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Résumé de l'article

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The Latin Model of Compensation: Pay and Benefits Systems in Spain, Italy and France

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This study begins with a brief discussion of influences shaping the development of industrial relations systems in France, Italy and Spain in the light of labor movement models proposed by Sturmthal and Scoville and by Lipset. It then turns to the early development of the complex systems of compensation found there, as well as implications for the generality of the Dunlop-Rothbaum hypothesis. Against this backdrop, it proceeds to a detailed discussion of compensation systems in the three countries.

INTRODUCTION

Francois Sellier, speaking to the faculty and students at Illinois a number of years ago, outlined the principal facets of a European "Latin Model of Industrial Relations" to be observed in France, Italy and Spain. This model featured (at least historically in the case of Spain) an ideologically fissured labor movement characterized by competing labor parties each with a companion union federation and constituent unions, weak institutions of collective bargaining, and considerable state involvement in the determination of economic outcomes. In addition, Italy and Spain were laggards in the process of economic growth which transformed Western Europe after the year 1800, while France remained more heavily rural than other early developers.

The process of evolution of the labor movements in the three countries can be examined through the lens of two closely related modelings: that of Sturmthal and Scoville (1973) and the later formulation by Lipset (1983-5). Sturmthal and Scoville would stress the political and social disabilities which faced the working classes and the labor movements, especially in Spain and Italy, and the consequent need for the pursuit of political means to achieve political objectives, as shaping the goals and functions of these movements. At the same time, loose labor markets meant that economic objectives could rarely be achieved by economic actions (like collective bargaining), thus discouraging its development. If we accept Sellier's evidence (1973) of tight labor markets in France, we may have a case of "French exceptionalism," where bargaining institutions did not develop for the simple reason that the French state was so responsive to workers' political action that this turned out to be the more productive route for labor to pursue. It is possible that the early tradition in France of state intervention in labor problems (exemplified by the creation of *conseils de prud'hommes* in 1806) may be a model for the other Latin countries in some kind of spillover effect.

The Lipset view deals with much the same variables in a different way. Lipset speaks of the attainment of "political citizenship" — and "economic citizenship" — but with much less direct focus on how these two are achieved. A Lipsetian view of the three countries would see the French working class having achieved political citizenship early through the Revolution, but only firmed up in the 1870s with growth of public, secular education. In Italy and Spain, both political citizenship and economic citizenship came very late.

HISTORICAL ORIGINS

Interventionism in historical perspective

In the saga of uneven industrial development in Western Europe, a few numbers will help us place the Latin countries relative to others in the parade across the historical stage. Table 1 draws on Martin (1990) and Neufeld (1961) to show the positions of the Latin Three and the Industrial Big Two around 1910 and 1920. Table 2 shows similar figures assembled from various sources by Clark (1960), but for a longer period of time. Both tables reveal the extent of Latin lateness in the development procession.

Table 1. Percent of Labor Force in Industry, 1910/1 and 1920/1

	Spain		Italy	France	Germany	Great Britain
1910	15.82	1911	26.9	39.2	50.6	46.7
1920	21.94	1921	24.3	36.6	48.9	50.1

Sources: Spain—Martin, p. 177; others—Neufeld, p. 527.

Table 2. Percent of Labor Force in Industry, various years.

	Spain		Italy	France	Germany	Great Britain
1887	6?*					
1891						
1900	11.3					
1901						32.9
1907					37.7	
1910	11.1					
1911						34.6
1920	17.4					
1921						38.7
1925					39.5	
1930	27.5					
1931						35.0
1936			29.8	25.5		
1940	19.4					
1946		28.1			39.4	
1951						39.5

**Rough guess by present authors based on stability of mining and construction shares in employment in 1900 and 1910 Clark's figure is for mining, industry and construction combined.*

Source: Clark, appendix Table III.

In addition, we note that Rostow sets forth "tentative approximate take-off dates" which confirm the employment distributions of Tables 1 and 2. Although France (1830-1860) is second only to Britain (1783-1802) in its take-off, neither of the other Latin countries makes the list (Rostow, 1960:38).

As we shall see below (in section 3), the contemporary pay and benefits systems in the three countries are quite complex. But certain central features, common to all three countries, go back a long way and owe their introduction to state intervention. As the old saw goes: it wasn't the socialists or the social democrats who created social insurance, it was Otto von BismarckCin an pre-emptive strike against possible focal issues for labor unrest. Thus, although the systems show some signs of change, for many years they shared common elements, particularly in the area we would term "benefits." All three historically had largely state-run health systems, generally with low taxes on workers as compared to employers; all three have state-run pension systems; all three have mandated bonus systems aimed at workers' seasonal cash crunches and have family allowance systems.

Taking recognition of these facts has some broader theoretical implications. Years ago, Dunlop and Rothbaum (1955) contended from their examination of comparative evidence that the number of components to the compensation package became more numerous and complex as the process of economic development went forward: the so-called "Dunlop-Rothbaum Hypothesis."

