

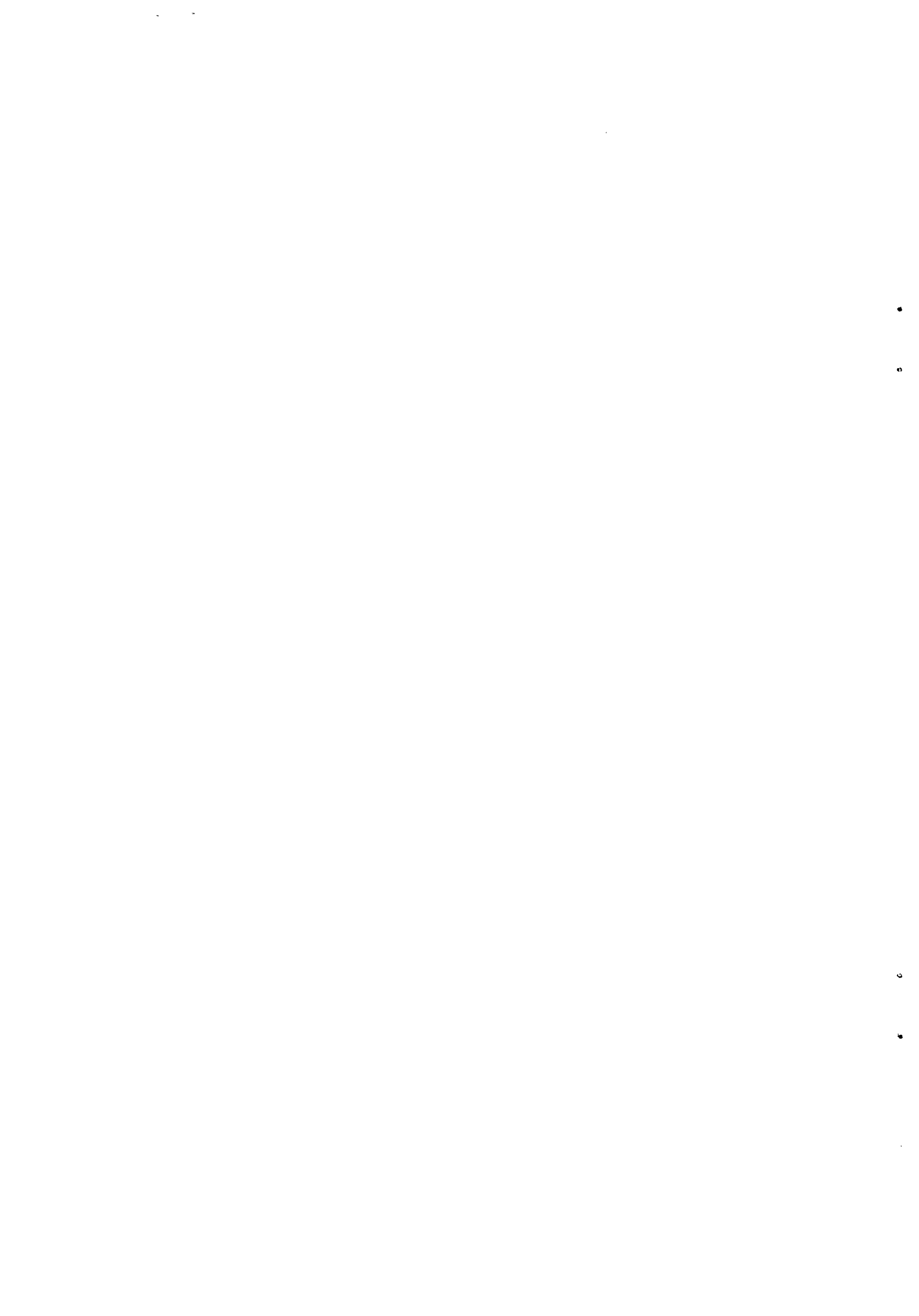
PROGRAMME OF RESEARCH AND ACTIONS ON THE DEVELOPMENT OF THE LABOUR MARKET

EFFICIENCY OF LABOUR MARKET AND EMPLOYMENT  
POLICY MEASURES

By :  
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Sozialökonomik der Arbeit  
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## Description and Synopsis of Policy Measures

### Policy Measures Denmark

Increase in the Supply of Jobs

Redistribution of Available Work Load

Adaptation Strategies

Synopsis of Policy Measures

Policy Measures France

Increase in the Supply of Jobs  
Redistribution of Available Work Load  
Adaptation Strategies  
Others  
Synopsis of Policy Measures

Policy Measures Great Britain

Increase in the Supply of Jobs  
Redistribution of Available Work Load  
Adaptation Measures  
Others  
Synopsis of Policy Measures

Policy Measures Federal Republic of Germany

Increase in the Supply of Jobs  
Redistribution of Available Work Load  
Adaptation Strategies  
Synopsis of Policy Measures

Country Comparative Synopsis of Policy Measures

## S U M M A R Y

The Forschungsstelle Sozialökonomik der Arbeit (FSA) of the Freie Universität Berlin has been commissioned under the research programme "Evaluation of public expenditure effects on employment and evaluation of labour market measures and institutions" with the provision of a study on "The efficiency of labour market and employment policy measures". Purpose of the study is to provide a synopsis of the available scientific evaluation of the efficiency of national and regional employment and labour market policies for the countries Denmark, France, United Kingdom and the Federal Republic of Germany.

As a first step surveys of the employment and labour market policies pursued in the early 80s have been provided for the countries here dealt with. The description of employment and labour market policies will be found in the appendix of this study and is supplemented by synoptic presentations. The financial effects of the designated policies and the targeted employment effects are given as far as possible. The systematic representation of the policy measures follows a standardized pattern. It deals with

- the increase of the supply of jobs by means of supply and demand side orientated employment policies
- the influence on the supply of labour and working time policies
- adaptation strategies to compensate for inequalities between the supply of and the demand for skills
- measures to maintain jobs.

As the policy packages of the individual countries are described in the appendix, the study itself aims to work out central controversies and warranted scientific findings on the effects of employment and labour market policies. The analysis of the effects is orientated on the criteria effects on the employment level and on unemployment with regard to size and structure. Connexions to the financial burdens on the budget, to possible stimuli for the development of the price level and to questions of external safeguarding are dealt with.

The study includes a comparative evaluation of employment and labour market policies of the countries here dealt with. This comparative analysis is being followed by individual country reports that trace the state of scientific discussion on the basis of the literature available on these policy programmes and that evaluate the policies with view to the declared goals.

It is revealed quite soon that the policy designs of the countries here dealt with differ very much. France, but also Denmark places more emphasis as compared to Great Britain and the Federal Republic of Germany on an employment orientated, expansive budget policy. In the Federal Republic of Germany the necessity for a consolidation of the budget is more emphasized, in Great Britain employment policy is strictly designed on the medium term with the goal to raise employment levels by breaking inflationary expectations. The comparative analysis makes apparent that radical policies basing on orthodox theorems are to less extent successful. The experiences of the 70s made in all countries here dealt with show that demand side orientated, expansive budget policies because of their positive influence on employment levels cannot be dispensed with. In the beginning of the 80s however, the lines are drawn closer. An expansive employment policy not losing sight of demand conditions needs links with supply side measures, monetary support, international cooperation with the basic consensus of utilizing the whole margin for expansion and the incomes policy safeguarding on the basis of microeconomically found and socially agreed solidarity contracts. In all of the countries here dealt with systems of active labour market policies with different emphasis are established. In the early 80s Great Britain bases its policy largely on supply side orientated measures for occupational initial training to control youth unemployment and thus renounces the experiences of the 70s in which wage subsidies and policies promoting occupational mobility played a larger role. Wage subsidies and temporary job creation schemes are in the beginning of the 80s of considerable importance in Denmark, France, and the Federal Republic of Germany. In addition to this extensive and quite encouraging experiences with special labour market policy programmes for regions with above average unemployment as well as measures promoting labour mobility and flexibility are available in the Federal Republic of Germany.

The evaluations show that a conventional set up of wage subsidies cause of a considerable degree of deadweight and displacement appears to be little suited for a lasting increase of employment levels. Alternative concepts for wage subsidies with better employment effects, however, could be developed. The same is true for temporary job creation schemes that, however, ought to be closer linked to measures raising individual skill levels than those operated so far. A closer incorporation of the private sector and a closer targeting to workers disadvantaged in the labour market appears necessary.

Working time policies, again with different emphasis, play a role in all countries here dealt with. An evaluation shows that, with a different intensity in the individual countries, measure reducing working time cannot be dispensed with as well as making working time more flexible with the goal of adapting economic necessities to the preferences of workers regarding length and placing of working-time.

The function of strategies for the adaptation of skills of labour supply to demand relates to so-called problem groups in the labour market. These persons are most affected by unemployment due to crisis of the whole economy. An improvement of skills therefore will hardly effect a reduction of problem groups. To improve individual employment chances and to maintain individual work abilities of affected persons adaptation strategies are very important.

We have pointed to research experiences allowing at least outlines - certainly with regard of national particularities - of labour market and employment policies. Research deficits recognized can be made up. An appropriate employment and labour market policy to regain full employment is perceptible as a silver lining on the horizon. If the rationality of politics follows the rationality of economic research, however, is quite another story.



ABRIDGED VERSION

The research centre for socio-economics of labour (FSA) of the Free University Berlin has been appointed to carry out a study on "Efficiency of measures taken as a result of labour market and employment policy" within the framework of the study programme "Evaluation of public expenditure effects on employment and evaluation of labour market measures and institutions". The aim of the study is to provide a synopsis of the present scientific assessments on the efficiency of national and regional employment and labour market policies of the following countries: Denmark, France, Great Britain and the Federal Republic of Germany.

As a first step the employment and labour market policies effected in the countries dealt with at the beginning of the 1980's has been summarized. This descriptive summary has been carried out separately for each country and has been supplemented in the appendix to the study by synopses.

The systemization of the policy programme is carried out according to a standardized pattern. It deals with

- the increasing of the supply of jobs through employment policies;
- the influence of the supply of manpower and working time policies;
- the adaption strategies on the offsetting of imbalances between the workers' qualifications and the qualifications required;
- measures taken towards retaining jobs.

Wage-cost subsidies, job-creating measures and public expenditure as well as investment programmes aiming at the long-term creation of jobs within both the public and private sector - are the decisive instruments which can be used to increase the supply of jobs. Short-time working (per life-time, per year, per week) as well as measures taken towards the increasing of the flexibility of working time are all aimed at influencing the total volume of work and the fair distribution of jobs by way of redistributing the working time according to the volume of work. The measures which should decrease the imbalances between the demand for and the supply of qualifications and which should increase the occupational flexibility as well as regional mobility are summarized under adaption strategies. As regards the measures taken towards safeguarding jobs the labour market policy schemes which are most focused upon are the ones which are to offset a decrease in employment in the short-time only.

According to this systemization the central labour market and employment policy measures, as regards their feature and working mechanisms, are compiled in the appendix of this study. As well as the envisaged effects on employment of the policy measures, the financial burdens for the taxpayer and the estimated costs involved for the private sector are set out. The emphasis of the policy measures is on those schemes which can be used to bind a long-term increase in the supply of jobs.

Should the appendix be set out mainly in a descriptive form, the emphasis of the study is on the evaluation of employment and labour market policies. As well as the evaluation of the employment and labour market policies as they stood at the beginning of the 1980's, the experiences made in each country during the 1970's using employment and labour market policy schemes have also been assimilated. The evaluation of the policy measures is based on not only the existing scientific



investigations and the working out of central controversies but also on the confirmed findings of economic analyses and empirical studies.

The study begins with a comparative analysis of the experiences made in the countries dealt with here when employment and labour market policy schemes were used. Linked up with these are studies of the individual countries where, on the basis of existing analytical or even empirically established investigations, specific evaluations of each country have been made.

Not only the comparative analysis of the countries, but also the sections specific to each country follow a standardized pattern which for the most part corresponds to the systemization of policy programmes within the appendix. After analyses and empirical work have been investigated the individual employment and labour market policy schemes: aimed at increasing the supply of jobs, on working time policies, on adaption strategies and job-retaining measures will be evaluated. A matching comparison of the efficiency of the individual schemes is made in the reports on each country as well as in the analysis which compares the different countries (For a summarized survey c.f. S. XVII, XVIII, XIX).

Analyses which focus on the evaluation of labour market and employment schemes must answer questions related to the measuring of efficiency. Theoretically there are evaluations which can be supported for reason of welfare or which focus on cost-benefit analyses. In as far as a prosperity-linked argument or a cost-benefit principle are related to strict economic criteria, essential dimensions of labour market and employment policy will not apply. Labour market and employment policy does not only aim at obtaining economic efficiency but also consciously aims at the distribution or rather social dimension and consciously looks towards a socially-backed suboptimal Pareto-situation. Cost-benefit analyses are faced

with the problem that although the costs of labour market and employment policy schemes are ususally precisely definable, their benefit, however, can hardly be quantified or isolated where a deversity of aims must be accomodated. It is further relevant that the opportunity costs and side effects (relating to deadweight and displacement effects) are difficult to determine.

As a result of different internal conditions international comparisons present even more problems than national evaluation studies. As there have hardly been any international comparison studies made on the evaluation of labour market and employment policy up to the present day, the resorting to traditional prosperity analyses or rather procedures of the cost-benefit analysis seem, however, to be useful. As it happens, the argumentative connection often replaces the exact quantitative determination. The argumentative connection of the evaluation aims at target conceptions, which can be summarized in a survey (cf. p. ) which views the target dimensions: employment effect, influence on the social security, effects of allocation, distribution, integration and socio-political effects. The survey follows the systematic of labour market and employment policy schemes already mentioned, which are also evaluated with regard to the causes of unemployoment (frictional unemployment, seasonal and cyclical unemployment, structural unemployment and growth difficult unemployment). For a comprehensive evaluation study Schmid, 1982, for the Fed.Repl.of Germany) the target dimensions can be characterized as follows:

- (1) Effects on employment are obtained by the creation of new jobs as well as by maintaining existing jobs.
- (2) Social security is guaranteed through the securing of income when a job is lost or when employment is terminated.

- (3) The efficient employment of manpower should be secured by the allocative elements of labour market policies.
- (4) A fair distribution of income and work (ing time) and non-work is the distributional aim of labour market measures.
- (5) The integrative objective can be attained by the incorporation of marginal or disadvantaged social groups in working life.
- (6) The attaining of socio-political aims can be measured by the degree of participation in the social decision and the increasing of individual option.

The following evaluation of the individual labour and employment instruments tends to be modest with regard to the target orientation. In the foreground are the effects on the level of employment and the effects on allocation and distribution are often evaluated as well. On the other hand, the references to social security, to integrative effect and the socio-political dimension are somewhat scarce. Additional arguments have, however, been put forward and these work out the financial burdens of the public hand, which arise from the labour and employment policy measures and which test problems of budget consolidation. In this way, too, the possible impulses are evaluated, these arising from the employment and labour market policies and affecting the development of the price level. Also put forward as an argument are finally connections with the external trade safeguarding.

It can be seen very rapidly that there are essential differences between the policy drafts of the countries dealt with, France but also Denmark favour an employment-orientated, expansive budget policy, this being in contrast to those of Great Britain and the Federal Republic. In the Federal Republic the necessity of consolidating the public budget is more strongly emphasized and

in Great Britain the employment policy is aimed at the middle-term, with the aim of increasing the level of employment through a break with the inflation expectations.

In all the countries dealt with here systems concerned with active labour market policy have been established and these have various emphases. At the beginning of the 1980's Great Britain concentrated mainly on supply-orientated measures concerning initial vocational training to fight youth unemployment and in doing so dispensed with experiences made during the 1970s where wage-cost subsidies and the professional flexibility of effective labour market policies played a large part. Wage-cost subsidies and temporary job-creation measures also play a considerable role at the beginning of the 1980s in Denmark, France and the Federal Republic of Germany. In the Federal Republic of Germany additionally extensive and positively encouraging experiences have been made with labour market policy creating special programmes for regions with an above-average unemployment quota as well as with measures taken to increase the mobility and flexibility of manpower.

Of great significance in all the countries dealt with here are the working time policies which are noticeably different in their structure and intensity and with which working time reduction policies and working time flexibilization policies are intended. In Denmark, France and also in the Federal Republic of Germany models that allow flexibility of the age limit have been tried. Great Britain goes to a large degree for working time flexibilization strategies by means of job-sharing and job-splitting. The reduction in the weekly working time is an essential feature of French working time policy, developments in this direction can also be expected in the Federal Republic of Germany.

In all the countries dealt with strategies have been developed

to offset the imbalances between the demand for and supply of qualifications of labour force. The different dimensioning of the target groups attracts attention: Great Britain goes for measures concerning the initial professional training of young people, the Danish labour market policy concentrates on youth unemployment and the long-term unemployed. As well as these manpower subdivisions France also aids single mothers with children. In the Federal Republic of Germany the extensive schemes of an active and forward-looking labour market-policy with systems that encourage professional flexibility and regional mobility are implemented.

The economic scientific discussion and the economic practice in the countries dealt with seem to be characterized by strange contrasting features. On the one hand there is to a great extent perplexity about how state policy can effectively overcome unemployment. On the other hand there are patent recipes: traditional Keynesian and orthodox monetarists, i.e. supporters of supply-orientated economic policy offer radical solutions. Only gradually does an economic pattern of thoughts seem to establish itself, which avoids confusion and perplexity as well as the resorting to patent solutions.

Although considering the complexity of the discussion and the abundance of positively reliable economic investigations a verdict ought only to be made with the greatest of care, it seems that it is possible to reach a summarized verdict on the strength of the analytical and empirical considerations.

As is shown by the example of Great Britain, those who have confidence in the growth dynamics of the private sectors will be disappointed. A labour market and employment policy based on monetarism or supply-orientated economic theory will be successful in the fight against higher rates of inflation. The costs of this policy are, however, too high. An economic policy that aims solely at beating inflation must take into account

that unemployment will rise in the short and middle term. The long term effects are uncertain if the time horizon is not clearly stated. As supply and money supply orientated economic policy do not induce demand impulses it remains unclear as to how the growth dynamics of the private sectors by means of cost relief and improvement of the competitiveness should be initiated in a different way than from external economic impulses. In reality this seems to be the true element of these policy drafts: the hope of an improvement in competitiveness compared with abroad and with it a new version of the "Beggars-my-neighbour" policies. Considering the external economic complexities such a policy is in any case neither analytically justifiable nor politically sustainable.

Even the traditional, Keynesian-orientated policy of demand management has its limits, however. Economic developments are characterized today by rapid structural developments and global demand management can hardly meet these structural developments. In all countries dealt with, the comparison between the 1970s and the development at the beginning of the 1980s shows that the employment efficiency of global demand management has decreased. The dilemma facing traditional demand management in so far as it must be successful in the short term and at the same time contribute to an improvement in the production structures of the economies become increasingly clear towards the end of the 1970s.

This does not mean that demand management measures must be dispensed with. On the contrary, a connection between supply-orientated and demand-orientated economic measures which solves the dilemma of traditional demand management should be sought. The example of Denmark, and to a certain extent France also, should be encouraging here. Demand management measures can be structured in such a selective way that they focus on target groups in the labour market and are connected with the stimulus of those sectors of the private and public economy

which show profitable growth dynamics in the middle term.

An economic policy having in view the overall demand conditions is important, but only successful when it is bound to a economic and social overall concept and is aimed at stabilizing the expectations of the economic subjects in the middle term.

As is shown by the experiences made in the 1970s in all the countries dealt with, the middle term structure of an expansive employment policy relates to the stabilization of industrialists' expectations concerning the middle and long term profitability of the investments into technical means of production. With the increasing significance of industrialists' investments in company-related human capital this aspect of the stabilization of expectations is also relevant to the production factor work.

The socio-economic overall concept already mentioned refers to the necessity of international co-operation with a view to monetary security and external economic factors, income policy and a selective, active labour market policy orientated towards target groups within the labour market.

The experiences made during the last few years with employment policy in all the countries dealt with show that scopes for an expansive, employment effective expenditure policy can only be used if it is financially secure.

International cooperation is also necessary for safeguarding the external economic flank. The example of France and Denmark shows that an international expansive expenditure policy soon clashes with national boundaries if it has not been internationally approved. There is a growing pressure to offset trade balances and it is probable that devaluation policies or import restriction policies will be employed.

It is of great significance to this study to locate more exactly the connection between employment and labour market policy to the available distributional scopes. In view of the care required when evaluating the economic investigations submitted and the ensuing evaluation of political practice it should, however, be clear that all the countries dealt with here experience at least in the short-term the conditions of a stagnating economy. With a view to the distributional scopes pressure on employment and labour market policy grows when the real income per worker decreases. This seems to be a decisive characteristic of the problems which presently affect the employment and incomes policy. Neither on a micro-economic nor on a macroeconomic level can one find recognizable functioning transformations-mechanics which convert possible sacrifices in income, whether it is individuals or social groups who are affected, into additional jobs. On a macroeconomic level it is recognizable that the traditional path via a reduction in real wages or a guarded real wage rise policy from the trade unions cannot show the desired effects on the short or middle-term increase in the level of employment. On a microeconomic level income sacrifices made by individuals or social groups are not remunerated by working time reduction policies or working-time flexibility policies with a view to the rising level of employment. It is clear that there is a lack of institutional rulings on a micro-economic and macroeconomic level which could convert income sacrifices into additional jobs. The creation of these rulings is essential if an economic policy on employment is to be effective.

The investigation into special labour market policies shows that an active labour market policy can make a considerable contribution towards the surmounting of structural unemployment as well as cyclical unemployment, but that it has limited effects on growth deficit - induced unemployment. It is possible to replace income transfers to the un-



employed by job creating measures, the costs of which are in same circumstances less than payments made to the unemployed. This applies above all to job creation measures limited to a particular period of time. The experiences made with job creation measures in the Federal Republic of Germany, as well as in France, show that these programmes are too one-sided affecting the public sector to the disadvantage of the private sector. The experiences also show that the jobs offered within the scope of these programmes are usually "dead-end-jobs". The occupations are not sufficiently linked to a desirable social priority scale of production. At the same time the measures taken to create jobs within a limited period are not sufficiently linked to schemes designed at the promotion of vocational training.

The objections mentioned do not, however, as largely agreed, suggest that creation measures over a limited period are useless. Yet, there has to be more emphasis on orientating job creation measures over a limited period towards the targets mentioned by using suitable institutional regulations.

In all the countries dealt with in this study wage cost subsidies have been considered very thoroughly. It has been largely agreed that deadweight, displacement and substitutional effects are to be expected when general or long term wage cost subsidies are implicated. As a result of the effects an unleashed increase in the level of employment on the market through general long term wage cost subsidies seems unlikely. General, long-term wage cost subsidies seem on the contrary to amount to a subsidizing of those domestic firms which are under particular pressure from international competition.

Selectively designed systems of wage cost subsidies valid for a limited period only are conceivable when they can be dimensioned for specific manpower groups. Since the significance of company investments in company-specific human capital increases, but those investments are only profitable in the middle or long terms, precisely when the future expectations are uncertain invest-

ments in human capital are not undertaken and the very manpower groups on the market who are especially disadvantaged and who have a higher 'risk property' are not being employed. Selectively designed wage cost subsidies for a limited period can contribute to an increase in the willingness of the firms to invest in work.

In all the countries dealt with, questions on a reduction in working time and working time flexibility were discussed, not without a great deal of controversy. Policies in France tend to aim at shortening the working week, a development which could also be expected in the Federal Republic of Germany as a result of unionist bargaining policy. In Great Britain the policies tend more to aim towards flexibility of working hours through job sharing and job splitting, in Denmark programmes aimed at making the retirement age flexible are being tested at company level. The controversies concerning the effects on the employment of cuts in working time and flexibility in working time are characterized by clear contrasts. On the one hand the cost burden on firms and even on the public purse when particular forms of working time reduction are employed is referred to and on the other hand the leisure time effect is emphasized. The level of income of dependent employees plays a decisive role in determining whether reductions in working time and flexibility could become effective as an economic strategy. Working time reduction policies and working time flexibilization policies have income incidences for the workers affected. The previous wage level and the typical national attitude towards work determine the workers' willingness to accept suggested ways of shortening the working time and making it flexible. The question of the cost burden, which is important to firms, is on the other hand frequently over-emphasized. It is quite conceivable and even realistic that the contractual parties will agree to the reductions of working time providing it does not negatively affect productivity. In addition it must be seen that working time reduction can induce positive productivity im-

pulses, which of course could in the short term reduce the potentially possible employment effect.

The last aspect discussed in this study concerns itself with **the skill adaptation** of what is supplied in the labour market with the demand. This involves training, retraining and further training programmes in the most varying forms. These measures have already been developed in times of low unemployment, resp. qualified manpower in all the countries. They were drafted to be human capital investments to ease the adaptability to technological progress resp. stimulation of investments. With the start of the recession in the mid 1970s and the worsening quantitative level and structure problems in the labour markets, as well as the availability of sufficient offers, their function changed: from the industrialists' point of view there were then less definite skill shortages at the centre of their worries than the placing of certain "problem groups" within the labour market such as young peoples, the low-qualified, the long term unemployed and women. This change in function can be analysed in all four countries investigated.

With reference to the type of effect this programme has on unemployment a disallusionment must, of course, be mentioned. The chances of the manpower groups affected being placed depends very much on the cyclical conditions. The individual possibilities of being placed can on the other hand dramatically improve, which is important in relation to a strict target group orientation of the training programme. The comparison between the different countries has also shown that a combination of the attaining of qualifications with on-the-job-training in the form of work experience is **advantagous**. The employment quota of those who have taken the corresponding courses is significantly high in comparison with other survey groups. Deadweight effects come expecially to mind, although they are difficult to quantify. They give

rise above all to the replacement of older employees by younger probationers. Measures that impede these deadweight effects, such as agreements on protection against dismissal or takeover guarantees are therefore to be recommended. As the French and British examples show, great problems in the supervision of this naturally arise.

We have referred to experiences made through research, which allow at least drafts made of labour market and employment policy to be - these naturally taking the national peculiarities into consideration. The located research deficits are replenishable. A suitable employment and labour policy aimed at restoring full employment is recognizable as a silver lining on the horizon. Whether the rationality of politics follows the rationality of economic research is a different story.

I INCREASE IN THE SUPPLY OF JOBS

	1. Wage subsidies	2. Increase in the supply of jobs in the public sector	3. Direct job creation schemes	4. Public expenditure programmes	5. Investment programmes
FEDERAL REPUBLIC OF GERMANY	<ul style="list-style-type: none"> <li>- Settling-in allowances for the trainees</li> <li>- Settling-in allowances for the hard-to place</li> <li>- Training grants in accordance with Part 2 of the Special Programme 1979</li> <li>- Wage subsidies for the seriously disabled</li> <li>- Wage subsidies for Germans from Eastern European Countries</li> </ul>		<ul style="list-style-type: none"> <li>- Job creation schemes in accordance with the Employment Promotion Act (APG)</li> <li>- Job creation schemes in accordance with Part 3 of the Special Programme 1979</li> </ul>	<ul style="list-style-type: none"> <li>- Future Investment Programme (ZIP)</li> <li>- Request to the Bundespost for advance investments according to the Employment Programme 1982</li> <li>- Additional expansion on construction, especially energy conservation measures in accordance with the Employment Programme 1982</li> <li>- Promotion of public authority housing (bonds)</li> </ul>	<ul style="list-style-type: none"> <li>- Improved depreciation conditions in accordance with Operation 1982</li> <li>- Investment grants in accordance with the Employment Programme 1982</li> <li>- Investment loans at preferential interest rates in accordance with the Employment Programme 1982</li> <li>- Regional promotion</li> </ul>
DENMARK	<ul style="list-style-type: none"> <li>- Job offer scheme for long-term unemployed</li> <li>- Public relief work</li> <li>- Employment of youths by private employers</li> </ul>		<ul style="list-style-type: none"> <li>- Job creation in accordance with the 'March-package'</li> </ul>	<ul style="list-style-type: none"> <li>- Employment plan I</li> <li>- Employment plan II</li> <li>- Action programme</li> </ul>	
FRANCE	<ul style="list-style-type: none"> <li>- Hiring premiums</li> <li>- Apprenticeship contracts</li> <li>- Income guarantee for disabled workers</li> <li>- Assistance for the employment of disabled persons</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in the supply of jobs in the public sector</li> </ul>	<ul style="list-style-type: none"> <li>- Creation of jobs of community benefit</li> <li>- Community service by youths</li> <li>- Incentives for new jobs</li> <li>- Premiums for creating jobs equipped for disabled persons</li> <li>- Programme for hiring managers over 45</li> <li>- Promotion of female employment</li> </ul>	<ul style="list-style-type: none"> <li>- Promotion of housing construction</li> <li>- Promotion of public building</li> </ul>	<ul style="list-style-type: none"> <li>- Tax allowances on investment providing employment</li> <li>- Promotion of regional development</li> <li>- Research promotion</li> </ul>
UNITED KINGDOM	<ul style="list-style-type: none"> <li>- Young workers scheme</li> <li>- Temporary employment subsidy</li> <li>- Small firms employment subsidy</li> </ul>		<ul style="list-style-type: none"> <li>- Community enterprise programme</li> <li>- Community industry programme</li> </ul>	<ul style="list-style-type: none"> <li>- Enterprise zone</li> <li>- Regional development grants</li> </ul>	<ul style="list-style-type: none"> <li>- Regional selective assistance</li> <li>- Product and process development scheme</li> <li>- Microprocessor application project</li> <li>- Microelectronic industry support programme</li> </ul>

11 REDISTRIBUTION OF THE AVAILABLE WORK-LOAD

	1. Redistribution of available full-time jobs	2. Creation of additional jobs by means of reduced life-time working	3. Creation of additional jobs by means of reduced weekly and annual working-time
FEDERAL REPUBLIC OF GERMANY	- Part-time working time	- Flexible retirement age - Early retirement	- Collective bargaining agreements on the introduction of the 35-hour-week, the fifth week of paid holidays and the reduction of overtime
DENMARK		- Early retirement	- Prolongation of paid holidays from 4 to 5 weeks - New act on overtime
FRANCE	- Promotion of part-time work	- Reduction of general retirement age - Solidarity contract: early retirement - Solidarity contract: part-time pension	- Reduction of weekly working time - Reduction of overtime - Introduction of the fifth week of paid holidays - Solidarity contract: reduction of working-time
UNITED KINGDOM	- Job splitting scheme - Promotion of part-time work	- Job release scheme	

	1. Adaption of the skills of labour supply to demand	2. Promotion of regional mobility	3. Improvement of the efficiency of the employment service	
FEDERAL REPUBLIC OF GERMANY	<ul style="list-style-type: none"> <li>- Promotion of trainee opportunities for seriously disabled youths</li> <li>- Schemes for occupational rehabilitation</li> <li>- Programme for the improvement of training opportunities and labour market entrance of youths</li> <li>- Further education and retraining schemes by the Bundesanstalt für Arbeit</li> <li>- Further education and retraining for unemployed persons by the Bundesanstalt für Arbeit</li> <li>- Part 1 of the Special Programme 1979</li> </ul>	<ul style="list-style-type: none"> <li>- Promotion in accordance with the Employment Promotion Act (mobility and separation aid)</li> </ul>	<ul style="list-style-type: none"> <li>- Occupational counselling in accordance with the Employment Promotion Act</li> </ul>	<ul style="list-style-type: none"> <li>- Short-time allowance</li> <li>- Bad-weather allowance and promotion of winter construction</li> </ul>
DENMARK	<ul style="list-style-type: none"> <li>- Courses for semi-skilled workers</li> <li>- Courses for skilled workers</li> <li>- Re-training programmes</li> <li>- Courses for vocational preparation</li> <li>- Courses for long-term unemployed</li> <li>- Courses for women</li> <li>- Creation of 5.000 training plans in the public sector</li> <li>- Promotion of training opportunities in the private sector</li> </ul>			
FRANCE	<ul style="list-style-type: none"> <li>- Job introduction courses</li> <li>- Company introduction courses</li> <li>- Training-employment contracts</li> <li>- Assistance for occupational change into agriculture</li> </ul>	<ul style="list-style-type: none"> <li>- Moving assistance</li> <li>- Mobility allowance for youths</li> <li>- Allowances for moving abroad</li> <li>- Premiums for hiring young farmer in certain regions</li> <li>- Assistance for rural migration</li> </ul>	<ul style="list-style-type: none"> <li>- Employment service</li> <li>- Job search</li> </ul>	<ul style="list-style-type: none"> <li>- Short-time allowances</li> <li>- Bad-weather allowances</li> </ul>
UNITED KINGDOM	<ul style="list-style-type: none"> <li>- Youth opportunities Programme</li> <li>- New training initiative</li> </ul>	<ul style="list-style-type: none"> <li>- Employment transfer scheme</li> <li>- Job research scheme</li> </ul>		<ul style="list-style-type: none"> <li>- Temporary short-time working compensation scheme</li> </ul>

cause target	I.																II.				III.								IV.												
	wage sub-sidies				increase in the supply of jobs in the public sector				job creation schemes				public expenditure programmes				promotion of private investment				redistribution of available work load				adaptation of skills				promotion of regional mobility				improvement of the efficiency of labour service				job preservation measures				
	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	
(1) employment effect	++			++	+++	+	+	++	+	++	+		++	-	++		++		+	-	++	+	++	+	+	+	+	+		+	+	+		+	+	+		+	+	+	
(2) contribution to social security	+			+	+	+	+		+	+	+		+	+	+		+	+		-	-	+	++	+	+	+	+	+		+	+	+		+	+	+		+	+	+	
(3) allocational effects	-			-	-	-	-		+	+	+									-	-	-	+	++	+	+	+	+	+		++	+	++		+	+	-	-			
(4) distributional effects	+			+	+	+	+		+	++	+									+	-	+	+	+	+	+	+	+	+						+	++					
(5) integrative effects	+			+	+	+	+		+	+	+		+	+			+	+	+				+	+													++				
(6) social political	-			+	+	+	+		+	+	+		++	++						+	+	+	+	+			+	+			-	-	-				-				

F = frictional unemployment; K = seasonal and cyclical unemployment; S = structural unemployment;  
W = growth deficit-induced unemployment;  
++ = positive effects      + = side effects with positive tendency  
-- = negative effects      - = side effects with negative tendency



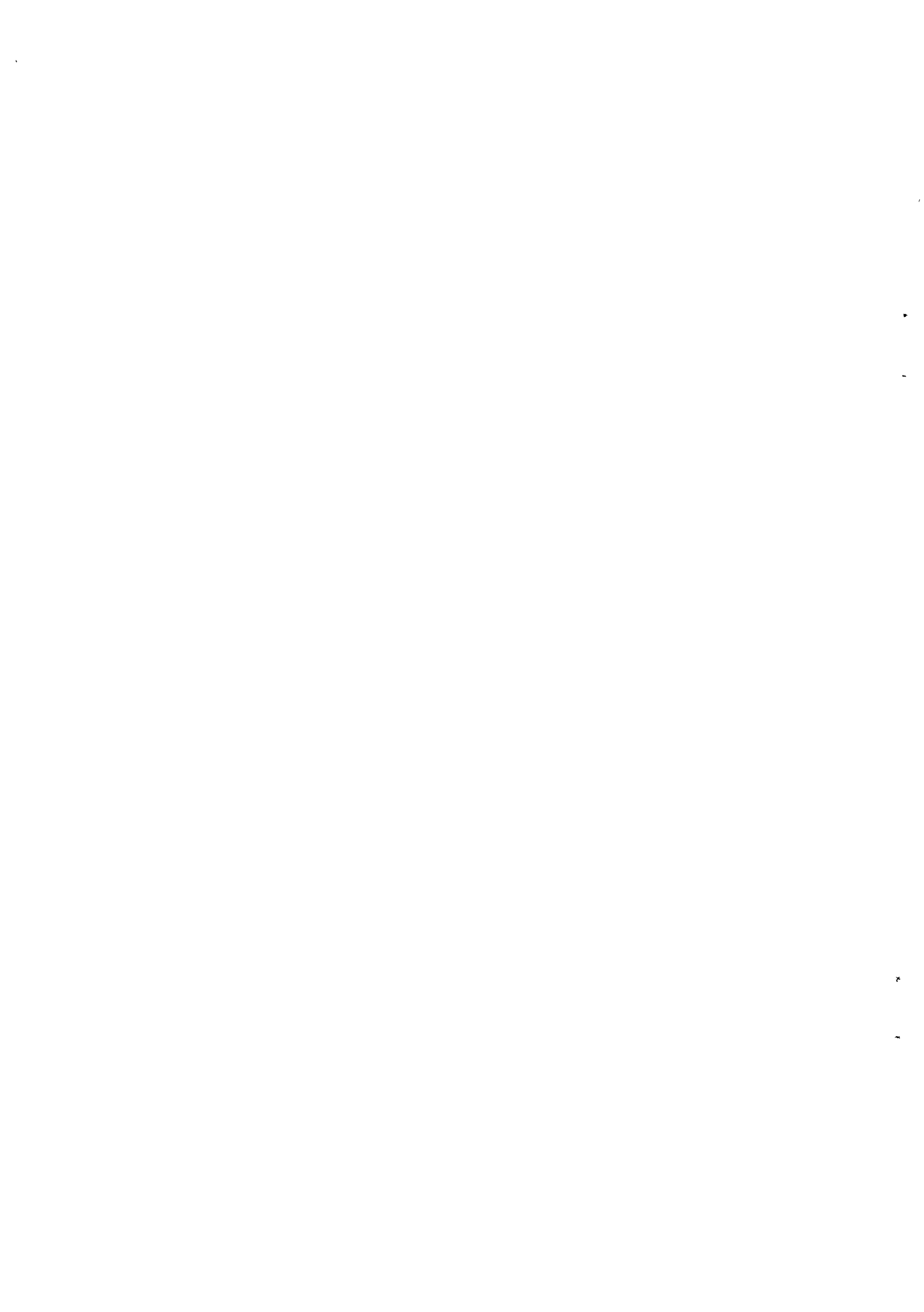
COMPARATIVE ANALYSIS  
OF THE COUNTRIES

DENMARK

FRANCE

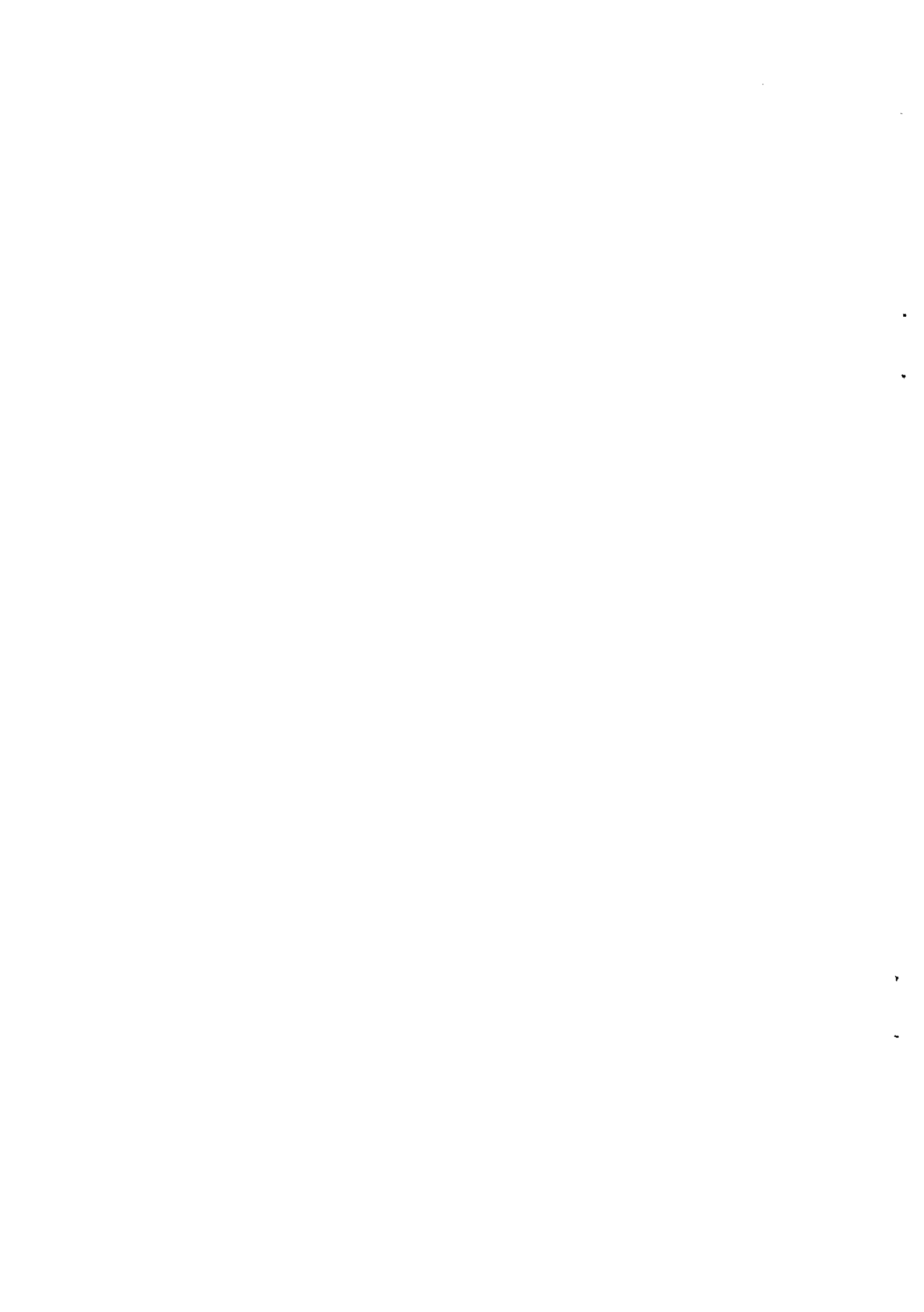
GREAT BRITAIN

FEDERAL REPUBLIC OF GERMANY



## COMPARATIVE ANALYSIS

- O. Analytics and Empirics of Economic Policies
  
- I. Increase in the Supply of Jobs
  - 1. Wage Subsidies
  - 2. Job Creation Schemes
  - 3. Employment Effects of Public Expenditure Programmes for the Private and the Public Sector
  - 4. Promotion of Private Investment
  
- II. Redistribution of Available Work Load
  
- III. Adaptation Strategies
  
- IV. Concluding Remarks



O. ANALYTICS AND EMPIRICS OF ECONOMIC POLICIES

Although modern scientific literature on economy is characterized by heavy controversies relating to the theoretical foundation and efficiency of employment and labour market policy (Peston 1980), there are some simple and helpful considerations. The efficiency of employment and labour market policy depends, as already revealed by simple tautological connections, on the interplay of economic growth, labour productivity and the development of working-time. Employment and labour market policy only proves successful if the of both variables can be controlled.

Thus, with this something is said on the development of the employment level, but little on the problem unemployment. Apart from the development of growth, labour activity and working time, concerning the demand side of the labour market, the supply side plays a decisive role. Considerable effects on unemployment result from a - however induced - growth of the working population. Only if employment stimuli of the demand side overcompensate a potential increase of the working population, does unemployment fall. Perhaps scientific literature on economy pays little attention to a further dimension. Yet, this dimension is of significant importance, since the economical development of all here discussed countries is characterized through slackening growth dynamics, partially recessive production and a given increase of the working population. In order to explain the mechanism which is meant, a variable is being introduced, which at first at first sight to make little sense in strict economical categories of thoughts: the term of labour force productivity per unit. Defined as real output per unit labour force this category elucidates the distribution political margin for employment and labour market policy. The category labour force productivity refers to the real income of labour force available for distribution.

The mentioned variables can be put to-gether according to the rules of combination and can be used for the discription of sceneries for various growth paths. We are setting limits to three sceneries:

Survey 1

	employment level	unemploy-ment	income per labour force
strongly growing economy	increases	decreases	increases
weakly growing economy	decreases	increases	increases
stagnant economy	decreases	increases	decreases

The strongly growing economy is entering the golden era if growth-productivity-patterns allow an increase of the employment level, overcompensating the increase of the working population. At the same time the real production of a strongly growing economy should step up faster than the working population. The weakly growing economy is characterized by the effect of the employment level falling and unemployment increasing due to growth-productivity development, the income per labour force, however, still increases, yet to a small extent. In a stagnant economy, finally, the employment level is declining at increasing unemployment, at the same time the income per labour force goes down.

It is possible to enrich the sceneries of the here discussed countries empirically. In the following survey the growth patterns in the beginning of the 80s are shown.

Table 1:

		$g_o$	$g_e$	$g_l$	$g_o/l$	$g_o/e$
FRG	1980	1.9	1.0	0.9	1.0	1.0
	1981	0.0	- 0.6	0.2	- 0.2	+ 0.6
	1982	0.5	- 1.5	0.6	- 0.1	+ 2.0
F	1980	1.3	0.2	0.7	0.6	1.1
	1981	0.3	- 0.4	0.5	- 0.2	0.7
	1982	2.2	0.4	1.4	0.8	1.8
GB	1980	- 1.4	- 1.7	- 0.2	- 1.6	- 0.3
	1981	- 2.5	- 4.8	0.0	- 2.5	0.0
	1982	- 0.5	- 4.5	0.2	- 0.7	4.0
DK	1980	- 0,2	- 1,1	0,8	- 1,3	0,9
	1981	- 0,2	- 1,4	1,5*	- 1,7	1,2
	1982	1,5	- 1,4	1,0*	0,5	2,0

\*estimated

Source: OECD-economic surveys, different issues  
 OECD-economic-outlook, december 1981, EuroStat-Revue

Abbreviations:

$g_o$  = growth rate of real gross domestic product  
 $g_e$  = growth rate of number of employees and self-employed  
 $g_l$  = growth rate of number of labour force  
 $g_o/l$  = growth rate of productivity of labour force per unit  
 $g_o/e$  = growth rate of productivity per employee

all figures in per cent

The empirical filling of the mentioned sceneries reveals that in the beginning of the 80s as against the 70s all here discussed countries had to experience stagnant economy.

Thus, the problems for employment policy are much more pressing than during the 70s, since the distribution conflict has gained acuteness. This becomes apparent comparing the development of employees with the development of labour force productivity. Although in all discussed countries the productivity of employees increased and therefore could allow wage increments and a reduction of working-time, the

Labour force productivity per unit is declining. This obliges to income redistributions, unless a polarisation of employment- and income chances between employees and unemployed is being accepted. By no means the distribution aspects only refer to unionist wage policy or the functional income distribution. The here addressed distribution political effect is further dimensioned. and includes the personal income distribution, the distribution of incomes between social groups and the distribution of incomes between employees and unemployed. Also it is to consider that the distribution aspect relates to movements of resources between inland and foreign countries. A policy of a deficit balance of goods and services means the acquisition of resources from abroad, a policy aiming at an extension of the distribution political scope in the inland. As it will be shown later it is difficult to stick to such a policy: On the one hand the inland-policy lowers the employment level, on the other hand the other countries will offer resistance especially within the scope of the European Currency System: the pressure exerted on the deficit-country to devaluate its currency is growing in middle terms.

Thus, the distribution political incidences on employment and labour market policy are noticeable on several levels: With view to the external trade connexions by a modification of the exchange rates, with view to fiscal political questions by the form of budget financing.

Rigid Keynesian orientated models of an extensive budget policy with active labour market and employment policy often resist the understanding of distribution political incidences under condition of stagnant economy in at least short terms. It is printed to the fact that domestic production factors are obviously underemployed assuming not fully utilized capacities and high unemployment. Can it be managed to also



accelerate growth dynamic of the private sector by an extensive fiscal policy, the upward movement of indebtedness in short terms can be financed by higher tax revenues to be expected in the future. Yet, this theoretical pattern is based on the hypothesis that a fast return to the full employment path is possible. Nevertheless experiences (see below) show that also a Keynesian orientated policy aiming at an expansion of the overall demand has to cope with questions concerning the distribution political incidences. In contradiction to this the supply orientated and monetaristic versions of policy emphasise the distribution political incidences and plead for a strengthening of the private sector qua investment incentive systems, thus favouring a distribution policy which promotes the profits of the private sector. Only slowly a theoretical pattern seems to find entrance that seeks to combine an active labour market and employment policy with a social politically substantiated appropriate distribution of burdens under the condition of stagnant economy in short terms.

Among the mentioned also empirically proved sceneries the different models of policies for restoring full-employment can be extrapolated. Those models relate to:

1. voluntary solidarity contracts for levelling out job and - income-differentials
2. short- and middle-term acceptance of increasing income- and employment discrepancies aiming at a strengthening of the growth conditions of private economy in middle and long terms
3. short-term employment and labour market schemes which
  - a) are funded by indebtedness and/or
  - b) tax political measures that are targeted social politically at a fair distribution of burdens, having to find a way of financing

4. re-distribution of tight jobs through measures of working-time reduction and flexible working-time for employees with voluntary or forced income losses.

Evidently the employment and labour market political measures primarily rely on the demand side. Employment policy tries to increase the overall employment level. Labour market policy put more emphasis on structural conditions of the labour market as well as on the promotion of flexibility, mobility and measures for the adaptation of skills of the labour force to changing requirements or such requirements expected for the future. Nevertheless the intensified efforts to also control the supply side of the labour market are not to be overlooked. This is undertaken by measures for the reduction of working time and for the introduction of flexible working-time. Jobs with reduced working time mostly relate to linear regulations for all employees or to specific social groups like elder people, which is contrasted "by the new working-time policy" trying to use flexibilisation potentials in order to harmonize individual ideas on the length and lay-out of the working-time with the requirements of companies resulting from 'profitability' calculations. The following synopsis tries to locate the emphasis of policy models in the countries dealt with here.

Policy fields +)	1	2	3	4
DENMARK	---	---	Employment policy with problems for public and external indebtedn.	Working-time flexibilisation
FRANCE	Encouragement of solidarity contracts	-	Active employment policy with problems for publ. but mainly f. external indebtedness	Working-time reductions
GREAT BRITAIN		Strictly middle-term orientated	Schemes combatting youths unemployment	Part-time work
FEDERAL REPUBLIC		Efforts to consolidate the budget by expenditure cuts	Labour market schemes (flexibility, mobility)	Reduction of the annual working-time (trade union policy to be expected: weekly working-time)

This synopsis makes clear that the policy patterns in the here discussed countries differ distinctly. International comparisons are surely difficult because the economical, social, cultural and political preconditions naturally are also different. It would be foolish to transfer the model of one country to another country. Nevertheless the experiences made with macroeconomical employment and labour market policy and its effectiveness on the level of employment and on unemployment can be evaluated. The specific effects of the programmes on the working mechanism of the labour market will follow then (see below).

+)policy fields see P.5, points 1-4

## The Long View is too Long

Since the Thatcher-government is in office, in particular the British employment and labour market policy relates to assumed connections between inflation movements and unemployment as developed by monetaristic thoughts. Monetaristic versions for the foundation of macroeconomical employment and labour market policy point to the middle and long term inefficiency of expansive fiscal strategies. This conception is being substantiated by arguing that extensive employment policies will lead to an accelerating inflation. While this is also accepted by Keynesians, monetaristic considerations complement the picture through hypothesis on rational expectations of the economic subjects. An accelerated inflation rate is being anticipated by the economic subjects (in the strictest case: rational expectations also anticipate the effects of public policies completely and correctly), and the economic subjects adapt their behaviour. Those considerations lead to the thesis of an accelerating inflation: for the maintenance of an employment level exceeding the natural rate of unemployment continuously increasing rates of inflation with also continuously increasing public debts have to be accepted. The natural rate of unemployment alone is compatible with stable and low rates of inflation (see below in the country report Great Britain the discussion of public spending policy).

It surely holds true, that the here discussed countries experience the effects of increasing unemployment since the beginning of the eighties.

Table 2:

	DE	FR	UK	FRG
1980 u	7,0	6,4	4,9	3,4
g <sub>p</sub>	12,3	13,6	18,0	5,5
1981 u	9,2	7,5	7,1	4,8
g <sub>p</sub>	11,7	13,4	11,9	5,9
1982 u	10,3	8,1	8,3	7,5
g <sub>p</sub>	10,1	11,5	9,0	5,0

Legend: DE=Denmark; FR = France; UK= United Kingdom;  
FRG=Federal Republic of Germany; u = unemployment  
rate in %; g<sub>p</sub> = annual increase of consumer price  
in %

Source: Sachverständigenrat, 1981/82; EuroStat Revue

The extent of unemployment does not even elucidate adequately the problem pressure exerted on the employment and labour market policy. Additionally the dispersion of unemployment is of significance, which means the distribution of unemployment differentiated according certain characteristics like sex, age and spell of unemployment. For all countries here dealt with it can be noted that the dispersion of unemployment is increasing. The problem of long-term unemployment and youth-unemployment is of particular importance in all discussed countries.

Table 3:

Age-specific unemployment quota in percent - Youths -

	DE	FR	UK	FRG
1980	12,0	15,0	15,1	4,3
1981	15,5	17,0	19,6	7,0
1982	-	20,5	20,5	9,0

Source: OECD/Countries Surveys, several issues  
DE=Denmark; FR =France;UK=United Kingdom;FRG= Fed.Republ.Germany

In spite of high and increasing unemployment and the noticeable problem pressure especially for the young labour force, particularly the British economic policy decides on the necessity to lower the rate of inflation for the combat against unemployment. The economical scientific creeds of monetarism and the supply orientated economic theory (supply-side-economics) argue in favour of radical cures. Price expectations and with that the inflation rates shall be broken by strictly controlling the money supply. The consolidation of public budget is aimed at withdrawing burdens on private economy and at strengthening the private growth dynamic by supply orientated measures. Both strategies promise, so the creed, increasing employment and decreasing unemployment in middle terms. In Great Britain this policy is being pursued with remarkable consequences. Under a strict curtailment of the increase of money supply, the expenditure cuts aim at the public services, subsidisation and labour market schemes have been retrenched. Only for the combat against youth-unemployment supply orientated programmes have been issued having in view to at least provide vocational training opportunities for young people in the beginning of the 80s. For a further consolidation of the budget a restructuring of the tax system for the promotion of private savings and investments under remaining tax revenue on the whole shall be achieved. This concerns the reduction of income and corporation tax (Körperschaftssteuer) and a simultaneous rise of oil tax and the value-added-tax rate.

Undoubtedly the British economic policy does prove successful. The measures are effective with regard to breaking the price expectations and with that the rates of inflation. Not only empirical evidence (see above Table 2) are a point in favour of the price level stabilizing effect of British economic policy, these effects can also be explained: With a distinct pressure exerted on wages and the overall demand, cost-induced reliefs and the limitation of the free play for increasing

prices are to be expected.

Yet, the individual and social costs of such a policy are high. The stabilization or deceleration of the rates of inflation is being paid with clearly increasing unemployment under a solidification of the labour market, thus with certain groups being more strongly affected by unemployment and the loss of functional and extra-functional qualifications of unemployed labour force. The assumption of a raising growth dynamic of the private sector induced by a restrictive economic policy with supply-supporting measures seems to be unfounded. Growth stimuli are caused by the private sector in case of successfully stabilizing the sales and profit expectations for enterprises. A restrictive policy will not be able to realize this target. In any case the example Great Britain illustrates that the expectations of the investors could not have been stabilized so far. Against this argument it partially is held that the period for the adaptation of the economy to the new equilibrium path under a higher level of employment would still be too short. Unfortunately precise economic theoretical considerations on the period of the adaptation crises are still outstanding. The principal 'hope' replaces the analysis and its empirical foundation. Thus, if the expected growth dynamic of the private sector does not materialize, self-defeating-effects for the budget policy have to be expected. Under increasing financial pressure exerted on public budgets through the system of social security it actually becomes more difficult to consolidate the budget with a restrictive policy. Consequences are then inevitable tax increases.

Table 4:  
State Deficits

	DE	FR	UK	FRG
1980	-6,2	+0,3	-3,6	-3,1
1981	-10,7 <sup>+</sup>	-1,6	-2,1	-4,0
1982 <sup>1)</sup>	-12,1 <sup>+</sup>	-3,0	-2,5	-4,0

Legend: DE=Denmark; FR=France; UK=United Kingdom; FRG=Fed. Republic of Germany

1) estimated; states deficit: financing deficit in percent of the growth domestic product

Source: DIW, 1982; Council of Advisors, 1982/83; + estimates of the EEC offices

Evidently all countries here dealt with have to cope with growing public indebtedness. At this point it is just of concern to show that in particular a restrictive policy leads to additional budget pressure. Finally it has to be drawn attention to the fact that the conclusive connection especially assumed by monetarists between rates of inflation and unemployment at least withholds the fact that a statistically significant negative correlation between inflation and employment does not exist in international comparison. Countries with a significantly increasing rate of employment in the 70s proved above-average, but partially also below-average rates of inflation on the price side. This can be found in the following table.

Table 5:  
Inflation and Employment in the 70s

	index of Employ- <sup>1)</sup> ment	average rate of <sup>2)</sup> inflation
Fed.Republ.Ger	97	5,1
France	104	9,6
Great Britain	101	13,7
Denmark	105	10,4 1975-1980
Japan (Mem.Item)	108	5,7
USA (Mem.Item)	123	7,8

1) 1970=100, period 1970-1979, 2) increase of consumerprices in percent

Source: Euro-Stat-Revue, 1981



Viewing the connexion between rates of inflation and unemployment quota seems unappropriate because the development of the supply side which has gained importance towards the end of the 70s and the beginning of the 80s, is only touched by the price side to a small extent. Thus, a reasonable conception should relate to the connexion between inflation and level of employment.

