

Labour Cost in Italy and the E.E.C. Countries

The E.E.C.'s programme of statistical surveys

1. In the December 1962 issue (No. 63) of this Review an account was given of the first survey on labour cost — relating to 1959 — carried out by the European Community Statistical Institute (E.C.S.I.) in 14 industrial sectors of the Community countries.

Since then E.C.S.I. has proceeded with its programme of statistical surveys on both labour cost and workers' incomes, making a second survey relating to 1960 and covering another eight industrial sectors, and then a third relating to 1961 and concerning a further 13 of these sectors. Altogether, it has thus obtained over a three-year cycle the data of 35 sectors that represent 80 per cent of the Community's manufacturing industry (1).

A second three-year cycle has been begun with a fourth survey relating to 1962 and covering the same sectors that were examined in the opening survey of 1959. The second cycle will be completed by repeating a second and then a third survey relating respectively to the years 1963 and 1964, and this will enable the changes that have occurred in each country during the three-year interval between the previous and the new survey to be ascertained.

2. It is foreseen that after this second cycle of annual surveys, a different system will be adopted, by means of which one single survey, relating to 1965, will be carried out in all the Community's manufacturing industries as well as on its building constructions. This survey will then be repeated, presumably after the same three-year interval, and in the meantime the statistics will be brought up

(1) The results of the surveys mentioned are contained in the series *Statistiche Sociali* published by E.C.S.I., in 1961 (No. 3), 1963 (No. 1) and 1964 (No. 2).

to date by using the result of the half-yearly surveys of wage trends in the various countries. To this end such surveys have been "harmonized", starting with the one already made relating to April 1964.

3. Besides widening and harmonizing its programme of wage ascertainment in their twofold aspect of labour cost and workers' incomes, following the criteria mentioned above, E.C.S.I. has also introduced improvements by adding, as from 1960, a break-down of labour costs according to the size of establishments and their territorial location, a break-down of the amount of earnings as between male and female labour to enable more accurate comparisons of workers' incomes to be made, as well as other refinements in the survey instruments (questionnaires, definitions, methods and so on), the timeliness of which had been realised in the meantime.

4. The present article illustrates the principal results of the fourth survey that relates to 1962 and is now in course of publication, the most significant data of which have already been made known (2).

The analysis is confined to data regarding labour cost shown as borne by the enterprises, and does not take account of studies made by E.C.S.I. of workers' incomes in the various countries. This is because an examination of such data, which can in part be open to reservations, would take up too much of our space.

It must be made clear moreover that the various elements of labour cost are expressed in Belgian francs, the result of converting the values expressed in the various national currencies according to the average official rate of exchange of each particular year. It is clear that E.C.S.I.'s choice of this unit of account is merely conventional and that the results of the analyses would be perfectly equal if another monetary unit had been chosen instead of the Belgian franc. Further, the fact that the conversion has been based on the official exchange can be justified, since it is precisely the latter that serves as the basis for international trade, from the point of view of which, where international competition is concerned, wage burdens are mostly considered.

(2) A synthesis of the results of the two intermediate surveys relating to 1960 and 1961, and covering respectively eight and 13 industrial sectors is given in two Appendix Tables. In the case also of these intermediate surveys, an attempt is made in Table 9 to bring them up to date as far as 1963, adopting criteria and qualifications that are dealt with in the text.

The results of the survey relating to 1962

5. Table 1 gives the values, expressed in Belgian francs, of the average hourly labour cost in the various countries in 1959 and 1962. It enables us to see that in the interval between the two years considerable increases have been registered in all the countries concerned; it must be borne in mind, however, that between the two surveys some modifications have occurred in the coverage of several sectors; the percentage changes in costs in the various countries are therefore shown in Table 2, and they relate to homogeneous data concerning, that is, the same sectors (3). It is seen that the average increases emerge in the following order:

- 45 per cent in Italy
- 35-40 per cent in the Netherlands
- 30-35 per cent in Germany
- 25-30 per cent in France
- 24 per cent in Belgium

Consequently, as can clearly be seen from the data expressed in index numbers (the country that each year registers the highest cost, for each individual sector, being shown as equalling 100), the comparative positions of the five countries have undergone modifications, since Germany in almost every instance now finds herself occupying first place, followed closely by France, while Belgium, who often held the first position in 1959, now mostly finds herself lying third. Italy and the Netherlands fill, as in 1959, the last two places, but their distance from the leading position has in general greatly decreased.

It can be stated in short that the dispersion degree of the values ascertained in 1959 has become notably less, i.e., the arc covering the differences in labour costs between the five countries has substantially contracted.

Undoubtedly this must be attributed to factors connected with the growth of trade unions (as far as wages are concerned) or with

(3) The percentages indicated in the table mentioned have been calculated on costs expressed in the various national currencies. Consequently, they do not reflect the incidence of the revaluations experienced by the German mark and the Dutch florin in 1961 (see also the successive paragraph 9).

TABLE I

AVERAGE HOURLY COST OF LABOUR IN SOME E.E.C. INDUSTRIAL SECTORS
Wage earners

Industries	Germany		France		Italy		The Netherlands		Belgium	
	1959	1962	1959	1962	1959	1962	1959	1962	1959	1962
	(in Belgian francs)									
Sugar	37.91	52.66	36.69	48.15	31.82	44.26	33.65	46.38	43.60	51.48
Breweries, malt factories	44.88	60.43	35.92	45.97	30.06	45.02	33.88	47.37	38.74	44.85
Wool spinning and weaving (a)	32.41	47.29	33.50	40.73	27.38	40.59	28.13	39.44	31.55	37.45
Cotton spinning and weaving (a)	32.75	46.85	30.90	38.26	24.68	38.01	31.78	41.77	31.71	38.56
Artificial and synthetic textile fibres	44.28	63.15	48.77	65.40	31.91	48.65	—	54.20	—	50.01
Paper pulp, paper and cardboard	39.62	57.02	40.65	52.26	31.46	46.61	33.74	50.06	42.47	50.15
Chemicals (b)	46.93	66.40	45.73	61.47	35.47	50.17	36.64	56.11	40.99	54.00
Pharmaceutical (b)	—	51.31	—	52.68	—	43.81	—	42.97	—	36.55
Rubber	41.72	59.12	40.09	51.35	42.22	58.24	33.04	47.59	40.40	47.69
Cement	45.46	62.68	46.33	60.41	32.18	47.47	—	—	52.73	67.31
Grès, porcelain and ceramics	32.93	48.33	31.95	39.92	27.88	40.83	26.99	40.17	32.53	40.21
Machine tools	45.50	63.61	45.65	57.15	36.08	53.82	—	53.15	46.90	57.49
Electrical machinery and material	38.86	55.55	39.81	50.00	33.17	46.47	33.06	46.64	40.45	49.66
Shipbuilding and repairing	45.94	62.34	43.11	56.93	40.37	52.12	38.54	54.57	54.25	66.96
Motor vehicles	49.80	71.82	53.74	68.49	48.79	63.77	—	—	—	—
	Index numbers									
Sugar	86.9	100.0	84.2	91.4	73.0	84.0	77.2	88.1	100.0	97.8
Breweries, malt factories	100.0	100.0	80.0	76.1	67.0	74.5	75.5	78.4	86.3	74.2
Wool spinning and weaving (a)	96.7	100.0	100.0	86.1	81.7	85.8	84.0	83.4	94.2	79.2
Cotton spinning and weaving (a)	100.0	100.0	94.3	81.7	75.4	81.1	97.0	89.2	96.8	82.3
Artificial and synthetic textile fibres	90.8	96.6	100.0	100.0	65.4	74.4	—	82.9	—	76.5
Paper pulp, paper and cardboard	93.3	100.0	95.7	91.7	74.1	81.7	79.4	87.8	100.0	87.9
Chemicals (b)	100.0	100.0	97.4	92.6	75.6	75.6	78.1	84.5	87.3	81.3
Pharmaceutical (b)	—	97.4	—	100.0	—	83.2	—	81.6	—	69.4
Rubber	98.8	100.0	95.0	86.9	100.0	98.5	78.3	80.5	95.7	80.7
Cement	86.2	93.1	87.9	89.7	61.0	70.5	—	—	100.0	100.0
Grès, porcelain and ceramics	100.0	100.0	97.0	82.6	84.7	84.5	82.0	83.1	98.8	83.2
Machine tools	97.0	100.0	97.3	89.8	76.9	84.6	—	83.6	100.0	90.4
Electrical machinery and material	96.1	100.0	98.4	90.0	82.0	83.6	81.7	84.0	100.0	89.4
Shipbuilding and repairing	84.7	93.1	79.5	85.0	74.4	77.8	71.0	81.5	100.0	100.0
Motor vehicles	92.7	100.0	100.0	95.4	90.8	88.8	—	—	—	—