Some years later, as a result of research published in Scoville (1969), Scoville tended to argue in seminars and classes that the ill-developed nature of product markets, transportation systems, etc. might yield the complex set of compensation practices he found in late-60s Afghanistan. Thus, he conjectured, perhaps the number of compensation components behaved in a U-shaped fashion over the course of development. At first, food allowances (either in kind or cash) for critical items, transportation services, some health care, lunches and provident funds might be provided to offset market failures or weaknesses. Then, as markets for these goods and services improved or became less prone to sharp price fluctuations (for wage goods, for example), these components would be commuted to cash. Later on, the proliferation of components would appear, as Dunlop and Rothbaum argued.

The Latin case suggests a pattern where the compensation package becomes complex early on due to state recognition of a "labor problem," and consequent intervention. Follower countries learn from others' experience. Perhaps the Dunlop-Rothbaum hypothesis applied only to the country with nobody to follow (Great Britain) and its near-clone in labor policy (the US). Perhaps the Dunlop-Rothbaum hypothesis is an Anglo-Saxon oddity, not paralleled in the experience of later-industrializing nations.

The passage of legislation relating to benefits is chronicled in Table 3. France, being the earliest of the Latin Trio to industrialize, tends to be first, with Italy and Spain following generally fairly close behind. There are some exceptions to the pattern, but the evidence for precocious interventionism is seen most clearly for Spain, passing old age pension legislation when barely one-tenth of employment was in industry and an unemployment compensation law when only one-sixth of workers were industrial. (The second panel of Table 3 indicates dates of adoption of currently valid legislation.)

Table 3. Enactment of First Employment Laws

Type of Law	Spain	Italy	France
Old age, Disability & Death	1919	1919	1910
Sickness/Maternity	1929*	1912*	1928
	1942**	1943**	
Work Injury	1900	1898	1898
Unemployment	1919	1919	1905
Family Allowances	1938	1937	1932

** Maternity law*
*** Sickness law*

Current Legislation Effective Date

Type of Law	**Spain**	**Italy**	**France**
Old age, Disability & Death	1985	1962-1995	1945-1993
Sickness/Maternity	1995	1950-1971* 1962**	1945-1978
Work Injury	1994	1965	1946-1972
Unemployment	1994	1939-1991	1946-1984
Family Allowances	1994	1961-1988	1946

Note: When a period of time is listed, the beginning year is the current law in place and the end year is the date of the last amendment to the law.

** Maternity law*
*** Sickness law*

Source: Social Security Programs Throughout the World — 1999; p. 130 - p. 133; p. 188-190; p. 330-332.

PAY AND BENEFITS SYSTEMS TODAY

Following is a detailed account of the pay systems in Spain, Italy, and France. The State control over the details in these systems reveal the role that historical social volatility played in the systems' developments. The designs of these systems also reflect the governments' strong interest in appeasing workers; in some cases they have presently become so costly as to require reform. Although some benefits may seem excessive and even partly to blame for any evident economic crisis, particularly from an employer's point of view, one must consider these countries' histories and the social, political, and economic environments from which their pay systems were created.

A. Spain: Pay and Benefits

In Spain, The Workers' Statute specifies the basis of payment for employees: "by unit of time, by unit of work, mixed payments, payment for completed tasks, and proportional payments." (Soler, 1992) Most salaries are based on payment of time which does not include quantity of output. Payment by unit of work is based on quantity of work produced, not time spent on production. Mixed salaries are the two combined. Payment for tasks is based on completing a specified amount of work in a set amount of time, and the period of time ends upon completion of the tasks. Proportional pay plans are those based on the profits of the company. Recently Spanish employers have shifted from a strict pay structure to more variable payment plans for their employees. A 1991 survey by Price Waterhouse and Crayfield (ESADE) found that 60 percent of companies responding have introduced pay systems with greater flexibility (Soler and Filella, 1992).

Spanish employees are guaranteed basic rights as to how they are paid. Pay must be on-time and accompanied by a pay-slip. It can be paid periodically but cannot exceed one-month intervals and infringement of this law by a company guarantees the employee a 10% interest payment on the amount past due. Pay differentials are related to length of service, travel expenses, exposure to dangerous substances, shift work and the cost of living in an island province.1

Pay determination is formal and legally regulated in Spain. The process takes place at different levels of collective bargaining. Collective agreements are reached at the sector level on national or regional basis and at the individual company level. The agreements cover both pay and working conditions. The negotiating parties involved decide the length and content of each new contract. The company level negotiators are:

- the works committee
- union representatives, if they exist and form the majority on the works committee
- the management of the company or their legal representatives

The sector level negotiators are:

- the most representative union at state or autonomous community level2
- trade unions having a minimum of ten percent of the members of works committee or personal delegates in the geographical or functional area in which the agreement will apply

- industry associations which have the membership of ten percent of firms in the area affected by the agreement and which in addition employ at least ten percent of the workers in the area

Minimum Wages

The government in Spain regulates the minimum wage. Periodically the minimum wage is regulated according to the age of workers. Currently for workers of eighteen years of age and older the minimum wage is 1775 pesetas/day or 53,250 pesetas/month ($1.00 = approximately 128.7 pesetas or $3.23 in dollars). For employees living in the family home who are paid on an hourly basis, the minimum for workers over eighteen is 413 pesetas/hour.

