

2

F E B R U A R Y 1 9 6 4

Labor  
in  
the  
European  
Community

# Wages and Employment in the Common Market

Both the European Economic Community (Common Market) and the European Coal and Steel Community (ECSC) were founded to create a mass market and the means of mass production to serve it.

Over the last ten years, the European standard of living has climbed as wages have increased. The cost of living has risen at a more moderate rate. The European worker has benefited by increased disposable income.

The employer's wage cost is increasing as the Common Market develops. Thus the comparative advantage that the European producer had over his American counterpart because of lower European wage scales is rapidly vanishing.

It is easiest to visualize wage developments that have been taking place in Europe by looking at the ECSC. Established in 1952, the Coal and Steel Community has actively encouraged the improvement of wages and the standard of living of iron and steel workers and coal miners. Its experience, extending over a decade, illustrates the improvement in real wages -- the net gain after the increased cost of living is taken into account.

This issue of Labor in the European Community includes articles on:

- ECSC Wages: New Standards for Workers. page 2
- Recent Employment Trends in the Community. page 5
- The Community Labor Program in a World Framework. page 10
- Social Security in the Community: Federal Republic of Germany.

Continuing the study of the comprehensive social security system in each of the countries of the European Community, this issue covers the Federal Republic of Germany. page 12

Requests for additional publications or for information on specific questions relating to the European labor situation should be sent to the European Community Information Service, Suite 808, Farragut Building, Washington, D. C. 20006.

Material in this publication may be reproduced with or without acknowledgement. A copy of the publication or article containing the reproduced material would be appreciated.

The next issue of Labor in the European Community will feature:  
FREE MOVEMENT OF LABOR IN THE COMMUNITY.

# ECSC Wages: New Standards for Workers

The European steelworker and coal miner have been working in industries undergoing fundamental changes. In 1952, the European Coal and Steel Community was established "to contribute to the expansion of the economy, the development of employment and the improvement of the standard of living in the participating countries through the creation, in harmony with the general economy of the member states, of a common market."

A fundamental part of the ECSC's program was the improvement of wages in industries covered by the Community: iron and steel production and coal mining. The High Authority, the Community's executive organ, was authorized to recommend remedial action to enterprises whose wages dropped to an abnormally low level. If an enterprise failed to obey the High Authority's recommendation, it could be fined -- with daily penalties as much as twice the amount of wages saved by non-compliance. The High Authority was not, however, given the power to fix wages.

Growing prosperity in the six countries has fostered a steadily rising wage level. Consequently, treaty provisions for Community action in case of falling wages have remained a dead letter.

## A Pattern of Rising Wages

Each year since the ECSC's creation has seen an increase in wages throughout the member countries.

During the first five years of the Coal and Steel Community - a transitional stage in its development - wages rose about 30 per cent. The increase in wages between 1954 and 1957 continued a trend which had begun before the inception of the Coal and Steel Community.

Since 1957, wages in the ECSC have climbed even more steeply than in the 1952-1957 period. The increase has been most substantial in those countries whose iron and steel industries have benefited the most from the creation of the ECSC: France, the Netherlands, the Federal Republic of Germany and Italy. Even in Belgium, where the wage increases have been the most moderate, hourly take-home wages have risen 59 per cent over the 1953 level.

A major part of the wage increase has been due to increased productivity. The employer has been able to raise wages without seriously increasing prices for finished steel products. By holding the line on steel prices, while raising wages, producers have demonstrated to the worker the value of increased productivity. Such productivity has been stimulated by a Community-wide demand which was not possible before 1952.

At the beginning of 1963, prices for finished steel products had risen less than 13 per cent above the 1953 levels. In Belgium, these prices rose only two per cent. During the same period, American prices rose 24 per cent. Community trade in steel products both among the member states and with non-member countries rose steadily through 1962. The total trade was approximately twice the 1964 level. This growing demand for Community products, produced more efficiently under the market conditions created by the ECSC, financed much of the wage increase.

And the wage increase has been in "real wages" - in added buying power.