(a) The 1959 survey considered only the spinning branch.

(b) The 1959 survey considered the chemicals and pharmaceuticals together.

social policy (as far as insurance charges are concerned) that have been peculiar to each country. The belief is, however, that there can be no denying the harmonizing influence which — even beyond the specific initiatives developed within the E.E.C. — has become apparent as a result of the greater links forged by the progressive carrying into effect of the Common Market.

TABLE 2

INDEX OF THE HOURLY COST OF LABOUR IN SOME E.E.C. INDUSTRIAL SECTORS IN 1962 COMPARED WITH 1959
Wage earners (a)

Industries	Germany	France	Italy	The Netherlands	Belgium
Sugar	133.4	130.9	139.5	132.3	118.1
Breweries and malt factories	129.3	127.6	150.3	134.5	115.8
Wool spinning	132.8	123.3	148.3	135.0	118.7
Cotton spinning	134.3	123.3	152.5	125.8	121.6
Artificial and synthetic textile fibres	137.0	133.8	152.9	—	—
Paper pulp, paper and cardboard	138.4	128.2	148.6	142.0	118.1
Chemicals	132.8	131.0	138.5	143.0	127.7
Cement	136.1	127.8	138.4	138.0	118.0
Grès, porcelain and ceramics	132.4	130.2	148.0	—	127.7
Machine tools	141.1	124.8	146.9	142.6	123.6
Electrical machinery and materials	134.5	124.6	149.7	—	122.6
Shipbuilding and repairing	137.2	125.4	140.6	135.2	122.8
Motor vehicles	130.5	131.7	129.5	135.7	123.4
	138.7	127.3	131.1	—	—

(a) The indices are calculated on the amounts expressed in the various national currencies, for homogeneous sectors.

This has deeply changed the competitive position of the various countries in respect of labour cost. Taking the year 1962, it will be noticed that as far as Italy is concerned her low position in almost all the sectors has improved, which means that her competitive position in respect of labour cost has worsened. In the case of the chemical and the ceramics industries the situation has remained practically unchanged; Italy's competitiveness has apparently improved only in the rubber and motor vehicles industries (only, however, compared with Germany). It can be added that labour cost in Italy is practically in line with that of France, Belgium and the Netherlands in the cotton and wool spinning and weaving industries as well as in the electrical machinery and materials industry, except for a narrow

margin of difference; it is worth emphasizing that these are industries employing a high proportion of female labour, which in 1962 was granted wage equality with male labour.

6. With the object of improving documentation and of enabling a more comparative analysis of labour cost between the various countries to be made, the data in question have been elaborated, as was said, also by taking into account the size of the establishments studied (4).

The results of this elaboration showed that labour cost is usually directly in proportion to the importance of the establishment as regards its size. There are, however, exceptions to this general rule which are sometimes striking, and they seem to be a feature of several industrial sectors where, side by side with firms specializing in quality productions are found firms that manufacture similar products on mass production lines. The former are generally firms that are not large and they employ a high proportion of highly skilled and therefore well paid workers, while the latter firms are of far greater size and employ higher proportions of more general workers, who are paid less.

7. When the data contained in Table 3 relating to labour cost ascertained in 1962 in the large establishments (5) are compared with those of Table 1, it can be seen that the positions of the different countries, Italy in particular, have similarly drawn closer to one another. Some important exceptions are also found, however, and it seems opportune to underline the following two.

The first meaningful exception is provided by the German wool industry, where the largest establishments show a cost below the general average, the effect of which is to draw nearer the corresponding costs of the other countries; however, in Germany the

(4) To this end the establishments examined were divided into the following size classes: from 50 to 99 dependents, 100 to 199 dependents, 200 to 499 dependents, 500 to 999 dependents, exceeding 1,000 dependents. It should be borne in mind that in some cases, when data for not more than two establishments were available within a certain group, regroupings were made for wider size classes, with the object of ensuring the secrecy of statistics.

(5) No separate data covering the sizes of establishments producing artificial and synthetic textile fibres have been supplied by Germany and France, or by France in the case of establishments manufacturing motor vehicles.

TABLE 3
HOURLY COST OF LABOUR IN THE LARGE SIZE ESTABLISHMENTS
OF SEVERAL E.E.C. INDUSTRIAL SECTORS (*) (b)

1962 - Wage earners

Industries	Germany	France	Italy	The Netherlands	Belgium
(in Belgian francs)					
Sugar	53.58 e	50.38	44.20 f	50.45 c	53.52 i
Breweries and malt factories	67.36	49.73 d	45.30 f	49.66 d	48.70 d
Wool spinning and weaving	46.50	44.35	42.15	42.35 c	39.73
Cotton spinning and weaving	47.39	41.18	39.55	43.58	44.35
Artificial and synthetic textile fibres	—	—	49.41	—	—
Paper pulp, paper and cardboard	62.59	66.03	50.54	50.96 d	54.78 d
Chemicals	69.97	76.00	54.96	67.26	58.20
Pharmaceutical	57.07	65.80 d	53.78	46.32 i	41.79 c
Rubber	62.51	54.70	68.01	48.76 d	49.46 d
Cement	67.28	61.04 e	48.91 f	—	69.49 f
Grès, porcelain and ceramics	50.38	41.11 d	48.11	41.51 i	38.88 c
Machine tools	64.06	53.16	64.35	—	58.94 d
Electrical machinery and material	57.47	53.20	50.83	47.60	51.44
Shipbuilding, repairing and maint.	63.78	58.95	54.10	57.93	75.01 d
Motor vehicles	72.00	—	64.62	—	—
Index numbers					
Sugar	100.0	94.0	82.5	94.2	99.9
Breweries and malt factories	100.0	73.8	67.3	73.7	72.3
Wool spinning and weaving	100.0	95.4	90.6	91.1	85.4
Cotton spinning and weaving	100.0	86.9	83.5	92.0	93.6
Artificial and synthetic textile fibres	—	—	—	—	—
Paper pulp, paper and cardboard	94.8	100.0	76.5	77.2	83.0
Chemicals	92.1	100.0	72.3	88.5	76.6
Pharmaceutical	86.7	100.0	81.7	70.4	63.5
Rubber	91.9	80.4	100.0	71.7	72.7
Cement	96.8	87.8	70.4	—	100.0
Grès, porcelain and ceramics	100.0	81.6	95.5	82.4	77.2
Machine tools	99.5	82.6	100.0	—	91.6
Electrical machinery and material	100.0	92.6	88.4	82.8	89.5
Shipbuilding, repairing and maint.	85.0	78.6	72.1	77.2	100.0
Motor vehicles	100.0	—	89.7	—	—

