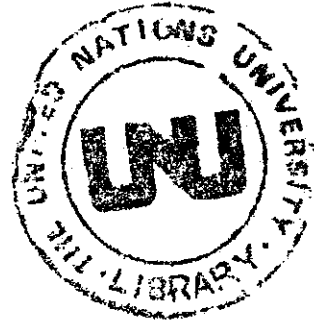


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**DEVELOPMENT OF UNEMPLOYMENT
AND MANPOWER POLICY IN THE
INDUSTRIALIZED COUNTRIES**

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This paper is being circulated in a pre-publication form to elicit comments from readers and generate dialogue on the subject at this stage of the research.

Every businessman I know is trying to run his business with the least number of people. It's understandable. And yet I don't know of a place in the world where finding meaningful employment for the people isn't perhaps the number-one problem. Now these two things are absolutely inconsistent. [A management opinion cited in "Business International," *Europe in the 1980s*, Geneva, 1979, p. 68.]

Europe's unemployment has been swollen as an onslaught of low-cost Third World competition has slowed recovery from the 1973-74 oil crisis. More than 6 million workers, or 5.6% of the EC's work-force, were without jobs at the end of 1978 — not counting those who are maintained in jobs by government subsidy schemes. EC economists expect unemployment to hold steady this year as economies grow, but see jobless rates rising again in 1980. ["Europe: a Frantic Rush to Prop Up Employment" in *Business Week*, 26 February 1979.]

I. THE PROBLEMATIQUE: RELOCATION OF PRODUCTION AND UNEMPLOYMENT

Our recently published studies on the international division of labour set out a framework within which it was possible to explain the link between the establishment of a world market for production sites for manufacturing industry and the high and sustained levels of unemployment in the traditional industrialized countries without any concomitant reduction in unemployment in the developing countries.¹ Since these processes and circumstances are both the precondition as well as the consequences of the development of the capitalist world economy, it would be wrong to assert a unilinear cause and effect relationship between them. Furthermore, the lack of data and the problems involved in collecting data make it virtually impossible to prove this entirely plausible link with the desired degree of quantitative precision.

The question of whether investment abroad and the relocation of production associated with it leads to an "export of jobs" is not merely of academic interest: It is also directly a political question. Consider for example the possible consequences of a report on the Federal German economy prepared by the Institut für Weltwirtschaft at the University of Kiel,² which had a considerable response in the German press.³ The study concluded: "In short, those fears generated by the thesis that investment abroad destroys jobs are, as far as the macro-economic level is concerned, unwarranted."⁴ How do the authors of this study arrive at this assessment? First, they draw on the assistance of a number of subsidiary arguments, for example, that foreign investment is very small in comparison with domestic investment, and can therefore be disregarded for all practical purposes.

However, the figures that the Kiel study uses in fact show that the share of total investment accounted for by investment abroad has

steadily increased over recent years. In accumulated values direct investment abroad had reached a value of 1.5 per cent of domestic capital stock by the end of 1969: By 1977 it was 3.1 per cent.

(Moreover, these figures are based on a very incomplete recording of investment abroad and normally exclude the raising of capital abroad or re-investment of profits. In addition, investment abroad usually represents new investment or "net investment" and as such cannot be directly compared with investment in the home economy.)

The authors also attempt to set off foreign investment in Federal Germany against investment abroad originating from Federal Germany. In order to do this they recalculate the amount of foreign investment made in Federal Germany by using a rather complex method which eventually yields a slightly higher figure — without, however, investigating the equally reasonable option of recalculating investment emanating from Federal Germany and going abroad. It is not entirely clear what the role of this counterposition is meant to be in the debate as to whether jobs are being exported. The relative decline in foreign investment in Federal Germany in recent years and the steep rise in investment from Federal Germany abroad are correctly attributed to the same cause: The structure of production costs has deteriorated in Federal Germany in comparison to other locations. "Since the end of the 1960s a number of site advantages possessed by Federal Germany have been subject to a process of erosion."⁵

This change, which began around 1970, is the product of changes in the international division of labour. Whereas "import competition from less-developed countries" has caused a number of branches to "contrast at least in relative terms," the search for "growth sectors" remains unrewarded. "It is much more difficult to identify branches which could sustain future economic growth and in which, as a result, favourable prospects of a return on present investment are justified."⁶ Since the difficulty in finding such branches in the domestic economy cannot be realistically attributed to any incapacity on the part of entrepreneurs, the most likely conclusion is that such branches scarcely exist. "In view of these developments in the structural conditions which are of

relevance for investors, there is good reason to suppose that investment abroad is at the expense of investment in the domestic economy."⁷

However, thanks to the miraculous powers of certain "compensating factors" this will not lead to a loss of jobs. To prove this claim the Kiel study introduces a distinction between "market oriented" and "cost oriented" foreign investment. The fact that cost orientation might have some connection with market orientation and that both in fact are oriented towards the valorization of capital is relegated to a footnote which reads: "The motives which have been differentiated here are usually found together, although each may be given a different weight. In the long run both motives express the fundamental corporate search for profit."⁸ However, "market oriented" investments are usually "by far the most significant."⁹ And since this form of investment is associated with the supply of raw materials, capital goods and manufacturing plants from Federal Germany, the authors consider that in turn it serves to retain or even increase employment. The proof: "In nearly all branches direct investments and exports of goods are positively correlated."¹⁰

In fact this "proof" proves nothing: the Institute's findings can be interpreted (in fact more convincingly) from exactly the opposite standpoint. Firms and industries that produce a great deal abroad can manufacture parts and components there more cheaply, or have them manufactured, and thus cheapen their end-product and increase their competitiveness on the world market.¹¹ This might just as well explain the observed positive correlation between investment abroad and export of goods. The extensive subdivision of the production process into discrete elements and the organization of production on a world scale distribute semi-manufacturing to different sites, increase competitiveness on the world market, and force firms to select those sites that offer the lowest costs for each individual operation — which in many cases no longer means Federal Germany with its high production costs.¹²

This apparent arbitrariness in the choice of explanation made by the Kiel study lends a somewhat arbitrary character to the eventual

conclusions too. The entire "motivational analysis" on which their argument rests is made to serve as a substitute for a full scientific analysis of the reasons for investment abroad, its preconditions and its effects. A survey carried out by the Ifo-Institut, Munich, also confuses these two levels in claiming to have inquired into the "reasons" for investment abroad but merely citing motives. The survey found that "securing outlets through proximity to markets" emerged as the leading reason/motive for investment abroad and was cited by 70 per cent of respondents: However, almost 60 per cent also cited "wage and associated labour costs."¹³ The repetition of "market motive" is quite clearly a matter of good public relations. It is not unexpected that a firm should cite the desire to secure markets as its motive for investment when being labelled a "runaway industry" is not regarded as being especially praiseworthy or politically astute.

In addition to the shortcomings and contradictions already noted above, the unrealistically restrictive notion of what relocation of production in fact means also raises doubts about the validity of such studies. A reasonably accurate estimate of the extent of industrial relocation necessitates a supplementation of the inadequate official category of "investment abroad." The relocation of individual parts of an individual firm's total production to that firm's own plants at new sites (either bought or built, and partly or wholly owned) represents only one aspect of the complete process of the relocation of industrial production: And although this portion does of course affect the volume and the type of labour-power demanded at both the new and old sites, it is neither plausible nor sensible to try to record and observe the employment effect of this portion in isolation.