EUROPEAN COAL AND STEEL COMMUNITY REAL WAGES (1954-1961)

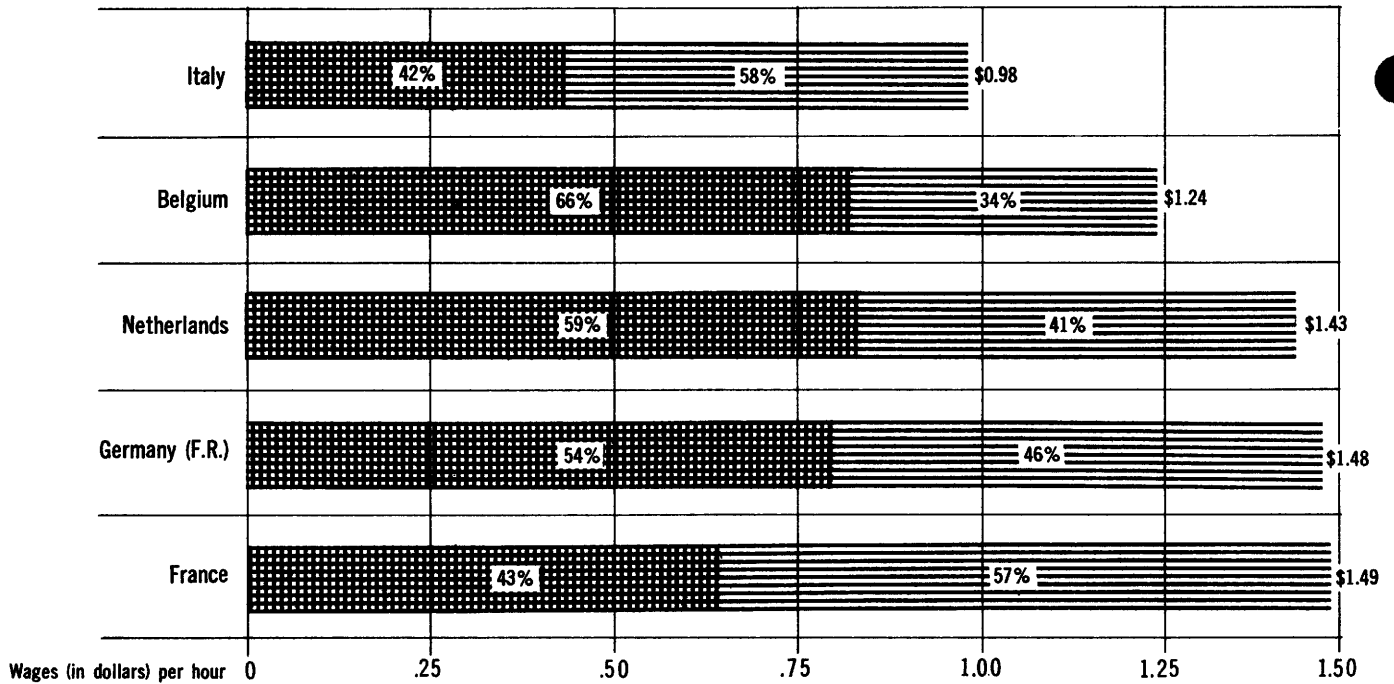
Comparison of net real wages of iron and steel workers (married, two children, not receiving housing from the employer). Country with highest real wage in 1954 - 100.

	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Belgium	89.3	94.5	98.9	98.1	100.2	102.1	106.4	105.5
France	71.3	81.6	86.6	87.7	87.1	88.6	96.2	100.1
Federal Republic of Germany	75.7	81.1	83.1	86.1	83.4	86.3	93.0	96.6
Italy	71.1	74.7	76.3	76.4	73.8	77.8	82.5	84.7
Luxembourg	100.0	103.9	113.0	116.1	116.9	118.5	123.0	128.0
Netherlands	70.8	76.6	81.6	79.7	79.5	80.7	87.2	96.8

The Unseen Part of Wages

Fringe benefits are quite substantial in the Community -- contributing almost as much as the salary itself to workers' total income. If fringe benefits are added to direct wages, the improvement in the worker's economic standing is even more evident. A breakdown of coal miners' total wages indicates the importance of fringe benefits.

ECSC: WAGES AND FRINGE BENEFITS OF COAL MINERS  Direct wage %  Fringe benefits % 1961



- Fringe benefits are composed of: 1. Bonuses and Gifts,  
 2. Pay for days not worked, 3. Social Security Contributions,  
 4. Social welfare taxes (in France and Italy), 5. Recruitment and training expense,  
 6. Payment in kind or services, 7. Other social security type contributions.

The Economic Significance of Rising Wages

Traditionally Americans have felt at a disadvantage with foreign competitors because of lower wage rates prevailing overseas.