(*) In this Table and Table 6, as well as in the two Appendix Tables, the values refer to establishments belonging to the same size classes. These classes are indicated by the following letters:

- (a) Average amount for all establishments;
- (b) Amount for the larger size establishments; except where otherwise indicated, the data refer to establishments with more than 1,000 dependents;
- (c) From 500 to 1,000 dependents;
- (d) More than 500 dependents;
- (e) From 200 to 500 dependents;
- (f) From 200 to 1,000 dependents;
- (g) From 100 to 500 dependents;
- (h) From 100 to 200 dependents;
- (i) More than 200 dependents;
- (l) From 100 to 1,000 dependents.

group of firms employing 500 to 1,000 persons is the one showing the highest cost (Belgian francs 48.26). The second similar exception is provided by the machine tools industry in both Germany and France, where the rule that labour cost rises according to the size of the establishment holds good up to the group employing 500 to 1,000 persons, while establishments with more than 1,000 workers show a lower cost. This is perhaps the reason why in the case of this industry Italy, with her lower number of establishments with more than 1,000 workers, has the highest cost level.

When the largest size establishments in the remaining sectors are examined, Italy heads the classification for the rubber industry, is closer to the position of the other countries in the electrical machinery and materials industry, in shipbuilding (apart from the anomalous situation of Belgium which, however, concerns ship repairing activities), and in the motor vehicles industry, for which, however, France has not been able to provide data broken down according to the sizes of establishments; the position remains practically unchanged in the cotton, pharmaceutical and cement industries, while Italy occupies a lower position in the remaining industries (sugar, breweries, paper and cardboard production, chemicals).

Labour cost in the steel industry

8. The European Community Statistical Institute, besides providing surveys of labour cost in the various manufacturing industries previously mentioned, also conducts similar surveys for the industries that come within the jurisdiction of the European Coal and Steel Community (E.C.S.C.). Indeed, in the case of these industries the surveys started when this particular Community was founded in 1954, so that today a series of data relating to a fairly long and significant period is available, and they enable the changes that in the meantime have taken place in the various countries to be examined on a wider scale and by means of deeper analyses.

It should be added that the methodology adopted in the E.C.S.C. surveys is the same as that on which the E.E.C. surveys were afterwards based, which means that the respective data are fully comparable.

In the paragraphs that follow our examination is confined to the steel industry's data in view of the limited importance that can

be attached, in the case of Italy, to international comparisons of labour cost in her coal and iron mines because of their modest scale compared with other countries.

9. Table 4 gives data of the average labour cost per hour of steel workers in the various countries of the E.C.S.C. from 1954 to 1962.

TABLE 4

HOURLY COST OF LABOUR FROM 1954 TO 1962 IN THE STEEL INDUSTRY (1)

Year	Germany (2)	Luxembourg	The Netherlands	Belgium	Italy	France
(in current Belgian francs)						
1954	37.67	47.25	31.72	41.45	34.01	37.40
1955	41.34	50.97	37.24	44.34	34.75	42.19
1956	45.25	57.41	41.04	49.14	39.18	47.57
1957	50.57	64.08	45.05	54.09	40.27	48.36
1958	52.88	65.88	47.31	54.61	42.97	49.75
1959	56.10	65.65	47.96	56.25	45.35	45.69
1960	60.65	70.31	54.49	60.83	48.99	49.78
1961	68.13	73.72	69.76	62.93	52.29	55.49
1962	75.11	74.71	73.36	66.57	60.85	59.95
Index numbers						
1954	80	100	67	88	72	79
1955	81	100	73	87	68	83
1956	79	100	71	86	68	83
1957	79	100	70	84	63	75
1958	80	100	72	83	65	76
1959	85	100	73	86	69	70
1960	86	100	77	87	70	71
1961	92	100	95	85	71	75
1962	100	99	98	89	81	80

(1) The countries are listed according to the diminishing order of cost in 1962.

(2) Including the Sarre, as from 1960.

The first general point that strikes one is the extent to which — especially in 1962 — the countries' positions have drawn appreciably closer to one another compared with the original situation. In particular the positions of Germany and the Netherlands, who in 1954 and still more in 1957, registered differences of 20-30 per cent compared with Luxembourg's peak figure, were in 1962 almost on a level with the latter country. There was practically no change in the positions of France and Belgium if one compares the first and last years of the nine-year period. Italy registered a substantial ad-

vance, especially in 1962, for labour cost which in 1957 was 37 per cent below the highest figure showed a difference of only 19 per cent in 1962, was on a level with that of France, and differed by 10 per cent from Belgium's figure.

This general situation was due to the fact that during the period under examination labour cost increased to an equal extent in Belgium (61 per cent), France (60 per cent) and Luxembourg (58 per cent), while in the Netherlands the increase was 131 per cent, in Germany 98 per cent, and in Italy 79 per cent. This growth rate of costs expressed in Belgian francs was greatly influenced by the changes in the official exchange rate. In France, in fact, the normal increase was 125 per cent, but as the exchange was reduced by 28.9 per cent, the rise was equal to that of Luxembourg and Belgium; in Germany and the Netherlands the increases, in the currency of the day, were respectively 91 per cent and 120 per cent, and the difference compared with the percentages given above was due to a rise in the exchange rate of, respectively, 4.3 per cent and 4.8 per cent. These changes in the exchange occurred in 1961 as regards the revaluation of the German mark and Dutch florin and in 1958-59 as regards the devaluation of the French franc.

Labour cost differences in each country, according to territorial zones

10. Starting from the second survey, E.C.S.I. has elaborated the results of its findings according also to a classification by territorial zones in the individual countries, Belgium excepted. These data seem to be especially interesting since they show the differences that occur between the average costs really borne in establishments located in different territorial zones, and not the differences regarding contractual wages.

The results of the elaboration, the voluminous statistical documentation of which is barely touched on here, have underlined the existence of the following general differences between the higher-cost and the lower-cost territorial zones of each country in the years under examination (from 1960 to 1962):

— Germany: The higher-cost zones, in general, are Hamburg, Essen and sometimes North-Westphalia; compared with these

the lowest cost zones are Bavaria, Schleswig-Holstein, and sometimes the Rhineland, where costs are from 15-25 per cent less.

— France: The lowest costs found in the Mediterranean, Pyrenees and Aquitano basin regions show differences of from 20-35 per cent compared with Paris and its surrounding zone.

— Italy: The differences between the north-west regions and those of the South and the Islands run from 15 to 30 per cent.

— The Netherlands: The difference between the northern provinces and the remainder of the country varies from 5 to 20 per cent.

The above figures indicate the extent of the most frequent differences. Particular situations exist in some industries that in each country register either the highest or the lowest cost in zones outside those indicated. In any case such data go to confirm the existence in all the countries considered of substantial differentiations (sometimes also established as a right) in labour cost as between the various regions, and especially between those that are more industrialized and the others; it is superfluous to add that in the former are found most of the larger enterprises, which by reason of their size are of greater importance in the international market.

As to the steel industry, the differences (relating to the steel-making centres of each country) are generally less marked; in 1962 they were 21 per cent in Germany, 10 per cent in France, 5 per cent in Italy and 7 per cent in Belgium.

The level and trend of the remunerations and labour cost of salaried employees

11. In the surveys of the E.E.C. industries (excluding, however, the steel industry) data are also available regarding labour cost of salaried employees; while the cost of wage earners has been related to the hours of work, the total amount of expenditure borne being divided by the number of hours worked during the year, the cost of salaried employees relates to a month and has been obtained by dividing the annual amount by 12 months.