Also keynesian orientated economic policies need private growth dynamic

In clear contrast to middle-term orientated considerations expecting an increase of employment by breaking the rate of inflation Keynesian orientated political conceptions rely on the stimulation of the overall demand. In the beginning of the 80s those policies are primarily presented in Denmark and France. Public deficit spending in Denmark focuses on the promotion of employment and on active labour market policy. The employment plan I towards the end the 70s, the employment plan II in the beginning of the 80s and the "March package" are a significant strain on the budget having in view a selectively effective employment policy. The selectivity criterion are designed at target groups of the labour market, especially young people, but also at the promotion of the competitiveness of Danish industry. A considerable part of the employment plan II is to have an impact on investment and to improve infrastructure.

With regard to the target set of restoring, full-employment the design of employment policy in France it is even stricter, compared to Denmark the financial strain on the public budget is higher. Employment policy in France is aiming at the promotion of employment in the public and private sector, working time policy and the combat against youth-unemployment. For the middle-term perspective the employment package

is being assisted by the French strategy of selective investment management and the nationalization of large industries and private banks. In an economic scientific view both policy models, Denmark as well as France, do contain traditionally sounding elements. Since current resources (production capacities, labour force potential) are not fully utilized, a deficit spending policy is expected to evoke private growth dynamic by multiplier and accelerator effects. Additional tax revenues arising from a successful stimulation of private growth dynamic are then to be used for the consolidation of the public budget.

Evidently the effect of a political conception operating this way depends on if it can be managed raising growth dynamics by stimulating the overall demand. Points in favour of such policies are the income-multiplier, by which the private consumptive expenditures can move upward. Yet, against this it has to be held, that, given a high level of the social security system by means of payments from the unemployment insurance the income differentials between non-employment and employment are likely to be low and thus also the multiplier-effects. As far as the accelerator-effect might induce effects on private investments, the employment effect is determined by the marginal capital coefficient. The accelerator-effect is low assuming a high share of rationalizing investments. Finally it is also to consider to which extent investment goods are imported and direct investments are undertaken in foreign countries.

The recent economic scientific discussion tends to increasingly point to crowding-out effects. Those effects mean a displacement of private activity through public activity. The rate of interest and by that the monetary policy are here of chief importance in this context. Yet, simulations of expansive

public spending policy have revealed that crowding out effects do not occur on a considerable scale (see below in details: Federal Republic, Great Britain).

The debate on the efficiency of public spending policy often refers to the connexion with income policy. This means the fact that assuming an expansive spending policy especially the unionist bargaining policy will insist on wage increments, which would be excessive even if labour costs remain neutral (in their share of production costs). The background of this debate becomes understandable by pointing to the above mentioned connexion between labour force productivity per unit and productivity per employee. Given a reduction of the productivity of unit labour force which also means a reduction of the distribution political scope of all labour force, also wage rises within the scope of the increase of the productivity per employee lead to a polarisation of income differentials between employed and non-employed. As much evidence this connexion has, the dilemma becomes just as clear. Depending on the level of wages, workers are willing to accept a cut in income through decreased real wages if those income losses are translated into jobs. The mechanism implementing this on micro-economical level where the connexion between the income sacrifice and increase of employment becomes apparent, does not exist in all countries here dealt with. Thus, the income politically safe-guarding of an extensive spending policy, undoubtedly necessary, forces to the creation of institutional regulations making the sacrifice understandable. But by all means a solidarity contract is necessary which means a strengthening of the above mentioned policy field number number 1. French employment policy tries to go this way and to encourage a social political solidarity contract. In the remaining of the here discussed countries this is done less distinctly. Especially in Great Britain there is a lack of this element of

reasonable economic policy. Do micro-economically founded allocation regulations for the transformation of the income sacrifice into employment or socially designed solidarity contracts fail to safe-guard the open income political flank of the overall demand management through expansive public spending policy inflationary developments and effects on the income transfer between inland and foreign countries are likely to occur. This is expressed in deficits of the balance of goods and services under an increasing pressure exerted on national currency. Surely one country can try to increase the level of employment in short or middle terms through an expansive employment policy in the home country under the condition of above-average rates of inflation. Yet, in middle terms deficits of the balance of goods and services are to be expected under the condition of internationally different developments of inflation and productivity. The french, but also the danisch example make this clear. But a domestic policy aiming at the acquisition of resources from foreign countries is not successful in middle terms. On the one hand this policy has a suppressing effect on the domestic level of employment thus conflicting with the target of full employment. In consequence it is usually tried to settle the balance of trade by export subsidies or import restrictions. It cannot be emphasized enough that those 'beggar-my-neighbour' policies of import restrictions bear a severe danger for the international trade and by that also have destructive effects on the national economies. On the other hand the pressure towards re-defining the rates of exchange will increase. Especially the development in the beginning of the year 1983 shows this through the discussion within the scope of the European currency system.

Thus, an expansive public spending policy is only successful under the condition of international coordination. International coordination means harmonizing public spending policies in order to use scopes for an expansive policy as well as harmonizing monetary policy, at least within the framework of the European Commission thus to be able to free itself to a greater extent from its dependency on the American rate of interest if the USA is operating a policy of continuously high real interest. Further is to mention that the restrictive policy in Great Britain has not contributed to a significant improvement of the balance of trade. Also the by Great Britain presented concepts of an expansive spending policy under disconnecting from the world market are not convincing.

Demand Orientated Employment Policy Need not and Ought not to Be Dispensed with

It is fascinating to observe how fast economic political paradigm change. Also the economic scientific discussion in the here discussed countries, yet also political practice prove uninterrupted optimism regarding the possibility of stabilizing the economic core areas. The economic political reactions to the economic recession, to be observed in all countries here dealt with, after the first big oil-price boom in 1973/74 and the abolishment of the Bretton-Wood-system in favour of flexible rates of exchange were clearly characterized by the trust in governmental demand management. Economic policy of the here discussed countries responded to the downward trend of the level of employment and a growth dynamic becoming sluggish through credit-financed expenditure increases. The net credit loan of the state financed by raising money supply stepped up in the middle of the seventies.

Table 6: Budget Deficits  
(budget deficits estimated as financing deficits  
in relation to gross domestic product)

	1974	1975	1979	1980
Federal Republic	-1,4	-5,8	-2,9	-3,4
France	+0,6	-2,3	-0,7	+0,4
Great Britain	-4,0	-5,1	-3,2	-3,6
Denmark	-	-1,8	-3,3	-6,2

legend: budget deficits estimated as financing deficits (-)  
in relation to the gross domestic product; budget  
surplus (+)

Source: EuroStat-Revue, 1981; DIW, 1982

1974/75 the here discussed countries reacted in harmony. By no means the antycyclical financial policy was unsuccessful. In all countries distinct employment effects of an extensive public spending policy are to find (see the country reports for details). Yet the growth effects on the labour market distribute differently in the individual countries. Due to different systems of industrial relations, different working time regulations and different scopes for investment decisions the employment elasticities vary under a given advancing growth dynamic. This phenomena can be explained referring to different productivity- and working time reactions. This also applies to the labour market relief effects since the supply side of the labour markets in the here discussed countries develops in different speeds. Nevertheless in general it holds true that the previous indications of the employment multipliers are positive. There is no case that an extensive spending policy has not contributed to the stabilization of employment resp. expansive employment.

Table 7: Growth and Unemployment  
Growth and Employment  
Selected Industrial Countries 1970-1979

	$a_0$	$a_1$	$a_2$	$r^2$	DW
Federal Republic	1.278	-0.322 (0.055)		0.912	1.044
France	1.386	-0.224 (0.040)		0.903	1.752
Great Britain	0.586	-0.119 (0.105)		0.393	1.285
Federal Republic	-0.0395	0.565 (0.128)	0.248 (0.132)	0.904	0.966
France	-0.0093	0.284 (0.102)	0.759 (0.097)	0.806	1.874
Great Britain	-0.0075	0.263 (0.096)	0.211 (0.097)	0.807	2.870

1) First three lines:  $u_t - u_{t-1} = a_0 + a_1 \text{ gGDP}$

2) last three lines:  $g_{\text{CEP}} = a_0 + a_1 \text{ gGDP} + a_2 \text{ gGDP}(t-1)$

legend:  $u$  = unemployment rate;  $g$  = growth rate;  $t$  = time in dex; GDP = real gross domestic product; CEP = civilian employed persons;  $a_0, a_1, a_2$  = regression coefficient;  $r^2$  = correlation coefficient; DW = Durbin-Watson-coefficient; standard deviation in parenthesis.

Source: FSA, own estimates

Nevertheless, it also holds true concurringly, that for the return to the full employment path unrealistically high growth rates would be necessary. Without a sufficient growth dynamic a lasting public borrowing policy can hardly be sustained. In this case tax political measures for financing growing expenditures and thus the expansion of public activities on the whole would be the only possible way.

Against such a policy it is argued that a restraint of the scale of the public sector seems necessary. Yet, a rise of the tax burden for the private sector, as oftenly assumed, leads to a reduction of private consumption and private investments, and therefore to decreasing overall production on account of the overall demand becoming lower. This argument is not valid under the condition that an increasing tax burden is followed by increased public expenditures.

The expenditure multipliers are likely to be even higher than the tax multipliers. Finally the argument of the lacking efficiency of expenditure rises, tax financed, seems only reasonable if a strict negative correlation between scale of public activity and growth dynamic can be concluded. Recent investigations show that a statistically significant negative correlation between private growth dynamic and the scale of public activity cannot be confirmed. The thesis of lacking efficiency of public activity proves wrong as being faced with problems in the allocation and distribution sector the private market dynamic fails to solve and that have to be solved by multiple forms (DIW, 1982; also see country reports). The strictest assumptions (European Economy, 1982) that unanimously call for a renunciation of public expenditures ignore the national individualities, the different historic background and the different economic conditions of the countries dealt with. Yet, this argument has not in view to lower the share of the private sector if profitable market dynamics are of long-term effect.

Only briefly it finally is to print to the connection between transfer payments of private households and willingness to work. Some available also empirically confirmed investigations assume that under a given cut of transfer payments the readiness of employees to also accept such jobs requiring a lower qualification than the affected employees dispose of will increase. Also cuts in income are more likely to be accepted. Those connections are not dealt with



in the following since a reduction of transfer payments as labour market political strategy for restoring full-employment is not promising any success as faced with an evident shortage of jobs.

#### Selectivity of Labour Market- and Employment Policies

So far employment- and labour market policies have been dealt with within the framework of general economic policy and with view to the targets of the magic square. In the following special employment political and labour market political measures are of concern. It is disputed in the economic scientific literature if it can be differentiated between employment policy and labour market policy. Nevertheless such a differentiation seems necessary from the analytical point of view and for working out the effects of single schemes more precisely. Employment policy is taken towards the influence of the employment level resp. unemployment through the transmissions mechanisms of the market of goods. Improvement of the entrepreneurial supply condition and demand condition aiming at the stimulation of employment as a function of increasing production and investment. The effects of employment policy on the labour market are induced indirectly through the market of goods, whereas labour market policies directly operate with view to the working conditions of the labour market. In this context it is controversial if labour market policy is able to contribute to an improvement of the level of employment or if labour market policy only holds the possibility to improve structural conditions of the labour market. Often labour market policy is dimensioned in such a mode that seasonal, frictional and structural unemployment is being combatted, then employment policy serves the task of overcoming growth deficit-induced and cyclical unemployment.

Labour market policy and employment policy being dimensioned this way soon allow the classification of certain policy patterns of the labour market and employment policy in the countries here dealt with. In the beginning of the seventies (high level of employment) labour market policy was for the most part aiming at the improvement of the occupational mobility, the flexibility and the overcoming of unbalances between demanded and supplied qualifications. Essentially labour market policy looked for a practical answer to the question asked by theorists "Why is the unemployment rate so high at full employment?" (Hall).

Without giving up labour market political instruments a stronger emphasis on employment political tasks can be noticed with the emergence of recessive phenomena in the middle of the seventies in all countries here dealt with. More traditionally orientated and aiming at influencing total economic demand, growth-deficit induced and cyclical induced unemployment should be combatted. Nevertheless, the role of an active and foreseeing labour market policy was subject to controversial debates. It was not contradicted that an active and foreseeing labour market policy does contribute to the overcoming of seasonal, frictional and structural components of unemployment. Yet, the answer to the question, if labour market political instruments influence the level of employment, the growth deficit and cyclical element, remained controversial. This also applies to the role of wages within the goods-market-labour-market-interconnections.

With increasing unemployment towards the end of the seventies and the beginning of the eighties conflicting positions became persistent also with view to the evaluation of employment policy. This holds true till today and has been described above in connection with the classification of employment policy within general economic policy by referring to the controversy between monetarists and keynesians. Today con-

fusion seems to dominate rather than clearness. Only orthodox representatives of both schools believe to be able to offer pat . solutions.

The discussed patterns of economic scientific discussion and the implemented labour market and employment politics are to be found in all countries dealt with. Nevertheless given an obvious confusion in the beginning of the eighties politics in the countries here dealt with stake on different concepts. In France and Denmark distinct elements of an expansive employment policy can be found as well as a labour market policy designed at the structural component of unemployment. The Federal Republic provides a comprehensive system of active and foreseeing labour market policy. The employment political component is characterized by a renunciation of employment effective public spending policy. This becomes even more evident in Great Britain where priority is given to the target of combatting inflation. Labour market political instruments, still being developed in the seventies, have been clearly cut back. Yet, for influencing the structural component of unemployment, especially with view to youth unemployment, Great Britain has developed and enlarged one labour market political instrument with the Youth Opportunities Programme. This labour market political instrument focuses, in distinct consistence with a supply-orientated philosophy, on the improvement of the vocational qualification of young labour force. Without denying the extrafunctional component of training, this programme clearly puts emphasis on the functional component of qualification relating to those skills, which are required by the labour market.

Some figures on the quantitative scale of the employment and labour market policies seem helpful. In France employment schemes as well as special labour market policies have been extended in the beginning of the eighties.

Table 8: Labour Market- and Employment Policies  
- in Mio. FF -

	1981	1982	modification 1981/82 in %
employment schemes	49.629	72.751	49,6
labour market policies	12.794	18.582	45,2
total	62.423	91.333	46,3

Source: Ministry of Labour, 1982

Are the individual components of labour market policy being investigated by also assessing payments due to unemployment benefits within the expenditures of the labour market policy, according to the system of french ministry of labour, it becomes evident, that exactly those payments for unemployment benefits amount to the highest percentage. Expenditures for the occupational training and those expenditures which ought to promote the utilization of the early retirement possibility, Schemes for the maintenance of jobs and creation of jobs play a comparatively minor role.

Table 9: Absolute and Relative Expenditures for the Individual Components of Labour Market Policy 1980

measures	figures in Mio. FF	in per cent
unemployment benefits	25.817,8	41,7
early retirement promotion	10.164,4	16,4
job maintenance	2.361,2	3,8
job promotion and creation	2.637,9	4,3
employment promotion	1.387,1	2,2
occupational training	18.554,1	30,0
others	10.090,2	16,3
total	61.864,7	100,0

Source: Ministry of Labour, 1982

Nevertheless it is to take into account that this table does not contain employment political measures and the expenditures have been - as above mentioned - been extended compared to 1980.

In Denmark the system of employment and labour market policy gives first priority to public expenditure programmes. Yet, the employment effective programmes operate selectively this with regard to the improvement of the production conditions (products and modes of production) as well as with regard to the target groups of the labour market as being long-term unemployed and youth.

Table 10: Expenditure programmes  
- share of budget 1983 in Mill. DKr. -

employment plan II	action programme	march-package	budget expenditures total	expenditure programmes in per cent of total budget expenditures
4.139	4.128	3.425	190.800	6,1

Source: Ministry of Finance, 1982

Within the system of active labour market policy Denmark focuses upon the extension of vocational (further) training, the establishment of more apprenticeship places and - as already emphasized - upon measures for the combat of youth unemployment.

Table 11: Employment Plan II: Distribution of Expenditures  
(in Mill. DKr)

	1981	1982	1983
public expenditure programmes	4.006,9	4.100,2	4.139,0
direct labour market and vocational training measures	1.359,2	1.500,4	1.461,6
total expenditures	5.366,1	5.600,6	5.600,6

Source: Ministry of Finance, 1981

Table 11 illustrates the distribution of expenditures concerning the employment plan II. Evidently it is put stronger emphasis on public expenditure schemes as on direct labour market and vocational training measures.

It has already been mentioned that the employment policy in the Federal Republic was characterized by an anticyclically designed spending policy. Additionally a number of employment effective special expenditures of the public hand have been affected in the seventies which amounted to 73 bil. DM (1971) and stepped up to 161 bil. DM (1980) - at current prices - within the course of the seventies. Those - executed by the Bundesanstalt für Arbeit (Federal Institute for Labour) special programmes concern schemes for job creation, the individual promotion of youth for occupational preparation, occupational (further) training or re-training and the institutional promotion of establishments which conduct occupational preparation schemes. The most important programme, the scheme for regions with special employment problems of the year 1979 is taken towards labour office areas with unemployment above 6 %. It includes occupational training, the reintegration of unskilled, unemployed and those hit by long spells of unemployment and a job creation scheme.

Further employment effective public investment programmes like for instance the programme for growth and environment political provision ought to be mentioned. The programme running for several years, was planned to have a volume of 16 bill DM.

Also the expenditures for active labour market policy at the beginning of the eighties prove a distinctive emphasis on those labour market political instruments aiming at occupational training and job creation schemes.

Table 12: Expenditures for Active Labour Market Policy  
- in thousand -

year	1980	1981
occupational training	1.380.682	1.667.591
wage subsidies	759.897	615.102
YCS	1.025.441	1.053.882
short time allowance	471.226	1.284.581

Source: A.N.B.A., Statistic of the Year 1981

Coinciding with the employment political philosophy in Great Britain, as presented above, employment policy is not taken towards short-term expansion. This is i.a. mirrored by the fact that the portion of the expenditures for the department of employment within the scope of the budget development is relatively decreasing.

Table 13: Development of Budget 1980 - 1983  
- in UKlm -

	1980/81	1981/82	1982/83
total	93.475	106.130	115.150
defense	11.178	12.634	14.103
trade, industry and energy	2.234	3.176	3.175
Department of Employment	1.956	2.426	2.670
Housing	4.675	3.320	3.480
health and social security	11.366	12.764	13.633
social insurance	23.440	28.618	32.030
rest	38.627	43.192	46.059

Source: Financial Times, March 1982



After the expenditures of the Department of Employment had been increased 1980/81 as against 1979/80 also in their share of total budget expenditures, expenditures of this budget sector stagnated 1980/81 till 1982/83. Proportions amount to approximately 2,1 and 2,3 %. Additionally it has to be considered that the development of the budget of above table is quoted at current prices which means that the budget expenditures actually did decrease.

In the following the single employment political and labour market political schemes are being examined. Here it has been differentiated between

- increase of the supply of jobs
- redistribution of available work-load
- adaptation strategies
- job preservation measures.

In a comprehensive synopsis the employment- and labour market political instruments are presented individually. The survey illustrates the distribution of labour market political instruments for the Federal Republic, Denmark, France and Great Britain on the different above mentioned levels (see the comprehensive synopsis on page pp).

Apart from the mentioned classification on these four levels: increase of the supply of jobs, redistribution of available work-load, adaptation strategies and job preservation measures additional subdivisions have been introduced. Those link to the evaluation of wage subsidies, to the employment effects of public spending policies within the private and public sector, direct job creation schemes and investment promotion as employment- and labour market political instruments for the increase of the supply of jobs. Strategies for the redistribution of available work-load are subdivided in redistribution of available full-time jobs, creation of additional jobs by means of lowering the average life-time

working time and the creation of additional jobs by means of lowering the average weekly resp. annual working time. The adaptation strategies relate to the offsetting of unbalances between demand for and supply of skills, the increase of regional mobility and the improvement of the efficiency of the labour service. Very briefly it is dealt with job preservation measures.

Within the framework of this systemization in the following the labour market and employment political instruments are evaluated individually.

Analyses which focus on the evaluation of labour market and employment schemes must answer questions related to the measuring of efficiency. Theoretically there are evaluations which can be supported for reason of welfare or which focus an cost-benefit analyses . In as far as a prosperity-linked argument or a cost-benefit principle are related to strict economic criteria, essential dimensions of labour market and employment policy will not apply. Labour market and employment policy does not only aim at obtaining economic efficiency but also consciously aims at the distribution or rather social dimension and consciously looks towards a socially-backed suboptimal Pareto-situation. Cost-benefit analyses are faced with the problem that although the costs of labour market and employment policy schemes are ususally precisely definable, their benefit, however, can hardly be quantified or isolated where a deversity of aims must be accomodated. It is further relevant that the opportunity costs and side effects (relating to deadweight and displacement effects) are difficult to determine.

As a result of different internal conditions international comparisons present even more problems than national evaluation studies. As there have hardly been any international comparison studies made on the evaluation of labour market and employment policy up to the present day, the resorting to traditional prosperity analyses or rather procedures of cost-benefit analysis seem, however, to be useful. As it happens, the argumentative connection often replaces the exact quantitative determination. The argumentative connection of the evaluation aims at target conceptions, which can be summarized in a survey (cf. p. ) which views the target dimensions: "employment -effect,, influence on the social security, effects of allocation, distribution, integration and socio-political effects. The survey follows the systematic of labour market and employment policy schemes already mentioned, which are also evaluated with regard to the causes of unemployment (frictional unemployment, seasonal and cyclical unemployment, structural unemployment and growth deficit unemployment). For a comprehensive evaluation study (Schmid, 1982, for the Fed.Repl.of Germany) the target dimensions can be characterized as follows:

- (1) Effects on employment are obtained by the creation of new jobs as well as by maintaining existing jobs.
- (2) Social security is guaranteed through the securing of income when a job is lost or when employment is terminated.
- (3) The efficient employment of manpower should be secured by the allocative elements of labour market policies.
- (4) A fair distribution of income and work (ing time) and non-work is the distributional aim of labour market measures.

- (5) The integrative objective can be attained by the incorporation of marginal or disadvantaged social groups in working life.
- (6) The attaining of socio-political aims can be measured by the degree of participation in the social decision and the increasing of individual option.

The following evaluation of the individual labour and employment instruments tends to be modest with regard to the target orientation. In the foreground are the effects on the level of employment and the effects on allocation and distribution are often evaluated as well. On the other hand, the references to social security, to integrative effect and the socio-political dimension are somewhat scarce.

## I INCREASE IN THE SUPPLY OF JOBS

### 1. Wage Subsidies

Denmark has developed the systems of wage subsidies to a considerable degree for active labour market policy. The programmes relate to the Public Relief Work as a wage subsidy programme for public sector employers and the Job Offer Scheme as well as programmes for the promotion of private sector employment.

The selective lay-out and the selective effect of these measures can be designated as the particular characteristic feature of Danish subsidy programmes. Target groups are mainly the long-term unemployed and youth. In comparison with the other countries here dealt with it is conspicuous that wage subsidies are closely coupled with training and job creation in the public sector.

In France wage subsidies are granted as hiring and training premiums since 1977. These programmes have been expanded since 1981. It is notable that these programmes are characterized by a fiskalisation of social security contribution, i.e. taking over of non-wage costs by the public sector. The selective design of the programmes is also obvious in France. Besides the long-term unemployed, youth and older workers the programmes are also targeted at female workers. Certain types of enterprises are particularly promoted (craft establishment).

In Great-Britain wage subsidies only play a small role in the labour market policy presently operated. This is in clear contrast to the policy of the later 70s. In 1982 the Thatcher government started a however small programme subsidizing the wages of young people. The last two large wage subsidy

programmes existing in Britain were the Temporary Employment Subsidy (TES) and the Small Firms Employment Subsidy (SFES). Originally limited to special development areas the TES was later expanded. Because of arguments advanced by other EC-member countries claiming that the expansion of TES to a national level would distort international competition in favour of British companies the programme was eventually discontinued.

In the Federal Republic of Germany wage subsidies are granted in accordance with the Arbeitsförderungsgesetz (AFG, Employment Promotion Act) in the form of settling-in allowances for trainees and the hard to place. Wage subsidies also made up a substantial part of the Special Programme of 1979. In some cases wage subsidies (training grants) were kind to on-the-job-training provisions.

The scientific debate in all countries here dealt with went into the following essential problem fields:

- the selective design and effects of wage subsidies,
- the effects on employment levels and unemployment,
- deadweight, displacement and drag effects,
- the costs of these programmes in comparison to payments caused by unemployment.

The discussion on the selective design and selective effects on problem groups in the labour market takes up the largest space. On the one side it is claimed that unequal affectedness by unemployment in the consequence of rigid wage cost structures deviating from productivity differentials. Since wage subsidies can very well targeted at specific groups, desired selectively operating relief effects can be obtained (Layard, 1981; Metcalf, 1982; Bonhoff, 1982; Paté a.o., 1980; Schmid/Wilke, 1980; Kjaersgaard, 1982; Colin/Expinasse, 1970).

Another position points out that selective wage subsidies do not increase the overall employment level. Rather they almost lead to the promotions of certain groups of employers to the disadvantage of others. They are therefore unfit as an instrument for raising employment levels (Mertens, 1976; Gaspard/Frank, 1981; Colin/Espinasse, 1979; Memorandum, 1980).

Finally it is pointed out that the intended selective effects do not coincide with the actual selective effects (Schmid/Semlinger, 1979). This argument is partly based on pure analysis, partly statistically founded. Empirical results are available. The analysis relates to the following circumstances: under conditions of low demand and high unemployment in the course of the employment crisis the process of selectivity in hiring and dismissals increases. The requirements for applicants posed by employers with a view to job-specific as well as general skills rise. Wage subsidies cannot compensate for the low productivities of certain groups of employees assumed by employers or actually existing (Schmid/Freiburg-haus, 1977; Schmid/Semlinger, 1977; Gaspard/Frank, 1981).

To the extent that statistically founded empirical research work is available similar experiences have been made in the individual countries. The selective utilization of subsidies promotions make employers to the disadvantage of women, a significant rise in the employment of older workers or disabled persons cannot be observed (Ministère du Travail, 1981; Schmid/Wilke, 1980; Möller/Lücking, 1977; Kjaersgaard, 1982). Largely consistent with this it follows that the regional and industrial utilization of wage subsidies is unevenly distributed. To a large degree subsidies are used in construction, public works, trade, certain service industries and food and drink industries. Companies producing highly labour intensive and under international competition use wage subsidies to a disproportional large degree (Metcalf, 1982; Paté a.o., 1980; Schmid, 1982; Schmid/Wilke, 1980). Finally

It is true that larger companies are heavier users of wage subsidies than smaller ones (Colin/Espinasse, 1979).

Of particular importance for the effects, but also for the utilization of wage subsidies is the coupling to training measures. The Danish model seeking a close tie to training proves particularly well the ingenuity of this coupling, since functional and extra-functional skill potential grow (Kjaergaard, 1982). At the same time the German experience shows that the utilization falls, if subsidies are tied to training (see settling-in allowances for trainees (Schmid/Freiburghaus, 1977)). In order to prevent that wage subsidies only subsidize "Extended work-branches", stricter application requirements are called for (Schmid/Semlinger, 1977).

The effects of wage subsidies, if they were designed selective or linear (general), on employment levels and unemployment rates are rated rather pessimistically: market theoretically oriented arguments point at the reduction of the price of the factor labour and with that at the adaptation of relative factor costs to productivity and scarcity conditions (Sachverständigenrat 1981/82). It must, however, be questioned, that significant macro-economic employment effects will be initiated in the short run solely through the improvement of relative prices. Companies deciding on hiring and dismissals according to medium and long-term profit and sales expectation which are influenced by wage subsidies only marginally. With view to labour intensive producers that are under particular pressure by international competition this statement must be qualified. It is true that wage subsidies can improve national competitiveness (Nickell, 1979; Layard, 1981; Metcalf, 1982; Sachverständigenrat, 1981/82). As in particular the British experience with TES shows, wage subsidies actually operate like export subsidies (Nickell, 1979; Metcalf, 1982).



Macro-economic effects of wage subsidies have to consider deadweight, anticipatory, displacement and drug effects. Deadweight means that the hirings would have taken place even without the subsidy; anticipatory effects mean that the hirings took only place earlier than initially planned; drug effects relate to the habituation to the subsidy with the consequence that the level of the subsidy must continuously rise to induce additional jobs; displacement relates to the fact that under different labour intensities and wage bills of the companies competition is distorted.

Except for the argument that wage subsidies are actually export subsidies the net effects of programmes subsidizing the production factor labour on employment levels and unemployment rates considering the above mentioned effects and the fact that parts of the hidden reserve are activated are not valued high. So it is shown for France that the employment pacts as far as they relate to subsidies generated hardly more than 5.000 lasting jobs. Similarly designed studies (Colin/Espinasse, 1979) find larger labour market effects, but still rate the long-term effects of these programmes low. Experiences in Great Britain relate to deadweight and displacement that are estimated to range between 30 and 40 % of all jobs supported (Dep. of Employment, 1977; Deakin:Pratten, 1981). Danish experiences reveal that linear wage subsidies do not affect precisely those groups with particular employment problems and that employment effects are generally uncertain (Kjaergaard, 1982). For the Federal Republic it applies that under increasing weakening of demand the labour market effects of wage subsidies also fall. On a theoretical level this is based on Keynesian inspired arguments (Mertens, 1976; Memorandum, 1980), on an empirical level this is proven by increasing costs per avoided unemployed and low relief (Schmid, 1982; of. the cost/benefit analysis of settling-in allowances in the country report). By comparing tax rates to unemployment benefits it is, however, pointed out that even a 50 - 90 % wage subsidy would still be paying (Schmid/Freiburghaus, 1977).

Macro-economically significant relief of the labour market will only be obtained, as the experiences of the programmes of the individual countries show, if deadweight, anticipatory, drug- and displacement effects can be avoided. Therefore requirements for administration implementation and control ensue (Schmid/Freiburghaus, 1977; Simon, 1981; Möller/Lücking, 1977), but most of all wage subsidies should be designed in a specific way. Basing on the assumption that certain groups of employees show lower productivities compared to their wages and acknowledging that "non-wage labour costs" cause labour to become a quasi-fixed factor of production (Bell, 1978; Oi, 1962) wage subsidies should be designed temporarily limited according to learning curves following the productivity increases due to on-the-job training under differentiating by industries (Rehm, 1975; Hackmann/Keiter, 1976). Experiences with wage subsidies made in the US suggest a similar evaluation (Bishop/Lerman, 1977; Havemann, 1979). As a temporally limited measure, that is differentiatedly designed for productivity-wage-differentials, wage subsidies are useful provided that they are carefully administrated. As a general policy with across the board rules wage subsidies, however, operate like build-in destabilizers.

## 2. Job Creation Schemes

Direct job creation schemes provide temporally limited jobs in the public and private sector. The programmes can either operate selectively with a view to the unemployment structure and/or the structure of goods and services that are considered socially useful. They are financed by the public sector either by paying premiums to participating companies or public institutions and/or by paying wages to the workers affected.

In Denmark job creation schemes are a new type of measure for the Danish labour market policy. Under the so-called March-Package (June 1982) the legal foundation for this was created, job creation schemes operate selectively with view to unemployed young people and in exceptional cases also older unemployed. Financing is a mixture of premiums for the creation of a job and wage subsidy.

In France implementation of job creation schemes takes place in two different forms. Youths are offered a community service in the areas of environmental service and local services in small communities for a period of 6 - 12 months. The programmes of 1981 "Emploi d'Initiative Local" (former: Emploi d'Utilité Collectif) were to provide young persons between 18 - 25 years of age temporally limited jobs with local authorities and ~~non~~-profit organisations.

In Great Britain measures for job creation have been cut back since the Thatcher government took office. The programmes running since 1974 until the late 70s, the Job Creation Programme (JCP) the Work Experience Programme (WEP and the Special Temporary Employment Programme (STEP) provided temporally limited jobs mostly in the public sector for unemployed adults, but primarily young people up to 19 years of age. Youth pro-

grammes also applied to the private sector. These have all been combined in one programme, the Youth Opportunities Programme (cf. chapter III: Adaptation strategies). The Community Enterprise Programme (CEP) operates as a larger job creation scheme providing temporary employment for the long-term unemployment in local authorities or non-profit organisations.

In the Federal Republic of Germany job creation schemes are set up in an institutionalized form in accordance with the AFG (Employment Promotion Act) and as parts of Special Programmes of central as well as federal states' governments. Only since 1974 job creation schemes play a considerable role. Since 1980 the programmes are cut back: financial restrictions and growing criticism of the programmes led to new regulations for job creation schemes under the Employment Promotion Consolidation Act (AFKG). The promotion area has also been shifted. To the disadvantage of the previously promoted secondary sector emphasis is nowadays laid on the tertiary sector, and in particular the social services.

Experiences with the programmes of individual countries are mirrored by the scientific literature in dealing with the following questions:

- A comparison of the costs of unemployment with those incurred by the system of social security
- Problems of the social and economic relevance of the activities
- Connexion between job creation schemes and measures raising skill levels
- Employment effects of these programmes in connexion with substitution and multipliers
- The scale of the programmes and their financing.

Job creation schemes can operate on a short-term basis and therefore represent an effective instrument for an at least temporary relief of the labour market for certain problem groups (youth, long-term unemployed). Furthermore it can be provided on the assumption that the work specific and general skills of long-term unemployed persons fall so that their employability is again reduced. This "vicious cycle" for the affected is evident: Long-term unemployment leads to skill losses, skill losses reduce unemployment chances.

It can be assumed that job creation schemes are comparatively inexpensive. By comparing the total costs of these measures (promotion and sponsors' contributions) with the savings due to falling unemployment (payments by unemployment insurance, growing public receipts through taxes and social security contributions) job creation schemes are generally considered less expensive than unemployment depending on the specific national framework (wages, system of social security) (IAB, 1981; Schmid, 1982; Musgrave, 1980; Metcalf, 1982; Killingsriff/King, 1977, Bonnard, ; MSC, 1981k). This argument of a relative cost efficient instrument also relates to the consideration that it does not make sense to finance the idleness of persons, if these prefer a productive activity instead (Musgrave, 1980; Metcalf, 1982; IAB, 1981).

From the argument mentioned the necessity immediately follows to determine what has to be considered a socially or economically productive activity. If employment policy is not legitimated only by the view that "work as such" has an intrinsical value, the question about the sense and purpose of the activity with regard to the social relevance of production and the effects on skills has to be answered.

In the scientific literature in all countries here considered critical remarks about the contents of the activities

and the social benefit are expressed (Danish Finance Ministry, 1982; Schmid, 1982; Hill, 1981; House of Commons, 1977; Colin/Baudrillard, 1981). Experiences made in the US confirm that the question of social and economic usefulness of activities oftenly can only be affirmed with reservations and that most job creation schemes are a simple work therapy (Fechter, 1981; Barocci, 1981). It must, however, be pointed out that there are no arguments against job creation schemes in general, but only against certain types of organisation. In Denmark models were developed from this, intended to avoid socially and economically meaningless activities. Labour market councils control activities and the obedience of selectivity characteristics with regard to the unemployed affected (Danish Finance Ministry, 1982). A distinctive way has been chosen in France: Since 1979 models for the capitalized disbursement of unemployment benefit are in operation. These models relate to the support of initiative of unemployed persons to start their own enterprises (Pelker, 1981). For the Federal Republic it is also true that effects of job creation schemes like the retention of human capital and social safeguarding functions are generally rated positively (Schmid, 1982; Spitznagel, 1979; Hellmich, 1982).

If job creation schemes are designed to operate selectively for the benefit of a socially desired production of goods and services, this selectivity can be counteractive to another selectivity desired. Job creation schemes are intended to offer at least temporary employment chances to certain disadvantaged groups of unemployment persons. Young people, long-term unemployed and persons with low skills are then the target group of these measures. The skills of these group cannot and oftenly will not be equal to those required by the demand side of production.

Empirically founded studies of the suitability of job creation

schemes with view to specific target groups of the labour market are also available (Colin/Baudrillard, 1981, Layard, 1979; Bruche/Casey, 1982; Sachverständigenrat, 1980/81; Hellmich, 1982; Jackson/Hanby, 1982; Jackson/Hanby, 1979). Concurrently it is observed, that job creation schemes can be targeted at certain groups in the labour market. Young people are disproportionately high represented, employees taking up their first employment are considerably represented. For the Federal Republic it is true that persons showing more than one "risk property" are strongly represented (Spitznagel, 1979). It must, however, be pointed out that job creation schemes are often too loosely coupled to training programmes. In Britain this is true in a high degree for the Job Creation Programme and in a low degree for the Work Experience Programme (Layard, 1979; similarly concerning newer programmes: MSC, 1982c). Similar experiences were reported from France (Colin/Baudrillard, 1981; Gaudin, 1982; Hellmich, 1982, Layard, 1979). Considerations about job creation schemes therefore end in the call for socially meaningful activities coupled with skill raising measures (Musgrave, 1980; Metcalf, 1982; Spitznagel, 1979; Interdepartmental Working Group France, 1981; Jackson/Hanby, 1979; Danish Finance Ministry, 1982). Activities derived from a vision of social demand that are brought into line with a target group orientation for certain groups of the working population considering training should therefore be situated in the tertiary sector (Sachverständigenrat, 1980/81; Gaudin, 1982; House of Commons, 1977).

If such a harmonizing were successful, the extent of the job creation scheme must be dimensioned. While in the Federal Republic expenditure by the Bundesanstalt für Arbeit on job creation schemes had been considerably expanded in the late 70s as compared to the mid 70s (Schmid, 1982; Mettelsieven/Seiffert, 1981), in France state labour market policy is only characterized by increased activity in the

field of job creation schemes since the early 80s. A further strengthening of efforts in this field is demanded by the French labour market policy (Bonnard, 1981). The cutting back of job creation schemes in Britain - except for YOP - has led to a considerable criticism (Metcalf, 1982). Similarly this is true for the Federal Republic for which in the opinion of some authors job creation schemes can apply as a contribution to the elimination of growth deficit unemployment (Schmid, 1982). Job creation schemes, however, are critically evaluated from the aspect of the strain they pose on the budget (e.g. Barre, 1981/82).

Experiences with job creation schemes made in the countries here dealt with and the US suggest to appraise them as short-term and useful instrument for creating and maintaining human capital as well as a relatively cost efficient instrument compared to the system of social security. This evaluation, however, relates to that job creation scheme design that designates temporary jobs against the background of socially useful production and couples these with training measures for certain target groups in the labour market that are characterized by the coincidences of more than one risk property.



### 3. Employment Effects of Public Expenditures for the Private and Public Sector

Public expenditure programmes can be rated under different aspects. Apart from the question of distribution effects of public expenditures and thoughts on the allocation, the target orientation for and the impact on the stability of the economy are of prominent concern when judging public expenditure programmes. Traditionally stability of whole economy can be determined with regard to targets of the "magical square": economic growth, balanced foreign trade account, price level stability and a high employment level define the target for total economic stability. At this point the effects of public expenditure programmes for the degree of employment in the here discussed countries is being examined. Currently two patterns of economic theory and political practice conflicting dichotomically. A keynesian inspired idea of policy refers to the necessity of inducing a stable increase in the level of employment through public expenditure schemes and is to guide the economy along the narrow path between the Charybdis inflation and the Scylla of unemployment. As opposed to that argument based on monetaristic ideas substantiate policies, which - relying on the self-adjusting forces of free market - perceive state intervention for the increase of the employment level as being unefficient in middle or long terms, yet even having detrimental effects. The political practice of the here discussed countries mirrors the mentioned economic theory patterns.

In the mid-seventies the Danish economic policy decided on employment effective public expenditure- and investment programmes. The Employment Plan I, already passed in 1977, was replaced by the Employment Plan II in the beginning of the eighties. Both employment plans are characterized by a mixture of supply and demand - orientated measures. The experiences gained from the employment plans led to an expansion of the

employment effective, extensive fiscal policy by issuing the action programme. The action programme is also composed of supply- and demand oriented measures and aims at short term, but also long term employment effects (Ministry of Labour, 1981).

The Employment Plan II and the action programme charge the public budget with approximately 4 % of budget expenditures.

Table 1: Expenditure Programmes  
- share in budget 1983 in million DKr. -

employment plan II	action programme	budget expenditure volume	programmes in % of budget expenditures
4.139	4.128	190.800	4,33

Source: Danish Ministry of Finance, 1983

For 1982 the Danish Ministry of Finance (Danish Ministry of Finance, 1982) expects the expansion of public expenditure programmes to induce an increase of employment of approximately 11.000 jobs in comparison to 1981. The employment effects of the total programme till 1985 is estimated at 110.000 full-time employed. Within the scope of the action programme the costs for a newly established job amount to approximately 375.000 DKr., within the scope of the Employment Plan II to approximately 140.000 DKr.

In France employment policy towards the end of the seventies and at the beginning eighties was characterized by cautious consolidating efforts of the public budget. Since 1981 the Mitterrand-government stakes on the necessity of extensive fis-

cal policy through employment- and labour market programmes for the public and private sector. According to proponents of extensive public spending policy (Mauroy, 1982; Poperen, 1982) employment effective public expenditure programmes will contribute to the stability of economic growth and to the creation of new jobs. It is also intended to present additional expenditure programmes for the promotion of research and industry development as well as energy gaining in the second stage 1983 (Mouriaux/Mouriaux, 1982; Barroux, 1982). Finally the French spending policy particularly stakes on the increase of job offers in the public sector. With special emphasis in the areas railway, post, education and health, till 1983 191.000 additional jobs are to be created. The intended cumulated employment effects and the estimated cumulated burden for public finances are shown in the following table.

Table 2: Cumulated Effects of Increase of Job Offers in the Public Sector

	1981	1982	1983
employment	+40.000	+116.000	+191.000
net costs for public finances <sup>1)</sup> (in bill. FF)	+0,29	+2,83	+5,76
annual net costs of one unemployed (adjusted) in FF	78.000	78.000	78.000

<sup>1)</sup> budget costs minus the amount for the reduction of unemployment benefits

Quelle: Ministry of Finance, 1982

Since the beginning of the year 1983 it becomes noticeable, that the ambitious drafts of the French government meet their limits: on the one hand the financing has to be questioned, on the other hand the question of - with prevailing high inflation rates - safeguarding an extensive public spending policy with regard to the foreign trade is to be solved. This problem is being discussed above (see chapter one about the economical political strategies).

In the United Kingdom the economic policy of the seventies was characterized by stops and goes. Periods of extensive public spending policy alternated with contractive behaviour of public expenditure policy, when the failing of income policy became apparent. Since the beginning of the eighties governmental expenditure policy increasingly relies on consolidating the budget by retrenchments and renunciation of employment effective public expenditure programmes. Even though the spending side of the budget - calculated at current prices - shows an upward tendency, the expenditures of the public hand, price-adjusted,

have only gone up negligibly for the budget year 1981/82 and have decreased for the budget year 1982/83. Additionally it is to take into account, that because of increasing unemployment expenditures for the social security system have stepped up and the scale of other employment effective expenditure has decreased.

Table 3: Development of Expenditures of the Public Hand  
1980-1983

	1980/81	1981/82	1982/83
total expenditures in current prices for the budget year	93.475	106.130	115.150
annual modification of the budget expenditures compared to the previous year at constant prices in per cent	+7.7	+1.5	-0.5

Source: Financial Times, March 1982

The employment development in the public sector coincides with this picture of a public spending policy, which is concerned about consolidating the budget. From 1979 to 1982 employment in the sector of public services has continuously decreased by 4 %. Even though this is an under-average decrease compared to the development of total employment which fell by 10,5 % in the mentioned period it becomes obvious at the same time, that the sector public services had not contributed to the stability of employment, but has enlarged the problem pressure on the degree of employment.

In the Federal Republic the expenditure policy of the public hand of the seventies was characterized by the attempt, to generate anticyclical stimuli during recessive periods resp. periods of sluggish growth. This becomes very apparent during the recession 1974/75, when public consumption expenditures markedly induced expansive effects. The thereupon following efforts to consolidate the budget (budget structure act) suggests that the public consumption spending has not been installed anymore as an instrument of anticyclical effects for the stabilization of the degree of employment. Partially this also applies to ~~pub~~ public fixed capital investment. Even though

from 1975 till 1977 a variety of programmes in the sector of public fixed capital formation has been exercised, the reductions of public investment in the core budgets dominated. The period from 1978 to 1980 is to be called an exception: the future-investment programme has markedly revealed anti-cyclical effects. The currently effective or still effective programmes link to older programmes. Single areas of the future-investment programme as well as certain elements of the programme for the promotion of economical growth and employment of the year 1977 still prove effective. Finally anticyclically effective expenditure elements are induced by the 'employment promotion act' from 1982 within the scope of expenditures for energy saving schemes in public buildings and the increase of the investment quota at the 'Bundespost'. Nevertheless it can not be ignored, that in the beginning of the eighties the public spending policy is being characterized by more contractive elements.

Table 4: Expenditures of the State (in Mrd. DM)

	1974	1975	1978	1980	1981
(1)					
real volume	132,3	138,3	147,8	156,5	160,0
neutrality line	129,4	134,3	145,5	157,2	160,7
difference	+2,9	+4,0	+2,3	-0,7	-0,7
(2)					
real volume	32,3	31,4	30,4	33,5	31,0
neutrality line	30,6	32,8	29,7	33,3	34,4
difference	+1,6	-1,4	+0,7	+0,2	-3,4

(1) state consumption at prices from 1970

(2) gross investments at prices from 1970

Source: DIW, 1982

Table 4 shows very clearly, to which extent the real volume of public consumption expenditures and gross investments deviate from the cyclical-neutral path, **defined** as 'neutrality line'. Extensive effects have a plus-mark, contractive developments a minus-mark.

The intensified efforts for consolidating the budget in the Federal Republic suggest the probability that public expenditure programmes are adopted to an increasingly lesser extent as anticyclically used fiscal political instrument for the increase of the employment level. Even though politically important groups in the Federal Republic do demand an expansion of public expenditure programmes, mainly in the investive area, it is not likely, that these considerations will be embodied in real politics.

Scientific literature on the evaluation of the effectiveness of public expenditure programmes for the increase of the employment level is concentrated - with noticeable crucial points in the here discussed countries - on the following problem fields:

- The production effectivity of the private and public sector is to compare. Partially the thesis can be found, that the production of goods and services in the public sector can be organized less efficiently than in the private sector.
- While some assumptions in favour of an expansion of public expenditures for the stimulation of private growth dynamic are being substantiated by pointing to multiplier- and accelerator-effects, other arguments are supporting 'crowding-out-effects'. This means, that governmental activities displace private activities.
- By referring to **disentanglement** effects it is doubted, that even under private growth dynamic induced by state activities the employment level will rise. More likely are working time-, productivity- and price effects.

- According to the strictest version of middle- and long-term unefficiency, yet even detriment of public expenditure programmes for the increase of the employment level, accelerating inflation rates under an expansion of public expenditures and only short-termed deviations from the 'natural rate of unemployment' are to be expected.
- A variety of arguments **relates to** the dilemma of demand-oriented public expenditure policy, wanting to be of a short-term success and at the same time having to contribute to the updating of the economy in middle and long term.

A number of by all means serious economic scientific reports assert, that the public sector is less productive than the private sector. It is referred to excessive production costs under, in comparison to the private sector less productivity and higher wages (Bacon/Eltis, 1978; Bacon/Eltis, 1979; Herzog, 1982; Mouriaux, 1982; Sachverständigenrat, 1981/82). Additionally the experiences in France with the 'Programme de création d'emploi d'initiative local' show, that because of administration deficiencies even the approved planned jobs could not be occupied. Moreover the majority of newly created jobs in the public sector is not targeted at innovations (improvement of the social services) but is referred to traditional areas (Groupe Interministerielle, 1982).



The presented arguments, however, do not allow to jump to conclusions. The public sector is, compared to the private sector, not less productive in any case and by no means obsolete. In those areas, in which the market mechanism evidently fails, the state sector has to interfere, not only by means of taxes and subsidies, but also by becoming directly active. This view is not only being founded by referring to employment political effects, but by the fact, that allocation lacks of the market mechanism and considerations on a fair distribution of income do demand state activities. Pressing social needs can be satisfied, if the performances of the public sector are being expanded (TUC, 1982; House of Lord Committee on Unemployment, 1982; Mauroy, 1982; Groupe Interministerielle, 1982; Memorandum, 1981/82). Finally it has also to be seen, that the state could use its 'locomotive-effect' through its entanglement with the private sector (Kahn, 1977).

Empirically founded international comparisons establish the result, that a statistically significant connection between growth dynamic of economy and the scale of public expenditures does not exist. Without any question the scale of the public sector in the here discussed countries differs, this with regard to the employment as well as to the expenditure share in the gross domestic product. Both following tables summarize the differences.

Table 5: Number of Employed in the Areas of not Market-Assigned Services in per Cent of all Employed

	Danmark	France	Great-Britain	Federal Republic
1975	23,6	17,5	21,1	16,6
1979	-	18,0	21,5	17,7
among them public services				-
1975	16,9	-	-	13,9
1979	-	-	-	14,7

Source: DIW, 1982

Table 6: Public Income and Expenditure in % of the Gross Inland Product, 1980

	Danmark	France	Great-Britain	Federal Republic
expenditures	62,1	52,1	54,6	48,1
income	55,5	52,5	50,3	44,5
financing balance	-6,6	+0,4	-4,3	-3,6

Minus-mark means a financing deficit, plus-mark a financing surplus.

Source: DIW, 1982

With evident differences as to the scale of the public sector long-term correlation analysis based on time series allows the conclusion, that there is no significant connection between growth dynamic of economy and the extent of state activities (DIW, 1982); for reasons of national differences in the system of production, training of labour force, historically grown areas of intervention of the state and the social attitude towards state intervention the scale of public interference for the solution of allocation-, distribution- and stability problems follows national characteristics. The thesis of a general inferiority of the public sector compared to the private sector cannot be accepted.

The question of the efficiency of an anticyclically structured financial policy qua variation of public expenditures is being answered in modern scientific literature beyond traditional and balance orientated keynesian models. Recent work on microeconomically founded macroeconomy and of the third generation of modern macroeconomy have proved, that the efficiency of anticyclically designed expenditure programmes can only be conceived insufficiently in using simplified equilibrium models of the traditional Keynes-understanding. The old question of Keynes "is the economic system self-adjusting" requires the analysis of inbalance models (Malinvaud, 1977; Phelps, 1970; Hahn, 1973; Peston, 1980; Buiter, 1980; Artis, 1979; Artis/Green/Leslie/Smith, 1982). At this point the theoretical debate has not to be presented in details. Empirically founded considerations on employment effects of public spending policy predominantly relate to 'crowding-out-effects'. Crowding-out effects are to be defined as a possible displacement of private activity under expansive fiscal policy. The crowding-out-effects can be transferred by increasing interest rates, effects on private property composition and by - under increasing inflation rates - induced external trade factors. Empirically founded studies on crowding-out effects are available. Those relate to the simulation of policies in econome-

trically founded macro models. The experiences in the Federal Republic and Great Britain reveal, that only negligible crowding-out effects have to be presumed (Bladen/Hovell, 1982; Artis/Green, 1982; DIW, 1982).

Precise quantitative analyses on employment effects of variations of public expenditures are hard to compare, because the interconnections in the macro system qua multiplier- and accelerator effects, the already mentioned crowding-out effects and the reactions of wages and prices as well as the external trade impulses have to be calculated. Yet empirical studies confirm, that an extensively operating public spending policy clearly reveals employment effects (DIW, 1982; Cambridge Economic Policy Group, 1981; moderate: Artis/Green, 1982). Estimations which have not been elaborated on basis of simulation developments by using macroeconomic models, are in general even more optimistic. Thus for Great Britain an increase of the employment level of 677.000 jobs is assumed given that the expenditure volume amounts to 8,3 bill. UK1 (TUC, 1982), other analysis also indicate positive effects on the employment level through an increase of state expenditures (House of Commons, 1979). In the Federal Republic the call for an expansion of public activities refers to experiences gained in connection with the 'programme for the improvement of construction and other investments' and the 'programme for future investments' (Spitznagel, 1976; Meißner/Hödl, 1982; Roth, 1982; more critical: Tofaute, 1977). As far as experiences with the French employment policy since the beginning of the eighties are available, it is to be seen, that private growth dynamic could only be stimulated to a little extent by state activities (Braner, 1982; Mauroy, 1982). Yet, actual controversies do in the first place not relate to the measurable effects for the labour market, but to the financial strain on the public budget and the funding of the employment schemes (L'Expansion, 1981; DGT, 1982; Le Monde, 1982).

International comparisons make clear, that the reactions of the private sector to a stimulation of the overall demand varies according to the individual country. On the basis of considerations on the Okun's law (Okun, 1975) it can be examined, how an increasing volume of production, resulting from a successful demand-oriented expenditure policy, is translated into employment. Evidently enterprises can reach an increase of the volume of production qua three strategies: working time can be prolonged, productivities can be improved by rationalization investments and organizational changes, the employment level can be increased. For some countries it is proved that there are dispersing tendencies between economic growth and employment. This refers to the fact, that companies tend to react with working time and productivity increases instead with an expansion of the employment level. Those dispersing tendencies are noticeable for the Federal Republic within the scope of the here discussed countries (Bolle, 1979; Bolle, 1983).

The strongest critique on anticyclical public spending aiming at the increase of the employment level is being presented by a monetaristic orientated economy policy. The considerations relate to the following mechanism: according to a Phillips-curve of short-term stability higher inflation rates are to be expected under an expansive expenditure policy. Do the economic subjects anticipate the increasing inflation rate, they will adapt their behaviour.

A short-term increase of the employment level will then be wasted, and the economy falls back to the "natural unemployment rate". Meanwhile the literature on this topic has reached such an enormous amount, that here it is only referred to the excellent survey of Santomero/Seater (Santomero/Seater, 1978). The answer to the question if an expansive public expenditure policy is likely to fail due to anticipated price expectations, finally depends on the question if the concept of rational price expectations and the "natural rate of unemployment" can be regarded as making sense. On the other hand it is to consider, that human beings can not be stored like machines and can not be ordered to work on call or not. This also gives actual meaning to the phrase initially stated by Keynes "in the long run we are all dead"; a young person cannot be comforted by referring to the employment chances in 10 years.

Even if an expansive public spending policy can be substantiated employment politically allocational effects have to be considered. The dilemma of public demand orientated policy is easy to recognize. Does a policy of demand stimulation want to show short-term success, the distribution of public expenditures has to be aimed at those areas which suffer special employment problems (Bolle, 1977). This can easily lead to a perpetuation of antiquated : production structures and, thus, consequently to a long term subsidization of jobs. Thus, an extensive expenditure policy of present days has, on the one hand, to have in view short-term employment and has, on the other hand, to provide stimuli for an updating of economy (Bolle, 1977; Scharpf, 1980; Tofaute, 1982). Finally it has to be taken into account, that an effective extensive financial policy might be followed by skill requirements which do not coincide with the skills the unemployed dispose of. Therefore an expensive spending policy has to be flanked by measures for the promotion of mobility and flexibility of the labour market (Bolle, 1979; Mertens, 1982).

Even though these considerations are accepted on theoretical level they appear to be difficult to implement on the practical-political level. The experiences gained from the future investment programme in the Federal Republic but also the experiences gained from the expenditure policy in France, but primarily the lay-out of the Danish spending policy of public hand should be encouraging. Public expenditure programmes should be targeted towards those areas, where there is a considerable social need and profitable market dynamic can be developed in longer terms (Meißner/Hödl, 1981; HWWA, 1981). French spending policy tries to link employment policy with allocation policy by designing expenditure programmes at certain areas. Target projection is the accelerated re-gaining of the domestic market by a structural alteration of the industry and an improved competitiveness in export by means of productivity increases, the updating of the technological level of production and products as well as a priority scale for social services (Mauroy, 1982). Danish employment policy within the scope of the employment plan and the action programme are characterized by their special selectivity, aiming at a middle and a long-term structural improvement of Danish economy. Thus, chief target of the employment plan II is to strengthen the competitiveness of various economic sectors and to enable them to integrate new technological development. At the same time the development of energy saving measures and alternative energy supply is to be promoted (Danish Ministry of Labour, 1981; Kjaersgaard, 1982). In particular the employment programme II, the action programme and the "Investerings-Programm '82" seem to hold the possibility of combining short-term effects with long-term structural improvements. With regard to a reasonable energy policy an improvement of the balance of payment is possible in long terms, measures for the clearance of slum areas and city modernisation show good employment effects and are of social political relevance, structural improvements of the transportation net contribute the mobility of

labour force (Danish Ministry of Labour, 1981; Kjaersgaard, 1982).

Controversial positions on public spending policy either monetaristically substantiated or keynesian inspired have to be cautiously evaluated. Nevertheless available studies and the experiences gained from actual policies seem to suggest that demand oriented, extensive public spending policy cannot be dispensed with. Yet, an extensive public spending policy at least requires

- the international cooperation of the European Commission countries and
- support through an extensive monetary policy

As the example France illustrates, financial problems have to be faced quite soon, if, within boundaries of the EEC, one country alone tries to stick to an extensive spending policy. Subsequent to a probable deterioration of the balance of trade and payment depreciations will become necessary, which are not likely to remain uncontradicted by the other countries. The recent experiences of all countries here discusses being confronted with the effects of high interest rates, in particular induced through the USA, reveal the necessity of a monetary political support of an expansive spending policy. Interest has a double function: one is to control the international flow of capital and the other is to influence the private overall demand on the domestic market. Further a high interest rate adds difficulties to the funding of public expenditure programmes. A stronger commitment of the growth of money supply and interest rates to the requirements of an extensive employment policy is necessary at international cooperation.

With particular emphasis evaluations of public spending policy in Great Britain refer to the necessity of an income



politically safe-guarding of Keynesian demand-orientated management (Artis et al., 1982). Without denying the necessity of an income politically safe-guarding of the open flank of Keynesian policy which does hold the possibility of controlling demand but not the cost development, comparisons between the here discussed countries are hardly possible. The openness of the income political flank is too strongly dependend on the system of industrial relations in the countries dealt with here.