Now economic and trade planning - even for the relatively short run - increasingly discounts wage differentials between the United States and Europe since, according to current projections, the relative European advantage will disappear within five years. Under the forthcoming Kennedy Round of trade negotiations, any tariff reductions will be implemented over a five-year period. Thus in future trade relations between the United States and Europe, competition will be "purified" by the elimination of the wage differential factor.

Statistical publications on wages in the Coal and Steel Community and ECSC Annual Reports and analyses are available from the European Community Information Service. Eleventh Annual Report, 1962-1963, now available in English. \$3.00.

# Recent Employment Trends in Europe

The employment gap -- between growing labor needs and an inadequate labor force -- is a chronic problem facing the European Community. The need for more skilled labor has been acute for the last four years.

In three Community countries -- the Federal Republic of Germany, Netherlands and Luxembourg -- there are labor shortages. The demand for skilled and unskilled labor must be met by foreign workers, mainly Italian. France and Belgium are undergoing localized shortages, although the national problem is not as serious as in other Community countries. Only in Italy are there labor surpluses. These are almost entirely in the south; the industrialized north needs more trained workers.

The main reason for the continued existence of the employment gap is the growing need for skilled workers. All trained workers can find jobs within the Community and there remains an unfilled demand. Those workers without adequate training, mainly in southern Italy, are unable to find jobs since the number of jobs not requiring special skills is declining.

The slowing of the Community's growth rate in 1962-63 was favorable to the European labor situation. The increase in unfilled jobs in 1962 was below the level for the preceding year. At the same time, the number of unfilled job applications fell. The net result was a higher employment rate and a reduction in the already low level of unemployment. Yet the number of unfilled positions did increase, and there were fewer workers available to fill them.

Italy has been able to fill the Community's need for unskilled workers in the past, but this supply is now running out. Now as Italian workers are obtaining the skills to fill jobs at home, immigrants from outside the Community are filling whatever vacancies remain for unskilled workers.

The continuing employment gap threatens to have a detrimental effect on the overall economic development of the Community.