As with the tables covering wage earners, Tables 5 and 6 give the documentation concerning the labour cost of salaried employees contained in the two different surveys of 1959 and 1962,

MONTHLY EXPENDITURE ON SALARIES AND SOCIAL CHARGES IN SOME E.E.C. INDUSTRIAL SECTORS
Salaried employees

Industries	Germany		France		Italy		The Netherlands		Belgium	
	1959	1962	1959	1962	1959	1962	1959	1962	1959	1962
	(in Belgian francs)									
Sugar	16,820	20,116	13,954	18,227	13,548	18,387	9,935	13,305	13,905	19,735
Breweries and malt factories	12,844	16,008	12,187	15,290	11,856	17,710	10,704	13,065	13,531	14,634
Woollen yarns and textile (a)	10,818	13,381	12,882	14,444	11,497	14,603	10,286	12,390	12,891	14,832
Cotton yarns and textiles (a)	10,620	12,662	11,781	14,235	12,081	14,660	10,609	11,782	14,100	14,796
Artificial and synthetic fibres and textiles	13,877	17,051	15,126	19,714	14,874	19,728	—	14,778	—	20,026
Paper pulp, paper and cardboard	13,775	16,561	14,727	18,579	14,569	19,767	12,442	15,141	15,156	17,575
Chemicals (a)	14,118	18,088	14,817	19,680	14,434	18,061	10,771	13,628	15,480	16,744
Pharmaceutical (b)	—	15,303	—	17,586	—	18,085	—	13,460	—	14,702
Rubber	10,833	13,893	13,130	17,561	16,876	21,959	3,310	11,019	13,500	16,047
Cement	15,132	18,314	17,688	21,294	19,893	20,428	—	16,462	—	19,953
Grès, porcelain, ceramics	10,179	13,246	11,256	14,240	11,540	14,168	8,308	12,742	11,202	14,414
Machine tools	11,233	14,145	13,447	17,867	12,852	16,540	—	13,248	13,898	17,419
Electrical machinery and materials	12,562	15,114	13,476	17,299	13,419	16,608	11,354	13,835	14,021	16,593
Shipbuilding, repairing and maintenance	11,181	14,236	12,738	16,603	14,330	17,245	11,572	14,483	14,317	16,594
Motor vehicles	12,582	16,104	15,759	19,787	14,313	19,301	—	—	—	—
	Index Numbers									
Sugar	100.0	100.0	83.0	90.6	80.5	91.4	59.1	66.1	82.7	98.1
Breweries and malt factories	94.9	90.4	90.1	86.3	87.6	100.0	79.1	73.8	100.0	82.6
Woollen yarns and textiles (a)	83.9	90.2	99.9	97.4	89.2	98.5	79.8	83.5	100.0	100.0
Cotton yarns and textiles (a)	75.3	85.6	83.6	96.2	85.7	99.1	75.2	79.6	100.0	100.0
Artificial and synthetic fibres and textiles	91.7	85.1	100.0	98.4	98.3	98.5	—	73.8	—	100.0
Paper pulp, paper and cardboard	90.9	83.8	97.2	94.0	96.1	100.0	82.1	76.6	100.0	88.9
Chemicals (a)	91.2	91.9	95.7	100.0	93.2	91.8	69.6	69.2	100.0	85.1
Pharmaceutical (b)	—	84.6	—	97.2	—	100.0	—	74.4	—	81.3
Rubber	64.2	63.3	77.8	80.0	100.0	100.0	55.2	50.2	80.0	73.1
Cement	76.1	86.0	88.9	100.0	100.0	95.9	—	—	82.8	93.7
Grès, porcelain, ceramics	88.2	91.9	97.5	98.8	100.0	98.3	72.0	88.4	97.1	100.0
Machine tools	80.8	79.2	96.8	100.0	92.5	92.6	—	74.1	100.0	97.5
Electrical machinery and materials	89.6	87.4	96.1	100.0	95.7	96.5	81.0	80.0	100.0	95.9
Shipbuilding, repairing and maintenance	78.0	82.6	88.9	96.3	100.0	100.0	80.8	84.0	99.9	96.2
Motor vehicles	79.8	81.4	100.0	100.0	90.8	97.5	—	—	—	—

(a) The 1959 survey considered only spinning activities.

(b) The 1959 survey considered the chemical and pharmaceutical industries together.

for the same industrial sectors. The 1962 figures include the cost according to the size of establishments.

As already ascertained for the year 1959, it will be seen that in 1962, too, Italy is shown in general in these sectors as having a

TABLE 6

MONTHLY EXPENDITURE ON SALARIES AND SOCIAL CHARGES IN THE LARGER ESTABLISHMENTS OF SOME E.E.C. INDUSTRIAL SECTORS (a)
1962 - Salaried employees

Industries	Germany	France	Italy	The Netherlands	Belgium
	(in Belgian francs)				
Sugar	19,924 e	16,598	18,787 f	12,666 c	21,419 i
Breweries and malt factories	17,274	15,573 d	18,096 f	13,102 d	15,590 d
Woollen yarns and textiles	14,335	16,549	15,806	11,660 c	14,742
Cotton yarns and textiles	12,855	14,360	14,818	12,240	13,296
Artificial and synthetic fibres and textiles	—	—	19,811	—	—
Paper pulp, paper and cardboard	17,337	21,126	19,186	15,337 d	17,120 d
Chemicals	19,474	21,612	20,072	18,074	17,187
Pharmaceutical	16,798	19,413 d	19,911	14,103 i	16,829 c
Rubber	14,168	18,410	24,084	11,189 d	16,206 d
Cement	18,725	22,223 e	21,798 f	—	19,634 f
Grès, porcelain and ceramics	13,666	14,554 d	15,021	13,141 i	14,190 c
Machine tools	14,303	16,233	20,021	—	17,998 d
Electrical machinery and materials	15,613	17,501	17,977	14,237	16,967
Shipbuilding and repairing	14,432	16,089	17,642	14,915	16,860 d
Motor vehicles	16,132	—	19,530	—	—
	Index Numbers				
Sugar	93.0	77.5	87.7	59.1	100.0
Breweries and malt factories	95.5	86.1	100.0	72.4	86.2
Woollen yarns and textiles	86.6	100.0	95.5	70.5	89.1
Cotton yarns and textiles	86.8	96.9	100.0	82.6	89.7
Artificial and synthetic fibres and textiles	—	—	—	—	—
Paper pulp, paper and cardboard	82.1	100.0	90.8	72.6	81.0
Chemicals	90.1	100.0	92.9	83.6	79.5
Pharmaceutical	84.4	97.5	100.0	70.8	84.5
Rubber	58.8	76.4	100.0	46.5	67.3
Cement	84.3	100.0	98.1	—	88.3
Grès, porcelain and ceramics	91.0	96.9	100.0	87.5	94.5
Machine tools	71.4	81.1	100.0	—	89.9
Electrical machinery and materials	86.8	97.4	100.0	79.2	94.4
Shipbuilding and repairing	81.8	91.2	100.0	84.5	95.6
Motor vehicles	82.6	—	100.0	—	—

(a) Unless otherwise indicated, the data refer to establishments with more than 1,000 dependents. (c) From 500 to 1,000 dependents. (d) 500 dependents upwards. (e) From 200 to 500 dependents. (f) From 200 to 1,000 dependents. (i) 200 dependents upwards.

particularly high level of labour cost for employees. In five sectors (breweries, paper, pharmaceuticals, rubber and shipbuilding) she heads the list; in the other sectors she registers a difference that only in three cases exceeds 5 per cent and in general is about 2-3 per cent.

