gates to workers from Eastern Europe. Since 2003, Spain's immigrant population has grown from 1.6 to 3.7 million, i.e., around 8.5% of the total population. Many immigrants living in Spain today hold low-qualification jobs, and in particular they are employed in sectors such as building and agriculture.

In order to make up for the serious lack of agricultural workers, which is prevalently seasonal, Spain also offers certain possibilities for work<sup>11</sup> to young people intending to stay in the country in order to learn the language and spend a working holiday there. Private work agencies contribute to supporting these initiatives, since they are able to find, and thus offer, temporary jobs.

Spanish legislation regulates many aspects of labour, including pay and working conditions, in the *Estatuto de los Trabajadores*<sup>12</sup>. This statute consists of a total of 97 articles, and regulates all aspects of labour, including the duration of contracts<sup>13</sup>, the rights and responsibilities deriving from it, salary, and the guarantee that it will be paid, etc.

According to data supplied by the Ministry of Labour and Social Affairs, in the first quarter of 2006, employment figures in Spain increased by around 5% compared with the same period of last year; the only sector showing a percentage decrease was agriculture (-3.2%), which nonetheless recorded a drop in unemployment (-12% compared with 2005), confirming the lack of workers available in the sector. The overall increase in short-term contracts also appears significant, climbing by around 11% relative to 2005, whilst permanent contracts have increased by just 3.8%.

A decade or so ago, unemployment rates in Spain stood at over 20%, and so with the main objective of reducing them, politicians did everything possible to encourage any form of employment, including resorting to short-term contracts. These contracts were used on a vast scale, and in the following years conditions of greater flexibility were created, in Spain as in many other European countries.

In May this year the government, led by the prime minister Zapatero, the trades unions and business federations, signed an important agreement aiming to considerably reduce the growing precariousness of employment. The proposal will probably take the form of a decree, which is expected to come into force on 1<sup>st</sup> July 2006.

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<sup>11</sup> There are various possibilities, above all in the organic sector; there is also a directory of farms willing to provide board and lodging for staff prepared to work just over the harvest period.

<sup>12</sup> Workers' Statute - Royal Decree n°. 1 of 24 March 1995.

<sup>13</sup> The working week comprises a maximum of 40 hours of actual work per week, including a rest period of at least 12 hours between the end of one working day and the beginning of the next.

The new agreement should benefit somewhere between 1 and 1.5 million precarious workers, especially young people, of a total of over 5.3 million in short-term employment. The agreement will help transform short-term contracts into permanent ones, obliging employers to give a permanent contract to workers who have provided their services for over two years with a short-term contract. This ban on the repeated renewal of temporary contracts, which will be included in the workers' statute in order to make it more effective, seeks to define short-term work as precisely that: a temporary condition that is destined to change.

In order to facilitate the transformation of these contracts, businesses intending to apply this regulation by the end of 2006 will benefit from economic incentives which will vary according to the type of action to be taken. Other measures include, for example, providing incentives for companies intending to take on workers aged between 16 and 30, and those assigning a permanent contract to workers aged over 45, for whom it is extremely difficult to regain access to the world of work if they lose their jobs. Further encouragement to convert contracts from temporary to permanent is given by offering companies the possibility of paying lower redundancy pay than is normally required when laying workers off.

Clearly, for the state, all measures have a cost in both economic and social terms, but the underlying criterion guiding the government in these agreements is to favour incentives to companies taking on workers with a permanent contract relative to unemployment payments or other types of benefits for the jobless.

### *Italy*

ISTAT figures for 2003 in Italy show just under one million people employed in agriculture, 4.3% of the overall workforce. However, over the past decade these figures have both shown a sharp decrease: in 1994 there were almost 1.3 million agricultural workers (6.3% of overall employment), meaning a loss of some 300,000 in ten years (-25%). This trend is certainly not surprising, given that in the agricultural sector as in other fields, the constant efforts to promote the introduction of new technology have considerably improved work yields, reducing the demand for human labour. The drop in employment is also linked to negative signs from certain production sectors (livestock farms, market gardens, etc.) where it has even become difficult to find staff with suitable professional skills.

Furthermore, the data examined show that on a nationwide scale, the drop in workers has affected both independent workers<sup>14</sup> and farm employees<sup>15</sup> to a very similar degree.

