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# Labor in the the Community

Each year the Commission of the European Economic Community submits a report on the social situation in the Community to the European Parliament. The report covers such subjects as: population and employment, labor relations, wages and hours, vocational training, the European Social Fund, social security, industrial health and safety, housing, and social policies for families. This issue of <u>Labor in the European Community</u> is devoted to a summary of the latest report on these subjects and includes the full text of the introduction to the report.

Social Security in the Community: Belgium is the fifth in a series on social security systems of the Six. Page 12.

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The European Community Information Service opened a new office in New York during July. The address is: 2207 Commerce Building, 155 East 44th Street, New York 10017. The telephone number is: MUrray Hill 2-0458.

The office, operated as a branch of the Washington office, will maintain a library of Community documents and be equipped to answer inquiries from United Nations missions, the press, public and private organizations concerning the Community.

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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, 808 Farragut Building, Washington, D.C. 20006.

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# INTRODUCTION

The social situation in the Community was marked once more in 1963 by continued tightness of the labor market and a strong tendency for wages to rise, accompanied by an appreciable acceleration in the upward movement of prices. The picture was not the same everywhere, since in Germany wages, if not prices, rose less sharply than in 1962, but it was true in the other countries, particularly France and Italy. While the workers' increase was accompanied by a decline 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, attention and 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 evident in 1962, even though in the majority of cases wages 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 cannot progress at the same rate, and this led to the granting of wage increases of a directly inflationary character. A large proportion of the additional purchasing power thus created tended to be directed towards consumer goods sectors where production was not sufficiently elastic so that the imbalance of certain markets tended to become more marked. Other factors, such as 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 clearly its concern at these developments, and urged the Governments of the Member States to utilize, and even to intensify, their measures to combat the trend, even if by temporarily curbing expansion. In taking such action the Commission was fulfilling Community obligations imposed by the provisions of the Treaty of Rome on policy relating to economic trends and 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. 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 the expansion which any disorderly rise in wages and prices is bound to produce, will grow more serious usually to the detriment of the less-privileged workers.

It should be stressed that there is no intention of challenging the independence of the two sides of industry in the matter of wages, nor of demying 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 fair - 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 continually become 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. Above all, 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 just the most important, include the extension of social security in its widest sense, development of general and vocational training, improvement of social capital to meet modern needs, especially 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 linked to 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 provided 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. The deterioration in the general business situation has 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 coordinated at European level and developed 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, will broaden the scope of Community social policy. First, 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. 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 in Community-wide harmonization of working conditions and social security will be remembered. It is

self-evident that social policy will 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 the necessary harmony can be achieved at Community level between economic and social policy, which are only two ways of looking at the same situation - the possible and the desirable. Between them there should be perfect functional harmony if the "continuous and balanced expansion" referred to in Article 2 of the Treaty and the "accelerated raising of the standard of living" of which this continuity and balance are the necessary conditions are to be promoted.

For these reasons, the Commission hopes that the responsible authorities and interested groups will co-operate at all levels to accomplish these objectives; for its part, the Commission is endeavoring 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.

Gross National Prod							
Volume index (1958 = 100)							
Country	1958	1959	1960	1961	1962	1963	
Belgium	100	102.4	107.2	112.2	117.0	121.5	
France	100	102.7	110.5	115.5	123.1	128.4	
Germany (F.R.)	100	106.9	116.2	122.5	127.6	131.7	
Italy	100	107.3	114.6	124.1	132.0	138.3	
Luxembourg	100	101.5	• •	••	••	••	
Netherlands	100	105.2	114.6	118.1	121.3	126.8	
Community	<u>100</u>	105.1	113.3	119.4	125.7	130.7	

# POPULATION AND EMPLOYMENT

The population of the Community (excluding West Berlin) on January 1, 1964 was 177.3 million, an increase of 2 million over its population 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 sub-

stantial. The working population (including unemployed), estimated as an average over the year, rose to 72.8 million, an increase of 0.5 million over 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.

The number of employed persons in the Community, extimated 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 decline of over 650,000 for the Community as a whole. In the other sectors, where employment 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 69% and 31%.