The Wage Guarantee Fund guarantees at least partial pay if a business fails and a company is unable to pay their employees due to insolvency. The fund is not as important now as it used to be but was originally designed to compensate workers who lost their jobs. Employers finance the fund by paying four percent of the base used to calculate social security payments for unemployment benefits, sickness, and accident at work benefits. (Olea and Rodriguez-Sando, 1988)

Overtime work is not legally authorized for workers under age eighteen or during night shifts, except under officially legalized exceptional circumstances. Overtime payment is often monetary or extra time off and is negotiated during collective bargaining. If extra holidays are chosen they must represent at least 75 percent of the time value of the overtime. Eighty hours is generally the overtime maximum for each worker per year unless overtime is needed due to unforeseen circumstances which is defined through collective bargaining. Spain's level of overtime is low and reflects high unemployment levels. The maximum is frequently worked in many areas and is an area being targeted for reform. (Soler and Filella, 1992)

It is illegal to discriminate pay on the basis of "origin, civil status, sex, social conditions, religious or political convictions, union membership, blood ties with any other employee, or language" according to the Spanish constitution. Job evaluation is commonly used in Spain. Unions have put significant pressure on companies to use objective pay systems. In fact most negotiated contracts require pay to be based on job content. Currently job evaluation is primarily used for supervisors, technicians, salaried employees and manual workers. (Soler and Filella, 1992)

The newest development in Spain's variable pay systems has been the use of incentive pay. Managers are often given incentives more often than other employees are. However, many companies are beginning to provide bonuses to all employees based on either merit or performance. These bonuses are generally used as short-term incentives. Group bonuses are less popular in Spain. Spanish companies are required to make thirteen and fourteen month bonus payments. One payment is in the summer and one is in December. This bonus structure is popular with employees and employers. Employees like it because they receive a lump sum payment that they would not likely otherwise have accumulated on their own for costly vacation and holiday seasons. Employers like it because they are able to collect interest on the sum until the bonuses are granted to the employees. (William M. Mercer Companies, 1992)

Tax

Income tax in Spain is based on a "sliding scale." This scale takes into consideration the number of children an employee has and his or her level of income. These two factors predict the percent of taxes a citizen is required to pay. Currently, at the minimal level there is no tax on income less than 927,000 pesetas, and the maximum percentage of tax is 42 percent for a single person without children earning more than 16,538,000 pesetas per year. This percentage is the lowest amongst the Latin European countries; the maximum in France is 56.8 percent and in Italy it is 51 percent. Every citizen is required to pay income tax annually. Taxes must also be paid on any additional income sources and any currently held assets. (Soler and Filella, 1992)

Social Security

The Spanish social security system is very comprehensive. Employers and employees must make annual contributions based on rates determined annually bases on categories of risk. The percent deducted is based on an employees base wage, not additional income such as expenses or benefits. Certain professions have minimum and maximum levels of de-ductions. (Soler and Filella, 1992 and William M. Mercer Companies, 1992)

Employers' social security contributions are considerably higher than employees' contributions. Both employer and employee contributions are tax deductible. Employers' social security contribution rate (excluding workers' compensation) is 23.6 percent of all earnings. Employees' contribution rate is 4.7 percent of earnings. These percentages are based on wage classes that vary according to occupational classes. Employers pay an additional contribution for workers' compensation, depending on the industry, in the range of .81 to 16.2 percent of payroll. (Social Security Administration, 1997) Social security and unemployment benefits are treated as earned income but permanent disability pensions are tax exempt. (William M. Mercer Companies, 1992)

Spain has had a family allowance program since 1938. They have a contributory program and non-contributory program. As explained in *Social Security Programs around the World-1997*, the government funds the non-contributory program and employees and employers share contributing to the contributory fund. A family receives 36,000 pesetas a year for any child under the age eighteen. The amount increases if a child is disabled in any way. The more disabled the child is, the larger the benefit the family receives.

Pensions

Spain has a contributory and a non-contributory pension system. An "age and invalidity insurance" pension is also available for those not qualified under the social security system. To qualify for a contributory pension an employee must meet the following requirements: be registered with the social security service, be already making contributions, be working, and have reached age 65. Retirement is possible at age 60 for artists, bullfighters, and railway workers who have met performance requirements or worked a certain length of time. (Soler and Filella, 1992)

Retirement age can be lowered for employees involved in "difficult, dangerous or unhealthy work." (Social Security Administration, 1992) For early retirement, pensions are reduced by eight percent per each year of early retirement. Typical occupations considered difficult, dangerous, or unhealthy are miners, airline workers, and railway workers. To qualify for benefits an employee must have contributed fifteen years and at least two years must be during the eight years immediately preceeding the date of retirement. The amount of pension a worker is entitled to is based on the number of years during which he or she has made contributions.

Sickness Benefits

All sickness benefits provided in Spain are available through the social security system. The benefits covered are for "transitory incapacity for work, for provisional invalidity, and for permanent invalidity." (Soler and Filella, 1992) The amount of benefits available to employees is depended on the degree of illness.

Maternity leave is considered to be "transitory incapacity to work," and is regarded the same as other sicknesses. Maternity coverage is 100 percent for sixteen weeks unless there is a multiple birth and then it is extended two more weeks. (Social Security Administration, 1997) Social security begins on the 16th day of sickness. The employee must have contributed 180 days in the last five years to be qualified for benefits covering common illness. If the illness is work related, there is no minimum contribution required.