The labour cost of salaried employees rose in Italy by about 30 per cent (6) between 1959 and 1962, which corresponds to the rise registered in France but is considerably higher than that experienced in Germany and the Netherlands (about 18 per cent) and is even higher than that of Belgium (about 14 per cent).

TABLE 7

PERCENTAGE OF SALARIED EMPLOYEES OUT OF THE TOTAL WORKERS
IN SEVERAL SECTORS OF E.E.C. INDUSTRIES - 1962

Industries	Germany	France	Italy	The Netherlands	Belgium
Sugar	15.7	18.6	16.8	16.7	16.5
Breweries and malt factories	22.9	22.7	15.1	41.9	21.3
Wool spinning and weaving	13.6	16.1	9.1	14.6	10.2
Cotton spinning and weaving	14.2	13.3	5.5	15.8	7.6
Artificial and synthetic textile fibres	18.2	26.5	13.0	32.8	19.9
Paper pulp, paper and cardboard	15.6	18.1	10.7	21.1	15.3
Chemicals	32.2	38.8	18.2	35.4	25.0
Pharmaceutical	43.8	47.1	40.0	49.9	43.5
Rubber	20.2	26.4	16.5	21.6	21.2
Cement	17.0	22.8	15.2	—	21.1
Grès, porcelain and ceramics	13.7	10.4	7.6	15.8	11.2
Machine tools	25.5	27.5	18.2	33.9	20.6
Electrical machinery and material	28.4	32.8	22.1	34.2	25.7
Shipbuilding and repairing	15.1	25.5	15.9	19.7	16.7
Motor vehicles	17.0	24.2	14.5	—	—
Total	24.1	27.5	15.1	27.7	20.5

The leading position of Italy becomes more pronounced when larger size establishments are considered. The data in Table 6 show that in 1962 Italy registered the highest cost in nine sectors out of the 14 examined. It is worth emphasizing that the rule already

(6) A particular exception is the increase of only 3 per cent registered in the Italian employees labour cost in the cement sector; it has been discovered, however, that a mistake was made in the 1959 figure.

ascertained that labour costs of workers in the largest establishments are higher than the average figure applies less to the labour costs of employees. The cases where the average cost in those establishments falls below that in the smaller establishments are in fact more frequent (this occurs more obviously in many industrial sectors in Belgium). In any case, even where the cost is shown as higher than the average, the difference is generally very slight, and this is clearly justified by the different structural features of the work done and by the number of employees working in the firms according to their size.

On the other hand, it should be noted that in the five countries examined the difference in the levels of employees' labour cost is considerably narrower than that registered for wage earners. Wide differentiations have been found, instead, in the number of employees engaged in relation to personnel totals. From the data given in Table 7 it can be inferred that Italy (and sometimes Belgium) shows, in general, the lowest percentage of salaried employees, while Germany, France and the Netherlands register higher percentages. In each country, however, the percentage of employees varies considerably according to the industries examined.

Labour cost structure in the various countries and its changes over the years

12. Numerous elements contribute to the formation of labour cost and they assume different proportions in the different countries, while their growth rate, over the periods examined, also differs from country to country.

Table 8 reproduces some significant data drawn from the whole body of the surveys regarding workers and relating to 1959, 1960 and 1961.

The main points that emerge from these data are given below.

— Taking the overall labour cost as equalling 100, the direct wage represents in the case of Italy little more than half of this cost, while for France it equals 60 per cent and for Germany, Belgium and the Netherlands around 70 per cent.

— The other remuneration elements, which take the form of bonuses, gratuities and wages paid for days not worked, represent

in the case of Italy more than 17 per cent of the cost, while they amount to only 11-12 per cent in the other countries.

— Payments in kind are only a negligible element in the average; France shows the highest incidence of these payments but, however, they represent only 1.33 per cent.

TABLE 8

AVERAGE STRUCTURE OF MANPOWER COST IN THE E.E.C. INDUSTRIES
FOR THE YEARS 1959, 1960, 1961

(in percentages)

Wage earners

	Germany	France	Italy	The Netherlands	Belgium
1. Direct salary	70.73	60.82	51.42	69.87	69.99
2. Bonuses and gratuities	3.28	4.66	8.52	5.40	4.38
3. Remuneration given for days not worked	7.68	6.00	8.64	5.74	8.20
4. Social security contributions	14.26	20.91	25.91	13.04	15.73
5. Taxes of a social character (a)	—	3.59	0.76	—	—
6. Expenditure on recruitment of labour and on occupational training	1.65	0.68	2.12	1.70	0.42
7. Payments in kind	0.64	1.33	0.51	0.69	0.37
8. Other social contributions	1.76	2.01	2.12	3.56	0.91
9. Total	100.00	100.00	100.00	100.00	100.00

(a) These include, in the case of France the tax on salaries, and in the case of Italy the contribution for the building of workers' dwellings.

— Indirect charges for occupational training of manpower, social security and other social contributions consequently represent in the case of Italy nearly 31 per cent of labour cost; for France the figure barely exceeds 27 per cent, while it falls to around 17 per cent in Germany and Belgium and to 18 per cent in the Netherlands. These percentages include the cost of recruiting and training labour, which comes out particularly high for Italy where for the most part it consists of the wage paid to beginners; it must be emphasized that this cost element is found mainly at the smaller establishments, while it is a negligible item in the largest establishments. In France, if the tax on earnings — which is a particular feature of the French fiscal system — is excluded, the incidence of social charges falls to 23.60 per cent.

It can clearly be inferred from these data that Italy has the highest incidence of social charges of all the E.E.C. countries.

The incidence of social charges as they affect salaried employees shows similar features, though the percentage level is below that of wage earners (Italy and France about 22 per cent, Germany 20 per cent, the Netherlands about 16 per cent and Belgium about 14 per cent).

13. It must be added that as regards Italy the incidence of indirect charges on manpower cost, between the years 1959 and 1962 in the sectors submitted to the same examination, increased in general from 30 per cent to 32 per cent, while it rose on the average from 28 per cent to 29 per cent in France and from 16 per cent to 18 per cent in Belgium. In Germany the percentage did not change appreciably. In the Netherlands changes occurred which varied according to sectors, the fact being that in that country it was generally preferred to raise the wage ceiling, on which contributions are calculated, instead of raising contributions.

In the steel industry, where data have a more homogeneous character and have been developed over a longer period, the following changes have been ascertained (percentages of the indirect charges on the overall labour cost):

	1954	1961	1962
Germany	19	18	18
France	27	29	29
Italy	28	30	33
Belgium	15	18	18
The Netherlands	23	25	24
Luxembourg	17	17	17

It is therefore seen that Italy is not only the country that shows the highest charges but is also the one that has registered the largest rise in those charges over recent years.

14. It can be stated that this diverse structure of labour cost is in some ways independent of the absolute level: in fact it is found that as far as the E.E.C. industries are concerned (though the situation is somewhat different in the steel industry), Italy and France on the one hand, like the Netherlands and Germany on the other, while showing great similarity in their cost structure have different

levels one from another, levels that are lower in Italy and the Netherlands compared with, respectively, France and Germany.

