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COMMITTEE OF ECONOMIC ADVISERS Included Corrig.  
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THE LABOUR SITUATION IN THE USSR,  
THE EASTERN EUROPEAN COUNTRIES AND THE  
SOVIET-OCCUPIED ZONE OF GERMANY

Draft Report to the Council by  
the Committee of Economic Advisers

Demographic factors and their development in Communist countries continue to be studied by the Committee of Economic Advisers since they have significant consequences, both on the growth of the economies and on the military potential of these countries. On the basis of projections(1) on the growth of total populations in the USSR, Eastern European countries and in the Soviet-occupied Zone of Germany, projections to which the attention of the Council was drawn in November 1963(2), an Ad Hoc Group has prepared - at the request of the Committee - a report(3) on likely trends of the labour force in these areas until 1970. In the course of its examination of this report, the Committee of Economic Advisers felt that a certain number of points ought to be brought to the notice of the Council.

A. RATE OF GROWTH OF THE LABOUR FORCE

2. The optimum rate of growth of the labour force, from the point of view of economic development, is extremely difficult to determine: it varies according to the structure of and economic situation in each particular country as well as according to the resources which the latter possesses. The table below gives some idea of the percentage change, between 1964 and 1970, of the total labour force in the Communist countries and in those NATO countries for which projections are available. The increase of the labour force in the Soviet Union and in most Eastern European countries will be less than in the United States but greater than in most European NATO countries.

(1) AC/127-D/131

(2) C-M(63)82

(3) AC/127-D/173 and Corrigendum. The Ad Hoc Group met at the Permanent Headquarters on 28th, 29th and 30th October, 1964.

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Percentage change in the labour force  
between 1964 and 1970

<u>NATO countries</u>		<u>Soviet bloc</u>	
Turkey	+ 17%	Poland	+ 13%
United States	+ 11%	Rumania	+ 9%
Netherlands	+ 8%	USSR	+ 8%
Portugal	+ 5%	Hungary	+ 8%
Denmark	+ 4%	Bulgaria	+ 5%
France	+ 4%	Czechoslovakia	+ 1%
Norway	+ 4%	Soviet-occupied	
United Kingdom	+ 4%	Zone of Germany	- 2%
Belgium	+ 3%		
Italy	+ 3%		
Federal Republic of Germany	- 1%		

B. GENERAL CONSIDERATIONS ON THE LABOUR FORCE IN THE COMMUNIST COUNTRIES

3. Unemployment - contrary to what Communist leaders have often claimed and despite the fact that statistics conceal it - is not unknown in centrally planned economies. It exists in Poland, and in the guise of under-employment of part of the rural population in Rumania, Bulgaria and even Slovakia, although Czechoslovakia as a whole suffers from a shortage of labour. The Soviet Union itself has surplus labour resources in some regions (for instance Ukraine, Moldavia, Belorussia, Transcaucasus). If migration were allowed or in certain cases further encouraged, idle or partly occupied labour could find employment opportunities in other parts of the Soviet bloc, in particular in the Soviet-occupied Zone of Germany, in Bohemia-Moravia and in some of the more remote regions of the USSR. However, attempts in this direction have been timid; they have come up against both the rigidity of the national plans and the nationalist prejudices which exist in many Communist countries.

4. Despite the migration of labour from the countryside during recent years, the agricultural labour force still represents a substantial part of the total labour force in the Communist economies; in 1962 the percentage was: 36% in Hungary, 40% in the USSR, 48% in Poland, 63% in Bulgaria, 66% in Rumania. Only the percentages for Czechoslovakia - 23% - and for the Soviet-occupied Zone - 18% - came close to those of the western industrialised countries(1). The size of the labour force

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(1) Percentages in the West were the following: United Kingdom 4%, Belgium 7%, United States 8%, Netherlands 10%, Federal Republic of Germany 13%, Denmark 19%, France 20%, Norway 21% and Italy 27%.

employed in agriculture has not prevented this sector from becoming one of the main bottlenecks in the development of the Communist economies, this is especially due to the failure of the socialist structure of agriculture, to the low productivity of agricultural labour and to the inadequacy of the available mechanical and technical means.

