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## WHAT GOVERNMENTS ARE DOING FOR THE UNEMPLOYED

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Unemployment increased in most countries in 1981.

### ADJUSTED UNEMPLOYMENT RATES IN 7 COUNTRIES

Period	U.S.	Canada	U.K.	France	Sweden	West Germany	Japan
1976-1980:	6.7%	7.7%	6.2%	5.5%	1.9%	3.3%	2.1%
1981 to Sept:	7.3%	7.3%	10.7%	7.8%	2.3%	4.0%	2.3%

In January 1982, the U.K. unemployment rate reached 11.7% and the 1981 riots in Brixton and elsewhere were blamed on the lack of work. U.S. unemployment reached 8.8% in February 1982, and even West Germany's rate ballooned to 5.2% in late 1981. However, during the 1970s and even now, workers in Sweden, West Germany and Japan face low unemployment rates while workers in the U.S., Canada and the U.K. suffer much higher rates. The reasons for the differences between unemployment rates are complex, but direct government efforts to help the unemployed have an impact in reducing unemployment (fiscal and monetary policies are indirect, harder to measure, and are not reviewed here). However, some governments provide effective programs with large funding to combat unemployment, while other governments offer solutions with token funding. We shall look at these strong and weak efforts in labor market programs, job security law, and unemployment compensation.

Labor Market Problems. Governments use "active labor market policies" to create jobs, help workers find jobs, and train workers for new jobs. The following table shows how governments spent money to put people to work.

### PUBLIC EXPENDITURES ON LABOR MARKET PROGRAMS, AS % OF GNP, 1975-1976

Country	Training	Job Creation	Handicapped Spending	Employment Service	Total
U.S.	0.13%	0.30%	0.05%	0.03%	0.57%
Canada	0.31	0.10	0.01	0.06	0.51
U.K.	0.17	0.22	0	0.14	0.63
France	0.20	0.02	0.03	0.03	0.28
Sweden	0.34	0.88	0.31	0.16	1.72
W. Germany	0.27	0.35	0.04	0.19	0.87
Japan	0.02	0.01	0	na	0.72

In 1975-76, Sweden spent almost twice as much as any other country on labor market programs, and in 1976-77 and 1977-78, increased its expenditures from 1.72% of GNP to 2.7% and 3.0%

What does this mean to a Swedish worker threatened with unemployment? First, the firm must notify the union, the worker, and the employment service of the possible layoff. Then labor, management and the employment service try to avoid layoffs by subsidizing work or training in the firm. If the firm cannot avoid a cut-back, job counseling is set up at the plant, frequently with job bank computer terminals. While the worker is receiving full pay for the one to six months before lay-off, the employment service does everything in its power to place the worker in a new job. When the private sector is in a recession, the labor market board authorizes public road and construction projects. If these job efforts fail, the worker may enter one of the numerous labor market training schools while receiving

a subsistence allowance greater than the unemployment insurance payments. Further efforts are made there to find him/her a job. If all these efforts fail, the worker will be put on unemployment insurance, but as can be seen from the extremely low Swedish unemployment rate, such failures are rare.

Although similar programs exist in other countries, how well they are funded and how efficiently they are run determines their ultimate success. Sweden spends more than twice as much money on job training as the U.S., and has the largest training program in the world relative to the size of its labor force. Further, these training programs automatically increase during recessions. Sweden spends almost three times as much money as the U.S. on job creation programs; although only 40% of the jobs ultimately prove to be new, they are a significant addition to the supply of jobs. Further, 88% of all spending on handicapped citizens amounts to job creation effort, and Sweden spends six times as much as the U.S. on these programs. The U.S. doesn't have moving allowances so that workers can look for jobs in other areas of the country. Sweden has such allowances, but now seeks to bring industries to workers through its regional policy. Finally, Sweden is second only to West Germany in the amount of money spent on their employment services. This agency registers almost all jobs in Sweden so that a worker knows where to find complete job information. The U.S. Employment Service handles only about 20% of all job openings in our country.

West Germany has similar programs but spends less money. Japan spends most of its money on employment service recruitment centers simply because its economy is generally booming and jobs are plentiful. However, the U.S. spends little on labor market programs, has a weak employment service, has no moving allowances, and except for Japan, is the stingiest provider of labor market training.

Job Security Measures. In a second area, governments may lay the basis for labor market programs and reduce unemployment through strengthening job security for workers. The Swedish "Security of Employment Act of 1974" virtually prohibits dismissal except for serious misconduct. When lay-offs are absolutely necessary and after all attempts are made to avert them, Swedish firms must notify the union, the employment service and the worker from one to six months in advance, under penalty of law. In West Germany, the firm must notify the Federal Institute of Labor and prove that the lay-offs are required by economic necessity and not customary or seasonal slowdowns. The lay-offs are also subject to union and works council review (under the German Co-determination Law works councils involve worker and employer representatives on decisions in the firm). In contrast, the U.S. government does not get involved with work security issues, and generally condones management's supposed right to terminate workers without explanation. However, 43% of union negotiated collective bargaining agreements have achieved some worker job security through notification requirements even though such warnings are less than 30 days.

Unemployment Insurance. Finally, when all else fails, workers may receive unemployment insurance. Although unemployment schemes are complex, some simple indicators of their coverage are shown below.

THE STRUCTURE OF UNEMPLOYMENT INSURANCE IN 7 COUNTRIES, AS OF MID-1975			
Country	% of labor force not covered	weeks workers can receive benefit (max)	payment as a % of average wage (max)
U.S.	18%*	65 weeks	50%
Canada	11	51	63
U.K.	20	52	38
France	40	52-104	50-56
Sweden	0	60-90	62-72
W. Germany	23	52	60
Japan	55	15-50	60

\*However, 37.2% of the unemployed do not receive benefits

Sweden pays the most benefits to the most workers. Japan has stingy benefits supplied for a short time, but will pay a large bonus to workers who quickly find a new job. However, countries that do not have large labor market programs tend to spend more on unemployment insurance. Thus, Canada spends five times and the U.S. 1-1/2 times as much on unemployment insurance than on labor market programs. In the opposite direction, Sweden spends over four times as much money on labor market policies. Society can pay now for a program to keep people at work, or it can pay later to support workers after they have already lost their jobs.

Action for the Future. Governments appear to be taking three courses on unemployment. First, Sweden has chosen to spend \$300 million in 1981-82 for government construction projects for the unemployed. France, under Mitterand, has increased labor market expenditures from prior miniscule amounts to an expanded program including "public work corps" for the unemployed, 61,000 new public service posts, and \$400 million for credits to firms that supply new jobs. Second, under Schmidt, Germany has initiated an "inflation-unemployment balancing act" that involves labor market programs, lowering the retirement age, and a tight rein on general spending. However, trade unions are pressing for more emphasis on job creation. The third response can be seen in the U.K. and the U.S. where government has simply cut-back labor market and other programs despite high unemployment.

With the 1982 unemployment predictions for the U.S. reaching 9.0% (U.K. 12%), American workers would clearly prefer government programs to help workers find new jobs, rather than unemployment payments. The AFL-CIO has proposed such a plan that would be funded by increased corporate taxes. Our representatives in government should pass and implement this plan.

- Tom Janoski

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