This is undoubtedly a valid statement but it implies the conclusion that if some sort of levelling process is taking place within the E.E.C. in the overall sum of labour costs, an harmonization of the various elements that go to form this cost is still far off. As regards Italy in particular, this is not without importance in connection with the further development of the harmonization process: it can in fact be confidently stated that so high an incidence of social contributions is bound to hamper harmonization, that is, the growth, of wages; supposing that Italian wages could reach the level of those in the other countries, the overall cost would turn out to be considerably higher; on the other hand, so long as the rise of Italian wages continues to be conditioned by the incidence of social charges and so long as Italian workers consequently have to receive wages lower than those of the other countries, the yield from labour is bound to be adversely affected, since workers respond far more to the stimulus of a direct salary than to the benefit of social services that are either deferred or rendered in a different way.

All this has for long and on many occasions been pointed out by the Italian producer categories. Only recently, however, with the introduction of the so-called "fiscalization" of certain social charges — whereby the State shoulders various charges previously paid by employers — has it begun to be recognized that the problem is an important one and that the time has come to contain both the further rise and the absolute incidence of social charges. But if a real harmonization, that is, the creation of a satisfactory level for these charges, is to be achieved, first in comparison with France as the initial stage, and subsequently with the other E.E.C. countries, it seems that a very long and certainly rather difficult road must be trodden, owing to the profound differences in the demographic, productive and occupational structures of the countries concerned. Above all, it is difficult to imagine that the other countries can, by raising their social charges, move even a short distance along the road leading to a closer understanding in this field.

Bringing the E. E. C. surveys up to date

15. The data collected by means of the E.E.C. surveys suffer a considerable delay in publication — at least two years — in relation

to the period to which they refer. This is due to the complexity of the operations that have to be carried out in gathering and elaborating data concerning a large number of firms in different countries. Consequently, complaint is voiced that when the results of the surveys become available the comparative situation has already appreciably changed.

This has led to an attempt being made in several quarters to bring the results of the surveys up to date by introducing into the data relating to each country and each sector changes proportional to those registered by the national wage surveys, and integrated whenever possible by evaluations of the changes in social charges.

It must however be recognized that for the most part such attempts have met with little success, since their results have not always tallied with the data gathered during successive surveys. The causes of the failure of these attempts to bring data up to date must be sought first, in the very characteristics of the surveys in question, and secondly, in the inadequacy of the data used for this particular task.

As to the first point, it is worth recalling again that in the changes of the mean datum that expresses the labour cost in a sector in each country are summarized not only the changes of the wages level in the sector in question but also the changes of the occupational structure in the various firms; and experience has shown that this second factor is more important than could have been foreseen. Moreover, added to this are further factors of differentiation in the shape of:

first, the very characteristics thrown into relief by the survey and regarding the sizes and localities of the firms;

secondly, the changes in firms' production techniques and wage policies which in recent years have undergone developments that are sometimes far-reaching;

finally, the disturbing influence of social charges, especially as regards contributions that are levied up to determined wage ceilings, and particularly in cases — very frequent in some countries — where the ceilings were altered instead of the contribution quotas.

As to the second point, it must be recognized that actually the data at present available for the various countries do not always enable the work of bringing surveys up to date to be done accurately.

It is clear that the data which ought to be used for this purpose are those that express the changes in wages really paid and not those that relate to contractual wages. These data, though available, are sometimes of doubtful utility, for the following reasons:

(a) they do not always relate to the same particular sectors covered in the E.E.C. surveys; very often, in fact, they concern far broader sectors (for example, food industries, textile industries, and so on). Hence, if the changes of this far broader sector are assigned to a particular sector that forms part of it (for example, alimentary pastes or the cotton industry) this is bound to give rise to reservations;

(b) they refer to establishments not possessing the same features regarding size which the E.E.C. examines: in fact, the E.E.C. surveys relate to establishments having at least 50 dependents, while national statistics of wages paid in the manufacturing industries sometimes relate to all establishments and sometimes (in the case of Italy, Germany and the Netherlands) to establishments with more than 10 dependents;

(c) they express average wages and the corresponding charges relating to the occupational structure of the establishments examined. This structure does not always coincide with the occupational structure of the establishments considered by the E.E.C. surveys; and this aspect becomes particularly important during periods of pronounced differential growth rates of wages of some categories of dependents (as was the case recently with the female categories as the result of a measure on wage equalization).

16. It has already been mentioned in paragraph 2 that E.C.S.I.'s programme envisages the use of wage data taken from national statistics when bringing figures up to date after 1965. Obviously, when this method is adopted an effort will be made to eliminate, or at least to lessen as far as possible the difficulties outlined in the preceding paragraph of employing such statistics. The reference sectors will undoubtedly be given a homogeneous character, as will at least the size features of the establishments considered; and presumably further studies will be carried out in an endeavour to reduce also any differences arising from the diverse nature of the occupational structure of establishments as far as qualifications, sex and even age are concerned.

Besides this instrument for bringing wages up to date, a close examination must also be made of whether it is possible to bring up

to date calculations of the other elements of labour cost, beginning with remuneration paid for days not worked which, in addition to varying in proportion to wages, can also change according to rules governing the number of days (or hours) paid though no work is actually done. Under this same item are also considered the sums set aside to pay dismissal compensation which, especially in Italy, becomes of outstanding importance. It will however be difficult to secure elements suitable for bringing this item up to date, since it varies in amount from firm to firm, also because of the different grades of seniority, based on length of service, of the staff employed. Finally, an attempt must be made to bring up to date the item regarding social charges. In this connection account must be taken of changes in rates and of any changes in ceilings, as well as of the influence ceilings exercise on the real incidence of contributions.

All this, however, concerns the future. For the present one must, when bringing the material up to date, be satisfied with the data available, in spite of gaps in them and their lack of homogeneity.

It has already been mentioned that calculations of this kind so far attempted have not always been very successful. That efforts still continue to be made, in spite of these disconcerting experiences, to carry out the task, even at the risk of being disproved pretty quickly, is explained by the consideration that, putting all reservations into the background, it is in any case absolutely necessary to provide businessmen and those responsible for the economic policy of the various countries with an instrument, faulty though it may be, which will give them guidance concerning the lines along which this widespread phenomenon is developing, and therefore some reference points.

It is for the same reasons that, even after having drawn attention to the risks of being inaccurate, we believe this attempt cannot be avoided, not even in this article.

17. The need to bring up to date E.E.C. data — which in several sectors relate, at best, to 1962 but for various other sectors still do not go beyond 1960 and 1961 — is particularly felt in Italy. It is known, in fact, that even though important wage increases had already been registered in several sectors in 1962, the most substantial and more generalized increases were made in 1963, their repercussions being felt even in 1964.

For this reason the Italian Ministry of Labour has arranged for a special survey to be made which will enable the data relating to 1963 to be ascertained not only for the sectors covered by the second E.E.C. survey, that relating to 1960, but also for those of the first and third surveys so as to have available data for the year 1963 concerning all the sectors examined in the different surveys organized by the E.E.C. The Ministry's survey is now proceeding but its results will not be known for some time; however, it will certainly provide more recent data regarding Italy, though the gap in the data of the other countries — data that is indispensable if comparative changes are to be ascertained — will still remain to be filled.

Consequently we have decided to bring up to date as far as 1963 the data of the E.E.C. surveys so far examined here by using for this purpose the statistics of wages paid in the various countries (7). In view of the defects of the calculation — and this point need not be insisted upon — the corresponding indices have been given in Table 9 instead of the absolute values, taking the country with the highest cost as equalling 100. In this way the data in this table, when compared with those of the preceding tables, give an idea of the changes that have occurred in the labour costs calculation of the various countries and of any changes of position in this classification.

(7) The following procedure has been followed in making the calculation that brings the material up to date:

(1) In the case of each country the official ascertainties of wages really paid in the various sectors of manufacturing industry have been utilized. When the data concerning the particular sectors surveyed by the E.E.C. were not available, the data of the larger divisions of which the other sectors form part were utilized.

