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**LA THÈSE A ÉTÉ
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**Unemployment: Manpower Training Policies
in Three OECD Countries**

Maud R. Soo

**A Thesis
in
The Department
of
Sociology**

**Presented in Partial Fulfillment of the Requirements
for the Degree of Master of Arts at
Concordia University
Montréal, Québec, Canada**

March 1987

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ABSTRACT

Unemployment: Manpower Training Policies
in Three OECD Countries

Maud R. Soo

Unemployment is a major problem in most Western industrialized countries as it affects its victims psychologically, economically and socially. Canada, the United States and Sweden, the three countries selected in this study have experimented with a number of policies to alleviate unemployment, such as monetary and fiscal policies, manpower training, work relief, subsidies and tax abatements to business and industry, and work sharing. However, Sweden has over three decades had a lower rate of unemployment than either Canada or the United States. Yet, like Canada and the United States it operates under a market system with a large private sector. This study focuses on manpower training policies in the three countries, mostly during the 1960s and 1970s, in an attempt to find out why Sweden is able to maintain a low level of unemployment.

The manpower training policies of Canada, the United States and Sweden have much in common. However, the Canadian and American manpower programs seem to lack continuity compared to those of Sweden. Furthermore, Sweden uses labor market techniques to prevent workers' lay-offs whenever a recession is in sight or when companies are in financial difficulty. These techniques are, however, insufficient to explain Sweden's lower unemployment rate. She appears more committed than Canada and the United States to a full employment goal. A look at the organization of labor in Sweden, the country's industrialization and the product specialization of its industry reveals the roots of this commitment.

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UNEMPLOYMENT, MANPOWER TRAINING POLICIES IN THREE OECD COUNTRIES

PREFACE

1. Problem Area

Unemployment is one of the major problems of most Western industrialized countries as it has very serious social and economic implications. Socially, it deprives the individual of the dignity and pride which comes from earning one's own living and being independent. It causes him financial hardship and mental suffering, particularly if he has a family for which he can no longer provide adequately. Economically, unemployment represents a waste of human resources which will be reflected in slower economic growth and lower Gross National Product. A full employment goal is implicit in most countries. This goal cannot easily be achieved as it conflicts with other important goals, such as price stability and a well equilibrated balance of payments.

2. Purpose of Study

Unemployment is a complex problem which affects different societies in different ways. It is beyond the scope of this thesis to analyze the problem in all industrialized countries. Unemployment will therefore be studied in three OECD¹ countries, namely

Canada, the United States and Sweden. These countries are all industrialized and operate under a market economy with varying combinations of private and public sectors. However, Sweden is more socialist in orientation because of a close alliance between labor, capital and government in that country. By comparing Sweden to Canada and the United States we will see how each country handles the unemployment issue.

3. Plan of Study

We will first review the various types of unemployment, their psychological and economic impacts and how government in the past dealt with the problem. The Poor Law in England and the New Deal in the United States are taken as examples. The Poor Law, incidentally, was adopted by other countries for Eli Heckscher referred to it in his Economic History of Sweden. Early English immigrants brought to the United States the basic orientation of the Poor Law. The English Poor Law, in fact, influenced government measures in the United States, Sweden and other European countries.

(Higgins:1981) After the discussion on the Poor Law, we will describe the unemployment insurance benefits offered in Canada, the United States and Sweden. Then our focus will shift to the major manpower training policies adopted by these three countries during the

past two decades. Although manpower policies go back to the 1930s, it is in the 1960s that they became actively developed by the executive and legislative bodies of these three countries. These policies are likely to gain importance in the future as structural unemployment increases with the introduction of new and continually improving technology. A parallel will be drawn as far as is possible between the programs derived from the Canada Manpower Training Act, the Manpower Development and Training Act of the United States and the measures originating from the Occupational Training Act of Sweden. The parallel is somewhat incomplete as practically no evaluations are available on the Swedish employment programs.

4. Evaluation

Government unemployment policies are difficult to evaluate since they never remain in force long enough to be effective. They are often abandoned or replaced whenever there are changes in government or in the economic outlook. There are other difficulties: some countries lack historical data on unemployment (fortunately, this is not the case with the three countries selected). Different countries use different definitions of unemployment which often makes it impos-

sible to compare unemployment rates between countries. The definitions of unemployment often do not take into account older workers, housewives or handicapped persons who want a job but are not in the labor force because they became discouraged in their attempts to find a job. Those who are marginally attached to the labor force contribute to a high fluctuation in unemployment rates. A country with an ethnically heterogeneous work force may have a large number of jobless people as minority groups may become the victims of discrimination and suffer from chronic unemployment. Also, the methods of compiling unemployment data may vary from one country to another. Some take sample surveys of the labor force, or rely on compulsory unemployment insurance statistics, or base their analysis on unemployed relief data while others use trade union records of unemployment or registration at government employment offices. Finally, there are also differences in the way countries compute the unemployment rates - differences with respect to the age at which children are included in the labor force or at which workers must retire. The ways in which countries treat persons on temporary lay-off also produce different results in the computation of the unemployment rate. The following table shows the comparability of unemployment figures between Canada, the United States and Sweden for the period 1960-1962:

Table I - Unemployment rates in Canada, the United States and Sweden as published and after adjustment to United States definitions, 1960-1962 (per cent of the labor force)

	A. Official figures as published			B. Adjusted to U.S. definitions		
	1960	1961	1962	1960	1961	1962
United States	5.6	6.7	5.6	5.6	6.7	5.6
Canada	7.0	7.2	6.0	7.0	7.2	6.0
Sweden	1.4	1.2	1.3	a	1.5	1.5

Published and adjusted figures for 1962 and adjusted figures for 1961 are preliminary.

a. Not available.

Source: Gordon, R.A. "Employment and Unemployment" in International Encyclopedia of Social Sciences edited by David L. Sills: 1968, Vol. 5, p. 53.

It is necessary to adjust published figures to one country's definition, in this case the United States', because as we have seen in the previous paragraph each country has its own definition of unemployment and method of measurement.

The above table clearly indicates that Canadian and American methods of compiling unemployment rates are fairly similar. For Sweden the adjusted rates are only slightly higher than the published figures. This suggests that the official unemployment statistics of Sweden can easily be compared to those of the United States and Canada. The fact that there is little discrepancy in the way statistics are compiled by Canada, the United States and Sweden makes the selection of these countries appropriate for comparison purposes.

Before ending this evaluation section it should be pointed out that Canada, the United States and Sweden all suffer from frictional, seasonal, cyclical and structural unemployment. (These four types of unemployment are described in chapter II.) One point which differentiates the United States from the other two countries is its large number of people who suffer from chronic unemployment, namely the blacks and the hispanics. This has an adverse effect on unemployment rates in the United States.

The aim of this study is to gain insight into some of the unemployment policies adopted by Sweden as well as by Canada and the United States, and evaluate whether the social structure and culture of a country has a bearing on the way it treats the unemployment problem.

CHAPTER I

INTRODUCTION

The Conference of the labor ministers of the OECD countries which was held in 1976 to examine the unemployment problem indicated that there was an exchange of ideas between the labor ministers and that when a country had a measure of success with one particular program other OECD countries were likely to adopt this type of program. The Canadian Local Initiatives Program (LIP), for instance, was implemented on a trial basis in Massachusetts and gave positive results.

OECD countries as well as others have adopted a variety of programs designed to alleviate unemployment, namely:

1. Unemployment insurance: The unemployed receives benefits to help him financially while he is deprived of his work earnings;
2. Monetary and fiscal policies: A central government increases the money supply or decreases taxes in the hope that businessmen or industrialists will invest in plants and equipment and people will buy more of the goods and services produced in the economy. Such measures on the part of government usually create jobs and consequently reduce unemployment;

3. Manpower training: Workers who are unable to find jobs for lack of marketable skills are trained at government expense;
4. Direct job creation (work relief): A central government undertakes work projects or gives grants to provinces for regional development. These measures are often adopted to relieve unemployment.
5. Indirect job creation: A central government gives subsidies or tax abatements to business and industry to maintain or create employment;
6. Job placement: Employment offices help both employers in search of personnel and job seekers;
7. Work-sharing: Two or more individuals share a regular job but each spends less time on it. This results in a shorter work-week for the workers but reduces unemployment;
8. Earlier retirement: People leave the work force earlier to make jobs available for others;
9. Annual guaranteed minimum wage: A company offers job security by guaranteeing its employees a minimum number of work hours a year.

Canada, the United States and Sweden, the three OECD countries selected in this thesis, have experimented with most of these programs but with particular emphasis on the manpower training programs. A study released by the OECD in 1978 indicated the expenditure on training schemes as percentage of GNP for various countries in 1975-76 as follows: Canada 0.31 percent, the United States 0.13 percent and Sweden 0.34 percent. The 1975 rates of unemployment in these countries were 6.9, 8.4 and 1.6 percent respectively.² Ever since the 1940s Sweden has actively pursued policies aimed at fighting unemployment. Since Canada in 1975 was devoting as much of its GNP to manpower training as Sweden, one of the questions that comes to mind is why Canada's unemployment rate is much higher than Sweden's. One year's statistics obviously do not establish a trend. However, Sweden has over several decades consistently experienced a lower rate of unemployment as the following table indicates:

Table II

Unemployment rates^a in selected countries, 1913-1962
(per cent of the labor force)

Year	Sweden	Canada	United States
1913	1.1	2.0	4.3
1920	1.3	b	5.2
1921	6.4	5.8	11.7
1922	5.5	4.4	6.7
1923	2.9	3.2	2.4
1924	2.4	4.5	5.0
1925	2.6	4.4	3.2
1926	2.9	3.0	1.8
1927	2.9	1.8	3.3
1928	2.4	1.7	4.2
1929	2.4	2.9	3.2
1930	3.3	9.1	8.9
1931	4.8	11.6	16.3
1932	6.8	17.6	24.1
1933	7.3	19.3	25.2
1934	6.4	14.5	22.0
1935	6.2	14.2	20.3
1936	5.3	12.8	17.0
1937	5.1	9.1	14.3
1938	5.1	11.4	19.1
1950	1.7	3.6	5.3
1951	1.6	2.4	3.3
1952	1.7	2.9	3.1
1953	1.9	2.9	2.9
1954	1.8	4.5	5.6
1955	1.8	4.3	4.4
1956	1.6	3.3	4.2
1957	1.7	4.5	4.3
1958	2.0	6.9	6.8
1959	1.8	5.9	5.5
1960	1.6	6.9	5.6
1961	1.5	7.1	6.7
1962	1.3	5.8	5.6

a. The unemployment rates shown for the various countries do not all reflect precisely the same coverage and definitions, although some limited standardization has been applied to the figures. Thus, the figures shown here do not agree completely with those in Table I, where, for a more limited period, complete comparability with American definitions and coverage has been attempted.

b. Not available

Source: Gordon, R.A. "Employment and Unemployment" in International Encyclopedia of Social Sciences edited by David L. Sills, 1968, Vol.5, p. 51.

Sweden's commitment to a full employment goal may have played a part in such a record. In her study of unemployment in the United States and in Sweden Helen Ginsburg attributes Sweden's lower rate of unemployment to political commitment and concludes:

"There is nothing inherent in the Swedish economy that produces full employment or even low unemployment, especially since the beginning of the 1970s. If not extraordinary effort and willingness to make full employment a national priority, Swedish unemployment would easily be more than double its actual rate." (Ginsburg:1983; 215)

Full employment is now entrenched in the Swedish Constitution but the commitment to a full employment policy was made initially by the Social Democratic Party which ruled or formed the main opposition in government for approximately forty-five years. The many unions in Sweden strongly supported this policy until it became widely accepted, even by non-socialist governments. In such a climate the Swedish government is in a better position than its Canadian or American counterpart to make policies for the long term.

In Canada as well as in the United States there is no such commitment on the part of government to full

employment although, as indicated later, the United States at one time also attempted to enact full employment legislation. The manpower training programs in Canada and in the United States are initiated more for their political appeal than for relieving the unemployed. As we shall see later, the motives behind such an initiative are quite pragmatic. Retraining the jobless was a popular solution in the United States because it seemed a more constructive way of dealing with unemployment than the use of unemployment insurance. In other words, rather than having the taxpayer provide a temporary support to the unemployed it was believed that a retraining program would have a better chance of winning the favor of all. Congressmen and senators welcome the idea as it enabled them to help their jobless constituents and at the same time increased their chances of being reelected. Economists saw in training a way of providing business and industry with the skills they required.

Canada is equally pragmatic, witness first of all how the Prime Minister announced the implementation of the Adult Occupational Training Program in October 1966:

"These measures aim at insuring the highest degree of efficient participation in production. They are meant to reduce unemployment, increase the

productivity of Canadian workers and preserve and strengthen Canada's position relative to its competitors." (Paquet:1976; 9)

In 1970 the Minister of Manpower and Immigration stated the objectives of his Department, as follows:

"The Department of Manpower and Immigration aims particularly at contributing to the economic growth of Canada, in making sure that manpower supply meets the needs of the country in quantity, quality, as well as geographically." (Paquet:1976; 9)

The government is primarily concerned with growth and stabilizing the economy. The rights and privileges of workers are disregarded in the pursuit of other goals.

As already pointed out, the United States at one time considered a full employment policy. Its first attempt to enact full employment legislation goes back to the mid-1940s but it failed due to a lack of support. It seems that full employment meant different things to different people. Economists and politicians in North America have in previous years looked upon a 4 percent³ level of unemployment as full employment due to the fact that many people temporarily leave the labor force to find a better job, while others suffer from discrimination in the labor market or become discouraged. Full employment means giving a job to all who are able and willing to work. (Ginsburg:1983)

Russel Nixon who initially assisted Representative Augustus F. Hawkins in preparing the Full Employment Bill suggested other definitions beside the above. They are: "a good job at a living wage for all", "Jobs for all with decent pay and conditions and realistic opportunities for upward mobility and work at full capacity", or "full development and full utilization of the total voluntary potential of human resources over time" (Ginsburg:1983; 4-5) The last definition, as interpreted by Ginsburg, would require training and rehabilitation of the physically, mentally or socially handicapped, flexible work-hours to accommodate working mothers who have responsibilities at home, etc. Senator Hubert Humphrey also worked on this Bill which was enacted in 1978 under President Carter and became known as the Humphrey-Hawkins Full Employment and Balanced Growth Act. This act was abandoned in favor of the Employment Act of 1946 which stipulated that the government's function was to promote, not assure or guarantee employment. (Ginsburg:1983)

In Canada there was at one time a "powerful consensus that governments should and could maintain full employment". This consensus was actually the object of government white papers in the late 1940s.

However, the full employment goal was abandoned in the 1970s because of the government's perception that the high unemployment and inflation rates which afflicted the country would be unmanageable. (Ashenfelter:1983; 115)

Apart from being more committed to a full employment, goal it would appear that Sweden has developed an overall package of programs which has proved more successful in alleviating unemployment than those of either Canada or the United States.

CHAPTER II

NATURE OF UNEMPLOYMENT AND ITS COSTS

The unemployment rate curve for Canada from March 1966 to December 1982 shows a rise from over 3 percent to 12.8 percent⁴. Although the economy has recovered since 1982 Canada still had in January this year over one and a quarter million people unemployed, or 9.7 percent of its labor force, and the rate for its 15-24 year old population was even higher at 14.4 percent⁵. In the United States unemployment reached a peak of 10.7 percent in both 1982 and 1983 and fell to 7.5 percent last December⁶. The unemployment rate for Sweden was 2.9 percent in January, 2.8 percent in February and 3 percent in March of last year⁷. Finally, in its publication entitled "Employment Outlook" of last September the OECD shows the unemployment trends in the three countries under study, since 1983 and gives projections for 1987 as follows:

	1983	1984	1985	1986	1987
Canada	11.9	11.3	10.5	9.5	9.5
United States	9.6	7.5	7.2	7.0	6.8
Sweden	3.3	3.0	2.8	2.8	3.0

The rates of unemployment indicated in the above table are yearly averages and therefore not the highest rates

that Canada and the United States have experienced in this decade. The upturn in the economy has to a certain extent reduced cyclical unemployment but structural and other types of unemployment persist and they entail human as well as economic costs.

1. Types of Unemployment

Frictional Unemployment: This is in-between job unemployment; in other words, unemployment from the time a person leaves one job to look for another, usually a better one, or seeks work in another area, to the time that person starts in her new position.

Seasonal Unemployment: Unemployment usually related to climatic conditions. Fishermen and farmers, for instance, are out of work during the winter season. Construction workers used to be laid off in winter but, thanks to modern techniques, construction activities can now be carried out throughout the winter. In the spring, black flies prevent loggers from working in the woods. (Armstrong:1977) Industrial workers are also affected by seasonal unemployment if the goods they produce are not in demand throughout the year or if the plant in which they work must close for retooling.

Structural Unemployment: This type of unemployment arises when the workers available in the market place do not have the qualifications required to fill the vacant jobs. This may be caused by the introduction of new technology or by the depletion of natural resources as is the case when no more coal or mineral ore can be extracted from a mine.

Cyclical Unemployment: Unlike seasonal and structural unemployment which affect certain groups of people, cyclical unemployment victimizes people in all sorts of occupations as it is caused by the downswings of the business cycle, in other words by the poor performance of the economy.

2. Unemployment Psychological Impact and Hidden Costs

Studies of the jobless during the 1930s, 1970s, and today show the devastating effects of unemployment on people. First there is the shock of losing one's job, then follows the torment over the actual reason for the lay-off. The search for another job may take weeks, months, even a year or more. The longer they are unemployed the more demoralized and humiliated they become and the lower are their expectations. Instead of realizing that they are the victims of circumstances beyond their control they usually blame themselves.

They become bored and disorganized since time has no more meaning for them. A feeling of shame induces them to avoid their friends and acquaintances. If they have dependants and can no longer provide for them, unemployment further undermines their self-esteem. The unemployed react differently under stress. One may abandon his family, go on skidrow and find solace in drinking, another may turn his frustrations and anger against his family and abuse his wife and children. (Bakker:1940, Komarovsky:1940, Bird:1966, Kennedy:1973)

Unemployment is also the cause of poverty, physical illness due to poor nutrition, strained marital relations ending in divorce or separation, unhappy, even disturbed children, and mental illness which may drive its victim to suicide.

Unemployment is no less tragic for the young whose enthusiasm, energy and learning desire are frustrated at their peak. (Ginsburg:1983) They become alienated in a world which seems devoid of opportunities. Those who have never held a job and therefore are not entitled to unemployment insurance must live on welfare which is inadequate to pay for their food and shelter. It is not unusual for a youth in such a predicament to resort to crime in order to survive, or to commit suicide. These are the human costs of unem-

ployment, there are also economic costs.