The slower increase in employment in the Community has been in line with 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. Indeed, in the greater part of the Community the demand for labor 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 pre-

vious years: industrial decentralization, rapid training courses for adults and, above all, recruitment of foreign labor.

# LABOR RELATIONS

The establishment and development of the EEC and, in particular, the planning of a common medium-term policy, have brought about a greater readiness of labor and management to compare objectively their views on conditions for optimum economic expansion and distribution of income. This aspiration towards more objective confrontations between both sides of industry does not herald a fundamental change in labor 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.

In 1963 serious labor disputes occurred in the larger Community countries; in Germany, in the metal-working factories of Baden-Wurttemberg, 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 increases, 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 labor 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.

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 labor 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 labor 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 endeavoring to give apprenticeship in the firm the character of a general education.

Among the major concerns of member countries are the training and up-grading of teaching staff and instructors and the use of new teaching methods.

# THE EUROPEAN SOCIAL FUND

The EEC Commission approved over \$7.5 million in expenditures by the European Social Fund in 1963. These payments will defray half the costs of retraining and relocating over 80,000 workers, enabling them to find new jobs after their previous jobs had ended. This is the fifth year of activity for the Fund.

	Re	training	Relocat	ion expenses		Total
Belgium	\$	350,532	\$		\$	350,532
France	2	2,591,846		10,604	2	,602,450
Germany (F.R.)	1	1,428,995		304,270	1	,733,265
Italy	2	2,134,371			2	,134,371
Netherlands		740,859				740,859

	Retrained	Relocated	Total		
Belgium	994		994		
France	5,036	95	5,131		
Germany (F.R.)	12,465	6,063 Germans 35,740 Italians	54,268		
Italy	18,929		18,929		
Netherlands	1,006	unit page	1,006		
	38,430	41,898	80,328		

### 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 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 had not previously 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.

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 which the Commission is undertaking preparatory work to harmonize regulations, such as building and public works, agriculture, and industrial machinery. Cooperation 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 slowdown 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.

- (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.

## SOCIAL POLICIES FOR FAMILIES

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.

# Social Security in the Community: Belgium

Belgian social security legislation, like that of the other six EEC member states, will form the basis of a harmonized system of social benefits which is planned for the Community. The EEC Commission and the High Authority of the Coal and Steel Community have made extensive studies of the social security systems of the six member countries as the first step toward harmonization. This article, fifth in a series, is based on the Community study of the Belgian system.

# What Is the Coverage and Who Is Covered?

Eight types of social security benefits are provided in Belgium and the other Community countries: health insurance, maternity payments, disability insurance, old age payments, survivors benefits, workman's compensation, family payments, and unemployment compensation. Most workers are covered by the general Belgian social security plan, though there are special programs for seamen, railroad workers and civil servants.

# HEALTH INSURANCE

Insurance is provided either through mutual insurance companies or through offices in each enterprise. Only the insured are represented on the governing boards of the mutual companies, but there is equal representation of employers and employees in the local enterprise offices. All entities providing insurance are placed under the control of a national board composed of representatives of workers, employers, the mutual companies, local offices, doctors, pharmacists and the government. The national board also controls the disability insurance program. Regional organizations below the national board insure liaison among the various agencies and handle benefit payments.

# Who Is Eligible to Participate and Under What Conditions?

All workers under contract and their families, pensioners and the unemployed are covered. Those covered must have participated for from three to six months prior to receiving benefits, but there is no ceiling on participants'

incomes. Medical and other benefits are paid from the onset of illness without limit on duration.

# How Are Health Benefits Financed?

The Belgian system, like those in Germany, France and Italy, provides for a single payment to a general social security fund for all benefits. Contributions for blue-collar workers are 7 per cent of wages, equally shared by employer and employee. White collar workers contribute 2.75 per cent of their salaries and the employers 3.25 per cent. The state makes an annual contribution equal to 16 per cent of the total paid in by the employers and employees. The wage base for determining contributions has a ceiling of \$160 a month.

# What Doctors and Hospitals Participate?

Individuals have a free choice among all doctors belonging to the national medical association. Doctors have complete freedom in setting their fees. There is also a free choice among hospitals approved by the Minister of Public Health. Rates are set by agreement with the insurance organization or by the government if an agreement cannot be reached.