Benefits in the case of illness are payable on the first day of illness at a 75 percent rate of social security earnings. For normal sickness the benefit is 60 percent of social security earning from the 16th to the 21st day. (Social Security Administration, 1997) Benefits can be paid up to one year with the possibility of extension for another six months. If after this time an employee is still unable to work and is under a doctor's care, benefits can continue for up to 30 months. (William M. Mercer companies, 1992)

The Employer is responsible for payment of all social security benefits between the 1st and 15th day of sickness except where the cause of sickness is work-related. All actual medical care is taken care at hospitals and clinics through the National Institute of Social Security. Physicians and clinics must be under contract through the National Institute of Social Security. Physicians and clinics must be under contract with the institute to service patients covered through social security. All care covered with social security benefits are general medical, dental, prescriptions, lab work, maternity care and hospitalization. Patients pay 40 percent of all prescription costs unless being treated in a hospital, in which case the cost is fully covered. (Social Security Administration, 1997)

Holidays and Vacations

Spain celebrates twelve national holidays annually, plus two locally variable holidays making a total of fourteen. In Spain employees are guaranteed 2.5 days of vacation per month. Each worker averages approximately six weeks of vacation a year not including holidays. (Soler and Filella, 1992)

Other Benefits

A common practice is Spain is allowing employees to receive firm products at a reduced price or at cost. Examples are discounted railway tickets, airline tickets, or cars at cost in the relevant industry. Lunch canteens are also common practice for employees. At the director level fringe benefits are very common such as cars or tuition reimbursement. Fringe benefits are considered taxable income in Spain.

Other benefits which are often provided are loans, medical check-ups, sports facilities, scholarships for children, occasional stock options or profit sharing, life insurance, chauffeur, and club memberships.

B. Italy: Pay and Benefits

Italy has a highly structured, sector-driven pay system that places great emphasis on the employment security. Unlike in Spain and France, this system permits a wide range of minimum wages, governed by national and company collective contracts, and individual contracts that supplement collective agreements on a case-by-case basis. Compensation to workers is often at an hourly rate or a monthly calculation. (Cooper and Giacamello, 1992)

Employer's associations and unions negotiate collective contracts. Basic workers' rights are established through the collective contract in regards to fair pay, maximum working hours (48 per week), weekly rest, annual holidays, occupational safety, sickness benefits, maternity benefits, and notice of termination periods. The Italian constitution states all established standards of a collective contract must be applied to the involved parties, though the principle has not passed into law. At the statutory level only the specific employer's association and union are bound by the collective contract. Courts generally apply the constitutional principle to the entire sector regardless of membership in the employers' associations and unions. (Cooper and Giacamello, 1992) At the national level collective agreements are negotiated by sector. The national level also includes inter-confederational agreements that address wage indexation, the cost of labor, and training. National agreements also provide employment statistics to unions relevant to the workers of a sector. This information is often used for strategic planning. Each plant is allowed to make up supplementary collective contracts individually. These contracts detail the minimum and/or general provisions outlined in the national agreement, especially regarding pay levels.

Collective agreements are negotiated for certain time periods. They generally run for two to four years. During negotiations, if an agreement cannot be reached between employers and unions the government may intervene as a mediator. The collective contracts specifically outline the minimum cost of living increases paid every six months. This is an extremely important element of the contract to all parties involved. (Cooper and Giacamello, 1992)

Individual contracts can be established between individual employees and the company. The individual contract is a supplement to the collective contract. It can only supplement the contract rather than change it in any way, and it is meant to be a benefit to the employee. Individual contracts need not be as specific as collective contracts. The individual contract is not only a financial "supplement" but can also include specific tasks, responsibilities and possibly a job description.

Salaries in Italy are negotiated in terms of "take home" or net pay. There are four elements of gross wages and salaries of all employees. The first is the minimum wage which is established under the collective agreement. The second element of pay is the bi-annual, automatic cost of living increases. The third element of pay is the practice of paying a thirteenth monthly salary each year which is commonly paid at Christmas and is known as a one-time bonus. Some non-industrial sectors pay a fourteenth month bonus that is usually paid in the summer. The thirteen and fourteen month bonuses are always negotiated in the collective contract. Finally, the fourth element of pay is the monthly pay negotiated in the individual contract in addition to the collective contract minimum. The minimum supplement cannot be negotiated "down" once it is agreed upon. (Cooper and Giacamello, 1992)

Wage Levels

The minimum wage is established through the terms of the collective contract. The Italian constitution established an Italian worker's right to "just pay" relative to the quality of the work performed that is adequate to provide for their family. The wage can vary from sector to sector.

There are four specific categories of employees in Italy. They are directors and senior managers, managers, technical or skilled staff and skilled and unskilled workers. In collective agreements unions will set the responsibilities attached to each category and every employee works in one of the categories.