According to Ginsburg, probably, the most important of all economic costs is the loss of output. The larger the number of unemployed the more goods and services fail to be produced in the economy. We hear about a housing shortage, inadequate mass transit systems, polluted rivers and lakes and insufficiently staffed hospitals. There is also a permanent demand for volunteers to meet the needs of the handicapped and elderly. Many of these goods and services could be produced by workers who lack experience, such as the young.

Economists have at one time or another estimated the loss of output caused by unemployment. A University of California economist, Steven Sheffrin, for instance, studying the performance of the U.S. economy from 1956 to 1976 and considering a jobless rate of 4.1 percent as full employment for the United States, calculated that the fact that unemployment rose above that rate cost the country \$2.3 trillion (in 1976 dollars) in foregone output during the period. The lost production for 1976 alone represented 17 percent of the U.S. Gross National Product. Now, supposing that 2 percent - the rate prevalent in most European countries - instead of 4.1 percent had been looked upon as full employment then GNP would have been \$3.8 trillion higher during that twenty

year period and this would have produced \$750 billion in federal tax revenues, or \$100 billion more in 1976. As we have seen, government revenues fall with rising unemployment and this, in turn, results in higher deficits.

Moreover, the federal or central government spends more on unemployment insurance benefits and other aids to the jobless. The Congressional Budget Office found that for every 1 percentage point rise in the jobless rate there is a \$25 - \$29 billion increase in the federal deficit - \$5 - \$7 billion in the form of expenditures and \$20 - \$22 billion in revenue shortfalls.

The Unemployment Insurance Funds also become depleted in periods of high unemployment since the laid-off workers and their employers no longer contribute. Instead, more jobless workers draw from the Unemployment Insurance Funds.

During periods of high unemployment more people go on welfare and this adds to the financial burden of municipal governments.

The monetary loss to the individual is also substantial. It starts with a reduction of income and when he has exhausted his unemployment insurance bene-

fits a loss of savings if he has any. He may have to sell off his insurance policies, car and other non essential property and move to cheaper quarters. Frequent unemployment may affect his job seniority and retirement income, also his old age social security.

The next chapter will show with selected examples how governments responded to the unemployment problem.



CHAPTER III

FIRST GOVERNMENT MEASURES AGAINST UNEMPLOYMENT1. Poor Law System

In England during the Middle Ages the unemployed poor and in particular the vagrants among them represented a menace to the throne as they spread their frustrations and anger throughout the country. To the man in the street the many beggars were a nuisance and the thieves a threat to his safety. Elizabeth I attempted to remedy the situation and ordered that all the able-bodied unemployed be put to work; the young serve an apprenticeship until they were twenty-four years of age, the vagrants be punished and the old and impotent poor be given sufficient relief to prevent them from begging. This was the 1601 Poor Relief Act which earmarked the beginning of what later became known as the Poor Law System. (Marshall:1969, Checkland:1974 & Fulbrook:1978)

During its early phase the Poor Law System was closely allied with the church. Each parish was to be officially responsible for its needy, a responsibility shared by the churchwarden and an overseer. The overseer actually played a more important role. Farmers in villages, shopkeepers or manufacturers in towns were nominated by a magistrate for the office of overseer and the vestry or assembly of rate-payers elected the

overseer for a one-year period or, in some places, two or three overseers each serving for part of the year. The overseer received no pay, yet he was indicted or fined if he refused to serve or if he neglected his duties. His duties consisted in assessing the needs of the poor, collecting a land tax or poor rate, approved by the vestry, on the occupiers of property within each parish and distributing the funds in an impartial way among the needy. Last but not least, he had to find work for the unemployed. If unsuccessful, he could give them a stock of flax, hemp, wool, iron or other materials which they would turn into goods for sale. He could also supply an unemployed family with a spinning wheel, a loom or seeds to plant in its field.

(Marshall:1969) Most overseers reluctantly accepted their office for they had responsibilities of their own if they owned a farm or a business. They were untrained for the duties the parish entrusted to them and their efforts were unremunerated. Consequently, it was not uncommon for an overseer to delegate his duties to a member of his family or pay someone to do the job in his place. (Checkland:1974) The most difficult task of the overseer was to find work for the unemployed. However, over the years, overseers found ways to simplify this task.

(a) Outdoor Relief of the Able-bodied

This relief took different forms:

(i) The complete or partial payment of rent whenever the tenant of a cottage or apartment could not meet such payment. The tenant was also exempted from paying the poor rates. He rarely received food but might be given fuel or clothes, especially shoes. This gave rise to speculation as poorly-kept cottages could be rented to the poor for more than the rental they commended on the market;

(ii) A daily or weekly sum of money with no labor in return on the understanding that the unemployed individual would fend for himself and claim no more from the parish. This saved the parish the trouble of finding work for the unemployed but the practice led the recipient of this type of relief, in some cases, to idleness and eventually to crime;

(iii) An allowance to the unemployed and his family to take care of emergencies or make up for partial loss of earnings due to unemployment. The allowance was determined according to a scale based on the price of fine bread or flour depending on the parish. In the town of Cambridge, for instance, the scale of relief was as follows:

"A single woman, the price of 3-1/2 quartern loaves per week
 A single man " " " 4-1/2 " "
 per week
 A man & his wife " " " 8 " "
 per week
 A man, his wife & one child 9-1/2 " "
 per week
 A man, his wife & two children 11 " "
 per week
 A man, his wife & three children 13 " "
 per week
 Man, wife, four children and upwards, at the price of 2-1/2 quartern loaves per head per week".
 (Checkland:1974: 91)

The above abstract from the Cambridge scale goes back to 1829. This practice of regulating the laborer's minimum wage to the price of bread, which had its root in the Speenhamland Act of 1795, was recommended in the Poor Law Commission Report of 1834. The disadvantage of this practice was that when a farmer or land occupier failed to give his workers a living wage the poor rate levied made up for it. As a result the parishioner who occupied land but did not employ laborers bore the real burden of the unemployed.

(Fulbrook:1978)

(iv) Under the Roundsman System, also called the house row, billet, ticket or stem system, an agreement was concluded between an employer, whether a farmer, shopkeeper or manufacturer, and the parish whereby the parish sold the services of unemployed laborers and

determined the wage rate each individual was entitled to according to the bread price scale. This wage rate depended on the needs of the laborer and not on the value of the services he rendered. Since the laborer's real earnings were insufficient to meet his needs the parish covered the difference, called "head money". Under the Roundsman System the services of laborers or of old and handicapped workers could also be auctioned and sold to the highest bidder. The form of subsidy the employer thus received from the parish had an adverse effect on wages and it was to the laborer's advantage to obtain employment through the parish. (Checkland:1974)

The parish could also act as an employer but this gave the parish more trouble than it was worth. Supposing a parish had jobs to be done a superintendent was required first to assess the type of work each unemployed individual had the strength and ability to perform, the number of dependants the individual had and whether what he would earn would maintain him and his family. Then the superintendent had to see that the individual did the amount of work for which he was paid. Furthermore, it was observed that the unemployed poor when working in gangs tended to misbehave and the bad workers among them had a negative influence on the good ones.

(v) Under the Labor Rate System the rate payers were compelled to provide work for the unemployed or for those who professed to be unable to find work. They could either hire a certain number of laborers or, if unable to do so, pay an equivalent sum of money to the overseer. (Checkland:1974)

(b) In-Door Relief

This was the relief given those who lived and were employed in a workhouse or farm-house, in which case the worker only received food and board. (Checkland:1974)

By the end of the seventeenth century the economy improved. There was a surplus trade balance and thanks to the use of enclosures and new methods of agriculture there was no food scarcity. In spite of this the Poor Rates kept on rising. Instead of being sympathetic towards the poor, people became annoyed with them and a tightening of the administration of the Poor Laws was advocated. All those who could not find work had to go to the workhouse and were refused relief if they failed to comply with the new measures. Some among the poor worked very hard and for low wages, yet the wages were not low enough for employers to make a pro-

fit. The problem of the poor was their inability to obtain work and a wage which would enable them to become self-sufficient. (Marshall:1969)

The workhouse simplified the task of the overseer by doing away with the payment of weekly pensions, rent and the placement of children. On the other hand, the overseer could not administer the workhouse. Governors were appointed for this purpose while a master or mistress took care of the establishment. (Marshall:1969)

The Workhouse Test Act enacted that a parish could, with the approval of the vestry, contract with any person or persons for the lodging, maintenance and employment of any or all of its poor. This gave rise to several types of contract. In the worst case, a contractor would assume the entire responsibility for the poor of the parish in return for a yearly sum of money. (Marshall:1969)

Pamphleteers of the time when writing about the workhouse criticized its unsanitary conditions and filth, the poverty of its meals, the vice and promiscuity of its residents and the corruption of its administrators. This was not necessarily the case with the parish workhouses of villages although they were often ill-equipped to accommodate workers. The above condi-

tions, however, prevailed in most city parish workhouses which were overcrowded. (Marshall:1969; Checkland:1974) Even when the workhouse was well run and the meals it served were superior to those of a laboring family living in a village, the fact remained that its rules and regulations were strict and much like those of a prison. Not only was the workhouse prejudicial to those for whom it was designed but a report published in 1825 on such establishments stated that the labor of the poor did not cover their expenses. (Marshall:1969) This shows the futility of the workhouse.

The Poor Law Amendment Act of 1834 brought some changes. Parishes were grouped into large administrative units, called unions, which were located in town centres. Those who needed help would find a union within a reasonable distance from their homes. The unemployed were submitted to a rigid test before being admitted in the workhouse. The idea was to encourage them to seek work elsewhere and fend for themselves. The new system was tyrannical, yet it remained in force until the 1930 Poor Law Act. (Marshall:1969)

Like the Poor Laws, the Laws of Settlement and Removal did not prove successful. According to the latter an unemployed worker could only obtain relief on a regular basis from his own parish. If he tried to

look for work in other parts of the country and was unsuccessful he had a struggle to survive and might have had to beg, pilfer or even steal. He also ran the risk of being caught as a vagrant and whipped in public. Very often his own parish did not want him back. The same applied to apprentices who ran away from their masters before their apprenticeship was completed. One belonged to a parish usually by birth but outsiders could gain a settlement in a parish provided they had the means to support themselves or a job as, for instance, apprentice or servant. A stranger could also acquire a settlement by being gainfully employed in a parish for a period of three years. Parishes did all in their power to remove strangers who might become a liability. In order to keep the poor rates down overseers actively prevented married laborers with a family from gaining a settlement. Such laborers were paid low wages due to the fact that the employer knew they could claim an allowance from the parish to help support their families. In some parishes low-priced cottages were demolished to deter marriages among the poor, which could bring more dependants on the parish. (Marshall:1969)

In 1847 a Poor Law Board was set up and in 1871 the Local Government Board took over its func-

tions. A Royal Commission in 1905 started to investigate the situation of the poor and produced the Majority Report which recommended an overhaul of the Poor Law System. The Minority Report prepared by Sidney and Beatrice Webb sought to break up the Poor Law and presented many recommendations to improve workers' conditions. The trend was changing and government was progressively called upon to play a role in the administration of the country's social affairs. (Fulbrook:1978)

The Poor Law System totally lacked compassion towards the poor and unemployed. Its aim was to protect the monarchy from an uprising and the average citizen from criminals. Nobody felt safe because poverty had driven the poor to resort to crime and they threatened people's lives and possessions. The villagers and city dwellers were afraid that vagrants might set their homes on fire or spread contagious diseases. Finally, nobody escaped being harassed by peddlers, hookers and beggars. Something had to be done about the situation and in this case the ends became more important than the means, witness the following:

"A sturdy beggar is to be whipped the first time, his right ear cropped the second time, and if he again offends, to be sent to the next gaol till the quarter sessions and there to be indicted for wandering, loitering, and idleness, and if convicted, shall suffer execution of death as a felon and an enemy of the commonwealth."
(Checkland:1974; 74-75)

The outdoor relief of the able-bodied which consisted of the payment of rent, the distribution of fuel and clothes, and the allowance was fairly successful. The Roundsman System, however, robbed the worker of the dignity attached to earning a wage which would enable him to be self-sufficient, and the parish went along with this by paying the worker an allowance. The workhouse kept all the undesirable people busy and almost out of sight. The fact that those employed in the workhouse were treated like inmates in a prison must have been humiliating and demoralizing to them. It must also have destroyed whatever motivation or initiative they might have had and made them very dependent.

The parish was in the first place not a large enough unit for the administration of the Poor Law. The diocese, perhaps, might have been a better choice. It might have enabled men in search of work to move from one parish to another within the diocese without running the risk of losing their settlement. The fact that the overseer himself was a man from the parish must have made it difficult for him to carry out his duties in an impartial way. Furthermore, he assumed the responsibilities of his office reluctantly and received no remuneration for his efforts. When the Poor Law came into effect the overseer had to report his activities and show the parish accounts to the justices

of the peace. This practice was discontinued so that later on the overseer was unsupervised. However, if a relief recipient felt he had been unfairly treated he could take his complaint to the magistrate (justice of the peace) whose decision in the matter was final. Finally, the parish was not financially in a position to provide work for the unemployed. (Marshall:1969)

The overseers and those who administered the workhouse on a contract basis have often been accused of appropriating the parish funds in one way or another for their own use at the expense of the needy. In some parishes the overseers failed to levy the poor rates regularly thus rendering the Poor Law System ineffective. (Marshall:1969)

The unemployed had no incentive to become self-supporting as the wage they received for hard work merely enabled them to subsist. Under the circumstances it would appear that the best alternative for an unemployed worker who loved freedom was to take to the road, earn his living as best as he could and make sure he was not arrested for vagrancy.

The Poor Law System could only train the young by placing them as apprentices with master craftsmen whether the latter wanted them or not. Such a practice could only give mediocre results. The same

applies to the parishes subsidizing the employers who provided work for the unemployed. It might have been more appropriate for the Crown to legislate a minimum wage and have it enforced.

However awkward and ill-conceived the Poor Law System was it was the harbinger of the unemployment insurance so helpful to most people without work.

(Marshall:1969)

While this chapter focuses on the English Poor Laws, these laws also influenced government measures in the United States, Sweden and other European countries. (Higgins:1981) The following chapter on the New Deal is another example of past measures to relieve the unemployed but, this time, in North America. Speaking of Britain, the country was equally hard hit by the Great Depression yet it had no unemployment policy of scale. "Recovery was sought in a piecemeal fashion and unemployment was treated as an issue which could be separated from the general problem of recovery." (Winch: 1969: 210) In 1935 Lloyd George had a plan which drew its inspiration from the New Deal in the United States but the British government had no intention of experimenting with it. It firmly believed that the most effective way to create jobs was by encouraging ordinary trade. It was approximately at that time that Sweden

introduced its contra-cyclical public works policy. Britain looked upon public works simply as relief measures and, unlike Sweden, failed to see their secondary repercussions. (Winch:1969)

2. New Deal

The New Deal was a series of legislative acts designed to trigger a turnaround in the economy during the Great Depression and to relieve the unemployed and other groups affected by the depression. The New Deal actually started under President Hoover but the most important legislation came under President Roosevelt in 1933 and 1935 and the least important in 1938. (Conkin:1967, Rothbard:1975)

During his term in office President Hoover attempted to alleviate the high level of unemployment caused by the depression by advocating work-sharing in industry, and using government funds to increase public works programs, among which was the Hoover Dam on the Colorado River. Among the measures of the Hoover New Deal was the Public Works Administration to coordinate and expand federal public works. The President later realized that his public works program which had nearly doubled since the beginning of the depression had failed. It had cost him over \$1,200. per family aided. Not only had this been an expensive program but it was inaccessible to the needy in remote areas and to those unfit for the type of work required. (Rothbard:1975)

For a long time, according to Mitchell¹⁸, President Hoover failed to grasp the magnitude of the depression and to what extent it affected people. He

wanted to preserve capitalism and on several occasions stated:

"It is not the function of the Government to relieve individuals of their responsibilities to their neighbors, or to relieve private institutions of their responsibilities to the public, or of local government to the states, or of state governments to the Federal Government... It is vital that the programs of the Government shall not compete with or replace any of them but shall add to their initiative and their strength."
(Mitchell:1947; 87)

According to the President, it was up to charitable organizations and local welfare agencies to take care of the unemployed. He enjoined business and industry leaders to create jobs by expanding their enterprises and to maintain wage levels. The latter promised to cooperate with the President but the gloomy economic outlook prevented them from keeping such promises.

The Hoover Administration created the Reconstruction Finance Corporation in 1932. Its purpose was "to stop deflation in agriculture and industry and thus increase employment by the restoration of men to their normal jobs". (Mitchell:1947; 77) Its purpose was also to help smaller banks and financial institutions.

As the situation grew worse the President realized that the Federal Government had a role to play in the relief of the unemployed. Through the Emergency

Relief Act funds were consequently made available to help local communities in relieving the jobless.

Most of the New Deal measures were initiated by the Roosevelt Administration during the President's first hundred days in office. The first and most urgent measure was to declare under the old Trading-with-the Enemy Act a four-day bank holiday during which all banking operations were suspended. The insolvency of banks had been apparent as early as 1921, mainly in small towns in areas of depressed staple agriculture. Bank failures had steadily increased in number: 491 in 1928, 642 in 1929 and 1345 in 1930. This was no longer a small town phenomenon as large city banks also became insolvent. Among them was the Bank of the United States in New York. In 1931 2298 banks with deposits of \$715.6 million were declared bankrupt. Many people lost their savings as a result of these bankruptcies. The stock market crash of 1929 and then the near-collapse of the banking system spread panic across the nation. The large number of depositors wanting to withdraw their savings simultaneously had made sound banks vulnerable to insolvency. After the bank holiday declared by President Roosevelt all banks reopened with the exception of the unsound ones. Three days later the Emergency Banking Act was passed. It allowed the Recon-

struction Finance Corporation to supply capital to banks by buying their preferred stock. The Act also took the country off the gold standard by forbidding the hoarding and export of gold, and the redemption of currency in gold or gold certificates. New currency was made available by the issue of Federal Reserve Bank notes which needed no gold reserves but were backed not only by government securities but by any kind of business paper approved by the Federal Reserve Banks. Such measures gave people hope and restored their faith in the American economy.

The New Deal also included the Agricultural Adjustment Act of 1933 which aimed at restoring the farmers' purchasing power. There was an overproduction of food and fiber compared to other commodities and this impoverished the agricultural community, in particular farm laborers who could not find work, or if they did, whose wages were too low. The Hawley-Smoot Tariff of 1930 made it unattractive for foreign countries to buy American farm products. Cotton from India, Argentina and Brazil competed with that grown in the United States. Farm costs failed to decline as fast as income. Farmers did not share in the prosperity of the twenties the way business and industry did. Furthermore, after

1929 land values fell but mortgage interest rates remained unchanged and taxes doubled.