(2) In the case of these data, a calculation was made of the percentage changes of the year 1963 compared with the most recent year to which the E.E.C. data for the various sectors refer.

(3) These percentage changes were then applied to the labour cost data of the E.E.C. surveys and thus the new labour cost, brought up to date as far as the year 1963, was obtained.

The fact that the percentage changes of direct wages have been applied to the values corresponding to the overall labour cost (including deferred wages, the social charges, etc.) implies that all the elements which help to form that cost have been regarded as being influenced in the same way by the aforementioned changes, that is, the proportion of those elements to the direct wage is regarded as unchanged, and as unchanged, therefore, the labour cost structure resulting from the last E.E.C. datum.

It has not been possible to take into account changes in social charges, since in some countries they have been carried into effect by raising the ceilings. This means that the data regarding Italy have a tendency to be underestimated.

TABLE 9
AVERAGE COST OF MANPOWER IN THE E.E.C. INDUSTRIES
BROUGHT UP TO DATE TO 1963
Wage earners - Index numbers

Industries	Italy	France	Germany	Belgium	The Netherlands
E.E.C. Survey 1960					
Chocolate, confectionery, biscuits . . .	100.0	89.3	86.3	86.5	77.1
Preserved fruits and vegetables . . .	78.7	86.7	90.2	99.0	100.0
Alimentary pastes	86.7	87.3	100.0	82.1	—
Footwear	85.1	82.4	100.0	85.8	73.8
Compensated wood	76.4	97.0	100.0	89.4	90.8
Wooden furniture	82.0	89.6	100.0	96.1	81.6
Flat and blown glass	88.5	100.0	90.1	84.7	—
Precision engineering and optics . . .	93.8	100.0	95.9	83.1	79.9
E.E.C. Survey 1961					
Meat preparation	93.2	95.7	100.0	86.8	90.9
Fish preparation	70.7	72.4	100.0	71.8	90.1
Knitted goods	83.8	88.3	100.0	71.9	69.7
Ready-to-wear clothes	84.9	81.0	100.0	67.9	64.5
Paper transformation	91.9	89.0	100.0	97.0	84.6
Printing	92.3	100.0	86.9	70.8	74.0
Tanning	87.1	87.7	100.0	82.0	86.4
Plastic materials transformation . . .	82.2	98.6	100.0	82.3	85.4
Building materials	69.7	72.9	100.0	96.0	82.1
Non-ferrous metals	92.0	96.6	99.4	100.0	88.3
Metal objects	80.3	83.5	100.0	88.5	82.7
Agricultural machinery and tractors .	81.7	94.3	100.0	84.9	85.6
Aeroplane	84.6	100.0	87.9	—	—
E.E.C. Survey 1962					
Sugar	85.7	91.1	97.7	100.0	86.1
Breweries and malt factories	82.8	77.5	100.0	74.0	78.4
Wool spinning and weaving	86.9	84.9	100.0	81.9	81.9
Cotton spinning and weaving	82.3	80.5	100.0	85.0	87.5
Artificial and synthetic textile fibres .	79.8	100.0	79.4	79.4	81.9
Paper pulp, paper and cardboard . . .	99.1	92.0	100.0	88.5	88.9
Chemicals	80.4	91.8	100.0	81.5	82.8
Pharmaceutical	89.3	100.0	98.2	71.2	80.6
Rubber	100.0	85.4	98.1	78.9	78.2
Cement	84.7	94.2	98.3	100.0	—
Porcelain, majolica and ceramics . .	91.7	83.2	100.0	85.5	83.0
Machine tools	94.8	91.5	100.0	91.3	83.7
Electro-technics	92.3	91.0	100.0	88.6	83.7
Shipbuilding and repairing	84.6	86.4	92.0	100.0	81.2
Motor vehicles	96.7	97.8	100.0	—	—
Steel	91.0	82.0	100.0	90.0	99.0

By this system it is believed that the difficulties and the reservations about comparisons of the absolute data of labour cost in the various countries have at least been got round and that an indication has nevertheless been provided of comparative positions which, even if it is not exact, can be regarded as sufficiently sound, at least so far as the direction and amplitude of the different movements are concerned.

In Table 9 the data bringing up to date the E.E.C.'s three surveys have been entered separately. This separation, too, has been prompted by considerations of caution connected with the method used in the process, since while the 1962 material brought up to date to the year 1963 can be accepted with sufficient confidence, more uncertain are the results of bringing up to date the 1961 data. This applies even more to the 1960 data because of the greater unreliability of calculations relating to a longer period.

Italy's position, as reflected in the table under consideration, is seen to have undergone an appreciable modification compared with the situation in previous years (8). In particular:

— in the rubber industry Italy has regained the leading place she had already held in 1959; Italian labour cost in the paper and confectionery industries also occupies a place near the top;

— labour cost in Italy is only 5-10 per cent below the highest figures, and industries in which it has moved upwards in the classification include steel, ceramics, machine tools (passing from fifth to second place), electro-technics (from fifth to second place), motor vehicles, non-ferrous metals, printing (from third to second place, paper and its transformation (from fifth to third), meat preparation (from fifth to third), precision engineering (from fourth to third);

— other industries that also moved upwards in the classification are shipbuilding (from fifth to fourth place), cotton (fifth to fourth), wool (third to second), tanning (fifth to third), knitted goods (fourth to third), glass (fourth to third), wooden furniture (fifth to fourth), footwear (fourth to third), alimentary pastes (fourth to third);

— labour cost in Italy in the case of the few other industries not mentioned above, while not changing its position in the classification moved considerably closer to that in other countries.

(8) For purposes of comparison, the data of Table I for 1962 and Tables A and B in the Appendix for the data of 1960 and 1961 should be considered.

All this has been due to the fact that Italy in 1963 registered wage increases higher than those in the other countries. According to data published in the E.E.C.'s 1963 Report, wages in Italy in that year rose on the average by 18 per cent compared with 1962, as against 9 per cent in France and Belgium and 7 per cent in Germany.

It can be added that the situation has become still worse during 1964, a year in which all the countries examined registered further increases, but with Italy always in the lead.

Taking 1962 as equalling 100, Italy had reached the level of 129 in the first six months of 1964, compared with 112 in Belgium, 113 in France and 114 (reached in October) in Germany. Once therefore the figures of the E.E.C. surveys have been brought up to date to the year 1964, it will frequently be found that Italy — who in the E.E.C. surveys of 1959 and 1960 was shown to have, in general, the lowest labour cost among the Common Market countries — comes first in the classification and has in almost every case registered a labour cost very near to the highest figure.

18. What makes the deepest impression about this phenomenon is not so much the fact in itself as the rapidity with which it has developed, and during a period, moreover, when in the other E.E.C. countries as well a marked rise occurred in wages which, however, Italy has exceeded by far.

This is a situation that is bound to create serious anxiety, even if it provides a reason for some satisfaction from the point of view of national prestige.

It appears to be also a situation that cannot be substantially reversed, even if in a more or less distant future trade union pressure, similar to that experienced recently in Italy, should lead to further wage rises in some of the other Common Market countries. In any case, the conclusion will remain valid that, as a consequence of the formation of the Common Market, labour costs in its various countries will increasingly tend towards the same level.

One result of this is that the more Italian labour cost is found to be touching the European level, the more will Italian firms have to adjust their structures to the same level if they wish to survive external competition. Some extremely complex problems, not easy to solve and concerning the size of firms, their technology, their organization, the extent to which personnel is actually employed, wage systems, etc., are therefore coming to the fore. The fact that

undertakings which for some time past have unquestionably possessed structural features of the most advanced type belong to sectors where labour costs have for long been at the European level (such as the motor car and rubber industries) shows that this alone is the right road to follow.

