

EUROPEAN ECONOMIC COMMUNITY

23, avenue de la Joyeuse Entrée
Brussels 4

Official Spokesman
of the Commission

Telephone 35.00.40

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Information Memo

Social developments in the Community in 1963

The seventh survey of "Social Developments in the Community" recently forwarded to the European Parliament reviews developments in the course of 1963 in the following fields: total population and working population, business trends, employment, labour relations, wages and working hours, vocational training, social security, industrial health and safety, low-cost housing, family questions and social services.

The full text of the Introduction and a summary of the various chapters follow.

The social situation in the Community was marked once more in 1963 by continued tightness of the labour market and a strong tendency for money wages to rise, accompanied by an appreciable acceleration in the upward movement of prices. The picture was not of course the same everywhere, since in Germany wages, if not prices, rose less sharply than in 1962, but it was so of the other countries, particularly France and even more so Italy. While the workers' purchasing power again increased appreciably on the average, the increase was accompanied by a fall in the value of money, which assumed disturbing proportions in various countries.

Wages, of course, despite their predominant share in overall income, do not tell the whole story; there is the danger that with information on other classes of income being less accurate, or even non-existent, not only attention, but also the weight of any restrictive measures, may be concentrated on wages. However, there is no doubt that the pace with which industrial wages continued to mount largely helped to aggravate the inflationary pressure which was already evident the previous year, even though in the majority of cases wage rises were not reflected in industrial prices themselves, or only slightly so. On the one hand, the upward movement of wages, originating in sectors with rapidly increasing productivity, tended to spread to sectors where, for structural reasons, productivity

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cannot progress at the same rate, and this led to the granting of wage increases of a directly inflationary character. Furthermore a large proportion of the additional purchasing power thus created tended to be directed towards consumer goods sectors where production did not possess the necessary elasticity so that the imbalance of certain markets tended to become more marked. Other factors, no doubt, for instance an excessive increase in public spending in certain cases and psychological and even speculative factors, also contributed to the development of inflationary tendencies in the Community in 1963. But whatever the exact pattern, which varied from one country to another, these tendencies caused an overall rise in production costs which again greatly surpassed the increase in overall productivity, thus upsetting or threatening to upset the internal and external balance of the national economies.

In early 1964 the Commission felt impelled to express in no uncertain terms its concern at these developments, and urged the Governments of the Member States to press forward actively, and even intensify, their measures to combat the trend, even if by temporarily curbing expansion. In taking such action the Commission was doing no more than play its part in the Community obligations imposed by the provisions of the Treaty of Rome on policy relating to economic trends and the maintenance of general economic stability. But it was also conscious, in reacting against facile solutions and sounding a warning note against any complacency engendered by five years of boom conditions, that it was directly serving the cause of social progress which is the Community's mission. For if inflation is allowed to persist, it will be in the first place full employment that will sooner or later be compromised, owing to a decline in capacity for industrial investment coupled with a deterioration of external trade. Furthermore, those inequalities, in the distribution of the fruits of expansion which any disorderly rise in wages and prices is bound to produce, will grow more serious - more often than not to the detriment of the less-privileged workers.

It should be understood that there is no intention here of challenging the independence of the two sides of industry in the matter of wages, nor of denying the legitimacy or even the utility, speaking generally, of wage increases sufficiently differentiated to compensate to a certain extent for the lack of uniformity in progress towards greater working efficiency. But it is not just - and experience shows us that this is an abuse which can imperil the general economic balance - that increased productivity in branches of industry which are in the vanguard of progress should benefit these branches exclusively, in the shape of higher wages and bigger profits, and that the share of such benefits available for equalizing wages in general should become ever smaller.