In order to meet the growing demand within the Community, industry

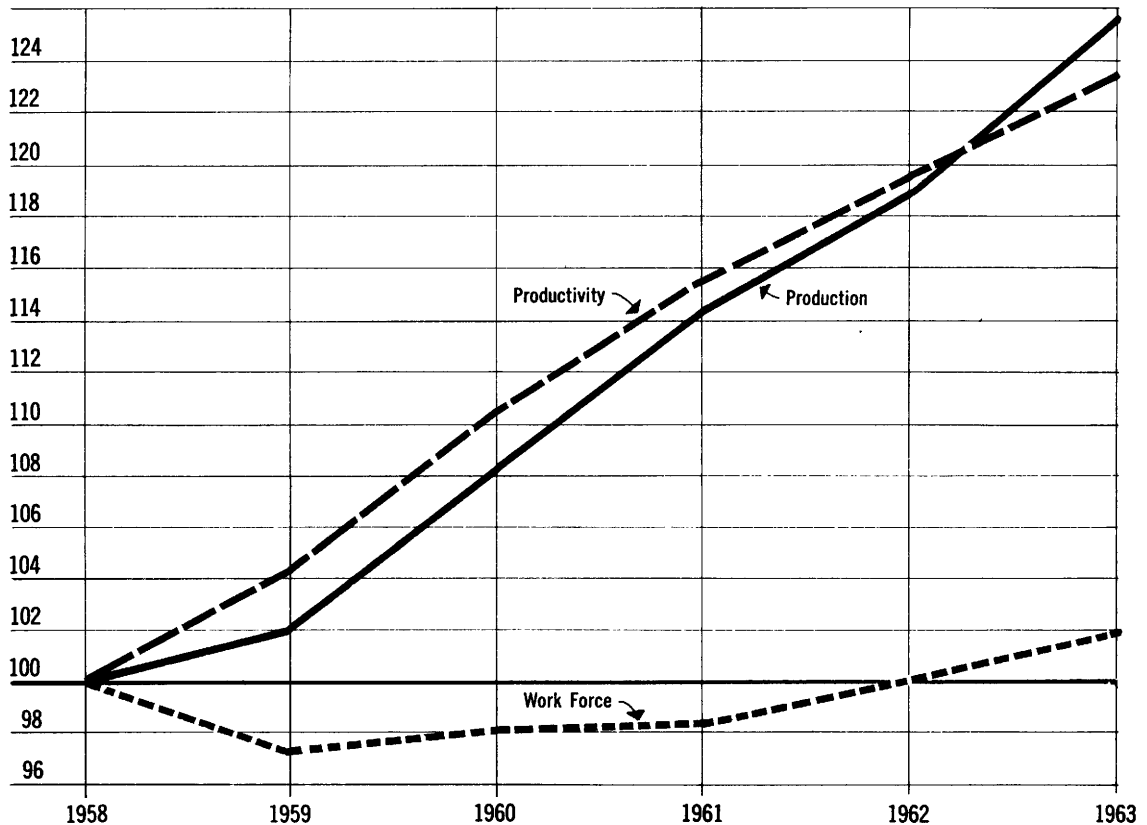
# Recent Employment Trends In Europe

must strive to increase productivity per worker when it cannot add to the work force. Thus the increased production over the last few years has resulted from a startling productivity increase and only a slight addition to the labor force. Recently, however, productivity growth has slowed down. Industry is reluctant to invest in new equipment which will increase productivity when it is not certain that there will be sufficient workers to operate the equipment.

The French experience exemplifies the effect that the labor shortage has had. The accompanying graph shows that production between 1958 and 1962 increased substantially during a period when the work force was below the 1958 level. After 1961 growth in productivity slowed, reflecting concern over increased capital investment. This pattern is typical of other Common Market countries except Italy. The growth in French production was sustained largely because of the return of a large number of Algerian settlers to the French mainland. Many of them were unskilled, however, and were unable to operate additional equipment.

## FRANCE: DEVELOPMENT OF INDUSTRIAL PRODUCTION, PRODUCTIVITY, WORK FORCE

(1958 = 100)



### Fewer Unfilled Job Applications

During 1962 most people who sought work were able to find it. France was an exception, because of the returning Algerian French, many of whom could not find work. But in Belgium and Italy, a considerable number of formerly unemployed workers were absorbed into the work force.

The decline in number of pending job applications was especially striking in the light of earlier estimates that inelastic demand would not allow for further decreases. The continued economic expansion of the Community in 1962 is largely responsible for this development. If April is used as the base month, unemployment fell by 26 per cent over the preceding year.

### Unfilled Employment Applications in the Community (April 1960-61-62)

Dates	Belgium	Germany	France	Italy	Luxembourg	Netherlands
1960	--	188,764	140,751	1,759,019	99	52,211
1961	97,446	131,191	116,869	1,619,519	125	32,935
1962	77,183	122,104	100,218	1,335,600	57	30,826
Difference 1961-60						
	--	-57,573	-23,882	-139,500	+26	-19,276
%	--	-30.4%	-17.0%	-7.9%	+26.3%	-37.0%
Difference 1962-61						
	-20,263	-9,087	-16,651	-283,919	-68	-2,109
%	-20.9%	-6.9%	-14.2%	-17.5%	-54.4%	-6.4%

### More Job Offers Available

Despite the decrease in unfilled job applications, the number of jobs which were available, but unfilled, increased during 1962. The increase was, however, much less pronounced than it had been a year earlier. There was a notable increase in Belgium and Germany, where the number of jobs available exceeded the number of applications. In France the return of Algerian French did not alter the employment picture enough to prevent an increase in unfilled job offers. In Luxembourg and the Netherlands, the total number of unemployed could not match the



# Recent Employment Trends In Europe

number of jobs available. Of course, this does not mean that unemployment vanished, since many people without jobs were unqualified to fill existing vacancies. Even in Italy, there were indications that the demand for skilled labor in the north would not be met, especially since many trained Italian workers were employed outside the country.

## Unfilled Job Offers in the Community (April 1960-61-62)

Dates	Belgium	Germany	France	Italy	Luxembourg	Netherlands
1960	8,411	459,983	24,618	-	960	83,850
1961	13,758	567,920	38,629	-	1,120	113,269
1962	17,677	568,239	50,259	-	1,263	120,978
Difference 1961-60						
	+5,347	+107,937	+14,011	-	+160	+29,419
%	+63.0%	+23.5%	+56.9%	-	+16.7%	+35.1%
Difference 1962-61						
	+3,919	+319	+11,630	-	+143	+7,709
%	+28.5%	+0.06%	+30.1%	-	+12.8%	+6.8%

## Job Placement Fall

The number of job placements Community-wide during 1962 was 11 per cent less than in the preceding year. As mentioned earlier, this decline was due to a shortage of skilled labor.