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<sup>14</sup> The definition "independent workers" covers the following professional roles: self-employed farmer, tenant farmer, sharecropper, independent title-holder farmer ("IATP").

<sup>15</sup> Includes: workers on permanent contracts ("OTI"), workers on temporary contracts ("OTD") and seasonal workers.

One interesting point for further consideration as regards the situation of agricultural employees comes from INAIL<sup>16</sup>, which classifies workers according to their income category<sup>17</sup>. According to these data, the income band that has seen the clearest drop in workers since 2001 has been the lowest one, below €232.41 of income (-17%). Nonetheless it should be noted that the two lowest income categories remain those where most independent agricultural workers are concentrated (respectively 36% and 43% of the total), and where the drop has been most significant. Overall, in the period from 2001 to 2004, the number of independent agricultural workers fell at an average annual rate of 4%, reaching 553,000 people in 2004.

In terms of territorial patterns, we see that the highest income bands are concentrated in the regions of northern Italy (especially Emilia-Romagna, Friuli Venezia-Giulia ...), whereas the lowest bands are largely predominant in southern areas<sup>18</sup>.

In-depth analysis of the Italian political approach to the question of agricultural labour shows that the two most recent pieces of significant legislation - Decree n°. 38, 2000 and Law n°. 388/2000 (Financial Act 2001) – have opposing implications. The first, regarding the “Provisions regarding insurance against injuries at work and work-related illnesses, as per article 55, comma 1, of Law n°. 144, dated 17 May 1999”, provides for an increase in INAIL (industrial accident insurance) contributions for agriculture, aimed at restoring balance to the sector’s accounts at the Institute; the other, in contrast, provides for the reduction of certain contributions<sup>19</sup>. The INAIL increase is far greater than this reduction, and is added to the gradual rebalancing of social security contribution rates. The negative situation cannot be altered by the labour reform, the so-called “Biagi Law”, which in actual fact simply takes instruments already applied to the agriculture sector and uses them in other sectors. Furthermore, we are still today awaiting the overhaul of the social security system for the agricultural sector. In 2004, professional organisations and trade unions for the sector even signed a pledge of commitment to seek solutions to the problem of undeclared work.

During discussions for the 2006 financial law, the Minister for Agricultural and Forestry Policies repeatedly proposed the inclusion of provisions in favour of the primary sector, and particularly a social security amnesty, but to no avail. On 10 January 2006, Decree n°. 2 was finally issued, providing for urgent intervention for the agricultural sector. This intervention actually concerns the maximum amount for unemployment payments and a shift from January to March of

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<sup>16</sup> Istituto Nazionale per l’Assicurazione contro gli Infortuni sul Lavoro – National Institute for Industrial Accident Insurance.

<sup>17</sup> This is the annual agricultural income, based on cadastral data, which the INPS (social security institute) subdivides into bands in order to calculate the taxable income and thus the rate of social security contribution. These data are derived from the subjects’ income declarations to the Institute, and are thus liable to be incorrect.

<sup>18</sup> This band also includes Trentino Alto-Adige, which leads one to doubt the absolute veracity of the data.

<sup>19</sup> Family Allowance Fund (“CUAF”), maternity and unemployment.

the increase in social security contribution rates mentioned above, but its effect on labour costs proves marginal.

The wage rate situation in Italy is highly complex, but there is generally a particularly wide margin between the amount paid by businesses and that received by workers for their services. With this in mind, we believe that there may be room for reduction of this differential or “tax wedge” and, in particular, given the elements making up the wedge and possible actions upon them, a reduction of as much as 10% could be feasible. In this way the cost of labour paid by businesses would decrease without affecting the net amount received by the worker. Indeed, analysis of labour costs showed that this wedge accounts for some 40% of overall expenses paid by businesses<sup>20</sup> (an average of the figures recorded in a number of studies), and varies according to the individual professional role.

One possible proposal is based on the system already applied in Germany, where it is possible to take on seasonal workers from other countries without paying social security contributions. However, the social security situation in Italy is currently in a significantly critical state, and an intervention limiting contributions does not seem easily applicable.