Production can also be relocated without any formal financial stake in a foreign manufacturing establishment being involved. The possibility of using manufacturing capacity at new sites without exercising control through a financial involvement is being exploited by firms to a large and growing extent: A number of instruments and forms exist to facilitate such co-operative exercises, such as licensing, supply, sub-contracting, know-how and management agreements. The finishing

operations carried out for capitalist enterprises in factories located in Eastern Europe are predominantly organized in this way; similar arrangements can also be found in a number of developing countries. The numerous examples which do exist of this form of operation are indicative of the special advantages associated with this type of relocation: For example, production can be expanded or cut back, and the actual site of production changed both quickly and flexibly in response to fluctuations in world demand.¹⁴

The advance of the new international division of labour and the processes of industrial relocation associated with it are not only manifested in the investment behaviour of individual firms. They can also be seen in the economic policies of a large number of national governments and international institutions who create the general framework within which this process can take place. The structuring of this framework to encourage the relocation of production leads to important parts of the manufacturing industry moving to new sites with lower production costs, at which production by foreign companies from within the same branch only accounts for one part of overall production: New suppliers, capable of partly or completely displacing traditional suppliers, also enter the world market.

It is the *sum* of these processes that represents the full extent of the current world-wide changes occurring in the structure of the manufacturing industry. The effects on employment that result from the relocation of industrial production are based on relocation as it in fact takes place in this fuller sense — and therefore grow in concert with the advance of the new international division of labour.

In contrast to the assessments of the German studies cited above, a number of writers have established a clear connection between the world-wide restructuring of production and unemployment in the traditional industrialized economies.¹⁵ In a study on economic development in Europe Bressand comments on the situation in Federal Germany: "If it turned out that successful adaptation to a new international division of labour does not coincide with a successful employment

policy, the question of what costs should be acceptable and who should bear them would come back to the forefront of the domestic debate."¹⁶ For the time being it is clear that it will be the open and hidden unemployed who will no doubt bear the costs of an "unsuccessful employment policy."

II. THE DEVELOPMENT OF UNEMPLOYMENT IN THE TRADITIONAL INDUSTRIAL COUNTRIES

Although the main focus of our analysis in this section is unemployment in the traditional industrial countries it is important to remember that these developments cannot be isolated from the much greater un- and underemployment in the developing countries. Nonetheless, the steep rise in unemployment in the traditional industrial countries since the end of the 1960s is an important indicator of the advance of the new international division of labour; the fact that no corresponding converse movement has taken place in the intervening period in the developing countries is primarily due to the immense size and rapid expansion of the industrial reserve army in these countries. In addition, the local and partial unintegrated industrialization which is taking place in the developing countries, squandering both human and natural resources, also serves to exacerbate the problem of unemployment, as we have shown elsewhere.¹⁷

The market rise in unemployment in the traditional capitalist countries has been a fact of the last decade and is unambiguously recorded in the official statistics of the registered unemployed. However, the link between unemployment and the establishment of a world market for industrial production sites is not so easily read off from such statistics. After a sharp rise, official statistics for the years since 1975 (for the OECD countries as a whole, as well as a number of individual countries within OECD) indicate a stagnation of unemployment at a high level. At the same time, the process of industrial relocation to new sites has continued apace. This is a predictable and not unprecedented phenomenon: Sustained high levels of unemployment induce more and more unemployed people to leave the register and enter both the officially recorded and unrecorded "latent reserve." In his

Geschichte der Arbeitslosigkeit [History of unemployment] Frank Niess notes that, "Although they wish to have employment these unemployed individuals retreat from the visible 'industrial reserve army' to the 'latent reserve.' The longer mass unemployment continues, the greater this reserve grows and the less accurately do the figures for registered unemployment reflect the true extent of unemployment."¹⁸

Our study therefore requires us to look at both official unemployment figures and to enquire into hidden un- and underemployment, although we can only attempt to touch on this problem here by way of an illustration of the inadequacy of official statistics. However, an accurate evaluation of the change in the employment situation which has taken place during the period in which a world-wide reorganization of manufacturing has occurred can only be made when this fuller picture is understood and analysed.

Although it is very often rather arbitrary to claim that a given historical process began at a particular point in time a convincingly broad range of empirical material does in fact indicate that the initial effects of the development of a new international division of labour could first be discerned at the end of the 1960s. This coincides with the fact the first free production zones also began operations in the latter half of the 1960s.¹⁹ Since relocation of production began at different times in different countries and branches it is unlikely that shifts in employment would be detected until after the early 1970s. Nevertheless, despite the cyclical fluctuations which overlay the basic trend, figures for the period 1970-78 clearly show the effects of relocation.

Official statistics usually cover only those who have officially registered as unemployed. Table 1 reproduces the annual average unemployment figures for 20 OECD countries between 1970 and 1978. Despite variations in recording methods between countries (and even between years for some countries — such as Italy between 1976 and 1977)²⁰ the general tendency is clear: Registered unemployment rises in the first half of the 1970s, most steeply between 1974 and 1975, and

TABLE 1. Number of Registered Unemployed 1970-1978: OECD Countries^a
(Annual Average Figures, in Thousands)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Australia	56	74	104	87	122	269	282	345	402
Austria	60	53	50	41	41	55	55	51	59
Belgium	71	71	87	92	105	177	229	264	282
Canada	495	552	562	520	521	697	736	862	911
Denmark	24	30	30	20	50	124	126	164	190
Finland	41	49	57	52	40	51	91	137	169
France	262	337	380	394	498	840	933	1,073	1,167
FRG	148	189	247	282	583	1,074	1,060	1,030	993
Greece	49	30	24	21	27	35	28	28	31
Ireland	65	63	72	67	72	104	113	111	102
Italy ^b	616	613	701	669	560	654	732	1,545	1,571
Japan	593	639	726	664	740	1,000	1,080	1,100	1,240
Netherlands	46	62	108	110	135	195	211	204	206
New Zealand	2	3	6	2	1	4	5	7	22
Norway	13	12	15	13	11	20	20	16	20
Spain	146	190	191	150	150	257	376	540	817
Sweden	59	101	107	98	80	67	66	75	94
Turkey ^c	44	45	44	46	81	117	141	143	166
UK	602	776	855	611	600	929	1,270	1,378	1,376
USA	4,089	4,993	4,840	4,304	5,076	7,830	7,238	6,856	6,047
TOTAL	7,481	8,882	9,206	8,243	9,493	14,499	14,792	15,929	15,865

a. Excluding Iceland, Luxemburg, Portugal, and Switzerland

b. Change in recording method 1976/77

c. Only a small part of total unemployment registered

Source: OECD, *Main Economic Indicators*, October 1974 to October 1979

then stagnates at a high level. However, these figures do not represent the real employment position. Rather they are an expression of the extent to which official unemployment statistics were able to disguise the real growth in un- and underemployment in that period.

An accurate picture of the changing employment situation requires the consideration of a number of factors — of which registered unemployment is only one — viz. hidden un- and underemployment, those in gainful employment, potential and actual activity rates and their changes over time, and the volume of migration. The following sections endeavour to deal with some of the more important links between these variables. It is virtually impossible to record hidden unemployment and under-

employment in absolute numbers in the traditional industrial countries (a fact which applies universally). However, some figures can be provided which illustrate the relative change over the last few years. In Federal Germany, for example, the officially recorded latent reserve rose from zero in 1970 to around 670,000 by 1978, around two-thirds of the total registered unemployed. "The 'latent reserve' is defined as that part of the potential labour force which is neither in gainful employment nor registered as unemployed at employment exchanges, and which on past experience would actively seek work if the labour-market improved. . . . The 'latent' reserve therefore represents a type of involuntary, cyclically determined lack of employment existing alongside open registered unemployment."²¹

Despite cyclical fluctuations, the official numbers of unemployed rose every year between 1970 and 1977 in Federal Germany if the officially recorded latent reserve is taken into consideration. The overall figure rose from 149,000 to 1,639,000 — with the 1978 level of 1,635,000 hardly representing any change.²²

However, the officially published figures for the latent reserve only embrace one part of the non-registered "involuntary lack of employment." *Exported unemployment* is especially important — be it only for its sheer volume. The number of non-German nationals employed in Federal Germany fell by 654,000 from its high point in 1973 to its level in 1978. In the same period the number of foreign workers registered as unemployed rose by 77,000 and latent reserve registered a total of 168,000 non-German nationals. The conclusion which emerges is that a total²³ volume of unemployment of 409,000 persons has been exported, and probably somewhat over 450,000 since the latent reserve does not only consist of those who had previously been in employment.²⁴ Even the West German "Specialist Economic Commission" — the "Five Wise Men" — commented on the export of unemployment in the following terms: "This can also be regarded as a transfer of employment problems back to countries who suffer from even greater unemployment than Federal Germany."²⁵

Our first provisional total for Federal Germany therefore comprises

registered unemployment, official recorded latent reserve, and exported unemployment -- in all, 2,100,000 in 1978, an increase of almost 2 million since 1970.