## Job Placements in the Community (April 1960-61-62)

Dates	Belgium	Germany	France	Italy	Luxembourg	Netherlands
1960	18,952	303,155	34,972	527,641	3,914	20,798
1961	20,033	301,811	37,832	522,497	2,860	17,588
1962	15,266	254,485	38,761	476,251	3,515	15,549
Difference 1961-60						
	+1,081	-1,344	+2,860	-5,144	-1,054	-3,210
%	+5.7%	-.4%	+8.2%	-1.0%	-26.9%	-15.4%
Difference 1962-61						
	-4,767	-47,326	+929	-46,246	+655	-2,039
%	-23.8%	-15.7%	+2.5%	-8.9%	+22.9%	-11.6%

Community Action Proposed to Meet Employment Needs

The employment gap continues to be a fundamental Community problem. The Common Market Commission has proposed a series of measures to the member states which are designed to further reduce the already small number of unemployed.

The Commission proposes that individual member countries establish and develop job retraining programs for the unemployed and those who are likely to be victims of technological unemployment. All six countries are taking measures to create retraining centers. The greatest need is for rapid vocational training where shortages are the most severe. In addition the governments have been urged to undertake an accurate count of the employed and unemployed populations. The remaining number of unemployed is sufficiently small, and the need so specialized, that only through an accurate analysis of the current and future situation will it be possible to provide the needed skilled workers.

The Commission has proposed that the member states take steps to coordinate their labor policies so that surpluses in one country may be used to meet needs in other countries. In addition to training workers to meet current needs, the Commission has asked governments to establish programs for medium- and long-term training. The Community is fostering a vocational guidance program; it has already established a series of basic principles for such a program. Finally, the Community is seeking to provide the widest possible distribution of essential information on workers' opportunities to move and take new jobs freely within the Community.

The report, entitled Manpower Problems in the Community in 1963, which is the basis of this article, was published in French in limited numbers. Inquiries on the full report may be sent to the European Community Information Service, Washington office.

# The Community Labor Program in a World Framework

The Common Market countries -- Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands -- are all members of the International Labor Organization. The EEC Commission and the International Labor Office have established a standing liaison committee. Through this committee, the ILO and the EEC are able to coordinate their technical assistance plans for the African states and Madagascar which are associated with the Common Market. Close cooperation in the field of vocational training is being developed. The ILO will open shortly a vocational training center in Turin, Italy.

In 1963, the EEC Commission reported to the ILO on the Community's efforts to reach the objectives established by the Assembly of the ILO. Community policy, the report said, is oriented toward the early fulfillment of three ILO goals: free choice of occupation, freedom of association, and high priority for welfare programs.

Choice of occupation: The free movement of workers, guaranteed under the EEC Treaty, insures a worker the right to choose his occupation in a greater variety of professions than if he were limited to any one member country. This provision of the EEC Treaty is now in effect throughout the Community.

Freedom of association: All member countries have long had legislation permitting the formation of labor and management groups and authorizing collective bargaining. Employer and employee groups serve in an advisory capacity on many Community committees. For example, they are represented on the 101-member Economic and Social Committee, along with consumer groups. The EEC Commission and Council are required to consult this body before major economic policy decisions can be made.

Equal pay and welfare programs: The EEC has recognized the importance of equal pay regardless of sex, equivalence of paid vacations in member countries, industrial hygiene, and the extension of social security benefits. In addition to the Community's own efforts to promote the

improvement of living and working conditions, the Six have agreed on measures to align and liberalize their social legislation.

#### Employment Level Up

The EEC has made notable progress in raising the employment level, according to the report. From January 1, 1958 to December 31, 1962, the average annual employment rose from 69.5 million to 72.5 million and unemployment fell from 2.8 million to 1.5 million. Nevertheless, in some areas there were both labor surpluses and shortages of skilled manpower; on December 31, 1962, 600,000 positions were not filled. The Commission is endeavoring to develop an employment policy preventing booms and slumps in employment. The governments, industry and labor are sponsoring periodic forecasts of the labor situation which provide an opportunity and a practical inducement for the individual countries to co-ordinate their efforts.