The Italian average gross salary per month is estimated at 2,050,000 lire ($1 = 1,509 lire). Generally, the minimum salary for senior managers and director, not including the thirteen or fourteen-month bonus, ranges between 61,000,000 and 80,000,000 lire per year. A recent newspaper survey stated that company directors in Rome can receive slightly higher compensation than their counterparts in Milan. The reasons are unclear. Speculation is that Milan has a higher cost of living than Rome. Generally speaking, the elements of pay can vary on a case by case basis but the ratio of variable pay usually accounts for about thirty-five percent of total salary. Overtime is also negotiated in all the collective contracts. The usual maximum hours allowed per week is twelve hours. (Cooper and Giacamello, 1992)

Laws have been instituted regarding pay discrimination and equal pay in Italy. In 1977 a law on equality in the workplace was established. In 1991 the Italian government established laws on affirmative action and sexual discrimination. These laws guarantee women pay and benefits equal to those received by men. The labor supply of women has continued to grow since WWII but currently women hold less than ten percent of government management positions and even fewer women hold management positions in private firms. (Cooper and Giacamello, 1992)

Job evaluations are not legislated except in the larger companies or they can be considered on an individual basis. The wage indexation system acts as an automatic system of wage adjustment and makes evaluations for wage-increase largely redundant. Objective pay scales are becoming increasingly necessary in Spain and Italy to decrease pay discrimination.

Pay for performance or incentive pay is negotiated in individual contracts. They are most often used in the commercial sector, especially in sales, and they are generally not used in the manufacturing sector. When they are paid they are often part of the thirteen or fourteen month salary bonus. Compulsory profit sharing does not exist in Italy, though some is done on a voluntary basis. Commissions are common practice in sales positions. (Cooper and Giacamello, 1992: 337)

Tax

There are three income taxes in Italy: corporate, personal and local income tax. Both employer and employees pay taxes. Individual income tax must be paid annually based on the traditional calendar year. Companies can set up their own fiscal year but it must obviously be for a twelve-month period.

There are a few corporate tax-free zones for new companies or companies in depressed areas. These areas are generally located in the south. The highest personal marginal tax rate is 51 percent for income above 300,000,000 lire. For income between 150,000,000 and 300,000,000 lire the tax is 41 percent. (William M. Mercer Companies, 1992) Italian tax laws are very complicated. Tax evasion is considered one of the key contributors to Italy's national debt. (Cooper and Giacamello, 1992: 336)

Social Security

The National Social Security Institute (INPS) covers all employees in the private sector over the age of 14. In Italy, social security is not considered a tax. Agents separate from the tax authorities administer the INPS. (William M. Mercer Companies, 1992) Employees making less than 63,054,000 lire contribute 8.89 percent of their earnings. Employees making more than 63,054,000 lire contribute 9.9 percent of their earnings. Employers' contributions are slightly complicated. Currently, employers must contribute 19.36 percent of an employee's earnings if the person was hired before January 1, 1997. For employees hired after January 1, 1997, an employers must contribute 23.8 percent. As of January1, 1999, the rate will be 23.8 percent for all employers. There is no "grandfather" clause after this date. There are some industries in which employers pay "a special contribution." Employers contribute at lower percentage rate in "distressed areas." (Social Security Administration, 1997) Employer and employee contributions to social security are tax deductible.

Italy has had a family allowance program established since 1937. As explained in *Social Security Programs throughout the World-1999*, family allowances are funded by contributions from the employer. The contribution percent is continually changing. Currently an employer contributes 4.84 percent of earning for employees hired before 1997. For any employee hired in 1997 the contribution was 2.48 percent, and for employees hired in 1998 the contribution rate is 3.34 percent.

The program is also funded through various government subsidies. The amount of the family allowance benefit varies dependent on the size of the family and their income. Benefits are higher for single parent families and families with disabled children.

The state unemployment benefit fund known as the CIG *(la Cassa Intergraxione Guadagni)* was established in the 1970s. The CIG "protects workers' rights and guarantees employee wages in the event that a company needs to suspend production, reduce the number of workers, or in the case of 'transitory or changeable circumstances' – such as market forces, natural disaster, or reorganization." (Cooper and Giacamello, 1992) The CIG guarantees all employee wages during a layoff and will cover 80 percent of the employees' weekly salaries as an unemployment benefit. To help protect themselves from such expenses companies can request two types of CIG support. "Ordinary" support is used in times of a temporary crisis and "extraordinary" support is used when a company may have to close. The CIG has proved to be costly to Italy and is currently a target of government reform. In its current state it is contributing significantly to the national debt. Reform would put more restrictions and time limits on when an employer and employee could take advantage of the benefits.

Pensions

Italy's government sponsored pensions are based on age and length of service. The pension system is very complicated. There are three specific categories that qualify employees for benefits and establish the retirement age. As quoted from the *Social Security Programs throughout the World-1997*, the categories are as follows:

Category One: New entrants to the labor force as of 1996. Flexible retirement age: 57- 65. Retirement necessary. No seniority pension.

Category Two: Individuals with less than 18 years of coverage under the old law. Up to December 1996, age 62(men) or 57(women) and 17 years of coverage. In 1997, age 63 (men) or 58(women) and 18 years. Gradually increasing to age 65(men) and 60 (women) with 20 years in 2001. Seniority pension: 40 years of contributions or age 57 and 35 years of contribution.

Category Three: Individuals with more than 18 years of coverage under the old law. Same as Category Two except that 15 years of contributions must have been prior to 1992. Seniority pension in 1996 age 52 and 36 years of contributions gradually rising to 40 years in 2008.