5. Labour productivity in Communist countries is generally lower than in western countries(1). The development of mechanisation and automation should allow it to rise in varying proportions from one Communist country to another. But the spread of the new methods poses in the short run the problem of training as quickly as possible executives and technicians and in the longer run that of giving adequate training to the unskilled labourers. The Committee has been unable to assess statistically the impact of these developments on the future labour situation.

C. ASSESSMENT OF THE LABOUR SITUATION UP TO 1970 IN INDIVIDUAL COMMUNIST COUNTRIES

6. In the Soviet Union during the past five years the growth of the labour force has been practically stopped by the entry into it of the depleted wartime age groups. However, between 1965 and 1970, there will be a rapid recovery in the amount of available labour, which would even allow an expansion of the armed forces if this were deemed desirable by the Soviet leaders. The problem will no longer be one of finding sufficient labour to ensure the growth of the economy but rather to achieve the best possible sectoral and geographical distribution of skilled labour. In spite of the implementation of an educational system aiming at an accelerated training of technicians and engineers, the shortage of the former compels the latter to take up positions in many branches of the economy where their qualifications are not used to the best advantage. Furthermore the eastern and northern regions of the country require several million labourers but the programmes employed to direct manpower to these areas on a permanent basis have, by all accounts, produced rather meagre results. The growing rate of labour turnover in the Soviet economy confronts the authorities with an additional problem to solve. Finally, the planned increase in labour productivity has been only partly fulfilled, largely as a result of the failure to introduce new technological methods and a shortage of technicians.

7. In Poland the population has been growing continuously since the end of the second world war. In 1970 the economically active population will exceed by 1.8 million its 1964 level, and to absorb this increase available jobs will have to augment by 13%. Persons seeking work exert a very strong pressure on

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(1) For a comparison between the USSR and the United States, see Table III of Annex III to document AC/127-D/173.

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available vacancies especially in the urban sectors of the economy. In order to make it possible to find employment for those young people who will shortly be entering the labour market, the government has restricted, in 1964 and in 1965, the creation of new employment opportunities; this action has resulted in some unemployment. Existing difficulties are made worse by a substantial migration of rural manpower. The financing of sufficient investments to absorb the newcomers on the labour market without straining the economy in general and the balance of payments in particular poses difficult problems to the authorities.

8. The Soviet-occupied Zone of Germany is experiencing a severe manpower shortage; since 1950 the fall in its population of working age has been more than proportionate to the decline in the total population. In 1970, the civilian labour force will be 2.1% below its level of 1964. As the hiring of foreign workers seems unlikely, this reduction can only be offset - in part - by an increase in productivity. With this end in view, the present régime may not only introduce technological improvements but also intensify existing pressures on the labour force.

9. Czechoslovakia, in spite of a much depleted population after the second world war, was able to achieve its economic expansion by drawing from agriculture the labour required by industry. But in recent years a labour shortage has adversely affected both industry and agriculture. Paradoxically some under-employment persists in Slovakia; the authorities discourage labour migration from this region lest it should inhibit its economic development which is already behind that of the rest of the country. Demographic development will allow virtually no rise in the labour force between 1965 and 1970; only increased labour output and technical advances will enable the economy to develop. Raising of the minimum school-leaving age, increases in statutory holidays or general reductions in working hours seem unlikely during the next five years.

10. Hungary, as all the semi-industrialised countries of Eastern Europe, has been able to achieve high rates of growth by drawing labour from agriculture and re-allocating it to other sectors. In view of the present abundance of manpower, the authorities do not seem to have been particularly worried about its efficient and rational use. The natural growth of the economically active population and the entry of rural workers into the urban labour force will make it possible to avoid manpower problems between 1965 and 1970; it appears, however, that after that period the Hungarian economy will increasingly depend on growing productivity for further growth.

11. In Rumania the rate of industrialisation, though rapid, does not allow the absorption of the surplus agricultural labour force; the proportion of the latter in the total labour force will until 1970 remain one of the highest in Europe.

12. In Bulgaria, it is expected that the percentage of the agricultural labour force in the total labour force will decrease from the high figure of 63% in 1962 to 45% in 1970. According to the 20-year plan (1960-80) the services sector of the economy grow at an unusual pace for a Communist country.

See Corr following

(Signed) F.D. GREGH  
Chairman

OTAN/NATO,  
Paris, XVIe.

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