It is in the common interest, first of all, that such progress be reflected, to a certain degree, in lower prices benefiting consumers as a whole. What is more, social progress does not consist only of higher pay and less work, but also of a number of improvements which, without representing such a direct return for progress in the individual worker's productivity, are nevertheless useful on a broader view, and satisfy requirements which progressive societies cannot evade. These improvements, to mention the main fields, concern the extension of social

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security in its widest sense, development of general and vocational training, improvement of social capital to meet modern needs, above all in the less developed regions; and improvement of housing conditions where to a large extent they still depend on public aid. Now, it is obvious that potential social progress is subject to physical limits bound up with the growth of production, and that consequently too rapid a growth of individual wages can only hinder progress in the general interest and even compromise the productive investment on which in the long run all aspects of social progress depend. The inflationary tendencies which developed in the Member States in 1963 gave people a somewhat harsh reminder of these limits and of the need for compatibility imposed by them when short- and medium-term political choices must be made. Hence in April 1964 the Commission asked the Council to recommend to the Member States a stabilization policy to curb the trend of consumption temporarily and to reduce the pressure on the building sector without, however, sacrificing the priority which must be given to the construction of school buildings, hospitals and low-cost housing. Furthermore, the deterioration in the general business situation has only lent emphasis to the reasons that prompted the Commission to propose the adoption of a medium-term economic policy in the Community, by which the Member States' economic and social policies would be co-ordinated at European level and steered towards a more rational position ensuring improved general long-term equilibrium.

The pursuit of such a policy, as the Commission stressed in the introduction to its Seventh General Report, cannot fail to broaden the scope of Community social policy. First of all, it will help to clarify objectives in the matter of employment and incomes, spheres in which long-range action cannot be considered without prior determination of a certain number of quantitative references deriving from medium-term economic forecasts. It is sufficient to recall in this connection the problems involved in the Community's task of guiding the Member States in matters of vocational training and re-training, or again in Community-wide harmonization of working conditions and social security. It is self-evident that social policy cannot but gain in importance and effectiveness when its main aims are fitted into the framework of an overall policy, because those who direct it will inevitably be entitled to share in defining this framework and will be able to influence it with an eye to their own cares and responsibilities. Thus can the necessary harmony be achieved at Community level between economic and social policy, which are only two angles on the same realities - the possible and the desirable - and between which, if it is desired to promote the "continuous and balanced expansion" referred to in Article 2 of the Treaty and to ensure the "accelerated raising of the standard of living" of which this continuity and balance are the necessary condition, it is indispensable that there should reign in future perfect functional harmony.

It is with these considerations in mind that the Commission hopes that the responsible authorities and interested circles will co-operate at all levels to realize these objectives; for its part, the Commission is endeavouring to further its co-operation with the Member States in this sphere and to associate with its efforts the organizations representing employers and workers at European level.

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TOTAL POPULATION AND WORKING POPULATION

The population of the Community (excluding West Berlin) at January 1, 1964 was 177.3 million, an increase of 2 million on January 1, 1963. About 2/3 of this represented natural increase and 1/3 was accounted for by net immigration from non-member countries, which continued to be substantial. The working population, estimated as an average over the year, rose to 72.8 million, an increase of 0.5 million on 1962. Expressed as a percentage of the total, it again declined somewhat to only 41%. A very large part of the increase in the working population was due to the immigration of workers from non-member countries.

EMPLOYMENT

The number of persons in employment in the Community, estimated as an average over the year, rose from 71.2 million (corrected figures) in 1962 to 71.7 million in 1963, an increase of 0.5 million or 0.7%. Thus the growth-rate of employment has in general continued to slacken.

Employment trends again differed widely according to sector. The numbers employed in agriculture continued to decrease, even more rapidly than in 1962, with a fall of over 650 000 for the Community as a whole. In the other sectors, where employment thus rose by 1 150 000, growth was unequal. In general it was much more marked in services than in industry. This is a normal feature of cyclical phases where the growth of consumption is predominant, and it is further accentuated by the long-term tendency for the use of services to grow in relation to consumption as a whole.

The changes in the breakdown of numbers by sector were accompanied by a continued increase of employed workers in relation to self-employed workers (including persons working in family businesses); in 1963 there were some 52.6 million employed workers and 19.2 million self-employed, respectively 73.2% and 26.8%. The movement in this direction since 1958 has been appreciable, since at that time the respective proportions were 59% and 31%.