#### 4. Promotion of private investment

In France a far-reaching system of investment promotion in the private sector within the scope of regional policy has been developed. The Mitterand government links to policies and experiences of the 70s. The regional promotion of the 70s has had clear employment effects. (Ministry of Labour, 1982a,b). The programmes relate to a specific regional promoting elements (PDR), the promotion of the settlement of industries (PLAT), the promotion of research (PLAR) and the promotion of urbanisation. Priority was clearly given to political measures in the framework of the PDR.

In Great Britain promotion of investment had mostly been and is being practiced within the scope of regional policy. The most important instruments for this are the 'areas for expansion' specified in the 1972 Industry Act and the 1973 Employment Act, the number of which has, however, been reduced in August 1982. According to a scale of urgency those are subdivided into Special Development Areas, Development Areas and Intermediate Areas. In addition to this a number of programmes offering support for innovation investment are of importance. But also the tax system provides specific amortisation possibilities for innovative investments. The system of investment promotion in the private sector is supplemented by the establishment of enterprise zoned. Those political measures introduced in the beginning of the 80s, base on the assumption that government intervention are obstructive to investment. Accordingly they are reduced in enterprise zones, only secondarily this political measure relates to monetary incentives.

The Federal Republic operates extensive political packages for the promotion of private investment. The investment grant, subsidies, amortisation possibilities, tax policies and all

instruments of regional economy promotions aim at the stimulations of private investment activities. Emphasis is put on political measures of investment grants as anti-cyclically effective financial political instrument and on the promotion of regional economy structures. As anti-cyclical elements the investments grant-systems have been used twice. 1974 an investment grant model has been implemented for 6 months amounting to 7.5% of the production costs. Within boundaries of the employment promotion act 1982 10% of the investment sum has been granted for the period of one year if the investments exceeded the average investment of the last 3 years. An additional investment volume of 40 bill.DM had been expected. In the Federal Republic the promotion of private investment within the scope of regional policy is realized on the basis of the common task "improvement of the regional economic structure". The Federal Republic obtains financial means of the European Community-Regional Fund. Within the frame-work of the common task "improvement of the regional economic structure" the 10th scope plan, valid from 1981 till 1984 intends the promotion of 72 900 to be created and the promotion of 209 200 jobs to be maintained. As before, this is to be performed by the possibility of increased amortisation, differentiated according to the quality of the promotion area, by tax free investment grants and allowances. This type of subsidisation is being commended with regard to its target setting and administrative coordination as against to other forms.

Scientific discussion on general investment grants primarily refers to experiences, gained from the investment grants in the Federal Republic. Arguments relate to 3 problem fields:

- technical details of the implementation of investment grant systems

- short-term effects with long-term expectations
- employment effects assuming dead-weight-effects.

As "one step towards the right direction" (Employers Association Comment) investment grant systems are oftenly criticized by reviewing their technical implementation conditions. Is the financial pressure exerted on enterprises being perceived as chief reason for existing investment barriers, a fundamentally positive judgement of investment grants can be expected (Council of Advisors, 1981/82; Association of Economic Research Institutes, 1982). This critic refers to the temporary limitation of the investment grants, to the discrimination of sizable technical projects with a longer running time, the funding of investment grants under increasing financial strain on federal governments and communities and the discrimination of smaller companies on behalf of their averagely smaller investment volume.

Other positions point to the sales- and profit-expectations in longer terms as essential variable influencing entrepreneurial investment decisions. Short-term and anti-cyclically operating investment grants do not have an impact on long-term expectations, thus the investment volume is not likely to rise (Memorandum, 1982; Tofaute, 1982; DIW, 1982; Gerstenberger/Neumann, 1976; Gerstenberger, 1977; Hemmerich, 1982).

Thus it heavily depends on the question if the investment volume increases or only dead-weight effects are to observe, if and to which extent investment grant systems induce employment effects. Skepticism predominates: the anticipation of those investments which also would have been undertaken without investment grant systems, is to find as well as a clearly uneven distribution of investment: While a overproportional increase of receipts of orders in the motor-vehicle construction took place due to subsidizing business

and duty cars (Stabbatin, 1977), decisions on long-term planned innovative investments had not been influenced by the investment grant. The selectivity of investment decisions does not favour long-term profitable investment. Dead-weight- and time-lag effects dominate. Based on these considerations and recognized mechanism such concepts have been developed that tie the investment grants to stricter criteria for energy saving and energy substituting investments as well as for smaller and medium sized companies (Roth, 1982).

Consideration of dead-weight- and displacement-effects of a regional politically founded investment promotion exemplarily refer to Great Britain. The concept of promotion, based on the establishment on enterprise zones only seems to have generated "windfall profits" (Taylor, 1981). Since a number of investments is not undertaken by new, but by ready existing companies, leaving old production places, the dead-weight- and displacement-effects are intensified. Additionally the establishment of enterprise zones leads to the displacement of non-subsidized companies by subsidized companies (Tayler, 1981). Similar experiences apply to the PDR-programme. The presumably most important study (French Ministry of Labour, 1982) establishes the result, that the economic power and employment could have only been increased in longer terms in one third of the surveyed regions. The intended promotion of the industrial sector hardly succeeded. Finally it is pointed to the complicated allocation procedure. Employers prefer aids by means of tax concessions (French Ministry of Labour, 1982, b).

On the whole it can be summarized, that the promotion of private investment within the system of regional promotion can only serve the alleviation of unevenly distributed disadvantages. As growth policy it seems to be of little success. This is also true for investment grant-systems operating anti-cyclically and in short-term.



## II RESTRICTION OF AVAILABLE WORK-LOAD

Stagnant growth rates of economy together with increases in productivity constitute the background for prognosis about - constant working time provided - a further gap between the supply and demand of jobs (Kühl, 1983; Ministère du Travail 1982a,b; OECD, 1982). Thus, in all surveyed countries strategies for the reduction of working time are discussed as a major employment political option. Beside the degree of the potential employment political effect also the time, extent and form of working-time reduction are heavily disputed.

Of all surveyed countries only France has introduced measures for the reduction of working-time qua legislation and bargaining agreements to a large extent. In all other countries it is limited to isolated single measures. In the Federal Republic the reduction of working-time has come to a standstill during the last years, legislative initiatives are primarily to be expected concerning reduction of lifetime working-time. In the United Kingdom, inter alia the creation of part-time jobs is promoted, in Denmark an early retirement (60 years) has been made possible, all other ways of working-time reduction are subject to - as in all other countries - political and scientific discussions. Within the academic debate it is uncontroverted, that a reduction of working time could relieve the labour market yet the estimation as to which extent differ. As a rough figure it is quoted an increase in demand (which can be satisfied by the hidden reserve or the labor market) of 60%. This figure, however, is based on experiences gained from past reductions of working-time (Belle et al. 1982a,b; Mertens 1982; Metcalf

1982; Lesley and Wise, 1980). Thus, the real problems that emerge in connexion with a reduction of working-time, can be illustrated the best by referring to the French example. National specific characteristics of the other countries will be presented thereupon.

First scientific evaluation of the economic policy which is adopted since 1982, prove the success of single measures. The limitation of over-time work is regarded as a special employment political effect; the potential net employment effects are estimated at 50 000 persons (L'Usine nouvelle, 2/1981).

The effect of the 39-hour week is being judged ambivalently. In particular, the question of wage compensation is heavily disputed: on the one hand prognoses - based on experiences gained so far - are presented that there is a reciprocal relation between wage compensation and employment effects. On the other hand trade unionist representatives (CGT, CFDT) print to the positive macro-economical feed back effects of a wage compensation. At least the maintenance of the overall demand is considered as being absolutely necessary for the expansion of production and employment.

The legal option between an one-hour reduction of working-time or the payment of an overtime allowance would have led to lower production in cases of working time reduction and in cases of overtime allowances to a rise in costs (L'Usine nouvelle, 29/1981). Optimistic estimates are supported by studies of the CEE, that prove that the increases of productivity subsequent to higher working motivation, the reduction of the rate of absence and work accidents as well as rationalization measures would have compensated the additional costs (see o.p., Pernet, 1981; Duval, 1982; for United Kingdom: Lesley and Wise, 1980; for the Federal Republic: Bolle et al. 1982 a,b).



The company's adoption of reduced working-time is accompanied by drastic modifications of the work-organization (Le Duc, 1982; Duval, 1982) Yet, empirical studies have established as results that in principle there are no technical and organisational obstacles against a further reduction of working-time. Completely different forms of work organization for an improved utilization of plants (e.g. expansion of the production time under the introduction of new shift-systems) have to be expected.

Concerning the different types of agreements of working-time reduction as set up in the 'solidarity contracts' the following results are available: the solidarity contract 'early retirement' has had positive effect. The employment effect is estimated at ca. 100 000. The scheme finds the approval of employers and employees, which is also mirrored by the high percentage of early retirement arrangements within the 'solidarity contract'. These regulations offer several advantages for employers: dismissal of elder employed seems to be financially favourable because the costs are minimized. At the same time processes of restructuring have been made easier for employers. Though companies are obliged to keep up the employment level, they are by no means obliged to employ the same skills (European Industrial Review, 1982). Thus not only trade union representatives express their fear, that the early retirement system runs the risk of lowering the qualification level.

The fact that weekly working time reduction has hardly been subject of 'solidarity contracts so far, is being explained with insufficient financial incentives especially for industrial sectors (Rigaudiat, 1982; Bevon, 1982).

The solidarity contract 'part time pension' as well as the expansion of part-time work in general is not very successful regarding employment effects. Problems concerning the

organization of work as well as an increase of fixed costs related to the individual employee would have prevented employment effects so far.

Thus, summerizing, a reduction of working time was successful in those cases in which (as in some solidarity contracts) it was linked to an expansion (resp. maintenance) of the number of employees together with a simultaneous cost relief for employers (Mercerau, 1982).

The expansion of part-time work, introduced 1980 with the part-time act for employees in the private sector, is also being judged ambivalently. Proponents of this measure are referring to the labour market situation and point out that only one job is offered for five part-time job seekers. They also plead for improved legal conditions for part-time work. Critical voices, especially expressed by union representatives base their argument on a clause which is likely to modify both positive evaluations. Subsequent to the new law the establishment of new part-time jobs (all jobs done below the normal working time) does not need the approval of the Committee of the Enterprise (Comite d'Entreprise) any more, hence it can not be prevented that full-time jobs are substituted by part time jobs.

Undoubtedly the situation on the part-time job market has been eased temporarily by the increase of employment in the service sector. As to which extent the assumed substitutional effects have been materialized, the qualification structure of part-time work has improved and the new part-time jobs guarantee a secure occupation in the long run, has not been analyzed sufficiently so far (Fiechter, 1981; Archambault, 1981; Perret, 1981, Wissenschaftszentrum Berlin, 1982'.

In the United Kingdom similar steps were taken with the Job Release Scheme as with the early retirement incorporated in the 'solidarity contract': The Job Release Scheme is linked to condition that for every employee, who gives up his job, a new employee has to be hired. Replacement must not be direct, i.e. employers can fill the vacancy through internal promotion and put the new employee to the end of the line.

Since employer have the possibility to evade the hiring control, about 30% of jobs opened due to the programme are not filled (Layard, 1981).

In Denmark a similar result is established with a voluntary early retirement without obligatory re-hiring (Kjaersgaard, 1982; Det Økonomiske Råd, 1982). Those - overall - positive experiences with the early retirement revitalized the discussion about a reduction of life-time working time also in the Federal Republic.

Considering, however, that in 1980 only 264 000 men aged 60 to 65 were employed (women generally are not considered in this new regulation, since their legal retirement age is 60) actual take up should be considerably lower. (cf. Bäcker and Naegele 1981). Realistic assumptions estimate that only 110 000 persons would make use of early retirement. On the reasonable assumption of a 70% rate of filled vacancies and that 20% of this would be recruited from the hidden reserve "a reduction of registered unemployment by 61 600 persons is foreseen. This cost account would accordingly turn out to be considerably worse than that calculated by optimistic proponents (Vilmar, 1982): While the retirement insurance would be charged with an additional DM 1.716 billion, unemployment insurance would only be relieved by DM 739.2 billion. This would necessarily have to be financed by reducing pensions and raising contributions.

But other disadvantages of early retirement are pointed out as well. Older persons could be marginalised in the long run, the companies' age structure could be changed, rationalizations would thus be encouraged (Blume et al., 1979). The latter arguments would also be true for reductions of retirement age by bargaining agreements. Aggravating thing further would be that only financially sound firms would be able to cope with the additional costs incurred. An effect necessarily detrimental to the social order would be the further dispersal of the retirement age system (compare with Bäcker und Naegele, 1981).

On the whole it can be summarized that measures for the redistribution of available work-load by means of a reduction of working-time are - under deteriorating employment problems in middle-terms - of growing importance in all survey countries

On Company's level, the cost problem can partially be compensated through productivity gains. Yet, isolated strategies can have a negative impact on competition conditions of branches or states. Thus, a coordinated initiative is to recommend.

### III ADAPTATION STRATEGIES

Of adaptation strategies discussed - a) the adaptation of the skills of labour supply to demand, b) the promotion of regional mobility and c) the improvement of employment service efficiency - the adaptation of skills represents the most important set of measures.

ad a)

These measures had already been developed in times of low unemployment or skilled labour shortage in all countries. They were either designed as ex-post oriented retraining or further training schemes or as long-range adaptations to technical change. With the beginning recession in the mid-70s and aggravating structural labour market problems their function changed: Now no longer certain skill shortages are seen by employers as the employability of specific "problem groups" of the labour market as the youth, the low skilled, the long-term unemployment and women. This functional change can be traced in all four countries.

In Denmark further training courses for all groups of the working population had been set up on a large scale. For the latter a strong selectivity is demonstrable: It is primarily aimed at young people and the long-term unemployed and only in a less degree at women. The central role of occupational training in Denmark is also expressed by the large network on in-plant training schemes resting on private initiative. Publicly sponsored training schemes have grown by almost 60% between 1979 and 1981. For 1982 a further increase of activities by 14% was planned. This was inter alia to be obtained under the so-called March Package. Target of the March Package is a training guarantee for all young persons. It includes the creation of 500 training and work experience plans annually mainly located in the public sector; as far as possible engagement should take place in areas that

importing skills that allow participants to be employed in the private as well as the public sector afterwards. The shortage of training and work experience places is intended to be mitigated by subsidizing training place offers. Dead-weight is prevented by strict application requirements.

The socialist-communist coalition government in France adopted the instruments of its predecessor modifying them in certain points: Employment-training contracts were markedly expanded, the promotion of in-plant work experience was initially drastically reduced until this was eventually abolished in the latest employment pact. The duration of the corresponding training schemes was extended, female workers were planned to be incorporated into the promotion more strongly. In the programmes operated by the permanently existing public training centres (AFPA) a shifting of the emphasis from further and retraining to the training of young people can be observed. From 1922-1975 total expenditure grew by 73%, 1975-1978 only by 1%. The share of funds for the integration and training of young people increased by 55% between 1977 and 1980.

In Great Britain the system of occupational training is subject to a large-scale change. The New Training Initiative (NTI) is in the long run intended to effect an increase of the skill level. This is to be reached by two ways: Firstly by improving initial training; secondly by improving opportunities for occupation further training.

Falling with this is an expansion of already existing opportunities such as the Youth Opportunities Programme (YOP), Training for Skills - a Programme for Action (TSPA), Unified Vocational Programme (UVP) and Training Opportunities Programme (TOPS). Largest measure is the transformation of YOP into the Youth Training Scheme (YTS) there by putting a

greater emphasis on the training element. The YTS guarantees (from September 1983, when it will be fully operational) all unemployed school leavers the opportunity of a year-long basic training intended to improve their employability by acquiring a skill level oriented along generally acknowledged occupational requirement.

More important, however, than the YTS is the promotion of occupational training according to recognized standards like e.g. apprenticeship training. For that on the one side already existing programmes, UVP and TSPA are expanded and on the other hand the already existing system planned to promote occupational training through the Industrial Training Boards (ITB) will be changed to the effect that ITBs will only support training programmes meeting these goals.

The Training Opportunities Programme (TOPS) is mostly concerned with providing opportunities for further training. Under this programme a number of schemes is offered providing the opportunity to re- or further training in a variety of occupational fields. Following the general trend this area has been also been cut in the last years although it is still of great importance providing 60 000 places annually.

The Federal Republic is cutting down on funds for re-training and further training under changed labour market conditions. According to the growing structural problems on the labour market now promotion is concentrated on problem groups, thus to improve their employability. Career promotion and the consideration of individual career aspirations have been re-trenched. Apart from further education and re-training the re-integration of unemployed disabled and otherwise disadvantaged youths is being promoted.

According to the function of qualification measures, which is on the one hand to consider the requirements of the employing side and to take into account skill deficits of problem groups on the other hand, scientific discussions are being focused on training contents. This concerns the question of the improvement of the implacement chances of course participants, their long-term employment perspective and the importance of further education (training) against the background of structural economical problems. The scientific debate in the Federal Republic serves as an example for similar basic positions.

Positions that interpret the above-average percentage of unemployed without vocational training as a function of employers' selectivity processes, argue that vocational training and further training does rise the allocational efficiency but does - under the condition of lacking demand - not induce global employment effects, but only a redistribution of unemployment. According to supply orientated explanations a considerable part of unemployment is 'search unemployment' resp. 'voluntary unemployment'. Thus the improvement of vocational training would automatically lead to an increase in employment. According to the so-called 'bottle-neck' theory, the shortage of skills on the labour market only hampers growth potentials in certain areas (see for this debate Schmid, 1982). In particular small and middle-size companies seem to suffer from such bottle-neck skills(s.Schmid, 1980).

A pragmatic position, as for example represented by Schmid (Schmid, 1982) supplies arguments in support of short-term training measures. In spite of the impossibility to restore full-employment through means of vocational training measures, this policy variante is acceptable as labour market political instrument, since it helps to ease the labour market temporarily and to preserve or to create the skill potential for an economic recovery.



Apart from registering the target groups evaluation studies deal with the outlet of participants of training schemes. A sample published by the Danish Ministry of Labour about the outlet of young people after leaving the courses for vocational preparation established the result, that 41% of the participants took up a job, 18% work in publicly sponsored employment projects, 23% take part in further training and 10% are subject to unemployment. It is undisputed that the implacement chances of participants of these courses do have improved.

Similar results are established by the evaluation of corresponding french programmes: 51% of the participants were employed 10 months after having left the course. Of more success was the linkage of vocational training and working by means of employment-training contracts and in-plant work experience: about 7 months after the end of employment-training contracts 79% resp. 86% of the participants still were employed. For the work experience the corresponding figures amounted to 62% and 65% for resp. six months after leaving the training.

Colin et al.(1981) conclude from these results that probationors have been recruited instead of normal employees. This explains why a great number of probationors have not been dismissed after leaving the training contract.

However, they are emphasising the negative consequences: especially the work experience has hardly reduced the insecurity of the employment situation for young people. 55% of all probationors left their company at the end of the programm, 21% found a new job. As far as the work-training contract is concerned the number of those who changed their company, 14%, was markedly smaller.

The efforts of qualification adaptation processes within the traditional frame-work of AFPA which are also accessible for non-youth are judged even more critically. Thus, 1979, 28% of all participants of work experience organized by the AFPA were unemployed 6 months later. 1974 this rate had only amounted to 5.7%.

In the United Kingdom the employment quota within the frame work of the Youth Opportunity Programme (YOP) differs widely depending on the individual programme. The employed percentage of leavers of YOP is just under 35% in case of WEEP (Work Experience on Employer's Premises), for PBWE (Project Based Work Experience) appr. 15%, for TW (Training Work Shops) below 30% and for CS (Community Service) below 35% for school leavers and below 10% for non-school-leavers (all figures from O'Connor, 1982).

The participants of TOPS-courses are predominantly unemployed persons (O'Connor, 1982: 52.5%, MSC, 1982: 80%). 59% are men 41% women. Courses teaching technicals are mostly taken by younger male participants, while clerical and commercial skills are mostly acquired by older and female persons.

The moving into employment after TOPS is again heavily dependant on the general labour market conditions. Still 80% of participants are in employment 15 to 17 months after completion (in comparison 68% after 3 months); only 6% had not have any employment, that means half of the number that could have been expected without TOPS (O'Connor, 1982). The skills gained through TOPS are actually used by 58 % of former TOPS participants. This number is, however, decreasing for some fields (e.g. construction). The employment distribution after TOPS reveals that more than 40% are employed in companies employing less than 25 workers, while only 13% work in companies employing more than 500. Also remarkable

is the fact that more than 60% find employment one month after completing TOPS.

For the Federal Republic evaluations are available for all programmes: A comparative analysis of participants and non-participants of work-preparation-schemes reveals, that the occupational integration of course-participants is only un-considerably higher than the integration of non-participants. Against this result it is held, that both groups are barely comparable, thus a final evaluation of the success of the course would not be possible (see Schober, 1980).

The percentage of successful participants of the "year of basic occupational training" is being indicated with 69%, this refers to the share of youths, which were able to enter in another training scheme. 84% of those have found an in-company-employment.

The duration of unemployment after successfully completing training schemes decreases by an average of 10.5 weeks for further education schemes and by 12 weeks on average for retraining compared to a non-participants. "Success" is directly related to age.

In these studies evaluated employment adequate with regard to the training received is an important criterion for the effectivity of further education. About 70% of successful participants had been adequately employed 1 to 2 years after completion. While the kind of measures is relatively insignificant with regard to in-trade-placement, training contents show greater differences. The effectivity of re-training for employment rehabilitation shows only negligible differences regarding unemployment or adequate after completion to the placement rates of non-disable trainees (cf. Hofbauer, 1981).

Regarding the costs of vocational further training a study of Schmid (Schmid, 1980) is of interest. According to this study the costs per avoided unemployed (DM 29.000) are unconsiderably higher than the costs per unemployed for the social insurance system (appr. DM 25.000).

Nevertheless the training places deficit for the coming years caused by cyclical as well as demographic reasons poses a problem which in middle terms can only be alleviated by an increased supply of apprenticeships by private industry. Thus, CDU/CSU and FDP propose to stimulate the private initiative by appeals, social contracts and relieving companies of the costs of training and by taking back administrative injunctions (CDU-Stellungnahme, 1982; FDP, 1981), (before the election of the new government these appeals appeared to materialize). Furthermore increased subsidization or grants for companies in case of a raised provision of training places are being discussed. Programmes of this kind are operating on regional level. Of particular interest is a programme operating in Bavaria; there companies training young people with low school acquirements in excess of their actual needs receive a grant of DM 15.000 per training place - e. g. more money than they pay trainees to re-training. The DGB (Bildungspolitische Informationen 7/81) and parts of the SPD (SPD-Stellungnahme 1982) favour a levy collected to finance training or a training liability by companies.

As a common result of the country-comparison it can be summarised, that the general placement chances of leavers of training courses heavily depend on cyclical conditions. Yet, the individual employability can be strongly improved, a fact which is important with regard to a strict target-group orientation.

Further, it has been revealed, that it is advantageous to tie training efforts to on-the-job-training in form of work experience. The employment rate of participants of corresponding courses is significantly high. Nevertheless deadweight effects are - although hard to quantify - not to exclude totally. Thus, schemes which impede these deadweight effects are to recommend.

A general lay-out concerning curriculum and training contents cannot be found. In particular the share of general resp. specific training contents is being disputed. In practice this depends on country - specific school systems, the economic structural environment and the target group-specific conditions. Since a high mobility and flexibility is demanded of the participants trained out-of-plant as well as in-plant, it is to assume, that the share of general training has to be high.

The available material does not prove a promotion of investment or of technological changes subsequent to improved skill supply. Yet, such long-term effects can - regionally - not be excluded. The long-term positive consequences for the self-esteem of affected persons and the maintenance of their work ability are unquestionable.

ad b) and c)

The promotion of regional mobility and the improvement of the efficiency of implacement represent a minor factor within the here discussed problem field. On the whole the readiness towards mobility has increased, existing unemployment is hardly attributed to lacking mobility readiness anymore. In case of France where the mobility allowances have been increased this instrument experiences a functional change:

To a lesser extent it has the function of being an incentive for moving house, but of alleviating hardships due to moving and changing the job. Further mobility aids might gain importance if they are outlined as travelling allowances, to explore the supra-regional labour market.

The improvement of the implacement system is a continuing process, aiming at an increase of information and decentralization. Especially in France with several uncoordinated implacement-institutions the reform of the implacement channels of the last years has proved successful.

#### IV CONCLUDING REMARKS

The economic discussions and the actual economic policies carried out in the countries dealt with seem to be characterized by a strange contrast. On the one hand there is perplexity over the question of how unemployment can be effectively countered by government policy. This perplexity is reflected in the analyses and suggested policies which refer to "exogenous causes". The concept of exogeneity is usually referred to in an international sense: oil price rises or recently also oil price decreases, the transfer of standardizable mass productions to expanding countries. Aggressive export policies or import restriction policies towards other countries are the cause of those exogenous shocks, which, together with the demographically dependent development of the size of the labour force, lead to unemployment. On the other hand there are patent recipes: traditional Keynesian and orthodox monetarists, or rather supporters of the supply-orientated economic policy offer radical solutions. Only gradually does an economic concept (which is able to avoid confusion and perplexity) appear to emerge.

Although considering the amount of discussion and quantity of positively reliable economic investigations the question should be carefully considered, it appears that it is possible to reach a comprehensive verdict on the strength of the analytically and empirically backed considerations dealt with.

Those who have confidence in the growth dynamics of the private sector will be disappointed, as is shown by the example of Great Britain. A monetary backed labour market and employment policy or one that is based on a supply-orientated economic theory will certainly be successful in the fight against higher rates of inflation. The costs of this policy are, however, too high. Those following an economic policy that is strictly

based on combatting inflation must accept that unemployment will rise in the short or middle term. The long term effects are not clear when the time horizon is undeterminable. Since demand impulses are not to be expected in supply and money supply-orientated economic policies it remains unclear as to how the growth dynamics of the private sector should be initiated if it is not to be through cost relief and an improvement of the competitiveness. This, in fact, seems to be the only element in these policy drafts. The hope of improving competitiveness in face of rivalry of the "beggar-my-neighbour" policies. When one considers the high external economic complexities such a policy is naturally neither analytically justifiable nor politically stable.

Even the traditional Keynesian-orientated policy of demand management has its limits. Economic developments are nowadays characterized by rapid structural developments and global demand management is hardly equipped to cope with these structural developments. In all the countries dealt with here the comparisons made between the situation during the 1970's and the development at the beginning of the 1980's show that the employment effects of global demand management measures has decreased. The dilemma facing traditional demand management in that it has to be successful in the short term and at the same time contribute to an improvement of the economic production structures became increasingly clearer towards the end of the 1970's.

This does not mean that demand management measures should be dispensed with. On the contrary, economists should aim at attaining a connection between supply-orientated and demand-orientated economic measures which would solve the dilemma of traditional demand management. The example of Denmark and, to a certain extent, France too should be encouraging here. Demand management measures can be structured in such a selective way that they focus on target groups within the labour market and are connected with the stimulation of those pri-



vate and public sectors which show profitable growth dynamics in the middle term. It has not yet been sufficiently explained by economic research as to which growth sectors in the countries dealt with could be meant. A simple reference to improvement of the production process and the development of intelligent products is not sufficient.

A selectively established expansive policy which considers the supply and demand aspects does not have to be limited to the growth sectors. On the contrary, the growth bearers must be determined. Today we know that company growth dynamics can be differentiated between according to their size as well. The experiences made in the USA during the 1970's as well as those made by France and the Federal Republic of Germany at the beginning of the 1980's almost suggest that the small and middle-sized firms are becoming increasingly significant as the bearers of growth and employment. As a result of the experiences made it seems that investigations should be carried out into the role of small and middle-sized firms in growth areas.

One of the overall economic supply conditions with a view to the economic policy is important, but only then successful when it is used in conjunction with an economic and socio-political overall concept and when it attempts to stabilize the expectations of the economic subject under consideration.

As the experiences made during the 1970's in the countries dealt with show, the middle term structure of an expansive unemployment policy is related to industrialists' expectations about the middle and long term profitability of the investments made into technical means of production. With the increasing significance of industrialists' investments in company specific human capital this aspect of expectancy stabilisation is also relevant to the production factor work. Stop-and-go policies which also try to correct slight deviations from the path of virtue are more damaging than a constant, expansive employment policy aimed at the middle term.

The socio-economic total concept already mentioned refers to the necessity of international cooperation with a view to money security and external economic conditions, income policy orientated towards target groups within the labour market.

The experiences made in recent years with employment policy in all the countries dealt with show that scope for an expansive, employment-effective expenditure policy can only be used if it is backed by monetary policy. A high interest level hampers the financing, additional public expenditure and the external economic security, gained by the offsetting the balances of payments. The objective of this study is not to point out the monetary rules supporting an expansive budget policy within international cooperation. Merely the necessity of monetary security within international cooperation should be mentioned.

Towards the end of the 1970's the economic discussion as well as the economic political practice (above all due to pressure from the USA) held the theory that developed industrial countries could set - as "locomotives" - the world economy in motion. The locomotive theory was far too daring. Locomotives in the size required are now-a-days hardly conceivable within a national framework. If single countries attempt to use the scope of employment-effective expenditure policy the national limits are quickly recognizable, as is shown by the example of France and Denmark. Pressure to offset the trade balances grows, devaluation policies or import restriction policies are then to be expected. It is once again not the task of this study to determine the rules for an international cooperation on the use of an expansive, employment-effective expenditure policy within the framework of the European Community, but once again the necessity of such a policy must be pointed out.

It is of great significance for this study to locate more exactly the connection between employment and labour market policy and the distributional scope that is available. Even though the evaluation of the current economic investigations and the resulting evaluation of the political practice should be undertaken with the greatest of caution, it should be clear that all the countries dealt with experience, at least in the short term, the conditions of a stagnating economy. With a view to the distributional scope this means that the distributional pressure on the employment and labour market policy grows as the real income per employee decreases. This seems to be a decisive characteristic of the problems which at present face employment and labour market policy. Neither on the microeconomic nor on the macroeconomic level can there be found recognizably functioning transformation mechanisms which transform a possible income sacrifice on the part of individuals and social groups into additional jobs. On the macroeconomic level it is recognizable that the traditional path via a real wage reduction or a restrained real wage rise policy on the part of the trade unions does not show the desired effects on the increase of the level of employment in the short or middle term. On a microeconomic level income sacrifices made by individuals or social groups via working time reduction policies or policies of working time flexibilization with a view to the rising level of employment cannot be honoured. On the microeconomic and macroeconomic level there is obviously a lack of institutional regulations which can transform income sacrifices into additional jobs. The creation of such regulations is essential if an economic policy is to be employment-effective. Social solidarity contracts which achieve this on a microeconomic level are urgently needed. In France attempts are being made to try to set up these regulations by means of the "Contracts sociales". Within the present economic discussions there is a lack of considerations as to how one could create microeconomically justifiable institutional preconditions which could transform the distributional insights into effective employment policy.

The investigation of special labour market policies shows that an active labour market policy can make a considerable contribution towards overcoming structural unemployment as well as cyclical unemployment, but the efficiency fighting growth deficit induced unemployment is limited. It is possible that income transfers for the unemployed can be replaced by job creation measures, the costs of which - among other things - are even lower than the payment made to the unemployed. This applies, above all, to temporary limited job creation measures. Experiences in the Federal Republic of Germany, as well as in France, show that these programmes have a one-sided effect; they favour the public sector at the cost of the private sector. The experiences also show that the jobs offered within the framework of this programme are often "dead-end-jobs". The jobs have too little in common with a desired social scale of priorities of production. At the same time, the measures taken towards creating jobs for a limited period only are not linked to large enough extent with schemes for the promotion of vocational training. The objections already mentioned, however, are not an argument against, as largely agreed, job creation schemes on a limited time scale. Far more important is the orientating of job creation measures towards the targets already mentioned by means of suitable institutional regulations. There exist no definite findings on the arrangement of these regulations. It has also been established that there are research deficits in this sphere.

In all the countries concerned the wage cost subsidies have been dealt with to a large extent. It has been generally agreed that when general wage cost subsidies are made over an unlimited period deadweight, displacement substitutions effects are to be expected. As a result of these effects it is unlikely that there will be an unliashed increase of the employment level within the market sector resulting from general wage subsidies over an unlimited period of time. General wage

cost subsidies over an unlimited period of time seem, on the contrary, to amount to a subsidizing of those firms within a country which are faced with an especially high level of competition pressure from abroad.

Selectively implemented systems of wage cost subsidies on a limited time basis which could be dimensioned towards certain manpower groups are, of course, conceivable. Disadvantaged manpower groups within the labour market which have a multitude of risk features are often less productive, with the consequence that the cost burden for the firms is too high when it is compared with the wages. Productivity will not rise to the desired extent until qualified measures i.e. investments into work are made. Investments into work are only profitable in the middle or long terms. The time horizon is determined by the stability of the job and the speed at which the 'learning curves' rise. At the very times when the futures of firms are uncertain these investments drop off and the employment of those especially disadvantaged 'risk property' manpower groups within the labour market is not undertaken. Selectively implemented systems of wage cost subsidization on a limited time basis can contribute towards firms being willing to increase their investments in labour. There are, of course, only very few investigations available which deal with the connection of non-wage-labour-costs as investment costs concerning labour and wage cost subsidies. This also applies to the in-company speed of 'learning curves' and the determination of the productivity effects of wage cost subsidies. It is often maintained that wage cost subsidies do not increase labour productivity as there is no incentive system to encourage firms to improve the labour productivity. In the face of the increasing significance of the production factor labour as a 'quasi-fixed-production-factor' there appear further attempts at investigation which are urgently required: these focus on the connection between labour investment, selectively implemented wage cost subsidies and company incentive systems that improve productivity.

In all the countries dealt with questions concerning reduction in working hours and working time flexibility are discussed, not without a great deal of controversy. Policy in France tends towards reducing the weekly working hours, a development that could also be expected in the Federal Republic of Germany as a result of unionist bargaining policy. In Great Britain the government policy tends towards the flexibility of working time through job sharing and job-splitting, whereas in Denmark programmes aimed at flexibilizing the retirement age are being tested within firms. The controversies concerning the employment effects of a reduction in working time are characterized by distinct contrasts. On the one hand the cost burdens for firms and the taxpayer - the latter when particular forms of reduction in working time are employed - are referred to, on the other the leisure time effect is emphasized. The level of income of the dependent employee plays a decisive role in the determination whether reductions in working time and working time flexibilization policy can be effective as an economic strategy. The previous wage level and the specific national attitude towards work determine the readiness of acceptance of the suggested ways of reducing and flexibilizing the working time. The question of the cost burden, which is important to firms, is, on the other hand, often over-emphasized. It is completely conceivable and also realistic that the contractual partners will agree to a reduction in working hours within productivity rises. In addition it must be realized that positive productivity impulses are induced when there are reductions in working time and these, of course, could reduce the potential employment effect in the short term.

These questions are documented in scientific investigations which sufficiently cover all the countries dealt with. On the other hand, questions concerning working time flexibility have not been covered to such a great extent. The current investigations, which were often carried out with little relation to companies, often point out too quickly the possibility of using working time flexibilizations to try to meet the wishes of those who want to individually organize the duration of working time. Investigations related to companies should assimilate, systemize and make use of the experiences made with models that have already been tried and tested (there are plenty of examples of these in all the countries dealt with).

The last aspect discussed refers to the skill adaptation of what is supplied on the labour market to the demand. This consists of training, re-training and further training programmes in their most varying forms. These measures were developed in times of low unemployment or rather when there was a lack of qualified manpower in all the countries. They were drafted as human capital investments intended to ease the adjustment to technological progress/stimulate investments. When the recession came about in the middle of the 1970's, the quantitative and structural problems on the labour market sharpened, and there was an adequate supply, these measures took on a different function: the firms did not have so much the problem of specific lack of qualifications as the focus of their interest, instead, they faced difficulty of placing definite labour market problem groups such as young people, those with few qualifications, the long term unemployed and women. This change in function can be located in all four of the countries investigated.

With reference to the type of effect this programme has on unemployment a disallusionment must, of course, be mentioned. The chances of the manpower groups affected being placed depends very much on the cyclical conditions. The individual possibilities of being placed can on the other hand dramatically improve, which is important in relation to a strict target group orientation of the training programme. The comparison between the different countries has also shown that a combination of the attaining of qualifications with on-the-job-training in the form of work experience is advantageous. The employment quota of those who have taken the corresponding courses is significantly high in comparison with other survey groups. Deadweight effects come especially to mind, although they are difficult to quantify. They give rise above all to the replacement of older employees by younger probationers. Measures that impede these deadweight effects, such as agreements on protection against dismissal or takeover guarantees are therefore to be recommended. As the French and British examples show, great problems in the supervision of this naturally arise.

A general direction linked to curriculum and training contents cannot be derived from the country comparisons. In the scientific debate in particular the share of general resp. specific training content is being disputed. In practice this depends on the country-specific school system, economic-structural and cultural frame as well as on the target-group-specific conditions. Further investigations which research into this - in connection with country specific growth potentials - are still outstanding. Common results of available research assume, that the share of a general range of skills as opposed to the specific ones, concentrating on certain technologies and procedures, ought to increase further more.



The available material does not prove a promotion of investment or of technological changes subsequent to improved skill supply. Yet, such long-term effects can - regionally - not be excluded. The long-term positive consequences for the self-esteem of affected persons and the maintenance of their work ability are unquestionable.

The function of the training courses for the maintenance of the self-esteem of the persons affected should be emphasized as a factor by no means to neglect. Especially the maintenance of the work ability for those affected by long spells of unemployment is an indispensable condition for a potential re-entry in case of a cyclical upswing. Yet, the lay-out predominantly designed at traditional employment areas seems to be the deficit of the training courses analysed here. The incorporation of so-called alternative employment (in the sector of informal economy) or the promotion of private initiatives seem to have been neglected. This eventually holds an innovative potential, that will alter forms as well as contents of training measures. We have referred to experiences made through research, which allow at least drafts made of labour market and employment policy to be - these naturally taking the national peculiarities into consideration. The located research deficits are replenishable. A suitable employment and labour policy aimed at restoring full employment is recognizable as a silver lining on the horizon. Whether the rationality of policies follows the rationality of economic research is a different story.

I INCREASE IN THE SUPPLY OF JOBS

	1. Wage subsidies	2. Increase in the supply of jobs in the public sector	3. Direct job creation schemes	4. Public expenditure programmes	5. Investment programmes
FEDERAL REPUBLIC OF GERMANY	<ul style="list-style-type: none"> <li>- Settling-in allowances for the trainees</li> <li>- Settling-in allowances for the hard-to place</li> <li>- Training grants in accordance with Part 2 of the Special Programme 1979</li> <li>- Wage subsidies for the seriously disabled</li> <li>- Wage subsidies for Germans from Eastern European Countries</li> </ul>		<ul style="list-style-type: none"> <li>- Job creation schemes in accordance with the Employment Promotion Act (APG)</li> <li>- Job creation schemes in accordance with Part 3 of the Special Programme 1979</li> </ul>	<ul style="list-style-type: none"> <li>- Future Investment Programme (ZIP)</li> <li>- Request to the Bundespost for advance investments according to the Employment Programme 1982</li> <li>- Additional expansion on construction, especially energy conservation measures in accordance with the Employment Programme 1982</li> <li>- Promotion of public authority housing (bonds)</li> </ul>	<ul style="list-style-type: none"> <li>- Improved depreciation conditions in accordance with Operation 1982</li> <li>- Investment grants in accordance with the Employment Programme 1982</li> <li>- Investment loans at preferential interest rates in accordance with the Employment Programme 1982</li> <li>- Regional promotion</li> </ul>
DENMARK	<ul style="list-style-type: none"> <li>- Job offer scheme for long-term unemployed</li> <li>- Public relief work</li> <li>- Employment of youths by private employers</li> </ul>		<ul style="list-style-type: none"> <li>- Job creation in accordance with the 'March-package'</li> </ul>	<ul style="list-style-type: none"> <li>- Employment plan I</li> <li>- Employment plan II</li> <li>- Action programme</li> </ul>	
FRANCE	<ul style="list-style-type: none"> <li>- Hiring premiums</li> <li>- Apprenticeship contracts</li> <li>- Income guarantee for disabled workers</li> <li>- Assistance for the employment of disabled persons</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in the supply of jobs in the public sector</li> </ul>	<ul style="list-style-type: none"> <li>- Creation of jobs of community benefit</li> <li>- Community service by youths</li> <li>- Incentives for new jobs</li> <li>- Premiums for creating jobs equipped for disabled persons</li> <li>- Programme for hiring managers over 45</li> <li>- Promotion of female employment</li> </ul>	<ul style="list-style-type: none"> <li>- Promotion of housing construction</li> <li>- Promotion of public building</li> </ul>	<ul style="list-style-type: none"> <li>- Tax allowances on investment providing employment</li> <li>- Promotion of regional development</li> <li>- Research promotion</li> </ul>
UNITED KINGDOM	<ul style="list-style-type: none"> <li>- Young workers scheme</li> <li>- Temporary employment subsidy</li> <li>- Small firms employment subsidy</li> </ul>		<ul style="list-style-type: none"> <li>- Community enterprise programme</li> <li>- Community industry programme</li> </ul>	<ul style="list-style-type: none"> <li>- Enterprise zone</li> <li>- Regional development grants</li> </ul>	<ul style="list-style-type: none"> <li>- Regional selective assistance</li> <li>- Product and process development scheme</li> <li>- Microprocessor application project</li> <li>- Microelectronic industry support programme</li> </ul>

II REDISTRIBUTION OF THE AVAILABLE WORK-LOAD

	1. Redistribution of available full-time jobs	2. Creation of additional jobs by means of reduced life-time working	3. Creation of additional jobs by means of reduced weekly and annual working-time
FEDERAL REPUBLIC OF GERMANY	- Part-time working time	- Flexible retirement age - Early retirement	- Collective bargaining agreements on the introduction of the 35-hour-week, the fifth week of paid holidays and the reduction of overtime
DENMARK		- Early retirement	- Prolongation of paid holidays from 4 to 5 weeks - New act on overtime
FRANCE	- Promotion of part-time work	- Reduction of general retirement age - Solidarity contract: early retirement - Solidarity contract: part time pension	- Reduction of weekly working time - Reduction of overtime - Introduction of the fifth week of paid holidays - Solidarity contract: reduction of working-time
UNITED KINGDOM	- Job splitting scheme - Promotion of part-time work	- Job release scheme	

	1. Adaption of the skills of labour supply to demand	2. Promotion of regional mobility	3. Improvement of the efficiency of the employment service	
FEDERAL REPUBLIC OF GERMANY	<ul style="list-style-type: none"> <li>- Promotion of trainee opportunities for seriously disabled youths</li> <li>- Schemes for occupational rehabilitation</li> <li>- Programme for the improvement of training opportunities and labour market entrance of youths</li> <li>- Further education and retraining schemes by the Bundesanstalt für Arbeit</li> <li>- Further education and retraining for unemployed persons by the Bundesanstalt für Arbeit</li> <li>- Part 1 of the Special Programme 1979</li> </ul>	<ul style="list-style-type: none"> <li>- Promotion in accordance with the Employment Promotion Act (mobility and separation aid)</li> </ul>	<ul style="list-style-type: none"> <li>- Occupational counselling in accordance with the Employment Promotion Act</li> </ul>	<ul style="list-style-type: none"> <li>- Short-time allowance</li> <li>- Bad-weather allowance and promotion of winter construction</li> </ul>
DENMARK	<ul style="list-style-type: none"> <li>- Courses for semi-skilled workers</li> <li>- Courses for skilled workers</li> <li>- Re-training programmes</li> <li>- Courses for vocational preparation</li> <li>- Courses for long-term unemployed</li> <li>- Courses for women</li> <li>- Creation of 5,000 training plans in the public sector</li> <li>- Promotion of training opportunities in the private sector</li> </ul>			
FRANCE	<ul style="list-style-type: none"> <li>- Job introduction courses</li> <li>- Company introduction courses</li> <li>- Training-employment contracts</li> <li>- Assistance for occupational change into agriculture</li> </ul>	<ul style="list-style-type: none"> <li>- Moving assistance</li> <li>- Mobility allowance for youths</li> <li>- Allowances for moving abroad</li> <li>- Premiums for hiring young farmer in certain regions</li> <li>- Assistance for rural migration</li> </ul>	<ul style="list-style-type: none"> <li>- Employment service</li> <li>- Job search</li> </ul>	<ul style="list-style-type: none"> <li>- Short-time allowances</li> <li>- Bad-weather allowances</li> </ul>
UNITED KINGDOM	<ul style="list-style-type: none"> <li>- Youth opportunities Programme</li> <li>- New training initiative</li> </ul>	<ul style="list-style-type: none"> <li>- Employment transfer scheme</li> <li>- Job research scheme</li> </ul>		<ul style="list-style-type: none"> <li>- Temporary short-time working compensation scheme</li> </ul>

	I.																II.				III.								IV.																				
	wage sub- sidies				increase in the supply of jobs in the public sector				job creation schemes				public ex- penditure programmes				promotion of private investment				redistrib- ution of available work load				adaptation of skills				promotion of regional mo- bility				improvement of the effi- ciency of labour service				job preser- vation mea- sures												
cause target	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W	F	K	S	W									
(1) employment effect	++			++	+++	++			+	++	+			++	-	++	++				++	-	+	-	++	+	++	+	+	+	+	+	+	+		+	+	+		+	+	+							
(2) contribu- tion to social security	+			+	+	+	+		+	+	+			+	+	+	+	+								+	++	+	+	+	+	+	+	+		+	+	+		+	+	+		+	+	+			
(3) allocatio- nal effects	-			-	-	-	-		+	+	+															+	++	+	+	+	+	++	+	++		+	+	-	-										
(4) distribu- tional effects	+			+	+	+	+		+	++	+															+	-	+		+	+	+	+	+	+					+	++								
(5) integra- tive ef- fects	+			+	+	+	+		+	+	+		+	+												+	+	+		+	-															++			
(6) social political	+			+	+	+	+		+	+	+		++	++												-	+	+		+	-	+		-	-	-													

F = frictional unemployment; K = seasonal and cyclical unemployment; S = structural unemployment;  
W = growth deficit-induced unemployment;  
++ = positive effects      + = side effects with positive tendency  
-- = negative effects      - = side effects with negative tendency



CONTINUATION I  
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COUNTRY REPORTS  
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D E N M A R K  
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DENMARK

- O. Analytics and Empirics of Economic Policies
- I. Increase in the Supply of Jobs
  - 1. Wage Subsidies
  - 2. Job Creation Schemes
  - 3. Employment Effects of Public Expenditure Programmes for the Private and the Public Sector
- II. Redistribution of Available Work Load
- III. Adaptation Strategies
- IV. Conclusion

O ANALYTICS AND EMPIRICS OF ECONOMIC POLICIES

Denmark's official number of unemployed persons reached 270 000 persons in August 1982 (10,3 %). With that Denmark owns one of the highest unemployment rates of the OECD member countries. From 7,0 % in 1980 it grew to 9,2 % in 1981 mainly on account of lay-offs in the private sector which not even increased hiring by the public sector could compensate. With an actual quote of 10,3 % the anyhow not very optimistic forecasts of 1972 (OECD: 9 %; EC: 9,8 %) have been proven too low. This development is not only attributable to the loss of jobs, but also pressures exerted on the labour market by demographic trends additionally aggravated by growing female participations rates.

Compared with other countries Denmark experienced a strong working population growth of 150 000 persons for the period from 1975 to 1981. At the same time the number of jobs increased only by 30.000, the number of persons unemployed grew by 120 000.

Table 1:

Working population, employees, unemployed (in thousands)

	1973	1975	1978	1979	1980	1981
Working population	2.357	2 438	2 538	2 526	2 547	2 586
employees	2 339	2 324	2 368	2 388	2 385	2 351
unemployed	18	114	170	138	162	235

Source: Eurostat and OECD, 1982

Selectivity in hiring and dismissal processes led to markedly stronger disproportional degrees of affectedness for different age and social groups.

Table 2a:

Distribution of unemployment by age - in percent -

	under 25	25-54	over 54	total
1979	10	6	5	6
1980	12	6	5	7
1981	15	8	6	9

Table 2b:

Distribution of unemployment by sex - in percent -

	Male	Female	total
1979	5,1	7,4	6,1
1980	6,4	7,8	7,0
1981	8,9	9,5	9,2

Source: Ministry of Labour, 1982

Youths under 25 years of age are among those affected by unemployment most. Until 1981 the female unemployment rate was above the national average. In the first quarter of 1982 this changed which can mainly be explained by greater movements of women into the "silent reserve".

When differentiating according to the duration of unemployment an increasing share of long-term unemployed can be noticed.

Accordingly labour market and employment policies are mostly targeted at long-term as well as youth unemployment (cf. appendix Denmark).

The financing of this measure is becoming increasingly difficult being faced with the current budget situation: the budget deficit of 51 bill. DKr in 1982 is going to amount to 73.5 Bill. DKr in 1983. At an expected GNP of 525 bill. DKr this means a deficit of 14%. As against that the budget from 1973 still proved a positive balance of 5.8% of GNP at a proportion of the public sector of 40%, 1981 this proportion had stepped up to 60%, the budget deficit amounted to appr. 7% of GNP.

The growing budget deficit in periods of sluggish growth (increase of real GNP of 11% from 1973 to 1981) is predominantly expenditure-induced. The deterioration in 1980 and 1981 has primarily to be attributed to the effects of build-in-stabilizers in connexion with a decline of the real income and a rapidly growing number of unemployed (OECD, 1982).

The build-in stabilizers do exist in the controlling system as well as in the unemployment insurance. Both taken together they cause a permanent increase of the number of the income and transfer payment recipients. Thus, the strong expansion of the public sector was decisively determined by the increasing number of transfer payment recipients (OECD, 1982).

The concern for social justice and effects of previous laws, that had been enacted as long as a long-lasting strong growth of economy was being expected, are to note as further influencing factors.

The result of this legislation was that the development of the real incomes of those receiving transfer payments (mostly retired and unemployed persons) equalled this of wage and income earners.

The wage setting system of Denmark is characterized by a high degree of centralization on industry and national levels. All wage settlements include an indexation to inflation. The adaption takes place twice yearly. This is payable in the form of a sum equally high for all income groups. In addition to this certain parts of the private sector intitled to local bargaining, while bargaining contract are still valid. Although public sector employers are not entitled to do this, their wages are automatically adapted twice yarly according to private sector wage indexation.

The close relation between price and wage developments is also one of the causes for the rigid nominal wage structure that because of the linkage to transfer payments affects the expenditure of public households.

An additional, important component affecting the public deficit is the increasing interest burden due to growing public debt.

This becomes obvious when the expenditure of the last ten years is looked at in detail.

Table 3a: Public Expenditure (1) as percent of GNP

Year	Fiscal Consumption of which: personal costs	Capital expenditure	Social expenditure	Subsidies	Interest payments	
1970	12,3	8,1	4,9	18,5	2,7	1,7
1975	15,2	10,6	3,9	22,7	1,8	1,3
1976	13,9	9,9	3,7	23,1	1,8	1,9
1977	14,2	10,2	3,7	23,5	1,5	2,8
1978	14,5	10,3	3,6	24,7	1,5	3,4
1979	14,7	10,4	3,8	25,7	1,6	4,8
1980	15,8	11,0	3,3	27,2	2,1	6,4

Table 3b: Structure of Social Expenditure - in percent -

Year	sickness, invalidity occupational health	age, death, survivors' insurance	adult training employment service career service mobility	unemployment	maternity, family, housing support, miscellaneous
1970	43,0	36,3	-	3,0	17,7
1975	41,8	32,7	0,5	9,8	15,2
1976	41,7	32,4	0,6	10,0	15,3
1977	40,2	31,7	0,6	12,5	15,0
1978	39,6	32,1	0,6	12,7	15,0
1979	37,8	34,3	0,6	12,0	15,3

(1) territorial authorities and national insurance

Source: DIW Wochenbericht 3/82

The new Danish government with the leader of the 'Konservative Folkspartei' (conservative people's party) with Poul Schlüter as prime minister, in office since September 1982, announced savings of 20 bill DKr in the current budget year.

The social/democrat Jørgensen had resigned, because he failed in finding a parliamentary majority for his plans of consolidating the budget. For 1983 a saving package of 10 bill. DKr was planned, for the most part including massive subsidy cuts in the community sector, this in the health- and school-system, welfare assistance and lower wage rises in the public sector.

Chief reason for the breaking apart of the former government was its proposal, to tax high interest revenues of life insurance and pension funds. Because of this proposal the non-socialists dismissed the entire saving package, a fact that led to the resigning of Jørgensen.

The restrictive policy practiced by the new government links to the strategy of Jørgensen: qualitative and quantitative cuts in the social security net were to undertake. Thus, all non-socialist parties declare that their approval of the budget depends on the final abolishment of the automatic inflation adjustment, which is to offset the inflation losses for wage and salary earners between the contractual partners. Yet, the inflation adjustment is relatively low (60% to 70%) (OECD, 1982) and thus presumably not an essential factor preventing the restoration of full-employment.

Meanwhile considerable cuts in the social assistance have been put through. Till 1st of March 1983 a general wage freeze was in force, the indexation linked to inflation of wages and unemployment benefits had been abolished. The introduction of one sick-day without payment and the lowering of the unemployment payment from 90% to 80% have been renounced.



Estimation of the EEC and OECD agreeingly assess that the measures for surmounting the crisis can only be successful if the government is willing to cut down on the scale of the public sector not only by means of retrenching public services but also by means of reducing transfer payment to private households (European economy, 1982).

The inavoidable downward movement of the effective demand, which is already being mirrored - even without the recent saving decrees - in a decline of the private consumption, is to hold against those measures. Furthermore the experiences with measure of cutting public expenditures in the area of social politics from the year 1974 clearly illustrated limits and dangers of an austerity policy.

## Employment and labour market policy

The main direction of the general economy policy in Denmark during the last few years was aiming at the combat of inflation and an improvement of international competitiveness, because this meant the only possibility to achieve a long term improvement of the employment situation.

Against this background the promotion of job-mobility plays an important role within the Danish labour market policy. Furthermore it was early recognized that selective labour market policy was more advantageous compared to global orientated policies.

Thus, besides a reduction of labour supply and the improvement of the qualification of all gainfully employed, especially a selective growth of labour demand for special groups of the labour market was promoted. The already existing selectively effective measures since 1975 have been expanded during the last years.

The most extensive packages are concerning youth, long-term unemployed and older employees (Madsen). For young people long spells of unemployment can lead to a permanent loss of their work-ability. In connection with the Employment Plan I of 1977 the combat against youth-unemployment has gained high priority. The government tries to reduce youth-unemployment by its Employment Plan II, in form of additional trainee places, job creation schemes and a job guaranty for long term unemployed.

This Employment Plan II implicates a redistribution of expenditures. Whereas the first programme had its stressing concerning measures to promote employment market directly, now additional measures with long term effects are initiated which shall improve the competitiveness of Denmark by the promo-

tion of the adaptation ability of commerce and industry. Therefore the Employment Plan II is divided in two parts:

The first part deals with measures directly concerning employment, the second deals with the increase of investments and the improvement of the infrastructure.

Table 4: Employment Plan II Devision of Expenditure  
- in million DKr -

	1981	1982	1983
public expenditure programmes	4.006,9	4.100,2	4.139,0
direct labour market and educational measures	1.359,2	1.500,4	1.461,6
total	5.366,1	5.600,6	5.600,6

Source: Ministry of Finance, 1981

The distribution of expenditures clearly reveals that the main importance lies on measures influencing the employment indirectly (about 3/4 of the total expenditures). The main part of the directly effective measures aims at young unemployed. For the total running time the part of the expenditures for the Second Employment Plan will be about 3% of the total expenditures of the public budget (planned total expenditures 1983: 190 billion DKr.).

In march 1982 the government proposed an additional number of measures to combat youth-unemployment; this bill passed in June. The "march-package" constitutes the first period of attempts to introduce a "youthguaranty" from 1984 onward which is meant to guaranty trainee places and jobs for all young persons.

The "march-package" emphasises the following 5 points:

- training and work experience places
- youth counseling
- job creating
- job offer
- employment promotion in communal and local authorities

Table 5: March-package

	1982	1983	1984	1985
public total expenditures	1.554	3.425	3.735	2.947
employment effects	32.900	43.800	51.500	56.400

Source: Ministry of Finance, Om forslag til finanslov for 1983, Kopenhagen 1982

1983 the "march-package" demanded 2% of the total expenditures of the budget. Though the state has to bear the main part of the expenditures for funding the "march-package", this is met by savings arising through reduced transfer payments and further subsequent costs of unemployment.

Basicly nobody in Denmark raises objections against stronger labour market political activities or against the main direction of the measures (expansion of vocational training, more trainee-places).

Employers only offered restistance to a planned compensational training place levy which was meant to safeguard the expansion of the training-place supply. This had been substituted by a voluntary arrangement. (Wissenschaftszentrum Berlin, 1981).

Further indirect employment stimuli are expected from an action programme, which constitutes an expansion of the 'Investmentprogramme '82' - thus of the middle-term financial planning from 1982-1985.

The most important measure to reduce the labour supply is the early retirement (which is possible since the 1st. of Jan. 1970). The measure is extremely successful, it was used to significantly larger extend than originally assumed. According to studies, 70% of the new vacancies were occupied again. It was estimated that this measure brought down unemployment by totally 50 000 persons. That means approximately 2% of the gainfully employed (Kjaersgaard, 1982).