A second proposal concerns the possibility of intervening in the list of additional items<sup>21</sup> making up a considerable part of provisions on “pay packets”. If on the one hand a rationalisation process appears objectively necessary, on the other hand the relative burden of these elements means that this kind of action alone would not solve the problem. In some cases studied<sup>22</sup>, in percentage terms they account for between 3.79 and 4.98% of gross costs, whilst in terms of costs per working hour the figure varies from 0.34 to 0.54 Euro.

A third hypothesis refers to INAIL accident insurance contributions, where intersectoral research<sup>23</sup> has produced interesting results, showing a strong divergence between agriculture and other sectors (*Table 3*). Indeed, comparison shows that the average contribution rate for agriculture is over four times greater than the average rate for industry. If the comparison is made in terms of hourly costs, workers on a permanent contract in agriculture, which thus includes fruit-growing, cost between 1.11 and 0.69 Euro in INAIL contributions, according to the type of tax regime.

The claims indexes, created as a ratio of injury claims relative to the number of workers, show that in agriculture there are 69.8 cases per 1,000 workers, whereas in other occupations there are just 43.1 cases.

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<sup>20</sup> Bearing in mind that the research refers to short-term contracts with medium-low qualifications.

<sup>21</sup> These include, for example, the Redundancy Fund (“CIS”), contributions for Family Allowance (“CUAF”), Unemployment Benefit (“DS”), Maternity Benefit, Sickness Benefit, etc.

<sup>22</sup> C. Pirazzoli et al. “Il fattore manodopera in agricoltura”, Centro Servizi Ortofrutticoli, Ferrara, 2006.

<sup>23</sup> C. Pirazzoli et al. “Il fattore manodopera in agricoltura”, Centro Servizi Ortofrutticoli, Ferrara, 2006.

**Table 3 - INAIL claims by sector (average figures)**

<b>Sector</b>	<b>Average INAIL %</b>	<b>Incidence on cost per hour (euro)</b>
Agriculture <sup>1</sup> - average contribution rate on base salary class B - incidence on gross cost	13,24	0,7399/1,2386
Industry	3,26	0,30
Handicraft	5,68	0,52
Services	1,53	0,14
Others activities (Insurance, Public instit., etc.)	1,06	0,10

<sup>1</sup> OTD cooperative L. 240 con processi di tipo industriale

Source: our elaboration

The greater number of accidents justifies the higher contribution rates for the primary sector, but the difference is not proportionate. It would therefore be useful to develop a personalised ratio system between risk – insurance premium – performance, taking into account economic trends within the sector, perhaps even rewarding individual businesses for results achieved.

Provisions should also be made for a correlation between the premium and the risk typical of different positions and duties: for example the research showed that around 80% of injuries occur during agricultural activities rather than conditioning work, and only 6.6% take place in industrial settings.

A further factor that must be considered is the territorial area. In particular, territorial variations have been shown to be reflected in the structural and organisational characteristics of farms (average age of the farmer) and the conditions of the natural environment in which they work (hill and mountain areas) (Brugnoli, 2005).

### **Elements for discussion and concluding remarks**

The awareness that we are now part of a global market, where competition is played out in terms not only of quality but also of price, is raising serious and in-depth questions, both for the businesspeople involved and for those with roles of responsibility within public government bodies, as to how and where to intervene in order to identify technical and social solutions that can improve the rating of national products on various markets. In this regard the different producer countries are substantially autonomous in their adoption of rules of behaviour, albeit within a common regulatory reference framework based on guidelines dictated by international bodies at different levels.

In order to regain competitive edge, the labour factor becomes strategically crucial, both in terms of professionalism (or lack thereof) and in purely “accounting” terms, in Italy just as it does in Spain and Germany (and for most production systems more generally). Indeed, given that the workforce accounts for a considerable proportion of a farm business’ overall production costs (as much as 60% in the case of some fruit farms), changes in hourly labour costs can potentially have a

significant impact on the structuring of costs for businesses.

In particular, when running a farm, requirements depend on the type of crop, and of production in general, and on the scope and availability of mechanical equipment, the demands and schedules of key markets, etc. But unfortunately, with increasing frequency around Europe, the demand for manpower comes up against a progressive drop in workers within the sector and, more generally, the actual availability of the workforce decreases, leading to growing difficulties in finding local workers. In some particularly busy periods, shortages can become so marked as to partially compromise the quality of the final production result (for example, Italian farms sometimes find themselves “competing” for labour for harvesting operations, and in order to avoid failing to finish in time, they use unqualified staff, with consequences on the produce sold). This trend has led to an increasingly frequent recourse to foreign workers, particularly those from outside the EU, who in many areas (both in Italy and elsewhere in Europe) represent almost the only source of labour available. Furthermore, the limited professional experience of these workers is often offset by their willingness to carry out heavy and ungratifying tasks.