The slower increase in employment in the Community has scarcely kept ahead of the growth of the working population, so that there has been no further appreciable decline in unemployment. The near-stability of the unemployment level in relation to the previous year shows that apart from Italy, where there is still an appreciable volume of structural unemployment affecting, at least in certain regions, unskilled manpower from country areas, a situation of maximum employment has been reached more or less everywhere. Indeed, in the greater part of the Community the demand for labour exceeded supply in almost all branches and at all levels, but particularly skilled workers. Efforts were made to remedy this situation by the means already employed on a large scale in previous years: industrial decentralization, rapid training courses for adults and, above all, recruitment of foreign labour.

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LABOUR RELATIONS

Social claims in their general economic context have been examined and discussed, with the direct or indirect participation of governments, between the two sides of industry on a more or less systematic basis in all the EEC countries during the year under review. There is no doubt that the establishment and development of the EEC and, in particular, the planning of a common medium-term policy, have brought about a greater readiness on the part of the bodies concerned to compare objectively their views on conditions for optimum economic expansion and distribution of income.

It would be too much, however, to affirm that this aspiration towards more objective confrontations between both sides of industry heralds a fundamental change in labour relations. As before, employers and workers are agreed in recognizing and defending the principle of independence in collective bargaining, a principle by which they themselves fix wages and other working conditions according to the relative strength of their bargaining position. Everywhere new agreements have afforded workers real advantages, even if allowances are made for higher prices due to a variety of causes.

In 1963 serious labour disputes occurred in the larger Community countries; in Germany, in the metal-working factories of Baden-Württemberg, there was even a general lock-out. In early 1964, however, a general conciliatory agreement was concluded in the German metal-working industry.

WAGES AND WORKING HOURS

In 1963 the upward movement of wages in the majority of Member States was again faster than in the previous year. The only exceptions to this general trend were the Federal Republic of Germany where, after the substantial increases of the previous year, there was a certain slackening, and the Netherlands where larger rises, however, are to be expected again in 1964 following agreements made at the end of 1963. In all Community countries steep wage increases meant that the gross income of wage-earners formed a larger part of the national income. This considerable improvement is the result of various factors. Negotiated wages were again raised in all Member States. In 1963 minimum wages secured by collective agreement in Germany, Belgium and the Netherlands increased by an average of some 6 to 7%. In Italy negotiated wages were raised by an average of 15% between the end of 1962 and the end of 1963.

The movement of negotiated wages was outpaced in all Member States by that of actual earnings, largely owing to the tightness of the labour market. In 1963 by far the largest increase in hourly earnings (18%) was in Italy, where this had already been the case the previous year. The least advance was in the Federal Republic of Germany, where in the preceding years there had been particularly large wage increases. Elsewhere, only in the Netherlands did the growth of gross hourly earnings slacken temporarily. In all the other countries there was a more or less distinct acceleration.

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In some countries these considerable wage increases were accompanied by substantial improvements in other working conditions, with the result that in almost all the Member States, the total labour costs of firms increased relatively more than hourly earnings.

The cost of living in most Member States rose more steeply in 1963 than in 1962. Taking the average over the year, the cost-of-living index went up by 2.1% in Belgium, 2.9% in Luxembourg, 3.1% in the Federal Republic of Germany, 4.2% in the Netherlands, 4.8% in France and 7.5% in Italy.

The shortening of working hours did not continue in 1963. Frequently the general shortage of labour even led to their being lengthened. Consequently, in 1963 the working week was reduced only in the Federal Republic of Germany, and to a certain extent in Italy, while in France it was increased. In Belgium and the Netherlands it remained more or less unchanged in relation to 1962.

VOCATIONAL TRAINING

The measures taken by the Member States in 1963 in the matter of vocational training showed a convergence towards the common objectives laid down in the general principles for a common vocational training policy.

Throughout the Community the tendency to broaden and intensify general education and vocational training was confirmed. The tendency towards a higher school-leaving age is becoming general; certain governments are drafting fresh legislation on the matter, while others are already applying measures adopted in the last few years. However, the extension of compulsory schooling by one or two years poses serious problems, especially in France, Germany and Italy, where the shortage of teaching staff and school buildings is particularly acute.