The policy combating long-term unemployment plays a prominent role. Long-term unemployed have an employment guaranty. Employers are given wage subsidies as incentive to engage long-term unemployed. The eligible unemployed, who do not get a job in private enterprises, have to be employed in the public sector. The fact that only 24% (1981) were employed by private enterprises, led to a strong expansion of the public sector. This connection explains that in Denmark - different to other comparable countries - an expansion of the public sector as a labour market political measure is not being conducted. It is being expanded indirectly by the Job-Offer-Scheme and the Public Relief-Work (programme against youth unemployment), thus only for certain target groups.

As already mentioned above, the permanent technological development of the industry and the structural changes in the economy (c.f. Employment Plans) promoted by government policy postulates a steady adaptation of the development of skills to the requirements of demand. Vocational training responds to this requirement in two aspects: first, there is a steady offer of further education- und re-training-measures, secondly, there are further education courses for unemployed which are serving better individual labour market chances. The latter are selective. Target groups are young persons and long-term unemployed. To a less extent also women participate in this courses.

The important role of vocational training schemes becomes evident because of its expansion by 60 % between 1979 and 1981. The Ministry of Labour estimates, that within one year 20 % of all employed in the age group from 25 to 69 are taking part in training measures.

Thus, Danish employment policy in general aims at long-term employment effects, by means of structural economic changes and at short-term effects by selective labour market political measures.

## I INCREASE IN THE SUPPLY OF JOBS

### 1. Wages subsidies

Wage subsidies play an important role in the Danish labour market policy. The selective character of the measure is apparent; target groups are first of all long-term unemployed and younger persons. The classical marginal groups of the labour market are not included, or only in so far as they are hit by long spells of unemployment.

Wage subsidies for marginal groups lead to considerable crowding-out effects: enterprises prefer members of so-called marginal groups to other employees. There are no estimations regarding the level of this effect. Furthermore a disturbance in the competition between those firms which work with or without subsidised employees is being caused. Supporters of wage subsidies for marginal groups claim that a lot of unemployed are only being recruited under the condition of provided wage subsidies, which means that it does bring about an employment growth in any case.

In the discussion about wage subsidies for marginal groups during the years of 1976/77 the assumption about possible employment' effects had proved to be not exact enough to justify the considerable costs for such a programme (Kjaersgaard, 1982). Linear wage subsidies do exactly not benefit those groups, which have special individual problems, and cause special social costs. But in spite of and because of wage subsidies those employees are preferred who have a higher level of qualification; thus, such persons that are likely to be hired also without wage subsidies. The social costs for linear wage subsidies are regarded as being too high, because on the other hand savings that arise (for example by relieving the unemployment fund) remain uncertain (v.s.)

Based on the necessity that social and individual costs of unemployment have to be avoided, the Danish government conducts selectively effective subsidy programmes. Since 1978 it is conducting a programme combined with job creating for long-term unemployed. This programme offers special promotion possibilities for long-term unemployed young people. Beside this there is the "Public Relief Work", a wage subsidy programme for public employers, which is targeted towards young people, and a programme to promote employment by private employers.

The advantages of the long-term unemployment programme are primarily found in their specific selectivity. The functional and the extrafunctional qualification of the long-term unemployed are kept because an employment guaranty is given to all long-term unemployed. Thus, a loss of skills because of long spells of unemployment is being avoided. It is also being printed to the preservation of extrafunctional qualification, a target which is enfilated by additional education offers (see: courses for long-term unemployed).

In particular the existing combination of wage subsidies together with job creation within the long-term unemployment programme is emphasized. Not only the employment of problem groups but also preserving long-term jobs (i.e. after the end of the promotion time) instead of short-term jobs is intended by this measure. 55% of all employed long-term unemployed had maintained their job after the end of the promotion, 45% were laid off. Almost all employed in the private sector could maintain their jobs (Ministry of Labour, 1982, Kjaersgaard, 1982).

If the payments per each recruited unemployed are compared with the alternative costs (= costs for the unemployment benefits) all programmes can be called advantageous regarding their costs. A Danish unemployed, who has payed his unemployment insurance for at least 12 months, gets 90% of his previous wage up to 2 1/2 years, (average of the last 12 weeks) as



unemployment benefit, which is accomodated every 6 months to the price index. On the other hand a job for a long-term unemployed is subsidised with 30 DKr, this corresponds to 46,5 % of of avarage wage (1981 in industry and craft). This calculation leaves out of account that there are two different sponsors of the programme (unemployment insurance and State). Furthermore it has to be considered that nearly all jobs created in the private sector are preserved for a longer period than the year promoted, thus, neither subsidies nor unemployment benefits have to be paid. Nevertheless only 15% (lately 25%) of the jobs are located in the priate sector. The rest is in the public sector or in communities; here the rest of the wages (wages minus subsidised share) have to be paid by the general public (Ministry of Labour, 1982).

The following table shows the costs per each person.

Table 1:

Expenditures per Person 1980 - in thousand DKr, Costs in mill DKr.

Programme	Costs	Persons	Costs per person
Job Offer Scheme	340	11 000	0,0309
Public Relief Work	524	15 650	0,0335
Promotion for the employment of youths by private employers	15	2 400	0,0063

The extremely small costs for the youth employment programme in the private sector are attributable on the one hand to the small rate of subsidy (unter 18 years 14 DKr/hour, over 18 years: 20 DKr/hour for the first 13 weeks, afterwards 14 DKr) on the other hand to the short promotion term (26 weeks). The other two projects cover a promotion term up to 1 year. The subsidies per hour are between 20.5 and 32.5 DKr.

The remarkably positive success of the combination of wage subsidy programmes and job creating measures have prompted the Danish governments to extend the programmes. The expanded measures are shown in the following table:

Table 2:

Long-term Unemployment Programme - costs in mill.DKr. -

year	expenditures	persons
1980	340	11 400
1981	630	25 000
1982	1.635	--
1983-85	1.425	--

Source: Ministry of Labour, 1981

The so-called "march-package" ( cf. job creation measures) tries to support the communities regarding their difficulties in creating jobs for long-term unemployed (regulation for job supply). This is realized by doubling the financial means, that communities obtain for performing employment effective measures. Now the state covers 50% of all expenditures for employment promotion. The additional costs for labour supply regulations amount to 4 mill. DKr in 1982, to 30 mill DKr from 1983-1985.

Criticism is expressed as in regard to very little work offers in the private sector compared to the heavy increase of offers in the public sectors within the framework of the long-term unemployment programme. 15% of jobs promoted by the long-term unemployment programme are located in the private sector (Per Kongshoy-Madsen, 1982/Organization for Economic Operation and Development, 1982). The Ministry of Labour states an increase of job offers in the private sector of 25% of the total supply in autumn 1981 and explains this sudden increase with the extension of the programme and with raised retraining grants.

Participants of this programme which has its emphasis on preserving and broadening skills are given the opportunity to take part in courses for further vocational training (see III, 1.)

Thus, an improvement of the individual chances on the labour market and the adaptation of the qualification level to the qualification requirements of the employing companies is being realized, this with regard to functional as well as to extrafunctional qualifications. The increase of the subsidies up to 30 DKr per hour and the expansion of the programme helps to install an employment policy which does not adopt employment creating as a therapy for long-term unemployed, but is connected with the improvement of qualifications and, thus with the essential element of Danish labour market policy: the improvement of vocational training. This policy follows the idea, that the improvement of individual labour market chances is of eminent importance within the combat against unemployment, because it contributes to the elimination of inequalities between skill requirements and existing skills. This concept is also reflected by the heavy utilization of the long-term unemployment programme. 1981 30.000 subsidised jobs were offered, 25.000 of those were taken up by long-term unemployed. This corresponds to a utilization of 83% (Ministry of Labour, 1982).

The high number participants prematurely leaving those programmes not being combined with training schemes is explained with the non-identification with their jobs. Accordingly only 66% of the juvenils participating in the public relief work stayed till the end of the programme. An inquiry among the young persons and employing companies (Clemantide/Ibsen, 1982) suggests that especially young people did not see their job being related to their own career aspirations. In their vies these programmes are often only occupational therapies. In future applications

most of them conceal that they had been employed within the scope of a programme.

Regarding wage subsidy policy in Denmark its linkage with job creating schemes has to be emphasized (Job Offer Scheme). Different to the Public Relief Work in this programme each granted wage subsidy means the recruitment of a long-term unemployed.

Furthermore this programme helps to preserve and to broaden skills, a fact which gains special importance in respect to the specific selectivity of this measure.

## 2. Job Creating Schemes

In Denmark job creating schemes are only very lately introduced within the frame-work of an increase of the supply of jobs. With the issue of the so-called "March package" (June 1982) statutes for job creating measures were enacted.

As for wage subsidies the selective lay-out of the measure is obvious. It is exclusively designed at unemployed young people between 18 and 25 years and in very few cases at older unemployed. Besides the selectivity of the measures it leaps into the eye that it is not a wage subsidy but a mixture of subsidies and premium for the creation of a job. Usually one single payment is made but it can be repeated up to three times in the course of three years. Abuses are excluded because employment benefits of Danish unemployed are higher than the yearly promotion premium. Unemployed who received a wage on or above the average get about 100 000 DKr yearly. A fictitious establishment of a job for an unemployed only in order to receive the premium has been proved unattractive. Based on an average wage of 64,52 DKr per hour (1981) in industry and commerce, the premium amounts to 59.6% of the average wage. This makes it rather desirable for a company to be qualified to receive the premium.

Furthermore there is the possibility to employ young people instead of regular unemployed. Possible deadweight on behalf of the companies can lead to displacement effects on the labour market; thus, unemployment is not being lowered but only subject to a structural change.

For preventing deadweight and displacement effects job creating measures should only be implemented, when the products and services produced by the new jobs are not already being furnished by existing jobs in the company. This is meant to guarantee that a real increase in performances can be accomplished. To safeguard the rise of useful output by this measure is regarded as being highly problematic. (Ministry of

Finance, 1982) Legislation responded to this difficulty with the establishment of so-called labour market committees. They are controlling if the performances of a newly established job are not already being furnished by existing jobs. Furthermore they are monitoring the observance of the selective design; generally only young unemployed are to be recruited, but for requirements of the newly established jobs it is also allowed to employ persons above 25.

Estimations of the employment effects are only available for the employment promotion part of the "March-package" on the whole. Beside the job creating programme the employment promotion part covers the expansion of the job offer scheme and further employment promotions. The share of costs, however, is relatively small as it is shown in the following table:

Table 3:

Participants and costs of the March Package - in mill DKr -  
- Employment Promotion -

		1982	1983	1984	1985
Employment promotion	persons	10 100	11 600	11 600	11 600
Job creating scheme	costs	n.a.	1.061	1.061	1.061
Labour supply regul.		n.a.	30	30	30
Others		n.a.	67	68	68

Source: Ministry of Finance 1982

Thus, the estimated effects are predominantly a result of the job creating scheme. (Ministry of Labour).

The costs of this programme are very high, this with respect to alternative costs of unemployment - about 80% - as well as in comparison to other programmes. The expenditures per

annum for the Job Offer Scheme and the Public Relief Work amount to 30.000 DKr. per person and employment effects are found even for a longer period than the time of promotion. For the Job Creating Scheme about 80.000 DKr have to be raised. There are no figures about the number of jobs that can be maintained after the time of promotion.

### 3. Employment Effects of Public Expenditure Programmes for the Private and Public Sector

The Danish government responded very early - compared with other European countries - to the increase of unemployment in the middle of the 70s; employment effective public expenditures and investment programmes were issued. The three most significant programmes of this kind are a mixture of supply and demand orientated elements. The first of these programmes, the employment plan I was already passed 1977.

Those programmes that directly aim at employment effects pose the problem that they are - for achieving a short dated success - targeted towards sectors in which the unemployment rate is extremely high. On the other hand such measures can only solve structural problems of the economy to a very limited extent or not at all.

This can only be rendered possible by a middle-term alteration of the production structure, which means for Denmark especially an improvement of the trade balance situation. That requires measures aiming at those industries which are able to effectuate an expansion of the export volume or a reduction the import volume. The conflict between having to achieve short-term employment effects on the one hand and to solve structural problems on the other hand, determines the employment effective expenditure programmes. This contradiction is met by the government with the adoption of supply and demand orientated measures in each employment plan, which again are a combination of investment promotion and public expenditure programmes.

Furthermore the employment plan contains direct labour market and occupational training measures (about 25% of the total expenditures), which will be discussed later ( e.g.the Job Offer Scheme).



The predecessor of the current employment plan II (1982-1983) referred to a markedly greater extent to demand orientated measures. The main direction of the employment plan II aims at the strengthening of the competitiveness of various economic sectors and to enable these sectors to integrate new technologies in their production. At the same time the development of energy saving measures and new ways of energy supply shall be promoted. Thus, the major part of funds is spent on the promotion of trade and export, including measures to facilitate the founding of enterprises for young entrepreneurs and the promotion of regional development.

Energy promotion measures which could lead to a long-term improvement of the trade balance situation hold the second position in the plan. The first one deals with energy saving, which concerns the reduction of consumption as well as a better utilisation of the existing energy production. The second group includes projects that open up new energy sources and the exploration of new technologies (Ministry of Labour 1981).

Kjaersgaard (1982) in particular emphasizes the foreseeing policy of Denmark in this field and with regard to its promotion of energy saving technologies. Compared with other European countries Denmark would have become active very early. Therefore short-dated employment possibilities have been created; long-dated an improvement of the trade balance situation will be possible by energy saving.

Public expenditure programmes for the building industry and expenditures for public transport and services play a specific role. Though they do not meet all intention of the plan as to promote the trade balance situation as well as to bring up employment their benefit for the public welfare is being stressed.

Measures for the building industry, for the restoration of slum clearance areas, city modernisation and renovation have very high employment effects, at the same time they contribute to a solution of housing problems (Ministry of Labour, 1981). Measures concerning the public transport are emphasized as being important in respect to a reasonable energy policy. At the same time the importance of a well operating transport network for the mobility of all employed is pointed out.

The distribution of expenditures for the different sectors is shown in the following table:

Table 4 :

Employment Plan II - Distribution of Expenditures 1981 -  
in percent

	1981
building industry	5,3
energy	18,3
promotion of commerce and export	62,7
public transport	3,9
public services	2,2
city modernization and residential building	<u>7,6</u>
total public expenditures	100,0

Source: Ministry of Finance, Budgetdepartment, 1981  
own estimates

Annotation: Expenditures for direct labour market policy (e.g. long-term unemployed programme) within the scope of the plan have not been taken in account.

For the first employment plan running from 1977 to 1980, with a volume of 10 bill. DKr. (prices of 1977) Kjaersgaard estimated a direct employment effect of 50 000 persons per annum and expects a similar effect for the employment plan II. Yet, on behalf of other sources only a short-term employment effect of 30 000 jobs p.a. is expected (Ministry of Labour, 81).

Common to both positions the employment effects are only short dated resulting from the increase of demand, which offers the basis for an expansion of production and the creation of jobs. When evaluating the employment effects it is regarded as difficult, to consider further economical measures or economical developments in a suitable way. But primarily it is to be kept in mind, that the employment plan is aiming at structural changes and the improvement of competition conditions. Above all, the permanent effect of the plan is its influence on export and on those sectors, which are competing with imports. Therefore it is not adequate to the plan to assess its short-term effects only.

The success and experiences regarding the employment programme led to the issue of the so-called "action programme". It represents an expansion of the public expenditure planning between 1982 and 1985 and aims - even more distinctly than the employment programmes - at structural changes. The expansion is concentrated on energy supply and the building industry. Different to the employment plans, an explicit promotion of commerce and export is not provided. The action programme also is a mixture of supply and demand orientated measures. It envisaged short-term as well as long-term employment effects (Ministry of Labour, 1982).

Expenditures for the energy industry focus on a different target. Even though employment effects can also be expected, the programme aims - as distinguished from the promotion of the building sector - at a relief of the balance of payment. The programme is dealing with the utilization of existing energy, with a more reasonable utilization of surplus-heat and the promotion of a natural gas project. Although expenditures for the energy industry have negative effect on the balance of payment in the short run, long-term savings can be expected as far as energy import is concerned. But this relief can only be realized in the long run. The esti-

mated effects of the original expenditure programme and the "Inversteringsprogram" are shown in the following table.

Table 5:

Effects of the "Investeringsprogram 1982" on the balance of payments - in bill.DKr at prices from 1982 -

	1982	1983	1984	1985
original "Investerings- program '82"	9.2	7.9	7.7	7.3
action programme	0.2	0.2	-0.6	-1.2
Total	9.4	8.1	7.1	6.1

Source: Ministry of Finance, 1982

The Ministry of Finance expects an increase of employment of 11 00 p.a. as against 1981 by the public expenditure programme. The employment effect of the total programme is to amount to 110 000 full-time employed for the entire period.

The expenditures for each potentially created job amount to approximately 375.000 DKr. This means that the action programme is much more expensive than the employment plan II, with expenditure for each created job amounting to 140.000 DKr. Nevertheless a comparison of these figures with the direct labour market measures appears to be unadmissable, because the latter show significantly less long-term effects than expenditure programmes, especially those which are designed at structural changes like in Denmark.

All mentioned programmes charge the public budget to a similar extent. The burden for the budget 1983 through the employment plan II amounts to 4.139 mill. DKr., through the action programme 4.128 mill. DKr. Both programmes charge the budget with 4.3% of the budget expenditures.

Table 6:

Expenditure programmes

- percentage of budget 1983 in mill. DKr. -

Employment Plan II	action programme	budget expenditure	expenditure programmes in percent of budget expenditures
4.139	4.128	190.800	4.33

The percentage of expenditure programmes in the public budget seems, compared to other countries, relatively high (e.g. Federal Republic of German). This is to emphasize especially in reviewing the fairly high employment effects of those programmes.



## II REDISTRIBUTION OF THE AVAILABLE WORK-LOAD

Within the framework of working-time programmes the Danish policy essentially stakes on the reduction of life-time working-time by lowering the age limit from 66 to 60 years. The possibility of early retirement exists since the 1st of January 1979 on a voluntary basis. Beside that the annual vacation was prolonged from 4 to 5 weeks. Issues like the reduction of weekly working time, job sharing and a re-arrangement of the overtime law are controversial.

Measures to achieve an early retirement are generally judged more positively with regard to the social and employment effects than schemes to reduce the weekly working time (Kjaersgaard 1982, Det Økonomiske Råd 1982). Concerning the reductions of weekly working time there is a far-reaching agreement that these are only employment effective if no - or only a certain - wage compensation takes place. Opponents of a weekly working-time reduction define this as a transformation of involuntary into voluntary unemployment, and emphasize subsequent costs (Det Økonomiske Råd, 1982), proponents are emphasizing social and employment effects.

Kjaersgaard (1982) stresses the social character of an early retirement from a job. Employees whose physical and emotional condition require it, would have the opportunity to retire from labour-market without suffering from a drastic loss of income. For 1981 he refers to an utilization of 75% of all who are digitible.

The distribution of the utilization is described in the following survey:

Table 1: Number of participants in the "Voluntary Early Retirement Pay" by sex and age. Key-date: 30.9.1981

	Men		Women		Total	
	number	%	number	%	number	%
60 years	3 151	7	2 292	12	5 443	9
61 "	5 386	12	3 262	18	8 648	14
62 "	5 684	13	3 020	16	8 704	14
63 "	6 866	16	3 045	16	9 911	16
64 "	7 220	16	2 752	15	9 972	16
65 "	7 606	18	2 455	13	10 061	16
66 "	7 726	18	2 020	10	9 746	15
Total	43 639	100	18 846	100	62 485	100

Source: Directorate of Labour  
Arbejdsdirektoratets, 1981

A relatively equal distribution of participants can be observed in the age-group from 61 to 66. This however only applies to the total participation, not to the distribution by sexes. While the majority of women in the age from 61 to 63 are participating in the early retirement programme, the male participants reach the highest level in the age-group from 64 to 66.

The heavy use of the early retirement system by men leaps to the eye. It is more than twice as high as by women. This can only partly be attributed to the lower labour force participation of women: In the age-group from 45 to 54 activity rate is 94,7 % and of women 71,9%. This difference of 22,8% does not totally explain the use of the early retirement programme by men being more than twice as high. It is obvious, however, that the activity rate of women in the age-group of 55 to 64 is decreasing distinctly.



Table 2: Employment Rates by sex and age-groups  
1976 to 1981

		35-44	45-54	55-64	65-74
Men	1976	97,3	94,8	83,9	33,9
	1977	97,5	94,9	84,4	34,2
	1978	97,7	94,7	84,5	31,9
	1979	97,7	94,7	77,4	25,1
	1980	97,7	92,7	71,9	20,4
	1981		n.v.		
Women	1976	75,5	69,9	41,4	8,2
	1977	77,9	67,0	43,7	8,3
	1978	81,0	70,4	45,5	9,3
	1979	82,8	71,9	44,4	7,5
	1980		n.v.		
	1981	84,4	80,2	40,3	5,9

Source: Ministry of Labour 1982

The falling rate of the number of persons in dependent employment in the age-group from 55 to 64 suggests that women do leave the labour market but that they do not participate in the early retirement system.

This is probably due to the fact that a 10 year's membership in the voluntary unemployment insurance within the last 15 years is the pre-condition for the participation in the programme. Especially women who tend to leave the labour market because of their double burden by household and job are hampered in using the possibility of participating in the early retirement system.

The decrease of the male gainful employment from 1979 to 1980 is evident; also a decrease of female gainful employment between 1979 and 1981 can be noticed. Most certainly this downward movement can also be led back to the introduction of the

early retirement programme (Ministry of Labour 1982).

70% of the new vacancies have been occupied again. This is regarded as a good success considering the fact that it is a voluntary early retirement system. It corresponds to a reduction of the unemployment figure of 50 000 or a reduction of the unemployment of about 2%. In general there is no doubt about the success of the programme also with regard to the re-entry of unemployed persons (see Økonomisk Statistik Konsulent 1982, Organization for Economic Co-operation and Development 1982). It is shown, however, that a reduction of life-time working time among the schemes to reduce working time is "the less of two evils" but would constitute financial problems in the long run. In short terms the programme is being financed through savings in the unemployment insurance fund which arise from the re-entry of unemployed. But long-dated it is to be foreseen that the financial burden for the unemployment benefits' fund will be that high that a compensation of the deficit has to be financed by a tax increase (Det Økonomiske Råd, 1982). The public expenditures for the programme and the planned expansion of the programme on behalf of the success can be found in the following survey:

Table 3: Flexibilisation of age-limits  
- public expenditures in mill.DKr -

	80	81	82	83-85
Persons	55 000	63 000	70 000	240 000
Expenditures	1.365	1.410	1.590	4.855

Source: Ministry of Labour 1982

Furthermore - and this concerns all types of working time reduction - it is pointed to the irreversibility of this measure. In times of cyclical upswings the labour demand will rise to such an extent that the decreased number of labour force will not be sufficient to satisfy this demand.

An exact analysis on the macroeconomical employment effect of a prolongation of the annual vacation from 4 to 5 weeks is still outstanding. Debated are questions concerning sector-specific effects of a prolongation of the annual vacation (Økonomisk-Statistik Konsulent, 1982). Thus it is being discussed if this measure will lead to an extension of public services or if additional employees will be recruited in the private sector.

The creation of 10 000 additional jobs is being expected by the limitation of overtime to 100 hours every year.

Part-time work is considered to be employment effective. It enables a flexible lay-out of the production process. The establishment of more shifts will be possible, thus production losses can be avoided. Further more it is to assume that the decision of women to take up a job or not, depends on the possibility of part-time work. This becomes obvious against the background of the extremely high proportion of female part-time workers in all sectors.

This is illustrated in the following survey:

Table 4:

Part-time work by sex and sectors and the percentage of the male and female part-time employees

Sectors	1978			1979			1981	
	Men	Women	%	Men	Women	%	Total	%
Agriculture, Fishing etc.	5 931	24 697	5,6	5 624	24 503	5,5	26 440	4,8
Manufacturing	9 718	51 076	11,2	8 989	50 505	10,9	63 801	11,3
Construction	3 165	8 753	2,2	2 246	9 410	2,1	10 987	1,9
Commerce and Communication	9 348	81 588	16,7	7 645	80 135	16,1	97 373	17,1
Transport	7 164	14 065	3,9	7 394	15 350	4,2	20 547	3,6
Administration	19 013	237 635	47,7	18 691	248 380	49,0	288 082	50,8
Liberal Profes.	2 636	14 910	3,2	2 264	16 214	3,4		
Services	5 483	42 103	8,8	4 122	38 370	7,8	55 412	9,8
Others	1 175	5 122	1,2	638	4 926	1,0	4 076	0,7
Total	63 634	479 952	100,0	57 612	487 793	100,0	566 718	100,0

Source: Ministry of Labour, 1982

Even the very high number of part-time workers in 1981 - as being 21,4 % of the Danish working population - can be led back to the high percentage of female part-time work. On the other hand the great percentage of female part-time employees also counts for the high female activity rate - compared with other countries.

In spite of the labour market relieving effects of part-time work an extension of the supply of part-time jobs is problematic since it may lead to an increase of female employment which is - taking into account the high unemployment (Økonomisk Statistisk Konsulent, 1982) - not unconditionally desirable.

The significantly high percentage of part-time employees in the administration - especially of female's - is also apparent as against other countries. Almost half the number of all part-time workers is employed there; a relatively small number of part-time employees is engaged in the - as in other countries preferred - service sector.

Against the background of the current economic situation it is unanimously acknowledged that a successful weekly working time reduction cannot be achieved under the condition of full wage-compensation. A working-time reduction with wage-compensation would lead to higher hourly earnings and thus would be contraproductive with regard to employment effects because of the increase of unit labour costs. The possible expansion of the consumptive demand by higher employment would in every case have less effects on the growth than supply-orientated measures like e.g. investment grants which are aiming at a strengthening of the international competitiveness. The effects are rated less disadvantageous without wage-compensation - in the sense that 'sharing of work' would be equivalent to 'sharing of income'. Nevertheless capital costs would tend to rise because more jobs had to be created then (Det Økonomisk Råd, 1982).

On the contrary another position points out the traditional increase of labour-intensity, which would improve - combined with the working-time reduction without wage-compensation - the competitiveness (Økonomisk Statistisk Konsulent 1982). The possibility of precisely estimating the scale of the capacity loss and its consequences for the propensity to invest is being denied. In the current situation, however, it has to be assumed that in quite a number of economic sectors hidden labour forces were existing and that the loss of production and capacity on account of working-time reduction would not be as big as under regular conditions. According to calculations of the Budget Department a substantial increase of the propensity to invest - as a result of a possible capacity loss - is to be expected. But if this expectation comes true in view of the current unfavourable economic development, remains questionable.

The question of wage-compensation for certain groups of the labour market and its financing is controversial. At any rate the employers should not pay any sort of compensation (Det Økonomiske Råd, 1982), since then eventual programmes would lose their attraction. Compensation is to be covered by the government and should be guided by the level of unemployment benefit. But even under the condition of government allowances it would seem unrealistic that those schemes could contribute to a substantial decrease of unemployment. Moreover governmental compensation-payments would be followed by budget problems which would hardly be justified in the current situation. From another point of view a compensation for "problem groups" is regarded to be reasonable (Økonomisk Statistik Konsulent 1982). A compensation paid by employers runs the risk of inducing displacement effects which means that they recruit other employees than the above mentioned marginal groups. Publicly sponsored it would cause an excessive burden for the budget. Furthermore the success of working time reduction schemes depends on the fact if Denmark by itself will reduce working-time or if this will become an element of internationally coordinated policy.

### III ADAPTATION STRATEGIES

The permanent technological development of the Danish industry claims a constant adaptation of the development of skills to the requirements of labour demand. The policy responded to that in two different ways: on the one hand by further training courses for all groups of gainfully employed, on the other hand by further training for unemployed persons which were meant to solve adaptation problems by an improvement of the individual labour-market chances. Concerning the latter a considerable selectivity similar to the Job Offer Scheme is to be seen: they are mainly aiming at youth and long-term unemployed and only to a certain extent at women. The central role which occupational training plays in Denmark is also illustrated by the far-reaching net of in-company further training schemes resting with private initiative.

It is undisputed that the occupational training is one of the most important elements in the labour market policy.

(Det Økonomisk Råd, 1982, Arbejdsdirektoratet, 1981; Kjaersgaard, 1982), but the statutory underpinning (Hansen, 1981) and the quality of the adaptation function (OECD, 1982) are being discussed.

The generally positive judgement of occupational training becomes apparent in the distinct expansion of the occupational training measures. The following table shows the extent of the different training measures for the period from 1979 to 1981, which means an increase of about 60% for the above mentioned period. An expansion of activities by 14% is planned for 1982 (Ministry of Labour, 1980).

Table 1:

Occupational training measures 1979-1982  
 - Number of training weeks in thousand -  
 - Number of the individual measures in % -

Measures	1979	‰	1980	‰	1981 <sup>1)</sup>	‰	1982 <sup>2)</sup>	‰
courses for semi-skilled workers	127	51,0	153	49,5	175	45,1	203	45,8
courses for skilled workers	64	25,7	70	22,7	90	23,2	99	22,3
Re-training	3	1,2	2	0,7	6	1,5	6	1,4
Occupational preparatory c.f.youths	43	17,3	69	22,3	86	22,2	95	21,5
courses for long-term unemployed	7	2,8	6	1,9	16	4,1	25	5,6
courses for women	5	2,0	9	2,9	15	3,9	15	3,4
total	249	100,0	309	100,0	388	100,0	443	100,0

1) estimated

2) planned

Source: Ministry of Labour 1982

The biggest part of the measures are courses for semi-skilled workers, which reveals that there is a general need for knowledges and skills which are required by the technical development and the labour market situation. The goal of these courses lies in compensating the lack of general occupational elements. Therefore they partially have the character of a basic occupational training, whereas the considerably smaller scale of the courses for skilled workers indicates that they are not designed as subsequent compensation of basic lacks in the occupational training system; but intend to familiarize skilled workers with new production methods on the basis of a well - grounded training (CEDEFOP, 1982).



Occupational preparatory courses for youths were certainly extended in absolute figures but their percentage of the occupational training measures altogether remained unchanged. This is particularly regretted, facing the high unemployment of youth and the unquestionable success with occupational preparatory courses.

The courses are heavily claimed because most of the course leavers are likely to take up a job, to participate in vocational training or further training after the end of the course.

A sample published by the Ministry of Labour (1980) on the outlet of the young persons after completing the occupational preparatory scheme shows the following picture:

Table 2:

Occupational Preparation: Outlet of the participants in % (1980)

occupation	41	41
training/further training		23
occupational projects		18
unemployment/no further information		18

Source: Ministry of Labour 1980

41% of the participants take up a regular employment after the termination of the scheme. Since those do not operate as employment projects it is to assume that at least a large number of these groups will be occupied in long terms. As far as participants in the employment programmes are concerned it is also quite probable that they remain employed after the end of the project, yet at least their individual chances on the labour market have improved which also holds true for participants in training and further training courses.

There are no exact data concerning the number of participants in the occupational training schemes. 118 000 are estimated for 1980 (Ministry of Labour 1982), this is 12% in relation to the potential number of participants of 980 000. This even goes down to 8,6% of all potential participants, because the occupational training for semi-skilled workers and skilled workers partially include several courses. Besides those measures for occupational training initiated by the government a great number of initiatives resting with private enterprises is assumed. The lack of informations concerning private in-company-training initiatives is being regretted (Ministry of Labour). It is estimated that 20% of all employees aged 25 to 69 do actually take part in training schemes within the course of one year. These initiatives include short courses of instruction similar to the occupational training courses, evening courses and longer-lasting courses (about 1 year). It is estimated on this basis that the number of persons undertaking (further) occupational training amounts to 430.000 annually.

The insufficient extent of the occupational training schemes for young people on the one hand and the success with such programmes on the other hand were the background for passing the so-called "March-package". Thus, in particular the so-called "rest-groups" who have difficulties in finding a qualified education shall be provided with training possibilities. Goal of the training part of the "March-package" is the establishment of a so-called youth guarantee, which is meant to offer training opportunities to all young people. The current discussion, however, indicates that this target is not likely to be politically workable.

Nearly 90 000 vacancies in schooling and occupational training for young people are available in 1982, confronted with 85000 primary school leavers of which a certain percentage will

invade the labour market. It has to be taken into account, however, that, because most of those primary school leavers and young people, who have not taken up a training place directly after having left primary school in the last years, want to move into training now, the number of training places will probably not be sufficient, a fact, which will make additional measures necessary (see above).

The "March-package" includes the creation of 5 000 apprenticeships and work experience places every year, predominantly in the public sector. As far as possible recruitment is to be realized in branches able to give skills which make a subsequent hiring in the private as well as in the public sector possible. Because there is still a lack of apprenticeship and work experience places in the private sector their creation and conservation is promoted with an allowance of 30 000 DKr, possible deadweight is being prevented by the fact that the average number of training places of the last two years minus one must be increased (see above).

With the adoption of the "March-package" the number of training places will amount to 22 800 in 1982 and up to 45 000 in 1985. The total expenditures are estimated to be just under 1,4 billions of DKr (Treasury, 1982), 1982, stepping up to a little more than 2,5 billions of DKr until 1984. They should amount to 1,8 billions of DKr in 1985. The costs of 60 000 DKr for every created training place are justified by the fact that it is not an "occupational therapy" or a job-creation for one time only, but training that is designed at the improvement of future employment chances.

The general expansion of training schemes will presumably continue within the next years. This is partially the result of the general development of the labour market, inducing a great demand for qualified and skilled workers because of the incessant technological development, partially this is on account of the growing number of participants in the courses having in view the improvement of individual chances on the labour market as being faced with increasing unemployment throughout the last years (Ministry of Labour, 1982).

Confronted with the technological development to be expected in the 80s the necessity of adaptation strategies of skills is beyond question. A reform aiming at a wider range of occupational training and general education is considered as being of chief importance (Okonomisk Statistisk Konsulent, 1982). With regard to the creation of equal opportunity it is emphasized that, above all, the general education has to be intensified (Hansen, 1982). (Two Thirds of the Danish trade union members only possess a 7 years' primary school education). Limited courses for occupational training can not compensate this lack. Further, problems of education and training cannot be isolated from other factors, like it is proved that the social group holding the worst jobs, the lowest income, the worst accommodations also have the lowest educational level. Inter alia Hansen points out, that the system of the occupational training has to be extended by the general right for all persons in dependent employment to paid educational leave (Hansen, 1981, OECD, 1982), since otherwise equal opportunity would not be guaranteed within the utilization of further training measures.

As a solution to questions of jurisdiction between private and public institutions for occupational training it is suggested that public educational offers should aim at more basic skills whereas the responsibility for programmes which

are aiming at their skill requirements should rest with the companies. The planning of education and training should be realized in close cooperation of all institutions and social partners concerned (OECD, 1982).

Kjaersgaard (1982) considers the current schemes to be sufficient. To his opinion they are a well-working system of general education and occupational training including an adaptation ability to demand, which has been constantly improved; thus, the risk of "bottle-neck"-programmes could have been reduced.



#### IV CONCLUSION

In the following a comprehensive comparison of the most important policy measures is intended. In this context not only the efficiency but also and above all it has to be reviewed as to which extent the individual programmes meet their actual intention.

Taking notice of this is of particular importance for Denmark, because the whole of the measures concerning labour market and employment policies is characterized by purely selective labour market instruments on the one hand and on the other hand by instruments aiming at structural changes of the economy. The following survey indicates the expenditures per capita for the individual programmes.

Expenditures per capita of the individual programmes in DKr - related to the time of promotion:

<u>Wage subsidy programmes</u>	DKr
- Job-Offer-Scheme	30.900
- Public-Relief-Work	33.500
<u>Job-Creating-Schemes</u>	
- Job-Creating-Schemes	80.000
<u>Expenditure programmes</u>	
- Employment-Plan	140.000
- Action Programme	375.000
<u>Redistribution of the available work-load</u>	
- Early-Retirement-Scheme	94.800 (1)
- <u>Skill adaptation schemes</u>	n.a.

(1) Maximum amount

n.a. = not available

Source: Ministry of labour, Treasury and own estimates

Comparing the programmes the Public-Relief-Work and the Job-Offer-Scheme prove to be the most inexpensive. The per capita-costs for the Employment-Plan and the action-programme are remarkably higher than the costs for the Job-Offer-Scheme and the Public-Relief-Work. This can be led back to the different goals of the programmes. The expenditure programmes are not only aiming at the elimination of unemployment but also at structural changes of the economy. In contradiction to those the Job-Offer-Scheme and the Public-Relief-Work are genuine labour market orientated measures whose expenditure level has to be compared primarily with the alternative costs for unemployment. The job-creation scheme for youth also has to follow this criterion. Compared with unemployment benefits of about 90.000 DKr., however, it seems to be less favourable than the two other programmes. A part of the high costs can certainly be justified by the fact that additional jobs are created by this programme whereas the Job-Offer-Scheme and Public-Relief-Work are only aiming at the recruitment of certain problem-groups but are not linked with the creation of a new job - consequently higher crowding out and deadweight effects can be assumed.

The Early-Retirement-Scheme plays a special role in so far as it only aims at indirect labour market relief effects, but not at a direct elimination of unemployment. Provided that the expenditures for one unemployed person correspond approximately to the expenditures for one pensioner and the latter are also mainly being paid by unemployment insurance fund this programme exerts additional financial pressure on the fund since eligibility does not depend on previous unemployment.

This, however, is partially compensated by the fact that 70 % of the vacancies caused by early retirement are occupied again, most certainly mainly by former unemployed persons.



The following synopsis presents the effects of the individual programmes with regard to the duration of the created jobs. The second column shows whether the jobs are created in the private or in the public sector.

Duration of the employment effect/sectors

Programme	Duration of the employment effect	Sector
Wage-subsidy programmes:		
-Job-Offer-Scheme	promotion time 9 months partly hiring for longer than promotion time	private + public
-Public-Relief-Work	promotion time 26 weeks no further employment	public
Job-creating-schemes:		
-Job-Creating-Scheme	duration of promotion usually 1 year with the goal of long-term employment effects	public + private
Expenditures programmes:		
-Employment-Plan	short-term effects by expenditure programmes	public + private
-Action Programme	long-term effects by structural changes	
Redistribution of the available work-load:		
-Early Retirement Scheme	Medium-term effects by labour market relief effects	public + private
<b>skill adaptation schemes</b>	exclusively long-term effects	--

The mixture of short- and long-term effective measures is striking. All programmes but the Public-Relief-Work are aiming explicitly at long-term effects even those with a limited time of promotion. Yet, it has to be asked, if this intension is being realized: only about 12 % of the long-term unemployed hired within the Job-Offer-Scheme, remained occupied after the end of promotion time. It cannot be disregarded, however, that on-the job-training and the participation in further-training courses during the running time are improving the individual chances on the labour market substantially. Therefore non quantifiable long-term effects are to expect. Up till now there are no findings available on the employment effects of the Job-Creation-Scheme since it was passed in the middle of 1982 only. The Employment-Plans and the Action Programm should have short-term effects by an increase of public demand as well as long-term effects by structural changes of the economy. Medium-term effects are obtained by the voluntary early retirement system; since the measure is implemented on voluntary basis, short-term employment effects are not achievable. The jobs becoming vacant are gradually being occupied by unemployed, which should bring down - in middle terms - the unemployment rate by 2 %. Improvements of skills do not induce direct employment effects but serve the adaptation of labour supply to demand and improve individual employment chances.

All programmes but Public-Relief-Work are being operated in the public as well as in the private sector. There is no analysis on job productivities of jobs created by programmes. It can be assumed, however, that these are lower in the public sector than in the private. This especially affects those programmes which implicate a hiring-guarantee for certain groups and where no possibility for further employment exists (e.g. Job-Offer-Scheme in the public service).

The fear that schemes only serve employment but do not produce any real socially meaningful out-put is only expressed regarding the Public-Relief-Work. A questioning among participants established the result that most of the young people considered the programme to be a kind of "occupational therapy". The Job-Creating-Programme demands social benefit even as a condition for promotion. For the expenditure and investment programmes the special social benefit is determined beforehand. They are related to the promotion of house-building, the energy industry, of commerce and export. Within the framework of the Job-Offer-Scheme, jobs are done which would also have been performed under regular conditions, the only difference is that these jobs are occupied with former long-term unemployed. The following synopsis shows the specific effects of the labour market relief of all schemes:

Effects of the labour market reliefs:

Wage subsidy programmes

- Job-Offer-Scheme target group orientated towards long term unemployed
- Public-Relief-Work target group orientated towards youths

Job-creating programmes

- Job-Creating-Scheme target group orientated towards youths

Expenditure programmes

- Employment-Plan with view to employment: globally, aims at structural changes of economy
- Action Programme

Redistribution of the available work-load

- Early Retirement-Scheme target group orientated towards elder people
- Part-Time-Work global
- skill adaptation schemes global and partially target group orientated towards young people

The relief of the labour market is - to a large extent - target group orientated, thus designed at problem groups of the labour market, that is at young people and long-term unemployed. Indirect effects relieving the labour market result from the voluntary early retirement arrangements and from qualifying measures. Those are training measures which keep young people out of the labour market while participating. A global labour market relief is induced by part-time work which is open for all groups and branches. But actually predominantly women, who are occupied in the administration, work part-time. The Employment-Plan and the Action Programme do not have any target group orientated effects with regard to the structure of unemployment, but are aiming at the solution of structural problems of the economy which are only partially identical with the structure of unemployment.

The efficiency of the Danish labour market policy is reflected by the high utilization of the individual programmes. The long-term work programme shows an utilization of 83 %. There are no figures concerning Public-Relief-Work, Job-Creating-Programmes and qualification measures. Until September 30<sup>th</sup>, 1981 62.485 persons have made use of the voluntary early retirement. That corresponds to approximately two thirds of the gainfully employed in this age group. The proportion of part-time workers is also very high. Its part of the labour force amounts to 21,6 %.

In relating the cost-intensity of the programmes to the planned period until they induce effects, it becomes obvious that programmes aiming at short-term effects are usually less cost-intensive than programmes aiming at long-term effects, except for training measures which are mostly less cost-intensive. Typical examples for programmes being almost exclusively short-term effective and cost effective are the Job-Offer-Scheme and the Public-Relief-Work. The Early Retire-

ment Scheme has long-term effects and is expensive. The fact that programmes with long-term effects usually cause high costs and are, moreover, not immediately successful, is met by linking supply orientated and demand orientated measures in the Employment-Plans and in the Action Programme.

On the one hand public expenditures lead to an increase of demand for goods and - through investment activities - to a possible creation of jobs (only within the framework of the Employment-Plan II 50.000 jobs should be created every year), on the other hand investment grants lead to structural changes of the economy, thus to a long-term elimination of unemployment, for example by giving investment grants to export-orientated branches with the effect that they remain or become competitive on the international markets. The extremely high costs seem to be justified considering the fact that both programmes are short-term as well as long-term effective. A goal conflict continues to exist, however, for balanced programmes: long-term designed instruments are aiming at a structural change of the economy which means that short-term effects, bringing about a structural change of unemployment, are almost excluded. Vice versa, however, measures which are aiming at a structural change of unemployment cannot create a structural change of the economy, which again is the long-term pre-condition for maintenance and improvement of the employment level. The Danish policy meets this contradiction with a mixture of policy patterns which provides long-term effects on the one side and short-term effects on the other side.



F R A N C E

FRANCE

- O. Analytics and Empirics of Economic Policies
  
- I. Increase in the Supply of Jobs
  - 1. Wage Subsidies
  - 2. Job Creation Schemes
  - 3. Employment Effects of Public Expenditure Programmes for the Public and the Private Sector
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- II. Redistribution of Available Work Load
  
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- V. Conclusion



O. ANALYTICS AND EMPIRICS OF ECONOMIC POLICIES

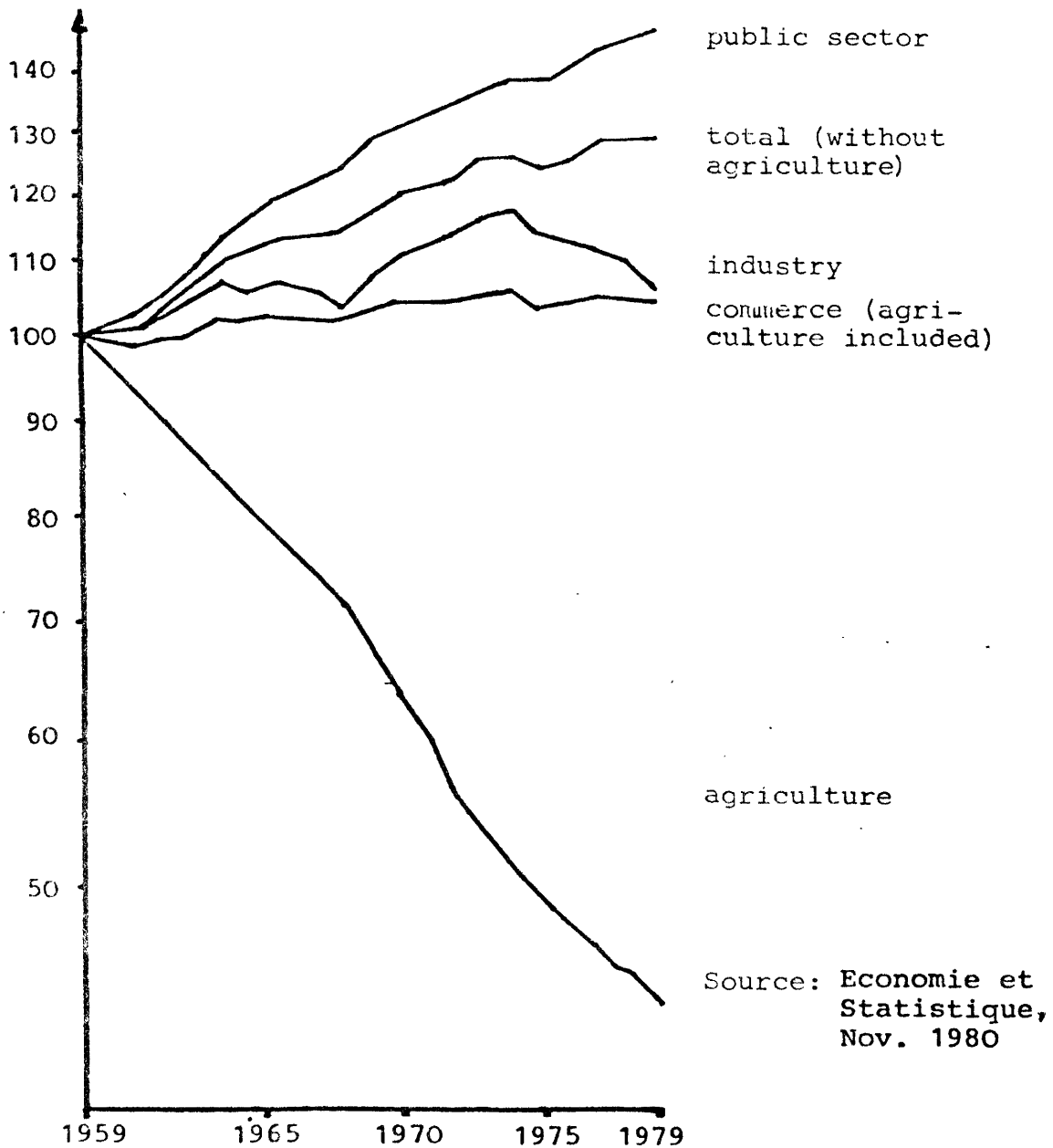
The French government Mitterrand/Mauroy in office since May 1981 intends to introduce a new economic and labour market policy and to lead France back to a stability path, characterized by the "magic square" within a few years. Failures, mistakes and socially detrimental developments of the former government shall be avoided. Priority is given to the offensive combat against unemployment. In spite of the new beginning, however, the new government must and can refer to the general conditions and experiences of the policy of the former government. Therefore the short analysis of the French labour market policy is divided in a) the period of the 70s and b) the new policy of the 80s.

a) The development of the economic- and labour market policy in the 70s

The economical policies in the 70s still were influenced by the experiences of constant growth in the 60s. Still 1978 an "early end of the crisis" was predicted (Ministry of Labour, 1982a, P.21). Consequently the economic policy was focused on the combat against inflation, improvement of the infrastructure and political management. The employment- and labour market policy was restricted to the improvement of the operation of implacement processes and to training- and further training schemes as well as to the financial compensation of unemployment. The constant growth of employment was regarded to be a success of this policy (see ib). Labour market problems seemed to result only from the demographic development and the increased participation rate of women (cp. Farge, 1978). Though the employment even rose by 380.000 people from 1973 to 1980, the growth however remains far below the rate of past years. Only between 1969 and 1973 the increase amounted to 1.8 millions.

Sectoral shifts are concealed behind those global data, above all from the rural sector to the tertiary sector. Even though the industrial sector did succeed in compensating contracting branches because of its comparatively high employment rate, it is subject to extensive business fluctuations and also affected by an absolute decrease since the mid-seventies. The following diagram shows this development.

Diagram 1: Development of Employment by Sectors (1959 = 100)



This development, however, has become a labour market problem only since the emergence of disparities between the demographically caused increase of the working population and the growth of employment in the mid-seventies. Here it has to be taken into consideration that also because of declining rates in working-time reduction employment could not reach the growth rates of past years any more. The following survey elucidates the connection between the increase of working population and unemployment. The table following thereupon illustrates the relationship of productivity development, working time and employment.

Diagram 2: Working Population, Employment, Unemployment in mill. (1955-1981)



Source: Census 1980, quoted after Ministry of Labour, April 1982

Table 1: Average Annual Growth Rates of Hourly Productivity, Working Time and Employment in per cent

	1968-73	1973-76	1976-79	1979-80
hourly productivity	5,5	3,8	3,6	0,9
real working time	-0,9	-1,3	-0,7	-0,3
real employment	1,5	0,3	0,5	0,3

Source: Census 1980, quoted after Department of Employment, 1982

This survey also suggests that the economic growth continues to slacken since the beginning of the seventies experiencing a slight improvement in the second half of the decade. The indicator industrial production makes this even clearer. Confronting this indicator with the movement of inflation, further the dilemma between growth - and stabilization policy can be seen.

Table 2: Industrial Production and Consumer Prices (1975 = 100)

	consumer prices	industrial production
1970	65,4	87,8
1971	69,0	93,4
1972	73,3	98,6
1973	78,7	105,2
1974	89,5	107,8
1975	100,0	100,0
1976	109,6	108,6
1977	119,9	110,7
1978	130,8	113,2
1979	144,8	117,6
1980	164,1	117,0

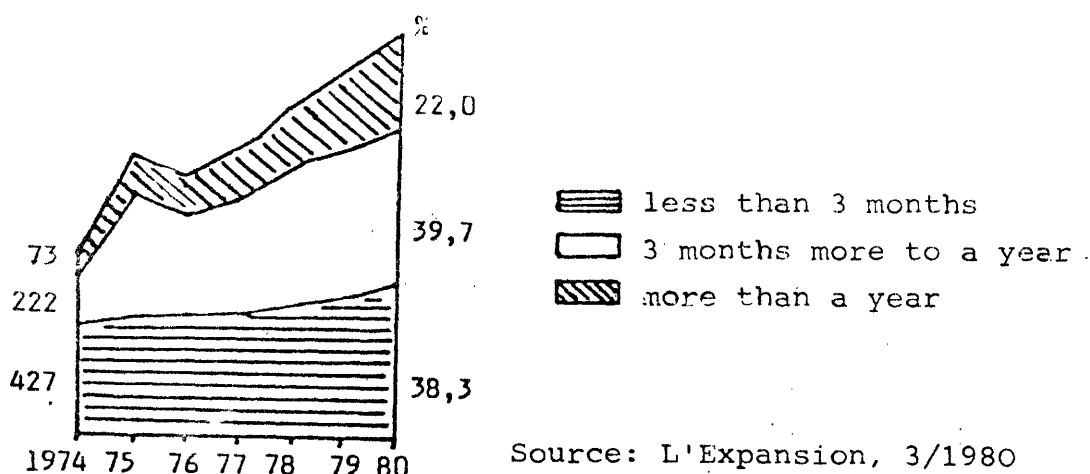
Source: OECD, 1982

The austerity policy of the beginning seventies which was designed to stop the trend to speculate and consequently bring down inflation, was interrupted by price increases of raw materials. Recessive trends with continuously increasing prices followed. Accordingly in 1975 an anti-cyclical growth promotion led to a re-increase of production, but also to a new stimulation of inflation, which in 1975 jumped up to 11,8 % and remained above 9 % in subsequent years.

In 1978 as a response to this development, a wage- and price freeze combined with a restrictive money supply policy was put through. But as the figures of 1979 and 1980 prove, the development of inflation with stagnant growth rates could not be slowed down after the suspension of the wage freeze. High subsequent wage claims with dwindling investments and still increasing prices for raw materials led to high price increase rates towards the end of the seventies which had to be compensated by falling exchange rates in the international commerce. The result was not only a deterioration of the competitiveness of the French economy on international, but also on national markets. The percentage of imported industrial products on the French market rose from 31,8 % in the beginning of 1979 to 35 % in the beginning of 1980 (in the beginning of 1982 it amounts to 37 %) (Insee, Business Report, 1982, a,b,c).

This scenery is reflected on the labour market as a 3,7 fold multiplication of the demand for labour with stagnant supply of jobs in the period from 1973 to 1980. The unemployment rate went up from 1,8 to 6,1 %. The dispersion of unemployment by sex, age and duration indicates a trend to the formation of a basic level of unemployment which will continue in the eighties. The following diagram shows the increase of the percentage of long-term unemployed.

Diagram 3: Duration of Unemployment in % of Total Un-employment



In 1980 the unemployment rate of women is twice as high as of men, the youth unemployment rose and regional disparities increased. The following employment office areas had an average unemployment above 10 %: Normandie, Calais, Bretagne, Pointoucharentes, Aquitaine, Midi, Languedoc-Roussillon and Provence Côte d'Azur.

From 1979 to 1980 this development was encountered by an economic policy which concentrated on structural adaptations (promotion of nuclear energy, location-improvements for steel production etc.), improvements of the investment conditions by combatting inflation, reduction of public subsidies and compensations of negative consequences of the adaptation measures predicted to be middle-term effective. The decreasing trend of the net credit loan of the state and the development of the money supply indicated this policy patterns (cp. Barre, 1982).

Table 3: Net Credit Loan and Money Supply

	Net credit loan as percentage of GNP	Monetary quantity (M2) aim	actual deve- lopment
1975	2,2		
1976	0,5		
1977	0,8	12,5	13,9
1978	1,8	12,0	12,2
1979	0,6	11,0	14,4
1980	0,4	11,0	9,7
1981	2,4	10,0	14,7
1982	2,3		

Source: OECD, Jan. 1982

In accordance with the cautions intervention strategy of the state a predominantly passive employment- and labour market policy was pursued which included four regulation levels:

- 1) The improvement of work-placement (ANPE)
- 2) The faciliation of leaving the labour market. This concerned elder workers, immigrants as well as women.
- 3) The adaptation of labour supply to demand by corresponding occupational training.
- 4) The loosening of labour laws to make part-time work and temporary job contracts possible.

The basis of these measures, however, was the reform of the unemployment benefit which eliminated the disparities in the allocation system and alleviated the consequences of voluntary unemployment (the unemployment benefit was fixed at 90 % of the last take-home pay). Altogether, these measures had the following effects:

- The expenses rose drastically. In 1973 the share of employment policy instruments of the GDP still amounted to 0,9 % in 1980 already 2,25 %. The overall expenses in 1980 amounted to 62 billions FF.
- The increase of costs, however, was predominantly caused by the increase of unemployment benefit and retirement promotions. Their share of the total budget were 58 %.
- In the second place of the expenditures, however, are promotions of the occupational training with a total sum of 18,6 % billions FF.
- Measures for maintaining jobs and job-creating schemes constitute a comparatively small percentage.
- Improvements of the labour market were of least importance.

The following survey presents the expenditures for each individual measure and their relative percentage of the total requirements for the labour market policy.



Table 4: Absolute and Relative Expenditures of the Individual Components of the Labour Market Policy 1980

Measures	Figures in mill. FF	in %
unemployment benefit	25.817,8	41,7
of which special supports	5,695,0	9,2
Retirement promotion	10.164,4	16,4
of which income guarantee	8.031,1	13,0
Job preservation	2.361,2	3,8
Job promotion and creation	2.637,9	4,3
of which funding of social costs	1.237,9	2,0
Employment promotion	1.387,1	2,2
Occupational training	18.554,1	30,0
of which supports for work-seekers	7.947,6	12,9
Improvements of the labour market	942,2	1,5
Total	61.864,7	100,0

Source: Ministry of Labour, 1982.

b) The Policy of the Eighties

Economic Development

In the beginning of the eighties the employment problems became heavier. While in 1980 employment could still be stabilized by growth rates above productivity increase, employment dropped in 1981. Unemployment additionally rose, however, by still valid demographic influences (average increase rate of the working population at 1 % - corresponding approximately 230.000 persons - are expected to a lesser extent until the end of the eighties).

Table 5: Growth and Unemployment

	$g_o$	$g_{o/e}$	$g_e$	u
1980	1.3	1.1	0.2	6.4
1981	0.3	0.7	-0.4	7.5
1982*	2.2	1.8	0.4	8.1

\* estimated: all figures in %; several sources

Legend: g = rates of growth; o = gross national product in real terms; e = employment; o/e = labour productivity  
u = unemployment rate

The structures of unemployment is maintained because of selective hiring and dismiss policies of firms and because of regional and sectoral developments, as well as of institutional factors. The following table shows the structure of unemployment for the beginning of 1982, specified by the characteristics women/men/young people:

Table 6: Structure of Unemployment (first quarter of 1982)  
(all figures in per cent)

	share of the un- employed totally	characteristic- specific unem- ployment rate
women	49,4	11,1
men	50,6	7,3
young people under age of 25	40,1	20,5
average		8,3

Source: Eurostat

Under the condition of a predicted productivity increase of more than 3 % a growth from 1 to 2 % and a permanent growth of the working population, unemployment will continue to rise, given that the working time remains unchanged.