However, these figures are not in themselves sufficient to record fully the true decline in employment by 1978 and which commenced in the years after 1970. A number of other groups can be included to reveal a fuller picture, although methodological problems may preclude their inclusion in official statistics. Most are estimates. In 1977 there were 169,000 non-German nationals in the official latent reserve: by contrast, the DIW study arrived at a figure of 300,000 foreign nationals in the latent reserve, a difference of 131,000.²⁶

Official figures place 55,000 German youths under 20 in the latent reserve.²⁷ The Göttingen *Soziologischen Forschungsinstitut*, using corrected unemployment figures from the Federal Statistical Office's micro-census together with an examination of the development of the activity rate of young people and numbers of students for May 1976, arrived at a youth unemployment figure of 168,000 of which 85,000 were officially registered as being unemployed.²⁸ The difference of 28,000 represents young persons who are neither registered as unemployed nor recorded in the latent reserve.²⁹ The latent reserve also includes 55,000 older persons.³⁰ This clearly includes only those individuals who are entitled to draw a pension after a period of unemployment lasting one year or more, and who are over 59 years of age. The considerable effects of the introduction of flexible retirement on the labour market have been calculated by the Deutsche Institut für Wirtschaftsforschung in Berlin: "In 1976 and 1977 the opportunity for early retirement considerably alleviated conditions on the labour market . . . in 1976 around 190,000 additional jobs would have been required had those men who took the option of early retirement between 1975 and 1976 waited until they were 65 before retiring. . . . The net effect of the introduction of flexible retirement should, however, be put at 160,000 jobs/persons."³¹ If we subtract the 55,000 from the latent reserve to avoid double counting, the remaining sum amounts to 105,000.³²

TABLE 2. Growth in Potential and Actual Activity Rates, Self-employment, Wage and Non-German Residents of Federal Germany, 1965-1978 (People, in

Annual average	Potential economically active population			Gainfully employed			Of Self-employed/assisted by family members		
	Total	German	Non-German	Total	German	Non-German	Total	German	Non-German
	1965	26,916	25,756	1,160	26,769	25,611	1,158	5,130	5,091
1966	26,890	25,601	1,289	26,686	25,401	1,285	5,036	4,995	41
1967	26,539	25,466	1,073	25,817	24,760	1,057	4,896	4,853	43
1968	26,300	25,230	1,070	25,839	24,775	1,064	4,785	4,740	45
1969	26,419	25,002	1,417	26,240	24,826	1,414	4,604	4,556	48
1970	26,719	24,850	1,863	26,570	24,712	1,858	4,422	4,371	51
1971	26,916	24,721	2,195	26,639	24,456	2,183	4,311	4,256	55
1972	26,973	24,613	2,360	26,580	24,237	2,343	4,220	4,162	58
1973	27,077	24,497	2,580	26,648	24,088	2,560	4,148	4,086	62
1974	26,943	24,390	2,553	26,155	23,707	2,448	4,063	3,996	67
1975	26,820	24,380	2,440	25,266	23,133	2,133	3,937	3,865	72
1976	26,654	24,365	2,289	25,033	23,031	2,002	3,800	3,723	77
1977 ^a	26,609	24,394	2,215	24,970	23,016	1,954	3,707	3,625	82
1978 ^b	26,655	24,462	2,193	25,020	23,092	1,928	3,650	3,566	84

a. Provisional total

b. Estimate

Source: Autorengemeinschaft, op. cit.

The number of employed home workers fell by 71,300 between 1970 and 1977.³³ Firms which formerly sent out work to home workers now find themselves increasingly compelled to "have such work carried out in countries with lower costs through the medium of sub-contracting."³⁴ On the assumption that an estimated one-third of former home workers have neither found new employment nor registered as unemployed, a total of 24,000 remain unaccounted for in the official statistics.

In recent years, where unemployment has remained at high levels, the number of people without a fixed domicile, i.e., the homeless, has increased by half to around 120,000.³⁵ The coincidence of these two facts suggests that in many cases this involves people who have no

Employment, Registered Unemployment, and the "Latent Reserve" for German
Thousands)

Of whom								
whom								
Wage earners			Registered unemployed			Latent reserve		
Total	German	Non-German	Total	German	Non-German	Total	German	Non-German
21,639	20,520	1,119	147	145	2	-	-	-
21,650	20,406	1,244	161	157	4	43	43	-
20,921	19,907	1,014	459	443	16	263	263	-
21,054	20,035	1,019	323	317	6	138	138	-
21,636	20,270	1,366	179	176	3	-	-	-
22,148	20,341	1,807	149	144	5	-	-	-
22,328	20,200	2,128	185	173	12	92	92	-
22,360	20,075	2,285	246	229	17	147	147	-
22,500	20,002	2,498	273	253	20	156	156	-
22,092	19,711	2,381	582	513	69	206	170	36
21,329	19,268	2,061	1,074	923	151	480	324	156
21,233	19,308	1,925	1,060	954	106	561	380	181
21,263	19,391	1,872	1,030	938	92	609	440	169
21,370	19,526	1,844	993	896	97	642	474	168

chance of finding employment under the prevailing conditions. A prudent estimate of the hidden unemployed among the homeless not recorded in the official latent reserve would yield a total of 60,000.³⁶

Hence, our *second provisional total* arrived at by the addition of the first provisional total to the above groups amounts to 2,450,000 (including exported unemployment).

However, this still falls short of the full extent of un- and under-employment. A number of measures have been directed at preventing underemployment from taking the form of unemployment, and these have to

be taken into consideration in attempting to assess the true current employment situation.

The first are subsumed under the rubric of so-called manpower policies: provisions for the subsidy of short-term jobs, job-creation schemes, full-time training, and re-training programmes. In 1978, 191,000 employees in Federal Germany were on short-time working (under state subsidy), reducing overall unemployment by a figure possibly "exceeding 30,000."³⁷ Job-creation measures had an increasing impact on reducing the number of unemployed - rising "by more than a quarter from 61,000 to 77,000 between 1977 and 1978."³⁸ The same report commented on the effects of the 77,000 persons in full-time training: "Without the Federal Labour Commission's promotion of training schemes, unemployment would have been 57,000 higher in 1978."³⁹ The combined effect of these official measures meant a temporary reduction of unemployment of about 164,000 for 1978.

In addition both the federal and local governments expend a lot of resources in endeavours to increase the total amount of employment available. Investment grants within government programmes to secure "planned expansion for stability," or to "improve regional economic structures" are as much a part of this policy as are measures to promote "new technologies." Their overall effects on the labour market are estimated at several hundred thousand.⁴⁰ However, we do not consider them here: First, their effects are not entirely certain,⁴¹ and secondly an alternative use of these resources could also generate employment.⁴² Nonetheless, these measures and programmes are relevant for our study here as they indicate the necessity for the state to intervene to raise the demand for labour power (i.e., encouraging capital to remain within national boundaries).