The calculations for the pension payment is just as complicated as the categories. As quoted form *Social Security Programs throughout the World-1997*, the calculation per category is as follows:

Category One: Pension based on amount of accumulated contributions times the coefficient that varies according to age, ranging from 4.72 at age 57 to 6.136 at age 65.

Category Two: Service prior to December 1995 based on old coefficients from .9 to 2 times salary and years of service. Service after December 1995 is the same as category one.

Category Three: Based on the old coefficients from .9 to 2 times salary and years of service.

An added perk for Italians is that the thirteenth month bonus still continues with their pension. The pension system in Italy is extremely costly expense for the State and contributes to the country's infamous overall debt. As it is currently set up, this expense is set to become an impossible burden as the elderly population grows and Italy's birth rate declines. The birth rate is already the lowest in Europe. As a result, this area is targeted for reform as well.

Company pension plans are not yet widespread, except perhaps in the banking sector for historical reasons, and those that do exist are negotiated on an individual basis. The current state pension system, however, is one of the most generous in Europe. In April 1993 the Government issued the first legislation on private pension plans in Italy. The new law concerns all aspects of a private pension fund: eligibility, contributions and benefits, and legal and tax aspects. This law applies to existing pension funds that will need to amend their current structure. Under the new law passed in April 1993, such funds must be financed through a separate trust fund to which both the employer and the employees must contribute.

New pension plan development is expected to increase dramatically due to the reduction in the social security coverage, but the current legislation does not give sufficient tax incentive to encourage firms to establish company pension plans. Amendments will need to be made to meet the expectations the law was meant to set. (William M. Mercer Companies, 1992: 152)

Sickness Benefits

Health has been established as a "fundamental right" of the Italian citizen by the constitution. The constitution guarantees workers jobs when they are unable to work due to illness. The National Health Service (SSN) was introduced in 1980 to take responsibility for this right's enforcement. Employment is protected up to 180 days but longer lengths of time are often negotiated by the collective contract. (William M. Mercer Companies, 1992) After this length of time a company there may use the extended absence as "justified reason" for termination, but these cases are never completely clear. (Cooper and Giacamello, 1992: 339)

By law workers must provide the employers and the social security origination (INSP) with medical documentation on their reason for absence and the estimated time of their return to work. Most collective agreements require an employee to notify the employer on the first day of absence. Sick pay is determined by the collective agreement and will vary according to length of absence. Typically, employees receive an indemnity funded by the INSP equal to 50 percent of pay from the fourth to the 20th day of illness and 66.6 percent from the 21st day to the 180th day. Most national collective agreements provide supplementary pay protection to cover the difference so the employee can receive 100 percent of his or her salary. This difference is totally funded by the company. (William M. Mercer Companies, 1992)

Holidays and Vacations

Italy has twelve religious/national holidays and five unspecified holidays for citizens since other state holidays have been eliminated. "Statutory holiday" or vacation time averages 20-30 days a year per employee. Vacation is always negotiated in the collective contract. (Cooper and Giacamello, 1992: 340)

Other Benefits

Italy has state-run day care available for working parents. Maternity benefits are also administered through the National Health Service. Mothers receive 80 percent of their earning for up to two months before and three months after the baby is born. The National Health Service will extend maternity leave for either parent by an additional six months. The employee receives 30 percent of their earning for this extension. (Social Security Administration, 1997) A mother can take a one-year leave of absence without the fear of losing her job. If she returns to work after three months she may receive special privileges that are as follows: the right to two hours off per day for one year for the purpose of breastfeeding and the opportunity to stay home in the event of a child's sickness until the child is three years old.

"Perks" are generally only available to senior management. These fringe benefits are managed through legislation that drastically limits their tax deductibility. Where applicable, these benefits are granted on a "confidential" basis so that there is a lack of documentation and information on them. (Treu, 1991) Company cars are an example of a perk in Italy but they are rarely provided under the management level unless they are considered essential to the job. This may be partially because there are no tax benefits for companies providing a care to an employee.

Training courses or short "job-related career breaks" sponsored by the employer are becoming very popular in Italy. There are three reasons this is occurring. First, the unions and companies promote training workers. Second, the company benefits financially from increases in employee production and the broadening of their skill level. Third, giving this type of perk is tax deductible for the company yet provides a "mini" vacation for the employee.

Vouchers are another perk found in Italy. Most collective agreements provide for luncheon vouchers in companies with over 100 employees or reimbursement of cash if the employee chooses not to use the voucher. Many large public sector companies provide recreational facilities to their employees. This is not a common practice in smaller firms.

C. France: Pay and Benefits

Collective bargaining and negotiations are the standard practice in France. The different levels a contract can be negotiated at are by company, branch, professional or inter- professional levels and can be applied locally, regionally, or nationally. Recognized trade unions handle all negotiations on behalf of employees nationally and at the individual firm level. Negotiations are also carried out on behalf of the employers by employers' unions, associations, or other groupings.