Table 7: Labour Market Balance from 1982 to 1985  
- in thousand -

	1	2	3	4	5
1980	22.472	430		21.142	6,3
1982	23.002	430	0	21.710	8,1
1985	23.572	720	254	21.396	9,2

1 = Working population; 2 = Increase of working population;  
3 = Change of the number of jobs; 4 = Employment;  
5 = Unemployment rate in per cent

Other macro economic circumstances of the labour market - and employment policy, in the 70s unknown in this extension, make a middle-term consolidation of the employment level more difficult. An average inflation rate of 10,5 % is expected for 1982 which could rise even more in 1983. The balance of goods and services will not be offset. The balance of trade deficit will amount to 100 bill. FF and according to all forecasts will not be reduced in 1983 either.

Table 8: Trade Balance in Mill. US \$

1972	1.273
1975	1.190
1977	-2.428
1978	1.140
1979	-1.178
1980	-12.013
1981 <sup>+</sup>	-26.957
1982 <sup>+</sup>	-33.220

Source: OECD Jan. 1982

<sup>+</sup> Ministry of Economy, quoted after  
'Le Monde', 9.11.1982

#### Employment- and Labour Market Policy

As a response to deteriorating circumstances and the failing of growth stimuli by the world market the government Mitterand/Mauroy introduced its concept of an offensive combat against inflation after a period of predominantly compensatory or reactive labour market - and employment policy. This concept is classified around four axes:

- 1) Employment-effective policy of economy stimulation;
- 2) Redistribution of available work load
- 3) Integration and training of youth;
- 4) Combat against inflation.

To 1)

The economic recovery should be based on the expansion of mass purchasing power and the stimulation of private and public investments, which again receive their energy from the nationalized sector. Instruments of this policy are: Increase of the minimum wage, expansion of employment in the public sector, development of infrastructure investments, nationalization in the sector of banks and industry as well as a selective industrial policy. At the same time this is designed to improve the foreign trade structure.

To 2)

A reduction of working time is regarded to be the by far most employment-effective measure. It implicates several levels: Introduction of a 39-hours-week, the 5<sup>th</sup> vacation week, restriction of overtime, the expansion of part-time work, early retirement and decentralized measures of 'solidarity contracts'.

To 3)

The expansion and specification of major employment issues for the integration and training of youth should take into account (inter alia) the requirements of the demographic development and the extremely high youth unemployment.

To 4)

By a moderate wage-price-policy the competitiveness of the French economy on the one hand, and mass purchasing power of the population on the other hand should be guaranteed. Price regulations, retrenchments in the employers' social security contributions as well as an extra tax on higher income to compensate the deficit of the unemployment insurance should help to achieve this aim (cp. election platform, January of 1981).

The increase of expenditures for employment-effective policies reflects this new trend:

Table 9: Labour Market- and Employment Policies  
- in Mill. FF -

	1981	1982	Veränderungen 1981/82 in %
Employment programmes	49.629	72.751	49,6
Labour market policies	12.794	18.582	45,2
Total	62.423	91.333	46,3

Source: Ministry of Labour, 1982

The employment policy is funded by an increase of public borrowing and assumed surplus revenues as a result of financial effective consequences of a predicted reduction of unemployment as well as by higher taxes. Deficits of the social funds shall be compensated by surplus revenues and higher output rates. From 1983 onward a labour market contribution for employees in the public sector is planned.\* The combat

\* At the beginning of 1983 the french government announced the establishment of a surtax over a limited period of time, having to be re-paid after 1985, for recipients of middle and higher income.

against inflation shall be supported by political management like the nationalization of the banking system and the introduction of competition in profession and trade areas so far protected. Except for the mentioned shifts in emphasis the employment- and labour market policies of the new government rely on the traditional institutions and already existing programmes are proceeded.

A comparison with the measures of the Barre-policy shows continuity with certain modifications:

- The total expenditures have certainly increased, but
- still the expenditures for unemployment benefits add up to the highest share.
- Furthermore priority is given to the occupational training. This is proved by an increase of the budget share of 28 % and the foundation of an independent department.
- The early retirement is supported furthermore.
- The reform of work-placement is carried on.

The following diagram shows the relative percentage of all individual measures in the budget of the Ministry of Labour.

Diagram 4: Shares of the Individual Programmes of the Budget of the Ministry of Labour

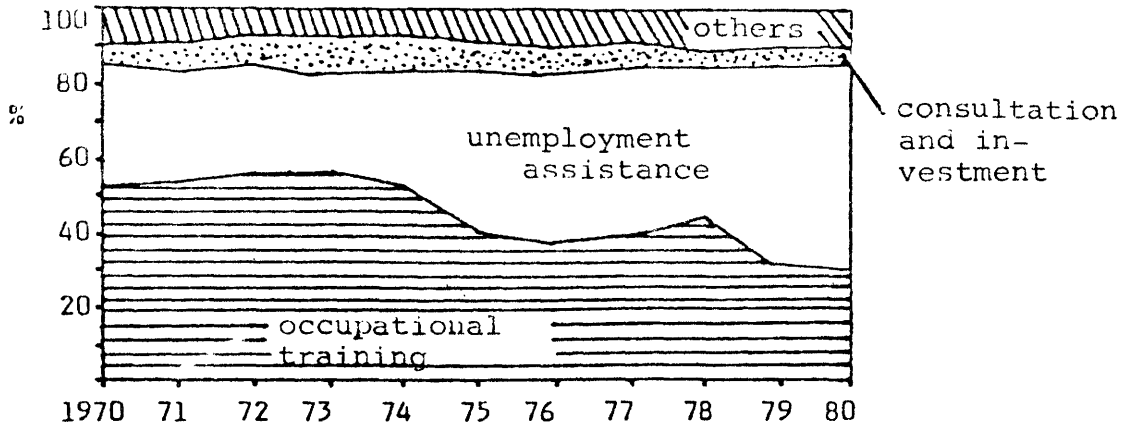
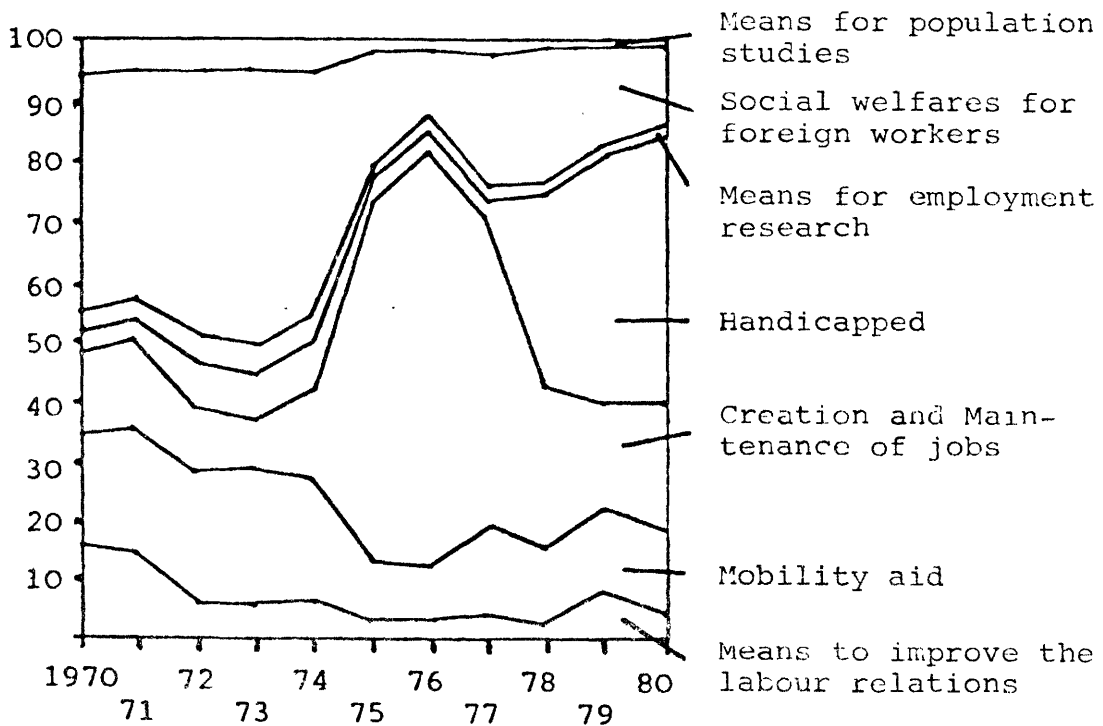


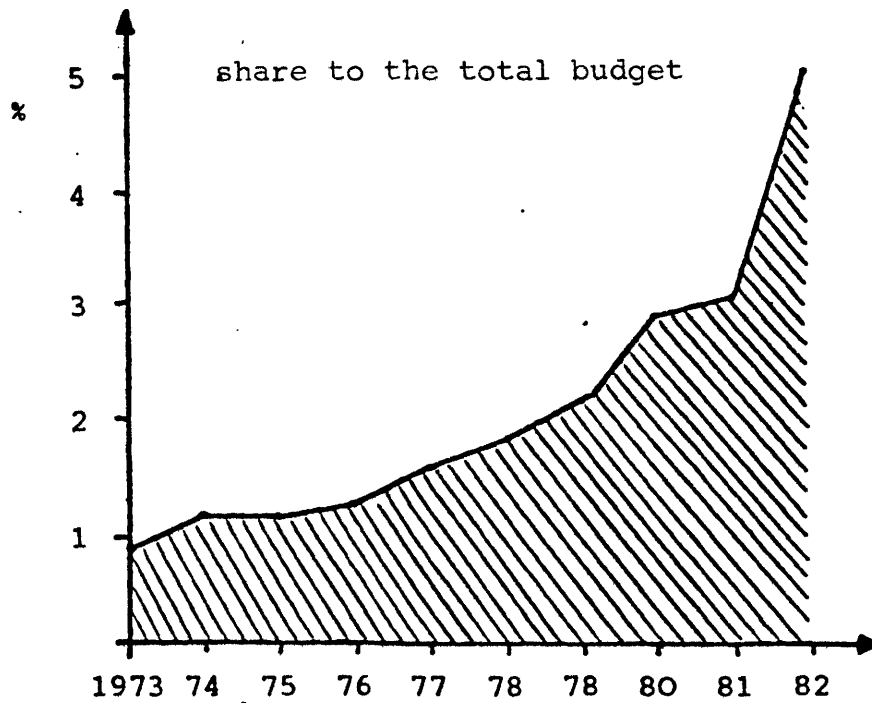
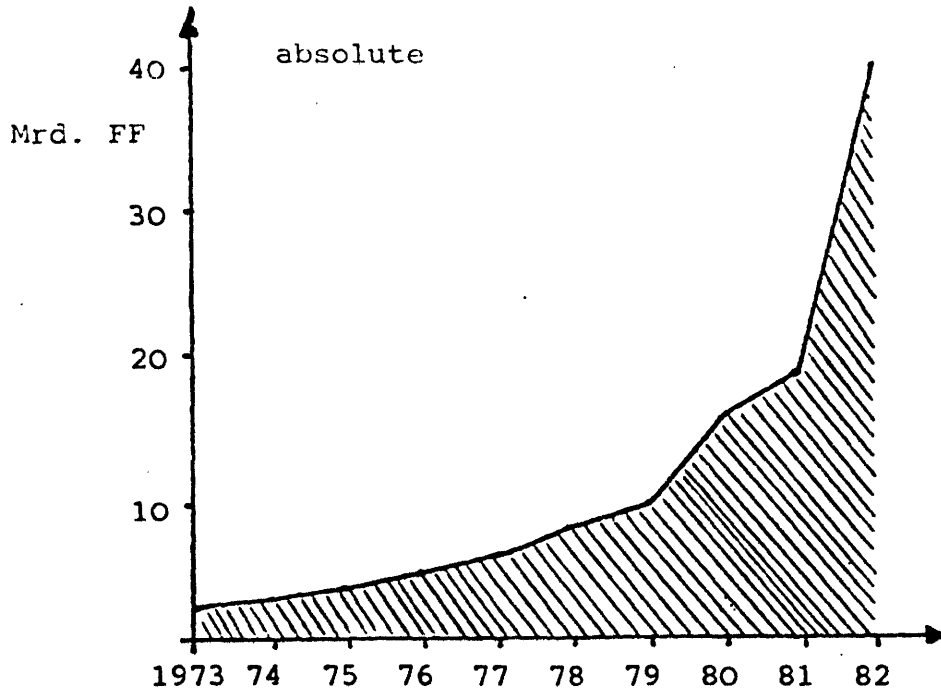
Diagram 5: Division of the Sector 'Others'



Source : Projet de Loi de Finances pour 1982, Ministry of Labour



Diagram 6: Development of the Budget of the Ministry of Labour



Source: Projet de Loi de Finances pour 1982, Ministry of Labour

The opposition (cp. Barre, 1981/82) holds against the general direction of the socialist/communist reform policy:

- 1) The expansions of the public services would not solve the employment problems. Constant employment could only be created in the productive sector.
- 2) The stimulation of economy growth by an increase of private consumptions would be dangerous. In the first place it would not pay regard to the international involvements and would therefore - since it additionally heats up domestic inflation - lead to increasing foreign trade deficits. Thus, a currency devaluation would be inevitable. Then sooner or later only a restrictive economy policy could improve the general situation. Disadvantageous consequences for the employment would not be avoidable.
- 3) A working-time reduction could hardly contribute to the decrease of unemployment. First of all it would increase the financial burden of the firms and secondly it would endanger the international competitiveness of France, crucial point of the French economy policy.
- 4) The massive additional expenditures of the state (expansion of the public service, nationalizations, reduction of social security contributions of employers, transfer payments to households etc.) would not only withdraw productive capital from private investments, but (inter alia) would lead to a dirigistic increase of the budget deficit.

A few critical points obviously have come true in the first year of the government Mitterand. This applies (inter alia) to the price development, the investment activity and the budget deficits. The restrictive programme of June 1982 tries to take into account these developments. A - for the time being limited - wage- and price freeze is meant

to bring down inflation and thus improve the foreign trade situation. The dilemma of the 'circulus vitiosus' ( Aglietta and others, 1982) of the French economy policy, that expansive policies lead to high inflation rates, restrictive measures to social troubles accompanied by extra claims of the contractual partners, but both do not induce growth, seems to be still valid.

The reduction of working time - as also proved by the interruption until the end of 1983 - does bring up employment (within the framework of the decrease of real working-time) but it also increases the financial burden for companies. In combination with income guarantees and the increase of minimum wages the competition chances of French economy deteriorate due to labour-costs increasing above-average.

The rise in public expenditures could not stop the downward trend of the investment activity but only enlarged the budget deficit. Are these programmes being financed through an increase of social security contributions and indirect taxes private demand is lowered, thus they have contra-intentional effects.

According to agreeing forecasts all measures are not likely to restore full-employment till 1985, yet, to government opinion, they do produce the pre-condition for the functioning of growth mechanism by preserving demand and skills and through improvements of the economy structure and the financial market. It is unquestioned, that the economic and social problems of unemployment would be much more drastic without employment schemes.

In the following evaluation of the individual programmes only the most important individual programmes are described. The stress is laid upon the employment programmes until 1981, because the experiences of new policy are hardly evaluated so far. As far as informations about actual developments were available, they are taken into account. A registration of all measures can be found in the appendix.

## I INCREASE OF THE SUPPLY OF JOBS

### 1. Wage subsidies

To a larger extent subsidies for the production factor labour are granted as hiring and training premium payments since the 1st July, 1977. Within the framework of so-called employment packages these measures were modified several times in their quantitative volume and specified in their qualitative basis reference. Since the 1st of July, 1981 these programmes have been extended and are now even more distinctly designed at special problem groups of the labour market like e.g. older long-term unemployed or employees in crafts establishments (programme: engagement of the first employed) and also granted in form of reduced social security contributions. In general especially the hiring of juvenils and of special categories of women shall be promoted by the employment packages.

With that, a contribution to the reduction of the extremely high unemployment of these population groups shall be realized. In the first quarter of 1982 for example 40.4% of all unemployed were young people under 25. Demographic trends, the increase of the women's activity rate and selective mechanisms of the labour market had continuously led to a concentration of unemployment on special groups.

Wage subsidies are of greater importance in the socialist/communist coalition government than before. Programmes like that run under the government Barre were then still criticized by the former opposing political parties.

These programmes are still supported by the employers' association. Above all the CNPF (employers' association) (CNPF 1982) refers to the high number of young people (approximately

1.5 mill. between the 1st of July, 1977 and the 30th of June 1982) who could be at least temporarily integrated in occupational life by wage subsidies. Moreover the CNPF assumes that three quarters of the occupied young people could be long-term employed. The costs of these programmes are estimated to be smaller in comparison to the alternative costs for unemployment.

Perrin (Perrin 1982) suggests that approximately half of the subsidized working- and training places are additionally created training places.

Trade unionist groups are sceptical concerning the positive effects. The CFTC (CFTC 1981) supports the programmes, because working- and training places would be available for a large number of juvenils within their framework. But they present a very critical view about the number of real recruitments as a result of the agreement.

Even though trade unions do support those measures for the promotion of apprenticeship contracts they complain about the extremely high part of deadweight effects especially by economically sound companies. On the other hand, so the CFDT, the incentive for economically weak companies would be too small as to have an impact on staffing decisions, which here means recruiting additional employees.

The strongest critique of wage subsidies within the framework of the employment package is expressed by the communist trade union CGT. They criticize not only that firms could abuse the offered allowances without a real efficiency control, but also the only temporary character of the effects of wage subsidies, as 'dead end' unemployment. Wage subsidies could not guarantee

Yet, beyond the critical view all trade unionist groups are supporting the wage- and training subsidies in those cases that are likely to improve the education and qualification level of young people.

Wage subsidies within the framework of employment agreements are also subject to scientific evaluation. The following arguments played the most significant role:

- In general the administrative simplicity of the French model of wage subsidies, the (partial) exemption of employers' contributions to the national insurance, was emphasized to be very effective. Since the social security contributions are directly deductible, the risks and additional costs for employers are minimized when they recruit new employees.
- There is consensus that the wage subsidies without employment clause have promoted a great exchange of employed persons in the first year of the employment agreement. The utilization of wage subsidies declined drastically as in the following second employment agreement the allocation was linked to the additional condition that the employment level altogether had to be increased.
- Figures about the selective utilization of subsidies are statistically proved (Paté F. and others 1980). The unequal distribution by sex, area or branch is significant: Approximately two thirds of those who got a job by wage subsidies were male. The subsidies were utilized to a greater extent in the construction sector, for public works, in commerce, in a few service sectors as well as in the food, drink and tobacco industry. The areas in the west and south-west were benefitting from the subsidies above average. The contrary applies to the north and south-east areas.
- Paté and others ascribe this different utilization to the size of the firm: the subsidies are more attractive for smaller firms with a high fluctuation of employed persons than large-sized firms with long-term planned training goals. Colin:Espinasse (Colin/Espinasse 1979)

conclude from similar research results that the financial incentives probably were too small ~~as~~ to influence the personnel planning of larger firms.

The effects for relieving the labour market, the selectivity of the measures as well as possible dead weight effects are judged controversially:

- Gaspard/Frank (Gaspard/Frank 1981) regard the net effects of the employment agreement (including educational-oriented measures) to the level of unemployment to be insignificant. This is due to the fact that a certain part of hidden labour force is being activated. They emphasise the short-term success of the measures, but criticize the shift of problems: no stable jobs were created on a middle-term basis. The measures had to be renewed constantly on a higher level in order to achieve a long-term success for the level of unemployment. The expenditures of such a strategy would not be bearable, however, Besides that such a policy would not hit the roots of unemployment which are located in the macroeconomic sector. Gaspard/Frank are demonstrating in a model calculation that the employment agreements certainly have not created more than 5 000 durable jobs. Competition profits in relation to foreign competition as well as a slight increase in purchasing power as a consequence of the agreement have been taken into account by them. Jaqueline Simon (Simon 1981) observes on basis of a research study for the European social fund that 59% of the persons promoted by wage subsidies were still with the firm 18 months after having taken up the job.
- With regard to possible regrouping of the age structure two researches are available. Gaspard/Frank disproved assumptions that the employment agreement would have been abused for a re-grouping of the age structure of employees by recruiting young people. A research of the



Ministry of Labour (Ministry of Labour), however, refers to programmes for the re-integration of elder long-term unemployed and indicates that these special programmes have not been very successful so far. They have not led to a significant increase of employment of older employees. On the contrary deadweight effects had to be observed. In more than three quarters of the surveyed cases the older employees would have been given a job even without wage subsidies.

- Colin/Espinasse (Colin/Espinasse 1979) examine particularly the latter aspect but distinguish 3 problem fields which have to be paid attention to when analysing the short-term labour market effects:

- o The possible deadweight: engagements would have been realized even without subsidies,
- o the anticipation effect: the engagements are realized only earlier than originally planned,
- o the substitution effect: instead of regular recruitments subsidized probationers are hired.

Despite considering these factors they calculate a short-term labour market relief effect of the first employment agreement at a scale of 100 000 to 193 000 persons. Possible deadweight becomes effective only in a longer survey period. The possibility of a long-term success as the creation of stable not subsidized jobs is also rated by them to be extremely low. Moreover they see the risk of segmented labour markets: If wage- and training subsidies are not being continued relatively conditions for the entry into the labour market will arise for not subsidized or no longer subsidized persons. If the programme is being continued different price systems of manpower for subsidized and not subsidized groups are going to emerge. Furthermore those schemes of the

employment agreement that only provide temporary contracts would lead to a solidification of exactly this part of the labour market.

According to the model calculation of Colin/Espinasse the macroeconomic effects are only low. The consumption of private household raises by 0.16%, the gross domestic product increases by 0.1% during the survey year; the balance of trade is affected negatively.

Price-and wage level effects are to neglect.

Accordingly impulses on inflation are to being caused.

## 2. Job Creation Schemes

There are two different kinds of job creating schemes in France:

- a) A kind of civil service (contrats de jeunes volontaires) is offered to the young for a period from 6 to 12 months. Inter alia jobs in the sector of environmental conservation and local tasks in small municipalities shall be carried out. The provided funds are relatively low, however.
- b) For the time being also another kind of job creating schemes which aims at the same direction, is quantitative-ly low. By means of the "emplois d'utilité collective" (by the decree of the 2nd of October, 1981, these programmes are entitled "emplois d'initiative locale") temporary jobs (approximately 10 000) in the municipal administrations and public associations without profit interests (e.g. in the child care, in the youth work or in the environmental conservation) are to be created for young people between 18 and 25 in 1982. In this context also temporarily not restricted subsidies are paid to various social and cultural associations.

These programmes include considerations which were developed especially within the socialist party: promotion of a self-governing third sector working on own responsibility which should not be guided neither by private profit interests nor executed by bureaucratic bodies.

The goal of these programmes is to create real additional jobs which would not have been realized without government aid. First experiences of the programme, initially adopted in May 1979 are generally valued ambivalantly. (Baudrillard, Colin, 1981 Grupe Interministeriel, December, 1981):

120 mill. FF were available to create 5 000 jobs. In the planned period, however, only 3 000 jobs could be established.

It could not be achieved that

- primarily additional jobs were created. 90% of the associations receiving funds were working already before the programme was issued. Moreover the limitation of the support to 12 months proved to be too low in order to realize even a middle-term planning.
- persons with low or disadvantageous skills were integrated. 90% of all hired persons had a qualified certificate.

Also specific effects for 'problem groups' have been observed, however:

- The percentage of those who have taken up a job for the first time amounted to 30%, although their percentage of all unemployed persons was only 24%.
- 28% of the persons benefitting from the programme had been unemployed over one year. Their share among the unemployed amounts to 30%.

According to Colin/Baudrillard and the interministerielle inquiry commission those results do suggest an improvement of the "emplois utilité collective", but a quantitative expansion, however, is only possible within limited boundaries for financial reasons.

Some social groups seem to be more optimistic: The CFTC thinks that even an expansion to 100.000 or even 150.000 employed can be financed (Bonnard). The programmes should be designed at three sectors: social care, cultural and leisure-time activities, old age assistance.

For 1982 the official policy merely provides a moderate expansion of public employees of 10.000. At the same time the grant is increased from 24.000 FF to 36.000 per person.

The opposition views such programmes like the extension of public employment with heavy criticism (R. Barre, 1981,82): the budget would be encumbered furthermore and the public overhead costs would increase when all resources of the country shall be used efficiently, inter alia for the increase of exports.

A study on the job-creating scheme EUC (Emploi d'utilité collective) existing since 1979 (Gandin 1982) which is supporting also new enterprises besides activities of public benefit, estimates the employment stability of the first 500 projects at 90%; two thirds of these projects, however had still to be supported by the public hand one year after implementation.

A special type of job creating represents the "capitalized disbursement of unemployment pay" which was also initiated in 1979. In order to found an own firm, unemployed persons are allowed to get their future unemployment pay up to 6 months in advance up to a maximum sum of 87 000 FF. Perker (Perker, 1981) reports that from the middle of 1979 to the middle of 1980 already 23 000 unemployed persons have claimed this possibility.

### 3. Employment Effects of Public Expenditure Programmes for the Private and Public Sector

While employment policies towards the end of the 70's and at the beginning of the 80's was characterized by cautious consolidating efforts of the public hands since 1981 the government Mitterrand gives priority to public expenditures for the private and public sector. The questions of funding these programmes and possible inflationary effects have been of concern elsewhere in this report (g.f. chapter I). Here the employment effects of public expenditure programmes for the public and private sector are being discussed, French employment policy stakes on both to the same extent.

With the new socialist government in office, 191 000 new jobs shall be created short-dated in railways companies, post services, in schools and in the health service, thus, "to compensate special disadvantages" on the labour market. According to figures of the Treasury the additional jobs are distributed as follows.

Table 1:

Jobs in the public sector

	1981	1982	1983	total
state	35 000	39 500	55 000	129 500
hospitals, social services	--	19 500	5 000	24 500
municipal administration	5 000	10 000	10 000	
others	--	7 000	5 000	37 000
total	40 000	76 000	75 000	191 000

Source: Treasury, 1982

Reliable cost-benefit-analysis are not available yet. The following survey, however, gives a rough outline.

Table 2:

Effects of increase of labour supply in the public sector

	1981	1982	1983
Employment	+ 40 000	+ 116 000	+ 119 000
Unemployment (in each case at the close of the year)	- 20 000	- 58 000	- 95 000
Unemployment (yearly average)	- 3 750	- 36 000	- 73 750
Net costs for the public finances (1) (in bill.FF)	+ 0,29	+ 2,83	+ 5,76
Yearly net costs of one unemployed person (adjusted) in FF	78 000	78 000	78 000

Source: Treasury, 1982

(1) Budget costs minus the amount for the reduction  
of the unemployment insurance

This rough calculation shows that the relief effects for the labour market are estimated to be 50%. Correspondingly the payments for unemployment benefits are already considered which means that financial requirements of 2.83 bill FF are expected for 1982 and 5.76 bill FF for 1983.

The calculable effects on the labour market or the national budget are - although part of the increasing public indebtedness is associated with the increase of public sector employees (L'Expansion 3/1981) - less controversial between government and opposition, than the political orientation and the consequences for the French social system. The expansion of the public sector is linked with the nationalization policy of the socialist government (cp. Herzog 1982) and subsequently follows a contrary paradigm than the former government and current opposition (cp. Mouriaux, 1982).

Despite the public support of the fusion Peugeot-Citroën in 1974 or the re-structure of steelproduction it was the definite objective of the d'Estaing/Barre-administration to reduce state influence in the public sector. Socialistic arguments, which are shared by the big unions declare that increasing employment in the public sector would not only reduce unemployment but also improve public services (Mauroy, 1982). Apart from this agreement, however, the question of priority and of the scale of jobs having to be created is extremely controversial (cp. Le Monde, issue 1981/82).

A "groupe interministerielle emplois d'initiative locale" concludes from an evaluation of a partial programme "Programme de création d'emplois d'initiative locale" that insufficient willingness to co-operate from the side of the local employers makes a consideration of social needs more difficult. Furthermore it is complained that during the period in question (until the 31<sup>st</sup> of December, 1981) only a third of approved jobs (3.140) could be occupied, which is ascribed to administration deficiencies. Concerning the quality of employment it is noticed that the majority of these new jobs did not follow innovative criteria (improvement of the social services), but was realized in traditional branches (bus-conductor etc.) (cp. Groupe Interministerielle, 1982).

The one-sided stress on the public sector within the scope of public expenditure programmes would - in the long run - lead to a subsequent burden for the public budget that could not be financed without either additional taxation or a heavy growth boom of the private sector. In order to stimulate private growth dynamic french employment policy stakes on public expenditure programmes that are not only inspired by employment but also by structural targets. French employment policy tries to direct private market power towards socially desirable structures. This primarily applies to research and development areas, by which intelligent products and modes of production shall be developed for **attaining export effects.**



In the second period, 1983, the demand policy of the government Mitterand/Mauroy shall be supplemented by an expenditure program for research and industrial development amounting to 32,5 bill FF. Additionally 10,9 bill FF have been provided for energy supply. This consequently follows the already implemented policy. It is expected that the extension of the investment volume together with a capital inflow at nationalized enterprises would overcome the desolate investment activity of the private industry, thus, help to create stable jobs (Mouriaux, Mouriaux, Barroux, 1982).

According to the initial argumentation the new programmes link up with the - in view of their proponents - (Mauroy, 1982, Poperen, 1982) success of the existing investment promotion (1982: about 25 bill FF) which had made a distinct contribution towards the economy growth of 2%. Since the new programmes shall be financed through an increase of the value-added tax the budget will not be affected by an additional burden. Critical experts, however, question the middle- and long-term positive effects of the public expenditure programmes (cp. Barre, 1982). They criticize the subordinate effects of the mode of funding these measures with different approaches.

Trade unions and communists positions refer to the distributional effects in favour of high incomes through a value-added tax-funding. (CGT, 1982). Experts belonging to the conservative side point out that the additional taxation would weaken consumer demand through which expansive and contracting trend would neutralize one another (cp. Le Monde, issue 1982)

Further more it is being stated (Brana, Sept. 1982) that the experiences made with the current programme would have made clear that these financial means were primarily utilized for the consolidation of debts of private enterprises and for the pay-

ment of losses of public enterprises. This critique is not rejected by the government side.

In a critical review (cp. Mauroy, 1982) it is conceded that the employers' profit situation altogether has not improved.

Thus, the effectiveness of the new spending policy - in specifying the programmes - is seen to be dependent on the following conditions that ought to be fulfilled:

- a) an accelerated recovery of the domestic market through structural changes in the industry and an improved competitiveness in export through a productivity increase
- b) the increase of the technological level of production and
- c) the new formation of savings activity, especially by promotion of risk capital and investment savings accounts,
- c) an improvement of social justice by a transfer of social and tax burdens under the condition of constant global sums.

Flanking policy measures are necessary for attaining these goals. But also the expenditure policy is considered to have a genuine function to improve the economic environment. This depends on to which extent investments will be done for the improvement of the productive basis after an economic consolidation of enterprises within the next years and how far multiplier effects will become noticeable.

The extensive expenditure policy, that was implemented in 1981, however, met its limits already in the middle of 1982 which became more obvious in the beginning of 1983. Even though public expenditure programmes had noticeable employment effects, the development of inflation could not be controlled and thus, the French trade balance worsened dramatically. A return to "beggar-my-neighbour-policies" by deflating the French franc, import restrictions or an "achetez francais" orientated policy is not only likely but can also be foreseen in the beginning of 1983. Also probable and noticeable are policies that try to solve the financial problems of the public budget by increased taxation at least in the short term. Even if additional expenditure programmes are being renounced this does not deny employment political efficiency of expenditure programmes, but, for the most, is an **argument** against too ambitious targets under the condition of insecure financing.

4. Promotion of private investment

Within the framework of the increase of public spending that have indirect effects on the stimulation of investment activity in the public and private sector, special programmes are directly aiming at an employment effect by promotion of investments in specific sectors and areas. That traces back to measures of former governments which constantly increased the regional promotion and could prove remarkable employment effects from 1973 to 1980. The following survey shows the absolute employment effect of these programmes.

Table 3:

Employment Effect of Regional Promotion

Year	Regional promotion PDR	Promotion of industry settlement PLAT	Research promotion PLAR	Promotion of urbanisation
1973	1.535			
1974	13.560	507		
1975	20.615	1.896		
1976	18.708	1.987		
1977	24.076	4.199		1.558
1978	28.920	1.432	69	1.952
1979	28.171	1.992	95	2.443
1980	31.532	1.615	0	2.514

Source: Ministry of Labour, 1982a,b

Although this development seems to be positive the regional promotion belongs to the most controversial employment effective measures. The PDR-programme has been examined by several studies (Ministry of Labour, 1982) which refer to nine areas. According to that the labour force participation could be increased absolutely only in three areas, but only in one area by the increase of the active employment in the industrial sector. In the other regions regroupings took place from agriculture and employment in craft to industry.

Two thirds of the programme were realized by enlargening existing companies.

Furthermore certain shifts regarding the structure of qualification were observed. In industrial areas the average qualification level declined by settlement of peripheral production branches. That meant for the steel industry, for example, that young people and foreign workers found a job, but skilled workers registered as unemployed did not. In a general evaluation it is emphasized that the PDR-programme hold the possibility of stabilizing employment in the secondary sector but does not support the trend towards the tertiary sector (Ministry of Labour, July 1980)

Further schemes of regional promotion (PLAT and PLAR) are of minor importance compared to PDR (cp.DATAR 1980). In an inquiry it is criticized by firms that the allocation procedure would be too complicated: they prefer supports like tax relieves (Ministry of Labour, 1982b).

This critique, combined with the other experiences, prompted the Comité interministériel d'aménagement du territoire (CIAT) to adopt a structural change in the regional promotion in November. Besides special goals like the re-structure of mining and production of steel, simplified allocation procedures were worked out and the responsibility and control was decentralized. Especially the national but also the international discussion on subsidizing such branches which are not competitive any more like the production of steel, prints to problems which will tend to become heavier in the future. On the national level this issue is discussed in connection with the nationalization programme. While the government tries to directly influence the conditions for and realizations of investment by the control of banks and key industries, the opposition fundamentally rejects state interventions as

they would hamper private initiative. As an additional argument it is brought up that public investment incentives within the framework of the nationalization programme could only be financed by an increase of the national budget deficit, that means by extended loans on the money market. Increased interests on capital and raised investment costs would be the consequences (cp. Problèmes économiques Juin, Juillet, 1982).

## II REDISTRIBUTION OF AVAILABLE WORK-LOAD

The new economy policy is focused on the redistribution of labour. In France this shall be achieved by the decree of 17<sup>th</sup> of January, 1982 adopting the general introduction of the 39-hours-week, a 5<sup>th</sup> vacational week, the limitation of overtime work, the expansion of part-time work, the reduction of the general retirement age and different forms of solidarity contracts.

Thus the government policy follows an old demand of the unions for an immediate reduction of working time by means of 'multiple forms to combat unemployment' (1982 Alf, CFDT, CFTC). Nevertheless strategies and conditions for their realization are judged differently by the individual unions. Generally there are objections against all strategies concerning the flexibility of working time.

The opposition of the CGT is markedly stronger than the opposition of the CFGT. The individual views as to the necessary scale of the reduction of working hours in order to achieve an unemployment effect also vary. Unionist calls give priority to schemes for the reduction of the weekly working hours (immediately: 35-hours-week, CGT), at the same time the reduction of the retirement age to 60 years has been demanded and greeted by all unions for a long time as being of social and employment political benefit. With more scepticism all forms of early or part-time pension are being judged, as also - and even more clearly - all forms of part-time work.

According to the initial notion of the trade unions, working-time reduction has to be combined with a full wage compensation in order to stabilize the mass purchasing power and the general standard of living. Regarding the question of

full wage compensation CGT and FO are still uncompromising, whereas it could be observed that the position of the government seems to have found entrance into CFDT considerations.

A greater working intensity and an expansion of daily working time shall be prevented. The trade unions believe that future reduction of working time has to be put through in a more decentralized mode because further legislation is not to be expected. As opposed to the trade unions the employers associations prefer a flexibility of working time. Production capacities should be fully exploited by an extension of night-shift-and sunday work. French employers had gained positive experiences from 20.000 in-plant working time regulations that had been agreed upon by the end of the 70's: absent rates and the rate of work accidents could be reduced, Labour productivity and job satisfaction could be increased.

On the other hand employers are sceptical concerning forms of weekly working-time reduction, because they fear an under-utilization of their production capacities and an increase of non-wage costs. Therefore reduction of weekly working-time could only be introduced together with a corresponding wage reduction. Especially small and medium-sized companies raise heavy objections against a reduction of working time together with a full wage compensation because they feel threatened in their existence. Yet, entrepreneurs did not conflict with the reduction of the retirement age and especially not with the solidarity contract 'early retirement'. These measures proved advantageous because of a cost-efficient staff exchange. It is presumed that newly employed young people are not only more productive in general but that it is easier for these groups to cope with production and skill requirements owing to industrial modernization changes (see L'Usine nouvelle, 44/1981).



The employers' associations point to two problems which are explaining their refusal of the reduction of working time from their point of view (Le Guern, 1981). First of all their international competitiveness would suffer and secondly employers would not be able to employ any additional manpower because already now they have to face a lack of certain qualifications on the labour market - this inspite of unemployment. To support this argument employers refer to the fact that already before the working time reduction was put through working time per annum was very low in comparison with the USA and Japan. A study of the employers association shows that the real working time in Japan amounted to 2.016 hours, in the USA to 1.822 hours and in France to 1.679 hours (L'Usine nouvelle, 29/1981). On the other hand proponents of a working time reduction are arguing that the real working time in the European neighbour countries - direct competitors of France - is remarkably lower than in France. 1979 in Italy it amounted to 1.660 hours, in Germany to 1.641 and in the Netherlands to 1.626. Furthermore the productivity per hour, the labour costs as well as the increase of productivity in consequence of a working time reduction have to be taken into account (Perret, 1981). Against the argument of a potential shortage of labour force it is held that it is necessary to enforce training schemes and the mobility of the unemployed (Le Duc, 1982).

First scientific estimations are proving the success of individual measures. Nevertheless profound analysis on the realized employment effects of the different forms of working time reduction are still outstanding. Especially the limitation of overtime work is judged as a success of the French employment policy. A research committee of the Ministry of Labour estimates the potential net employment effect at 50.000 persons (Mauroy et Auroux, cit. L'Usine nouvelle, 29/1981). The effect of a weekly working time of 39 hours is judged ambivalently. Especially the question of

wage compensation is subject to controversial discussions: studies of the Commissariat au Plan and of the INSEE (Le Monde, 1982) about a weekly working time of 35 hours till 1986 suggest that there is a reciprocal relation between wage compensation and employment effects. On the other hand (CGT, CFDT) hope is pinned on the positive macro-economical feedback effects of a wage compensation. At least the maintainance of the overall demand is considered as being absolutely necessary for the expansion of production and employment.

The legal option between an one-hour-reduction of working time or the payment of an overtime allowance would have led to a lower production in cases of working time reduction and in cases of overtime allowances to a rise in costs (see L'Usine nouvelle, 29/1981). Optimistic estimations are supported by reports of the CEE (Centre d'études de l'emploi, Ministry of Labour), which prove that the productivity increase caused by higher working motivation, the reduction of the rate of absence and work accidents as well as measures for rationalization would have compensated the additional costs (see o.p. cit. and Duval, 1982).

The study of Jean Marc Le Duc (Le Duc, 1982; Duval, 1982) illustrates that the adoption of reduced working time is accompanied by drastic modifications of the organization of work. In this report four typical plants (Renault car production, Rhône-Pulenc-Chemie, Godet-delivery and one laundry of a hospital) of one labour office area (Rouen, Haute-Normandie) are analyzed regarding their response to the reduction of working time. Only in the laundry an expansion of the staff could be observed. As for the remaining cases poor market conditions have led to employment losses. Yet, it was also found out, that there are no technical or organizational obstacles against further reductions of working time. Under the condition of further reduction of working

time completely different forms of work organization for an improved utilization of production plants (expansion of the production time together with the introduction of new shift systems; Renault, Rhône-Poulenc, Godet) have to be expected.

Concerning the different types of agreements on working time reduction as set up in the 'solidarity contracts' the following results are available: The solidarity contract 'early retirement' has had positive effects (est. 100,000 empl.). The general 'acceptability' of this measure is pointed out as a further advantage. Employers and employed express their satisfaction with this measure, with is also illustrated by the high percentage of early retirement arrangements within the 'solidarity contracts'. Only between February 1982 and August 1982 more than 10.000 out of 10.304 solidarity contracts included the early retirement. These regulations offer several advantages for employers: dismissal of elder employed seems to be financially ~~advantageous~~ because costs are minimized. At the same time processes of restructuring have been made easier for employers. Though companies are obliged to keep up the employment level, they are not obliged to employ the same skills (European Industrial Relations Review, 1982). Thus, not only unionist representatives express their fear that the early retirement system runs the risk of lowering qualification level.

Weekly working time reductions have hardly been set up in the 'solidarity contracts' so far. According to Rigaudiat, Bevon (1982) this on account of insufficient financial incentives especially for industrial sectors.

Neither the solidarity contract 'part time pension' nor the expansion of part time work in general are successful regarding employment effects. Problems concerning the organization of work as well as an increase of fixed costs

related to the individual employee would have prevented employment effects so far.

Thus, it can be summarized (Mercerau, 1982) that a reduction of working time was successful in those cases in which (as in some solidarity contracts) it was linked to an expansion (resp. maintainance) of the number of employees together with a simultaneous cost relief for employers.

The expansion of part time work, introduced 1980 with the part time act for employees in the private sector, is also judged ambivalently. Proponents of this measure are referring to the labour market situation and point out that only one job is offered for five part time job seekers. They also plead for improved legal conditions for part time work. Critical voices, especially expressed from union representatives, base their argument on a clause which is likely to modify both positive evaluations. Subsequent to the new law the establishment of new part time jobs (all jobs done below the normal working time) does not need the approval of the Committee of the Enterprise (Comité d'Entreprise) anymore, hence it can not be prevented that full time jobs are substituted by part time jobs.

Undoubtedly the situation on the part time job market has been eased temporarily by the increase of employment in the service sector. As to which extent the assumed substitutional effects have been materialized, the qualificational structure of part time work has improved and the new part time jobs guarantee a secure occupation in the long run, has not been analyzed sufficiently so far (see Fiechter, 1981; Archambault, 1981; Perret, 1981; Wissenschaftszentrum Berlin, 1982). The fiscalization of higher contributions for the employment of two part-time instead of one full-time worker has promoted the introduction of flexible working time (job-sharing).

### III ADAPTATION STRATEGIES

#### 1. Adaptation of Skills

During the last five years key issues of vocational training policy were determined by the measures of the already above mentioned employment package. Thus, social political considerations could be connected with labour market requirements. The socialist-communist coalition has adopted instruments of the former government but modified them in some aspects. Job-trainee contracts have been expanded considerably, the promotion of in-plant work experience has been reduced drastically and is now being put down by the latest employment agreement. The duration of the thereto attached educational measures has been increased, female workers were planned to be incorporated to a larger extent.

The decree of March 26<sup>th</sup>, 1982 includes an additional introduction of an alternating training for disadvantaged young people from 16 to 18. It can last up to two years and is meant to offer 100.000 young people the opportunity to accomplish a qualified vocational training.

The qualificational orientated measures of the employment agreement were approved by the employers without any objections (Ceyrac, 1980): continuing (further) training would be the only protection against unemployment in a time of permanent new technologies and of international competition. The vocational training measures should be decentralized and offered in all different forms. To guarantee a close contact to the world of labour in-plant work experience could not be dispensed with. In an opinion poll 72 % of the employers declared their intention to keep their trainees at the end of their training and to offer them a job (Perrin, 1981). Furthermore employers stressed the convincingly quantitative success of the measure and the small amount of costs for the public.

Trade union representatives present ambivalent views: Generally they greet such measures which are actually likely to increase the qualification level of youth. Those are primarily the work trainee-contracts, but also the alternating practical training preparing for a job. So far also plans for vocational training programmes for disadvantaged young people between 16 and 18 meet a general approval. Especially the CGT has discussed these programmes very intensively (CGT, 1982). Yet, is being criticized that in-plant work experience usually does not contribute towards raising the vocational training of youth. Employers would have misused young people as cheap workers instead of giving them a fair vocational training.

Scientific reports concerning the consequence of the educational und vocational training schemes, especially the in-plant work experience within the framework of the first employment agreement are available since recently.

Generally it is agreed that qualification adaptation measures are primarily aiming at a higher productivity of manpower. Nevertheless questions concerning the kind of qualification adaptation remain controversial. On the one hand it is claimed that the technical development demands production-specific and general knowledge. In this case the training place 'company' has to be combined with the training place 'school'. In accordance with this principle of qualification adaptation, in France employment-training contracts and workshops for the preparation for future jobs have been established. On the other hand it is assumed that certain skills can only be acquired within the production, within the company (on-the-job-training). For this reason **work** experience was being promoted.

As quoted in a report of the Ministry of Labour (Ministry of Labour, 1979) 61 % of the probationals had participated in the normal production process. Only 38 % were being regarded as probationals. These figures do not apply to workshops for the preparation for future jobs since this temporarily takes place in skill centres.

Paté a.o. (1981) also assume that a considerable part of the probationals substitute normal employment without influencing the level of total employment significantly. Shortdated they certainly do have contributed to the reduction of unemployment. 60 to 70 % of those benefitting from both kinds of work experience schemes would have been unemployed without the subsidies. Furthermore Paté a.o. found out that the number of participants who already had undergone a certain vocational training was overproportionally high. The number of participants who did not have any vocational training only amounted to 10 to 16 %. Additionally an increase of the qualification level of the participants when entering the programme could be noticed during the running time of the first employment agreement. Almost half of all participants could prove work experience.

The work experience took place in smaller companies of commerce and in some service sectors, whereas 2/3 of the work-training-contracts were concluded in the industries. Nevertheless reverse developments can be observed. The vocational training programmes are concentrated on smaller firms, approximately 60 % of all participants were employed in companies with less than 50 employees, more than 40 % in companies with not more than 10 employees.

The individual use of the combination of work/training seems to be comparatively satisfactory (Simon, 1981): about 7 months after the end of the work-training contract 79 % resp. 86 % of all participants had still maintained their job. Concerning the work experience those figures amounted to 62 and 65 %, four resp. six months after the end of the practical work. Yet, as an inquiry from 1978 suggests, the workshops for the preparation for future jobs could only achieve little success: ten months after the end of the measure only 51 % were employed.

As far as the remaining with the training company is concerned, this is reciprocal to the size of the company. In smaller firms an employment could be maintained comparatively rarely (Paté). The possibility of making use of the acquired skills through the work-training contract proved favourable. Those who remained in their training company could - to a growing extent - take up a skilled job. Those who left their company often found a job as a salaried employee. The latter are almost identical with those who already had work experiences before. Nevertheless having work experience did not always pay: 6 % were still unemployed 6 months after their training. Thus, their unemployment rate was still higher than the rate of those, who had started without any experience. There is evidence to assume that the work-training contracts hardly improved the labour market chances of persons with low qualification requirements. The unemployment rate of this group is above average after the end of the training.

Yet, on the whole, the labour market risks of the participants in the work-training measure could be moderated. As for the workshops for the preparation for future jobs it was also found that those who had started with more job experiences and a better vocational training were more likely to find a long-term employment.



Colin et al. (1981) conclude from the report of Pate a.O. that probationals were recruited instead of normal employees. This serves as an explanation why a great number of probationals were not dismissed after the end of the contract. However, they are printing to the negative consequences: especially the in-plant/work experience has hardly reduced the insecurity of the employment situation for young people. 55 % of all probationals left their company at the end of the programme, 21 % found a new job. As far as the work-training contract is concerned the number of those who changed their company, 14 %, was markedly smaller.

The efforts of qualification adaptation processes in the traditional framework of AFPA - open also for non-youth - are judged even more critically. Thus 1979, 28 % of all participants in work experience organized by the AFPA were unemployed 6 months later. 1974 this rate had only amounted to 5,7 %. The following table supports the discussed results.

Table 1: Result of Studies on the Outlet of Young People Being Promoted by Schemes of the 'pacte pour l'emploi' - in per cent -

measures	time of leaving	period between leaving and begin of survey	situation at the moment of survey				sum	
			in employment			seeking employment again		different situation
			remaining with the company	in a different company	sum			
work-training contract	May-June 1977	Ø 7 months	72	14	86	5	9	100
	April-May 1981	6-8 months	65	14	79	14	7	100
in-plant work experience	June-July 1978	Ø 4 months	41	21	62	26	12	100
	May 1980	Ø 6 months	44	21	65	23	12	100
workshops for the prep. of fut. jobs	April-June 1978	Ø 10 months	-	-	51	36	13	100

Source: Simon, J., Ministry of Labour, 1982

Also in those programmes which are provided by the permanently existing public vocational training centres (CAFPA) a change of emphasis can be noticed: from further education and re-training to the training of young people. From 1972 to 1979 total expenditures increased at a rate of 73 %, yet from 1975 to 1979 only at 1 %. The percentage of expenditures for the integration and training of youth increased to 55 % between 1977 and 1980.

## 2. Promotion of Regional Mobility

Financial aids for the improvement of the regional mobility have continuously grown since 1974 with an annual increase rate of approximately 25 %. Also the volume of approximately 335 mil. FF in 1981 indicates that this measure is of significant importance in the framework of labour market and employment policy. Unfortunately there are no effectiveness or other analysis available, which would allow an evaluation (Ministry of Labour, 1982). Thus estimations can only be gathered from the rate of utilisation of the mobility grant. 1980, 9.200 persons obtained a moving assistance and more than 35.000 young people a mobility allowance. The last figure jumped from approximately 2.00 in 1974 to more than 4.000 in 1977 and 17.000 in 1978 to the mentioned 35.000 in 1980. Since 1979 grants are also offered for the removal to foreign countries. No analysis are available concerning the significance of this programme beside its financial equipment.

These measures have been implemented in connection with the development of regional disparities and labour market un-equilibriances. The promotion of mobility will gain importance considering continuously growing disparities which are foreseen because of a differentiated economical development (see OECD, 1982) and regional policies. But also in connection with the reduction of working time the importance of mobility grants will increase with respect to the adaptation of demand and supply on the labour market (Le Duc, 1982).

### 3. The Improvement of the Efficiency of the Employment Service

In order to judge those measures which are designed at the improvement of the work of the national labour office (Agence Nationale pour l'Emploi = ANPE) the changed function of the labour office has to be considered. When the ANPE was set up in 1967, its task was to secure the labour supply for the well balanced economic growth which was the aim of the VI. economy plan. But already with the economical upswing during the following years which had not been expected, the organization proved a need for a reform. Funds and staff were tripled. Yet, the labour administration was not able to cope with becoming an agency for the implacement of unemployed during the recession. The implacement rates decreased erratically. The following figures illustrate the serious situation of implacement: 1974 ANPE could implacement 151.000 of 2,6 mil. registered unemployed. 1980 the ratio between unemployed and implacement was 3,45 mil./217.000. 1974 there was one offer for 1,5 job seekers, 1980 one offer for 15.

The reforms from 1979 und 1980 were - according to the new function - aiming at decentralization, a better control and an increase of efficiency by incorporating employers and employees as well as the regions in the implacement process. The budget of 1982 created 1.500 additional jobs for the ANPE (Mouriaux, 1982). According to the judgement of experts the decentralized labour offices are - in connection with the mobility grant aiming at the improvement of implacement circulation - operating more efficiently; yet, analysis which could support this statement, are still outstanding. Also because of the general structure of the implacement system an evaluation of the implacement function has to cope with quite a number of difficulties.

Besides the immense number of further public institutions which have certain partial functions for controlling the labour market, the public sector competes with various private labour implacement agencies. Thus, the not yet existing coordination of single activities, depending on an improvement of available information, is pointed out as a major reform step (Ministry of Labour, 1982; Schmid, 1975; Laufer, Lange, Burland, 1979).

#### IV JOB PRESERVATION MEASURES

Short time allowances are installed as a measure to reduce cyclical effects. The expected effects refer to the maintenance of human capital investment, to the avoidance of dismissal and hiring costs as also to avoid the social fund (Sozialkasse) being charged with unemployment benefits. The heaviest utilization of this programme, which was provided with 330 mil. FF in 1980, was in 1975, 1977 and 1979. According to estimations of the Ministry of Labour, in 1980 unemployment benefits to 46.000 potentially unemployed could have been avoided (Ministère du Travail, 1982 a,b).

The utilization of short time work allowances was concentrated on few sectors: only 1980 engine building, textile industry, metal production and electrical engineering claimed 62 % of all lost working days. Since these branches are not only suffering cyclical adaptation problems, but are also seriously hit by the structural adaptation crises, the character of this instrument turns towards a structural aid, yet, without considering the causes.

In 1981 short time work had reached its highest level since the beginning of its statistical recording (1952): 1981 more than 17 mil. working days have been lost, which is an average of 1,3 day per person. In comparison with the previous year this is an increase of 72 %. In the "Statistiques du travail" (Statistiques du travail, fasciculle spéciale, 95/1982, S. 23) this is led back to the expansion of short time work in small and medium sized firms. In the same analyses it is referred to the fact that short time work can be found in different forms depending on branche-specific conditions. In the car industry it is spread over the year whereas in the building industry it only occurs seasonally. It might affect parts or the whole of the staff. In any case

it is a specific form of subsidized working time reduction. In labour equivalents the reduction amounts to 0,1 hours per week. Financing part-time work in long-term recessions is considered the major problem besides not precisely quantified (and not quantifiable since they are subject to internal calculations) abuses (employers can, for example, manipulate capacity utilization limits). In those cases the labour market effect has to be modified because unemployment of the affected employees cannot be prevented in the long run.

According to analysis of the Ministry of Labour (Ministère du Travail, 1982 a,b) special grants for mountain regions, have proved successful as a regional job maintaining measure as well as in other branches bad weather allowances for the compensation of weather conditions.



CONCLUSION

As the following table proves during the 70s absolute and relatives expenditures for labour market and employment policy increased erratically:

Table 1:

Development of Expenditures for Employment Policy (1974-1980)

- Selected Areas - 1974 = 100%

	1974	1976	1978	1980
implacement	100	167,4	270,0	366,3
vocational training	100	154,8	319,3	352,1
unemployment benefit	100	363,9	652,6	473,2
withdrawel from labour market	100	213,9	461,9	872,4
creation of new jobs	100	131,2	278,5	439,0
maintenance of jobs	100	1348,1	1646,0	3099,4
total	100	247,0	467,4	687,0

Source: Colin, et al. in: Ministry of Labour, 1982

Facing this development questions arise about the reasons of the expenditure increase and the effectiveness of the measures. Has the effectiveness of the increased expenditures improved? Do the different measures distinguish with regard to the cost-benefit-effects? This question raises the problem of measuring efficiency. Theoretically, economic welfare-analytic or cost-benefit-analytic measuring methods come into consideration. As Schmid (Schmid, 1982) points out in his evaluation study referred to the Federal Republic of Germany, labour market policy largely resists such strict criteria, however. Labour market policy often aims very specifically at social improvements of disadvantaged individuals and social groups by means of a redistribution of resources. Thus it strives for a negative "pareto-sub-optimum" state according to welfare-theoretical considerations. Comparatively problematic are exact cost-benefit-comparisons. Even though expenses can be precisely determined they usually fail, because on the other hand benefits neither can be quantified nor isolated because of various objectives (high employment effect, equitable income distribution, improvement of qualification etc.). Furthermore the opportunity costs and side-effects (possible deadweight etc.) are mostly unknown.

In spite of these general objections the problem subject of both analysis methods is helpful for the evaluation of the labour market- and employment programmes being discussed in the preceding paragraph: on the one hand allocational aspects, on the other hand an alternative use of expenditures are the main subject of a comparative analysis. The summary of the preceding paragraph, however, has - under consideration of these aspects - to be restricted to the interconnexion of arguments. This is also required beyond the general considerations, since no comprehensive comparative evaluation studies are available which could be referred to (cp. Ministry of Labour, 1982 a,b).

The precondition for all kinds of efficiency analyses is to identify the goal dimensions. In following the classification of periods proposed by Colin and others (Colin et aliter, 1982), two stages of the French employment policy can be distinguished from 1974 to 1980: a) The policy of safeguarding employment (1974-1977) and b) the increase of industrial employment and the regulation of the working population. From 1981 onward c) the "combat against unemployment" (Mitterand) became chief target of the employment policy.

a) The Policy of Safeguarding Employment (1974-1977)

In the beginning of this period the French government was confronted with a development which had been unknown since the end of World War II: a real decline of industrial activity (cp. philosophy). The defensive employment policy was focused on three aspects with regard to this problem:

- financial support of the affected companies
- safeguarding employment
- transfer of costs of safeguarding employment to the state.

The financial support was realized in different ways. The regional promotion as the most important measure is being extended, however. The published figures of the Department of Employment prove the high employment effects (cp. preceding paragraph). Yet, these refer on an aggregated level, not to additionally created jobs, but to the preservation of industrial employment (decreasing total figures provided). Restructuring the industry was supported. Guiding principle for considerations on efficiency is the confrontation of expenditures with the increase of employment.

Table 2: Expenditures and Employment Effects of Regional Promotion (PDR) - increase rates in % compared with the preceding year

	1975	1976	1977	1978	1979	1980
expenditures	-25	49,3	2,2	34,3	1,3	-2,2
employment effect	52,0	-9,3	28,7	20,1	-2,6	11,9

Source: Ministry of Labour, 1982a,b

Besides the increase of expenditures for regional promotion especially short-time allowances were applied. The expenditures increased from 32,9 mill. FF in 1974 to 220 mill. FF in 1975. In 1975 jobs of 220.000 employees could be safeguarded by this measure. Also in the following years the assistance of short-time work continued to play an important role to stabilize employment and to avoid costs originating from unemployment.