Final total: By 1978 the volume of unemployment and underemployment had risen (since 1970) to at least 2,614,000 - compared to the 993,000 persons officially registered as unemployed in that year.⁴³

Such a vast difference inevitably leads to the question of whether our

total is based on wholly realistic assumptions. Where are the nearly two million people who are not registered as unemployed? As we have shown, many of them are technically in gainful employment (workers on short-term or in job-creation schemes), others have been extracted from the potential working population (early retirement, training and re-training, and homeless or are no longer recorded in domestic statistics — exported unemployment). The following data attempts to demonstrate that the volume of un- and underemployment which we have suggested is entirely plausible.

Since 1974 the yearly totals of those registering as unemployed considerably exceeded the numbers of persons who found employment through the official employment exchanges. In 1978 there were 3,081,000 registrations and 2,138,000 placements.⁴⁴ Since the number of registered unemployed has not increased from the previous year, a large number of unemployed persons must have withdrawn from the registers without having found employment, and only some of them will have found jobs via other means.

One statistical expression of the development of employment is the steady drop in the total activity rate of the population, in which demographic changes play only a minor role. In 1969 the *potential activity rate* of the German population in Federal Germany was 56.8 per cent. By 1978 this had fallen to 53.04 per cent, a drop of 3.45 percentage points.⁴⁵

Since this employment potential also contains the official latent reserve as well as those in actual gainful employment and the registered unemployment, any non-demographic decline in the activity rate represents an addition to the volume of hidden unemployment. However, this excludes short-time working and exported unemployment.

This divergence between registered unemployment and the true extent of un- and underemployment can be detected in a number of other industrial countries. Some estimates have been made for example for the USA. Even the Commissioner of Labour Statistics put the non-registered unemployment

of "discouraged workers" as around one million.⁴⁶ A different calculation added the equivalent of 2,186,330 full-time unemployed to the 1975 figure of 6,437,000 in order to take into account the involuntary unemployment of part-time workers only.⁴⁷ According to this study, with the inclusion of discouraged workers, the true unemployment rate amounted to 11.2 per cent⁴⁸ compared to an official rate of 8.5 per cent: "In other words, the official rate tends to be at least one third too low."

Moreover, these figures do not take into consideration the following groups: young people forced to stay on at school or to remain in the armed forces because of lack of employment opportunities; persons who take the option of early retirement because of economic pressures emanating from the labour market; some housewives who would take up employment if it were available. In addition, there was a decrease in the activity rate of men in the 25-54 year age group. If the activity rate at the beginning of the 1970s had been the same as at the end of the 1950s, in 1972/73 the number of potentially economically active men, and hence the possible number of additional unemployment, would have been 710,000 higher. Thus, although only a part of hidden unemployment and underemployment is shown in these estimates, the resulting figures are still on the order of several million people.⁴⁹

Similar studies have been undertaken for Japan.⁵⁰ The official numbers of the unemployed give a very incomplete picture of true unemployment in Japan in international comparison. While officially there were 730,000 unemployed in 1974 and 1,080,000⁵¹ in 1976, the tri-annual Employment Status Survey came up with a figure of 3,276,000 unemployed for 1974 (that is persons not in gainful employment and actively seeking work). In addition, there was a latent potential work-force of 5,710,000 (1974), i.e., not in gainful employment but not actively seeking work. A "latent core of potential workers" was estimated at 2,092,000. Other surveys carried out under the auspices of the ESS recorded 2,279,000 (1974) underemployed persons who wanted additional work. Thus for 1974 the official unemployment total of 730,000 needs to be set against an additional 7,647,000 un- and underemployed.⁵²

Whether an unemployed person registers as such in Italy seems to be principally a matter of age; 73 per cent of the 1.5 million unemployed in 1977⁵³ were young persons.⁵⁴ For older workers, especially in the less-developed regions and rural areas a disability pension is a common alternative to unemployment benefit - and hence to registered unemployment. "The 5.3 million recipients of disability pensions have to be set against the 4.9 million recipients of old-age pensions. . . . A study carried out by the communist research centre CESPE recently confirmed that in agricultural regions of southern Italy disability pensions often take the place of unemployment benefit."⁵⁵

The development of employment in Switzerland has long been clearly affected by relocations of production. This link has also been explicitly acknowledged: "Employees are anxiously watching the growth in short-term, redundancies and plant closures which is accompanied by a growing tendency for production to relocate abroad, especially to low-wage countries."⁵⁶ The visible effects of this can be seen in the reduction in the employment of migrant workers in particular - i.e., in the heightened export of unemployment. Between 31 August 1973 and 31 August 1976 the number of foreign workers (of all categories) employed in Switzerland fell from 897,000 to 669,000, a drop of 25.4 per cent.⁵⁷ The significance of this figure will become clear when it is compared with an average registered unemployment of 20,700 in 1976.⁵⁸

The means and methods used to hide a substantial part of true un- and underemployment vary from one country to another. Nonetheless, they do possess some common features. In general, the strategy consists in keeping down the extent of unemployment which is recorded and hence publicly visible - especially to the trade unions - to such a level as appears manageable and surmountable in the medium term. A large number of those able to work are temporarily and perhaps permanently forced out of the labour market and effectively prevented from organizing themselves as a political force or acting in solidarity with organized workers (and the officially unemployed), without at the same time being totally released from the industrial reserve army. Their official designation in German statistics as the "stille Reserve" - the silent

reserve - is extremely apt. What is required of this section of the population is that they should remain silent but always be ready for reactivation as a true reserve should economic circumstances dictate it.

Braverman has referred to this division within the industrial reserve army: "Thus there is clearly a large mass of non-working people who constitute a reserve army of labor, only a portion of which is counted. Those who rise to the surface in active search of jobs are counted as unemployed. Those who sink below, to the bottom, and are forced on to the welfare rolls, are accounted paupers and counted in that way."⁵⁹

To return to Federal Germany: Since many non-employed persons are not recorded as unemployed, officially registered unemployment has not grown for a number of years. However, in reality both unemployment and underemployment have continued to grow. The latent reserve continues to expand, along with the volume of unemployment which is exported. A number of characteristics of those officially unemployed indicate that their numbers are being eased back by the departure of those who are not re-employed: for example from the ranks of the longer-term unemployed and those with health constraints who have represented a rapidly rising share of total unemployment.⁶⁰ Since unemployment benefit is only paid for a limited period, and social security payments are conditional on a rigidly applied means test, people from both these groups leave the lists of the registered unemployed - some of whom are obliged to retire early as both are overproportionally represented in the older age-groups.

The various additional factors which we have cited here hopefully show why official unemployment statistics are inadequate. However, the un- and underemployment which these figures exclude is only ascertained irregularly, incompletely, and according to widely varying criteria. It is consequently difficult to make inter-country comparisons or establish reliable time-series. The development of unemployment during the period in which the new international division of labour began to have an impact also cannot be fully traced.⁶¹ Nonetheless, the figures which we have cited are sufficient to reveal the dimensions reached by un- and underemployment, and their development in the 1970s.