#### Wage and Income Policy a Growing Concern

Of common interest to the ILO and the EEC is wage and income policy, the economic and social aspects of which are closely inter-related. A comprehensive wage and income policy is a corollary to fiscal and monetary policy. The EEC policies are working toward agreement at the Community level among industry, labor and the member governments on wage and income policy to stimulate expansion, restrain price increases and improve the sharing of the national income.

#### Labor Benefits Extended Through Technical Assistance

Recognizing the necessity of considering these problems in the light of a rapidly developing world, the EEC has been strengthening its ties with the associated African States and Madagascar. The new Association Convention between the EEC and these States is directed at the economic and social development of these countries. Most aid will be channeled through the European Development Fund. The new Convention broadens the scope of technical assistance and gives priority to the training of African and Malagasy technicians and administrators.

# Social Security in the Community: Germany

The social security system in each of the six Community countries is quite extensive, though it varies considerably from those prevailing in other member countries. The Community's social policy encourages the harmonization of the national systems while improving the overall level of benefits.

The creation of a uniform program of social security benefits throughout the Community is a major factor in encouraging workers to take advantage of their right to work, wherever jobs are available.

The regular studies of the national social security systems, conducted by the European Coal and Steel Community and the European Economic Community, help indicate where differences still exist. Workers are thus kept informed about the protection they will receive in the event they choose to work in a Community country other than their own.

The French social security system, discussed in the last issue of Labor in the European Community, is perhaps the most extensive in the Community. It is also one of the oldest as is the German system.

## Who is Covered and How?

The Federal Republic of Germany, like the other Community countries, has eight types of social security coverage: health, maternity, disability, old age, survivors, workmen's compensation, family allowances and unemployment insurance.

With the exception of miners and civil servants, all workers are covered under the same general program. Let's see how Hans Schmidt, a mythical German worker, would benefit from the German social security system.

## Health Insurance

The German health insurance program, in contrast to the French, is privately run, though it is under state supervision. Hans Schmidt is required to belong to the health insurance plan at his place of work or residence. The program is administered on a hierarchical basis, with the regions, composed of local organizations, being grouped under a federal association. The main powers remain with the local group

which receives contributions, makes payments, and supervises the program's operation.

Only approved doctors and hospitals take part in the program. The local health insurance group makes a lump-sum payment to the doctors providing services to workers who are covered, and the doctors divide the payments according to a formula they establish. Hans has a free choice of the doctor or hospital he uses, so long as individual doctor or institution is a member of the program.

Employers and employees contribute equally to the fund. The Federal Government contributes on behalf of the unemployed. The monthly ceiling on the total contribution per worker is \$165. Depending on the locality in which he is covered, Hans and his employer contribute between 8 and 11 per cent of his salary. The state does not contribute to the program.

In a unique feature of the German system, there is a ceiling on incomes for beneficiaries; they must earn less than \$1980 a year in order to receive health benefits. There are no requirements for prior work before benefits may be received.

Benefits are paid from the beginning of the illness and are unlimited except that only one month of hospitalization is covered. Health insurance also provides complete coverage for dental work and hearing devices and most of the payments for medicines.

Hans Schmidt can receive cash payments during his illness in addition to health insurance benefits. He may receive payments for 78 weeks in a three-year period. There is no minimum amount of prior work necessary for him to receive these benefits. They may reach 69 per cent of his normal daily income if he has children. A pensioner would receive cash benefits at the same rate as a worker. Benefits are periodically adjusted in accordance with changes in the cost of living. Under German law, Hans' employer pays the difference between the benefits and Hans' full salary for a six week period. Health benefits are extended to all workers in Germany regardless of nationality. Workers from Common Market countries may also receive benefits if they have worked in Germany but fall ill when they are no longer in the country.

# Social Security In the Community: Germany

## Maternity Benefits

Maternity benefits, part of the health insurance program, are paid to working wives and wives of workers covered by the health program. Payments are made for all of the various expenditures associated with maternity and may last for as long as 26 weeks. A working wife receives from 50 to 75 per cent of her salary while a dependent wife receives 25 per cent of her husband's salary.

## Disability Insurance

If a worker is unable to earn half the salary he normally would receive, or if he is forced to take work which only provides him with an irregular income, he may be declared eligible for disability insurance. Blue collar workers receive their benefits from regional associations; a federal program covers white collar workers.

Employers and employees share equal management responsibility for the system. They each contribute an amount equal to 7 per cent of the employee's income. This contribution also covers old age, disability, and survivors insurance. The state contributes about 25 per cent of the total annual expenses of the program. All workers are covered.