In order to deal with the cotton surplus a quarter of the 1933 crop was uprooted and the growers in return were granted over \$100 million in benefit payments. The government also decided to make loans to farmers and held their cotton as a security. If cotton prices rose above the loan, the grower would redeem his cotton, otherwise the cotton would remain in government possession. The Commodity Credit Corporation was set up to make such loans. This method of price support was also used for corn, wheat and other storable commodities. Wheat farmers were also given benefit payments provided they agreed to reduce their acreage for the following three years. As a glut was anticipated in the hog market there was no other solution but to slaughter six million little pigs to prevent a fall in the price of hogs.

The most important institution of the New Deal was the National Recovery Administration. Unstable industries as well as organized labor had called for some national planning which would bring cutthroat competition to an end. Such competition victimized labor and weak industries in time of crisis. The Administration was in favor of a policy of cooperative

business-government planning. The Bill leading to the National Recovery Act promoted the organization of industry for the purpose of cooperative action among trade groups. It called for fair competition, hence for exemption from anti-trust laws, for collective bargaining between labor and management, limiting maximum work-hours and minimum wages in business and industry, and for the establishment of public works and construction projects of the order of \$3.3 billion. The President explained that the act was to put people back to work, thus raising their purchasing power, and at the same time protect the employers who pay decent wages against unfair competition. This was an emergency Act since it conflicted with the anti-trust laws and it was to be repealed after a two-year period.

The New Deal measures described so far deal indirectly with the question of unemployment. President Roosevelt was not averse to giving direct relief to the unemployed. In 1933 the Federal Emergency Relief Administration was instituted to provide the states with grants to help people in need. Relief in the form of food and fuel was distributed through public welfare agencies. People also needed but seldom received clothing, household supplies and shelter. The landlords bore much of the burden of the unemployed and, as a

result, were themselves on relief. The blacks and the hispanics were told to fend for themselves. If relief was made available to them they obtained less on the ground that they were used to living on small incomes. Some of the Federal Emergency Relief Administration funds were earmarked for public works and rural resettlement. The President, after two years of direct relief, realized that it was costly and did not do much for the unemployed. He felt that indirect relief through work projects would benefit both the employable workers and the state. The unemployables would still be eligible for relief allowances.

The Emergency Relief Appropriation Act of 1935 stipulated that relief grants to the states would continue while work projects were being prepared. However, the Federal Emergency Relief Administration (FERA) discontinued its grants and caused the unemployed much misery. The Civil Works Administration (CWA) was initiated to put men to work without delay. It lasted one year only, during which it employed 4,264,000 workers and invested \$951 million on 180,000 projects. The appropriation was federal but CWA was authorized to approve the projects which, amongst others, included the repair of 255,000 miles of roads and streets, the improvement of school buildings and grounds, and the con-

struction of stadiums, swimming pools, parks and airports. Furthermore, CWA found suitable work for three thousand artists and for many professionals and clerical workers. These projects were not carried out in the most efficient manner since much of the work was done manually but they were useful and provided workers with valuable experience. FERA, in cooperation with the states, initiated the Emergency Work Relief Program which proved uneconomical and not very successful. Initially, FERA's purpose was to relieve those who were deprived of a job due to the depression while the unemployables would be the responsibility of the local welfare agencies. In fact, FERA also had to care for more than one and a half million unemployables. The President insisted on distinguishing between the victims of a nation-wide depression and the victims of local conditions. The former were the responsibility of the federal government, the latter of the locality affected. It appeared that many workers had become unemployable after being so long without a job. Their skills had rusted with disuse.

The high rate of unemployment among the young raised much concern. January 1935 statistics for Michigan, for instance, showed that 34.3 percent of people aged 15-19 and 24 percent of those aged 20-24

were unemployed. (Bird:1966) Two work and training programs were devised under the New Deal to help the young, that is the Civilian Conservation Corps (CCC) and the National Youth Administration.

In the course of seven years 2-1/4 million young men enrolled in 1500 CCC camps throughout the country. The enrollees were generally 17-25 years of age and unmarried, except for the veterans. Their stay in the program was limited to two years. CCC offered training in the husbandry of natural resources. Apart from training on the job the enrollees were also given tuition in academic subjects. They worked in city, state or national parks, built roads, bridges and recreation centres, controlled floods and forest fires, planted trees to protect the soil from erosion and also worked on farms. The camps sheltering these young workers were run by the military in a pleasant atmosphere. They offered comfort, good food and the possibility for the young to discover their abilities and to develop their work skills. The New York Times Magazine once reported that the CCC trainees built more than 82,000 miles of truck rails and small roads, planted one billion trees, constructed 3,000,000 dams and treated 3,800,000 acres for soil erosion. (Kennedy:1973) Such work required much physical fitness and consequently was not suitable

for all young men. The program had some merit but how useful the training acquired would be to young city dwellers was questionable.

The National Youth Administration's goal was to give part-time work to high school, college and university students to enable them to further their education and to keep them off the labor market. It was also open to young people 18-25 years of age who had left school. They worked in laboratories, libraries, school offices or on research projects. They also did repairs to schools, hospitals, libraries and like the CCC enrollees constructed stadiums, swimming pools, tennis courts, dams and airports. It was estimated that some 1-1/2 million young men and women took part in this program.

Construction projects are usually a source of job creation. Low-rent housing and slum clearance projects were therefore implemented under the National Industrial Recovery Act. Their goal was primarily to provide homes for low-income people or farmers in depressed areas but also to create employment.

The Tennessee Valley was probably the most successful project undertaken under the New Deal. It gave direct and indirect employment and permanently served useful purposes. The project actually embraced

the states of Tennessee, Virginia, North Carolina, Alabama, Mississippi and Kentucky. The region had been deforested by its occupants for several generations. Heavy rains had washed away the topsoil and the river frequently overflowed. The Tennessee Valley Authority was created in 1933 for the purpose of building dams to prevent floods, facilitate navigation and produce electricity. The electricity was to be used to manufacture fertilizer which would, in turn, be used to improve the condition of the soil. Millions of trees were planted to reduce soil erosion. A small town was built while rural communities mushroomed throughout the valley. The production and sale of low-cost electricity attracted industry and raised the living standards of the people in the valley.

The above shows that the New Deal legislation contained a wide range of social and economic emergency measures, some to mitigate the hardships of a large number of people during the Great Depression and others to bring an economic recovery. We will now compare people's attitudes towards the unemployed during the Poor Law system and the New Deal.

During the three centuries that it was in force the Poor Law System groped for solutions to the problem of poverty and crime. The Poor Law came after the

Reformation when people's attitude towards the poor had drastically changed. Prior to the Reformation the Catholic church took care of the poor by distributing the alms it received from the affluent. According to the Catholic church's teachings rich and poor were brothers in Christ and each of them was his brother's keeper. The rich took care of the poor through alms-giving, a deed which would assure them of a place in heaven after death. After the Reformation alms-giving remained a duty towards God but it was felt that the poor's duty was to help themselves. In accordance with the new ethos people laid much value on initiative, hard work and thrift. Man had to strive to improve himself materially, and spiritually and venerate God in the process. In such a society the unemployed poor were looked upon with suspicion. Their poverty was attributed to laziness, improvidence and prolificacy. The Poor Law first assisted the poor financially by redistributing to them in one form or another a land tax or poor rate collected from the owners of property, and by providing them with work which was not always easy. The outdoor relief which consisted of partial payment of the poor's rent, fuel or clothes led to abuses on the part of landlords who increased the rent. The allowance to the unemployed and his family under the Speenhamland Act had a remote

resemblance with today's unemployment insurance inasmuch as it varied with the number of dependants. This allowance had a depressing effect on wages. Under the Roundsman System the services of laborers or of old or handicapped workers were auctioned and sold, which also had an adverse effect on wages for if the laborer's earnings were insufficient the parish covered the difference. When by the end of the seventeenth century the poor rate kept on rising in an improving economy people felt the poor were irresponsible and advocated that they be placed in a workhouse so that their activities could be supervised. This new measure as well as the laws of Settlement and Removal proved disastrous for both the poor worker and society. Investigations into the situation of the poor revealed that even those who worked hard did not earn enough to sustain themselves.

The New Deal greatly differed from the Poor Law. It had a better understanding of the predicament of the unemployed poor and treated them humanely. Yet, the Protestant Ethics still influenced people's attitudes towards the unemployed. As already pointed out, the Poor Law aimed primarily at preventing an uprising against the Crown and at protecting the safety of the ordinary citizen and safeguarding his property. The New Deal measures were more concerned with the economic

recovery of the country and consequently restoring the purchasing power of the unemployed. The large projects undertaken were designed to enable the unemployed poor to earn a living with dignity which was in conformity with the ethos of American society.

A Royal Commission investigating the situation of the poor in England came to the conclusion that poverty was caused by underemployment. People were not lazy or improvident they were simply unable to obtain work at a living wage. During the Great Depression the unemployed were considered the victims of circumstances beyond their control. In both cases this led to an awareness that the government had an important social role to play in the country's economy and this paved the way for the introduction of the unemployment insurance schemes which were introduced at the beginning of this century.

3. Unemployment Insurance

Funds to help the involuntarily unemployed were first instituted towards the end of the nineteenth century, either by local authorities, employers or trade unions. This type of fund was not widely spread and only covered a relatively small number of workers. Moreover, its financial possibilities were limited and it could not adequately meet the needs of unemployed workers and their families. Early in the twentieth century governments started subsidizing private funds. Compulsory insurance schemes were developed by the United Kingdom, for instance, in 1911. Germany introduced the first unemployment insurance legislation in 1927, followed by Sweden in 1934, the United States in 1935 and Canada in 1940. During the 1970s' recessions the number of unemployed and the duration of unemployment increased to the point of reducing the effectiveness of the compensation systems. Amendments to the schemes were introduced to ease the hardships of the groups most vulnerable to unemployment. Consequently, in some countries coverage was made broader while in others measures were taken to prevent abuses. As insurance funds were becoming depleted governments assumed part of the responsibility for the financing of benefits. (OECD:1979)

(a) Canada

The Canadian unemployment insurance program is compulsory for all employees, except the self employed, part-time workers whose income is below the required level, temporary agricultural workers, people with a state retirement pension and persons aged 65 and over. The program is jointly financed by the insured workers, their employers and the federal government. The rate of contribution financing is 1.4 percent for the worker and 2.31 percent for the employer. The state's share is related to the monthly unemployment rate average over "eight years ending on the 30th day of the year preceding that in which it is applied".

(OECD:1979; 94)

The benefit is equal to two-thirds of average insurable earnings subject to a ceiling which is adjusted annually on the basis of an earnings index. The first benefit is payable after a two-week waiting period. Benefits are taxable while the contributions are deducted from the worker's taxable income. (Blaustein & Craig:1977, OECD:1979)

Eligibility depends on the number of weeks of insurable employment during the 52 weeks preceding the claim and on the number of weekly contributions during that period. This distinguishes between two types of

beneficiaries: those who contributed for a minimum of 20 weeks, or the major attachment claimants, and those who made from 8 to 19 weekly contributions, or the minor attachment claimants. A minimum of 8 contributions is necessary for a claimant to be entitled to benefits. Any claimant who is still unemployed after his initial benefit period has expired may reestablish his claim for a supplementary period of 10 weeks in which to draw benefits. (Blaustein & Craig:1977, OECD:1979)

If major attachment claimants are still unemployed once their initial and reestablished benefit periods are over they may qualify for extended benefits, in which case they would receive 2 weeks of benefits for 20 weeks of insured employment plus 1 week of benefits for every additional week of insured employment. For instance, a claimant with 40 weeks of employment would be entitled to 37 weeks of benefits, that is 15 initial, 10 reestablished and 12 extended. (Blaustein & Craig:1977)

Additional benefits may be drawn in periods of high unemployment by claimants who have exhausted all their initial, reestablished and extended benefits. For example, when the national unemployment rate is above 4 percent but not more than 5 percent the insured person may receive 4 additional benefits. If the rate exceeds

5 percent he may receive 8 additional benefits. If the regional unemployment rate is above the national rate, the number of benefits is 6, 12 or 18 for a regional unemployment rate of 1, 2, 3 percent or more, respectively, above the national rate. The maximum number of weekly benefits is still 51 when all benefits are combined. The benefits provided due to a high regional unemployment are on top of those allowed when the national rate exceeds 4 or 5 percent. (Blaustein & Craig:1977)

Finally, major attachment claimants are entitled to benefits if their wages stop due to sickness, accident (non-industrial), maternity or retirement. In such cases, except retirement when the worker receives a lump sum benefit equivalent to three weekly payments, the claimant is entitled to 15 weekly benefits. (OECD:1979)

Unemployed who have exhausted their entitlement may be eligible for social assistance provided they meet the requirements of a means test. (OECD:1979)

(b) United States

The unemployment insurance in the United States forms part of the Social Security Act which

provides the States with a tax credit as an incentive to set up their own unemployment insurance programs. Federal law states the minimum coverage of unemployment insurance. The federal assessment for employers who contributed to an approved state system has been 0.5 percent from 1970 onwards. The tax applies to employers of one or more covered workers in at least 20 weeks in the current or preceding calendar year, or who pay wages of \$1,500. or more during any calendar quarter of the current or preceding year. Federal government employees, ex-servicemen and railroad workers are covered by a different program. (OECD:1979)

Each state sets its own eligibility rules for benefits. These rules have many points in common: unemployment must be involuntary and the unemployed worker must be able and available for suitable work. He must also register at a public employment office and make a claim for benefits. The base period for a worker's rights to benefits generally is the first four quarters of the last five completed prior to a claim for benefits. The minimum amount of wages earned plays a part in determining employment in the base period. (OECD:1979)

The states levy a tax on new employers for the payment of regular benefits, that is 2.7 percent of

taxable wages. Later on, the tax may be increased or reduced depending on the amount of unemployment benefits paid to his former employees. Wage-level ceilings for contribution purposes vary from one state to another. (OECD:1979)

Unemployment insurance benefits in most states represent about 50 percent of the worker's wages up to a certain limit. In some states the rates are degressive. There is much discrepancy from one state to another in the amount of benefits paid. Benefits are not taxable. (OECD:1979)

In all states, except ten, unemployment insurance benefits are paid after a one-week waiting period. (OECD:1979)

Unemployment benefits are usually paid for a maximum period of 26 weeks, or more, depending on the number of weeks' employment insured or on former earnings. Extended benefits may be obtained during periods of high unemployment by those who have exhausted their regular benefits provided

- the seasonally adjusted national-insured unemployment rate is 4.5 percent based on the most recent 13-week period; or

- The unadjusted state-insured unemployment rate is 4.0 percent based on the most recent 13-week period, and the rate is 20 percent higher than the state's average insured unemployment rate for the corresponding 13-week period in the two preceding years, a condition which may be waived by the state when the unadjusted insured unemployment rate is 5 percent or more. Extended benefits entitle a claimant to a 50 percent increase in benefit duration but no more than 13 additional weeks with an overall maximum of 39 weeks (OECD:1979)

There are other insurance schemes to relieve certain categories of employees, that is the railroad workers' scheme, the federal employee scheme and the ex-servicemen's scheme. There are also private unemployment insurance schemes established under collective agreements.

Finally, under the welfare program, there is the Federal Aid for Unemployed Workers with Dependent Children (AFDC) when the family income is deemed inadequate. Financial aid is provided for each child under 18 or until the age of 21 if he is a student. (OECD:1979)

(c) Sweden

Unemployment insurance Funds are state subsidized but managed by a government representative and union officials. The National Labor Market Board supervises their activities and also assesses and distributes their subsidies. The local branches of the funds collect the members' contributions and administer the benefits with the assistance of the local employment offices. In 1979 there were 45 funds with a membership of over 2.7 million. A supplementary form of aid to the unemployed is the State Cash Labor Market Assistance.

(OECD:1979)

An unemployment insurance fund must, before it is approved by the State, have a minimum of 1500 members and assure members that they will adequately be covered should they become unemployed. Each fund represents one particular industry or trade in the whole country. Members must be at least 15 years of age. Coverage from the insurance is compulsory for union members and voluntary for others. Self-employed persons may form their unemployment insurance fund provided they meet certain conditions. (OECD:1979)

An individual must have been a member of an Unemployment Insurance Fund for twelve months before

qualifying for benefits and must have been working for five months within the twelve months preceding his claim for benefits.

Benefits vary with the age of the claimant. They cover loss of income for five days a week up to a maximum of 300 days, and up to 450 days for 55-64 year-old workers. Benefits are paid after a five-day waiting period. Since 1977 insurance benefits have been divided into twelve categories ranging from Skr.40 to Skr.130. They can amount to as much as 91.7 percent of the worker's income. Each category reflects the prevailing pay scale of the industry or commerce covered by the fund. In any case, daily benefits cannot exceed 11/12ths of the insured worker's former income.

(OECD:1979)

The purpose of the labor market cash assistance is to protect those who enter or return to the labor market, such as youths and housewives. This form of assistance is available to entrepreneurs and employees who do not qualify for membership in an unemployment insurance fund, or who have ceased to be entitled to benefits from such a fund. To be eligible for labor market cash assistance an individual must have worked at least five months during the past twelve-month period. (OECD:1979)

In 1974 when the unemployment compensation system was reformed, individuals under 55 qualified for up to 150 days of labor market cash assistance, those between 55 and 60 years of age for up to 300 days and those between 60 and 65 without restrictions. Individuals receiving old age pensions, full disability pensions or full sickness benefit are not entitled to this labor market cash assistance. Provided certain conditions are met, an individual over 55, whether an employee or an entrepreneur, may obtain labor market cash assistance if he becomes a victim of structural change in the economy. (OECD:1979)

Labor market cash assistance like unemployment insurance benefit is taxable. In 1977 it amounted to Skr.55 a day. This type of assistance is managed by the national labor market board branches but is distributed by the public insurance bodies. While unemployment insurance is partly financed by member contributions and state subsidies, two-thirds of labor market cash assistance outlays are covered by employer contributions and one-third by public funds. (OECD:1979)

Sweden has, so to speak, two unemployment benefit systems and a government commission enquiry is studying the feasibility of merging both.

(Ginsburg:1983)

The unemployment insurance marked the beginning of the welfare state in the world's industrialized countries. One of the purposes of the unemployment insurance benefits is to maintain the purchasing power of the unemployed. This form of financial help is useful but not ideal. In Section 2 of chapter II we are made aware of the human suffering and economic loss that unemployment entails. Unemployment insurance is acceptable as a temporary help but it does nothing, for instance, to rehabilitate the victims of structural unemployment. This brings us to the manpower training programs.