III. STATE SUBSIDIES FOR THE REDUCTION OF UNEMPLOYMENT

State financial assistance for the retention of existing jobs and the creation of new jobs increased significantly in importance in the 1970s. Such measures are closely linked with the effects of the new international division of labour on employment in the traditional industrial countries. "As Europe's crisis-stricken industries restructure, governments are facing intense pressure to take emergency steps to cope with unemployment. . . . European Community governments — and some companies — are dramatically stepping up efforts to keep jobs alive and to prop up salvageable operations. Such efforts will be a major priority through the 1980s."⁶² Under existing conditions it is questionable whether such transfer payments to capital, legitimated by the existence of high unemployment, are in fact appropriate means for reducing unemployment. Those resources available to the state for redistribution are employed to produce a temporary improvement in the conditions for valorization in individual branches — i.e., not used to equalize the allocation of social resources — without on balance seeming to be able to contribute to any long-term improvement in the labour market. These measures are frequently justified by reference to the need to retain or improve the competitiveness of production in the home economy in comparison to sites abroad. Subsidies are used to create cost advantages in a country's own sites. Competing sites are then forced to offer comparable benefits. This undoubtedly explains why almost all the industrialized countries have resorted to such measures for the creation and retention of employment⁶³ — guided and justified by an aim, the creation of competitive national sites, which becomes progressively more difficult to attain the more countries enter the contest.⁶⁴ The outcome is that subsidies continue to be paid out without any guarantee that long-term employment will be created or secured.

The forms in which state subsidies are paid for employment creation and retention vary considerably between countries. Federal Germany possesses a number of instruments in this field, including funds to subsidize short-term jobs, job creation schemes, anti-cyclical policies, and regional development policies. In addition to non-repayable means subsidies are also provided through loans, grants to meet interest payments, guarantees, and tax allowances. The creation or retention of employment is even used to justify price-subsidies for public services or aid for research and development. The multiplicity of forms of subvention⁶⁵ makes it difficult to gauge the real extent of their importance for valorization and how extensive they are. The only possible way to assess their effect on employment is to look at alternative uses of the public resources at present transferred to private enterprises in one form or another — such as their possible use to augment public services.⁶⁶ It is very likely that in relation to such alternatives the net effect of existing subsidies is zero or even negative inasmuch as subsidies are used to promote either directly or indirectly investment intended for rationalization aimed at cutting jobs.⁶⁷

In the European Community the United Kingdom's plans to enlarge and extend its employment programme at the beginning of 1978 (such as in the temporary employment subsidy) initially encountered resistance but were eventually approved virtually unchanged. Other EC countries found it difficult to sustain objections since almost all had developed similar programmes of their own.⁶⁸ The UK in fact had to spend £365.8 million through the TES to subsidize 389,000 jobs. Although millions of pounds have continued to be sunk in programmes lasting years the number of registered unemployed has not fallen.

Although it is not novel for the state to provide subsidies to firms, what is peculiar about the present situation is the extent to which the creation and retention of employment, even going as far as the direct assumption of paying wage costs, are determining the pattern of such subsidies. "Since the 1974/75 recession the upward leap in unemployment has led many Western industrialized countries to make increasing use of wage-subsidies as an instrument of active manpower policy."⁶⁹

TABLE 3. Financial Assistance for Firms and Branches

Category	1975 (Actual)		1976 (Actual)		1977 (Nominal)
	DM millions	(%)	DM millions	(%)	DM millions
Retention assistance	1,824.1	(37.3)	1,708.2	(36.8)	2,034.3
Adjustment assistance	2,102.4	(43.0)	2,121.9	(45.7)	2,137.4
Assistance for productivity (growth)	962.3	(19.7)	812.1	(17.5)	915.2
Total financial assistance including sums as loan-guarantees	4,888.8	(100.0)	4,642.2	(100.0)	5,086.9

Source: *Bundestagsdrucksache* 8/1195, op. cit.

TABLE 4. Tax Allowances for Firms and Branches

Category	1975		1976		1977
	DM millions	(%)	DM millions	(%)	DM millions
Retention assistance	2,769	(34.0)	2,776	(32.3)	2,627
Adjustment assistance	4,975	(61.0)	5,485	(63.7)	5,171
Assistance for productivity (growth)	409	(5.0)	346	(4.0)	370
Total	8,183	(100.0)	8,607	(100.0)	8,168

Source: *Bundestagsdrucksache* 8/1195, op. cit.

At the same time as these measures are being taken to support the creation and retention of productive capacity at home, the Federal German Government, along with other European governments, has introduced tax changes aimed at assisting companies in establishing competitive manufacturing operations in underdeveloped countries. This may appear paradoxical, but under the prevailing conditions for the valorization of capital is quite logical. The relocation of parts of production to new sites has become a necessity, and as a consequence, support for such a strategy is in the interests of the maintenance of international competitiveness. At the same time, it has become necessary to adopt policies to control the consequences of this process: The direct subsidy of wage costs to maintain internationally competitive national sites numbers among such policies.

IV. THE FURTHER ADVANCE OF THE NEW INTERNATIONAL DIVISION OF LABOUR WILL CREATE FURTHER UNEMPLOYMENT

The process of the world-wide reorganization of capitalist industrial production is by no means complete, and we can accordingly expect it to exert further influences on employment which will contain the potential for both economic and political conflict. Business International forecasts that, "European multinationals, particularly those that are stabilizing or shrinking their workforce in Europe while expanding elsewhere in the world, will face growing pressure to explain and justify their international strategies in the face of public opposition to the 'export of jobs.'"⁷⁰

Since about 1970 the number of employees in the manufacturing industry has fallen sharply, with employment growing at new sites through the relocation of production. The number of workers in world market factories at new sites has risen, partly at the expense of employment in already existing handicraft and small-scale industry. However, the growth in the employment of cheap labour cannot be seen as an aim in itself: Rather, production is allocated to different sites depending on the specific cost-structure of each type of operation — with the overall aim being the minimizing of total costs. This naturally implies that the number of workers at any given site will be kept to the minimum required for that operation,⁷¹ while productivity — in large measure an indicator of the intensity of work — is pushed up.

Labour-saving rationalization in the manufacturing industry and the effect this has on employment are not new phenomena. What is new is their combination with the world-wide process of the relocation of industrial production, which allows firms new opportunities for lowering the costs. However, this particular combination also produces a decline

in the demand for mass-consumer goods, since on the one hand, deskilling and job-losses lead to a substantial drop in real wage incomes,⁷² and on the other, relocation moves production to sites where workers are paid so little — one incentive for relocation — that they do not represent a demand for industrial consumer goods. Competition between sites, and hence between workers at these sites, acts to hold down wages at new sites and constitutes a real threat to wages at traditional sites. This sets limits on both the expansion of the production of the same goods as well as the production of new products — preventing any compensation for those jobs lost through rationalization.

Consequently, assessments of future trends, such as that submitted to the European Commission for the years up to 1985, do not encounter any major objections: "Increases in productivity and the effects of rationalization will lead to a release of between 500,000 and 700,000 workers annually (depending on the economic situation generally) in the manufacturing and agricultural sectors of the EC. Accordingly, changes in the structure of the population and changes in the economy mean that each year more than a million people will be additionally seeking work in the nine partner nations."⁷³

What is noticeable is the matter-of-factness with which such predictions are made and dealt with in public, considering that they foresee at least the continuation of high levels of unemployment and in most cases a substantial increase over the next few years.⁷⁴ This is significant in itself — even though the methods used to produce such prognoses are often wrong. The last few years have already shown that "real economic growth," i.e., a statistical increase in national product or industrial output, is entirely compatible with an increase in real unemployment: this trend could well continue in the next few years. One of the roots of this process is to be found in the growing trend towards rationalization of production which currently occupies an important place in public discussion. However, the link between rationalization and relocation which is fostered by the conditions of the new international division of labour receives less public attention than the immediate loss of jobs through relocation. Our critique of the studies at the beginning of this

analysis showed how unconvincing recent "scientific" attempts have been in trying to dismiss the very existence of this link.