But whilst both very dynamic, the demand and supply of labour do not always pull in the same direction, and this creates difficulties within the system both nationally and internationally. Of course, it would certainly not be easy to draw up a precise time-plan of the current and future labour needs of farm businesses, given that they are influenced by factors that go beyond mere regional boundaries, adapting each time to suit changes in the CAP and in international trade.

Controlling labour costs has become an essential and strategic key for the competitiveness of the entire national system, and especially of the agricultural sector, where competition affects a product often typified by low prices and differentiated producers, sometimes with economies less well-developed than our own, but equally good competitive capacities. A necessary basic condition for this control must be the transparency of its components (according to the analysis performed, a pay packet in Italy specifies over twenty separate items), so as to simplify it and make it more understandable, thus giving users a greater “command” and awareness, and hopefully at the same time also helping to limit recourse to undeclared labour. In addition to the question of control, some of its components also need to be made less rigid. For example, looking once again at the Italian situation, the contribution paid to INAIL by farm businesses for injuries at work: it is disproportionate based on the duties performed and unconnected with the actual frequency of accidents, and the insurance premium does not seem to be related to the actual risk faced by workers. Another proposal involves the “negotiation” of reductions in rates following the introduction of safety systems and practices within the business that are proven to lead to a real reduction in accidents and/or to strengthen similar measures already in place.



An important element for discussion in the case of controlling labour costs is the reduction of the tax wedge, which weighs considerably on the total amount paid by businesses; as it happens, this matter is currently under discussion by the Italian government, for intervention in all production sectors.

Alongside the measures proposed so far, we also consider it essential to provide for a better qualified labour force, using professional training plans suited to the new demands of an evolving world of agriculture, and of an increasingly multiethnic workforce. This kind of action often also leads to positive economic results, as it fosters better professional performance from workers and effectively contains expense per unit of product and/or increases the value of production.

Typical patterns of agricultural labour supply and demand vary according to the specific sector, but to a greater or lesser degree they tend to be concentrated into peaks of demand for short and inflexible periods, and at the same time they are subject to considerable modifications due to accidental events (adverse weather events such as hailstorms), according to the territory in question (in addition to the area's dominant production preferences) and to the specific type of farm business. Thus greater efficiency could be achieved through a form of contract negotiation more coherent with local variations in the production set-up (e.g., Italy's so-called second level negotiation), whilst on the one hand conferring greater streamlining and modularity as regards taking on workers at different times in the agricultural year, and on the other hand providing elements of additional gratification linked to the attainment of specific business objectives.

Thus we are talking of reorganising the work system as a whole, giving due consideration to the growing numbers of workers from outside the EU. In this regard it is interesting to consider the German experiment of temporarily employing foreigners who enter Germany with a tourist visa, and who already have a job in their home countries. For businesses making use of this workforce the results are positive, because they do not pay social security contributions (since they are already paid by their main employers back home). Our reference to the German situation is intended to highlight the importance of this question on an international level, and the fact that some countries are already taking steps to control the cost of this factor more stringently. One of the fundamental objectives of these actions is to make dealing with non-EU seasonal workers more streamlined and less costly.

Spain has set up a specific plan to support the agricultural sector, providing incentives to stabilise the employment of non-EU workers, with limitation of the restrictions that have in the past been an obstacle to the flow of immigrants, and government proposals to encourage foreign workers employed in Spain to register with the social security system. Furthermore, as from May 2006, any citizen from the new EU-25 working in Spain is entitled to enjoy the same rights as a local worker.

Granting workers from Eastern Europe the same rights as those from the EU-15 represents a huge step forward in terms of economic and social cohesion between member countries, which is one of the EU's inspiring principles.

We also believe that it would be highly useful for professional agricultural organisations to perform the function of trade unions with increasing efficiency, mediating between farmers and institutions, representing the employers' requirements as regards the demand for labour in terms of quantity, professionalism, time periods, etc., before the relevant offices so as to speed up recruitment procedures.

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