Should this course not be pursued, then one may well ask whether, and how, in an open international market, Italian industry can survive the impact of such a massive and rapid increase in manpower costs.

CESARE VANNUTELLI

Rome

APPENDIX

HOURLY COST OF MANPOWER IN THE E.E.C. INDUSTRIES, 1960

TABLE A

Wage earners (*)

Industries	West Germany		France		Italy		The Netherlands		Belgium	
	a	b	a	b	a	b	a	b	a	b
(in Belgian francs)										
Chocolate and biscuits	29.59	30.95	32.90	36.09 c	29.19	32.10	26.64	28.99 c	32.29	34.87 c
Preserved fruit	26.71	25.96 e	27.59	28.38 e	20.10	21.42 d	29.86	27.24 g	30.21	31.90 e
Alimentary pastes	36.60	43.62	34.56	35.60 e	28.04	32.51 f	—	—	29.69	—
Footwear	35.31	37.20	31.44	36.65	27.65	27.56 c	27.27	30.64 c	31.91	34.68 c
Compensated wood	34.86	38.73	36.10	38.49 c	24.47	25.61 e	32.26	—	35.63	36.44 f
Wooden furniture	37.31	37.42	36.31	36.31 e	28.62	24.57 c	31.59	33.14 e	36.70	40.95 e
Glass	39.36	42.95	46.59	52.79	37.15	46.98 d	—	—	42.75	44.28 d
Precision engineering	38.18	38.68	42.10	44.96 c	34.35	38.93 c	33.32	34.52 e	36.60	—
Index numbers										
Chocolate and biscuits	89.94	85.76	100.00	100.00	88.72	88.94	80.97	80.33	98.15	96.62
Preserved fruit	88.41	81.38	91.26	88.97	66.53	67.15	98.84	85.39	100.00	100.00
Alimentary pastes	100.00	100.00	94.43	81.61	76.61	74.53	—	—	81.12	—
Footwear	100.00	100.00	89.04	98.52	78.31	74.09	77.23	82.37	90.37	93.23
Compensated wood	96.57	100.00	100.00	99.38	67.78	66.12	89.36	—	98.70	94.09
Wooden furniture	100.00	91.38	97.32	88.67	76.71	60.00	84.67	80.93	98.37	100.00
Glass	84.48	81.36	100.00	100.00	79.74	88.99	—	—	91.76	83.88
Precision engineering	90.69	82.37	100.00	100.00	81.59	82.90	79.14	73.51	86.94	—

(*) Cf. Table 3 for footnotes.

TABLE B

HOURLY COST OF LABOUR IN SEVERAL SECTORS OF E.E.C. INDUSTRIES - 1961

Wage earners (*)

Industries	Germany		France		Italy		The Netherlands		Belgium	
	a	b	a	b	a	b	a	b	a	b
(in Belgian francs)										
Meat preparation	43.29	47.01	41.92	43.87 d	33.70	34.61 d	37.52	36.98 e	37.17	36.99 h
Fish preparation	38.76	41.51 c	28.41	29.33 e	22.89	24.29 c	33.32	—	28.25	—
Knitted goods	39.26	44.35	35.50	42.60	28.46	30.80 d	27.66	29.85 e	29.14	31.88 f
Ready-made clothes	37.66	40.23	30.97	32.44 c	28.19	29.53 d	23.77	25.12 e	26.46	28.80 h
Paper transformation	41.26	47.39	39.59	48.01 c	33.09	35.16 f	34.46	33.60 h	42.48	54.34
Printing	52.96	59.32	63.97	69.56	49.76	52.00	44.48	46.32 e	43.68	44.55 f
Tanning	45.64	45.41 c	40.60	46.52 c	35.08	41.98 c	37.23	37.90 h	37.90	38.48 e
Plastic materials transform.	40.79	43.28	42.27	47.13 d	30.65	32.84 i	33.13	29.66 c	35.86	38.35 h
Building materials	48.38	47.89 c	35.93	36.60 e	29.61	29.85 f	38.28	39.20 e	45.90	45.96 f
Non-ferrous metals	54.15	55.30	53.21	53.68	43.92	46.73	47.04	49.99 e	55.35	57.66
Metal objects	49.98	51.32	43.59	44.86	35.74	49.10	41.58	41.63 c	44.89	48.54
Springs	46.01	50.64 c	45.65	46.25 e	33.95	31.74 f	—	—	42.06	—
Bolts and nuts	47.04	47.42	40.58	41.52 e	40.98	54.16 i	39.88	—	42.46	45.35 e
Metal constructions	55.42	58.29	44.08	45.34 f	37.88	43.82 d	42.12	42.87 e	46.71	48.54
Hand tools	52.08	50.60 e	44.79	46.18 i	31.66	33.92 e	—	—	39.10	—
Casks and packaging	42.90	43.62	41.91	42.45 e	29.70	29.90 f	41.48	40.31 e	42.52	42.75 f
Metal furniture	47.37	46.32 c	45.43	56.35 d	34.49	34.93 f	40.99	43.09 e	42.40	47.18 c
Agricultural machinery and tractors	49.96	51.33	48.11	55.95	37.29	43.64 d	42.43	—	43.57	—
Aeroplane	49.61	49.80	57.65	58.42	43.61	54.49	—	—	51.34	—
Index Numbers										
Meat preparation	100.0	100.0	96.8	93.3	77.8	73.6	86.7	78.7	85.9	78.7
Fish preparation	100.0	100.0	73.3	70.7	59.1	58.5	86.0	—	72.9	—
Knitted goods	100.0	100.0	90.4	96.1	72.5	69.4	70.5	67.3	74.2	71.9
Ready-made clothes	100.0	100.0	82.2	80.6	74.9	73.4	63.1	62.4	70.3	71.6
Paper transformation	97.1	87.2	93.2	88.4	77.9	64.7	81.1	61.8	100.0	100.0
Printing	82.8	85.3	100.0	100.0	77.8	74.8	69.5	66.8	68.3	64.0
Tanning	100.0	97.6	89.0	100.0	76.9	90.2	81.6	81.5	83.0	82.7
Plastic materials transform.	96.5	91.8	100.0	100.0	72.5	69.7	78.4	62.9	84.8	81.4
Building materials	100.0	100.0	74.3	76.4	61.2	62.3	79.1	81.9	94.9	96.0
Non-ferrous metals	97.8	95.9	96.1	93.1	79.3	81.0	85.0	86.7	100.0	100.0
Metal objects	100.0	100.0	87.2	87.4	71.5	95.7	83.2	81.1	85.8	94.6
Springs	100.0	100.0	99.2	91.3	73.8	62.7	—	—	91.4	—
Bolts and nuts	100.0	87.6	86.3	76.7	87.1	100.0	84.8	—	90.3	83.7
Metal constructions	100.0	100.0	79.5	77.8	68.4	75.2	76.0	73.5	84.3	83.3
Hand tools	100.0	100.0	86.0	91.3	60.8	67.0	—	—	75.1	—
Casks and packaging	100.0	100.0	97.7	97.3	69.2	68.5	96.7	92.4	99.1	98.0
Metal furniture	100.0	82.2	95.9	100.0	72.8	62.0	86.5	76.5	89.5	83.7
Agricultural machinery and tractors	100.0	91.7	96.3	100.0	74.6	78.0	84.9	—	87.2	—
Aeroplane	86.1	85.2	100.0	100.0	75.6	93.3	—	—	89.1	—

(*) Cf. Table 3 for footnotes.