NOTES

1. Folker Fröbel, Jürgen Heinrichs, Otto Kreye, *The New International Division of Labour*, Cambridge, 1980.
2. Jürgen B. Donges, Paulgeorg Juhl, *Deutsche Direktinvestitionen im Ausland: Export von Arbeitsplätzen?* (Arbeitspapier no. 81), Kiel, 1978. Revised and shortened and printed under the same title in *Konjunkturpolitik*, part 4, 1979, pp. 203-224.
3. For example in the *Frankfurter Allgemeine Zeitung-Blick durch die Wirtschaft*, 22 February 1979: "'Jobs are not destroyed' states Kiel study: investment abroad is not damaging, in fact it helps." *FAZ* reported in a similar vein on 24 February 1979: "The notion that German investment abroad 'destroys' jobs is not tenable as such, study by the Kiel Institut has recently demonstrated."
4. Donges, Juhl, *Deutsche Direktinvestitionen*, p. 28. The Deutsche Bank also uses this report in appraising investment abroad: "A study prepared by the Institut für Weltwirtschaft, Kiel, concludes that fears that investment abroad might destroy employment in Germany are unfounded." (*Monatsberichte der Deutschen Bundesbank*, April 1979, p. 34.)
5. Donges, Juhl, *Deutsche Direktinvestitionen*, p. 9.
6. *Ibid.*, p. 11.
7. *Ibid.*, p. 12.
8. Donges, Juhl, *Deutsche Direktinvestitionen*, p. 16, note 2.
9. *Ibid.*, p. 17.
10. *Ibid.*, p. 19.
11. A study on European economic development comments in relation to German exports: "German firms owe a part of their export successes to their capacity to reduce total product costs by importing numerous components from cheap-labour countries." Albert Bressand, "The New European Economies," in *Daedalus*, vol. 108, no. 1, winter 1979, pp. 51-73.

12. A lack of data makes it impossible to prove a direct relation between supply of goods from abroad and exports. However, information is available from a number of branches showing rising exports according to which the volume of supplies from abroad has been expanded because of cost factors, and the scope of local manufacturing reduced. These branches include large parts of the engineering industry, and manufacturers of plant, electrical goods, and equipment. A report on the telecommunications industry, which likewise has rising exports, notes: "The development of electronics means that the depth of local manufacture is constantly falling and that a greater amount of adding-value takes place outside the firm's own (local) plants and arrives in the form of deliveries of components from abroad." (FAZ, 21 August 1979.)
13. "Warum investiert die Industrie im Ausland?" in *Ifo-Schnelldienst* 6/79, pp. 1-4. "Of those establishments planning investment abroad until 1981, 5 per cent expected to reduce their domestic production capacity." Usually investment planning envisages a stagnation of local capacity (with falling employment as a result of rationalization, with a concomitant increase in capacity abroad).
14. Notable examples: The manufacture of TV sets for the US market is becoming increasingly concentrated in Japanese firms. Import restrictions have forced these firms to set up their own production in the USA which are competitive in relation to US firms because they obtain parts from Japanese or Japanese-controlled plants in "low wage" countries - Mexico, Brazil, Costa Rica, Singapore, Malaysia, Thailand, and the Philippines (see BfA/NfA, 22 November 1979). Relocation in the West German motor industry can be seen not only in the fact that VW and Daimler-Benz import vehicles, transmissions, and engines from Mexico and Brazil into West Germany and the USA but also in the fact that domestic production is virtually stagnant whereas production abroad is rising strongly. "Vehicle production of German manufactures" rose in West Germany from 3.8 million units in 1970 to 4.2 in 1978. At the same time production abroad virtually doubled in the same period from 0.6 million to 1.1 million (according to statistics from the German motor manufacturers' association).
15. Clearly this is not a function of the nationality of the authors but rather their research methods. Thus, in an empirical branch study H.-G. Wermuth comes to the conclusion that relocations of production in Volkswagenwerk AG and Daimler-Benz AG led to a loss of 10,406 jobs in 1974 and 11,201 in 1975 alone. "These figures should be interpreted to mean that in each of the years under consideration these numbers of additional workers could have been employed in Germany if production had been retained there. . . . A closer examination of the results shows that export-platform activities and the resulting loss of jobs is directly proportional to the degree of involvement abroad of the respective firms - measured in terms of the volume of production and employment abroad. . . . Although this study was confined to the relations between export-platform activities and jobs losses in motor-

vehicle manufacture — and thus to the final stage of a complex manufacturing process — it is reasonable to assume that the same applies for other firms and industries." (Horst-Günter Wermuth, "Multinationale Unternehmen und die Entwicklung von Export-Plattformen" in *Jahrbuch für Nationalökonomie und Statistik*, vol. 194/5, 1979, pp. 463-464.)

16. Albert Bressand, "The New European Economies" in *Daedalus*, vol. 108, no. 1, winter 1979, pp. 51-73. Compare this with the initial quote from *Business Week*. The nature of the debate is also very evident in the British trade union journal *Labour Research's* study: "A *Labour Research* survey of the top privately owned British manufacturing companies shows that they now produce over a third of their output overseas. Overseas production is growing with what appear to be damaging effects for both exports and employment." ("UK Multinationals" in *Labour Research*, January 1980, p. 2.)
17. Folker Fröbel, Jürgen Heinrichs, Otto Kreye, *The New International Division of Labour*, op. cit., especially part III.
18. Frank Niess, *Geschichte der Arbeitslosigkeit*, Cologne, 1979, p. 90. Niess cites a number of groups which fit into this category: "Many former wage-earners who would like to work leave the labour-market out of resignation and disappear from the statistics. Many do so because registering and signing-on at the employment exchange begins to appear senseless when no jobs are in the offing. Others leave the register because they may have lost or never had a claim to unemployment benefit or maybe not quite poor enough to draw welfare payments. Married women return to the home. School students stay on longer at school because of anxieties about the increasing competition on the job-market, or try and attend a vocational training scheme in order to obtain additional qualifications. On the other hand, the shortage of jobs leads many unemployed to re-enter the educational system. Those undergoing re-training or further education disappear from the official unemployed register. The same applies to migrant workers who return to their homelands because of having their work-permits withdrawn or because they feel there is little chance of finding further employment. And finally, the official register also loses those self-employed and independent persons who do not lack private means, and those who enter premature retirement."
19. Cf. Fröbel/Heinrichs/Kreye, op. cit., table III-7.
20. For information on recording methods see sources for the OECD statistics.
21. Autorengemeinschaft (collective study group), "Der Arbeitsmarkt in der Bundesrepublik Deutschland (insgesamt und regional)" in *Mitteilungen aus der Arbeitsmarkt und Berufsforschung* 1/78, pp. 50-74.
22. See table 2.

