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## LETTER FROM SWITZERLAND.

### Switzerland and the Problem of Social Allowances on the International level.

The Director General of the International Labour Office (I.L.O.) raised an interesting problem in his recent report laid before the European Regional Conference: that of the inequality existing between the social conditions of wage-earners in different countries. Mendès-France had already referred to this problem during a meeting of the Council of Europe in September, 1954, and urged that a commission should be set up to study the possibility of arriving at an equalization of the social conditions wage-earners in order to prevent what might be called "unfair competition".

A comparison of the social benefits, which are additional to the basic salary, reveals the existence of considerable differences in the various European countries. According to the statistics published by the I.L.O., and based on national indications, these benefits represent an additional expense for the producer amounting, in the case of Italy, to as much as 69% of the basic wages, and in the case of France 39%, but for Sweden and Switzerland only 7% and 11% respectively. The repercussions on cost prices of allowances nearing or even exceeding 50% of the wages are only too clear and producers in these countries complain that they are unable to meet foreign competition and demand that protective measures should be taken.

In Switzerland, social benefits as they result from international statistics appear small in comparison with those of other countries, and yet the standard of living compares very favourably with that in other European countries. As the Director General of the I.L.O. pointed out in his report, it would not be sufficient to equalize the total benefits conferred on wage-earners, for there are many factors to be taken into consideration, such as the number of working hours per week and length of holidays, as well as other factors favouring or handicapping production as the case may be. The I.L.O. has reached the conclusion that, in spite of all the efforts made, it will never be possible to arrive at a statistical result that gives a true picture of the situation.

The solution seems to lie elsewhere than in the equalization of the social conditions of wage-earners. The notion of "productivity" would appear to be decisive for the establishment of an effective comparison of the productions of different countries. If a comparison is made of the total amounts paid out to wage-earners (basic wages plus social benefits), it is obvious that Swiss industry has higher costs of production than the industries of other countries. In 1953 the Swiss cost of living index showed a real wage level of 115% as compared with 1938. The high basic wages found in Switzerland largely offset the extra social benefits of certain other countries and give the Swiss worker a purchasing power greater than that of his foreign counterpart. In Switzerland, the percentage of the benefits paid out by the employer, as it appears in the international statistics, seems small when compared with that of other countries, but it must be remembered that this figure — about 10% only, — is calculated on a salary that is already high. The employer accustomed to reckoning with big basic wages in the calculation of his cost prices, does not object too much to the charges imposed on him by the law: in fact, it is by no means unusual to find employers conferring voluntary benefits on their workers, whereas foreign industries have have the view that they are already too heavily burdened as it is to undertake any voluntary action of their own.

The psychological consequences of this are considerable: the well-paid wage-earner will be encouraged by the hope of receiving a bonus or an increase share in the profits in one form or another, whereas he will not have this incentive when the law provides for and even automatically lays down a certain amount of social benefits whatever the output. We must not forget moreover that high salaries are an added factor of stability, for they reduce the tendance of workers to change employment. Last, but by no means least, the administration of social benefits involves considerable expense on the part of the State or trade associations. The question may therefore be raised whether it is not better to have a high salary rather than burdensome social benefits. For the producer, the cost price remains the same. It is a noticeable fact that wherever wages are high, social benefits are small. Wherever social benefits are high, wages are to a certain extent crushed under them. In the United States, for instance, social benefits are practically non-existent, but wages on the other hand are high and the well-paid worker can take out his own insurances.

And then again, excessively high social benefits have a negative effect on international trade if they are used to justify a protectionist policy, as is often the case with certain countries. Switzerland decided long ago which road to follow: its high wages increase production costs, but productivity is also high, which has enabled it to compete with countries with lower wages. The natural consequence of all this is a commercial and industrial expansion which, in its turn, has a favourable effect on the standard of living in general. This is the lesson taught by all countries with a high standard of living: only freedom of trade and great productivity ensure such a standard of living. Wherever a narrow protectionist policy exists, wherever the State is compelled to resort to the imposing of social benefits because of low salaries, the standard of living itself is lower.