CHAPTER IV.

LATER GOVERNMENT MEASURES AGAINST UNEMPLOYMENT1. Canada

As early as 1910 the country appointed a commission to study the question of adult occupational training. However, the Technical & Vocational Training Act of 1960 actually marked the beginning of the federal government's attack on economic problems through manpower policy. Several factors prompted this turn of events. The labor force was expanding as a result of the large number of young people, born after World War II, who had reached working age. Yet the country had an acute shortage of skilled workers. On the job training, on the one hand, seemed inadequate to meet the demand for skilled labor and, on the other hand, there was a drop in the number of technicians immigrating to Canada. Finally, only a small percentage of secondary school students showed an interest in technical courses. The Technical & Vocational Training Act aimed at training those already in the work force and particularly those in danger of losing their jobs. The Act also aimed at impressing the necessity of training upon school students so that they would not add to the number of unemployed later on. This Act led to many programs, the cost of which was shared by the federal and provincial governments, with the exception of the program for

training the unemployed which was fully financed by the federal government in 1966. In the same year the federal government created the Department of Manpower & Immigration whose main functions were the compilation of information on working conditions and the establishment of a network of agencies, the Canada Manpower Centres, to supply services to workers and employers. The Adult Occupational Training Act of 1967 brought to an end the shared-cost programs with the provinces. From then on the federal government assumed full responsibility for the upgrading and retraining of the work force. This Act, as will be seen later, entrusted the Canada Manpower Centres with more responsibilities. (Paquet, C.A.A.E.:1976, Goldman :1976)

(a) Canada Manpower Training Program

The Canada Manpower Training Program (CMTF) was instituted in 1967 under the Occupational Training Act. The federal government funded 100 percent of CMTF which concentrated on retraining those already in the labor force and paid them a living allowance during their training period. The program also provided for certain transitional arrangements for capital grants. (OECD:1976) Its three main objectives were growth, equalization and stabilization. Growth was to be

achieved by upgrading the labor force and increasing the efficiency of the labor markets, equalization by reducing income disparities, more precisely by improving the employability and earning capacity of those who were below or at the poverty level, and stabilization would be attained through manpower training funds and allowances which stabilize the economy as they counter seasonal and, to a lesser extent, cyclical fluctuations in unemployment. (Goldman:1976)

To be eligible for training under CMTP an individual had to be one year older than the school-leaving age in his province of residence and had to have been out of the regular school system for at least one year or have been in an apprentice course. However, to be eligible for the training allowance an individual had to have been in the labor force without interruption for a period of three years. In 1972 the three-year condition for payment of the training allowance was reduced to one year. Furthermore, the individual had to be deemed capable of benefiting from such training. Living allowances were paid to trainees with dependants. The amount of the allowance varied with the number of dependants and by region. The allowances were adjusted from year to year according to the average hourly earnings in the manufacturing sector. For example, in 1973-74 the

regular allowance for single persons was \$55. a week and as much as \$95. a week for persons in some areas with four or more dependants. A farther-away-from-home allowance of \$27. a week was also available. (OECD:1976)

The Canada Manpower Training Program consisted of (i) institutional training which was provided in private or public institutions, such as technical schools, school boards or community colleges. The course included language training, upgrading in mathematical and scientific skills and the part of apprenticeship training which could be taught in the classroom; (ii) training in industry which took place in plants, factories or offices. The trainee became part of the personnel during his training period and the firm was reimbursed for the expenses incurred in training and for the salary of the trainee. The duration of the course was a maximum of 52 weeks or 1820 hours of part-time instruction. The average duration of training varied from 16 to 22 weeks. Since 1973 intermittent training has been possible on a work-study-work basis. (OECD:1976)

Under CMTF the federal government purchased courses for upgrading and training in the public institutions, private trade schools or industry of the province where the course would be given. The provinces had to assist the firms in analyzing their needs, esta-

blishing training schemes and supervising the quality of training. The Canada Manpower Centres selected the prospective trainees and determined their course requirements.

On-The-Job-Training, a variant of CMTF, was introduced in 1971 to enable private employers and some public agencies who were financed by fees or sales to hire trainees and pay them regular wages while training in spite of the fact that they had a lower productivity. In return, the employer would receive a federally financed wage subsidy. This subsidy might have been in the form of a tax incentive or the payment by the Department of Manpower & Immigration of 75 percent of the trainee's wages for firms unable to avail themselves of the tax incentive. In this case the training costs were borne by the employer and not by the federal government. As this program was very successful it became integrated under the old Occupational Training Act in 1972. It was at this time that the three-year attachment to the labor force as a condition for the training allowance eligibility was changed to one year. What differentiated training-on-the-job from training in industry was the fact that the former was contributing to production while the latter did not. It merely en-

abled the trainees to learn through observation. Employers were obviously enjoined to give permanent employment to the trainees upon completion of the training period. (OECD:1976)

Amendments to the Adult Occupational Training Act of 1972 allowed for federal funding of on-the-job training and gave rise to two new programs: Training on-the-Job for Skill Shortages and Training on-the-Job for the Disadvantaged. The former was to train the unemployed and underemployed for skills which were scarce and the latter was to encourage private and public employers to provide occupational training, supportive service and jobs for the disadvantaged. These two programs and Training in Industry formed the Canada Manpower Industrial Training Program (CMITP) of 1974. (Goldman:1976) It was an employer-incentive program designed to stimulate the Canadian economy, reduce unemployment and improve productivity. It was also considered an incentive for Canadian business and industry to expand and amend their employee training programs. CMITP aimed at encouraging employers to train some of their own staff so as to provide for their own skilled labor requirements and at the same time help workers adapt to new demands on the labor market. Retraining

was also a means of averting dismissals in periods of low economic activity.

The conditions for training eligibility under CMITP required that an individual be one year older than the school-leaving age in his province of residence, be a staff member of the contracting employer (or member of the contracting association during the training period) and that he may derive continuing benefit from the training and work experience in terms of increased employability and earning capacity. (Cdn. Pers. & Ind. Rel. Journal: May 1974)

Under CMITP employers would usually be reimbursed for part of their outlays:

100% of the costs of training aids, supplies and instructors' salaries (up to a certain limit);

75% of fees for courses provided by outside institutions;

50% of trainees' travel and living costs;

40 - 50% of trainees' wages up to the maximum allowed under the act (\$128. a week in fiscal 1973-74)

The duration of the course varied between a minimum of 30 hours and a maximum of 52 weeks full time or 1820 hours part time.

The training course had to meet the following criteria: provide the knowledge and skills required by the occupation, meet the particular problems and needs of the trainee, and utilize the expertise and facilities of the employer, often supplemented by training away from the production area or job. (Cdn. Pers. & Ind. Rel. Journal: May 1974)

There were other programs to supplement the above. The Canada Manpower Mobility Program enabled workers to take jobs for which they were qualified in areas as close as possible from their homes. This program was locally implemented by the Canada Manpower Centres. Five types of grant were available: a travel grant, an exploratory grant (while the worker looked for a job), a relocation grant for resettlement, a special travel grant for workers who had to travel to take advantage of manpower services and a temporary employment travel grant for unemployed workers who accepted a temporary job and had to travel to fill it. All these grants were financed by the Department of Manpower & Immigration through the Canada Manpower Centres.

(OECD:1979) The Outreach Program was introduced in the

early 1970s to supplement manpower services by reaching out to areas, communities, neighborhoods and groups which were not served by the Canada Manpower Centres or which for certain reasons did not utilize available services. The Outreach Program involved the native people of Canada, inmates and ex-inmates of correctional institutions, the mentally and physically handicapped, older workers, welfare recipients and women re-entering the labor force. (Department of Manpower & Immigration annual report 1973-74)

A number of job creation programs (see list in Appendix I) complemented the Canada Manpower Training Program. Some were intended to alleviate seasonal unemployment, others to help those who had difficulty in finding employment in the traditional job market. Still other programs challenged the unemployed to create jobs for themselves by submitting projects which would enhance the well-being of certain communities. Finally, the wage subsidy programs called on the public and private sectors to employ the disadvantaged.

The Canada Manpower Centres coordinate all these programs. In fiscal 1976-77 Canada already had a network of 438 manpower centres. These centres fulfill many functions, all aimed at helping job seekers and em-

ployers in need of personnel. They assist workers by providing referrals and placement services. (In Fiscal 1983-84, for instance, the Canada Manpower Centres found jobs for 839,000 clients.) - They also recruit, select and counsel those who have difficulty in finding jobs. They decide the type of training their clients might require and, if agreeable to the latter, make arrangements for such training. When suitable courses are not already available they purchase courses from public or even private institutions. Furthermore, the centres pay the trainees the allowances to which they are entitled while training and place their clients after completion of training. The centres are also at the disposal of employers for staff selection and recruitment services, and give advice on any aspect of manpower utilization and development.

In the early 1970s the Canada Manpower Centres could administer tests to measure the proficiency of their clients in clerical skills, also tests to predict the capability of disadvantaged clients. Later on, self-service job information centres were introduced. Thanks to the Job Bank, the Employment Opportunity Library and Training 'Open File' Job, these centres offered their clients a wide range of self-service pos-

sibilities in terms of employment or information about services and programs available. These helped promote client occupational mobility by facilitating the matching of workers with employer demands.

New technology is progressively increasing the efficiency of the Canada Manpower Centres. In recent years, various aids were introduced to facilitate employment counselling, namely: CHOICES which is a computerized career information system, PLACE, a system which helps clients in identifying and overcoming barriers to employment, and JOBSKAN, an innovative approach to the identification of job-related requirements.

Another important function of the Canada Manpower Centres is to collect and interpret data about the labor market. (Department of Manpower & Immigration annual reports 1966-67 - 1983-84)

The Vocational Training Act and the Canada Manpower Training Act were replaced in 1982 by the National Training Act which gave rise to the National Training Program. This program aims at adapting the vocational skills of the labor force to the needs and evolution of the economy, and at the same time improving the employment ability and earnings of the trainees. (Direction de la Prestation des Services d'Emploi, May 1985)

The law authorizes the Canada Manpower and Immigration Commission to set criteria which will enable the disadvantaged to have access to the National Training Program. The federal government may enter into an agreement with any province interested in the program and the province determines the contribution and participation of each to the vocational training activities. (DPSE:1985)

The National Training Program like the Canada Manpower Training Program consists of institutional training and training in industry. The eligibility condition for institutional training, however, is that the individual be of school-leaving age instead of one year older than the school-leaving age. The other eligibility conditions, the duration of the course and the goal of the training program are fairly similar to those of CMTF. However, in the case of the new program financial support in the form of unemployment insurance benefits or a training subsidy is available for trainees under certain circumstances only. (DPSE:1985)

Adults who wish to register for the National Training Program need not have been out of school for twelve consecutive months. In Quebec, for instance, adults who wish to take a preparatory course prior to

entering the program must not have attended school on a regular basis for three years. (DPSE:1985)

As in the past, the Canada Manpower and Immigration Commission purchases training courses from public or private institutions through provincial governments. Apart from vocational courses there are, as in previous programs, preparatory courses whose purpose is to upgrade the general education of the applicant to enable him to better understand the vocational course he intends to take and to obtain a job later on. (DPSE:1985)

Training-in-Industry has two main objectives: to help adults who have difficulty in finding employment and to train workers for highly specialized occupations designated "of national importance". (DPSE:1985)

Canadian employers with the exception of federal, provincial and municipal governments, may participate in this program.

The eligibility criteria for an individual who wishes to take advantage of the training-in-industry program are as follows: He must be a Canadian citizen or landed immigrant, no close relative of the employer and he must receive a salary from the employer while training. Training must be related to a particular productivity problem and must enable the employee to

acquire skills and knowledge which can be of use in a similar occupation. The training curriculum must be approved by the province. Training may take place outside Canada if such training is essential and not available in the country. (DPSE:1985)

The minimum duration of training for an occupation of "national importance" is 90 hours. The maximum duration of training is 53 weeks when its aim is to help a worker who experiences difficulty in finding employment and 104 weeks when it is intended to meet a shortage in specific skills. (DPSE:1985)

The employer may expect reimbursement up to a maximum of \$5,000. for the following outlays: didactic material (100%), rental of premises and equipment (100%), school supplies (75%), instructor's travelling and hotel expenses (100%), trainee's travelling and accommodation expenses (50%) and instructor's salary (\$6. - \$18. an hour). The employer is reimbursed for 50 percent of the trainee's salary but for 75 percent of the salary of a woman trained for a non-traditional occupation and 85 percent of the salary of trainees with special needs. The limit is \$500,000. per employer in any fiscal year. (DPSE:1985)

(b) Evaluation of the Canada Manpower Training Program

The evaluation made by the Department of Manpower and Immigration indicated benefit-cost ratios⁹ of approximately 6:1 for most types of institutional training, with language training generally having the highest ratio.

With regard to the program impact in reducing income disparities 40 percent of the graduates in skill and basic training and 60 percent of those in language training had earnings above the poverty line in 1973.

It appeared that the lower the pre-training income the greater the gains from training.

The drop-out rate for 1973-74, for example, was 16 percent for full-time institutional trainees. Of all the drop-outs 8 percent took a job related to their training, 10 percent an unrelated job, 18 percent became ill or quit for family reasons, 12 percent left because the course was unsuitable and 52 percent for unknown or other reasons.

In 1973-74 only 2 percent of all applicants were refused participation in the institutional training program. Those who had the best prospects of obtaining employment after training were allowed to enroll in the

program. There appeared to be no discrimination on the basis of sex or previous labor force status.

Follow-up surveys for 1973-74 of graduates in institutional training indicated that 76 percent found a job, over two thirds of them in a training-related occupation. The employment rates were much lower for basic training (36 percent) or for language training (59 percent) as these trainees left the labor force or engaged in further training. The unemployment rates for all sectors of institutional training were still fairly high: 16 percent for skill, 21 percent for language and 23 percent for basic training.

The industrial training part of the Canada Manpower Training Program had undergone many alterations and was difficult to evaluate. In 1973 79 percent of the trainees were employed after training (48 percent with the training employer and 31 percent with another employer). Their wages increased by about 35 percent, which was more than twice the increase of average wages in the country. (Gunderson:1976)

The Canada Manpower Training Program and the Federal Government which introduced it were the objects of criticism, as follows:

The Special Senate Committee on Poverty felt that the government in setting the program goals was more concerned with the employer's needs than with the "development of the country's human resources". In other words, if the trainee comes from a deprived milieu he may be physically weak, poorly socialized or have psychological problems. Under such conditions it may be difficult for him to adjust if the job for which he has been trained does not favor his development as a human being. The Committee also criticized the Department of Manpower and Immigration for assessing the program in terms of its economic worth, which discriminated against the poor who were considered a high risk factor by training counsellors. Furthermore, limiting the duration of training to 52 weeks prejudiced the disadvantaged or those with a low level of education (43 percent of the workers had less than eight years of schooling).

The New Brunswick Department of Health & Welfare felt that the Department of Manpower and Immigration favored qualified and specialized workers who often would find jobs without its help.

The provinces were unhappy about the federal government's monopoly over manpower training.

A study of Federal Provincial relations in occupational training found that neither Ottawa economists nor the manpower centres were able to gather exhaustive and reliable market information and this led government policies astray.

The same study pointed out that the Federal Government tended to use the Canada Manpower Training Program to stabilize the economy. During recessions when the level of unemployment was high and training for specific skills became less useful the manpower program absorbed some of the unemployed and removed them from the welfare roll. In such cases, the program was looked upon as a tool for political ends.

Finally, the Canada Council for Social Development stated that government failure to create jobs seriously hampered the manpower programs. (Paquet, CAAE:1976)

In summary, the Canada Manpower Training Program introduced in 1967 offered institutional training and training in industry. Institutional training included remedial courses in language arts, mathematics and sciences, and the theoretical part of vocational training. Training in industry provided the participant with an opportunity to learn mainly through observation.

The federal government purchased the courses from public institutions, private trade schools or industry and the provinces assisted employers in establishing training programs which met their needs and quality criteria. The Canada Manpower Centres recruited the prospective trainees and determined their course requirements. In the early 1970s on-the-job training was introduced. Under such a program an employer would hire workers, train them at his expense, and would then be entitled to a wage subsidy or tax abatement from the federal government. There were many other programs to complement the above. Most of these programs were intended for various disadvantaged groups. The Canada Manpower Centres provide recruitment, counselling and job placement.

2. United States

Manpower programs in the United States go back to the 1930s and earlier. However, human resources programs proliferated in the 1960s and were devised to mitigate structural unemployment as well as help the disadvantaged who were unable to find jobs due to a lack of skills and experience. The programs initiated from 1963 to 1970 were authorized by the Manpower Development and Training Act, the Economic Opportunity Act, and civil rights legislation. From 1970 onwards, counter cyclical programs were added to offset rising levels of unemployment. The Emergency Employment Act was designed to put the unemployed to work and provide local communities with most essential public services. The many, sometimes, overlapping programs in force led to a manpower reform bill and later to the Comprehensive Employment and Training Act of 1974. The new law transferred control over the multi-billion dollar manpower program from federal to local officials as the latter were believed to be more attuned to the needs of the people they served. (Ferry et al:1975)

(a) Manpower Development and Training Program

According to Mangum,¹⁰ the legislation of the Manpower Development and Training Act (MDTA) started under the Kennedy administration during the third reces-

sion which followed the Korean war, as unemployment rose above 7 percent. The rise in unemployment had begun during the 1950s and the Council of Economic Advisers had advocated an increase in aggregate demand through fiscal and monetary policies as a palliative to cyclical unemployment. Other factors were at play at that time. Workers were being displaced as a consequence of automation and technological change, foreign competition, relocation of industry, shifts in market demand and other structural changes. Retraining the unemployed was a solution which appealed to most people. Congressmen and senators saw in it the possibility of helping their jobless constituents and the Council of Economic Advisers a means of expanding the economy. To all it seemed a more constructive way of dealing with unemployment than the use of unemployment insurance. Manpower training had also been proposed in the Area Redevelopment Act of 1961 as industries settling in depressed areas were in need of a suitable work force.