23. These figures for outward migration have to be set against the inward migration of dependants and other migration from EEC countries. "The migratory balance of foreign employees has been negative since 1974 and in the period 1974-1976 amounted to 432,500 persons." (*DIW-Wochenbericht* 13/78, pp. 125-131.)
24. This excludes the large number of those who have remained unemployed in their home countries but who would have otherwise obtained employment in Federal Germany and who had sought such. "At the time the ban on recruitment was imposed in autumn 1973 more than a million workers were on the waiting list for employment in Germany in Turkey: other estimates speak of a further 3 million potential migrant workers." *FAZ*, 26 July 1978.
25. "Jahresgutachten 1977/78 des Sachverständigenrates zur Begutachtung der gesamtwirtschaftlichen Entwicklung," *Bundestags-Drucksache* 8/1221, 22 November 1977, p. 75. This phenomenon is not confined to Federal Germany, of course: "Between 1973, the year in which immigration reached its peak, and the start of 1976, 1.3 million migrant workers lost their jobs in Western Europe." David Freedman, "Employment Perspectives in Industrialized Market Economy Countries" in *International Labour Review*, vol. 117, no. 1, January-February 1978, pp. 1-20.
26. *DIW-Wochenbericht* 13/78, p. 131.
27. A study on the extent and structure of the latent reserve carried out in September 1977 estimated a total of ca. 600,000 persons in this group, of which 50,000 were estimated as being German youth under 20 years of age. Since according to official figures the latent reserve grew by a further 10 per cent between 1977 and the end of 1976, we have added an additional 5,000 to the youth estimate. See Institut für Arbeitsmarkt- und Berufsforschung, "Zur 'Stillen Reserve' am Arbeitsmarkt," *IAB-Kurzbericht*, 9 September 1977.
28. "Arbeitslosenstatistik verschleiern die Jugendarbeitslosigkeit" in *Gewerkschaftliche Bildungspolitik* 1/2-78. Also see Martin Baethge and Frank Gerlach, "Klein schönes Land in dieser Zeit" in *Betrifft Erziehung* 3/18, pp. 58-65.
29. The Jungdemokraten (youth organization of the FDP) came to the following conclusion in their study of youth unemployment: "The size of the non-registered unemployed group may be as large as the registered. In addition, the figures are reduced by the numbers of young people undergoing national service, or obligatory alternatives - 230,000 in all."
30. Institut für Arbeitsmarkt- und Berufsforschung, "Zur 'Stillen Reserve' am Arbeitsmarkt," *IAB-Kurzbericht*, 9 September 1979.
31. "Früherer Rentenbeginn entlastet Arbeitsmarkt," *DIW-Wochenbericht* 1/78, pp. 1-5.

32. "The use of the flexible age limit for retirement has 'changed' the employment situation of older workers in some respects. Registered unemployment in this age group has fallen off. The share of male unemployed of 55 years and over fell from 41 to 14 per cent between 1972 and 1974. The figures express a particular personnel policy in firms, by which it is endeavoured to ease older workers out of the production process in times of economic crisis by using the possibilities for early retirement. This also reveals the clear link between private managerial and national governmental strategy: both sides attempt to exclude older or marginal employees from the production process, on the one hand to reduce the number of unwanted employees, and on the other to ease conditions on the labour market. This does not solve the problem of older employees, it rather simply produces a change in unemployment statistics. Registered unemployment is transformed into latent unemployment. It is clear that a change has taken place in the way in which older employees leave the work-force: Instead of facing a long period of unemployment they now face a longer period of retirement." Claus Offe (ed.), *Opfer des Arbeitsmarktes*, Neuwied, Darmstadt, 1977, pp. 93-120.
33. Bundesministerium für Arbeit und Sozialordnung, *Arbeits- und Socialstatistik: Hauptergebnisse 1978*, p. 36.
34. *Handelsblatt*, 6 November 1978. "A bread basket made in Germany costs up to DM 5. The price of the same basket made in China and including freight costs comes to less than 80 Pfg. It's therefore hardly surprising that the numbers of home workers are declining." (*FAZ*, 21 October 1978.)
35. See Gert Hausch "Massenarbeitslosigkeit — Ergebnis monopolkapitalistischer Profitwirtschaft" in *Marxistische Blätter* 2/78, pp. 13-20.
36. Dieter Freiburghaus, from the Wissenschaftszentrum in Berlin, notes that persons unemployed through sickness do not count in the unemployment statistics. He estimates their numbers at 30,000 (*Welt der Arbeit*, 31 May 1979). We have left them out of our estimates since we cannot establish to what extent they enter into the official latent reserve.
37. Autorengemeinschaft, "Arbeitsmarkt 1979" in *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 1/79, p. 27.
38. Ibid. Calculations as to the effects on the labour-market presuppose certain reactions on the part of those effected had these measures not existed. Cf. Eugen Spitznagel "Arbeitsmarktwirkungen, Beschäftigungsstrukturen und Zielgruppenorientierung von Allgemeinen Massnahmen zur Arbeitsbeschaffung," in *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 2/79, pp. 198-216.
39. "Arbeitsmarkt 1979," op. cit.
40. Thus, under the heading "State Creates new Jobs," we read:

"Federal and local governments are aiming to create 430,000 new jobs under programmes to improve regional economic structure, and in addition to guarantee a further 180,000 already existing jobs." *Handelsblatt*, 15 December 1975. The Länder governments are using tax resources to save jobs: the sole justification for their restructuring aid is that jobs will be saved.

41. The Deutsches Institut für Wirtschaftsforschung, Berlin, regarded the employment effects of such "anti-cyclical programmes" as being quite low. See "Gefahr steigender Arbeitslosigkeit durch die bisherigen Konjunkturprogramme nicht gebannt" in *DIW-Wochenbericht* 2/78, 12 January 1978, pp. 13-19.
42. The reductions in public spending on direct public sector employment have already produced a reduction in such employment with a consequent deterioration in services. In 1976 alone public sector employment fell by 26,980 — of which 20,277 were railway employees. See *Wirtschaft und Statistik* 4/78, pp. 212-15. "Between the period when the recruitment ban became operative (30 November 1974) and the end of September 1978 72,000 jobs were cut on the railways, of which 14,700 were trainee positions." *FAZ — Blick durch die Wirtschaft*, 26 October 1978.
43. An additional form of real underemployment which does appear in the statistics is the low level of labour utilization at plant level. The DIW put a figure on this "productivity reserve" measured in terms of numbers of employees as 720,000. (*DIW-Wochenbericht* 2/78, 12 January 1978, p. 17.) If one subtracts from this the 30,000 estimated net effect of short-time working, a balance of 700,000 net underemployment remains.
44. Whereas prior to 1973 the number of placements always exceeded the number of registrations, the situation changed after 1974 as the following table shows:

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Total unemployed (annual average)	149	185	246	273	582	1,074	1,060	1,030	993
Total seeking work (annual average)	281	325	403	452	778	1,274	1,296	1,280	1,251
Total registrations (annual total)	1,296	1,563	1,662	1,877	2,795	3,450	3,256	3,315	3,081
Total placements (annual total)	2,988	2,706	2,583	2,653	2,239	2,127	2,327	2,290	2,138

Source: *Arbeitsstatistik 1978 — Jahreszahlen, Amtliche Nachrichten der Bundesanstalt für Arbeit, Sondernummer, 5 July 1979, table 1.*

45. Autorengemeinschaft, "Arbeitsmarkt 1978" in *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 1/78, pp. 36-38.
46. Julius Shiskin, "The Labour Market: Matching Up the Statistics and the Realities" in *Challenge*, January-February 1978, pp. 28-33.

47. Richard B. du Boff, "Unemployment in the United States: An Historical Summary" in *Monthly Review*, vol. 29, no. 6, November 1977, pp. 10-24.

48. Another calculation arrived at a figure of 13 million unemployed in April 1975, which corresponded to an unemployment rate of 13.6 per cent, and still represented an underestimate of the true level:

1. Officially reported unemployment	8.2 million
2. Persons wanting a job but not included in the official count of unemployment ^a	3.1 million
3. Adjustment for those involuntarily working part-time ^b	1.7 million
Total unemployment	13.0 million

a. Excludes those wanting a job, but who reported that they were not actively looking for work because they were at school or ill. These data are for the first quarter of 1975, the latest date for which this information is available. In the light of recent trends, however, this is most likely an underestimate of the situation in April 1975.

b. The full-time equivalent unemployment of those working part-time (an average of 22.5 hours a week) but who want full-time work (40 hours a week). (Paul Sweezy, "Capitalism and Unemployment" in *Monthly Review*, vol. 27, no. 2, June 1975, pp. 1-14, table 3.