# What Special Health Benefits Are Covered?

Sanitarium fees may be paid up to a daily maximum of \$4.00. Cures may be paid for, including the costs of transportation and special clothing. Most normal dental care and prescriptions are paid for according to the official rate schedule. Allowances are made for prosthetic devices.

# What Cash Payments Are Made to Individuals Receiving Health Benefits?

All workers are eligible to receive as much as six months of cash benefit payments after they have been ill for three days. If the illness continues, the worker becomes eligible for disability payments. Payments range from 20 per cent to 60 per cent of the base salary if the worker is not hospitalized.

# Are Benefits Available to Foreigners?

All foreign workers are eligible for the same coverage as natives when they are in Belgium and meet the requirements of the program. Workers from Common Market countries receive the benefits they have earned, even if they have left the country.

# MATERNITY PAYMENTS

The health insurance program covers cash benefits ranging from 60 per cent to 100 per cent of the base salary for a twelve week period. Medicines are also provided to working wives or the wives of insured workers. A contribution is made toward the cost of the layette and a lump-sum payment of \$105 is made under the family payments plan. After the first birth, this amount is reduced to \$52.50.

# DISABILITY INSURANCE

The disability program is linked to the health insurance program in Belgium and is administered in the same way.

# Who Is Eligible?

All workers must participate in the program, and they are eligible for benefits if they are unable to earn more than a third of the normal salary for their job due to disability. The worker must have been employed from three to six months prior to becoming disabled and must have a 66.7 per cent disability to be eligible for benefits.

# How Is Disability Insurance Financed?

Contributions are the same as those under the health insurance program. The maximum wage base for contributions is \$1,920 a year. The state contribution under the health insurance program is also applied to disability benefits.

# What Benefits Are Given?

For the first 150 days of disability, the worker receives 60 per cent of his former wages, subject to a daily ceiling of \$3.00 After this period, the maximum payment is \$2.24 if the worker has dependents or \$1.60 if he has none. These benefits may be combined with those received under the workmen's compensation system. A disabled worker may receive retraining for a new job and is eligible for adjustments in benefits if the cost of living changes by more than 2.5 per cent.

### OLD AGE PAYMENTS

This program is administered jointly by employers and employees. The contributions are: 9 per cent of salaries of blue collar workers with employers and employees each contributing half and 10.25 per cent for white collar

# Social Security in the Community: Belgium

workers with employers contributing 6 per cent and the worker the remainder. The maximum base salary used for computations is \$2,016 a year. The state also contributes. Men are eligible for benefits at 65; women at 60. The minimum pension for a blue collar worker is \$580 a year and is set at \$928 for white collar workers. The maximum is \$1500 a year. Cost-of-living adjustments are made in the benefits.

# SURVIVORS BENEFITS

Widows raising children and those over 45 receive 60 per cent of the retirement pension. A lump-sum payment equal to 30 times the worker's daily wages is made to cover funeral expenses.

# WORKMEN'S COMPENSATION

Workers may choose to join the accident insurance plan but must participate in the plan covering illnesses resulting from work. These plans are administered by both professional and national insurance companies. The amount of disability is set through agreement between the injured party and the insurer, but must be approved by a justice of the peace. The maximum benefit is \$2400 a year, but this may be increased by \$1200 if the injured party requires an attendant or nurse. The payments continue even if the worker finds a new job. Benefits are also continued, at a reduced rate, for surviving widows and orphans. Job retraining is provided and employers are required to make jobs available to disabled workers. Cost-of-living adjustments are made under this plan.

# FAMILY PAYMENTS

Employers contribute 9 per cent of the base salary (annual maximum is \$1,920) to finance payments given for each child. The payment for one child is \$8.93 a month, but the amount for each additional child is greater and a larger payment is made for older children.

# UNEMPLOYMENT COMPENSATION

Employers and employees each contribute one per cent of wages to finance unemployment compensation, which is payable without limit to workers who are available for work. Payments equal 50 to 60 per cent of the base wage. Family payments are continued while unemployment compensation is paid.

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