There are certain distinctions amongst collective agreements in France. There are three specific French collective agreements. The first type covers "all conditions and guarantees". The second type covers "a certain set of conditions and guarantees." Finally, the third type addresses "special cases involving compulsory negotiations" at the individual firm level (probably what would be called profit sharing in the United States) which take place once a year but do not require a company to promise results from negotiations. Employers tend to favor agreements that cover only certain conditions since they are supposed to be easier to adapt to a firm. (Bournois, 1992: 148)

Minimum Wages

The SMIC (*Salaire Minimum Interprofessionnel de Croissance* or Minimum Interprofessional Growth Wage) is guaranteed to all eligible workers. There is one minimum wage, unlike Spain and Italy, and the French minimum wage is based on the cost of living and the general economic situation. Any increase of at least two percent in the cost of living is followed by an automatic increase in the minimum wage, which is a unique way for the government to increase the minimum wage above the rate of inflation. What makes it unique is that the minimum wage increase is automatic. The SMIC is reviewed every year and is linked to economic growth.

Compensation consists of a salary or wage, in addition to bonuses and/or fringe benefits. A salary is negotiated on a yearly basis. Salaries must conform to the legal limits and conditions set within the pertinent industry or sector. It is illegal to index pay to the SMIC, to general levels of prices or to goods and services not related to the firm itself. (Bournois, 1992)

There are several forms of bonuses:

- In public contact positions all or part of an employee's wages can be made up of tips
- Room and board
- Double month pay or thirteen-month pay, vacation bonuses and so on are commonly practiced. These operate according to the individually agreed contracts, collective contracts or by the employer's initiative.
- Rewards for long service and hard work
- Profit-sharing bonuses due to individual performance. These are often set as merit bonuses.

Forty percent of French companies pay bonuses on an individual basis and 40% of those bonuses are for certain categories of employees only. (Bournois, 1992: 149)

Disparities in pay that cannot be explained by the differences in performances or requirements of a job exist in France, Italy and Spain, even though some laws exist prohibiting disparity. There is a substantial gap in pay between men and women in France. The gap worsens the higher the level of a position.

Profit sharing plans are required for firms with over 50 employees. These plans are negotiated by collective contract. The company is required to reserve part of its profits for employees as long as the profits in a given year exceed five percent of the shareholders' equity. Employees' shares are distributed according to salary level through dual ceiling; the first ceiling is on the profit share calculated proportionally on the salary, and the second is on the percentage of share capital that may be held. Profits are distributed annually unless otherwise stated. It is an option to transfer one's profit share into stock or put in a company savings plan. Company savings plans are optional profit-sharing plans that employees can contribute to voluntarily. It is mandatory for companies to make contributions to the company savings plans.

Tax

The French income tax system is "highly progressive." (Bournois, 1992) There are seven levels of income tax that vary from five percent of income to 56.8 percent. French citizens actually pay less income tax than other countries. They do pay more in national insurance, which is deducted proportionally to their income. Tax and social security make up their paycheck deductions. (William M. Mercer Companies, 1992)

Social Security

France has an official social security system that is composed of four specific plans (called "schemes"): the general scheme, the special scheme, the independent scheme, and the agricultural scheme. As explained by Bournois, the scheme definitions are as follows:

- The general scheme insures employees without a special scheme for "unfortunate" risks or "fortunate" risks (family-related expenses).
- The special scheme protects workers against all risks except in certain industries where it protects only one particular risk. These industries include employees of the railroad, metro/bus system, and mining industry and gas industry.
- Independent schemes protect self-employed individuals and provide old age pension, maternity, and sickness payments.
- The agriculture scheme covers all risks for agriculture employees and does not fall under the independent scheme.

This welfare system is "diverse yet still suffers from issues with social justice and funding." (Bournois, 1992)

Funding for the social security system is very complicated. Some services are financed by employers anywhere from 45 to 50 percent and some by employees from 15 to 19 percent. It is apparent in France, Spain, and Italy that the employer shoulders a significantly higher percentage of contribution to social security than the employees do, but French employees bear two to three times more of a contribution than their counterparts in Italy and Spain. The future of the system in France depends on resolving the funding problem; the French are living longer and the labor supply is decreasing, so the current system is functioning less well. This is a targeted area of reform. (Bournois, 1992)

There are a number of benefits available through France's social security system. The most common benefits apply to sickness, maternity, disablement, old age (retirement), death and widowhood. There is also compensation for accidents at work or while traveling as well as job related illnesses. There are a number of family benefits such as France's child benefits, family benefits, benefits to large families, housing benefits, and family income support benefits for the start of the school year. (Bournois, 1992) These benefits are typically called "family allowances." (Social Security Administration, 1997) The family allowance program has been in effect in France since 1932. It is a very elaborate and complicated program. As explained in *Social Security Programs throughout the World-1997*, employers fund the program at 5.4 percent and the government at 1. I percent of revenues.