49. The black population is particularly hard hit: "During the third quarter of 1975 black unemployment rose above 3,000,000 — counting those workers who are discouraged and no longer looking for a job or are holding part-time jobs, because they cannot find full-time employment. This unofficial but accurate picture of black unemployment remained at about 26 per cent during 1975. Even the official unemployment rate for blacks was running twice that of whites at 13.2 per cent and for black teenagers it was a catastrophic 37 per cent. (*International Herald Tribune*, 5 April 1978.) The complexities of international comparisons are discussed in Carol L. Jusenius, Burkhard von Rabenau, *Internationaler Vergleich offener und verdeckter Arbeitslosigkeit am Beispiel der USA und der Bundesrepublik Deutschland*, Bonn 1979.

50. Cf. Angelika Ernst "Arbeitslosigkeit und Unterbeschäftigung in Japan" in *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 1/78, pp. 34-49. The figures cited here for Japan are taken from this study.

52. Official Unemployment and Other Official Data on the Under-utilization of Potential Labour (in Thousands)

Category of under-utilization	Total	Men	Women
1. Official unemployment (LFS)	730	470	260
2. Unemployed by predominant status (ESS)	3,276	641	2,636

3. Latent labour-force potential (from ESS only persons who are not seeking work because of conditions in the labour market: own estimate)	2,092	235	1,857
4. Not fully employed (ESS, persons seeking additional employment)	2,279	1,643	636
5. Sum of 2-4 above	7,647	2,519	5,129

Source: Angelika Ernst, op. cit., p. 48, table 16.

53. Seasonally adjusted figures for the third quarter 1979: 1,785,000 – OECD, *Main Economic Indicators*, November 1979, p. 122.
54. *FAZ/BddW*, 10 March 1978.
55. *Der Spiegel* 9/78, p. 148.
56. Quoted from the introductory remarks to a study by Heinz Hollerstein, "Produktionsverlagerungen der Schweizer Industrie nach Niedriglohnländern und ihre wirtschaftlichen und sozialen Auswirkungen in der Schweiz" in *Konjunktur-Analysen und Prognosen*, part 12/1978, pp. 37-60, and part 1/1979, pp. 19-34.
57. Eidgenössische Konsultativkommission für das Ausländerproblem, *Auswirkungen der Rezession auf die Ausländer*, Berne, 1977.
58. OECD, *Main Economic Indicators*, November 1979, p. 144.
59. Harry Braverman, "Work and unemployment" in *Monthly Review*, vol. 27, no. 2, June 1975, pp. 18-31.
60. This is also observed in other EEC countries.
61. It is not possible to take the ratio of registered to actual unemployment at any given time as the basis for extrapolation since the formation and dissolution of this part of the reserve army does not run synchronically with the rise or fall in the numbers of registered unemployed for systematic reasons related to these developments.
62. *Business Week*, 26 February 1979, p. 58.
63. "Almost without noticing it, the major industrialized nations are being drawn into a destructive subsidies race. Subsidies to prop up ailing industries and arrest lengthening dole queues are multiplying almost everywhere at an alarming rate." *The Times*, 23 February 1976.
64. "Every individual country is desperate to raise its exports and reduce unemployment by increasing productivity and being more cost-conscious. But at the same time they have to recognize that they are involved in a zero-sum game. Even 'cost-consciousness' can contain therefore a 'beggar-my-neighbour' policy." Gottfried

Bombach, "Lohnhöhe und Beschäftigung" in *Mitteilungen aus der Arbeitswelt und Berufsforschung* 3/78, pp. 271-277.

65. The sixth Federal German Government report on subsidies ran to more than 300 pages (*Bundestagsdrucksache* 8/1195, 17 November 1977). Tables 3 and 6 are reproduced on page 21, showing the totals expended under different heads and the sum of subsidies and tax allowances.
66. After carrying out such a comparison one German author came to the following conclusion: "The greatest aggregate effect on employment is to be derived from the additional employment of personnel in the public services - almost 43,000 new jobs for an expenditure of DM 1 billion." Even when subsequent costs and self-financing effects are considered this is still a very favourable alternative. "The public sector's personnel policy has contributed to the crisis since 1975. The notable drop in recruitment in 1975 in comparison to previous years, which almost amounted to a complete stop on new appointments in 1976 meant that between 50,000 and 80,000 less jobs have been available each year." Claus Schäfer, "Finanzpolitik und Arbeitslosigkeit" in *Aus Politik und Zeitgeschichte* 7/78, 18 February 1978, pp. 29 and 45.
67. This effect can be induced directly through the promotion of technologies which are related to rationalization, or indirectly through the release of capital for rationalization which the injection of resources from subsidies allows.
68. *The Times* regards such measures as threatening the basis of the "competitive market economy":

Yet although the Brussels Commission is right to be anxious about the distortions to trade caused by such subsidies, the singular opposition to the TES seems less sound. There is not a country in the European Community that eschews industrial subsidies of one sort or another.

Belgium has a small firms recruitment subsidy, as well as subsidies to help special groups. It has also temporarily reduced employers' social security payments. In Holland there is a scheme to help hard-core unemployment, besides many other types of subsidy. The same is true of France, the Irish Republic, Denmark, Luxembourg, Italy and even West Germany. Elsewhere, Sweden is calculated to provide subsidies to industry that amount to the equivalent of no less than 3 per cent of its entire gross domestic product.

Unfortunately, as each country has thought to tackle its own unemployment problems, it has paid scant regard to the consequences of its actions on its neighbours and on international trade generally. It is true that such action has usually not been taken specifically for protectionist purposes but in practice the ultimate result may be much the same as if it had been. Subsidies enable inefficient producers to compete in the home market with foreign

suppliers even if they do not directly help exports. In that sense a jobs subsidy transfers unemployment to somebody else overseas or even to somebody else in the same country. [The Times, .23 February 1978.]

69. "Arbeitsplätze durch Lohnsubventionierung — Informationssammlung über ein immer häufiger angewendetes Instrument der Arbeitsmarktpolitik" in *WZB Mitteilungen*, no. 4, January/February 1979.
70. Business International, *Europe in the 1980s. Corporate Forecasts and Strategies*, Geneva, 1979, p. 72.
71. The demand for the creation of more jobs is utterly irreconcilable with this principle. See p. 1, "Business International" piece.
72. In Federal Germany such reductions in income are still obscured by increases in nominal money incomes — on average one cannot, however, speak of a general increase in real incomes. Regrading downwards produces a negative movement; in addition, the vast majority of those who experience a period of unemployment before being re-employed must also accept a drop in incomes. "On average the monthly net income after unemployment is DM 100 less than before." (Christian Brinkmann "Arbeitslosigkeit und Mobilität" in *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 2/77, pp. 201-228.) It should be noted that this is an average figure which affects the three million people annually unemployed who eventually find work. Another way in which working-class people experience a loss of income is by being forced onto welfare rather than unemployment benefit. In addition, the number of hidden unemployed without means increases. The adjustment of pensions to average incomes is abandoned because the funds from which they are drawn run into deficits with the influx of unemployed. On the decline in real incomes of workers throughout the industrialized world, see "The Shrinking Standard of Living," *Business Week*, 28 January 1980.
73. *FAZ/BddW*, 6 March 1979.
74. Two examples: The Basle-based Europäische Zentrum für Wirtschaftsforschung Prognos AG forecasts a "dramatic increase in unemployment in Western Europe" by 1990. Their 1979 Euro-Report claims that "unless decisive changes in working hours and organization are undertaken, 1990 will see an average unemployment rate of 9 per cent in Western Europe, with a total of 12 million unemployed." And "industry has adjusted itself to the idea of an annual 3 per cent drop in sales. By 1983 around 3.5 per cent of those employed in 1977 will be made redundant — around 250,000 persons." (*Süddeutsche Zeitung*, 9 March 1979.)