The Manpower Development and Training Act was signed in 1962 and authorized \$100 million for the creation of the Manpower Development and Training Program whose basic objectives were (1) to train or retrain workers to meet labor shortages in specific industries, (ii) to provide employment opportunities for the job-

less, (iii) to upgrade the labor force, and (iv) to relieve poverty. (Clague & Kramer:1976) The Act contained several provisions. Title I of the Act specified that research be done on a wide range of manpower topics such as skill requirements, occupational outlook, job opportunities, labor supply in various skills, and employment trends on a national, state and area basis. Such information would facilitate planning the educational training, counselling and placement activities required under MDTA. Title II provided for the following manpower services: testing, counselling, selection for occupational training, institutional or on-the job training and job placement. Title III allocated funds to all states according to the following formula: (i) proportion of the labor force of a state to the total labor force of the country, (ii) proportion of the unemployed in a state to the total number of unemployed in the country the previous year, (iii) lack of appropriate full-time employment in a state, (iv) proportion of insured unemployed within a state to the total number of insured employed within such a state, and (v) average weekly unemployment compensation benefits paid by the state. (Jakubauskas & Palomba: 1973)

MDTA was under the responsibility of the Department of Health, Education and Welfare and the

Department of Labor. However, the latter had control over MDTA appropriations, hence more power. The Secretary of Labor was in charge of research, experimentation, the search for employment opportunities and suitable trainees, payment of trainee allowances, contracts for and supervision of on-the-job training and the placement of those who completed their training. The Secretary of Health, Education, and Welfare, on the other hand, contracted for training in educational institutions. The United States Employment Service (USES), the Bureau of Apprenticeship and Training (BAT), and the Office of Manpower, Automation and Training (OMAT) were also involved in the administration of MDTA. BAT promoted and registered labor-management sponsored apprenticeships while local unions and employers decided on the selection of apprentices, training methods and training costs.

Manpower Development and Training (MDT) offered two possibilities: institutional training through state-operated vocational schools or on-the-job training (OJT) for a maximum of fifty-two weeks. In both cases training costs were borne by the federal government. Unemployed heads of families with at least three years of labor-market experience or heads of farm families with annual incomes below \$1,200. were entitled

to a maximum of fifty-two weeks of training allowances, or an amount equal to the average unemployment compensation benefit in the state. Under special circumstances, youths aged nineteen to twenty-one years could receive training allowances of \$20. a week.

In the beginning MDTA focused on retraining older workers, particularly heads of households, to meet structural changes in industry. As a result, new entrants and young workers were excluded from the program. By 1963 the rate of unemployment among teenagers had risen to 18 percent while that for married men had fallen to 3.2 percent. As the economy recovered most of the experienced heads of families with "obsolete" skills were re-hired and some learning new skills at their employer's expense. Consequently, training inexperienced youths became a priority. Moreover, there was a fear of unrest on the part of the young unemployed. The Act was amended to provide occupational training as well as further schooling to young people 16 years or older. Over time, it appeared that recruited for training were those who had a reasonable basic education and enough motivation to attract prospective employers. Various disadvantaged groups were less likely to apply and be selected for training. The Vocational Education Act of 1963, the Senate passage of the Youth Employment Act and

discussions of an anti-poverty program were again to change the orientation of MDTA. By 1966 MDTA had undergone many legislative and administrative changes. Now the program's main objective was to assist the disadvantaged in becoming competitive on the labor market. The courses offered no longer concentrated on skill training but included basic education, prevocational training, preapprenticeship training, professional refresher courses, grooming and communication skills. Many restrictions on eligibility were removed and the training allowance for adult workers increased from \$35. in 1963 to \$54. in 1967. Youths seventeen to twenty-one who could not continue their education could receive a \$20. weekly allowance while training and public assistance recipients were entitled to an extra \$20. a week incentive payment plus out-of-pocket expenses.

During the first years the program was implemented the number of occupations for which training was available was limited and a survey showed that 35 percent of the trainees questioned would have preferred a different skill. Those who lacked experience and had little education did not qualify for training in the more promising occupations. Consequently, multi-occupational projects were developed and skill centers opened to train several hundred students in fifteen to

twenty occupations but prospective trainees would first of all receive pre-vocational orientation, counselling, basic education and be exposed to various occupations.

Initially, it was expected that one third of training would be on the job, but the project failed to attract employers. The government favored OJT as it was a less costly method of training and it eliminated such problems as recruiting instructors, purchasing equipment, keeping abreast of industrial developments and placing graduates. It also felt that private employers were more competent than teachers in the task of training for successful employment. Promoting OJT proved more difficult than developing institutional training. Employers looked upon OJT as a risky investment since workers, once trained, could offer their labor to competitors. Furthermore, the subsidy received by employers only covered training costs. Wages could not be subsidized due to political and union opposition, and to wage laws. Finally, there was a reasonable supply of skilled workers on the market. However, in 1964 the tool and die industry was in need of manpower and the government took this opportunity to sign a contract with the National Tool, Die and Precision Machining Association under which the latter could sub-

contract 1200 MDT-OJT slots to its member firms. Other contracts followed with Chrysler Corp., the American Hospital Association, etc. and by 1967 the government had contracts with sixty-five associations and firms for 67000 on-the-job training slots. The demand for MDT-OJT kept on rising and the government soon realized that it was subsidizing training which in the construction industry, for instance, was usually done through private collective bargaining. However, institutional costs per trainee were four times greater than the on-the-job training costs. Furthermore, nine out of ten of those who completed OJT found employment as compared with three-fourths of those trained in institutions. Since budgets had not been increased it seemed logical to promote OJT.

The government's attempt to spur employers' interest in training the labor force led to the creation of advisory committees, first the National Manpower Advisory Committee and later the Cooperative Area Manpower Planning System (CAMPS). These had sub-committees whose studies and recommendations enabled the main committees to formulate a training policy and determine training needs. Both state and local manpower advisory committees proved to be knowledgeable and showed concern

about the unemployed. They also acted as spokesmen for underprivileged groups.

The responsibility for MDTA on-the-job training program had been given BAT but the latter was not very successful in its attempt to place minority or disadvantaged individuals in OJT slots. Finally, the MDTA OJT program was merged with the JOBS program to form the JOBS-Optional program in 1971. (Ferry et al:1975)

Over the first ten years since its inception the Manpower Development and Training Program had an enrolment of 1.9 million persons. Over two-thirds of total enrolments were in institutional training and less than one-third in on-the-job training. Since the early 1970s between 130,000 and 150,000 persons a year have enrolled in institutional training and between 80,000 and 100,000 a year in OJT. (Ferry et al:1975)

From the beginning of the MDT program through 1967 the federal government spent some \$675 million to train 463,400 persons. The average cost to September 30th, 1967 per institutional trainee who completed the program was estimated at \$2,000. and at \$485. per OJT participant..

Many manpower programs ran throughout the United States concurrently with the MDT Program, some funded by the states, others by both the federal and state governments. (MDT was the first program to be solely funded by the federal government.) To give an idea of what manpower services were available to the unemployed in the 1960s and early 1970s a short description of the main programs in operation at the time of MDT will be found in Appendix II.

(b) Evaluation of MDT Program

It was one of MDT's objectives to train the unemployed to meet labor shortages. There were labor shortages in two job categories: jobs which required substantial skill and those which paid low wages and in which there was a high turnover. The training provided by MDT was limited to fifty-two weeks, which was insufficient to meet the first job category, and the other category which included such jobs as nurses' aides, ward attendants, clerks and agricultural workers required little skill and sometimes paid less than \$1.25 an hour. In this respect, the MDTA administration decided to cease training for jobs which paid less than the federal minimum wage.

There was a drop-out rate of 30 percent among the 601,000 persons enrolled in institutional training.

Follow-up surveys taken three, six and twelve months after completion of training showed that 90 percent of those who completed institutional training obtained employment sometime during the first year after training and 77 percent were still employed at the time of the last survey. Fifty-eight percent were in jobs related to their training. Among those who had no job at the last survey, one-third, mostly women had withdrawn from the labor force, two-thirds were actually unemployed.

A survey by the National Opinion Research Center of a nationwide sample of 784 completers and 413 drop-outs from MDT institutional courses ending between June 1, 1964 and February 28, 1965, using a control group made of 925 friends, neighbors and relatives of the trainees who were also unemployed when the trainees began training, showed a substantial improvement in the post-training employment experience of the trainees as compared with the employment experience of the control group. Sixty-eight percent of the completers and 41 percent of the controls had been employed at some time during the period under study. The year prior to training the completers had been unemployed on an average of 57 percent of the time but were unemployed on an average of 33 percent of the time after training.

During the same periods the control group was unemployed 62 percent and 51 percent of the time respectively.

The drop-out rate for the 225,000 persons who enrolled in on-the-job training was 20 percent. However, this rate included not only those who quit training but also those who lost their jobs during training. Nine out of ten of those who completed on-the-job training under MDT had either been retained by the contracting employers or had other jobs. There was no control group in this study. In the case of OJT, results were more difficult to assess because most of the persons who were trained were already employed, and in a tight labor market employers would recruit employees and train them regardless of MDT support. (Mangum:1968)

Institutional training somewhat improved the employment of the disadvantaged. However, in 1966 one fourth of all nonwhite institutional completers were unemployed as compared with 14 percent of white completers. The percentage of nonwhite employed was much lower than whites even when controlled for age, education, occupation and duration of pre-training unemployment.

The employment experience of disadvantaged OJT trainees showed encouraging results. It must be

pointed out, however, that over 33 percent of OJT trainees were already employed before entering training. The rate of employment of those who completed OJT but were unemployed prior to enrolling in OJT was over 90 percent. It is possible that OJT trainees were less disadvantaged than institutional trainees and this would explain the superior results of OJT.

MDT has not significantly reduced poverty. In the five years under study 250,000 low-income persons have succeeded in raising their incomes just above the poverty line.

All cost-benefit studies¹¹ made on the MDT institutional training program showed positive results. One study indicated that the "savings in unemployment insurance alone would repay training costs in a little over five years". Another estimated a "return of \$2.24 per year for each dollar invested and repayment of training costs in five years from federal income taxes alone". (Mangum:1968: 126-7)

A study based on a sample of 2000 institutional trainees and 650 OJT trainees compared pre-training and post-training employment and earnings experiences. The average net federal benefit cost ratio of the direct and indirect benefits to society (exclu-

ding increased taxes paid) to the federal expenditure per trainee was 3.29:1 for OJT and 1.78:1 for institutional training, taking only net additional earnings of the first year after training into account. These calculations concerned all enrollees. Using completers only, the ratios were 2.13:1 for OJT and 1.09:1 for institutional training. The calculations included some indirect savings in unemployment compensation, public assistance and other costs of unemployment.

(c) Later Evaluation of MDT Program

In their review of studies and literature on the MDT program Perry et al found that approximately two-thirds of all MDT enrollees completed training and three-quarters of these reported being employed during a follow-up survey done six months after completion of training.

As regards the impact of MDT institutional and/or on-the-job training on post-program employment wage rates and earnings for trainees, the benefit-cost ratios based on a ten-year service life and a 10 percent discount rate ranged from 1.3:1 to 3.5:1. It appeared that on-the-job training was far more cost effective than institutional training. Benefit-cost ratios for OJT were in excess of 3:1 and for institutional training below 2:1. The discrepancy was due to the fact that in

the case of DJJ the employer absorbed a portion of the cost of training which was not taken into account in calculating the ratio. However, Perry et al pointed out that the assumption of a ten-year service life for a training course was "overly optimistic" as some studies of time trends found that the post-training employment and earnings gains of trainees deteriorated over time.

Few studies have been made on the non earnings benefit of MDT. One study reported average savings in unemployment compensation and welfare assistance associated with training of \$38. per trainee in the year after training.

Trainees' pre-training annual earnings ranged from \$1,100. to \$1,900., or an average of \$1,500., and post-training annual earnings from \$4,100. to \$2,300. or \$3,300. on average. (For more detail, see Table III.)

Contrary to expectations, post-training wage rates did not increase substantially over their pre-training levels although training was likely to increase a trainee's productivity and employability. The increases ranged from \$0.30 an hour during the early years of the program to \$0.50 an hour in the late 1960s, and dropped sharply later on. (See Table IV.)

It was found that those who completed MDT had a favorable post-training employment experience. Between 80 and 90 percent obtained a job during the year following training and 70 percent were still employed six to twelve months after training. Sixty percent of completers were able to utilize the skills they acquired and over 50 percent were employed at least three quarters of the time in the post-training period.

It appeared that women and minority groups gained more from training than other individuals.

(Perry et al:1975)

(d) The Comprehensive Employment and Training Program

According to Mirengoff and Rindler¹², cyclical unemployment started to rise in the early 1970s under the Nixon Administration and it affected many groups of people not just the disadvantaged. The challenge then was to put the unemployed to work as fast as possible. At that time many local communities were in need of public services and this represented a source of job creation.

At the beginning of the 1970s there were in the United States more than seventeen categorical programs, each with its own source of funding, organization

and regulations. Over ten thousand specific manpower projects emanated from these programs, several projects often being oriented towards the same goal in a community. The centralization of manpower programs was a burden to the federal government as the Department of Labor was called upon executing and overseeing thousands of training contracts. This situation called for a manpower reform. Towards the end of 1973 the Comprehensive Employment and Training Act (CETA) was passed. It included in the first place seven titles but title VIII was added later and so were many amendments. Title I of this Act was concerned with decentralization and the decategorization of the existing programs. Title II provided funds to hire unemployed and underemployed persons in public service jobs in depressed areas. Title III authorized manpower programs under direct federal supervision for Indians, migrants, seasonal farm workers and special groups, such as youths, offenders, older workers, persons of limited English-speaking ability, etc. Title IV pursued the Job Corps, a program helping young people from a culturally-deprived milieu or with disrupted homelives to become more responsible, employable and productive citizens. Title V established a National Manpower Commission. Title VI authorized a one-year appropriation of \$2.5 billion for Public Ser-

Public Employment (PSE), a job creation program for all areas. Title VII added provisions applicable to all programs concerning discrimination and political activity, and later authorized the Private Sector Initiative Program (PSIP) whose purpose was to increase employment and training opportunities in the private sector for CETA participants, set up Private Industry Councils (PIC), plan training and placement activities with CETA prime sponsors and, finally, help CETA devise a method for finding private sector jobs for the unemployed.

Title VIII, which was added several years later, authorized the Young Adult Conservation Corps. The Corps provided a maximum of one year employment for out-of-school unemployed young people aged 16 to 23 years, preferably those residing in areas of substantial unemployment. Under this program they would engage in conservation work and assist in the completion of other public projects on federal and non-federal lands and waters. Seventy percent of the funds were allocated to the Department of Agriculture and the Interior, which operated under an inter-agency agreement with the Department of Labor. The remaining 30 percent was granted the states.

Under Title I of CETA control of manpower programs was transferred from the Department of Labor to state and local officials. Cities and counties of

100,000 people or more, as well as consortia (any combination of government units in which one member had a population of 100,000 or more) were granted funds to run the manpower programs which suited their needs. The prime sponsors, that is the cities, counties and consortia were asked to submit a plan to the Secretary of Labor stating the types of service they required, at the same time giving assurance that such services would be available to those among the unemployed, underemployed and disadvantaged persons who needed them most. The Department of Labor's role was to approve the sponsors' plans and oversee their programs. Finally, each sponsor had to form a planning council to represent local interests and act as an adviser.

The main purpose of Title I, therefore, was to decentralize, that is bring the federal government closer to the people and enable it to better understand their needs in terms of manpower programs. Title I was also intended to decategorize, that is eliminate the duplication characteristic of earlier programs.

The manpower program funding of \$3.7 billion under the Nixon Administration represented a 60-fold increase since the Manpower Development and Training Act of 1962. CETA accounted for 56 percent of all federal

manpower program funds. The allocation formula under Title I was as follows: 50 percent to be allocated according to the relative share of funds received the previous year by the prime sponsors (The reason why the amount of the previous year's funds was taken into account was to avoid severe program disruption during the transition.); 37.5 percent allocated on the basis of the relative share of US unemployment, and 12.5 percent based on the relative number of adults in low income families. (Poverty was determined by an income of \$7,000. for a family.) Twenty percent of Title I funds were not subject to allocation by formula. They were for use at the Labor Secretary's discretion.

Another provision of Title I was the establishment by state governments of a State Manpower Services Council which would be responsible for the review, coordination and monitoring of the prime sponsors' plans, also for making recommendations regarding the coordination of programs. Title I also required a Balance of State Manpower Planning Council which would be in charge of planning for cities and counties with a population of less than 100,000. Now that the states had jurisdiction over the manpower programs in balance of-state areas the governors controlled the funds granted for these programs. Moreover, they were granted

4 percent of Title I funds to provide services within their states, assist rural areas, supply labor market information and technical aid and fund programs.

Finally, 5 percent of Title I funds were allocated to governors for supplemental vocational education services. Nevertheless the governors' responsibilities under CETA were limited and as a result they did not have sufficient influence to achieve the coordination among prime sponsors required by the Act. The administration of balance-of-state programs was either completely centralized or responsibility for these programs was delegated to substate government units.

CETA had authorized up to 5 percent of Title I funds as incentives to areas that formed consortia. These would have jurisdiction over smaller cities and counties and become prime sponsors in their own right. Contrary to expectations, as many as 135 consortia were established in 1975, or one third of the 402 prime sponsors. It was believed that consortia would, amongst others, offer greater opportunities for job development based on a broader labor market and result in economies of scale. A consortium board, or executive committee composed of representatives of each of the areas, handled the overall responsibility while a lead city or county would take care of the administrative duties.

The CETA Regional Office was to act as an overseer for programs, interpret regulations and provide technical information. There were variations to this role among areas.

Under CETA the role of the federal Employment Service was reduced. In certain areas its major responsibilities were taken over by the prime sponsors and it only retained the counselling and placement of trainees. In cities and in some of the consortia when financial resources were scarce and competent staff was available the federal Employment Service was eliminated. The planning and operating responsibilities of this Service remained unchanged in the Balance-of-state programs. In fact, the Employment Service was under the Wagner Peyser Act a manpower institution in its own right and as such was entitled to compete with CETA operators for applicants and job openings.

The manpower program under Title I still had much in common with the MDT program as its main purpose was to develop the employability of those who lacked skills or faced labor market barriers. CETA sponsors, only under this title, had a choice between many programs and activities, such as institutional or on-the-job training, basic education, work experience, public service employment, or manpower services, such as coun-

selling and job placement. They were also allowed to develop activities more appropriate to their needs. The other titles, that is titles II, III, IV and VI authorized categorical programs for specific purposes. Generally, prime sponsors had the responsibility for setting eligibility rules within the broad guidelines of the Act and in consultation with local advisory councils.