By safeguarding the real income in cases of dismissal for economic reasons the living standard of the employees could be maintained as well as in-plant rationalizations were made possible. A dramatic increase of redundancies in the following years coupled with a high increase of costs, however, indicated the limited ability of this instrument because it alleviates short-term cyclical slumps only.

Table 3: Costs of Income Guarantees in Cases of Redundancies

	expenses in current prices	expenses in con- stant prices	promoted persons	costs for each promo- ted person current constant prices	
1973	455,2	455,2	31 362	14,514	14,514
1974	836,9	736,1	48 994	17,082	15,024
1975	1.427,2	1.122,9	66 440	21,481	16,901
1976	2.014,7	1.446,3	86 827	23,204	16,657
1977	2.582,8	1.694,8	96 266	26 830	17,605
1978	4.330,1	2.605,3	132 568	32,663	19,653
1979	6.073,3	3.298,9	155 313	39,104	21,240
1980	8.031,1	3.842,6	186 100	43,155	20,648

Source: Ministry of Labour 1982a,b

The government expanded not at last with reference to these experiences the occupational training measures for unemployed as an instrument of a long-term nature. They should guarantee the basis for the expected economic recovery from the supply side by the improvement of general knowledge and specific skills. Two factors, however, impeded the effectiveness of the training measures:

- the possibility of participants to manipulate ("chain re-training") was exceptionally high (Rapport du Comité - Emploi Travail - du VIIe Plan, 1976, p. 200).
- more than three quarters of the participants in courses of occupational training and further-training, were young persons between 16 and 25 .A great part of this group had no work experience at all so far.

These factors constitute the main reason for the reduction of participants in the occupational training programmes (1974: 23.000 compared with 1975: 10.000 (cp. Colin et.al., 1982)).

b) The Increase of Industrial Employment and the Regulation of the Working Population

With the presentation of the VII economy plan (1976) the policy for the recovery of the industry was intensified. Supports for restructuring and rationalization should improve the world market position of France. Training measures were reinforced and received - beside its function to improve qualification - the function to alleviate the increase of demand for labour (cp. Colin and others, 1982). Beside that the expenditures for job-creating measures rose, especially on the regional level. Analysis concerning the effectiveness of this policy print to the costs which increase with the duration of the recession and with the problem region. By the Fonds spécial d'Adaption Industriel (FSAI) 21.000 jobs could be created in 1978 for example. Each of these jobs cost 100.000 FF, however (L'Industrie française face à la Crise, Le Monde, No. 84, Octobre 1981).

Dismissals contributed to a lesser extent to the increase of unemployment, however, than new entrants due to demographic developments. In order to relieve the labour market, the following policies were established or intensified:

- early retirement
- supports for return migration of foreign workers
- training of youth
- improvement of the placement system
- improvement of the unemployment benefit.

The early retirement regulations were implemented in two forms (GRL and GRD). Both variants were largely claimed. In 1972 the number of persons supported by the GRD -regulation amounted to 20.000; in 1976 for the first time the 100.000-limit was exceeded, in 1980 140.000 persons were promoted. The income guarantee (GRD), existing since 1977, was claimed by 10.000 pensioners during the year of its introduction, in 1980 by 130.000, which meant that the costs rose to 8 milliards FF in 1980 and thus, worsened the financing problem.

In the same year (1977) the French government offered return migration premiums to foreign workers (ca. 1,5 mill.). The premium was 10.000 FF. In spite of facilitated eligibility to claim the premiums the forecast could-by far-not be fulfilled: instead of the predicted 1 million people till July 1981, this programme only stimulated 93.000 persons (including the members of their families) to return to their native countries.

The "pactes pour l'emploi des jeunes", which intended to support the absorption of annually 750.000 to 800.000 school leavers, were pursuing two goals:

- reduction of wage costs by fiscalisation of national insurance contributions and grants for recruitment,
- productivity increase by improving the skill level.

For the first "pacte pour l'emploi" from 1977, 4 billions FF have been made available, for the second and third one billion FF in 1978, 2,2 bill. FF in 1979 and 3,4 bill. FF in 1980. The labour market relief effects of the first "pacte" are estimated to be 100.000 until 1978; the effects of the first campaign of the third one of 35.000 (Gaspard, Frank, 1981). Assumptions, that young people would have displaced older employees, did not materialize; during the running time no significant increase of unemployment of employees above 25 years has been observed (Colin and others, 1982). The long-term effects were estimated favourably: 68 % of the youths found a job one month after the measure was terminated. In comparison to that, 64 % of the participants in occupational trainings and 86 % of the programme "contract emploi-formation" had taken up employment one month after finishing training.

The number of job-seekers in further-training- and re-training measures aiming at elder unemployed grows since 1976 by ca. 8,7 %. The integration quota remains high, although it falls gradually. In 1979 17,9 % of the participants were still unemployed six months after finishing the courses; yet, in 1974 this figure amounted to only 5,7 %. This development is primarily attributable to the fact that the construction industry and the tertiary sector which could absorb manpower in previous years, were also showing a negative balance of employment owing to the incessant economic recession.

The modification of work placement became necessary with a dropping placement quota. Improvement efforts were particularly concentrated on an increase of staff and an expansion of informations. Without quantifying the results this policy is judged positively ( cf. Ministry of Labour, a,b 1982).

c) The "Combat Against Unemployment"

Under the new government Mitterand/Mauroy active components of the labour market- and employment policy were expanded. The increase of employment and thus the reduction of unemployment should be achieved especially by three factors:

- 1) increase of demand;
- 2) creation of new jobs;
- 3) reduction of working time.

Beside the rise of pensions and family allowances the increase of demand was particularly realized by lifting the minimum wage (SMIC). Unanimously all experts attribute to the measure a short-term employment effect. Basically the increase of the minimum wage at 10 % helped to produce the 0,5 % real economy growth, achieved in 1981, and thus prevented a greater reduction of employment.



As an intended side-effect income justice has improved. On a middle- and long-term basis this measure, however, also will bring about - under the condition of low economic growth rates - further state interventions, in particular to control inflation. Are the additional costs taken over by the state, like it is provided in the SMIC legislation, the additional expenditures must be compensated through higher taxes; the aggregated demand correspondingly drops.

Similar problems occur by expanding public employment. Under the condition of stagnant revenues it can only be financed through an increase of budget deficits. The effectiveness of this measure, however, depends not only on direct costs and benefits, but also on middle- and long-term social cost-benefit considerations.

The expansion of public employment is being performed in fields of social needs, this because it is intended not only to moderate unemployment, but to improve the social infrastructure.

The reduction of working time is realized in different ways (life-time -, annually-, weekly working time). Major measures are the lowering of retirement age and the reduction of weekly working time (39-hours-week by law). The effectiveness mainly depends on the fact whether the working time reduction will be accomplished with or without wage compensation. With the introduction of the 39-hours-week full wage compensation was agreed upon. The branch- and sector-specific effect is different. Aggregated, however, it has to be faced that through a higher financial burden and with constant demand the import share on competition markets has increased considerably.. Thus, public measures to protect the domestic market are necessary for ensuring the medium-term employment-effects.

For reducing the financial burden of enterprises some public enterprises (e.g. telephone producer CIT) proceeded to conclude labour agreements with working time reductions without wage compensation. The income losses amount to 4,5 % for a 35- and 1 % for a 38-hours-weekly working time. Concerning CIT-Alcatel 400 of 1.100 planned redundancies could be prevented.

This comprehensive outline of the most important stages of development suggests a trend of reactions of the French labour market policy to economic problem pressure. Frictional and seasonal unemployment prevailing in the beginning of the 70's is predominantly met by supply-orientated policies (re-trainings etc.). Labour market policy to combat cyclical slumps, like they were predicted from 1975 until the end of the 70's, primarily favours - besides the compensation of the consequences of unemployment - employment-safeguarding measures and "traditional" ideas of an active labour market policy (mobility aids, early retirement etc.). Economic crises assumed to be of a long-term nature encourage the re-distribution of labour, supply- and demand-orientated as well as labour market-relieving measures.

G R E A T   B R I T A I N

GREAT BRITAIN

- O. Analytics and Empirics of Economic Policies
  
- I. Increase in the Supply of Jobs
  - 1. Wage Subsidies
  - 2. Job Creation Schemes
  - 3. Employment Effects of Public Expenditure Programmes for the Private and the Public Sector
  - 4. Promotion of Private Investment
  
- II. Redistribution of Available Work Load
  
- III. Adaptation Strategies
  
- IV. Conclusion

O. ANALYSIS AND EMPIRICS OF ECONOMIC POLICIES

Stabilization Policy Problems

If one follows the interpretation of the Confederation of British Industry (CBI) cited in the morning news of the BFBS on 28th March 1983 the British economy has overcome the perhaps most difficult phase of the post war period. The CBI expects production and employment to rise over the next months and thus the bottom of the recession persisting since 1979 will be passed. Although even according to the indicators of the Department of Employment the gross domestic product stagnated in 1981, it showed a slight upward trend in the first three quarters of 1982 (DE Gazette, 2/1983).

If this, however, is the beginning of a new period of growth for British economy, appears questionable: past growth trends have been too unsteady, too strong the setbacks of the past years to speak of a turning point already now. A look at the development of the gross domestic product of the 70s and 80s shows that the - as compared with other countries - traditionally growth-deficit British economy had to put up with a strong downward movement in the area of economic growth.

Table 1:

Real gross national product - changes against last year in  
- changes against last year in percent -

1960-72 <sup>1)</sup>	74	75	76	80	81	82 <sup>2)</sup>
+3,1	-1,2	-0,8	+4,2	-2,0	-2,2	+0,5

1) average annual change

2) estimated

Source: SVR, Council of Advisors, Annual Report 1982/83;  
for 1973 Annual Report 1978/79

As compared with the in the statistical average quite satisfactory growth trend of the 60s the following decade is characterized by two severe setbacks. The first has been brought by the economic crisis of 1974/75. The British economy, however, had been able to recover from this recession by 1976 and realize growth rates, which generally were below the average of the EC countries, but which continued the development prior to the crisis of 1974/75. A turning point took place until 1979/80 with a repeated decline of the GDP. This trend increased in 1981 and a reversal of this development of the past years is hardly perceptible.

At the same time a significant rise of the productivity per employee can be observed:

Table 2:

Real Gross Domestic Product per Employee  
- seasonally adjusted, 1975=100 -

1972	74	75	76	80	81
99,9	101,5	100,0	102,6	107,0	108,3

Source: Reportment of Employment Gazette

Falling growth rates and rising unemployment have been accompanied by a positive demographic development in the 70s that was reflected in an increase of the working population by more than 1 million persons. This increase is, however, divided into a moderate decline of the male working population (over the total period) and the entry of large numbers of women into the labour market.

Table 3:

Development of the Working Population 1970-82 - in thousands -

	1970	1980	1981	1982
working population	25 308 <sup>1)</sup>	26 716	26 633	26 392
men	16 371 <sup>1)</sup>	--	--	--
women	8 937 <sup>1)</sup>	--	--	--

Source: Department of Employment Gazette, 1) Central Statistical Office (1970)

Although in the period 1970-1979 the number of jobs increased by nearly 0.5 million, the industrial distribution of job was subject to heavy changes. While manufacturing, mining and agriculture lost about 1.5 million jobs, employment in private and public services rose by nearly 2.0 million.

Table 4: Development of employment 1970-79 - in thousands -

	1970	1979	1970-1979
Employees in employment	22 478	22 920	+ 442
men	14 009	13 380	- 629
women	8 470	9 540	+1 070
agriculture	466	367	- 99
mining	410	346	- 64
manufacturing total	8 342	7 176	-1 166
(mechanical engineering)	(1 106)	(914)	- (192)
(vehicles)	(842)	(749)	- (93)
(textiles)	(678)	(478)	- (200)
(clothing and footwear)	(455)	(382)	- (73)
construction	1 339	1 292	- 47
gas, electricity, water	391	346	- 45
transport, communication	1 152	1 494	+ 342
private services (distribution trades)	8 477	10 281	+1 804
(insurance, banking etc)	(2 675)	(2 826)	+ (151)
(hotel, catering)	(3 854)	(4 962)	+ (1 108)
(others)	( 698)	( 914)	+ (216)
(others)	(1 250)	(1 579)	+ (329)
public services	1 481	1 619	+ 138

Source: Central Statistical Office

The development of unemployment is characterized by a continuous increase that has only twice - 1973/74 and 1978/79 - been shortly reversed. The creation of appr. 450.000 jobs is faced by a working population growth of appr. 1.1 million persons. The social distribution of unemployment is also due to the development of the employment structure. The unemployment rates of men are considerably higher than those of (registered) women. The destruction of jobs most of all affects male occupations (see above: mechanical engineering), which expanding industries at least largely create female jobs. The strong increase of female participation, however, leads to a relatively stronger increase of female unemployment.

Table 5:

Development of unemployed - 1970-1982 -

year	unemployed total	%	men	%	women	%
1970	555	2,6	475	3,3	80	0,9
1975	866	4,1	707	4,9	159	1,7
1976	1 359	5,7	1 023	7,1	336	3,5
1980	1 664	6,9	1 180	8,3	484	4,9
1981	2 520	10,7	1 843	13,1	677	7,1
1982	2 916	12,5	2 133	15,5	783	8,3

Source: 1970-75 Central Statistical Office,  
1977-82 Department of Employment Gazette

As a summary it follows: The recession of 1974/75 had direct effects on the labour market, the unemployment rate rose rapidly. In the absence of a compensating demographic development unemployment did not fall in the slight upswing that followed, but with the exception of 1979 continued to rise. In the period considered, economic growth and unemployment did not move in opposite directions anymore, but an increase of the GDP went parallel to a rise of the number of unemployed.



Economic strategies solely aimed at abolishing unemployed by raising growth rates do not operate convincingly against this background. It is rather likely that they increase unemployment by promoting rationalization processes rather than achieve the desired full employment.

Another stabilization problem was posed by the development of prices over the last years:

Table 6:

Consumer Prices

- Increase Against the Last Year in Percent -

1973	74	75	76	80	81	82 <sup>1)</sup>
+9,4	+15,9	+24,2	+16,5	+18,0	+11,9	+9,0

1) estimated

Source: SVR, Council of Advisors, Annual Report 1975/76, 1981/82 and 1982/83

The table shows that the price stabilizing effect of recession has not been large enough to fall short of a certain rate of price increases - say 8-9% - lastingly. The new monetary policy of the Thatcher Government as well has at least not proceeded any fast effects, as the years 1979-81 demonstrate. Although since 1981/82 a turning point appears to be at hand, price rises go down, this does not admit of the conclusion on the durability of the successes scored in the combat against inflation. Furthermore the fall of inflation rates is partly due to falling raw material prices since the late 70s and not owing to the successes of monetary policy.

In addition to this a significant, although not sufficient reduction of price rises is to be paid for with 3 million unemployed, then under an equal valuation of the full employment target and the target of price stability such a policy has to be rated economically inefficient and therefore inac-

ceptable. The references to the medium and long term advantages of a policy strictly directed at fighting inflation is no avail as long as it cannot be specified with analytically and empirically substantiation, how long the period for the simultaneous attainment of full employment and price stability within the framework of monetarist policy will be.

Finally a look at the external position of Great Britain

Table 7:

Data of an External Position

Jahr	1974	1980	1981	1982 <sup>4)</sup>
LBS <sup>1)</sup>	- 8 079	+ 6660	+ 12 127	+ 5000
HBS <sup>2)</sup>	-12 513	+ 2755	+ 6 054	+ 400
DM/ <sub>Z</sub> <sup>3)</sup>	6,055	4,227	4,556	4,232 <sup>5)</sup>

1) Balance of goods and services in mill. US-Dollar

2) Balance of trade in mill. US-Dollar

3) Pound Sterling Vassa-Mean-Exchange-Rate in DM Frankf./Main

4) estimated

5) second quarter

Source: SVR, Council of Advisors, Annual Report 1981/82 (for 1974) 1982/83 (for 1975 etc.)

The table shows that until 1979 on the world market Great Britain has constantly been in the position of a country threatened with devaluation owing to deficits. Balances of trade and goods and services have shown a deficit almost without exception. Great Britain had not been able to finance traditionally high imports through exports. The exchange rate of the Pound Sterling crumbled therefore against the US-Dollar since exchange rates were allowed to floate without however, being able to secure the British competitive position on the world market through rising exports. The improvement of the balances of trade and goods and services

is largely due to increased North Sea oil production and the growing capital inflows from foreign countries as a reaction to the policy of high interest rates. With this the exchange rate of Pound Sterling stabilized and Great Britain will hardly have to ask for IMF loans - as in the mids 70s. Also the London financial sector always interested in foreign capital has experienced considerable gains from this development. But the opportunity for an export offensive procured by favourable prices has been cut off from industry.

Export driven growth (Kaldor, 1971) as an economic strategy is ruled out under these conditions. Therefore the medium term growth prospects of the industrial sector and accordingly the chances for a rapid improvement of the employment situation have to be judged rather pessimistically.

With this short summary the problems by any economic strategy in Britain are outlined. Insufficient growth, mass unemployment, only partial successes in stabilizing price level and an external position promising no relief from a bundle of problems make high and partly contradicting demands for a suitable policy design. In the first instance therefore a short survey over the economic strategies of the 70s is given, before a more thorough analysis and evaluation of the monetarist policy persued in the last years and possible alternatives are undertaken.

#### Economic principles

The current economic policy of the Thatcher government is more than a gradual shifting of priorities that are left open as choices by economic target systems. James Callaghan the last labour Prime Minister prior to Margret Thatcher has left no doubt about a positive fundamental attitude

towards the basic principles of capitalist systems. "Industry must make a profit" (quoted in Bacon/Eltis, 1976). The difference between the economic policy of the last Labour government and the current Conservative government is of rather - as would be said in Germany - "ordnungspolitischer Natur" (regulated political nature).

The conservative election propaganda diagnosed in 1979 - in concurrence with central statements of modern monetarism - an excess of public expenditure, excessive taxation and too extensive state regulations of economic activity. The therapy accordingly aimed at the revival of self-regulating market processes, a restraint of economic policy on bringing about the framework for private economic activity, but especially on a steady and antinflationary monetary policy. In addition to this the conservatives aim at restraining trade union influence both on company level and in participating in economic decision processes. This policy design is an attempt for an overall laissez-faire-approach for improving the conditions for the supply side of the economy (Coutts et al., 1981). The reduction of production cost and the increase of productivity are to be attained with the acceptance of mass unemployment. This strategy breaks - at least in its direction - with the economic policies employed by Tory as well as Labour government in the post-war period. The "stop" and "go" of expansive and restrictive monetary and fiscal policies, nationalizations and reprivatizations attempts to regulate incomes policies and structural policies are strictly rejected. In the view of the actual absence of continuity and of the failure of not steadily employed economic policies it is therefore not surprising that the conservative programme gained a political majority. (This, of course, is not judgement of the economic or social adequacy of this economic policy).

Let us, however, look back: As a common economic practice for conservatives and Labour governments alike a "post-war consensus" developed. Proceeding from Beveridge's 1944 White Paper on Unemployment the control of unemployment and the maintenance of a high employment level was the primary goal of economic policy acknowledged by all parties. Based on the experiences of the great depression of the 30s political parties and electorate alike developed a very strong sensitivity in Great Britain.

The almost total realization of the full employment goal until about 1970 was the result of a complex policy design basing on this "post-war consensus". The control of the levels of production, investment and employment was assigned to monetary and fiscal policy, the raising of productivity, the improvement of supply side conditions were subjects of industrial policy and labour market policy was responsible for the economically efficient allocation and qualification of labour. Under this policy pattern an open and by no specific economic policy occupied external flank is clearly visible. Tendencies for the import pressure characteristic for the British economy in times of an economic upturn together with the impending endangering of the Pound Sterling exchange rate connected with that then inevitably led to the revision of expansive, on the domestic economy oriented policies. This exactly formed the ratio of the "stop-and-go-cycles" of economic policy and had a fatal consequence: The externally caused, regularly repeated restrictitive policies impaired the conditions for the growth of the British economy. Each taking back of an expansive course operated as a blow against inland investment capacity and thus contributed to the - internationally seen - weak position of Great Britain.

Examining the 70s more thoroughly it becomes apparent that the conservatives under the leadership of Edward Heath in

office from 1970 to 1974 started similar to the 1979 government with the programme to reduce government regulations of economic activity. Declared target was "less state in favour of better quality" (Blackaby, 1978) .

that the free play of market forces would indeed destroy inefficient jobs, employment policy was conceived to the effect that, if the government was kept out of the economy competitive jobs would be created. One means for this was the abolition of regional investments grants which were replaced by a differential system of tax allowances for expenditure on investment.

Another target of the government was to control inflation that had been heated up by strong (10-12%) wage increases during the first year of office. This trend was intended to be reversed owing to the fact that companies that were not able to resist such wage demands ran the risk of not being saved from bankruptcy by the government. In particular the behaviour of public enterprises and the public sector was intended to be exemplary for private sector companies.

Pressed by growing unemployment as well as by despite government efforts continuously high levels of inflation the government decided for a mildly reflationary budget build on the lowering of taxes hoping that this would cause sustained economic growth. The government, however, linked this to the comment that unemployment could only be lowered successfully if wage demands were also lowered. Strongly increasing unemployment, however, forced the government to start larger expenditure programmes and to lower the purchase tax. Finance controls were also relaxed in favour of stimulating economic growth.

These measures, however, did not prove very effective and the government changed its policy in favour of more active employment policy. The most important instrument was the 1972 Industry Act allowing a direct intervention into the economy. Also labour market and employment policy experienced a new stimulus-mainly due to the creation of the Manpower Services Commission (MSC).

The MSC was responsible for the placing of job searchers and the operation of vocational training courses. The Employment Service was reorganized and separated from unemployment benefits. It was intended to get rid of the old "dole-queue image" and to motivate unemployed persons to a more active job search by means of a modernized appearance and a more attractive information about vacancies.

Occupational training was regarded as a means to combat unemployment and was expanded accordingly. Instead of abolishing the "levy and grant" system it was strengthened. Occupational training outside companies was extended with a target of 100 000 participants annually to the Training Opportunities Scheme (TOPS) in 1974/75.

The MSC was also charged with the development of Labour market policies to increase and maintain employment levels. Conservative policies were successful inasmuch as they actually lowered unemployment levels and maintained them - even if at a higher level than in the 60s - although inflation still continued to rise and the PSBR kept growing from the second year of office on.

Table 8: Expenditure on labour market policy

	74/75	75/76	76/77	77/78	78/79
General Services 1)	32	36	43	45	60
Employment Rehabilitation	43	44	45	43	44
Special Measures 2)	--	10	130	268	254
MSC	212	346	426	469	512
Others 3)	129	208	211	210	200
Total	416	644	855	1035	1070

1) Career Guidance, Community Industry and STEP

2) Including job standardization measures

3) Mostly redundancy payments and occupational safety

Source: Walker (1982)

Despite of its efforts the Labour Government could not prevent unemployment from rising, although it was able to stabilize it eventually. Not until 1977 the economy grew by more than 2%, but this had little effect on employment levels, since productivity also grew.

On the whole the growth stimuli proved too weak to provide those entering the labour market with jobs, especially since the above mentioned changes of the employment structure effected that certain groups were not able to find jobs any longer (mainly male, manual full-time workers).



The labour government following the Conservatives was again faced by a strongly increasing unemployment. To reduce this increase Labour installed a multitude of programmes using the instruments provided by their predecessors: The Temporary Employment Programme (TES: 1975-1979), the Job Creation Programme (JCP: 1975-1976), the Work Experience Programme (WEP, 1976-1978), the Special Temporary Employment Programme (STEP: 1978-1980) and the Youth Opportunities Programme (YOP:1978-1982). In addition to this a number of wage subsidies were adopted - Recruitment Subsidy for School Leavers (RSSL), Youth Employment Subsidy (YES), Adult Employment Subsidy (AES), Small Firms Employment Subsidy (SFES) - as well as short-time allowance - the Short-Time Working Subsidy (STW) -, the opportunity for early retirement - Job Release Scheme (JRS) -, and a further expansion of occupational training - 100 000 participants in TOPS in 1978 -.

Accordingly public expenditure as a percentage of the gross domestic product grew significantly during the first year of office.

From 1976 it became obvious that this level of expenditure financed by a continuously growing PSBR could not be sustained in view of the high inflation rates. Spending reductions undertaken as a result of this mostly applied to public capital investment, whereas expenditure for labour market policy continued to rise because of rapidly growing unemployment levels.

### Summarizing

- insufficient growth
- high rates of inflation
- high wage rises
- a weak external position
- high and rising unemployment and
- rising deficits

emerge as the economic heritage for the Thatcher government. As already pointed out above this government decided for a radical break with the "post-war-consensus" on economic policy in Britain. It tried to formulate answers to two questions: The unsuccessful interventionist incomes policy was to be replaced by a regimentation of trade unions on two level

- through legal regulations to reduce the frequency of strikes and
- through the smashing or at least weakening of the British collective bargaining eminently important structures of the (trade union) representation of interests on the shop-floor-level through high unemployment.

The second answer applies to the problem of external safeguarding. This was to be achieved through a policy leading to an inflationfree growth of cost efficient, profitable production and thus to stable employment. This policy design the elements of which will be presented below is explicitly medium term. In the short term the costs of this stabilization process are to be accepted: production falls, a collapse of investment activity, mass unemployment and the misery connected therewith - everything an acceptable sacrifice to escape Hayesk's "Road to Selfdom". To avoid being misunderstood this is no objection to a steady, on the medium term orientated economic policy per se is to be made, but this

does not prejudice any monetarist strategy that is willing to sacrifice the present for an uncertain future and at a price that human beings as economically highly developed system do not have to pay.

As a serious argument stays that the proponents of monetarist policy cannot make any reliable statements on the period necessary for a successful stabilization of an economic system in an inflationary state. As an indication might stand that Milton Friedman once set the "long term" to 25 years; this throws a light on central aspects of certain economic concepts.

Exactly on those concepts of monetaristic ideas the economy policy of the conservative government Thatcher relies on. This is based on data, which have been set out within the middle-term financial strategy of 1979. Priority was given to the target of beating inflation through the attempt of a restrictive, strictly money supply orientated policy. The development of the money supply, determined by the monetary indicator Sterling M3, newly established, were to be approved with the development of public expenditure and the public net credit loan. The following survey shows the middle-term financial strategy of the government Thatcher.

Table 9: The Middle Term Financial Strategy of the Government Thatcher

	1978- 79	1979- 80	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85
<u>Sterling M3</u> <sup>1)</sup>							
target volume	8-12	7-11	7-11	6-10	8-12	7-11	6-10
real volume	13,6	11,0	19,5	14,5			
<u>public expenditure</u> <sup>2)</sup>							
planing 3/80	77	78	77,5	76,75	75,25	75	
planing 3/81		88,75	91,5	91,5	90	87,5	
planing 3/82			92,8	104,5	114,5	120	128
<u>state revenue</u> ) 3)							
planing 3/81		78,5	82,5	84	84	85	
planing 3/82			94	109	121,5	130	143
<u>public net credit loan</u>							
a)		10	11,5	8	6,5	4	6,5
b)		5	6	4,25	3,25	2	2

1) average annual growth rate in %, since 1982, quoted after: Financial Times

2) in bill UKL. On account of different basic data the figures are not to comparable precisely. They make sense as indicating a tendency.

3) in bill UKL, from 1982 onward after: Financial Times

4) Public sector borrowing requirements (TSBR)

a) in bill UKL

b) in of hundred of GDP

Figures on 1984/85 relate to the Financial Times

Source: OECD, Economic Survey, United Kingdom, July 1981; Financial Times 10.3.1982

Those data clearly illustrate the main direction of conservative economy policy. A gradual decline in the increase of money supply, following an assumed slowing down of inflationary tendency, should in the end lead to growth largely being free of inflation. The expenditure planning implicated a cut in government expenditures. The revenue planning mirrored the confidence of the government Thatcher, in being able to rapidly attain appropriate growth rates after a short period of katharsis. Tax revenues were to increase even at decreasing tax rates, given a successful stimulation of private growth. Under these conditions also the public net credit loan was to be set back gradually.

Yet, the envisaged middle-term financial strategy could not be sustained, because the expected growth dynamic failed to materialize. Since 1979 the money supply is extending dramatically, estimated by the target orientation. The revenue losses within the public budget, unavoidably leading to an increased public borrowing, were major factors for the failure of this policy. The industry, confronted with tight spots in financial resources, looked for intensified credit-entries, the high interest rate policy contributed to the necessary expansion of money supply. Thus, the policy of the government Thatcher was sharply criticized by the monetaristic school (Friedman), because the British policy aimed at controlling the rates of interests and the money supply. Yet, rationality of monetaristic policy is exactly determined by letting rates of interest be established on the market and only controlling the money supply.

The development of the public budget did not follow the projected trend. The expected tax revenues did not materialize due to the failing of growth dynamics, the expenditures for social security, especially payments for unemployed increased. Employees of public service were able to put through higher wage- and salary claims than assumed, the high interest policy did not remain without consequences for the interest bur-

den for the budget. In the budget 1981/82 the government Thatcher responded to these developments by adopting tax increases, only for small companies selective tax reliefs were granted. The development of the expenditure side could be stabilized to a large extent, a policy which has to be valued as a restrictive budget political strategy facing the growing recession. Even though the budget 1982/83 does involve financial facilitations for investments and labour market programmes, it is not a turning point towards an expansive, employment orientated budget policy.

An evaluation of British economies, only linked to empirical findings, has to come to the conclusion, that it was not successful in stabilizing entrepreneurial expectation with the target of an effective expansion of private investments. Government incentives for the supply side, relying on a cut in the maximum income tax rate from 83 % to 60 % and the reduction of government control like for instance on the establishment of enterprise zones, proved to be low. The demand side was lacking the impulses arising from an expansive budget policy. Finally the high interest rate, in connection with the impulses on the balance of payment induced by the increasing oil-production in the North-Sea, brought about a revaluation of the British pound, which contributed to the weakening of the international trade situation and to a decline of the employment level, especially in the manufacturing industry (Coutts, 1981).

According to the assumption of supply orientated and monetaristic version of economic policy limits of an expansively designed employment policy are also to explain with crowding-out effects to be expected. Crowding-out effects relate to the possible displacement of private activity by increasing public activity; it is being discussed in details in connection with the employment effects of public expenditure programmes in Great Britain. At this point it is only printed

to an argument, that essentially is being presented by Keynesians. Is it true, that the overall saving volumen depends on the level of the overall income, savings increase to a larger extent than income in cas of a vitalization of the overall demand and production induced through public indebtedness. Vice versa, savings decrease to an overproportional degree in case of weak economic activity and an additional retrenchment of the net credit loan. Thus, savings theoretically being available for the private credit loan, are not available any more. Instead of crowding-out effects a crowding-in effect arises (Kaldor, 1982).

With view to the income policy ('workers should not price themselves ot of jobs') the post-keynesian debate is referring to the inconsistency of the monetaristic policy (Kaldor, 1982). Monetaristic positions, so the argument, print, on the one hand, to a money supply-induced increase of inflation, on the other hand to a cost-induced price pressure. An employment orientated, expansive budget policy, safeguarding the open income political flank, seems more reasonable than a strictly monetaristic money supply- and budget policy (cf. below the discussion on effects of public expenditure programmes).

Naturally in Great Britain there are drafts of alternative economics. Those arguments (The London CSE-Group, 1980; Coutts, 1981; Begg, 1981) stake on an expansive public budget policy with increasing debts, supported by a coinciding monetary policy. Quite following traditional Keynesian analytic it is assumed, that through an extention of the overall demand induced by the public budget, private growth dynamic will also rise; the upswing following thereupon leads to higher tax revenues, the budget can be offset in middle terms.

From the discussion on the third generation of modern macro-economy it is known, that demand policy can rapidly heat up inflation, even under not fully utilized production capacities and unemployment, thus the cyclical upturn linked to the volume of production fails to materialize. For this reason, representatives of an alternative economic strategy plead for price controls in Great Britain (Godley, 1979). The concept is being supplemented by attempts to draft demand policy selectively with the aim of contributing to a restructuring of the production equipment (development of intelligent products and modes of production).

Apart from social political considerations on obligatory planning agreements, nationalization of key industries and nationalization resp. strict public supervision of the big financial institutions, alternative economic strategies require the control of the external instability. The access of the financial sector to international credit markets ought to be limited; the restructuring of the production equipment demands a alteration of the rate of exchange and an economic safeguarding through temporary import controls. All proponents of this concept are stressing the only temporary character of this protectionist economy (Coutts, 1981; Godley, 1979; Begg, 1981).

The here roughly outlined alternative economic concept is only being analysed in this report in relation to the discussion on the employment political efficiency of expansive budget policy (see below discussion on public expenditures). Yet, it has to be drawn attention to the fact that price controls have not proved very successful so far. Facing the external trade involvements of Great Britain, not only within the European Community, also a temporary protectionist economy seems dubious and little realistic, this also by referring to the domestic market.



## I. INCREASE IN THE SUPPLY OF JOBS

### 1. Wage subsidies

Wage subsidies have not been attached any considerable importance in the employment policy of the current government. This is in clear contrast to the policy of the preceding government that based its employment policy to a large degree on wage subsidies as a means to control unemployment. The conservative government, however, come up with a - although comparatively small - programme subsidizing the employment of young people in January 1982 (cf. appencis).

Wage subsidies can either relate to the total employed labour force (general subsidies) or to specific groups of employees (marginal subsidies) (Kaldor, 1936; Layard/Nickell, 1980; Metcalf, 1982). They can serve as instruments for the retention or creation of jobs or as instruments providing or maintaining employment for problem groups (Calamé, 1979). Although general subsidies are not denied a degree of efficiency, marginal subsidies are considered more favourably because the sum per person spent will be greater for any given expenditure (or renunciation of revenue) and thus the incentive will also be greater (Layard, 1981, Layard/Nickell, 1980, Metcalf, 1982).

The debate on the efficacy of wage subsidies essentially centres on the following questions:

- the influence of wage subsidies on companies; labour costs and demand stimulations for labour caused thereby;
- the financial strain for public funds caused by subsidies;
- distributional and productivity effects;
- deadweight and displacement.

The question about the employment effects of wage subsidies is answered differently. The neo-classical paradigm will refer to the changes of relative costs: the factor labour becomes cheaper relative to the factor capital, according to a demand function oriented along marginal productivity theorems the demand for labour could be expected to rise (Nickell, 1979; Layard, 1981; Metcalf, 1982). Keynesian critics of this argument hold against this, that company decisions about hirings and dismissals depend on product market conditions. Given labour costs and a mark-up determined by expected profitabilities companies take staffing decisions according to market conditions. These being unfavourable wage subsidies and a thereby caused reduction of the price of labour will not effect any additional employment (Calamé, 1979). This argument appears to be true: Only if companies react to the reduction of labour costs caused by the subsidy with price cuts, an expansion of the market caused sales opportunities will be likely. In view of the anyhow low profitability of small and medium-sized companies and the rather oligopolistic price-setting on many markets price-cuts seem rather unlikely (Calame, 1979). It should be pointed to the rigidity of prices to move downwards. If this holds true, wage subsidies cannot be expected to cause employment to rise. This argument, however, must be qualified with view to the effects of wage subsidies on the balance of trade. This is made clear by available evaluation of the Temporary Employment Subsidy (TES). Employment effects of wage subsidies with regard to external trade therefore can be clearly evaluated: Whenever inland industry, in this case the British example, is under heavy international wage cost competition, wage subsidies should have stimulating effects on employment. At the same time it must be noted that not only the wages determine unit wage costs, but that wages always have to be seen in the connexion with productivity. A policy of wage subsidies attempting to solve internal employment problems by improving international competitiveness at the same time accepts low pro-

ductivity as is the case in Great Britain.

The fact that wage subsidies are actually export subsidies (Nickell, 1979) effected that for those industries using TES mostly the balance of trade was positively affected. In the period 1975-1978 the export performance improved, whereas import penetration was reduced, against the foregoing period 1970-75 (Metcalf, 1982). This, however, provoked objections by competing EC-member countries eventually leading to the folding of the programme in 1979.

The industrial distribution of TES is remarkable. 43% of all subsidized jobs were in textiles, clothing and footwear, although only 4% of all workers are employed there (Metcalf, 1982). This is obviously caused by the demand conditions for the goods of these industries. They are under heavy external competition and are highly labour intensive.

This leads to the second argument the effects of wage subsidies on productivity and income distribution. Evaluations of the two largest measures, SFES and TES, reveal that wage subsidies do not contribute to economic inefficiency with regard to reducing productivity or continuously low levels of it (Metcalf, 1982; Calamé, 1979). In addition to this the evaluation of TES shows that according to information given by companies the majority of them would have had closed down without the measure. Again, however, it must be noted that this evaluation is based on industries standing under considerable international cost pressure (clothing etc.).

It must also be examined how wage subsidies are financed. Some studies assume that certain subsidy measures are obviously and directly financed by the employees themselves. This means that the programmes themselves imply wage cuts directly affecting the employees. This holds true for the

Young Workers Scheme (YWS) as has been proposed. This programme intends to promote youth employment. It is based on the assumption that the hiring of youths is hampered by too high absolute and relative wages. Precondition for receiving the subsidy is therefore a wage offer by the company that is not allowed to exceed a specific limit. The programme thus provides an incentive for wage cuts, since the maximum wage payable to receive the subsidy lies somewhat over 50% of the average wage of this group.

Studies on deadweight and displacement are available on theoretical as well as on empirical levels. With regard to YWS it is assumed that considerable displacement will take place (Metcalf, 1982). Affected by this will presumably be in the first place unskilled and female workers and young persons above 18 (the maximum eligibility age). Furthermore it is hardly assumable that YWS will lead to the creation of stable employment for youths, since the young persons are likely to be replaced by subsidized youngsters once their subsidization has ended.

Empirical research on deadweight and displacement under TES and SFES is available. Deadweight relates to this effect of a wage subsidy that would have retained employment without the subsidy as well. Displacement effects are those that are obtained because of the changed competitive positions between subsidized and non-subsidized employees. The net-result of the actually maintained or created jobs due to the subsidy is generally lower than the number of jobs supported. The studies differ considerably with regard to net-results. They vary between 66% of all jobs supported (DE Gazette, 1977) and in consideration of further effects (domino) and 39% (Deakin and Pratten, 1981). Independently of the exact quantity it becomes evident by the theoretical and empirical evidence that a considerable degree of deadweight and displacement has to be reckoned with.

Deadweight and displacement, of course, affect estimates about the net costs of the programme per job supported. According to the considerations about quantitative dimensions of these effects the statements on costs differ. With regard to SFES and assuming deadweight of about 60% without considering displacement effects some studies estimate net costs per job created to amount to appr. UKL 750. Since only every second job is filled with an unemployed the net cost per person off the unemployment register amounts to UKL 1500 (DEGazette, 1977). The figures for TES are UKL 625 per job or about 60% of gross costs for 1977/78 (Deakin and Pratten, 1981). Despite considerable degrees of deadweight and displacement both programmes can still be considered cost efficient compared to other programmes (Calamé, 1979, also see the chapter comparing programmes in this volume). Under an expanded version of recruitment subsidy some authors reckon with the creation of 250 000 jobs with net costs of UKL 2000 p.a. per job (Layard, 1981).

## 2. Direct Job Creation Schemes

Although presently job creation schemes are in operation, they have been of secondary importance within the framework of employment policies.

The discussion about job creation schemes is dominated by two arguments. Firstly there exist studies on long-term unemployment (MSC, 1980b) indicating the negative social effects. These concern the loss of occupational qualification, but also - and maybe more important - the loss of general skills reducing the work capabilities of the long-term unemployed thus leading to a vicious cycle for the affected: long-term unemployment leads to the loss of skills, loss of skills reduces the chances of re-employment. These job creation schemes seem to be a way to break this cycle and to provide these persons with the opportunity to enter into employment.

The other argument bases on the consideration that it is unreasonable to finance the idleness of persons, while these prefer productive activities (Musgrave, 1980; Metcalf, 1982). Especially Musgrave asks for an extensive job creation programme offering all who want to work a place. Wages should be similar to unemployment benefit but slightly above to be attractive to potential participants. It, however, must be guaranteed that participants are always available for the regular labour market. Furthermore it is necessary - trade unions refer to it - that these jobs do not compete with regular jobs and then displace them because of the cost advantages ensuing from low wages.

Job creation schemes have been of less importance since the Thatcher government took office than in the late 70s. Experiences with job creation schemes therefore relate to older programmes such as the Job Creation Scheme (JCP), the Work Experience Programme (WEP) and the Special Temporary Employment Programme (STEP). These programmes were designed to provide young people and the long-term unemployed with temporary jobs in the public and in some instances also in the private sector. As far as these programmes were targeted at young people under 19 they were succeeded by the Youth Opportunities Programme (YOP) in 1978 (cf. II.1.).

Since in the appendix under the heading policy measures only those programmes are summarized that are of current importance, the terminated programmes JCP, WEP and STEP have to be outlined here. (Department of Employment Gazette: on JCP March 1977; on WEP March 1978; on STEP MSC 1977).

The JCP is designed as a genuine job creation scheme with temporary jobs in the local public sector. The jobs related to activities in environmental services (one third), in construction (one sixth) and in social and education fields (one third). Of the appr. 47 000 jobs the majority of participants were young people under 18 (appr. 50%, appr. 30% of employees were aged 19 to 24). Skill levels were essentially low (Layard, 1979, Brushe/Casey, 1982). Experiences with this programme point out two problem fields: On the one hand it is questioned, if the jobs offered economically and socially useful productions. Local authorities set up jobs although the public demand was low (Layard, 1979, House of Commons, 1977). On the other hand it is pointed out that given the generally low skills of affected workers and the temporal limitation a rise of the skill level hardly took place. This is also mirrored by the fact that only few participants moved on into stable employment after leaving the programme (Layard, 1979; Hill, 1981).

The WEP has been more highly designed to raising the skills of participants. WEP was targeted at the young unemployed. They were to be supplied with work experience through provision of jobs with private employers. Wage bills were taken over by the government, the companies were not given any subsidies. Since the programme was especially making accord with training, it seems to have obtained better results than the JCP (Layard, 1979; Smith/Lasko, 1978). Among other things this is proved by the fact that 36% of the young people stayed in the same company in stable employment after completing the scheme, 29% were employed by other companies and still 85% of all participants were employed within 6 months after leaving the scheme. The close coupling to skill raising activities thus appears to be the essential positive feature of job creation schemes. It remains to be mentioned that about 34 000 persons participated in January 1978 (Layard, 1979).

When the JCP was terminated the STEP was intended to provide temporary jobs of community benefit to unemployed persons over 19 (House of Commons, 1977). Similar as in the JCP the difficulties on this programme lay therein to obtain the private sector's interest in providing jobs in areas of social value and to find the equilibrium between promoted and normal jobs. It was complained that normal jobs were being replaced by temporary job-creation-scheme jobs (Hill, 1981).

The current job creation programme the Community Enterprise Programme (CEP), offers long-term unemployed persons - defined 18-24 years old registered unemployed for more than 6 months and over 24 years old registered unemployed for more



than 12 months - jobs in activities that serve the public benefit. Jobs are usually sponsored by local authorities and non-profit organizations, although now private companies can also participate, provided that any profit they might make is clearly secondary to "the community benefit". The jobs usually deal with environmental protection and energy saving measures as well as with care for the elderly and cultural activities. Wages are approximated to the usual local wage rate, but are limited to UKL 89 per week for regular employees. The projects are organized by the participants themselves, instructors and managers earning more.

One point of criticism about the CEP is its small size (Metcalf, 1982), since with about 30 000 places available only 2 to 3% of all eligible persons can be served. But also the low degree of occupational training - most activities are for unskilled persons and usually do not help participants to expand existing skills - is heavily criticised (MSC, 1982c). This point also leads to the question of employment after completing CEP. The percentage of those employed after leaving CEP amounts to 18% (MSC, 1982c), although it cannot be said if this means an improvement against non-participants, because no comparative figures are available. The fact, however, that CEP participants and thus long-term unemployed are most unskilled workers allows the conclusion that employment chances are improved in that CEP-participants are searching for employment more actively, but that the chances of actually finding a job remain generally low because of low skills.

The new Voluntary Services Schemes can be regarded as a reaction to this criticism. Target of this is the provision of jobs for long-term unemployed. As opposed to the CEP the pay is not approximated to the usual local wage rate but to unemployment benefit. Furthermore not all jobs will be full-time which also will mean differences in pay. Part-time employees will then be encouraged to participate in occupational training courses.

This should have effects on the cost efficiency of the programme. While the net cost of CEP were around 33% according to the estimates of the MSC (1981k), it would not appear unreasonable to assume that they will be lower under the new programme.

### 3. Employment Effects of Public Funding Programmes on the Private and the Public Sector

The debate on the opportunity of the government to increase employment levels through public spending programmes not only on a short-term, but also on a long-term basis is characterized by the sharp contrast of two schools of thought (Artis, 1982). On the one side stands the monetarist conviction that any expansionary fiscal policy can only lead to a short-term increase of the employment level, but that in the long-term due to the instability of the Phillips-curve the employment level will fall back to the "natural rate of unemployment". This is based on the assumption that expansive fiscal policies cause the speed of price level increases to accelerate. While for a Keynesian grounded macroeconomic policy the adaptation process will be completed with a higher level of employment and a higher rate of inflation, monetarists assume that because of some hypotheses on price expectation behaviour in the private sector subjects (most sharply defined is the thesis of rationally anticipated of price expectations) the rising employment level will lead to an accelerating inflation. Under price expectations anticipating actual rates of inflation employment falls to the level of the natural rate of unemployment. Further expansive expenditure policies would have to be paid for the price of ever faster rising inflation rates with ever lower employment effects. Both positions - the Keynesian and the monetarist - can be found in the current debate on public expenditure programmes and are in incombustible contrast to each other (Artis, 1982; Cripps, 1974; Currie, 1978; McCallum, 1975; Price, 1978; Tobin/Buiter, 1976; Ward/Neild, 1978; Kaldor, 1982).

The Thatcher government obviously relies more on those considerations doubting the efficiency of public spending for raising employment. On the one side it is attempted to re-

duce the public expenditure quota through staff reductions in the public sector. At the same time public expenditure for the private economy is subject to considerable cuts. Affected by this are largely housing programmes. Because of increasing restrictions to limit outside financing the public corporations as well have reduced their investment activities. Thus the general philosophy of British expenditure policy is characterized by the reduction of the government expenditure quota for the public sector and renunciation of public expenditure as a means to stimulate total demand. Instead the Thatcher government stakes on supply orientated measures to improve the market position of private industry and to receive private investment activity.

The scientific debate on a too high or too low share of the public sector essentially relates to three arguments: On the one hand it is emphasized that traditional Keynesian policies that dominated economic and practical policy most of all in the period 1964 - 1973 were not able to stimulate private growth dynamics: The desired effect of multiplying processes for the private sector as well due to the expansion of employment in the public sector did not take place (Eltis, 1976). This conception is, however, denied (Kalm, 1977). Furthermore it is printed out that the long-term expenditure plans were based on growth expectations for the British economy that were unrealistic. The third and most important argument refers to the efficiency of the public sector in comparison to the private (Eltis, 1978). The lower efficiency of the public sector as against the private is considered to be due to lower productivities, but also to high wages. Especially for the public sector trade unions credited with an aggressive bargaining policy.

It is certainly true that in Britain a shift of production and employment from the private into non-market-sector has

occured (Bacon/Eltis, 1978; Bacon/Eltis, 1979). The empirical evidence, however, does not replace the analysis of the economic effects. Analyses, more cautious, with regard to the size of the public sector and productivity and growth effects therefore point to the necessity to intensify state activity where market mechanisms obviously fail (Madison, 1978; McCracken, 1977). The discussion made perceptible that absolute measures for the size of the state functions allocation, distribution and stabilization are not available (DIW, 1982). In contradiction to the conception that a reduction of the public sector would raise employment levels in the medium and long term therefore stand calls for the stabilization or expansion of the public sector. The advantage of these measures is seen in the improvement of the labour market situation. On the one hand the state could use through its entanglement with the private sector its "locomotive effect" to stimulate total activity (Kahn, 1977). On the other hand pressing social needs could be satisfied whose realization has been impossible because of public sector cuts (TUC, 1982). With these arguments even an expansion of public employment by up to 300 000 jobs is asked for (House of Lords Committee on Unemployment, 1982).

The controversy about the scale of public spending programmes relates not only to considerations about the size of the public sector, but also to the effects of public expenditure on the private sector. In the debate on the employment effects of expansive fiscal policies crowding-out effects play a dominant role. Crowding-out effects mean the possible displacement of private activity by expansion fiscal policy. Displacement can taken place through rising interest rates, effects on private property composition and external trade factors due to rising inflation.

Empirically founded research work on crowding-out effects in

in the United Kingdom is available. These relate to simulations of policies in econometrically founded macro models of the London Business School, the National Institute and the Reasury (Laury/Lewis/Ormerod, 1978). In these models crowding-out is determined quantitatively as the relation of the induced change in the scale of private economic activity to the change in the scale of public sector activity. The crowding-out debate then refers to the sign (plus or minus), the size and the time horizon caused by government activity. The results in all three models mentioned prove that under expansive spending policies private demand is lowered by a rising interest rate, when it is elastic with regard to interest rates. This is true most of all for private construction activity. This effect of interest rates, however, is qualified by an effect on the structure of incomes: Due to debt repayment private income and private consumption are stimulated. Assuming that prices remain unchanged and exchange rates are constant it follows that an expansive fiscal policy raises employment and economic activity (Bladen/Hovell, 1982). This assertion must be qualified whenever flexible prices and exchange rates are allowed. On these conditions it follows that in the different models mentioned the quantitative significance of crowding-out is valued differently. This depends most of all on the time horizon.

Referring to the rather optimistic reasons for the efficiency of an expansive fiscal policy (Cripps/Godley/Fetherstone, 1974; Ward/Neild, 1978; Tobin/Buiter, 1976) a renunciation of a contractive fiscal policy is called for. Since private growth dynamics will not be able to close existing and future investment gaps in the short and medium term, an employment effective public expenditure package is asked for (TUC, 1982). The TUC estimates that with an expenditure volume of UKL 8.3 billion 677 000 jobs could be created equivalent

to a fall of registered unemployment of 575 000. These positive effects, however, would only be lasting, if it would not be a one time action, but if it would be flanked by corresponding measures over the following years as well. In addition to this it is argued that the inflationary effects of such programmes would be higher than under present government programmes, but that at the same time the public spending borrowing requirement would be lower in the long term.

Another study (House of Commons, 1979) also shows that higher expenditure would lead to increased employment. Assuming that expenditure would be increased by UKL 1000 million (in 1975 prices) as against government plans unemployment would fall by 200 000 persons annually (ibid.).

Of considerable importance for the evaluation of public expenditure programmes remains then the open incomes policy flank of Keynesian policy. Since Keynesian fiscal policy is aimed at influencing demand (demand management) cost increases due to an aggressive wage bargaining policy might reduce the employment effectiveness of expansive fiscal policy. Which agreement exists in that the political problem of incomes policy for the improvement of the efficiency of public expenditure policies in Britain must be solved (Artic, 1982; critical to that: Coutts, 1981; Wilkinson, 82 ) Positions emphasizing the open incomes policy flank of traditional Keynesian demand management point then to the distinct system of industrial relation in Great Britain as opposed to other European countries. It must, however, be pointed out that a number of arguments has been presented denying a causal connexion between union bargaining policies in Great Britain, inflationary effects and resulting from this limits to expansive fiscal policies (Wilkenson, 19 82).

The question about the efficiency of expansive fiscal policy is in the end determined by the relationship between con-

currently observed short-term employment effects and effects on the price level that in the medium term through adaptations of price expectations and external trade influences under nationally differing inflation rates make adaptations of the exchange rate necessary. The state of the scientific controversy is currently determined by such strict dichotomies between Keynesian and monetarist creeds that an evaluation can only cautiously be undertaken. The evaluation refers to this that an expansive fiscal policy to increase employment levels through demand management measures cannot be dispensed with, but that the scale of this policy must not be out of proportion and that they must be soundly financed. The combination with supply side oriented measures is as well as external trade and incomes policy safeguards are necessary.



#### 4. Promoton of private Investment

The promotion of private sector investment activity for maintaining or raising employment is mostly practiced within the framework of regional policy. The most important instruments for this are the Areas for expansion specified in the 1972 Industry Act and the 1973 Employment Act, the number of which has, however, been reduced in August 1982. These areas are subdivided into Special Development Areas (SDAs), Development Areas (DAs) and Intermediate Areas (IAs). Central aspect of this is a system of investment grants available in SDAs and DAs complemented by additional assistance also open to IAs.

In addition to this a number of programmes offering support for innovation investment (cf. appendix) are of importance. But also the Tax system with its opportunity for 100% for allowance for plants and machinery in the first year and a 79% tax allowance for industrial buildings in the first year (24% for hotels) and 4% in the following represents a kind of investment promotion.

The most important innovation in the system of investment promotion has been the establishment of Enterprise Zones (EZs). They are based on the assumption that government interventions are obstructive to investment. Accordingly the advantages offered to companies moving into EZs primarily are reductions of these and only secondarily of a monetary kind (see appendix).

The discussion about Enterprise Zones can be used exemplarily for the discussion about investment promotion in general.

The establishment based, as mentioned above, on the assumption that administrative interventions because of being involved with costs for companies are obstructive to investment. The

target is to create jobs by means of new investment. It, however, appears questionable whether investment in EZs would not have been undertaken without them (Taylor, 1981), i.e. whether benefits occurring to it represent "windfall profits" and thus only some kind of deadweight. Furthermore it is not laid down that the enterprises moving in actually create jobs. And the kind of advantages offered actually appears to effect the opposite (Taylor, 1981), so that job creation could only be expected through follow-up effect. In addition to this Taylor points out, that the majority of expected investment will not be undertaken by new companies, but instead already existing ones leaving old production places. The advantages of EZs could also lead to the displacement of non-EZ firms that are not subsidized accordingly.

Deadweight and displacement effects will thus be considerably high in the case of a regionally oriented system of investment promotion which would be of particular importance with regard to costs. For if the number of actually created jobs is only small, the costs will be very high. But also with systems differently oriented these effects should also be particularly high, the more so as with a program like the Microprocessor Application Project job destroying rationalization takes place, because only insignificant effects for inland demand will be obtained, since most orders will be to outside companies. Although some jobs will be safer, because they are more productive and competitive, the workers made redundant by this will not find any vacancies in capital goods industries.

## II. REDISTRIBUTION OF AVAILABLE WORK LOAD

Measures to redistribute the available work-load are conducted only to low degree in Great Britain. The Job Release Scheme (JRS) is so far the only initiative towards this direction. The 1st January 1983, however, the Job Splitting Scheme will be introduced encouraging companies to establish part-time jobs.

The discussion about work redistribution is conducted under the aspect of labour supply reduction. It essentially centres on the question, whether labour supply reduction is preferable to expand labour demand.

Five reasons against labour supply reductions are given (Metcalf, 1982, but also Layard, 1981): First, if the lost hours were not completely replaced by unemployed workers or if productivity were not rising accordingly, the national product would fall. Consequently those retiring early and those still in training or education would have to be financed from a smaller national product, living standards would fall.

Secondly, workers willing to work a given number of hours at a given wage obviously value the product of their last hours higher than the leisure they give up. Then it would not be economical to encourage them to accept more leisure.

Thirdly, the distribution of work also means the distribution of income. It, however, appears unrealistic to expect trade unions to agree to income reductions. Constant wages implying hourly wage increases according to the degree of working-time reductions could only be compensated by productivity increases of exactly the same degree to avoid inflationary pressures.

Fourthly, shorter weekly or life-time working-time would hardly be reversible, a point, however, that would only be of importance when unemployment had fallen dramatically.

And lastly Metcalf argues that the current high levels of unemployment are necessary to combat inflation. If this were the case, the same level of unemployment would be necessary, if labour supply had been reduced. The reductions would only cause additional leisure, while increased labour demand would create an additional product.

The reduction of labour supply could only then be judged positively if two conditions were met: net cost per job must be lower than in the case of labour demand stimulation and it must be more selective than increasing labour demand. Lower costs are only imaginable if a complete replacement takes place, i.e. working-time reductions are compensated by hirings.

The effectivity of early retirement programmes thus depends on the degree of utilization and the degree of replacement (Metcalf, 1982). Utilization is dependant on the scope of eligibility, the pension paid and the social attitudes towards early retirement. Replacement would be affected by product market conditions. If these were good, replacement would occur, but would be problematic, since labour demand would be high due to good market conditions. If these were bad, no replacement would occur. This would imply that either production and employment would fall or that production might be kept up because to rising productivity.

The Job Release Scheme is linked to condition that for every employee, who gives up his job, a new employee has to be hired. Replacement must not be direct, i.e. employers can fill the vacancy through internal promotion and put the new employee to the end of the line. This fact makes the monitoring of the programme difficult. It is estimated (DEGazette, July 1982)

that about 30% of jobs opened due to the programme are not filled, a percentage that is even likely to rise in the future. But still the programme is considered rather inexpensive. Net Costs per person leaving the unemployment register were estimated at UKL 676 in 1978. This is about a third of what a general working time reduction would cost.

As already mentioned above measures for reducing weekly working-time are considered to be a matter of collective bargaining. Nevertheless the government has put up a programme encouraging part-time work. The Job-Splitting-Scheme offers companies a grant if the splitting of a job leads to the recruitment of a person registered unemployed.

