'Wage levels in the European Coal and Steel Community are converging' from the Industriekurier (25 August 1956)

Caption: On 25 August 1956, the German newspaper Industriekurier outlines the wage policies of the six countries of the European Coal and Steel Community (ECSC) and reports on the implications of a common social policy.

Source: Industriekurier. Unabhängige Zeitung für Politik, Wirtschaft und Technik. Hrsg. WRIETZNER, Hugo ; Herausgeber WRIETZNER, Hugo. 25.08.1956, n° 130; 9. Jg. Düsseldorf: Becker & Wrietzner Verlag. "Die Löhne der Montan-Union gleichen sich an", auteur:Stich, H. , p. 3.

Wage levels in the European Coal and Steel Community are converging

Findings of a High Authority study   total labour costs are decisive

In the discussion about the economic integration of Europe, the opinion is often expressed that true economic integration would be possible only if the political coordination of the economic and finance policies of the individual Member States were to take place simultaneously. Theoretically, a lot of arguments do indeed confirm that the autonomous economic and finance policy of the various countries hampers the functioning of a common market. Another frequently quoted case against the continuing integration of the European economic area points to the differences in national wage levels and, more generally, to the widely dissimilar starting conditions. That results in undertakings in the various countries not enjoying a level playing field in terms of competition.

If we analyse both arguments in the light of a study carried out by the European Coal and Steel Community s High Authority on the subject of wages in the Community countries, we see that they are refuted to a large extent by reality. The said study (Wages and social security contributions in the Community industries, Vol. 1: Employers expenditure on wages and social security contributions in 1954) makes wage-cost comparisons in coal mining, iron-ore mining and the iron and steel industry for the year 1954.

The following chart shows the total labour costs per hour (wages, non-wage costs and social security contributions) in coal mining (open-cast and underground mining) and the steel industry, as established by the High Authority study and supplemented by an official exchange rate conversion into Deutschmarks.

<u>Total labour costs per hour in coal mining and in the steel industry in 1954</u>

What merits particular attention among the findings of this study is the fact that national wage levels   at least with regard to the wages in the iron and steel industry   have converged significantly. The relationship in coal mining is less relevant in this context as it hardly faces any real competition at present.

<u>Indices of the total labour costs in the iron and steel industry from 1952 to 1954</u>

It is noticeable that, between 1952 and 1954, Belgium and Luxembourg, the countries with the highest labour costs, were hardly affected by the rise in labour costs experienced by those countries with relatively low labour costs. The Netherlands, on the other hand, where wages are the lowest in the steel industry, witnessed the highest increase in labour costs. Another High Authority report into real wages in the Community countries revealed that, from 1952 to early 1956, wages for steel workers rose in Holland by 29 %, in France by 25 %, in the German Federal Republic by 23 %, in Luxembourg by 11 % and in Belgium by 5 %. This means that wages have risen most sharply in those countries where their level is at the lowest. It therefore seems that, since the creation of the Common Market, a noticeable trend towards wage convergence between the individual countries is taking place in the iron and steel industry.

The findings of the High Authority s study therefore contribute to support for the view that a common market is able to function even without special political coordination, at all events, as far as the circumstances on which the European Coal and Steel Community is based are concerned. The market seems, in this instance, to possess inherent forces capable of imposing themselves, despite the national economic and financial policies of the individual countries. Based on a strong similarity in natural, geo-economic and sociological conditions, the territory encompassed by the Common Market already shows a strong uniformity that has certainly asserted itself already in reality. It is, however, important, in this connection, for the economic policies of the different countries, despite their individual differences, to be broadly similar in their essential features. If the economic policies of the individual states were fundamentally different, common markets would not be able to function.

In addition to this, it has to be noted that the trade unions in the Member States of the Community principally pursue a rather similar wage policy, resulting in the fact that innovations, such as reductions in working hours, tend in general to gain quick acceptance. One factor which is likely to increase standardisation in wage trends in the Community countries in the future is freedom of movement for workers, which is, however, not yet a reality.

We must also bear in mind that, as soon as a Common Market has been created, the various governments will have to adapt their economic policies to the requirements of this market, thus tacitly creating a kind of coordination.

Another lesson to be learned from the High Authority s study concerns the second argument referred to earlier rejecting the Common Market on the grounds of disparate starting conditions in the individual countries. This argument has also been refuted to a certain degree, since wage trends indicate that the Common Market can, in many cases, rather quickly overcome the drawbacks of such diverging starting positions. Interestingly enough, according to latest reports from Paris, French economic circles are starting to admit that disparate wages and social security contributions are no longer a decisive hindrance on the way to the Single Market. France seems to have recognised the growing convergence of European conditions.

Another reason why the High Authority s calculations greatly contribute to illuminating wage costs is that they provide valuable information about their inner structure. The often quoted high social security contributions of French industry, for example, find confirmation in the steel industry. The employers social security contributions in France amount to 29 % of the total gross wages, compared to 20.18 % in West Germany. However, they do not stand up as an argument concerning competitiveness vis-à-vis West Germany, because the German steel industry s lower social security contributions are offset by higher direct labour costs. With regard to competitive conditions, it is the total labour costs that are decisive, not just social security contributions. It is interesting to note that the Italian steel industry, which boasts the Community s lowest labour costs, has the highest portion of social security costs: their social security contributions account for 31.3 % of gross wages.

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