According to Mirengoff et al.¹³, the 1974 recession started soon after the implementation of CETA and this changed the orientation of the program which became essentially counter-cyclical. Public Service Employment was now more important than developing employability and, as a result, Title II in part but more particularly Title VI Public Service Employment elbowed the other programs aside. PSE under Title VI was the object of much criticism: (i) "creaming" - persons who had the best chances of success were selected rather than those most in need, (ii) PSE funds used for work that could be funded locally, (iii) enrolment of ineligible persons, (iv) PSE wages so high as to deter people from seeking unsubsidized employment, (v) enrollees remained in program indefinitely, and (vi) training inade-

quate for regular jobs. This led to radical changes which were spelled out in the 1978 Reauthorization Act. It demanded tighter eligibility criteria, lower wage levels for PSE workers, and the establishment of an Office of Management Assistance to prevent abuses.

The amendments to Title II under the Reauthorization Act of 1978 were as follows: Title IIB provided for comprehensive training and employment services, and Title IIC for upgrading and retraining. Title IIB/C replaced Title I of the 1973 Act. The Title II PSE program for areas of substantial unemployment became Title IID. It was at that time that the Private Sector Initiative Program was added to Title VII.

The eligibility rules changed for PSE programs. Whereas prior to 1978 participation in Title II PSE program was permitted regardless of family income, after 1978 enrolment in Title IID PSE program was limited (i) to persons from a family receiving public assistance, or (ii) to persons from families with income not above the poverty level, or not above 70 percent of the BLS¹⁴ lower living standard provided that the applicant had been unemployed for at least 15 weeks.

With regard to Title VI PSE, eligible prior to 1978 were: (1) persons in families receiving AFDC

regardless of their unemployment status, or (ii) persons who had been unemployed for 15 weeks and whose family income was not above the OMB¹⁵ poverty level, or 70 percent of the BLS lower living standard. After 1978 eligibility was limited to persons who had been unemployed for 10 of the previous 12 weeks and whose family income did not exceed 100 percent of the BLS lower living standard income level, or whose family was receiving public assistance.

The PSE wages also changed. When CETA was first implemented PSE enrollees' wages were limited to a national average of \$7,800, with a maximum of \$10,000, but employing agencies could supplement the PSE wage without limit. After the reauthorization the national average wage for PSE enrollees was reduced to \$7,200, but could be adjusted annually in line with national wage changes for regular jobs. Supplements were not allowed for Title IID, and for Title VI they were limited to 10 percent of the CETA maximum wage, except in a few areas where wages for regular jobs were 25 percent or more above the national average. The maximum duration was 18 months for PSE and 30 months for all other CETA programs.

CETA was a multi-faceted program and in this respect it should be pointed out that each of its titles

could offer more than one service. Title IIB/C, for instance, provided mostly for classroom and on-the-job training but also included work experience as well as employment activities. PSE Titles might have consisted of some classroom and on-the-job training. Figure No. I shows the CETA outlays from 1975 to 1981 by program approach. Figure No. II, on the other hand, shows CETA appropriations from 1975 to 1982 for each group of activities. Therefore, each program could offer a variety of activities and had specific funding formulae, eligibility requirements and operating rules.

Public employment and training programs were greatly curtailed by the Reagan Administration during the 1981-82 recession and CETA was replaced by the Job Training Partnership Act (JTPA) in October 1983.

(Marshall:1984)

(e) Evaluation of CETA

The limited tenure in public service jobs and for all CETA titles did not appear to influence placement outcomes during the second year following the Reauthorization Act. The combined job placement rates for CETA Titles IIB/C, IID and VI were 43 percent in 1978, 44 percent in 1979 and 38 percent in 1980. The lower rate in 1980 was due to an unemployment level of 6.8 percent and to low skilled and, therefore, harder-to

place, enrollees, particularly in Title IIB/C and Title IID as Title VI placement rates tended to remain unchanged. Table V gives detailed information on the job placement rates by activity for fiscal year 1980.

From 1975 to 1980 more than one third of the nine million CETA enrollees succeeded in finding employment on their own or with the help of CETA agents. (For more detail, see Table VI which shows the number of new enrollees, terminations and job entries from 1975 to 1980.) Job entry rates appear lower than in pre-CETA programs but this is partly due to the fact that CETA activities did not directly lead to job placement; for instance, work experience programs for youths still attending school.

A Continuous Longitudinal Manpower Survey (CLMS) of 1976 enrollees by the Labor Department indicated an improvement in their labor force status. (See Table VII.)

If we compare the earnings of CETA enrollees with those of a control group we find that CETA enrollees on the average, had higher earnings gains than the control group. The CLMS selected the control group from the Current Population Survey files and used social se-

curity earnings records to measure the income of both groups. Furthermore, the survey indicated that the enrollees who had low earnings and a poor employment history before joining CETA gained the most. It must be pointed out, however, that the earnings impact was insignificant. The CETA enrollees who completed their training before 1977 earned on average \$300, or 8 percent more than the control group. Low pre-CETA earners made \$550. more than their counterparts in the control group. High pre-CETA earners, on the other hand, earned \$50. less than the control group. (See Table VIII - 1977 Earnings Gains of CETA Terminees in Excess of Earnings Gains of Comparison Group by Level of Preprogram Earnings and by CETA Program Activity.) On-the-job trainees in comparison to the control group registered the best gains, followed by classroom trainees while PSE enrollees had lower gains. There was no significant difference between the earnings of the work experience participants and those of the control group.

(f) Second Evaluation of CETA

A report made in 1981 by the Bureau of Social Science Research stated that after the reauthorization amendments CETA definitely served the groups intended. This was corroborated by the 1982 study of the Urban Institute. Substitution and other abuses in the opera-

tion of the PSE program decreased while participant employability and earnings improved. Women and the disadvantaged benefited most from CETA. Actually, the program even proved beneficial to those who entered it before 1978. (Marshall:1984)

A longitudinal study of the post-program experience of CETA trainees by Westat Inc. revealed higher employment earnings in the second post-program year over the first and pre-entry years. For instance, those who completed the program in 1976 earned \$300. more in 1977 than their non-participant counterparts. On-the-job training registered the best gains followed by classroom training and public service employment. No statistically significant impact was evident in the earnings of work experience program trainees. Those who earned the least before entering the program gained the most, that is, earners of less than \$2000. gained \$550. more than the control group. The trainees who were placed by the prime sponsors had net gains of \$1,250. in 1977. (Marshall:1984)

According to detailed field studies conducted at the end of 1977 for the Brookings Institute, the rate of substitution was of the order of 20-25 percent; in other words, lower than assumed. Thanks to CETA a total

of 425,000 jobs were added nationally between May 1977 and 1978. (Marshall:1984)

Vernon Briggs, Brian Ringeling and R. Smith concluded in their 1981 study based on thorough field work, that Public Service Employment benefited both the participants and the communities. (Marshall:1984)

The CETA youth program seems to have produced good results. The 1978 Youth Employment and Demonstration Projects Act contributed by the end of 1979 to one fourth of the growth in teenage employment (three fourths of black teenage employment). (Marshall:1984)

With regard to quality the Brookings study found that the services of PSE workers compared favorably with those of regular public employees. The disadvantaged filled less attractive jobs in the field of weatherization, home health care, conservation, repair of public buildings, aid to law enforcement, etc. However, the work was useful and would not have been undertaken without the program. (Marshall:1984)

A 1981 John Hopkins study of the Baltimore SMSA experience recorded a rapidly increasing post program employment rate over time, namely 59 percent after one month, 66 percent after six months, 70 percent

at one year and 74-80 percent for three to five years.
(Marshall:1984)

Finally, CETA had a placement ratio of 54 percent between October 1979 and June 1980 at a time of slow economic activity. The CETA program has had its successes and failures but overall it has been described by Eli Ginsberg, for instance, as a success, and many believe that training programs provide returns to society that exceed their cost. (Marshall:1984)

To sum up, the characteristics of the Manpower Development and Training Program had much in common with those of the Canada Manpower Training Program inasmuch as it offered institutional training and on-the-job training. There were many other federal and state programs to train or provide work for the unemployed. As a result, there was much program duplication. This called for a decentralization and decategorization of the existing programs. The Comprehensive Employment and Training Act of 1973 brought the manpower reform needed. From now on, the federal government would provide funds to the states and communities to develop the type of program which suited their needs. The Manpower Development and Training Program was replaced by the Comprehensive Employment and Training Program which offered reme-

dial education, training, work experience and employment activities.

3. Sweden

The 1979 depression brought much hardship to the Swedish workers, yet nothing comparable to what they endured during the Great Depression with unemployment affecting from one third to one half of the labor force. (Jones:1976) According to the only data available, unemployment among trade union members ranged from a high of 26.6 percent in 1921 to a low of 10 percent in the second part of the decade and returned to a comparably high level in 1932. According to Ginsburg¹⁶, the Great Depression started early in Sweden and ended earlier than in most other countries. The recovery was mainly due to an expansion of public expenditures to provide employment at normal wages in order to increase purchasing power and consequently demand. The reasoning behind this policy was very similar to Keynes' multiplier concept. Yet the policy was initiated four years prior to the publication of Keynes' theory. As the economy took momentum Sweden was well prepared to compete on foreign markets and meet the demand for iron ore created by the arms race in anticipation of World War II. Other measures contributed to the economic recovery, for instance, a low interest rate policy, the stabilization of farm prices, modernization of industry, depreciation of the kronor, etc.

The Swedes seem to be particularly sensitive to the harm that very high levels of unemployment can do to people. A full employment policy on the part of government has, therefore, had much appeal among the Swedish people. The Swedish Social Democratic Party which remained in power for forty-four years made full employment its main goal and was fairly successful since unemployment in Sweden seldom exceeded 2 percent in the post World War years. Even when the center-right coalition won the 1976 election full employment remained the government's central goal.

Gainful employment in Sweden is not a privilege but a basic right. It is the right of all who want to work, whether they are normal or physically, psychologically or socially-handicapped. One of the reasons for this is to enable everyone to live as normal a life as possible. The government, therefore, goes a long way to help the handicapped reach this aim. The fact that the handicapped individual is able to hold a job raises his self-esteem and reduces his risk of isolation and alienation. The other reason is to minimize the waste of human resources, hence maximize the output of goods and services to maintain the country's social welfare program and high standard of living. Finally, full

employment is also one way of achieving egalitarianism in Swedish society.

Sweden has not always been an affluent society. In fact, between 1860 and 1930 poverty caused Swedes to emigrate to other countries. The situation improved, as already mentioned, after World War II when the economy enjoyed rapid growth. From 1950 to 1975 the annual per capita increase in real gross domestic product (GDP) averaged 3.1 percent as compared with 2.1 percent in the United States, for instance. Its 1975 GDP ranked second in the world after that of Switzerland.

Sweden is a small industrialized nation with 8.3 million people, the majority of whom settled in the southern third of the country as two-thirds lie in the Arctic circle. Areawise Sweden is slightly larger than California. (Ginsburg:1983) Its main natural resources are forestry and iron ore. Unlike Canada, Sweden does not sell its raw material but processes it and exports it, or its by-products, at a higher value. With their own needs in mind the Swedes have designed such equipment as mobile mechanized units for the cutting, trimming and handling of timber, and specialized machines for the crushing, refining and other treatment of iron ore. This equipment has proved to be of such quality that an export market has developed for it. Swedish.

products are reputed for their good craftsmanship and durability. (Jones:1976)

The Swedes are competition-conscious and concentrate on products that are in tune with world market requirements. For the same reason they do not hesitate to modernize plants and equipment at considerable capital costs. In this respect the Ueddevalla shipbuilding yards claim that they must renew themselves at least every ten to twelve years to remain competitive. Modernization is often accompanied by the introduction of new methods and technology, hence by unemployment. Unions have worked in close cooperation with management to make the transition as painless as possible. Sweden's economic success is attributed to the fact that the Swedish system has developed "a flexibility and a willingness to analyze and then deal with a new problem before it reaches too intractable proportions... Real fundamental solutions are sought rather than expediences". (Jones:1976; 13) Sweden deals with unemployment problems in the same manner. Its many policies aim at overcoming the problems of specific groups, regions and industries. As problems change "new tools are developed while old ones are retained or refashioned". (Ginsburg:1983; 127) The labor market tools include the investment-reserve fund, inventory subsidies, ad-

advance planning, advance warning, regional job development, training and direct job creation.

Sweden has both the characteristics of a capitalist and socialist country. The government plays an active part in the economy and is responsible for the country's comprehensive and generous social welfare system. Consequently, 90 percent of manufacturing and mining is in the hands of private corporations while the remaining 10 percent belongs to public enterprises and cooperatives.

Another outstanding characteristic of Swedish society is the fact that a large number of employers and employees at all levels are unionized. The need for strong unions goes back to the 1879 depression. Workers in the sawmills of Sundsvall had led a long strike in protest to cuts in their meager wages and lost. The experience of the Sundsvall workers marked a turning point in the way the Swedes viewed work relations. They felt there was a need for more militant and better organized trade unionism. (Jones: 1976) Trade unionism came as late as 1846 in Sweden where paternalistic relations between employers and their employees had so far prevailed. It was also in the 1840s that Marx' Communist Manifesto became available in the Swedish language. It failed, however, to raise much interest

among Swedes. Communism or socialism per se already had no appeal in Sweden. (Jones:1976)

Most blue-collar workers in Sweden belong to the Swedish Confederation of Trade Unions (LO) which has been closely allied since its foundation to the Social Democratic Party. LO is composed of twenty-five national unions and has 2.1 million members. The main white-collar federation, that is the Swedish Central Organization of Salaried Employees (TCO) has one million members in its twenty-four affiliated national unions. The Swedish Confederation of Professional Associations (SACO/SR) has approximately 200,000 members who include professionals and other university graduates, and government officers from twenty-six different national unions.

The main private sector employers' organization is the Swedish Employers' Confederation (SAF) which represents the majority of Swedish firms in manufacturing, building and construction, trade, transportation and services. The majority of its members are large firms. An LO-led general strike for universal suffrage was at the roots of SAF's foundation in 1902.

After years of bitter labor market conflicts SAF and LO both agreed in 1938 to settle between themselves certain issues, such as the prevention of disruptive industrial conflicts which could lead to government control of industrial relations. This marked the beginning of a cooperation between labor and capital which resulted in the country's rapid economic growth. Such a cooperation was mutually beneficial. It assured business of ideal conditions for growth and expansion while labor would experience less unemployment and derive from a growing economy a higher standard of living and improved social welfare programs. Under such conditions the government had no need to intervene in labor-management relations. Collective bargaining is highly centralized and affiliated national unions operate within the framework set by LO. This resulted in a minimum of strikes and lockouts until 1980 when strikes and lockouts kept about one quarter of Sweden's workers away from their jobs for ten days.

As mentioned previously, the Swedish government has a variety of labor market "tools" or policies to alleviate unemployment. They fall into seven categories: (a) creating employment and advance planning which consist of investment-reserve funds and relief

work; (b) maintaining employment which includes the stockpiling subsidy, in-plant subsidy and new recruitment grants; (c) job placement, information, guidance and job training; (d) geographic mobility; (e) regional development; (f) advance warning, and (g) unemployment benefits.

Most of these policies follow the broad guidelines of the government and Parliament and come under the administration of the National Labor Market Board (AMS in Swedish). This Board is funded by Parliament and is headed by a tripartite government body composed of labor, business and government representatives. Among its members three are from LO, another three from SAF, two from TCO, one from SACO/SR, one from the agricultural sector and one for female labor. The director general is appointed by the government and has a six year tenure. The joint efforts of labor and management on the AMS Board has led to many innovative ideas and much cooperation on both parts. To the Board the various representatives have been an invaluable source of information and expertise.

The AMS keeps in touch with all parts of the country through its twenty-four county labor market boards and the 220 local offices of its Employment Ser-

vice. Labor market boards also have local tripartite representation. AMS has a good knowledge of the labor market and workplace conditions, and can therefore formulate policies capable of meeting the needs of specific groups and different areas. All this has resulted in sound planning to keep unemployment at a minimum. As soon as the early signs of a recession are detected the AMS is able to act without delay as it is assured of government support. (Jones:1976)

Furthermore, the AMS oversees the activities of the insurance societies which administer unemployment benefits. A worker must register with the Labor Market Board before being eligible for unemployment benefits. The AMS provides the unemployed with further financial assistance, although its main goal is to get the worker into gainful employment. (Jones:1976)

When a worker becomes unemployed he may leave a message with the automatic telephone answering service of a local employment office which will contact him when a suitable job offer is available. This enables the employment office staff to devote more time to the search for jobs. (Jones:1976)

The AMS has no counterpart in other countries.

(a) Creating Employment

(i) Investment-Reserve Funds

These funds are created to offset the cyclical downturns of the economy. Swedish companies may set aside 50 percent of their profits before tax in any year and deposit these funds in a blocked, no-interest account with the Bank of Sweden. This system was developed in 1938 and used extensively in the 1970s. During a recession the government can release these funds for tax-free use in approved projects. The AMS handles the applications for release. If reserves are used within five years of deposit without the authorization of the Bank of Sweden they become taxable. After five years of deposit 30 percent of the investment funds may be used tax-free and without authorization.

Since the mid-1960s funds have also been released earlier whenever companies showed a willingness to invest in buildings and plants, machinery and equipment in depressed areas, in which case the government may help by giving additional grants. (Ginsburg:1983) When applying for the release of capital, companies must state the purpose of the project, its financial viability, start-up and termination dates and labor requirements. The release of funds may be refused if the pro-

ject appears unprofitable. From the AMS' point of view the timing of the project is important as investments must take place to create jobs when and where they are needed. (Jones:1976)

(ii) Relief Work

Like the Investment-Reserve Funds, relief work is meant to counter cyclical and structural unemployment. Furthermore, it provides the unemployed with transitional short-term employment usually for a maximum period of six months.

Relief work encompasses more than road and other construction, forestry and environmental preservation. Now, relief jobs are available in public agencies, institutions, municipalities, county councils and private industry for laid-off handicapped or old workers, women or university graduates who cannot find jobs meeting their qualifications. In most countries relief work pays low wages to force workers to look for jobs in the private sector. In Sweden relief work pays regular wages as well as fringe benefits, or wages determined by special collective bargaining agreements.

By carefully planning ahead of time socially-useful projects the national or local govern-

ments are in a position to provide jobs as soon as unemployment rises. It is the responsibility of each County Labor Market Board to compile and submit annually suitable projects to the AMS. In this respect, municipalities and counties receive grants to enable them to produce plans and blueprints in advance. Seventy-five percent of their expenses are covered by these grants. With such information the AMS may plan a year ahead for the country as a whole. Each fiscal year the AMS is allotted funds by Parliament for the execution of these projects. The AMS, in turn, distributes the funds through the County Labor Market Boards which are well aware of local needs and know when to start and bring a project to an end.