A general reduction of weekly working-time, as it is particularly asked for by the TUC (1982a), is not in any case an adequate instrument for raising employment levels. Firstly, a great part of the hours lost would be made up by additional overtime (40%) (Allen, 1980). Secondly, work sharing means income sharing (see above). If workers were not willing to renounce the income equivalent to the hours lost, this would mean increased labour costs that as a second round effect would destroy all the positive effects of working-time reductions. Thirdly, the positive effects of working-time reductions could only be realized if the level of production would be maintained by more employees. Some developments, however, might oppose this: in a recession some companies might find it more favourable to reduce production in line with working-time or they even might be forced to reduce production, because they cannot find replacement on the labour market. From this it follows, that with unchanged employment levels a lower national product would be obtained. Fourthly, increased unit labour costs would be compensated by productivity increases. It is estimated that these would absorb 35% of production losses. (Lesley and Wise, 1980, DE, 1978). The question, however, remains why this rationalisation does not take place anyway.



### III ADAPTATION STRATEGIES

The adaptation of the labour supply to labour demand plays according to the supply side oriented economic policy consistantly the by far most important role within the framework of labour market policy. Since youth unemployment besides increasing long-term unemployment currently represents the biggest problem for the government, training measures are mostly targeted at this group.

The system of occupational training is currently subject to a large scale change. In the long term the New Training Initiative (NTI) is intended to lead to a raising of skill levels. This goal is to be met by two approaches: firstly, through the improvement of initial vocational training; secondly, through improved opportunities for occupation further training.

The first area consists of the expansion of already existing opportunities like the Youth Opportunities Programme (YOP), Unified Vocational Programme (UVP), Training for Skills (TSPA) and Training Opportunities Programme (TOPS). The biggest measure is the transformation of YOP into the Youth Training Scheme (YTS), which lays greater emphasis on training. The YTS will guarantee (from September 1983, when it will be fully in operation) every school-leaver, who is unemployed the opportunity for a one-year-basic training course that is intended to improve their employment chances through the attainment of a skill level oriented toward recognized occupational requirements.

Even more important than the YTS is the promotion of vocational training according to recognized standards like for example apprenticeships. For this on the one hand already existing programmes like UVP and TSPA are expanded and on the other hand the so far prevailing system of promoting occupational training through Industrial Training Boards (ITBs) is changed in that the ITBs now only assist such training programmes that correspond to this goals.

The other area, the improvement of opportunities for occupational further training, is intended to be obtained by an adaptation of the opportunities TOPS as well as TSPA already offer to actual industrial requirements. This will be reached by limiting course offers to those teaching skills in real demand. Also an adaptation of training opportunities to the individual ability of trainees is aimed at. This ought to be achieved through handling training opportunities more flexible thereby even using modern techniques for home use.

Discussions about these trainings measures centres on the question about the sense of training (particularly for young people) and about the effects of these measures.

Training is an investment into future productive capability that is, however, only profitable, if these skills are in demand. Particularly Moon (1982) points at the dubiousity of training young persons, when at the same time older workers disposing of the same skills are unemployed. Occupational training without subsequent employment will be of little use, especially since studies about long-term unemployment (see above) refer explicitly to the loss of skills. Also a CBI survey shows (CBI, Industrial Trends Survey 1981) that for manufacturing industries no lack of qualified employees is traceable.



Metcalf (but also Layard, 1982) point to the destruction of normal hiring channels by the YTS, because young persons not participating in this programme are less likely to find employment. Thus this programme prolongs the time of non-availability to the labour market therefore amounting to a labour supply reduction (Musgrave, 1980).

It can also be asked, whether because of the financial support for occupational training (of youths as well as of adults) costs for the companies are not externalized. For just the parameter for the success of these programmes, the number of placings proves that for these skills demand by employers exists, that hence these would pay for them. As unquestionably positive features of these programmes are considered the maintaining of skills (and especially for youths) the integrative effects (Moon, 1982; Metcalf, 1982; Richardson and Stringer, 1981; Duffy, 1981).

According to the priority attached to the 16 to 17 year old school-leavers about three quarter of YOP participants are recruited from this group. The majority of places is occupied under WEEP (work experience on employers' premises) . Major test for the success of the Youth Opportunities Programme (YOP) is the percentage of those moving into employment subsequent to programme. The different opportunities show widely differing success rates: WEEP just below 35%, PBWE about 15%, TW below 30% and CS below 35% for school-leavers and below 10% for non-school-leavers (O'Connor 1982). Because these figures were for the first half-year of 1981 and in general (except for school-leavers taking part in CS) it can be noticed, that the probability of finding employment is inversely proportional to the development of total unemployment, it must be assumed that at the time of writing (second half-year 1982) these figures are considerably below.

The WEEP moreover proves to be the major instrument for the above mentioned destruction of normal hiring channels for young people. Deadweight and displacement amount to approximately 29% of all employed among this programme (Metcalf, 1982).

Duffy (1982) even suspects that because of the transformation of this programme into the YTS and simultaneous reductions of the MSC personnel responsible for monitoring this percentage will rise. Moreover this author foresees that this kind of work experience will provide employers with the chance to make future employees subject to a free "screening".

In 1979/80 the net costs of the programme amounted to UKL 1.065 per place. Except for TW the other four mentioned opportunities range somewhat below this. With this, however, it must be kept in mind that the training input of this opportunity is considerably higher than for the others.

The Training Opportunities Programme (TOPS) offers opportunities for occupational further training. Among TOPS a variety of chances to renew or expand skills for a number of occupations is provided.

From 1979/80 to 1981/82 the programme has been cut by 13 000 places to 6 000. This is mostly due to a reorientation of the contents of the offered courses. While in 1979/80 35% of all courses were in Clerical and commercial fields, their share is planned to be reduced to below 20% in 1982/83. Instead skills demanded by companies using or producing modern technologies will be increasingly taught.

Participants to TOPS courses are predominantly unemployed (O'Connor, 1982: 52,5%; MSC, 1982:80%). 59% are male, 41% female. Courses teaching technical skills are mostly taken by younger male participants, while clerical and commercial skills are mostly acquired by older and female persons.

The moving into employment after TOPS is again heavily dependant on the general labour market conditions. Still 80% of participants are in employment 15 to 17 months after completion (in comparison 68% after 3 months); only 6% had not had any employment, that means the half of the number that could have been expected without TOPS (O'Connor, 1982). The skills gained through TOPS are actually used by 58% of former TOPS participants. This number is, however, falling for some fields (e.g. Construction). The employment distribution after TOPS reveals that more than 40% are employed in companies employing less than 25 workers, while only 13% work in companies employing more than 500. Also remarkable is the fact that more than 60% find employment one month after completing TOPS.



#### IV. CONCLUSION

In this chapter the above described measures will be compared with regard to their efficiency. Efficiency means in this context: costs, stability of employment, effects on productivity, general labour market effects, reception and possible conflicting targets.

#### Costs

The costs per job or participant can roughly be arranged in the following order: job creation schemes and youth programmes with little training-input, early retirement, wage subsidies, training schemes and finally expenditure programmes.

In this connection it must be kept in mind that this order is only valid for the measures considered and by no means natural. So the cost can be increased (or reduced) by raising (reducing) direct payments that in some cases make up the largest part of the costs.

Table 1: Cost per participant - in UKL -

YOP	568	(1) (2)
CEP	1.030	(1) (2)
SRS	676	(1) (3)
TES	625	(1) (3)
SFES	1.500	(1) (3)
YWS	1.200	
TOPS	2.370-5.340	(1)
TUC-proposal	12.500	

(1) Net costs

(2) 1981/82

(3) 1978

Source: own estimates

The costs of for instance job creation schemes located in largely labour intensive areas obviously heavily depend on the wages paid. Accordingly the wages paid in the new Community Programme are lower in order to serve more persons with comparatively lower funds.

Also it should be considered when thinking about costs that these are likely to rise once programmes are expanded (Metcalf, 1982). It should be warned against simply multiplying the figures given in Table 1 with any higher number of participants. In the same way the net costs of job creation schemes are likely to rise, if these were expanded to new areas, because displacement effects should rise then as well as some deadweight cannot be excluded once these schemes are opened to private sponsors.

As for wage subsidies it must be observed that subsidies granted to avoid unemployment are less costly than those for recruitment.

#### Stability of Employment

The effectivity of job creation schemes and youth programmes with regard to the creation of stable employment must be regarded as relatively low, when the thus maintained or created skills are not in demand on the labour market after completing the scheme. Since this is not the case in the current recession, this means that individual success may be achieved, but for the majority of participants only unsatisfactory results can be obtained.

Early retirement programme linked to the condition of recruitment like the JRS result at least largely to stable employment. It, however, cannot be excluded that the new employees will soon be dismissed because of lacking seniority.

The employment stability created by wage subsidies is relatively high. Even if a higher number of jobs may be displaced, the surviving should have a good market position.

Occupational training and further education are only successful in creating stable jobs, if the acquired skill are actually in demand. As the placing rates for TOPS show (MSC, M82b) this demand falls. The chances of finding a job after completing a course are 30% now.

The stability of jobs created or saved by expenditure programmes heavily depends on the continuity of expenditure and the rate of capacity utilization. Because no studies on this are available, any statements can only be speculative.

#### Productivity

Positive effects on the productivity per employee obviously are a feature of all programmes including a high training-input, i.e. occupation training and further education measures as well as youth programmes and -assuming that they brush up already existing skills - job creation schemes.

Recruitment subsidies also lead to higher productivity - for the whole industry. Assuming that subsidies paid for a stock of employers displace other - less productive jobs, this can also result in a higher productivity on a national scale.

While for expenditure programmes again no statements can be made, it can be assumed that the JRS does not effect productivity in any way. If early retirement, however, is uncoupled from the obligatory recruitment, it would be imaginable that this measure possibly involves negative effect, if particularly in small firms just the most experienced workers have to be replaced by new, less productive ones.

### General labour market effects

Job creation schemes lead to the conservation possibly to the improvement of the individual skill profile that is thus available in the case of a cyclical upswing. The importance of youth programmes on the contrary must be regarded to lie in the integrative effects for this group which otherwise would only find its way into society with difficulties.

The essential characteristic of early retirement programmes is the fact that no jobs are created, but that available jobs will be occupied by those that search for work (the unemployed) and that instead those abandon jobs who prefer leisure before work (older employers). This, however, is only true, if it is like the JRS a voluntary measure. A obligatory reduction of retirement age could on the other hand lead to the displacement of a population group from a sphere (work) which it values higher than the sphere assigned to it.

Recruitment subsidies can cause encouragement effects, unless no condition is made that the new employees are recruited from those registered unemployed.

An already mentioned effect of the Young Worker Scheme as a subsidy for a particular group of the working population is the preservation of normal hiring channels for this group that are destroyed by other measures operated.

### Reception

The reception of employment and labour market policies obviously depends on the level of wages (or other payments). One point of criticism of the CEP oftenly brought up by participants referred to the relatively low wages. Accordingly the group specific distribution of JRS utilization reveals that



the amount paid to retirees is not suited to make the programme attractive to those in upper income groups.

For wages subsidies also the amount granted is of great importance. It must, however, be kept in mind that subsidies can be paid for the stock of employers as well as for specific groups of employers. With a given sum the amount available per employee will be larger for the latter, this subsidy therefore more attractive. This assumption appears to be supported by a comparison of TES and SFES. Although SFES was in operation for one year less and was limited regionally as well as with regard to company size, more than a third of the number getting support from TES were assisted.

#### Incompatibility

A critique oftenly expressed about YOP and YTS is the de-facto prolongation of school that is caused by the massive expansion of the programmes. School-leavers without this additional qualification that especially YTS offers will hardly be able to find jobs.

But job creation schemes are also problematic. On the one hand an expansion of these measures should lead to a displacement of normal employees unless it is counteracted by only employing entrants in areas not supplied by private competitors. Because this, however, will mostly take place in "dead-end jobs" like tidying up grave-yards, it should be detrimental to the goal of maintaining or even improving individual skills.

On the other hand many activities located in social fields (environmental work or even for the elderly) are likely to be regarded necessary even in times of an economic recovery so that these services possibly cannot be dispensed with then. This in turn could tie up needed labour causing inflationary effects.

The conflict arising from working-time reducing (life-time as well as weekly) would be their irreversibility which would only be of important if the economy actually picked up.

The efficacy of wage subsidies is essentially caused by cost advantages against competitors. These can either be foreign companies or different groups of the working population. In the first case the foreign companies will resist this by either pressing for subsidies themselves or by raising tariffs. The second case will result in the displacement of non-subsidized, similarly qualified groups. The YWS for instance will, as mentioned above, lead to the replacement of (un-skilled) women by young people or to the replacement of (un-skilled) youths by those eligible to the subsidy. The short-term positive effects will be reversed in the long run.

The target of occupational training and further education measures is to clear crowded (secondary) labour markets and instead to increase the supply in empty (primary) labour markets. In a deep recession as the current, however, with already crowded skilled labour markets this will not happen. Instead the new qualified persons will stay unemployed or displace others. The unemployment resulting from this will again lead to a dequalification supplying already overcrowded secondary labour markets with new persons.

F E D E R A L   R E P U B L I C  
O F  
G E R M A N Y

FEDERAL REPUBLIC OF GERMANY

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O. ANALYTICS AND EMPIRICS OF ECONOMIC POLICIES

In the Federal Republic active labour market policy was developed in the beginning of the 70s. in connection with a keynesian orientated employment policy. While employment policies should serve the maintenance of a high level of demand for labour, labour market policies were meant to balance out structural discrepancies on the demand as well as on the supply side. Facing increasing unemployment and - especially - increasing deficits of public budget, conditions for state intervention aiming at the compensation of private investment deficiencies and at active labour market policy have become more difficult. Thus a turn from expansive expenditure policies in favour of consolidating measures could already be noticed under the social-liberal coalition. Under the CDU/CSU/FDP coalition this tendency became governmental programme; priority is now being placed on supply-orientated financial and employment policy. In order to classify the special expenditure programmes this development - divided in 5 periods - shall be outlined in the following. Prior a brief survey about the main data concerning the economical development is presented.

While the development of employment till 1973 was characterized by a steady increase of dependent employed as well as the working population in general - 1973 also was the peak of foreign workers and existing workplaces - (see Kühl, 1983) employment fell during the crisis 74/75 due to recessive production.

Supply-orientated policies intending the reduction of the number of foreign workers were overcompensated by the increase of the German working population since 1976 onward. Thus the latter is seen as one of the reasons accountable for the lack of succes in lowering the level of unemployment during 1978-1980 significantly, although at that time employment did experience a slight increase.

Table 1:

Development of employment total in thousands

	1971	1974	1976	1978	1980
Working population total	27.000	27.147	26.651	26.692	27.165
activity rate	44,1	43,7	43,3	43,5	44,1
employment total	26.817	26.565	25.591	25.699	26.276
employees in employment	22.606	22.640	21.939	22.264	22.960
foreigners	2.128	2.381	1.925	1.857	2.018
unemployed	185.072	582.481	1060.336	992.948	888.900
unemployed rate	0,8	2,6	4,8	4,3	3,8

Source: SVR, Jg.82/83

Under the condition of only moderate growth and still average productivity rises redundancies especially in the processing industry could be alleviated less and less by an expansion of employment in the public sector; additionally the situation was sharpened because the annual average working time reduction of 1 % between 1970-71 fell back to 0,4 % between 1975-80.

Table 2:

Development of growth, employment and productivity - in % -

	GDP	employment	productivity
1971	3,23	- 0,08	3,32
1974	0,54	- 1,83	2,41
1976	5,16	- 6,83	12,86
1978	3,22	1,10	2,10
1980	1,92	1,67	0,24

Productivity as GDP 1970, GW 1000000 - GW from GDP and employment

Source: Sachverständigenrat-Gutachten, own estimates

Essential reason for the weak economical growth was the decrease of gross fixed investments; they constituted a continuously declining part of GNP during the 70s. The structure of the other demand elements shows an increase of public consumption, a long-term stabile part of private consumption and a fluctuating export surplus.

Table 3:

Utilization of GNP - in % - (prices from 1970)

	private consumption	consumption public	gross fixed investment	export	import
1971	55,1	16,4	26,3	23,1	21,5
1974	54,0	17,3	22,5	28,0	22,5
1976	55,7	17,8	21,8	28,4	25,1
1978	56,2	17,5	22,4	28,9	25,9
1980	55,4	17,4	23,7	30,3	28,7

Source: SVR, Jg.80/81, Wirtschaft und Statistik, 3/81

The cyclical downturn from 1980 onward brought about a more difficult situation on the labour market; the number of registered unemployed rose to 2 million by the end of 1982; the thereto attached costs, also the direct ones - almost totally budget-financed (1982 app. 10 bill.DM) because of the long existing deficits of the 'Bundesanstalt für Arbeit' (BA-federal institut of labour) - hampered the as necessary regarded transfer from consumptive to investive state expenditures.

In addition to mere quantitative problems the situation on the labour market was characterized since the beginning of mass unemployment 1975, through steadily growing structural problems. On account of selectivity of hiring and dismiss policy, that affected mainly unskilled workers, 'problem groups' became a persisting problem for the labour market; their long-term re-integration in the work process has to face increasing difficulties, this even under the condition of active labour market political assistance. The formal structure of unemployment is shown in the following table.

Table 4:

Structure of unemployment - in % -

	1971	1974	1976	1978	1980	1982
foreign workers	0,6	2,9	5,1	5,3	5,0	12,0
women	1,1	3,1	5,8	5,8	5,2	8,6
part-time employed	-	-	10,6	11,5	10,4	11,0
average	0,8	2,6	4,6	4,3	3,8	8,2
men	0,7	2,2	3,9	3,4	3,0	7,9
youth under 20 y.	-	-	-	4,3	3,2	7,6

Source: ANBA, 2/82

Full-employment will remain predominant concern of state policies; yet, an improvement of the employment situation is hardly to expect due to following reasons: little optimistic prospects regarding economic growth, most probably a steady rise of productivity on at least the same level of previous years and continuous increase of working population.

#### Economic policy till 1973

The 'Stabilitätsgesetz' described the goals of state policy as: full-employment, growth, balanced foreign trade account, price stability. With the adoption of the 'labour promotion act', so far only fragmentary used instruments of labour market policy were institutionalized and extended. After the crisis of 1966/67, which had been successfully overcome through government demandmanagement, a broad consensus about the concept of 'Globalsteuerung' was developed - reaching from SPD to CDU and lasting up to the beginning of the 80s.

#### State's policy during 1974/75 -

##### Role of 'Bundesbank' (federal reserve bank)

The financial political reactions of the community bodies to the cyclical setback 1974/75 were closely related to the money-supply and interest policies of the 'Bundesbank' before and during that time.



The attempt of the Bundesbank from 1969 to 1973 to combat inflationary tendencies by raising the key interest rates and the minimum reserves ratios was counter-acted by the fact that until the abolishment of the Bretton-Wood-System such measures were followed by an inflow of foreign money capital which again forced the Bundesbank to purchase foreign currency; thus an effective limitation of the increase of money supply was not achievable. After floating exchange rates were adopted, the Bundesbank changed over to a more restrictive policy in the second half of 1973, thus, during a time when production indicators already showed a deterioration of the economic situation. At the same time, a target range for the growth of Central Bank money stock (CBM), a middle term potential orientation was introduced. It became possible to relate credit volumen closer to money supply ( $M_1$ ).

Table 5:  
Monetary development

increase in %	1971	1972	1973	1974	1975
federal reserve fund	11,9	13,5	7,8	6,2	10,1
money supply ( $M_1$ )	12,3	14,6	1,9	11,6	13,5
credit loans	13,9	16,0	10,2	7,2	4,6
consumer prices	5,3	5,5	6,9	7,0	6,0
NP (prices 1970)	3,3	3,6	4,9	0,4	-1,8

1. Currency in circulation (in non-bank sectors) plus minimum reserve ratio
2. Currency in Circulation (without cash balance of banks) plus sight deposits of domestic non-banks (without central bank funds of public budgets)
3. of credit institutes at domestic non-banks

Source: SVR, Years of publication 1979/80; IMSF, 1976

The government administrations responded to the period of economical upswing beginning in the second half of 1972 with a limitation in the increase of public expenditures and further measures of regaining stability - 'Stabilitätszuschlag' - 'Stabilitätsanleihe', 'Investitionssteuer'. Estimated by public demand stimuli, already 1973 they had a restrictive impact of about 10 bill. DM on whole economy.

In December 1973 the stability programme of early the same year had been suspended to a large extend, followed by an extension of directly demand effective public expenditures as well as by the preparation of additional investment programmes. Budget policy of 1974/75 was - according to the concept of the government in power - designed at goals put up by Keynesian demand management. Vesper (Vesper, 1978) regards this policy as having an overall only moderately extensive design. This critic is being based on the assumption that public demand incentives had not been sufficient as to stabilize the degree of utilization of the production potential of whole economy. Other authors regard the fact that financial political activities had been counteracted by a restrictive monetary policy of the Bundesbank, as a further reason for the insufficient effectiveness of the policy at that time - beside expenditure increase of too little volume. Proponents of a Keynesian orientated financial policy share the opinion, that the federalistic structure of the Federal Republic is a handicap for a solidly working economic policy. Especially, the communities as the main investors of the public hand are charged with a 'plan like' orientated procyclical expenditure policy.

In accordance with the renaissance of neoclassical theory the - represented by economic political councils of advisors (Bundesbank, Sachverständigenrat etc.) - effectiveness of Keynesian oriented full-employment policies became subject to increasing doubts; beside printing to the negative effect

of-by Federal Republic standards - still fairly high inflation rate, it was argued that an over-utilization of production potentials by the state leads to 'crowding out' effects and therefore to an obstruction of whole economy development.

Table 6:  
Public expenditures and public debts

	1971	1974	1975	1978	1980	1981
expenditures in bill.DM	247	370	429	530	613	660
net credit loan in bill.DM	- 1,1	-13,6	-59,8	-34,5	-51,1	-69,9
in % of GDP	- 0,2	- 1,4	- 5,8	- 2,7	- 3,4	- 4,5

Source: Statistisches Bundesamt VGR, aus: OECD-Survey, 1982

The development of the active labour market policy, till 1973 one-sidedly focused on further education and re-training measures, was determined by the confrontation with the new problems. Short-time work, job creation schemes and - little later - wage subsidies became main instruments since 1974. The increasing use of the therefore provided funds by unemployed, resp. those threatened by unemployment, corresponded to changed conditions on the labour market. The employment effect of all instruments amounted to averagely 230.000 jobs for the period from 1973-1979. The annual distribution and effect of the individual measure is to be found in table 7.

Table 7:

Utilization and employment effect of the most important labour market political instruments

	1973		1975		1979		1981		1982 <sup>+</sup>	
	A	B	A	B	A	B	A	B	A	B
short-time work	44	16	773	223	88	29	347	122	550	193
ycs	2	4	16	41	51	86	38	63	25	41
vocational training 1)	100	100	127	127	73	73	108	108 <sup>+</sup>	85	85
total	146	120	916	391	212	188	493	293	660	319
changes in employment whole economy		+68		-889		+338		-236		-460

A) Utilization (persons by 1.000)

B) Employment effect (persons by 1.000 estimated)

1) Full-time measures

+ Estimated

Source: Bundesanstalt für Arbeit, aus: Jürgen Kühl, Analytische und empirische Aspekte der Beschäftigungs- und Arbeitsmarktpolitik seit 1975 (Kühl, 1983)

The change in the utilization of the individual instruments were - beside decrees of the administration body of the Bundesanstalt - caused by financial political influence of the government. Thus the 'Sonderprogramm stabilitätsgerechter Aufschwung' (special programme for a stability-maintaining cyclical upturn) from 12.12.1974 implicated 500 mill.DM for wage subsidies, the 'programme for the promotion of construction and other investments' from 27.8.1975 included a job creation scheme at 600 mill. DM; on the other hand the funds for further education and vocational training were curtailed within the 'Haushaltsstrukturgesetz 1975' (budget structure act).

State policies between budget consolidation and demand regulation, - 1976-1980.

In the following two years 1976 and 1977 the financial policy focussed on the consolidation of public budgets, this under the impression of a 'record deficit' of the public budget from 1975 (68 bill.DM) and fed by a growing neoclassical critique.

This in spite of the fact, that further special expenditure programmes - including the programme for the 'promotion of construction and other investments' at a volume of almost 6 billion DM.- were carried out. The costs of this and other expenditure programmes als well as the financial effects of other-wise important financial political decrees are summarised in table 8 (a detailed specification of individual measures and their financial effects can be found in the appendix).

Table 8:

The most important financial decrees since 1974 and the financial effect for the period from 1976-1979, in mill.DM

Instrument	1976	1977	1978	1979
<u>revenue side</u>				
business cycle policy and growth political measure	-4.250	-5.400	-15.850	-29.550
other measures	- 650	+1.250	+ 8.250	+12.850
total drop in revenue	-4.900	-4.150	- 7.600	-16.700
<u>expenditure side</u>				
business cycle policy and growth political measures	+4.550	+1.300	+ 4.650	+ 6.750
other measures	-5.000	-6.650	- 7.800	- 8.850
total additional expenditure	+11.500	+10.800	-12.550	+14.000

Source: G. Kühl, Analytische und Empirische Aspekte der Beschäftigungs- und Arbeitsmarktpolitik seit 1975

The here indicated costs of political measures do of course not coincide with demand effective influences of the public budget in general; according to estimates of the DIW on the whole those were restrictive 1976 and 1977, this to a degree which was sufficient to at least compensate the volume of programmes not being part of regular budget; in addition to that, communities misused extra funds for financing investments that were planned anyway.

Table 9:

demand impulses of public budgets (in bill.DM) <sup>1)</sup>

1976	1977	1978	1979
- 13,4	- 13,7	8,3	8,0

1) by definition of national accounts

Source: Statistisches Bundesamt, Berechnungen des DIW aus Altvater (1981)

The government signaled a turn in financial policy when passing the tax political decrees of 1977 and - especially - the programme for 'growth political provision' (ZIP) of the same year.

#### Consolidating efforts of 1981/82

The recessive economical trend since 1980, followed by a fall in employment and a further worsening of the labour market situation, created a new dilemma between the target of budget consolidation and demand management for the maintenance of employment. Facing the threat of a public deficit of 70 bill.DM - constant expenditures provided - and under the impression of a far-reaching discussion about public borrowing, within the coalition no consent could be established about keynesian orientated policy patterns. Further more optimistic prognoses (the 'Sachverständigenrat' expected an increase of GNP of 1 1/2 % for the second half of 1981) suggested a cyclical upturn, since this did not come true, also the consolidation target failed. The financial deficit of the state sector amounted to approximately 70 bill.DM, which is 4,5 % of the GNP ( according to OECD). Further restrictive influences had their source in the monetary and interest policy of the 'Bundesbank', which tried to cope with beginning flight of capital by gradually rising interest rates. At the same time this monetary course was designed to attenuate losses in the balance of goods and services.

Also the 'work promotion consolidating act' enacted Jan.1st, 1982 which confined important instruments of active labour market policy as well as the right for unemployment benefits, gave evidence of the efforts of the government to consolidate

its budget. Now the eligibility for unemployment pay depends on a preceding employment of 12 months (before that: 6 months), for unemployment assistance on 100 days (before that: 40 days).

A cut in Job Creation Schemes, less subsistence payments for full-time vocational training measures and the limitation of grants for wage subsidies to 60%, plus a new regulation for the eligibility for short-time work payment are the most significant restrictions within active labour market policy.

Since also 1982 the development of the whole economy, with exception of rapidly increasing foreign demand in the beginning of the year, was stagnant, and the predicted upswing had not come into sight, the government issued the "Beschäftigungsförderungsgesetz (employment promotion act)", focused on the investment grant, which was designed to combat the generally low propensity to invest. Critical voices of this investment grant of 10% - limited for one year - say, that the best possible effect could be a premature realization of such investments that were planned anyway. This even more as already in the second year the development of the overall demand was negative because of the relative decline in public expenditures and the absolute decline in private demand. The DIW criticizes the more restrictive financial political course of the government since 1980 under the following aspect: cutting down on public investments for consolidating reasons leads to considerably smaller reductions of the deficit and to more negative influences on the development of the whole economy than generally thought; also it is to put more emphasis on the relationship between public investment decisions for financial political reasons and the development of monetary policy. They make calls for an extension of public investments, accompanied by a more offensive monetary policy and mention Japan as example, where such a policy had to be financed with only a short-term depreciation of the Yen.

The economical policy of the new government

The new coalition defines its main target as to consolidate state finances and to bring down unemployment, both shall in the first place be achieved by supply orientated policy patterns which are centred about growth stimuli. Some elements of this policy are: reduced costs for personnel in the public sector, expansion of public investments as far as this is possible within limited budget funds with a planned net credit loan of 42 bill DM, in this connection restrained social (security) expenditures; furthermore a general promotion of the investment power of private enterprise - funded by the planned increase of value-added tax - and especially the promotion of residential building - this partially to be financed by a forced loan from recipients of higher income.

The concept does not include employment political initiatives, this neither within the scope of genuine labour market policy nor by means of expenditure programmes. The fact that investment promotion is restricted to construction industry is criticized by the Sachverständigenrat (SVR); according to his assumption a promotion of further areas - especially the investment goods industry - would be necessary under employment political aspects. The total budget plan and the thereto attached financial political decrees are being judged controversial. The majority of the council-members regards the programme as holding the possibility of solving the most pressing economical and social problems. According to Hans-Jürgen Krupp (member of the council) the demand political risks, which are also seen by the majority of the council overlap the growth political incentives. As far as the unemployment insurance is concerned the new coalition has presented concepts that favour the principles of subsidiarity; thus it was discussed to combine the rate of unemployment benefits with the duration of previous employment. An other possibility to lower the immense



deficits of the BA is seen in linking the eligibility for unemployment payment to a preceding employment of 18 months (now 12 months). Regarding active labour market policies no special activities are planned, though it can be assumed that the discussion - as also being carried out within the CDU - about the question, if not at least the Job Creation Scheme especially for older unemployed should be extended, will emerge into respective decrees.



## I. INCREASE IN THE SUPPLY OF JOBS

### 1. Wage Subsidies

In the Federal Republic of Germany wage subsidies are granted within the institutionalized labour market policies according to the 'Arbeitsförderungsgesetz' (work promotion act, in the following AFG) by means of initial training-in allowances and settling-in allowances.

In addition to this, wage subsidies constitute an important part of the special programme from 12.6.1976 (see appendix), also they are used for the integration of evacuees.

Training-in allowances are only given in combination with measures for further in-plant training. Settling-in allowances should serve the better placement of disadvantaged groups on the labour market. With regard to the so-called 'active labour market policy' both instruments, especially the settling-in allowance play an increasingly important role (see Schmič -Semmlinger, 1979).

Scientific research distinguishes between three potential levels of wage subsidy:

1. on the macroeconomic level - predicted effects of an assumed global wage subsidy
2. potential consequences of wage subsidies regionally limited
3. effect of selective wage subsidies regarding structure of employment and unemployment.

"Crucial point" of the theoretical discussion on the effects of general wage subsidies is the concurrence resp. the denial of the theory of relative prices of capital and labour; following the arguments of proponents of this theory (eg. the majority of the council of advisors) the excessive costs of the production factor labour count for under-employment. Yet, to alter the relative prices of labour and capital the council of advisors favours: "Moderate wage settlements by collective bargaining". Wage subsidies are supported as a labour market policy instrument within the existing scope, but as publicly sponsored general wage subsidies they prove the consequence, that they have to be financed either by net credit loan or by taxation, according to the majority of the council of advisors both would counteract the targeted improvement of supply conditions.

As a supply- as well as demand effective instrument, G.Rehn (Rehn, 1975) interpretes his proposal of temporary wage subsidies that has been discussed and modified in the Federal Republic by Hackmann/Keiter (Hackmann/Keiter, 1976) and C.Ch. von Weiszäcker (C.Ch.v.Weiszäcker, 1976).

General wage subsidies are rejected by demand side orientated theorists like, e.g. the Memorandum-group; its representatives regard a redistribution of unemployment as the best possible effect of existing wage subsidies.

Regionally limited wage subsidies have been granted in the Federal Republic twice so far, 1974 (see appendix) in regions with an unemployment rate 0,5 % above the average un-

employment rate and 1979 as part of a special programme for regions with special employment problems (see appendix); the latter with expanded settling-in allowances and promotion of further in-plant training resp. re-training that has become necessary as a result of new installations due to changes in technology.

Whereas the first programme did not meet the expectations - eventually due to a lack of information of the employers in question - the efficiency of the above mentioned programme (Schmid /Freiburghaus, 1977), part I, is being judged in a more detailed way. The effects which might ease the pressure on the labour market, especially the intended effect of bringing down rotational unemployment are expected to be of little success, whereas importance is placed on the qualification effects. In this context the integration of marginal groups as well as the possibility of acquiring general certificates are stressed.

However, inherent structural-political effects have to be considered in case of a wide implementation of such or other programmes for wage subsidies.

The relative improvement of the situation of those companies which are granted the described wage subsidies, should be integrated in structural political planning. A change of emphasis will have to be put on the dependencies between active labour market policy and structural policy. (see Schmid /Freiburghaus, 1977).

The existing measures of wage subsidy according to AFG, settling-in allowances and training-in allowances, show a great regional deviation, which is only partially attributable to the unemployment rate and its selective structure. A significant effect also is being noticed in the processing industry of the region in question (Schmid /Semmlinger, 1980). How far

this might lead to the conclusion that an expansion of this instrument is hardly to accept because of unequal distributional effects, remains questionable.

The most important problem deals with the question, if this measure allows the integration of marginal groups in the labour market. Concerning this question we are confronted with the following positions: The first position claims that the unequal distribution of chances on the labour market is partly caused by a rigid wage-costs-structure. That means that disadvantaged groups remain excluded from the labour market; thus a flexible system of selective wage subsidies target-orientated towards those groups is to be implemented.

The opposing position is based on the assertion that under the condition of a total lack of demand nothing else will be achieved by structural assistance than transferring problems from one field to another. Further more the representatives of this position claim as another disadvantage of wage subsidy policy as now being pursued, that permanent subsidizing of certain 'problem groups' might lead to a 'drug effect', this especially in periods of a cyclical downturn when - for instance - young or elder people only have the chance of taking up work in case of subsidies being granted. (Schmid /Wilcke, 1980; Schmid , 1982).

The relatively heavy use of subsidies for the placement of young people is also being criticized in so far as those measures are not tied to training schemes, although the authors admit that a strong rotational unemployment is to be preferred to permanent unemployment.

The latter mentioned positions are partly based on empirical data, partly they are a result of above mentioned research. Some single results shall be subject of the following part.

There are qualitative as well as quantitative analysis regarding the effectiveness of settling-in and training-in allowances, further more a cost-benefit analysis of settling-in allowances is available.

Generally the lesser utilization of training-in allowances compared to settling-in allowances is being explained with its linkage to further training schemes.

It is assumed that the increasing utilization of training-in allowances during the last years goes back to the fact that the training specifications have been widely ignored (Schmid /Semmlinger, 1977).

They propose stricter administrative regulations for training measures in order to avoid - as happened in case of settling-in allowances - prolonged 'Werkbänke' (tool tables - assisted employees are used as unskilled workers). Qualitative evaluations of settling-in and training-in allowances can be resumed as follows:

Problems of implacement are concerning both instruments. The percent of hard-to-place unemployed has gone up considerably in the course of the employment crisis, caused by recognizable selectivity in hiring and dismissal processes. The requirements for job applicants have become harder to fulfill on account of technical reasons and business economic rationality, both relating to job specific as well as extra-functional abilities. The required skill often surpasses the needed skills for the specific job. There are also cases known that the regular staff raises objections against a 'problem case' being hired because lower efficiency is expected as well as a worsening of the working atmosphere.

Both instruments only influence 'normal' business economic calculation but do not reach the entire complexity of the existing problems. Both instruments also prove increasing deadweight effects, especially settling-in

allowances; in case of training-in allowances mainly on account of labour offices being 'forced' to take over job specific training-in costs, regarding settling-in allowances in that sense that actually not disabled unemployed like young or elder people without handicap are only being implaced - 'problem cases' hardly at all - under the condition of granted settling-in allowances (see Schmid /Semmlinger, 1979).

Table 1:

Cost-benefit Analysis of Settling-in Allowances in the Federal Republic 1974-1980

	1974	1976	1979	1980
1) expenditures of BA	17	186	616	574
2) assisted persons in 1.000	10	58	88	63
3) persons costs	1.801	3.075	6.055	7.468
4) employment effects	?	?	?	?
5) effects on unemployment	3	15	22	16
	25	25	25	25
6) costs per avoided unemployed	6.003	11.889	24.221	29.406

3) estimated according to table 12, p. 244 of the SVR Study 1981/82 about the development of consumer prices

5) a) and b) conclusive assumptions

Source: 1) and 2) ANBA, diverse years of periodical;  
3), 5) and 6) Schmidt, 1982



The same authors presented a quantitative analysis of the effect of both instruments, the one for settling-in allowances containing a multivariate analysis of use and effect. The used method tries to illustrate dependencies between cause/reaction, in order to be able to isolate the influence of a specific factor of particular interest (Schmid /Wilcke, 1980).

The results of this work constitute the basic for the following aspects which will mainly concern settling-in allowances.

To a large extent the utilization is determined by problem pressure (regional unemployment rate). The regional structure of wage costs appears as another influencing factor, which means that settling-in allowances are predominantly being used by such labour intensive firms of the processing industry in which the costs of wages play an important role.

A similar policy in the likewise labour intensive service sector is not to be found, which can - so the authors - be credited to the existence of an internal labour market. The noticeable underrepresentation of women in this programme, seems to be on account of the almost total lack of suitable part-time jobs, yet, also certain women discriminating practices by the labour office administrations are assumed.

Regarding the total amount of jobs provided under this programme, the implacement of young unemployed seems the most successful, yet it has to be considered that these implacements are not likely to open up permanent jobs but tend to generate rotational unemployment for young people.

Concerning the implacement of elder people we find the reverse situation: Settling-in allowances did actually bring down the number of permanent unemployed. That this instru-

ment is being applied rather rarely for this category of persons seems to be due to the fact that here wage costs play a less important role.

The most important results of the existing analysis are:

1. settling-in allowances show no significant effect regarding the category of persons of permanent unemployed, who actually represent the target group of this instrument.
2. Settling-in allowance is no adequate instrument for bringing down unemployment; this statement is done under the condition of limited possibilities of empirical research in this field.
3. The increasing use of both instruments is accompanied by a 'drug effect', which means that in order to accomplish the same effects a permanent increase of provided means will be necessary. Qualitative analysis claim that experts of the labour offices regard this effect as partially self-induced.

Generally it is given consent to wage subsidies for seriously disabled, even though there is doubt about their sufficiency in times of crisis. Those doubts base on the experience with the hiring practice of companies as above described in connection with other hard-to-place groups. Those practices affect the group of seriously disabled even more; as a solution it is printed to administrative regulations.

(Möller/Lücking, 1977).

Models and proposals aimed at the potential improvement of those labour political instruments shall be discussed in the summary because they usually include further schemes..

## 2. Job Creation Schemes

Job creation schemes (in the following JCS) are adopted according to AFG (work promotion act) § 91 and as parts of special programmes of central government and federal governments.

Even though job creation schemes had been installed before the AFG was passed, they were of no significant importance till 1974 (1.500 - 3.000 assisted persons annually). During 1975/76 it was attempted to support the construction industry, which is highly sensitive to economic fluctuations by means of job creation schemes. As unemployment was growing, job creation schemes became an increasingly important factor till 1979 (1979: 52.000 assisted persons). The subsequent declining process must be attributed to financial restrictions and a growing critical view of this instrument. Both together was the background for issuing new JCS-regulations codified in the amendment of the 'work promotion act' - 'work promotion consolidation act' (AFKG).

Table 2:

Significance of JCS

	total expenditures of BA (100%) A	operative payments B	in % vA	JCS	in % vA	in % vB	JCS empl.	JCS empl. p. % UE
70	3.907.279	2.304.624	59.0	13.721	0.4	0.7	1.645	10
75	17.835.893	6.441.675	36.2	128.707	6.8	2.2	15.810	14
80	21.674.477	7.613.562	40.5	1.025.441	4.7	11.9	41.251	46
81	28.165.067	11.239.423	39.8	1.053.882	3.7	9.4	38.461	30

Source: Mettelsiefen/ Seifert WSI 6/82

own estimates

AFKG includes operative restrictions. Now public employers are excluded as sponsors of JCS with the exception of infra-structural improvement measures. In addition to this the category of persons eligible for JCS has been tightened, as well as the main area of promotion was subject to a modification. 1975/76 priority was put on the industrial sector, here mainly measures on this field of transport that has an impact on construction industry, whereas today JCS are predominantly utilized in the service sector, especially social services.

The average length of promotion has been prolonged from 77 weeks (up to 1978) to currently (about) six months.

According to scientific opinions JCS can have the following effects: the net employment effect of JCS is positiv. Dead-weight effects do hardly occur in the private but in the public sector. The social political and integrative effects of JCS are considered positiv. It is criticized that those groups towards the instrument is targeted, are not reached to the degree initially desired, but possible improvements concerning this aspect are admitted.

Yet, it has to be taken into consideration that dissenting views are presented regarding influence and scale of those effects: The employment effects of JCS were subject of empirical studies; here an IAB-study (Institute for Labour Market and Vocational Training) from 1978/79 is to mention as one of the completest (Spitznagel, 1979). This research is based on the following assumptions:

For the evaluation of employment effects a certain percentage of the skeleton staff has to be added to the JCS-employed because without working in a JCS-promoted company they might have been made redundant. Since the number of skeleton workers is extremely high in the building industry, lower in the social services, the declining relation between the

number of JCS-promoted employees and employment effects can be explained; in relation to 100 promoted jobs there are 53 in the sector of surface construction, 64 in public utility, in the transport industry 50 maintained regular jobs. Further to those direct effects there are indirect effects composed by two elements: increase in demand due to intermediate goods and services and increase in demand for consumer goods.

Table 3: Job Creation Scheme 1978

areas	assisted persons	in % from A	$\frac{B}{A} = 100$	$\frac{B}{A}$	gross employment effect	in % from B	structure of B in %		
							1	2	3
Agriculture	10.554	20.6	72.0	1.49	15.752	17.5	67	9	24
Coastal conservation	358	0.7	70.1	1.45	518	0.6	69	13	18
Forestry	5.174	10.1	75.4	1.56	8.084	9.0	64	6	30
Transport	1.998	3.9	138.2	2.86	5.708	6.3	35	18	47
Construction	5.379	10.5	150.7	3.12	16.809	18.7	32	22	46
Public utility	1.793	3.5	172.5	3.57	6.403	7.1	28	20	52
Administration	17.112	33.4	65.2	1.35	23.124	25.7	74	9	17
Social services	6.250	12.2	70.1	1.45	9.057	10.1	69	8	23
Others	2.561	5.0	86.5	1.79	4.573	5.1	56	15	29
Total	51.236	100	20.7	1.78	90.000	100	-	-	-

- 1) assisted employees
- 2) regular workers
- 3) indirect effect

Source: Mitt. AB, 2/79,  
own calculations

Those total effects, defined as gross employment effects, are facing a number of restrictions. According to Hellmich (Hellmich, 1982) the total volume can only be quantitized on the basis of 'well-founded assertions'. This restriction provided, we find the following picture:

Table 4: Employment Effect of JCS

	1976	1978
gross employment effect	75.000	90.000
percentage of promotion	40 %	60 %
net employment effect	30.000	54.000

Source: Spitznagel, MittAB 2/79

The above calculations do not include potential acceleration effects (see Spitznagel, 1979), as well as influences due to allocation effects of JCS are necessarily neglected. But in spite of these imponderabilities the cost-benefit-relation of JCS is considered positiv (Schmidt, 1982; Hellmich, 1982).

Table 5: Costs/Efficiency-Analysis of Job Creating Scheme  
1974/76/79/80 in the Federal Republic of Germany

	1974	1976	1979	1980
1) expenditures of BA in mill. DM	41,6	267,8	1.201,2	1.367,8
2) JCS-assisted persons in 1.000	3	29	51	41
3) persons costs in DM (1975)	14.690	8.853	20.375	27.345
4) employment effect in 1.000	8	75	86	68
5) effects on unemploy- ment	6 200	58 200	75 147	59 144
6) costs per avoided unemployed	7.344	4.427	13.855	19.002

4) effected by demand due to intermediate goods and services and multiplier effects on basis of an input/output model, by Spitznagel, 1979/80

5) estimation based on JCV-promoted employers plus 2/3 of the regular workers and 2/3 of indirectly additional employed

Source: IAB 1978/79, SVR, Schmid, 1982

Also on basis of a comparison between all costs (promotion and sponsor's payment) savings (unemployment benefits) and revenue (tax and social security) JCS show a more favourable picture than unemployment.

For the evaluation of the accuracy of JCS (in the sense of reaching the target groups) the following data are available:

Table 6 : Relative Employment under JCS  
Shares of Unemployment - 1980

	JCS	unemployed
women	38.6	52.0
youths under the age of 20	8.9	9.9
elder people	26.0	30.2
part time employed	10.3	18.4

Source: Hellmich, WSI 2/82

For the period of 1975/76 Spitznagel (Spitznagel, 1979) found an overrepresentation of persons with 'risk property'. The employment possibilities for such groups are mainly located in the service sector, which means that the expansion of JCS in this sector led to a greater accuracy in reaching the targeted persons. As for the SVR, he shares this opinion (SVR, 1980/81). Even though the achieved effects are still considered to be moderate, in comparison to further AFG-instruments it is agreed that JCS clearly hold the most potentials (see Hellmich, 1982). Along with the modification of JCS according to the AFKG, restricting the category of persons eligible for this programme, the accuracy has been improved, whereas at the same time parts of the original objectives have been dropped.



The creation of permanent jobs - by the AFG outlined as the aim of JCS - has hardly been analysed empirically. Nevertheless the evaluation of the 'special programme 1979' (see appendix) suggests, that this instrument will probably not be successful in realizing this aim (for only 8 % of all JCS-jobs good opportunities are seen for a transformation into permanent jobs)(see Hellmich, 1982). On the other hand, the need for JCS is growing; it is the only instrument of labour market policy that is regarded as to have an effect on unemployment resulting from growth deficits (see Schmid 1982).

Emphasis is also laid upon side effects of JCS - like the maintainance of human capital and social security (see Schmidt, 1982; Spitznagel, 1979; Hellmich, 1982, etc.) - nevertheless the ÖTV criticizes that JCS produce 'second class workers' who are excluded from collective labour agreements and play the role of 'wage pushers'. Another point of critic prints to the aspect that JCS does not create skill patterns in consistent with the demand of the market; highly qualified unemployed receive a fairly high salary when taking up a job under this programme; thus needs are induced regarding status, salary etc. which cannot be realized on the free market.

The here mentioned authors generally agree that these points of critic including the abuse of JCS do not sum up to fundamental objections against this instrument, since those would be avoidable by according operational specifications.

### 3. Employment Effects of Public Expenditure Programmes for the Private and Public Sector

The discussion about the possibilities to increase the level of employment by public expenditure programmes is being carried out in the Federal Republic by referring to analysis on funding possibilities, the effects on quantities and prices and the efficiency of public versus private activities. Paradigmatically more keynesian orientated positions can be distinguished from more monetaristic orientated theories. The pleading for keynesian policies aims at the necessity of additional public borrowing, the utilization of financial resources by cutting down on subsidies and the taxation of higher income. Contrary to that monetaristic positions refer to the financial burden put on the private sector if a rise of top-tax rates is being exercised and to "crowding out effects" under increased interest rates induced by public deficit spending; they also point to the higher degree of efficiency of private compared to public activity.

Since the beginning of the eighties, and even stronger since the new CDU/CSU/FDP coalition came in power in the Federal Republic the policy design is characterized by intensified measures to consolidate the budget and thus by renunciation of public expenditure programmes. Minorities like for e.g. the DGB, but recently also markedly stronger the SPD, claim for the expansion of public expenditure programmes. I.a. a new future investment programme with a total volume of 50 bil. DM and a running time of five years is demanded. The programme structure is to follow the concept of qualitative growth. In general it is true that all proposals for an expansion of expenditures of the public hand include considerations for financing.

Elsewhere (see analytics and empirics of economic policies) the theoretical debates on public expenditure programmes are being reviewed. Here only the employment effects public expenditure programmes are of concern. In this context naturally the lay-out of public expenditure programmes plays an important role: on the one hand programmes which directly operate with view to governmental expenditures for the production of goods and services in the public sector, on the other hand expenditure programmes aiming at the promotion of growth dynamic of the private sector and are to induce a self-sustained growth.

The attempt to solve the employment problems by means of expanding the employment level in the public sector has been abandoned already towards the end of the SPD/FDP coalition. As priority is given to budget consolidating efforts. consumptive expenditures are cut back and a reduction of staff is intended. Still up to 1975 the number of employed persons in the public budgets (state, community bodies, social insurance, Bundeswehr - not railway and post) was continuously increasing. The extension of employment in this sector did make a contribution towards the alleviation of falling employment rates in the manufacturing industry. This function is not being fulfilled any more since 1979. The development of wage - salary and employment is shown in table 7 -

Table 7 :

Public Wage Burden (Community Bodies and Social Insurance)  
- Employment Shares of Sectors -

	absolute,+	in % of total ex- penditurs	publ.sec- tor empl. absolute ++	% 1	% 2	% 3
1970	61,42	31.3	2978	83.6	55.1	13.4
1975	118,11	32.8	3512	80.4	50.8	16.5
1980	161.14	31.8	3798	79.3	48.8	17.1

+ in bill. DM

++ in 1 000

1) all enterprises

2) goods-producing industry

3) state

Source: SVR; WPI 9/81, own estimates

Facing this situation the council of advisors - more markedly the employers' association - but also parts of the CDU/CSU and FDP point out that the blow up of the public sector has limited employers' activity range considerably because the increasing public indebtedness and the thereto attached tax rise and increased interest rates meant a special financial burden for the private sector.

In view of this position the state will have to cope with its task to shift - with remaining level of total expenditure - the expenditure structure from the consumptive to the investive area, this either by postponing income adaptations (Blüm-proposal) or reducing the staff. The DGB - especially the ÖTV (trade union for public employees) - the Memorandum-group and the SPD hold against this that first there is still a considerable need for social services (Hellmich, 1982; Wagner, 1982) and that secondly the assumed mechanism between a expansion of state activities and public debts resp. crisis of the market does not exist (cf. DGB/WPI, 1981). (More detailed in I, 4.).

At the moment operative expenditure programmes are the following. According to the 'employment promotion act' 1982 the additional expenditures for energy saving technologies in public buildings and - somewhat unclearly belonging to this category - expanded investment activities by the Bundespost. Parts of proceeding programmes as the programme for 'promotion of economic and employment development' from 14<sup>th</sup> of Sept. 1977 are still of some effect. Thus the subsidies for investments in Energy saving technology in residential buildings have been prolonged as well as special parts of the 'Future Investment Programme' (ZIP) where further assistance was granted mainly within federal and regional range.

In general only programmes of the central government are being presented, forced by the lack of respective information and also due to the fact that the volume of regional special programmes of federal governments is comparatively low..

As a matter fact the expenditures declared as special programmes of the central government play a relatively minor role compared to the budget volume resp. its variations, with two exceptions - ZIP (Future investment programme) 20 bill.DM, programme for promotion of construction and other investments 5,75 bill.DM.

Table 8:

Volume, expenditure programmes and budget

Year	special programmes A	budget B	A in % of B
1975	2.600 <sup>1)</sup>	158,80	1,64
1977	1.250 <sup>2)</sup>	172,39	0,73
1978	4.450 <sup>3)</sup>	189,66	2,33

1. regional and local assistance of employment 74
2. promotion of employment and growth 74
3. promotion of construction and other investments
2. like 1) and ZIP 1977
3. like 2. and programme for saving energy

Source: J.Kühl 82, SVR, own estimates

Little empirical data is given for backing up the political and theoretical discussion about the feasibility of such programmes; thus the existing data mainly relate to the already mentioned programme for the 'promotion of construction and other investments.'

Most of all an empirical investigation about effects of expenditure programmes executed by the DIW (german institut for economic research) and JAB is to be mentioned. For the evaluation of the effectivity of the programme, the production and employment effects have been estimated on the basis of an input/output model (disaggregated in 56 industrial branches) broadend by a keyneasian income-multiplier.

Table 9

Programme for the promotion of construction and other investments

programme	centralgovernment, federal government, communities - in mill.DM -
1. communal infrastructure and city modernization	2.450
2. housing modernization	700
3. refinancing of 'Bausparverträge' (building loan contract)	300
4. state investments	1.200
5. job creation schemes	600
6. loans for financial assistance of communal investment and promotion of the ERP-environment conservation programmes - total	500
total programme	5.750

(1) Communities themselves participate with 500 mill.DM, bookes in this own budget-

Source: Bundesratsdrucksache 522/75 vom 5.9.1975, S.2,  
aus Spitznagel, 1976

Production and employment effects were distinguished in 3 operational levels. The first level of effects concerns so called direct effects resulting from the original financial incentives which directly yield the respective areas of industrie

The indirect effect are those which are a result of intermediate goods and services as provided to satisfy the directly induced demand and multiplier induced effects. The latter show additional effects caused by income and consumption effects. They can again be distinguished in direct and indirect effects, which correspond to induced consumer expenditures and the thereto attached intermediate goods and services. The production effects of the entire programme, disaggregated according to this classification, is shown in table 10.

Table 10

Production effects

	amount - mill.DM -
extended input-output model direct	4.930
multiplier induced	
direct	2.680
indirect	2.011
indirect	4.210
total	13.851

Source: Estimations of the DIW;

Programme for the improvement for the construction a.o. investments

The next table shows the distribution for the individual economic branches

Table 11

Production effects regarding individual branches in %

	%
mining	0,77
basic industrie	16,33
investment goods	12,79
consumer goods industrie	5,54
food, drink, tobacco	3,86
whole industrie	39,29
whole construction	30,03
others	5,75

Source: Programme for the improvement for the construction and other investments estimations of the DIW, estimations Spitznagel 1976

In the next two tables corresponding classified employment effects are shown.

Table 12:

Employment effects

	persons total
direct	125.069
multiplier induced	
direct	54.582
indirect	36.674
indirect	66.598
total	282.923

Source: Programme for the improvement for the construction and other investments estimations of the DIW, estimations Spitznagel 1976

Table 13:

Employment effects regarding economy branches in %

	%
mining	0,68
basic industrie	7,10
investment goods industrie	9,75
consumer goods industrie	4,43
food, drink, tabacco	1,14
whole industrie	23,10
construction	38,18
total	100,00

Source: Programme for the improvement for the construction and other investments estimations of the DIW, estimations Spitznagel 1976

The different distribution of employment and production effectivity is mainly to be seen on account of productivity differentials, but also of presumptions about 'branch-typical' patterns in hiring and dismiss-policies; those presumptions base on the confrontation of extrapolated and projected to subsequent dates work volume coefficients, that indicate the degree of utilization of employed work volume regarding individual branches (see Spitznagel 1976)



The programme for 'growth-and environment political provision' (ZIP) from October 1977 and effective mainly in the period between 1978-1981, was planned to have a volume of 16 bill.DM.

Table 14:

ZIP-programme planning

areas	planned (1) Investment mill.DM
transport and communication	3.319
public heating supply	823
gas energy water	4.006
residential environment	3.885
vocational training	600

(1) Planned investment: public budgets

Source: W.Meißner, E.Hödl, 1982

The extremely heavy utilization, especially in the areas of public heating supply, water, residential infrastructure led to an extension of the programme finally amounting to 20 bill.DM.

Table 15:

Programme for ZIP-expenditures - in mill.DM -

	expenditures till 31.12.81 (1)	total investment volume
improvement in transport	3.087,9	3.890,4
soft energy	781,5	3.567,5
future water supply	1.643,0	5.981,4
improvement of residential environment	1.397,3	6.741,0
vocational training	285,7	816,2
	5.890,4	20.996,5

(1) Central government funds

Source: Aktuelle Beiträge zur Wirtschafts- und Finanzpolitik  
Nr. 21/1982

Concerning two aspects the entire operational process of ZIP is basically being judged positively. The first aspect refers

to the fact that the beginning as well as the implementation of ZIP was realized sooner than expected. The second aspect regards the final volume that exceeded the originally planned volume with 4 bill. DM.

The experiences gained from the realization Meißner and Hödle (1982) summarize as follows:

In spite of the short-dated development and the different departmental responsibilities for ZIP the operation was performed considerably frictionless; this even under existing disparities between programme concept and interests of federal resp. department management. The short initial period - about 1/2 year - after which the planned volume had already been exceeded, suggests that deadweight must have played a considerable role (operation of 'stored' programmes). As for the medium-term lay-out of the programme, time could have been gained for planning new operations which is actually being proved by the distribution of funds since 1978. The fact that it was possible to extend the financial means of the year 1979 - as the 'Konjunkturrat' had recommended - signals, that medium-term programmes are comparatively easy to control. Yet, since the construction industry was favoured, 1978 (cyclical upturn) tight spots of capaciting were to face which led to price increases. For future programmes the capacity utilization plus the elasticity of supply of potential contractors should be subject to more detailed analysis before it is being decided on the volume. ZIP shows a remarkable time difference between the placing of orders and settlement of account. Till 1979 only 4 bill. DM were booked, this under the condition of already high production and employment effects.

Table 16:

Operation of order volume

Order volume

1977	ca.	4,5 mrd.DM
1978	ca.	6,3 mrd.DM
1979	ca.	4,2 mrd.DM
1980	ca.	2,0 mrd.DM
1981	ca.	3,0 mrd.DM

Source: W. Meißner, E. Hödl, 1982

It is primarily on account of additional expenditures of federal governments and communities that the total volume is 25 % above the originally planned volume; however the incorporation of private sponsors was insufficient, eventually owing to the specific contextual orientation in the selection of projects.