Pensions

There is no set retirement age in France, unlike in Spain and Italy. The minimum age in France at which a State pension is usually paid is 60 for both men and women. Retirement can be taken at any age between 60 and 65 but full payment of pensions will only be paid upon full contributions of 37.5 years to 40 years depending on the worker's date of birth and retirement. Retirement may be deferred past age 65 but no increase is made if the full contributory period is met. (William M. Mercer Companies, 1992)

A distinctive feature in the French benefits system is the mandatory membership of programs which operate on pay-as-you-go basis and supplement social security benefits. Employees are designated into four areas: blue collar or clerical workers, junior supervisors, supervisors with technical or academic qualifications, and senior executives. Benefits from these programs are financed through multi-employer or industry-wide institutions and have set minimum contribution rates. The level of pension accrued under these plans is highly dependent on the salary progression of the individual worker; the higher the final salary, the lower the pension as a percentage of the final earnings. (William M. Mercer Companies, 1992)

Sickness Benefits

The State pays a daily sickness benefit that is equal to half of workers' earnings beginning the fourth day of illness. This increases to two thirds from the 31st day if the insured has three or more children. To receive short term benefits employees must have paid contributions over the last six months on earnings equal to at least 1,015 times the minimum wage (SMIC) or completed 200 hours of employment in the three months preceding the illness. (William M. Mercer Companies, 1992)

If an illness lasts longer than six months or a permanent disability is declared then certain conditions must be met to receive benefits. Paid contributions over the last 12 months on earning equal to at least 2,030 times the minimum wage must have been made or the ill person must have registered with social security for the last twelve months and completed 800 hours of employment in the first twelve months preceding disability. It is common practice for companies to supplement State sickness benefits with private plans which often cover up to 80 percent of earnings after a specified waiting period established in the collective contract.

Holidays and Vacations

France has sixteen paid holidays per year and guarantees 25-30 days of vacation time.

Other Benefits

Fringe benefits such as company cars, loans, and accommodation are usually treated as salary under French law, thus subject to income tax. This is consistent with Spain. The most tax effective benefits include group supplementary insured retirement and risk benefit plans, obligatory profit sharing and a voluntary gain sharing plans, company saving plans and stock option plans. (William M. Mercer Companies, 1992: 102)

Table 4. Overview of the Three Latin Systems

Benefit	**Spain**	**Italy**	**France**	
Collective Bargaining	Employee	Employee	Employee and Employer	
Minimum Wage	Structured pay and variable pay	Structured pay and variable pay	Structured pay and variable pay	
Overtime Allowed		80 hours per year	12 hours per week collective contract	negotiated in each
Pay Discrimination Law		Yes	Yes	Yes
Job Evaluation	Yes	Yes	Unknown	
Tax	Sliding scale- maximum is 42% of earnings	Maximum is 51% of earnings	Maximum is 56.8% of earnings	
Social Security	Employee: 4.7% Employer: 23.6%	Employee: 8.89-9.9% Employer: 19.36-23.8%	Employee: 15-19% Employer: 45-50%	
Worker's Compensation	Employer: .81%- 16.2%; average 1.98% dependent on risk	Employer: .5%-16% dependent on risk	Employer: average 2.26% average 3%	dependent on risk
Sickness	Employer: 1st-15th day Social Security: 16th	20th day; 66.6% 31st-	SNN pays 50% 1st- day; 66.6% 31st - 180th	State pay 50% 4th - 30th

	day-one year Coverage: 60% from the 4th - 20th day 75% from the 21st day-one year Can be extended up to 18 months (30 months for special	180th day Employer: supplements SNN up to 180 days Extension available dependent on severity of illness and certain qualifiers	day Employer: supplements State up to 80% of earnings Extensions available dependent on severity of illness and certain qualifiers
Materni ty	Social Security: 100% for 16 weeks; 18 weeks for multiple births	SNN: 80% 2months before birth and 3 months after birth; additional 6 months for either parent at 30%	State: 100%; time varies Dependent on number of children in the family and number of children needing care; time varies from 24 weeks before birth to 22 weeks after birth
Benefit	**Spain**	**Italy**	**France**
Nationa l Holiday	14	12 plus 5 floating	16
Vacation	average 6 weeks a year	average 4-6 weeks a year	average 5-6 weeks a year

Note: Pensions and Family Allowances are very complicated to cover briefly in this chart. Please refer to each individual section for specifics in each country.

CONCLUSION

A synoptic overview of the central elements of the European Latin compensation systems appears in Table 4. This provides a quick summary of the detailed discussions of Section 3.

In conclusion, it is evident that history inevitably engineers the present. Spain, Italy, and France have many similarities and differences in their pay systems that have resulted, at least to some extent, from their backgrounds. Each has a relatively complex pay system closely regulated by the State, for example, because of their histories of conflict and struggle; the complexity seems to reflect these countries' governmental attempts to try and avoid further social and political upset. Thus, the simple compensation world of "wages alone" was displaced early on through state intervention. This early complexity has continued to grow over time as described in this paper, consistent with the Dunlop-Rothbaum Hypothesis (1955). This can be seen to a further extent when comparing France's relative development to that of Spain and Italy and how France seems to have served as a role model for the other two countries' quests for reducing industrial stresses leading to class and industrial conflict.

ENDNOTES

1. The island provinces include the Canary and Balearic Islands. Also included in the adjustment are working in Ceuta and Melilla, Spain's North African enclaves (the minimum supplement in the latter province is 25 percent of base salary). (Soler and Filella, 1992: 466)
2. "For unions to qualify as the most representative at state level they must have at least ten percent or more of the works committee members or personal delegates as members, or a total membership of at least 15 percent of all union members." (Soler and Filella, 1992: 466)

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