There are about forty sheltered workshops for laid-off industrial workers who cannot find employment elsewhere due to age or poor health. In these workshops which may also be open to the handicapped and unemployed women who are tied to a certain location, the workers are sheltered from the competition of regular applicants and from the stress linked with high productivity and profit. The government subsidizes these workshops which act as subcontractors for industrial firms. The type of work done in workshops may sometimes be carried out at home. In any case, the worker is paid.

regular wages. Since 1980 sheltered workshops have been under the jurisdiction of Swedish Communal Industries and have had the advantage of the latter's negotiations with unions.

The development of new community health programs, social services and pre-school programs has provided relief jobs for unemployed university graduates and for others as well. Relief work in this area has increased from 13 percent in fiscal 1972-73 to 74 percent in fiscal 1979-1980.

It should be pointed out that not all specially-created jobs in Sweden come under relief work programs. Many programs are implemented for handicapped workers.

There are other means beside the Investment-Reserve Funds and Relief Work to influence the timing of employment. The Central government can withhold its construction and renovation projects in anticipation of a slackening labor market. It can also enjoin local governments and private industry to do the same. Public works can thus be initiated as soon as economic indicators point to a rising level of unemployment.

During periods of recession the Central government has given grants to municipalities for day nurseries, after-school centers and to speed the clean up of the environment. During the 1971-73 recession, for instance, grants to municipalities for the construction of sewage-treatment plants increased from 25 to 75 percent of investment costs, and grants to private industry for air and water pollution, as well as for noise abatement, from 25 to 50 percent. This resulted in a higher level of employment in the construction and engineering industries, and in an improved environment.

Sweden also strives to reduce seasonal unemployment caused by its harsh winter. Thanks to technological advances, construction work can be spread out throughout the year. The fact that 90 percent of all housing is built with state loans and that the County Labor Market Boards supervise the issuance of construction-start permits makes it easier for the Central government to control the level of employment during the winter season. Stepped-up government orders for machinery and equipment can also prevent lay-offs in industries which experience difficulty.

(b) Maintaining Employment

(1) Stockpiling Subsidy

This subsidy is intended to enable industrialists to accumulate manufactured and semi-manufactured goods in spite of a fall in demand and thus prevent lay-offs. The subsidy was used in both recessions of the 1970s. Since the recession was worldwide the Swedes hoped that when the economy recovered their inventory accumulations would enable them to meet world demand faster than their competitors. Swedish firms received in subsidies 20 percent of the value of the increase in their inventories provided they did not lay off employees and were located in an area affected by unemployment or by the risk of unemployment. The stockpiling subsidy appears to have given better results during short than long recessions.

(11) In-Plant Training Subsidy

This is a subsidy to companies affected by slow economic activity to provide training and education to their workers when there is insufficient work for them. The program is prepared jointly by management and unions, and the education is partly general and partly work-related. During 1977 and 1978 about 200,000 employees, or 5 percent of the labor force, took advan-

tage of in-plant worker education. Programs offered a variety of courses, such as occupational health and safety and employee participation in decision-making, apart from vocational training.

(iii) New Recruitment Grant

This grant is to encourage employers to increase their work force. To be eligible for this grant the employer must first notify the Employment Service of his wish to recruit new personnel so that the Service may eventually place a jobless person. Then the employer must commit himself to give thirty hours of work training as approved by management and union to inexperienced new recruits. By the time the grant becomes payable the employer has to prove that the recruits represent an increase in his work force and are not replacing workers who have left their job or have been dismissed.

(c) Job Placement, Information, Guidance and Job Training

This is offered by the Employment Service which is administered by the AMS.

(1) Job Placement

Sweden has no private employment agen-

cies. Therefore, the state Employment Service has an important role to play in helping the unemployed. The Service was reorganized after pilot studies were conducted for the compulsory notification of job openings. Any job for a duration of more than ten days had to be listed with the Employment Service. The law made exceptions for managerial jobs, jobs which an employer intended to fill with one of his employees or a member of his family and also jobs with political or religious organizations. However, the employer is under no obligation to hire the persons referred by the Employment Service. He may recruit personnel through newspaper advertisements, personal contacts, etc. SAF was opposed to mandatory listing for fear it may later lead to mandatory hiring. At first the Employment Service referrals appeared less desirable. However, mandatory listing attracted job seekers in all occupations, which resulted in better planning for the Employment Service and in time savings for employers and job seekers.

Job lists for each county are printed three times a week or, in some offices, can be checked on a computer. Apart from a job description and the name and telephone number of the employer, each list contains the name of the local trade union representa-

tive who can be contacted for further information. bi-weekly job listings for several counties are available as well as less frequently published lists for the whole country and for such professions as teachers, physicians and positions with the Central government.

Finally, free telephones are available to job seekers who wish to contact employers and help is offered to those who are not fluent in Swedish or are too timid to make such contacts.

(11) Information

The Employment Service has brochures available in several languages about training possibilities, vocational guidance, unemployment benefits and subsidies for workers moving to other parts of Sweden. Interpreters can help immigrants who have a limited knowledge of Swedish find a job. There are also brochures to inform employers of the programs, grants and subsidies to which they might be entitled. Furthermore, advertisements, slides and television films disseminate information about all fields of employment.

(111) Guidance

For those like the handicapped, youths, housewives and older workers who experience serious difficulties in finding a job, the Employment Service

provides individualized job planning and guidance. In a friendly atmosphere these people learn about the functions of the job market and discover their potentials through aptitude and other psychological tests. Job planning may consist of training a worker for another job, rehabilitating the handicapped or assisting persons starting their own businesses.

(iv) Job Training

Labor Market Training or AMU has always been a part of Sweden's full-employment policy. Other countries resort to training as a crisis measure.

In a world undergoing rapid changes in technology the training and retraining of the labor force are a necessity to prevent structural unemployment, ensure that employers will find the skills they need and enable regions and groups with severe labor market problems to level with the rest of the country. To be eligible for training a worker must be unemployed or on the point of becoming unemployed, or be considered hard to place. Eligibility for training is not income tested or reserved for the economically disadvantaged. Employed workers may also be retrained in anticipation of a labor shortage during a period of economic expansion. This is called "bottleneck training". It is an anti-inflationary measure as labor shortages in some

sectors can lead to escalating costs. As a rule, a trainee must be at least 20 years of age. However, exceptions are made for the handicapped, foreign refugees and parents with dependants.

Training is free and the cost of course materials is reimbursed with a grant. Trainees receive a taxable stipend which is indexed to the rate of inflation and varies with the unemployment benefits to which the trainee is entitled. Trainees who live far from the training centres are granted a travel allowance.

In-plant trainees, on the other hand, receive regular pay and benefits while their employers are given a training subsidy. AMS decides on the scopes of the courses offered and where they will take place, and defrays their costs, while the National Board of Education is responsible for their administration. Information gathered by the County Labor Market Boards enables representatives from AMS, the National Board of Education, LD, SAF, TCO and SACO/SR to recommend the courses to be given. Some courses simply prepare students for their working lives. After receiving vocational guidance students go on workstudies to determine what career or trade suits them best. Some must first fill gaps in their education before training for a particular skill.

Vocational courses may last from two to seventy-two weeks. Courses in mechanical trades and office occupations usually take one year to complete. Some take two years or longer. Curricula have been approved for approximately four hundred occupations and about three hundred are currently in use in various parts of Sweden.

(d) Geographic Mobility

If the country was to achieve full-employment it was necessary that workers from areas with high unemployment move to areas with labor shortages. Workers willing to relocate receive financial assistance while they are looking for work and when they actually take up residence in such areas. A variety of grants and allowances are made available for this purpose as workers' geographic as well as occupational mobility contributes to the growth of the economy and to a more efficient use of human resources.

(1) Grants and Allowances

A worker will be eligible for relocation grants and allowances if he cannot find a job within a reasonable distance from home and if he is registered with the Employment Service. He will receive travel and subsistence allowances while looking for a job and if he relocates AMS will pay his family's moving and travel-

ling expenses. He will also be given an allowance for up to six months and, in some cases, longer if he must temporarily maintain two households. AMS may even buy the home of a worker who agrees to relocate in another part of the country. Finally, there is a starting grant for additional household expenses if the worker's curtains, drapes and rugs do not fit the new home. A worker who accepts to work outside his home district but continues to live at home can obtain a daily travel allowance.

Mobility grants are now tax-free. The policies regarding mobility have been more beneficial to society as a whole than to the individual. Thirty-five percent of a group of migrants under study returned to their former home district within five years. Rather than uproot workers and separate families and friends it was deemed more practical to bring jobs to economically depressed areas.

(e) Regional Development

Apart from enjoining companies to make use of Investment Reserve Funds the government offered new and expanding companies loans and grants for investment in plant and equipment and subsidies for the in-plant training of new workers. These companies were also of-

ferred transportation subsidies to reduce the high cost of shipping goods from the North to other areas.

Sweden was divided into six regions and each received development support according to such factors as population trends, labor force participation rate and the employment situation. Area Six, the far North of Sweden, received the most, for instance, 70 percent of building costs as against 10 percent for Area One in the South. New and older companies in industrial and related activities, as well as tourist and service enterprises, are eligible for assistance provided, however, that the investment is profitable and does not prejudice existing firms. The lasting employment impact of the project is what counts most. The companies, therefore, receive subsidies annually over a period of seven years on condition that they employ more people and maintain that increase. Another condition for the subsidy is that at least 40 percent workers of each sex will be recruited. The purpose of the regional development is furthermore to slow down the growth of the country's largest cities, Stockholm, Goeteborg and Malmoe, and to develop the parts of Sweden which need it most. According to a government report, 51,000 jobs were created as a result of the Regional Development policy. This represents a 1 percent increase in the labor force.

In spite of these generous subsidies, companies are reluctant to settle in the North due to marketing difficulties, high transportation costs, being too far from decision-making centres and problems in recruiting scientists and engineers.

(f) Advance Warning

In the event of layoffs or dismissals the employee and the union must be given ample advance warning - at least one month's notice is required. The advance notice varies with the age of the employee - one month for a worker under 25 and up to six months for one aged 45 and over - and seniority determines the order of the layoff.

In Sweden all decisions regarding the reduction of personnel must be discussed with the union. The union has access to financial and other information to assess whether the company's layoff is justified. If deemed unjustified the union may appeal to the labor court.

The County Labor Market Board must be notified of any impending layoffs or dismissals involving five or more workers. The notification period varies from two months to six months depending on the number of employees involved. This enables the Employment Service

or the County Labor Market Board personnel to meet with the union, management and workers concerned and with municipal government officials to help solve the problem of the laid-off employees.

In the event of a large personnel cut or a plant closing down, the Employment Service may install in the plant itself a computer terminal which will give workers a run-up of the latest job openings throughout Sweden. Hard-to-place workers, such as the handicapped and the elderly, are given special attention.

Advance warning also applies if a company employing more than 300 persons is in financial difficulty and anticipates having to lay off employees. In order to give the Employment Service enough time to retrain or resettle the employees affected the government may give the company a temporary grant covering 75 percent of the total wage costs for up to six months. Subsidy payments may be extended for one year if the company is bankrupt and must promptly discontinue its operation. The government may also place orders with such a company to keep it afloat while the Employment Service finds ways to help the prospective unemployed. If an industrial plant closes down, local officials will try to attract other industry to the area.

(g) Unemployment Benefits

Finally, when all these efforts fail the jobless can resort to the unemployment benefits, (subsection (c) of Section 3 of Chapter III)

(h) Ginsburg's Comments on the Various Techniques used in Sweden to fight Unemployment

The stockpiling subsidy has one disadvantage. If a recession lasts a year or longer too large a quantity of goods are accumulated and when the economy recovers some of these goods may have to be sold at a loss.

The in-plant subsidy proved useful, but there were a few abuses. In some cases production carried on as usual and no time was taken to train employees, in others the company received more money than the hours of training justified. Rules were consequently tightened and the first forty hours of training were at the employer's expense.

New recruitment grants in Sweden as well as in Canada and the United States do not always serve the purpose for which they are intended, that is induce employers to hire an extra employee. Some companies take advantage of the grant for employees they would have recruited regardless of it.

The generous mobility grants which became tax

free in 1982 are actually more beneficial to the country's economy than to the workers who must leave their relatives and friends to take a job in another part of Sweden. By accepting to work in a remote area they will not become unemployed and will bring their skills where they are needed most. The question raised is should people be encouraged to work in remote areas or should companies move to areas where labor is available.

Regional development from 1965 to 1978 resulted in the employment of over 1 percent of the labor force. There are no low wage areas in Sweden due to the fact that almost all workers are unionized. Therefore, workers in recently developed regions will not have a lower standard of living.

In summary, Sweden has developed, apart from manpower training programs, some labor market techniques to fight unemployment. Some of these techniques like the investment-reserve funds and work relief consist in planning projects ahead of time to create employment when a recession is anticipated. Others like the stockpiling subsidy, the in-plant subsidy and advance warning help maintain employment. Most of these policies come under the administration of the National Labor Market Board or AMS which has branches throughout Sweden and knows the needs of all regions. The AMS has the backing

of the central government and can take action to create or maintain employment at the first sign of a recession. The Employment Office has the monopoly for placement services as there are no private employment agencies in Sweden.

Unlike the unemployment insurance the manpower training programs help the structurally unemployed as well as those who are unskilled and have a low level of education. Furthermore, these programs can maintain growth in the economy by meeting a shortage of skills in the labor market; they can reduce income disparities by improving the employability of unskilled laborers, and stabilize the economy through training allowances. Presumably with the above goals in mind the government of each of the countries studied decided to train and, in some cases, retrain a segment of the labor force which had difficulty in finding employment.

CHAPTER V

CONCLUSION

As we have seen, the manpower training programs of Canada, the United States and Sweden have much in common. They all offer institutional training or training in industry. Furthermore, each country has job creation programs and special programs for the handicapped. This lack of originality is not surprising since the OECD countries hold workshops and exchange ideas. The question this raises is in what way does Sweden differ from the other two countries?

When reviewing the literature on manpower training in Canada and the United States one cannot help noticing how often programs are modified, abandoned or replaced by others to meet a change in the economy or a new government's policy. This may be a sign of flexibility, which is commendable but the lack of continuity may explain why the level of unemployment remains high. MDTA's goal, initially, was to train workers to meet labor shortages in certain industries, provide employment opportunities for the jobless, and relieve poverty. In the beginning MDTA retrained older workers, namely heads of households, to alleviate structural unemployment. New entrants and young workers, however, were excluded from the program. By 1963 the rate of unem-

ployment rose among teenagers and a fear of unrest on their part shifted the training priority from older workers and heads of households with obsolete skills to the young unemployed. It appeared that "creaming" took place inasmuch as those with a reasonable basic education and enough motivation to attract employers were recruited for training. A deep concern about poverty again changed MDTA's main priority. The emphasis was now to assist the disadvantaged in becoming competitive on the labor market. There were, as indicated in Appendix II, other programs - some like the Concentrated Employment Program, CEP, which drew funds from MDTA - to give remedial education and training to the disadvantaged. The program duplication led ten years later to the manpower reform undertaken under the Comprehensive Employment and Training Act (CETA). The decentralization which took place under CETA enabled cities, counties and consortia to obtain funds and implement the programs which met their needs. The shift in priorities continued. At the onset of the 1974 recession, for instance, the orientation of CETA changed and the program became essentially counter-cyclical. (See page 97.) Perry et al also gives many examples of training programs which were helpful to special groups of people but which were abandoned when a downturn in the economy raised the level of unemployment throughout the coun-

try. It would appear that under such circumstances the unskilled or underprivileged do not matter any longer. Politicians are anxious to find expedients to relieve the mass of unemployed. They initiate public works programs to create jobs or they lend money to large corporations to prevent lay-offs. In the meantime, the unskilled or underprivileged go on welfare and wait like many of the cyclically unemployed for an upturn in the economy. Politicians are no doubt aware that policies for the long term are necessary but such policies are unpopular and render the tenure of a politician's office precarious.

Manpower training, job creation and wage subsidy programs also proliferated in Canada during the 1970s and early 1980s as indicated in Appendix 1. In many cases programs were scrapped before their worth could actually be assessed. There was also much program duplication.

The change of priorities in the manpower training programs of Canada and the United States contrasts with the way Sweden deals with her unemployed. Remedial education and training are available at all times to disadvantaged unemployed workers, whether they are immigrants with an insufficient knowledge of Swedish or workers with a physical or social handicap.

If we compared unemployment to a disease we could say that Sweden practices preventive medicine while Canada and the United States try to cure the disease sometimes when it has reached an advanced stage. The Investment-Reserve Funds and Relief Work are preventive medicine. In North America companies may receive a tax abatement in the hope that they will use the money to create jobs, which does not always materialize. The companies which have Investment-Reserve Funds with the Bank of Sweden may, if they wish to use them, submit a suitable project when the economy enters a recession. The fact that the funds are monitored by the Bank of Sweden and AMS results in a more timely investment than if the funds were invested at the discretion of the companies involved. This arrangement is beneficial to the company which is not taxed on the earnings set aside and the unemployed who obtains work as a result of the project.

The projects to be carried out as relief work are planned well ahead of a recession. Each County Labor Market Board submits projects annually to the AMS, which enables counties and municipalities to receive grants for these projects when unemployment rises.

With regards to measures aimed at maintaining employment the stockpiling subsidy has its advantages

and disadvantages. In a short recession the accumulation of goods produced may give a company an advantage over a competitor if there is a high demand for these goods. In a long recession, however, the building-up of large inventories may result in goods being sold at a loss. (The stockpiling subsidy is available only to companies located in areas affected by a high level of unemployment.)

The in-plant training subsidy enables employers during slow economic activity to train and educate their workers when they do not have enough work for them. This differs somewhat from On-the-Job training in Canada and the United States since the education the trainee receives in Sweden is partly general, partly work related.

The New Recruitment Grant is equivalent to the Canadian Employment Tax Credit Program described in Appendix I.

Sweden has many grants available to companies and workers who are willing to relocate particularly in the North of Sweden. Sweden's generous relocation grants are due to the fact that the Southern part of the country is overpopulated. Canada also has grants avail-

able to unemployed workers who must seek work away from home. In the case of Canada the purpose of such grants is usually to enable unemployed workers from poor regions to find work in industrialized and better developed regions.

Advance warning on the need for employers to notify the AMS ahead of time when they anticipate laying off workers is a measure which helps maintain employment as the AMS will do its utmost to help workers in their search for jobs. The company which is in financial difficulty may like some North American companies receive funds from the government to keep afloat and save jobs. When a company faces bankruptcy, there is, moreover, a concerted effort on the part of AMS representatives, the union's and municipal government officials in the area to look for solutions to help the workers.