The worker must have worked 60 months before he is eligible to receive benefits. If he is declared professionally incapacitated (unable to earn 50 per cent of his normal income in his own profession) he may receive 50 per cent of his former salary. For a person declared a general invalid (only able to earn a sporadic income in any field) benefits may be as much as 100 per cent of the former salary. The maximum salary covered is \$2850 a year. Benefits are adjusted to keep pace with the cost of living.

## Old Age Benefits

Old age benefits are under much the same system as disability insurance. All salaried workers who have earned less than \$3750 a year are eligible for these benefits. A worker must have contributed to the program over a 180-month period in order to be covered.

The normal retirement age is 65 although it is possible to retire earlier. For example, if a worker reaches his 60th birthday and has been unemployed for more than one year, he may elect to begin receiving

his pension at a reduced rate. Old age benefits are adjusted in accordance with changes in the cost of living.

#### Survivors Benefits

Benefits are extended to all widows and dependent widowers. In order for them to be eligible to receive benefits, the deceased must have been participating in the insurance program for at least 60 months. Benefits are, on the average, three-fifths of the amount of disability insurance; orphans receive one-fifth of the disability insurance. The total amount of all survivors benefits cannot exceed 100 per cent of the salary of the deceased.

No matter what benefits are actually due, the full salary is paid for three months in order to provide for funeral and other unusual expenses.

#### Workmen's Compensation

The workmen's compensation program is under the supervision of the federal government, and all workers are covered. They are grouped in professional associations which are responsible for the management of the funds.

All financing is provided by the employers; at no time does a worker have to make either a contribution or a payment for medical services. Hans Schmidt does not have a free choice of doctor, but must go to a designated expert for his particular illness or injury.

For short term disabilities, the worker receives 90 per cent of his salary for the first six weeks, and then 50 per cent. For longer disabilities the payments are based on the degree of disability. Payments cannot exceed \$1200. Under this program pensions are available for widows and orphans. The beneficiary may also continue to receive old age and disability payments provided that the total received does not exceed 85 per cent of his former salary. The workmen's compensation program also provides for job retraining and placement in a new job.

#### Family Allowances

Special payments are available when a family has three or more children. The payments are financed by an employers contribution equal to one per cent of the worker's wages and by the State. The benefits may be paid on behalf of the child until he is 25 if he is pursuing a



# Social Security In the Community: Germany

course of studies. Hans receives \$10 a month for his third child and would get \$10 for each additional child. A worker may receive payments of \$6 a month for their second child if their economic status warrants it.

## Unemployment Compensation

Both employers and employees contribute to the unemployment compensation program. Each contribute .7 per cent of the worker's salary; \$2250 is the highest wage base used. The state also provides some of the financing.

The worker must have held employment in the recent past and be available for a new job to be eligible for unemployment compensation. The payments are based on the number of months worked in the years immediately preceding the period of unemployment.

The maximum amount payable is about \$190 a month. The amount paid declines from 90 to 55 per cent of former wages over varying periods, dependent upon prior work. Small additional payments are also made to dependents.

## German Social Security

Benefits provided in Germany are similar to those available in other Community countries. Much of the German system is private in contrast to the French and Italian systems, which are much more highly government controlled.

The German worker receives important fringe benefits in the form of payments under the social security system. In some cases, these benefits are not as high as those paid elsewhere in the EEC states. The EEC Commission seeks to raise these benefits to the highest now prevailing in the Community.

\* \* \*

The Table of Comparison of Social Security Systems in EEC Countries is available in French from the European Community Information Service. Price \$1.20.

---

*A copy of this material is filed with the Department of Justice where, under the Foreign Agents Registration Act of 1938, as amended, the required registration statement of the Information Office, European Community, 808 Farragut Building, Washington 6, D.C. as an agent of the European Economic Community, Brussels, the European Atomic Energy Community, Brussels, and the European Coal and Steel Community, Luxembourg is available for public inspection. Registration does not indicate approval of the contents of this material by the United States Government.*

---



***europa***  
***community***

INFORMATION SERVICE WASHINGTON OFFICE  
THE FARRAGUT BUILDING, WASHINGTON 6, D.C.

BULK RATE  
U. S. POSTAGE  
PAID  
WASHINGTON, D. C.  
PERMIT NO 41445