Except in Italy, the number of apprentices training with firms is on the increase in all Community countries. In the six Member States, the relevant government departments are endeavouring to give apprenticeship in the firm the character of a general education. Everywhere the practical training received in the apprentice workshop is more and more commonly supplemented by thorough courses in theory, based on a solid general grounding.

Climbing the rungs of the promotion ladder and re-training for new jobs have been rendered easier in all member countries by special provisions aiming at social betterment.

One of the major concerns of member countries is the training and up-grading of teaching staff and instructors. Great efforts have been made to provide teaching personnel with opportunities to enlarge their practical knowledge in their free time.

Finally, the use of new teaching methods and the spread of information on the subject continue to receive special attention.

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SOCIAL SECURITY

A number of measures, of varying importance, were taken in 1963 to improve social security and extend its scope to new sections of the population. Of particular note are the adoption of new bodies of regulations on industrial injury insurance in Germany and Italy, health insurance and industrial disease insurance in Belgium, the projects of the Luxembourg Government for old-age pensions, those of the Dutch Government for the introduction of incapacity insurance, and lastly the measures taken in France for old people - non-contributory allowances and sick benefits provided by the general social security scheme.

A welcome development is the extension of social security to new sectors, in particular the provision of medical care in France for old people, who up to now had not been entitled to it, and in Italy to pensioned craftsmen, and the efforts made in these two countries to attain equality in social legislation between agricultural and industrial workers.

Social security policy has come to the fore as an integral part of general social and economic policy. In 1963 the Italian National Council for Economic Affairs and Labour published its report on the reform of social security; in France new committees have been set up, one to examine long-term measures regarding health insurance expenditure and the other to study the financial prospects of the social security scheme in connection with the drawing up of the Fifth Plan. Now that the six countries are becoming interdependent as regards economic development, the future developments and long-term objectives of social security must be correlated at Community level.

INDUSTRIAL HEALTH AND SAFETY

During 1963 the Member States amended the rules applicable in many sectors. It is gratifying to note that these are sectors in which the Commission is undertaking preparatory work to harmonize regulations, such as building and public works, agriculture, industrial machinery, etc. Co-operation between governments and between the Commission and governments has been broadened and intensified. Such close collaboration seems to indicate that the Member States will draw up their new national codes in such a way that they may also serve as proposals for a uniform European system.

LOW-COST HOUSING

In 1963 the following developments were observed in low-cost housing:

- (1) A continuing decrease in the ratio of low-cost housing to the total and growing volume of housing being constructed. The number of dwelling units completed in 1963 exceeded 1 400 000 for the first time, despite a slight falling back in Belgium and Germany. With nearly 570 000 dwellings, Germany continued in the lead, both in absolute figures and the number of dwellings per 1 000 inhabitants. Italy came next with nearly 400 000 dwellings in 1963.

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- (2) A persistent rise in the prices of building land and in construction costs, which in many cases held up housing programmes and upset financial calculations.
- (3) Expression of certain fears over the possible consequences of economic and financial measures to combat inflation on national housing policies.
- (4) The pursuit of a policy of progressively decontrolling rents in the countries which still have rent restrictions; in France and Germany decontrol is accompanied by aid to tenants who are not in a position to pay the higher rents.
- (5) The search for solutions to the problem of housing for migrant workers, in view of their numbers in certain countries and of the special aspects of their situation.
- (6) Widening of the scope of housing policy to include matters of town and country planning and land development, and a new awareness of the Community aspects of such matters.

FAMILY QUESTIONS

The levels of family allowances in the various Community countries still vary considerably between one country and another. However, increases introduced in the Netherlands and the Federal Republic of Germany in 1963 and early 1964 have narrowed the gap between the rates in these two countries and those in the other Member States.

The family organizations and certain trade unions in Belgium, France and Germany would like to see the public authorities carry out a long-term family policy and replace piecemeal measures by a comprehensive plan which would provide better co-ordination of action taken by the various government departments.

The problems of working mothers are receiving the attention of public and private bodies in the various countries.

SOCIAL SERVICE

Social services developed in 1963 along the same lines as in previous years, the most noteworthy progress being made generally in benefits for the young, for old people and for the handicapped. Social assistance for migrant workers also made headway.

The authorities responsible for social services continued to give every attention to problems of training for social workers.