A different mode of selection could have enabled the incorporation of private enterprise even within the given organisational structure. The production effects are shown in the table below, the disaggregation corresponds with the one already described in connection with the programme for the 'promotion of construction and other investments'. However the expanded input/output model of HWWA (Hamburger Weltwirtschaftsarchiv), which formed the basis for the estimation of the production and employment effects of ZIP does not correspond with the DIW model that has been developed for the evaluation of the employment effects of the programme for the 'promotion of construction and other investments'. The income modified effects of the HWWA model are lower which means that both models can only be compared with certain restrictions.

Table 17:

Gross production effects of ZIP according to input/output model (in mill. DM)

direct effects	16.868
indirect effects	13.783
total (not extended input/output model)	30.654
income induced effects	16.398
total production effects (extended input/output model)	47.398

(Prices of 1977)

Source: HWWA, Analyse der strukturellen Entwicklung der deutschen Wirtschaft, Hamburg 1981, aus: W. Meißner, E. Hödl., 1981

The degree of disaggregation of production effects of the individual branches shows extremely significant direct effects for buildings. (11.965 mill.DM, so about 71 %)

The distribution of the total production effects can be found in table 19, together with the distribution of employment effects. To serve the maintenance of employment was only one of several objectives when ZIP was enacted. Yet, with the intensification of employment problems, this aim became more and more the focus of attention. The administration did not present an analysis concerning employment effects. Nevertheless there is an analysis conducted by the HWWA, available about the employment effects of ZIP. Based on DIW-estimations, Tofaute (1977) identified the employment effects per unit of expenditure rather low in comparison to regular public expenditures.

Table 18:

Employment effects (persons)

non-extended input/output model	305.373
extended input/output model	144.209
total	457.150

Source: HWWA, Analyse der strukturellen Entwicklung der deutschen Wirtschaft, Hamburg 1981, aus: W. Meißner, E. Hödl, 1982

The distribution of production and employment effects can be found in the following table, based on estimations of the same institut.

Table 19:

Distribution of production and employment effects of ZIP according to the extended input/output model

	distribution of production	employment effects
agriculture	2.6	6.8
chemicals	1.4	1.2
bricks, poltery, glas, cement etc.	3.6	2.7
iron and steel	5.8	6.0
mechanical engineering	3.3	3.2
electrical	2.9	3.0
toys	1.2	1.2
furniture	3.3	2.4
clothing	1.0	1.5
food, drink, tabacco	2.2	1.2
building	26.1	33.3
wholesale	3.5	1.3
railway	0,5	1.2
Bundespost	1.6	1.5
insurance, banking and finance	1.4	1.3
hotels etc.	1.6	1.8
miscellaneous services	8.2	9.3
domestic	0.5	1.4
others	29.3	19.7
total	100 %	100 %

Source: HWWA, Analyse der strukturellen Entwicklung der deutschen Wirtschaft, Hamburg 1981, aus: W. Meißner, E. Hödl, 1981

Summarizing the presented evaluations on the employment effects of public expenditure programmes two conclusions can be drawn: an expansive financial policy clearly reveals employment effects under a middle-term design (DIW, 1982). If the monetary policy course is little restrictive crowding out effects are only to expect to a small extent (DIW, 1982).

Nevertheless it has to be considered that an expensive fiscal policy is confronted with the dilemma of a short-term success and the necessity of middle- and long-term oriented structurepolicy. If expansive expenditure policy wants to be of success in short term it has to try to stimulate those demand effective economical branches, which suffer specific employment problems (Bolle, 1977). If, on the other side not only those sectors shall be quasi-subsidized which cannot be maintained profitably in middle and long terms also an expansive employment policy has to be substantiated structurepolitically (Scharpf, 1980; Tofaute, 1982). Finally it is to take into consideration that an expansive financial policy, aiming at employment political effects might require such skills of labour force which do not coincide with the skills disposed of by the unemployed. Thus, an extensive expenditure policy has to be flanked by measures for the promotion of mobility and flexibility of the labour market (Bolle, 1979).

#### 4. Promotion of private investment

Public instruments for direct promotion of investment are - under the aspect of employment policy - general investment grants, subsidies of different means, amortization possibilities, tax policies and all instruments for regional economy promotion.

Since 1970 general investment grants have been offered in the Federal Republic twice. First 1974, for six months at a rate of 7.5%; second within 'the employment promotion act 1982' at a rate of 10% of the investment volume and for the period of the entire year. In both cases a time limit was set up according to the date of order, which had to be completed one year after. With the emergence of this act governmental officials expected a premature additional investment volume of 40 bill. DM from the investment grant 'Operation 1982' as being the core of the 'employment programme '82'.

The theoretical and political discussion about this and proceeding investment grants focusses on the question, if such grants actually provide incentives for investment activities, as such that employment will increase by induced multiplier effects, of if investment grants only generate an anticipation of investments which would have been done anyway.

Proponents of this instrument point to the financial burden for employers as being the essential cause for investment barriers, thus, favouring all measures taken towards a reduction of these barriers including the investment grant; yet, it is only regarded as a reasonable measure in combination with further supply orientated measures. (Arbeitsgemeinschaft Wirtschaftswissenschaftlicher Forschungsinstitute, 1982).

Although employers share this positiv judgement in general - one step towards the right direction - (BDA-employers' association) they are criticizing that only those companies with

an investment volume exceeding the one of the proceeding three years are eligible to the grant. Thus, such firms that have - for instance - also invested 1980 and 1981, which means anticyclically and therefore of economical benefit, would be discriminated. The fact that this grant is only offered for 1982 is being criticized, since first of all, this runs the risk of inducing a short-term boom in 1983, followed by an "investment hole", and secondly that sizable technical projects with a long-term running time would be unsufficiently considered through the current specification. The decision-making process that has led to a refusal of the investment grant act by Baden-Württemberg, Rheinland Pfalz und Bayern in the Deutsche Bundesrat, mirrors the latter mentioned argument. Further this side argues against the funding of the measure through income-tax and "Körperschaftssteuer" (corporation tax). The financial burden of 42.5% of total expenditure upon federal governments and 15% of total expenditure upon communities resulting from this mode of funding, are not met by planned additional revenue (Der Rheinland-Pfälzische Minister für Wirtschaft und Verkehr, 1982).

Critical voices of the investment grant are based on analysis that suggest insufficient sale expectations of enterprises as the predominant cause for the disinclination to invest. Thus, the funding of an investment grant by income-tax and Körperschaftssteuer is just a redistribution of worker's wages into entrepreneur's profit, without these profits leading to a middle-term increase in investment activity (Memorandum'82). An another distributional effect is criticized by the WSI-Economic and Social Institute of the DGB (Tofaute, 1982); they argue that smaller firms are discriminated because of their averagely lower investment volume as well as of their limited ability for long-term finan-



cial planning. By the DIW (German Institute for Economy) (DIW '82), it is being criticized that the investment goods industry would benefit the most. Positions closely related to trade unions are objecting to the non-selective lay-out of the measure (neither specification regarding sort of investment nor regarding categories of enterprise). Rather, the experiences gained from the investment grant 1975 and the following trade recession prove that a selective growth policy is necessary.

Despite some estimations on the employment effect of investment grants (the DIW regards the additional volume of investment of 40 bill. DM as estimated by the government as being too high) and some partial reviews a lack of research is to be noticed, that is only insufficiently covered by the work done by the Institut für Wirtschaftsforschung (IFO) (institute for economical research), München (Gerstenberger/Neumann, 1976; Gerstenberger, 1977).

Results of this study on the investment promotion act of 1975 (Gerstenberger 1977) prove, that little more than half of the firms have placed orders shortly before the deadline of promotion. The demand of the industry for investment goods during the time of operation has indeed increased compared to the assumed investment activity without grants. It would have been at a 8 bill. DM lower rate. On the other hand 95% of the more-investing firms have just done their long-term planned investments earlier. An overproportional increase of receipts of orders in the motor vehicle construction was apparent, this probably on account of subsidizing the purchase of business - and duty cars (see Stabbatin, 1977).

Factual employment effects have not been proved. Potential employment effects have in the first place been compensated by temporal adaptation strategies (see Hemmerich 1982). Further price adaptations could be observed. The potential employment

effects also have to be distinguished as to different sorts of investment: strategical investments - in the research sector, administration etc. - are determined by long-term expectations for the future, which means that these investments are not influenced by short-term grants.

Obligatory investments - those that are imposed by the government like technical safety measures etc - are placed earlier and such might generate short-term employment effects but do not promote employment in the long run. Premature rationalization investments induce an increase of orders in the investment goods industry, which can either be translated into employment effects or into an extension of the real weekly working-time. In rationalizing firms a decrease in employment is assumed which could be met by long-term employment effects through an improvement of international competitiveness.

Expansion investments are eventually realized sooner and thus employment effective because of multiplier and accelerator effects (see Hemmerich, 1982).

Regarding the investments grant 1982 similar effects can be presumed this in spite of a longer period of validity (12 instead of 8 months) and a higher allowance (10% instead of 7.5%). Deadweight, that could have been observed in 1974, is only partially avoided by tighter promotion specifications (the investment volume to promote has to be above the average of the last 3 years): firms are settling up leasing-companies and thus evade the promotion specifications (Spiegel 36/82).

Based on these points of critic and the recognized mechanisms such concepts have been developed, that tie the investment grant to stricter criteria for instance only for energy saving and energy substituting investments and for smaller

and middle-sized companies (Roth 1982). Other ideas suggest the linkage of investment grants to an evident increase of employment and the approval by the workers council.

#### Regional Promotion

In the Federal Republic the promotion of regional economy structure is mainly performed on the basis of the 'common task for the promotion of regional economy structure', but also through the EEC regional fund and by special plans of federal governments. Since the Federal Republic only receives 6% of all EEC-funds and the allocation of funds by federal governments is of negligible volume plus not available in disaggregated data, the following only refers to expenditures of the 'common task'. In this context it might only be of interest that the Federal Republic with exception of West-Berlin and the 'Zonenrandgebiet' (region bordering on the DDR) is considered as "main land" according to EEC-definition, what means that the promotion of investment is not to exceed 20% of total investment volume. The "10 Rahmenplan" (scope - plan) with a validity period lasting from 1981 to 1984 intends the promotion of 72 900 jobs to be created and 209 200 jobs to be maintained. As before, this shall be realized through the possibility of increased depreciation staggered according to the necessities of the promoted area. Further subsidies shall be given in form of tax free investment aids and general grants. At least in comparison with other types, the quality of this kind of subsidisation finds general approval with respect to its aim in view and to its bureaucratic coordination (Political Party Comment).

Nevertheless the official data being cited for proving the success of this policy so far, have been doubted. The 7th subsidy report quotes, that from 1972 to 1978 investments of industrial trade have been promoted with 68.5 bill. DM which contributed to the creation of 560 000 jobs and helped to maintain 760 000 endangered jobs. Yet, the same report prints to the lack of efficiency control which prompted the DIW to study the employment effects. According to the evaluation of the DIW (DIW, 6/82) a significant impact of the investment promotion on investment activities could not have been proved.

## II REDISTRIBUTION OF AVAILABLE WORK-LOAD

In connection with forecasts about economic growth rates continuing to stagnate "the controversing without end" (Mettelsiefen, 1979) on working-time reduction has been revitalized in the mid-70s. Indiscriminatingly presented position led to a situation equalling "religious strife". Proponents of working-time reductions initially based their arguments on trivial models of the following kind: in 1978 with 21.6 million employees the number of hours worked amounted to approximately 37.5 million. The actual annual working-time per employee was thus 1,733 hours. Distributed among 52 weeks this results in a weekly working-time of about 33 hours. A reduction of this weekly working-time by one hour adds up to an employment gain of 672 000 persons given that the number of hours worked remains unchanged. These models initially abstracting from different forms working-time reductions were enlarged by extended calculations that, however, led to greatly differing results as the following comparison shows.

Deviations of the anticipated employment effects of 50% are mainly due to differing assumptions on the difference between bargained and actual working-time and the transformation of working-time into employment.

Table 1:

Anticipated Employment effects assuming different forms of working-time reductions

Measures	Model I jobs	Model II jobs
One hour per week	600 000	300 000
One week of holidays	500 000	250 000
Introduction of the mandatory 10th year of school	300 000	150 000
Flexible retirement age for men at 60 and for women at 58	300 000	--
lowering retirement age by 2 years	--	250 000
20% more part-time work	300 to 400 000	--
Voluntary part-time work	--	1.300 000
Child-care year	300 000	--
Reduction of overtime	--	150 000

Source: Model I, Mertens 1982  
Model II, Vilmar 1982

Opponents of working-time reductions most of all point at the cost effects. One subject of primary importance in union calls for working-time reductions is full wage compensation. (cf. Vilmar, 1982), whereas employers point out that particularly the realisation of this runs the greatest risk to eventually being counterintentional. If the companies' costs were rising further - so their argument - the substitution of labour by capital would be likely to rise or the competitive position would be deteriorate dramatically. In each of those cases employment effects would be compensated (cf. Esser, 1982). Recently this argument seems to have found entrance into trade union considerations about working-time reductions. The notion of full wage compensation is modified, in some cases this notion is completely disavowed (cf. Grottian, 1982). This is supported by surveys showing that on the one hand the solidarity of those in employment with those out of it has been rising and that

on the other hand, the preference for additional leisure also rose, so that nominal and real wage cuts in proportion to the reduction of working-time would be accepted (cf. Vilmar, 1982). One problem not yet solved in this context in particular applying to the public sector is a guarantee for additional hirings through the savings (cf. Seifert, 1977).

In the meantime, however, well-grounded studies on the employment and cost effects of different forms of working-time reductions are available that contributed to making the discussion more matter-of-fact. Studies of the Institut für Arbeitsmarkt- und Berufsforschung (Mertens, 1979, Bach et al. 1978), of the HWWA-Institut für Wirtschaftsforschung Hamburg (Wohlers, 1981) and the Forschungsstelle für Sozialökonomik der Arbeit (FSA), Berlin (Bolle et al., 1982a, 1982b). In the studies analysing quantitative effects mentioned it has been proven that reductions of the nominal contractual working-time also reduce actual working hours. The most important result of these analyses is that reduced contractual hours have effects on actual working hours. Speculations that working-time reductions might be completely compensated by additional overtime have not been confirmed to the extent that pessimistic analysts (Mendius, 1978) had assumed. Empirical research on statistical and micro levels has shown that overtime and surplus work are company instruments to cope with short-term labour requirements. If this short-term disequilibrium turns out to be long-term, companies react to this with hirings. A gross employment effect of 60% of the working-time reduced has been forecast as a reference date (Bolle, 1982a,b).

Measurable employment effects however, do not only depend on the transformation of contractual into actual working hours, but also on working-time induced productivity gains. These can be expected because of increased utilization of labour and machinery following working-time reductions. Industry studies have revealed that the differing production requirements and employment conditions will lead to different em-

ployment effects resulting from this feature's mode of operation. Additional costs (non wage costs) will be reduced by those productivity gains. Differing conditions due to technology and work organisation modify these costs (cf. *ibid*). Since equal working-time reductions have varying effects, it is obvious to call for the implementation of industry specific ways of working-time reductions.

The discussion on effects of different forms of working-time reductions

The mentioned mechanisms operate at all forms of working-time reductions. But by taking the lowering of retirement age and part-time work or job-splitting resp. being the most promising and most passionately discussed alternatives to reducing weekly hours as examples some special problems can be illustrated (cf. *Offe et al., 1982*).

The reduction of life-time working by means of early retirement is discussed in different variants and has already been implemented in some industries. This form of working-time reductions is basically possible through legal and collective bargaining arrangements. Common to all of these, however, is that the period until reaching general retirement age has to be bridged financially. ~~Some~~ proposals (e.g. contractual retirement pay in the tobacco industry) combine early retirement with an option for a reduced weekly working-time.

That the opportunity for early retirement would be taken up by eligible employees, is generally not questioned. A study by the Institut für Arbeitsmarkt- und Berufsforschung revealed that approximately 50% of all employed would be interested in early retirement "provided that their living-standards were sufficiently safe-guarded (*Betr.AP, 42.2*). *Kühlewind (1977)* estimates that the implementation of this option would lead to the withdrawal of 280 000 persons from the labour market.



Considering, however, that in 1980 only 264 000 men aged 60 to 65 were employed (women generally are not considered in this discussion, since their legal retirement age is 60) actual take up should be considerably lower (cf. Bäcker and Naegele, 1981). Bäcker and Naegele estimate that only 110 000 persons would make use of early retirement. On the reasonable assumption of a 70% rate and that 20% of this would be from the hidden reserve they foresee "a reduction of registered unemployment by 61 600 persons (ibid., p. 688). This cost account would accordingly turn out to be considerably worse than that calculated by Vilmar (1982): While the retirement insurance would be charged with an additional DM 1.716 billion, unemployment insurance would only be relieved by DM 739,2 billion. This would necessarily have to be financed by reducing pensions and raising contributions.

But other disadvantages of early retirement are pointed out as well. Older persons could be marginalised in the long run, the companies' age structure could be changed, rationalizations would thus be encouraged (Blume et al., 1979). The latter arguments would also be true for reductions of retirement age by bargaining agreements. Aggravating things further would be that only financially sound firms would be able to cope with the additional costs incurred. An effect necessarily detrimental to the social order would be the further dispersal of the retirement age system (compare with Bäcker and Naegele, 1981).

The so-called '59 rule' that had been incorporated in some regional agreements during the 74/75 economic downturn can serve as an illustration for the advantages as well as disadvantages of this way of work redistribution.

An advantage would be that, especially in the trade-unions' view, redundancies had been avoided. For the companies, however, early retirement proved to be a problem after the recession, because the necessary qualified employees could only be hired under high costs. This experience is often cited by employers

when pointing at the irreversibility of early retirement. It is feared that because of the loss of qualified workers investment into labour would be devalued and that therefore productivity would dramatically fall (cf. Frankfurter Rundschau, 19.6.1981).

Like the lowering of retirement age the promotion of part-time employment and as a special form thereof the job-splitting (making part-time work more flexible) are heavily disputed.

Part-time jobs have increasingly been set up in the public sector as well as in private companies. The hitherto existing regional promotion programmes (s. appendix), however, exclude public authorities and usually public corporations as well. The debate on the promotion of part-time employment therefore deals mainly with the private sector (exception: Strauch, 1979).

Although, as mentioned, part-time work is encouraged in five federal states, only Rhineland-Palatine provided for accompanying research. Other results refer to evaluations and empirical reports. Common finding is on the one hand a prevailed utilization by manufacturing firms employing less than 50 persons and on the other hand by almost 100% female employees. Skill requirements differ. While the Hessian programme requires occupational training for 41% of promoted part-time jobs, the Rhineland-Palatine programme set up no educational or training requirements for 90% of the jobs. An extension of part-time employment to groups with higher skill levels or male workers could not be realized. Regarding the promotion of additional part-time work through financial support Gaugler et al. (1980) express pessimism. They estimate that deadweight - that is the number of jobs created anyway - adds up to two thirds of all jobs supported. (Weitzel and Hoff, 1981). Weitzel and Hoff

(1981) concluded that the hiring of part-time employees would have taken place in the same extent even without assistance by public funds, because no other personnel alternative had been open to the firms". (p.53).

These results - together with additional considerations - caused the trade unions (despite some internal quarrels) to take up a negative position about this subject. The main arguments of the DGB against further expansion of part-time work are: part-time employment is a form of working-time reduction without wage compensation, it is concentrated in unskilled areas heavily depending on the business cycle, it reduces the employment chances of those unemployed searching for full-time jobs and it consolidates the traditional separation between men and women in working and family life (DGB, 1981).

Employers on the contrary favour part-time employment. This argument focuses on the demand for part-time employment by job-searchers (BDA, 1980). The opportunities for setting-up part-time jobs are not yet exhausted, but employees must adapt to company requirements more flexibly. The BDA report (ibid.) points out, that the willingness to work at other times than in the morning or part of the week or the month resp. should be promoted by adequate working time offers. "The Arbeitsring Chemie has worked out this suggestion to an initiative for job-sharing (Arbeitsring Chemie, 1980).

These initiatives were followed by a wide scientific controversy. Scientists favouring job-sharing emphasise the concurrence of individual and company preferences (e.g. Strümpel, 1979, Mertens, 1979), critics point to the negligible employment effects and to increasing work intensity (e.g. Rose 1980, Täubel, 1981). Gabriel (1982) questions the assumed process of the concurrence of working-time preferences of companies conditions of segmented, especially internal labour markets,

the absence of mobility and skill flexibility of workers.

Strategies to reduce or make working-time more flexible therefore have necessarily to be tied to political strategies to overcome segmentation, to increase skills and implement them on a company level. To reduce unemployment competence and control extensions, interference with the autonomy in staffing decisions of companies and workers participation must not be called for alternatively by complementarity (ibid.).

Opportunities for action by public authorities

Working-time is regulated on an industrial level by collective bargaining agreements, on a regional level by skeleton agreements and on company level by company agreements. Agreements on working-time reductions and their implementation are primarily subject to collective bargaining. The state, however, can promote working-time reductions with the following instruments:

- through the amendment of the Arbeitszeitordnung (Law regulating working-time) as proposed by Müchenberger (1982) the "normal working-time" can be reduced legally. In addition to this over-time could be limited by statute and the general opportunity for job-sharing could be opened (quota regulation).
- By reforming social security law unfavourable consequences of part-time work with regard to social security regulations could be mitigated.
- Under the Promotion of Employment Act it would be conceivable to reimburse employers for the costs of settling up part-time jobs patterns after the promotion of part-time work operated by some federal states.
- As an overall measure the government could by amending the active economic stability act and by reviving the "Konzertierte Aktion" make strategies working-time reductions subject of tripartite negotiations (Vilmar, 1982).

### III ADAPTATION STRATEGIES

#### 1. Adaptations of the skill of labour supply to demand

In the Federal Republic exists a "dual training system" in which occupational training is regulated within the scope of statutory rules (federal act on occupational training etc.) by industrial agreements. It is the authorities' duty to provide the training taking place parallelly in Berufsschulen. The BA therefore has only few opportunities to influence the initial occupational training. The BA is limited to finance the training of apprentices or unemployed persons according to § 40 and § 40a of EPA, to provide work preparation schemes either independently or in cooperation with other sponsors, to provide grants for the establishment of training workshops within the scope of the institutional promotion of occupational training and build and maintain institutions for work-preparation schemes, especially employment rehabilitation. Despite these limitations the fact that the AFG institutionalized measures for occupational training is generally considered to be the core of the labour market policy reorientation of 1969. Against the background of the prevailing labour supply deficits the qualitative importance of retraining and further education measures can be explained as well as their quantitative utilization until 1975. As labour market problems were reversed after 1973 other instruments like job creation schemes and wage subsidies gained prominence. The allocation of funds for occupational training was adapted to the changed situation, funds were cut in accordance with the budget structure act of 1975 as well as under the AFKG of 1982 (cf. Seifert/Mettelsiefen, 1982, Seifert 1982). According to growing structural problems on

the promotion was concentrated on groups with special problems in order to improve their employment chances. The promotion of upward mobility and the regard for individual job preferences were reduced (cf. Hofbauer, 1981).

Table 1:

Expenditure of the BA-occupational training

Year	Expenditure on active labour market policy in actual prices in DMm	Expenditure on occupational training and retraining acc. to §§41-50 EPA	2 as % of ;
	1	2	3
1970	2.728	590	21,6
1973	4.517	1.582	35,0
1977	6.420	1.200	18,9
1980	11.019	2.483	22,5

Source: Schober, Mitt AB 4/80

The total programme is divided into schemes for further education, work preparation measures, motivational promotion for the reintegration of unemployed persons and the promotion of occupational training. The effectivity and utilization of the existing equipment was subject to a number of empirical studies mostly done by the Institut für Arbeitsmarkt- und Berufsforschung (IAB). The results of these studies can be summarized as follows:

Seifert (Seifert, 1982) finds a conceptual change in occupational further training (further education and retraining). Emphasis is not laid on global employment policy as in 1974/75, but instead on a selective use of funds for specific target groups. Occupational further training serves less the adaptation of labour supply to changed demand profiles due to technological change, but is increasingly used to prevent individual unemployment.

The share of participants breaking off or completing courses unsuccessfully, however, is significantly high (1978: 19%). Above average young persons, those without leaving certificates, unskilled workers, unemployed persons as well as participants to long-term schemes and retrainees finish without certificates. This group oftenly becomes unemployed after completing courses. Table 2 shows that these measures are only barely successful in preventing individual unemployment.

Table 2:

Participants in occupational training schemes (full-time) completing successfully and unemployment before and after participationg, subdivided into sex and kind of scheme.

sex/kind of scheme	Successfull participants Completing between 1.7. and 30.9.1980		Unemployed after completing	
	1 total	unemployed before entering in %	1 as percent of column	2
Total	140 271	60.1	7.2	12.1
Men	86 371	51.2	5.8	11.3
Women	53 900	74.4	9.6	13.0
Further educ.	94 581	58.7	8.2	13.9
Retraining	19 355	68.4	11.0	16.1
Work prepar.	26 335	59.0	1.2	2.1

Source: Karin Schober, Mitt AB 4/80

The IAB study (cf. Hofbauer, 1979) reveals that the chances for reintegration into the labour market are inversely related to educational achievement. The success, however, is more dependent on the aims of retraining or further education schemes (occupational qualification (cf. *ibid*)).

The duration of unemployment after successfully completing training schemes decreases by an average of 10.5 weeks for further education schemes and by 12 weeks on average for

retraining compared to non-participants. "Success" is directly related to age.

In these studies evaluated employment adequate with regard to the training received is an important criterion for the effectivity of further education. About 70% of successful participants had been adequately employed one to two years after completion. While the kind of measures is relatively insignificant with regard to in-trade placement, training contents show greater differences. The effectivity of retraining for employment rehabilitation shows only negligible differences regarding unemployment or adequate employment after completion to the placement rates of non disabled trainees (cf. Hofbauer, 1981).

Besides further education and retraining the reintegration of unemployed persons and of disabled or otherwise disadvantaged youths is one major activity of the BA. Two closely related instruments "work preparation courses" and the "year of basic occupational training" have also been subject to empirical research by the IAB (Schober, 1980, Mollwo, 1980).

Out of the variety of courses offered by the BA divided into promotion courses (F), course to improve reintegration chances (V) and basic training courses (G), those measures with the greatest quantitative importance were chosen. They primarily relate to the reintegration of young people that are disabled or lack the maturity to enter working life.

The target group defined according to each course's description is actually reached to a large degree. Disabled persons and participants of promotional courses with few exceptions usually enter directly after leaving school; in basic training courses for unemployed young people the number of those entering after a period of unemployment or unsuccessful job search prevails. In F and V courses appr. 88% complete, in



the basic training course investigated about 75% complete. Of the reasons responsible for breaking off transition into apprenticeships of employment are the most frequently cited. The break off quota for female participants is lower than that of male participants in all three types of courses. The following table provides a survey over the movements of courses empletors:

Table 3:

Participants of work preparation courses according to course type, first labour market movement after completion and selected features (in percent)

Movement after completion	total	male	female	without leaving	with certification
GR-course n=100	1 018	582	432	644	361
in-plant training	10.0	12.0	7.4	4.8	19.4
school training	1.2	--	--	--	--
normal employment	36.3	36.3	36.3	37.7	33.5
unemployed	48.8	48.8	48.6	54.7	39.1
not working	3.6	2.1	5.8	2.3	5.5
F-Courses n=100	630	423	203	511	108
in-plant training	48.1	56.7	30.1	47.6	52.8
school training	6.5	3.8	12.3	5.5	11.1
normal employment	15.7	13.5	20.7	16.1	13.0
unemployed	25.4	22.9	30.5	26.4	19.4
not working	4.3	3.1	6.4	4.5	--
V-courses n=100	573	323	246	524	37
in-plant training	20.6	26.3	12.6	20.2	37.8
school training	3.8	4.6	--	3.8	--
normal employment	42.4	40.9	45.1	41.6	35.1
unemployed	29.7	24.8	35.8	30.9	--
not working	3.5	3.4	--	3.4	27.0

Source: Karin Schober, Mitt AB 4/80

The degree to which the set targets are achieved correlates except for sex and educational achievement also with social background and type as well as sponsor of the course; it must

be noticed that courses with a lower number of trainees have higher integrative chances.

The evaluation criterion lastly decisive for the success of the courses is the stability of the ensuing labour market integration. Table 4 shows types of employment integrative. The feature "usability" is an indicator for the quality of a course according to the subjective judgement of participants. It shows to what extent the contents of a course were appropriate for occupational requirements.

Table 4:

Participants of work preparation courses and type of course and type of employment integration - in percent -

Type of course	F-course	V-course	G-course
Stabile in training and usability	31.5	12.3	7.1
Stabile in training without usability	12.6	5.0	3.2
Stabile in employment and usability	3.7	14.8	9.1
Stabile in employment without usability	3.2	9.4	7.1
Instabile in training/employment	44.6	53.1	63.4
Not integrated	4.4	6.0	10.2

Source Mitt AB 4/80

A comparative study of participants and non-participants in work preparation courses revealed that labour market integration of participants was just insignificantly higher than that of non participants. To this result it was objected that both groups were not sufficiently comparable, therefore a conclusive evaluation of the courses' success was not yet possible (cf. Schober, 1980).

Except for the above mentioned courses there exist workpreparation schemes that have developed independently in the federal states and are consequently offered under different names and concepts. Common to them is that they have grown in size over the last years. For different types of operation can be differentiated: a) basic occupational training year in cooperation with employers, b) basic occupational training year in school, c) occupational preparation year (in school, different sponsors), d) one-year specialized vocational school.

Measuring the success of the basic occupational training by the number of young people moving into further occupational training the following picture evolves:

Table 5:

Participants total	100%
<hr/>	
non-successful completion	31%
successful completion	69%
<hr/>	
successful participants	69%
of which in company training	84%
full-time vocational school	16%
<hr/>	
Source: I. Mollwo, Mitt AB 2/80	

The high share of so-called problem groups in the participants and the high concentration of unsuccessful completors among specific social groups (children of un- or semi-skilled workers etc.) (Mollwo, 1980) led the Minister for Science and Education to set up a programme for socially disadvantaged youths on 1st June 1980. In its conception it follows older models, trying to find new ways of integrating socially disadvantaged youths (among the vocational training in project - e.g. housing renovation, part-time employment of girls as workers with part-time schooling according to "Waldorf-pedagogics"). The results of these models are positively judged (see Berufsbildungsbericht 1981). A transfer of this evaluation appears problematic, because the target groups were defined differently. Results of attendant research are still outstanding.

With the 5th AFG amendment and the therein introduced § 41 the BA had been equipped with an additional instrument to improve the placing chances of unemployed people, so-called motivation courses. In these courses the unemployed are informed about the labour market situation, individual further training opportunities etc. for up to 6 weeks. In 1981 already some 25 000 persons participated. The efficiency of this new type of measure has been studied by the IAB (cf. Hofbauer, 1982). According to this the following characteristics are underrepresented among participants in comparison with the unemployed in general: women, foreigners, married people, persons with higher education, short-term unemployed and persons that have neither been workers nor white-collar employees prior to becoming unemployed. 16% of all participants leave premature. The following reasons are responsible for this:

Table 6:

Reasons for Premature Leaving

reasons for leaving	in %
employment	23
health reasons	32
course did not bring any new information	20
others reasons (2)	25
total	100
number of cases	180
number of replies	243

(1) More than one reason could have been given

(2) e.g. family reasons, disagreement with other participants, financial troubles, conflict with course staff.

Source: H.Hofbauer, Mitt AB 4/82

The career patterns of participants after completion can be seen in the following table:

Table 7:

Career Patterns of Participants to Measures According to § 41a AFG after Completion - in % -

situation at time of questioning	
in employment	23
in job creation scheme	5
in training scheme	14
unemployed	53
others (1)	5

(1) e.g. not employable, maternity leave, house wife, retire

Source: H.Hofbauer, Mitt AB 4/82

Another negative feature noted was that a high percentage of persons (23%) that had taken up employment after completion had been unemployed again at the time of the survey. A favourable feature would be that participation in such a measure improves the readiness to enter in another training scheme. This is also true for persons usually not training prone. If placing chances for participants acutally differ from non-participants, could not be determined by the study. The participants themselve voted the functions of training for their occupatnial activity as follows:

Table 8:

very useful	17%
partly useful	23%
not useful	52%
don't know	8%
<hr/>	
total	100%

A further field of labour market activities is the promo-  
tion of occupational training by establishing out-of-plant training institutions and training workshops by the BA. While building and maintenance of out-of-plant training institu-  
tions serve to overcome global training place deficits -  
and as such represent an important part of discussion on  
the general improvement of occupational training -, training  
workshops are mainly an instrument of selective labour market  
policy to improve the placing schemes of unemployed persons.

The present size of out-of-plant training institutions is  
welcomed from all sides. This is qualified in as much as the  
CDU/CSU and the employers' associations point to the fact  
that an additional extension could endanger the system of

dual training (CDU-comment). In opposition to this the DGB calls for the establishment of adequate capacities in disadvantaged regions and wherever possible vocational schools in plant training facilities and out-of-plant training to establish an integrated plan in order to guarantee the necessary apprenticeship places (Gewerkschaftliche Bildungspolitik 7/82)

Training workshop not specially serving the training or further training of young people are evaluated by Semlinger and Pohl (Semlinger/Pohl, 1982) with reservation as follows: the placing for work or further training is facilitated by courses in training workshops. The high number of premature leavers reveals that the authorities had not yet succeeded in designing the programme adequate for the target group. The efficiency of-training workshops, however, cannot solely be defined by premature leaving rates or placement. Rather a stabilisation function, i.e. skill losses and tendencies of fatalism are worked against and if at the same time an expansion of the individual action competence takes place, it can be seen as a positive function of training workshops.

The scientific discussion on the empirical findings of occupational training or further training stands in connection of a general debate on the economic of education.

Assessments that interpret the above average share of unemployed without skills as a consequence of entrepreneurial selectivity processes hold that occupational training and further training increases allocative efficiency, but will not include any global employment effects under slack demand but instead only to a redistribution of unemployment. According to supply-side oriented interpretations a considerable portion of unemployment is "search" or "voluntary unemployed" The improvement of training will thus automatically lead to a rise in employment. The so-called bottle-neck theory says

that the lack of skills on the labour market hampers growth potential in only a few sectors (cf. on this debate Schmid, 1982). Especially small and medium-sized companies appear to suffer from these skill bottle-necks (Scharpf, 1980).

One aspect of the effects of occupational and further training is not included in these positions, Schmid is pointing at: Despite the impossibility to restore full employment by means of training measures this policy is still acceptable, since it helps to relieve the labour market on the short run (Schmid, 1982). A cost benefit analysis of further training provided by the author in this connexion yields the following results:

Table 9:

Cost/Benefit Analysis of Further Training 1974-1980 in the Federal Republic of Germany

	1974	1976	1979	1980
1) Expenditure by the BA in DMm	1.917,5	1.917,9	1.903,8	2.482,6
2) Participating Person in 1000 full tim equivalent	131	114	95	110
3) Cost per person in DM (1975 prices)	15.505	16.130	17.336	18.499
4) Employment effect in 1000	115	97	73	86
5) Relief effect				
a) in 1000	79	76	60	70
b) in % of 2)	60	67	73	64
6) Cost per unemployed avoided (1:5) in DM (1975 prices)	25.712	24.196	27.448	29.070

1) Including expenditure on institutional promotion, excluding expenditure on the promotion of occupation training

2) Average number of participants in full-time training plus 1/4 of the participants in part-time schemes (estimated full-time equivalent to calculate 3))

4) Number of persons to be replaced in employment system equals the number of person in full-time training

Source: ANBA, various issues, SVR Autorenngemeinschaft, 1981, computation by Schmid, 1980



The comparison with the costs of unemployment shows that the cost per person is lower than the cost per unemployed for the social security system (1981 appr. DM 25 000).

Despite this certainly too simple comparison cost/benefit considerations found entrance in calls for the expansion of occupations training and further training (cf DGB, Gewerkschaftliche Bildungspolitik, 7/82)

The training plan deficit for the years to come caused by cyclical as well as demographic reasons, however, poses a problem that in the medium term can only be alleviated by an increased supply of apprenticeships by private industry. CDU/CSU and FDP therefore propose to stimulate private initiative by appeals, social contracts and relieving companies of the costs of training and by taking back administrative injunctions (CDU-Stellungn.1982, FDP, 1981). Furthermore increased subsidization or grants for companies increasing this number of training places are discussed. Programmes of this kind are already operated on regional levels. Of particular interest is a programme operated in Bavaria, there companies training young people with low school achievements in excess of their actual needs receive a grant of DM 15 000 per training place - i.e. more money than they pay trainees during training. The DGB (Bildungspolitische Information 7/81) and parts of the SPD (SPD-Stellungnahme, 1982) favour a levy collected to finance training or a training liability by companies. In the medium term, however, the DGB believes that the demand for training is considerably larger than what can be supplied by private industry. For this see table 10.

Table 10:

	1980	1981	1982 <sup>+</sup>
1) young persons to be supplied	1 533 701	1 572 900	1 652 500
2) of which receive only work preparation	97 000	78 300	76 400
3) lacking training places total	331 901	352 200	408 400

+ ) prognosis

Source: Comment of the DGB on the Berufsbildungsberichte 1981 und 1982 as well as calculations by the 'Memorandum Gruppe'

On the basis of the thus appraised training place problem the DGB calls for state intervention of financial as well as administrative kind. Employers' associations reject these proposed state interventions because the training problem will be solved once the economy picks up and by demographic developments (cf. DGB Stellungnahme, BDA-Stellungnahme).

## 2. Promotion of regional mobility

According to the 'work promotion act' the regional mobility of employees is supported on basis of §§ 53 "Förderung der Arbeitsaufnahme"; in detail this contains allowances for application costs, moving-allowances, separation-aids, re-settlement allowances etc.

The promotion of regional mobility has primarily played a more significant role within the labour market discussion in connection with supply deficits. Also during the first years of higher unemployment, when for the first time, regional structural discrepancies had become more strongly marked (specific shortage of skilled workers with unemployment in many regions), this instrument was regarded as being of importance for overcoming structural weakness of the labour market.

Meanwhile it is established that the general under-utilization of labour force reserves, connected with selectivity in hiring and dismiss policies have brought about such situation in which supply-deficits only play a negligible part.

Also it is stressed that in order to preserve resp. to take up a job the willingness of employees to put up with personal restrictions has grown with the changed situation on the labour market (Engelen-Kefer, 1982). It is on account of a different weighting of the individual elements that - in spite of a recessive development - the level of mobility grants remains relatively high. As less funds are claimed for separation-aids they are increasingly demanded for application-journeys. The modification of the "Zumutbarkeitsregelung" (specification of what can be expected from someone who seeks a job), is often defined as a measure that increases the readiness towards regional mobility by force.

§ 103 of the "work promotion act" defines what someone who is unemployed in the sense of the law is obliged to; this particularly refers to the specification of what can be expected from a job seeker. The according specification of the Bundesanstalt für Arbeit (BA) lays down, which work someone unemployed can refuse resp. has to accept, in order to be qualified for receiving further unemployment payments. The definition of what can be expected has been modified several times since the emergence of the "work promotion act". Especially the latest amendment which was undertaken by the BA with the outcome of the "work promotion consolidation act", was subject to heavy controversies, mainly between trade unions and employers. The new regulation, that defines which work has to be accepted with regard to the working-time, earnings, the demanded qualification and the location of the new occupation, was greeted by employers for the following reasons:

The new regulation lays down clear standards for how to decide in individual cases. The claim of those who pay into the unemployment insurance fund, to expect from an unemployed person the same as from someone in employment has been put through. Employers do not expect to solve unemployment problems through this re-definition or to diminish the deficits of the BA, thus they find the principle adopted, that the obligatory performance of those who pay into the unemployment insurance fund is limited to a reasonable degree..

According to the opinion expressed by trade unions the re-definition of what can be expected serves - given the bad employment situation of present days - as an instrument to force employees to such adaptations, that are not backed by social reasons or the labour market problems. In detail they mention the following facts: The ratio between the number of unemployed and the number of vacancies is becoming dramatically unfavourable; the period after unemployed persons are forced to accept job-offers which they are overqualified for has been lowered.

The analysis of the labour market shows a remarkable readiness of unemployed persons towards mobility.

Further trade unions fear that the re-definition of the "Zumutbarkeitsregelung" contributes to an increasing displacement competition on the labour market; employees with higher skill levels displace those with lower skills part-time workers will be forced to accept full-time work, thus - if the personal situation does not allow full-time work - being expelled from the group of benefit recipients, unemployed are forced to a social decline after just a short period of unemployment (see Engelen-Kefer, 1982). Furthermore the trade union regards this new regulation as a violation of paragraph 12 of the "Grundgesetz" which also guaranties freedom of choice of occupation.

The president of the BA, however, values the new specification as a clearly arranged rule for employees of the labour offices to fill vancancies and find jobs for unemployed as soon as possible (Arbeit und Beruf IV, 1982).

### 3. Improvement of the efficiency of employment service

The executive institution of labour market policy in the Fed. Rep. is the Bundesanstalt für Arbeit (BA); a statutory corporation whose autonomy is supervised tripartitely by employers, trade unions and community bodies. The BA follows a policy as outlined in the "work promotion act". Within these boundaries the according arrangement is in hands of the self-governing bodies of the BA, certain administrative regulation are to issue in accordance with the Ministry of Labour and Social affairs which - on the other hand - is not allowed to cancel or modify resolutions once accomplished by himself.

Even though the BA is obliged to an active labour market policy by § 1 of the "work promotion act", because of its juridical construction as an insurance corporation measures of active intervention play a minor role in favour of unemployment benefits.

Often complained consequence of this relation (Mettelsiefen/Seifert, 1982, Seifert, 1982, Schmid/Semlinger, 1980, a.o.) is, that with increasing unemployment the anyway reduced revenue is absorbed by unemployment benefits while at the same time no funds can be provided for operative measures. A possible solution of this dilemma is seen by the Wissenschaftszentrum Berlin (Presseerklärung, Sept. 1982) in an alteration of the financing structure. According to this proposal unemployment benefits shall be covered by an insurance fund and operative performances by special funds of the federal budget. Thus Seifert (Seifert, 1982) doubts whether such a separated financing is likely to stabilize the available funds for operative performances; he points out, that already through the given financial dependency of the BA from the federal budget the funds for active labour market policy - as through 'the budget structure act' and 'work promotion act' - are subject to a severe limitation.

Table 11 illustrates this problem:

Table 11: Funds of the BA

	expenditures in mill. DM	Governmental grant in mill. DM	Reserve funds (at the end of the year)	Unemployment benefits in mill. DM	Expenditures for labour market policy measures in mill. DM
1973	6.807,1	—	5.441	1.502(+ 9,8)	3.791(+ 21,0)
1975	17.835,9	7.272	1.754	8.803(-129,0)	6.441(+ 43,1)
1978	17.522,4	—	3.394	7.886(- 0,1)	5.657(- 15,6)
1980	21.674,5	1.840	373	9.856(+ 5,7)	8.771(- 15,2)

Source: . Mettelsiefen /Seifert, WSI, 6/81, estimates DGB-ÖTV,  
Fachtagung 1982

According to Schmid/Semlinger (Schmid/Semlinger, 1980) the capacity of the BA carrying out activities (data processing) is sufficient, but they notice weaknesses within the internal range as for the registration of demand potentials.

Following an opinion poll of the ÖTV those employees of the BA that are organised in the ÖTV make complaints about the dramatic worsening of the employment situation within the BA and the hitherto existing working efficiency. The staff/unemployed person ratio has deteriorated from 1:8 1973, to 1:34 in 1982.

Proposes, that are dealing with the BA as a whole resp. concepts for new policies of the BA and models for improved implementation patterns are presented in the appendix.





#### IV JOB PRESERVATION MEASURES

In the Federal Republic the statutory underpinning for short-time work allowances are §§ 43 ff. and 162 ff. of the 'work promotion act'. The economical function of short-time work allowances is to help employees to keep their jobs and to enable employers to keep their experienced workers. The social political effect is to reduce income losses in case of unvoluntary unemployment. During the recession of 1974/75 short-time work was for the first time applied as a employment political instrument to a larger scale. So far 1975 was the year of the heaviest utilization with an annual average of 773 000 short-time workers, thus, almost the number of unemployed was reached. From 1976 to 1979 the number of short-time workers dropped down to 87 000 (1979). Primarily short-time work is being used in regions with a high share of contracting industry branches (see Schmid/Semlinger, 1979).

Under a deteriorating economic situation the number of short-time workers is again increasing since 1980. The meanwhile given figure of above 1.00 000 can also be explained by referring to selectivity processes that have reached such a point where employers try to keep their skeleton staff. The currently heavy utilization also suggests, that the amended short-time work regulation within the 'work promotion consolidation act' has not made this instrument less attractive; similar comments are being voiced by the employers' association (Comment BDA, 1982). The fact that the utilization of short-time work is concentrated on the manufacturing industry, explains the overproportional degree of male workers among short-time workers (see Flechsenhar, 1979). The regional deviation of short-time work - under the federal average (1978): Berlin, Schleswig-Holstein, Hamburg and Baden-Württemberg; above average: Nordrhein-Westfalen, Rheinland-Pfalz and Nord-Bayern - becomes more strongly marked during the recession.

The financial consequences of short-time work affect six parties:

1. Professional associations - loss of contributions
2. Health insurance - payment of short-time work allowance in case of sickness
3. Community bodies - loss of taxes and loss of degres-sion
4. Federal Institute of Labour - short-time work allowance, taking over parts of the social security payments, loss in contributions to unemployment insurance fund
5. Employees - loss in income (short-time allowance 68% of the potential take-home pay) but reduced through saving on tax
6. Employers - through remaining labour costs (especial-ly the non-wage costs are not reduced through short-time work) partially direct wage costs remain through collec-tive bargaining agreements.

(see Flechsenhar, 1979a)

In spite of a great number of affected persons there is no discussion at the moment about retrenching or abolishing short-time work allowance.

Overall Schmid (see Schmid, 1982) judges the social securi-ty function of short-time work allowance positively. Accord- ing to him there is an average income loss of 15%. The dis- tributional effect of short-time work is ambivalent; on the one hand economically caused redundancies are transformed into partial unemployment for more persons instead into full- time unemployment, which would affect less persons, on the other hand long-term short-time work tends to induce a strengthening of internal labour markets and thus to an exclusion of external applicants. This argument is being supported empirically by the effect-analysis of Schmid/ Semlinger (Schmid/Semlinger, 1980). According to this study regions with a high utilization of short-time work allowan-

ces show a youth unemployment rate above average.

The decision of single employers to use short-time work, is being determined through 3 factors: First their production structure and cyclical demand fluctuations, second the cost-calculation between short-time work and dismissals (the higher the human capital investment, the stronger the tendency towards short-time work), third the middle-term expectation of the company's management, since on account of the remaining non-wage costs in the long run short-time work is less favourable - even under the condition of high human capital investment than dismiss- and hiring costs.

This fact leads to strong sectoral unbalances in the utilization of short-time work, as well as between the individual economical branches, with mining and manufacturing as main user; but also to a strongly unbalanced distribution within the manufacturing industry itself. In the selective employment effect of short-time work men are preferred to women (see Schmid/Semlinger, 1980).

The ratio costs/effectiveness has been evaluated by Schmid (Schmid, 1982) in referring to calculations of the IAB.

The following survey confronts the most important data.

Table 1: Cost/Effectiveness-Analyses of Short-Time-Work  
1974 - 1980 in the Federal Republic

	1975	1978	1980
1) Expenditures of BA in mill. DM	2.207,1	596.4	471.2
2) Utilization/persons in thousands	773	191	137
3) costs per short-time work - in prices 1975	2.855	2.811	2.819
4) employment effect in thousands	223	50	46
5) relief effect	147	33	30
a) in thousands			
b) in % of 2)	19	17	22
6) costs per avoided unemployed	15.014	16.267	12.875

4) The employment effect of short-time work allowances is evaluated by the IAB by converting the work volume that is lost by short-time work into employed persons.

5) The relief effect is estimated as being 2/3 of the employment effect, because experiences show that a drop in employment causes 2/3 unemployment and 1/3 hidden reserve.

Source: ANBA, several issues, SVR; estimates Schmid, 1982

Schmid/Semmlinger (Schmid/Semmlinger, 1980) found out, that in cases of demand shortage as a result of growth deficiencies and in cases of structural transformation processes within a company short-time work is used as a 'parachute' for a socially more acceptable reduction of employment. Even though this function of short-time work contrasts with what is currently specified in the 'work promotion act', both authors perceive this as being reasonable if in such cases a combination of short-time work and further vocational training could be implemented.

With reference to positive experiences gained from a similar measure in Sweden, Schmid/Freiburghaus (Schmid/Freiburghaus, 1977) had already been printing to the possibility of extending the instrument.

Productive winter construction promotion and bad-weather allowances - both belonging to the category of 'job maintenance measures' - are not subject to controversial discussions, since they are only policies for seasonal purposes.



## V CONCLUSION

The expenditures for active labour market policies are noticeably increasing in the Federal Republik for the first time 1970 after passing the 'work promotion act'. Increases remain moderate till 1974, they are primarily a result of extended vocational training and re-training. A changed labour market situation causes a significant increase from 1974 till about 1979, that lasts till 1981 to the same extent. Job creation schemes, wage subsidies and cyclically fluctuating short-time allowance become major labour market political instruments.

Table 1: Expenditures for Active Labour Market Policy -  
in thousand -

year	1980	1981
vocational training	1.380.682	1.667.591
wage subsidies	759.897	615.102
JCS	1.025.441	1.053.882
short-time allowance	471.226	1.284.581

Source: ANBA, Jahresstatistik 1981

Governmental special expenditures of the public hand increased during the 70s from 73 bill. DM (1971) to 161 bill. DM (1980) (at current prices, SVR). Further to these expenditures of the BA funds for public special programmes for labour market policy have to be added. Within the scope of these special programmes during 1974 till 1982 1.738 mill. DM have been spent for JCS, 1.715 mill. for wage subsidies (including integration of disabled), 500 mill. for vocational training of youths and 250 mill. as mobility assistance.

Public expenditure programmes designed to combat growing employment problems are increasingly adopted since 1974. During 1975-1979 these expenditures amount to 18.850 bill. (these programmes are partially overlapping the ones prior mentioned in connection with labour market policy).

Was it true for the majority of the programmes that they possessed a short-term target orientation designed to overcome cyclical and structural disparities, at least ZIP from 1977 was meant to stabilize public demand in middle-term perspective. Twice (1974 and 1982) limited general investment grants qua tax reduction were offered as being an instrument of cyclical political influence.

According to Kühl (Kühl, 1982) the losses in revenue on account of the investment grant 1974 amounted to 9.550 bill. DM; revenue deficits resulting from the investment grant 1982 are rated to be higher. Additionally to these general investment grants investment aids are granted as sectoral and regional subsidies. The volume of sectoral subsidies is difficult to estimate. According to statements of the DIW they amounted to 85 bill. DM in 1978, for the same year the subsidy report of the government talks about 43 bill. DM.

For 1980 the Memorandum group as well as the HWWA estimates the volume of subsidy grants at approximately 80 bill. DM. Regional grants are primarily given within scope of the common tasks for the 'improvement of regional economy promotion'. According to the 7<sup>th</sup> subsidy report of the government between 1972 and 1978, 68,5 bill. DM have been spent for this sort of subsidy.



The employment effects of all here mentioned political packages are controversial. The employment effects of the major labour market political instruments are to be found in table 2.

Table 2: Labour Market Political Instruments of 1980

	employment effect - in thousand -	costs per empl. effect	selectivity
short-time	46	10.244	
JCS	86	20.110	
wage sub- sidy	16		
vocational training	86	28.870	

Source: Seifert, 1982; Kühl, 1983; Schmidt, 1982;  
own estimates

It is apparent that the absolute employment effects of the individual instrument is at variance with the selectivity of their operational possibilities. It applies to all instruments, that an increase in volume also runs the risk of increased dead-weight, as well as it can be said that expenditures increase progressively with the employment effect.

Similar exact evaluation like on the effects of instruments of active labour market policy are still outstanding for the other measures. The employment effect of expenditure programmes have been analysed by the IAB in co-operation with the DIW and HWWA.

A comparison of these studies is only limitedly possible, since the underlying input-output-model broadened by a keynesian income-multiplier is not identical.

Table 3: Costs and Employment Effect of Expenditure Programmes

	A	B	C
	costs	employment effects	A B
ZIP (1) construction and other investments (2)	19,6 Mrd.DM ca.5,8 Mrd.DM	457.150 Pers. 282.923 Pers.	ca. 42.874 20.500

(1) estimated by JO-Model HWWA

(2) JO-Model of the DIW

Source: Spitznagel, 1976; HWWA Strukturbericht '81

Potential programmes designed at the increase of employment in the public sector have to consider the limited absorption capacity of public institutes and are levelled against a long-term trend towards a reduction of public employment.

Primarily it is on account of two factors, that the expansion of employment within the community bodies compensated to a growingly smaller extent redundancies within the private sector during the 70s. For one thing the available financial resources did not increase at the pace as they used to because of the slackening of growth dynamic. Secondly under overall capital productivity growing faster than labour productivity, especially under the condition of low wage differentials, service sectors have to cope with relatively higher expenses for personnel, this to an extent, which exceeds the scattering of labour productivity.

If the allocation of a single investment grant in 1974 and 1982 caused positive employment effects, cannot be answered.

Regarding the subsidy grant of 1974 it can only be concluded, that a short-term increase of the investment rate could be achieved towards the end of the promotion period - in this context the investment grant is perceived as having a positive cyclical effect - but a middle-term increase of the investment rate could not be noticed.

The employment maintaining effect of other investment aids is also uncertain; even though the 7<sup>th</sup> subsidy report of the government states, that between 1972-1978 through subsidies amounting to 68,5 bill. DM 560.000 new jobs have been created, in addition to 760.000 maintained jobs; these figures, however, are to be questioned considering a study conducted by the DIW (6/82) that did not reveal a significant relation between the mentioned subsidies and the regional investment volume.

With even more scepticism the allocation policy of the sectoral investments have to be reviewed. It is not doubted that those billions indeed maintained jobs - at least in a short run. But no studies are available, which explain if the ratio between employment effects and such immense costs is justified.

Neither within the scientific nor political debate there is a consensus about how far the given employment crisis can be solved through a re-distribution of available work-load. Especially the question, which of the possible re-distribution strategies might have the best possible effects, is discussed controversially. Subsequent costs of a reduction of working-time depend on the dynamic of labour market and wage policies. The estimated employment effects of different types of working-time reduction differ widely according to the model. As a basis for discussions serves the following IAB-estimation.

Table 4: Employment Effects of Different Kinds of Working-Time Reduction

measure	jobs
one hour per week	600.000
one week holidays	500.000
introduction of 10. mandatory year of school	300.000
reducing retirement age for men to 60 and for women to age of 58	300.000
lowering of retirement age by two years	300.000 - 400.000
voluntary part time work	-
one child-care year	300.000
reduction of overtime	-

Source: Model of I. Mertens, 1982

Under the condition of current employment crisis the employment effects of each individual political packages are of main concern within the target projection. Yet they are designed to achieve further objectives. This is primarily the social integration of so-called 'problem groups' of the labour market and social security of employees also in times of temporal or permanent unemployment. According to Schmid (Schmid, 1982) with unemployment due to growth deficits integrative effects can primarily be achieved through wage subsidies and Job Creation Schemes.

Yet Job Creation Schemes possess negative side effects. On one hand deadweight effects tend to undermine the increase of non-promoted work-offers, on the other hand JCS might roll back the allocational and distributional effects of contractual rights that have been fought through.

Short-time work payments possess a similar integrative effect only under the condition of unemployment due to cyclical downturn, here as well negative side effects occur if the allocation hampers necessary structural adaptations.

The social security function of labour market political instruments is primarily a result of side effects that again are mainly caused by the insurance system (re-gaining of eligibility for unemployment benefit). One exception is the updating of skills, a measure, that also helps to improve the social position of participants in the long run.

The distributional effect of JCS is considered positive, the one of short-time work only with certain restrictions because it tends to prevent rotational unemployment, which means that potential external applicants are displaced from a job.

The social security function of the other employment political instruments is judged by Schmid as follows: The increase in the supply of jobs in the public sector increases this function in cases of unemployment due to structural resp. growth deficits. How far this can be achieved by public expenditure programmes, investment grants or certain ways of working-time reduction, depends on the evaluation of their employment effects.

The allocational effects of an increase in the supply of jobs in the public sector are primarily perceived as being negative. Public expenditure programmes hold - according to concepts and implementation provided - the possibility of influencing the development of allocation positively. Those restrictions, as of what kind the respective assistance is, also have to be taken into account when dealing with investment grants. It would obviously be wrong to assume, that the current allocation policy that is mainly focused on preservation subsidies, could alleviate structural deficits.

Regarding the re-distribution of working-time and an extension of the supply in the public sector, less positive distributional effects are considered. The integrative effect of these instruments depend on their employment effects. The social political function of most of the instruments are ambivalent, only expenditure programmes are judged positively, but also this statement is subject to different interpretations according to the social political position and its certainty can be modified through broadened economical analysis.

**CONTINUATION II**  
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- Minister für Wirtschaft und Mittelstand Rheinland-Pfalz
- Minister für Arbeit und Soziales Hessen
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- Deutsche Steuer Gewerkschaft
- Deutsche Angestellten Gewerkschaft
- Deutscher Gewerkschaftsbund
- Freie Demokratische Partei
- Sozialdemokratische Partei Deutschlands
- Christlich Demokratische Union
- Christlich Demokratische Arbeitnehmerschaft