It would appear that people looking for work in Sweden receive more support from the government employment office than people in Canada or the United States. The Swedish government employment office is not in competition with private employment agencies. In North America these agencies attract the better educated and more motivated workers, which leaves the government employment office with less attractive or hard-to-place workers. This is not so in Sweden where the majority of

people, including government officials and professionals apply for positions through the intermediary of the employment office.

The mandatory listing of all job openings throughout Sweden, the support job applicants, in particular immigrants, receive when contacting a prospective employer, the individualized job planning and guidance available to the handicapped, youths, housewives, and older workers who experience much difficulty in finding a job and, finally, the sheltered workshops for the latter are only a few examples of the importance the Swedes as a nation attach to full employment.

No attempt has been made to compare grants to trainees or unemployment insurance benefits in the three countries under study because three different currencies are involved, statistics are not available for the same year and allowance would have to be made for the rate of inflation in each country. The data regarding workers' eligibility to unemployment insurance benefits in the three countries under study does not lend itself to comparison.

A recapitulation of the characteristics and policies of Canada, the United States and Sweden is shown in the following table:

RECAPITULATION
OF THE UNEMPLOYMENT CHARACTERISTICS AND POLICIES OF CANADA, THE UNITED STATES AND SWEDEN

Canada

Nature and problems:
Cyclical, structural, seasonal
Increased female participation to labor force.

United States

Cyclical, structural, seasonal
Increased female participation to labor force.
Large number of blacks and hispanics chronically unemployed.

Sweden

Cyclical, structural, seasonal
Increased female participation to labor force.

Financial assistance:
Unemployment insurance benefits

Administered by federal Government.

Administered by each State's government.

Administered by government representative and union officials under AMS supervision.

Eligibility

A minimum of 8 contributions during the 52 weeks preceding claim.

First 4 quarters of last 5 completed prior to claim.

Claimant must be a member of an unemployment insurance fund for 12 months and have worked 5 months out of the 12 preceding claim.

Canada

United States

Sweden

Size of benefit

Benefit equal to 2/3rds of insurable earnings subject to ceiling.

Benefit in most states represents about 50% of worker's wages up to a certain limit.

Benefits can amount to as much as 91.7% of worker's income but daily benefits cannot exceed 11/12ths of insured worker's former income.

Other

When no longer eligible for unemployment benefits, social assistance available subject to a means test.

Assistance available to some workers ineligible for unemployment benefit because of insufficient covered employment and to needy unemployed exhausting benefit rights under Federal-State assistance programs.

Unemployment insurance benefits supplemented by Labor Market Cash Assistance.

Manpower training programs

Canada Manpower Training Program provided institutional training (courses in academic subjects to upgrade education of trainees and vocational courses), and on-the-job training. Training on-the-job for Skill Shortages.

Under the welfare program. Federal Aid for Unemployed Workers with Dependent Children is available.

Manpower training programs. Sheltered workshops for handicapped and older workers, also for women tied up in one area.

Canada

Manpower training programs

Training on-the-Job for the Disadvantaged.
Canada Manpower Mobility Program
Outreach Program for natives, inmates, mentally or physically handicapped, older workers and unskilled women.

Policies to create or maintain employment

Regional development
Geographic mobility and relocation grants
New recruitment grant.

United States

Comprehensive Employment and Training Program:
multi-faceted program comprising PSL, Job Corps, Private Sector Initiative Program, Young Adult Conservation Corps. It also provided work experience and employment activities.

Regional development
Geographic mobility and relocation grants
New recruitment grant.

Regional development.
Geographic mobility and relocation grants
New recruitment grant
Investment-Reserve fund and relief work
Stockpiling subsidy
In-plant training subsidy
Advance warning.

Guidance to unemployed

Job Bank
Employment Opportunity Library & Training
'Open File' Job, CHOICES, PLACL, JOBSCAN.

Job lists for counties and whole country.

* Material covered gave no information on this.

In summary, Sweden has a few more tools than either Canada or the United States to fight unemployment but these alone do not explain Sweden's lower rate of unemployment. We have seen also that the Swedes as a nation are more committed to a full employment goal. This commitment has its roots in her past.

1. Factors in Sweden's Low Unemployment

As previously mentioned, the commitment to a full employment policy was made in Sweden by a socialist government. The main aim of socialism is to ensure that each society member receives an equitable share of the goods and services produced in that society. (This is socialism as viewed by St Simon or Durkheim for unlike that of Marx it is concerned with redistributive justice and recognizes property rights.) The unemployed who are deprived of their labor earnings, are unable to share in the common weal and this is not in line with the aim of socialism. Sweden, so far, has retained most of the characteristics of a capitalist society since it has a market economy and the large majority of its companies are privately owned. Yet, its welfare measures and redistributive taxation system make Sweden somewhat of a socialist country. This step toward socialism seems to result from the struggle of the labor movement in

attempting to change capitalism. The organization of labor was actively pursued in the 1880s as German socialist ideas reached Sweden via Denmark. As a subsequent development the Social Democratic Party was formed in 1889 and LO (Swedish Confederation of Trade Unions) in 1898. The Party and LO had common goals since fifty of the seventy organizations founding the party were trade unions. A nationwide strike for universal suffrage took place in 1902. (Universal suffrage would enable the voice of the working class to be heard and this was important to both the unions and the Social Democratic Party.) Such a deployment of strength on the part of the unions greatly alarmed employers who, in turn, organized and founded SAF (Central Federation of Employers). The Swedish industry at that time consisted of a small group of oligopolistic firms, among which competition was negligible. These firms resorted to lock-outs in the hope of annihilating the unions but they only succeeded in spurring their organization effort. After the First World War the Social Democrats finally obtained universal suffrage. (Stephens:1979) They did not get into power overnight. They gained people's recognition when, in response to the Great Depression, Ernst Wigforss called for a loan to finance public works, "claiming that this would set in motion a cumulative process of increasing demand and reducing unemployment".

Such an initiative was acclaimed by the trade unions, particularly LO whose membership now embraces half the labor force. LO has strongly supported the Social Democrats ever since. (Gourevitch et al:1984, 193) The Party won the 1932 election campaign but still had no majority in parliament. It obtained the farmers' support by voting for a protectionist farm policy. However, this coalition with the farmers forced the Party to modify its program and abandon its demand for land nationalization. (Stephens:1979)

The chapter on Sweden shows that the working class in that country has great collective power resources. On a percentage basis more people in Sweden than in either Canada or the United States have joined labor unions. Most of the unions in Sweden are of the industrial rather than occupational type on account of the country's late industrialization. (Torpi:1978) As previously indicated, the many national unions are affiliated to a confederation such as LO or SACO/SR, or to a central organization like TCO. A confederation like LO has much influence on the government of its affiliated unions. The latter must have LO's permission before going on a major strike and LO has the right to attend their bargaining sessions. Swedish unions are well governed and their leaders although "bold, decisive

and firm... seem to carry their members with them".

(Clegg:1976; 41) There is a centralization of power by the confederations and a solidarity among them on many issues. (Gourevitch:1984)

Marx saw a link between the organization of labor, urbanization, technological developments and the accumulation and centralization of capital. The centralization of capital in a group of companies enables workers to socialize and eventually unionize. Likewise, technological developments in transportation, for instance, will enhance communications among workers and facilitate labor organization. (Stephens:1979)

Stephens combines the above theory with Ingham's¹⁷ findings on the association between the strike level and the industrial infrastructure of a country. (infrastructure refers to the degree of industrial centralization and product specialization in a country), and comes to the following deductions:

- "1. The size of the population of an industrial nation is the main determinant of the size of the domestic market and, consequently, the degree of industrial centralisation in a country. The smaller the country is, the greater the centralisation will be. The degree of centralisation is the main determinant of the level of labour organisation.
2. Late and rapid industrialisation causes countries, particularly small ones, to have less technically and organisationally complex in-

dustrial infrastructures. This aids unionisation.

3. Late industrialisation in small countries leads to greater product specialisation. Greater product specialisation also facilitates unionisation." (Stephens:1979: 43)

In comparison with the United States and Canada Sweden is a small country with an ethnically and linguistically fairly homogeneous population. Its domestic market is also small and, as a result, dependent on foreign markets. This dependency on foreign markets is at the root of Sweden's late but rapid industrialization. The first move towards industrialization was in 1850 in the timber sector to meet an external demand by Britain, France and Norway whose forests had been badly depleted. Sweden also had abundant reserves of high grade iron ore and had so far exported these natural resources as well as copper. From then on she effectively exploited these resources and specialized in the production of items in demand on foreign markets. The country's main industries, that is forest products, metallurgy and engineering, are in the hands of a few large oligopolistic companies since small companies are unable to compete on world markets. The lack of competition which usually characterizes an oligopoly, the industry centralization and product specialization have favored the organization of labor in Sweden. The small size of the country and the homogeneity of the labor

force have also facilitated the organization of labor. The structure of the industry explains why unions in Sweden are mostly of the industrial rather than of the craft type. Countries where industrialization comes late proceed to mass production and bypass the "workshop production stage" which requires diverse skills and leads to craft unionism. Craft unionism limits rather than fosters the organization of labor on a large scale. The labor movement which emerged in Sweden was consequently well organized and highly centralized.

(Stephens: 1979; 45)

Labor organization in the United States, in contrast, started as early as 1792. The first unions were made up of craftsmen until 1871 when the Knights of Labor Organization was founded. It united farmers and other producers, as well as skilled and unskilled laborers. Crafts unions joined together and formed the American Federation of Labor (AFL) in 1886. With the advent of mass production, skilled as well as unskilled laborers were organized on an industry basis and in 1935 the Committee for Industrial Organization (CIO) grouped the industrial unions together. The growth in membership was spectacular in both AFL and CIO, reaching 16.1 million when they merged in 1955. The largest unions in the United States, that is the Teamsters and the Auto

Workers later broke away from AFL-CIO. The former was expelled because it refused to dismiss its president and the latter withdrew over disagreements. Contrary to European labor confederations, AFL-CIO uses pressure group politics rather than party politics. In fact, eleven unions were expelled from CIO at one time because of their communist influence. The AFL-CIO does not actually control the 105 national unions affiliated with it. The unions are autonomous and therefore make their own decisions and policies. The AFL-CIO acts as the unions' spokesman to the government on such matters as wage and working conditions, education, public housing, foreign policy, etc. It also charters new international unions and helps settle disputes between them. There are many other national unions which for various reasons are not affiliated with AFL-CIO. There are also associations of white collar employees and of government and professional employees but, unlike their Swedish counterparts, they have no confederation of their own.

(Estey:1978)

In comparison with Sweden, the United States has a weak labor movement. Several factors have hampered the organization of labor. The population is widely spread throughout the country, which makes the union-

ization of workers more difficult. Another factor which makes trade union organization difficult, but this time on account of language barriers, is the ethnic diversity of the population. During the period from the Civil War to the First World War, for instance, at least 13 percent of workers were foreign born. Incidentally, this immigrant labor was often brought in to crush strikes as was the case in the Pennsylvania coalfields in the 1870s and 1880s. (Bagnell:1970) Finally, the United States industrialized earlier than Sweden and trade unions at that time were of the occupational type. These unions which included many skilled immigrants from various ethnic origins, pursued their own interests rather than class interests through collective action. This divided the working class and was contrary to the development of a class consciousness and solidarity. (Stephens:1979)

The United States has a very large population, hence a large domestic market, energy resources, as well as metals and industrial minerals. These assets have enabled the country to develop many industries and a highly differentiated range of products to meet domestic demand. The presence of many large and small companies throughout the country have also made the organization of labor difficult.

The labor movement in the United States does not have the support of a labor party. The craft unions, which at the onset of the labor movement were predominant in that country, are liberal and less likely to rely on political action to meet their goals. After the merger of AFL with CIO the labor movement resorted to pressure group politics. Opposing labor is the powerful "capitalist elite" made up of large corporations and businesses that are divided through competition. They sponsor local and national political candidates and lobby for their own special interests. They exercise an economic domination in the market rather than a political one through the states. If either the state or the unions block their plans they may retaliate by investing abroad rather than at home, which is to the workers' disadvantage. (Stephens:1979)

The Canadian labor movement was started around 1827 by US immigrants who formed branches of British unions in this country. Then towards the second half of the nineteenth century as Canadian and American workers became more mobile and competed with each other, branches of American unions emerged in Canada. The Canadian trade union movement was characterized by conflicts, some originating from the United States, others arising here due to "competing regional interests",

cultural and organizational differences, "jurisdictional disputes and nationalistic antipathies to real or imagined American domination" (Jamieson:1973; 15) The labor movement was anxious to have a Canadian labor federation like the AFL in the United States. The Trades and Labor Congress of Canada (TLC) was first founded and much later the All-Canadian Congress of Labor (ACCL). The TLC and ACCL (renamed CCL in 1940) merged in 1956 to become the Canadian Labor Congress (CLC) (Jamieson:1973) Today, half of the unionized workers belong to international unions and the other half to national unions. The trade union organizational bodies are the American Federation of Labor and the Congress of Industrial Organizations (AFL-CIO) and the above-mentioned CLC. The latter acts as spokesman in Ottawa for organized labor throughout the country. (Lehocz & Archer:1981)

Prior to World War II there was a tendency on the part of government and the electorate to look upon unions as a threat to the establishment, and to favor employers at the expense of organized labor. Legislation modelled after the US Wagner Act of 1935 which protected the workers' civil rights, was introduced in Canada during World War II. Almost right from the beginning, the federal and provincial governments have intervened via compulsory conciliation, mediation or

arbitration with a view to settling labor disputes or preventing strikes and lockouts under the pretext of protecting the public from interruptions in the production and distribution of goods and services. Yet, government interference has proved inefficient if we compare the level of labor unrest in this country with that of the United States where unions enjoy more freedom. (Jamieson:1973) The only party in Canada which fully supports organized labor is the New Democratic Party but it is a minority party and unless it can hold the balance of power its support is negligible. The Conservatives and Liberals are right wing parties.

Canada's industrialization started early but never fully developed. Obviously the economy has retained the characteristics of its colonial past. As a colony of France and later Great Britain, Canada first traded its fish and furs and then its timber and other raw materials for the commodities of the mother country. The fate of the Canadian economy at that time was in the hands of a mercantilist elite in both Canada and Britain. As Britain became more industrialized she found cheaper sources of raw materials elsewhere and abandoned its trade with Canada, forcing the latter to find outlets in the United States. A trans-Canada railroad was built and tariffs were raised to help finance it and to pro-

protect the country's small manufacturing sector. The economic and political elites according to past policy exported raw materials and semi-finished goods produced in Canada but did not invest in an attempt to bring the manufacturing sector to the high technology stage. British and American interests took care of this and it resulted in foreign corporations operating branch plants in this country. The branch plant has ready access to Canada's raw materials, produces goods for sale in this country or for exports but its earnings, in large part, return to the parent company abroad. The Canadian economy is therefore tied to the economy and policies of other countries. (Smucker:1980)

In contrast to Sweden where there is a centralization of capital in a few industries and a relevant product specialization, Canada has regional industries such as timber in British Columbia, iron foundries in Ontario and petroleum refineries in Quebec, and a wide range of products manufactured by the subsidiaries of foreign companies. The factors mentioned above, that is a small domestic market, a low level of industrial centralization and lack of product specialization have been unfavorable to the organization of labor in Canada. Like the United States, Canada is a huge country with a widely spread population. Its population is also cultu-

rally diverse. Furthermore, there are in this country regional economic disparities. Some regions are isolated and sparsely populated, which prevents them from developing a local market, also from trading abroad or with other parts of Canada. As a result, wage rates vary from one province to another. Apart from the vast distance which separates one part of the country from the other, the harsh Canadian climate is another factor which prevents unions from spreading. (Kehoe & Archer:1981) The labor movement in Canada is further weakened by the negative attitude which business and government have historically had towards it.

The strength of the labor movement in a country is an indication that the country, if not already socialist is moving towards socialism and will not tolerate a high level of unemployment. This explains why Sweden has a lower level of unemployment than Canada, although the latter devotes as much of its GNP as Sweden to fight unemployment.

Since Canada and the United States' pasts differ from that of Sweden what are the solutions to the unemployment problem? We will now review some of the proposals made by economists, scientists and other experts to deal with the problem.

2. Suggested Remedies

(a) Work Sharing

Work sharing is the shortening of the working day or week of each individual in order to employ extra workers. Two possibilities emerge: shortening the working time without reducing the level of real wages or reducing wages but making up the difference to the worker with government subsidies. If more people are employed to do a job and the level of real wages remains unchanged, then the employer must raise the price of his product, in which case he may become uncompetitive. Furthermore, placing more people on a job may bring diminishing returns. It may be argued that government subsidies for work sharing would no more prejudice the taxpayer than the payment of benefits to the unemployed. Many experts feel that the economy of most industrialized countries today has sufficient reserves and potential to allow a shortening of the working time. However, in spite of the periods of prosperity experienced in the past thirty-five years, the 40-hour work week has more or less been maintained.

(b) Earlier Retirement

Some countries have decreased the retirement age of their working population. This is costly and a drain on pension schemes which, it is feared, will be inadequate in the years to come when the working popula-

tion which must support the retirees will be smaller.

(c) Zero Growth

As already mentioned, some people are in favor of zero growth. Should we opt for zero growth and revert to labor intensive methods our products and services would cease to be competitive, we would lose export markets as well as domestic sales since the range of our production would be smaller.

(d) Incentives to Small Entrepreneurs

In the United States, the United Kingdom and now in Canada there is a tendency to encourage the private sector through tax cuts and other incentives, in particular the small entrepreneur as he is more likely to create jobs than a large company which can afford much automation in the workplace. Between 1969 and 1976 small companies in the United States created 7.4 million new jobs, or four times as many as the government. "Young high technology companies, according to a study for the U.S. Department of Commerce, had an employment growth rate of 40 percent annually, which is thirteen times faster than that of large firms. The small company also employs more than 80 percent of the culturally and other disadvantaged. (Gilder:1981) Now, statistics from the United Kingdom indicate that there are two million self

starters in that country. Should each of them employ one more person this could create two million new jobs. A survey among small entrepreneurs revealed that they attributed business failures in their cases to lack of money or lack of competent staff. The jobless youth whose percentage is highest among the unemployed could be trained to meet the small entrepreneur's needs. The youth could join a national work service as national cadets. Each cadet would, over a two-year period, work half time for a small entrepreneur or self-starter and devote the other half of his time to institutional training. This way, the entrepreneur would temporarily benefit from a cheap source of labor and young workers would acquire the experience they desperately need when trying to enter the labor market. If after two years, the entrepreneur can offer the cadet a permanent job he will become eligible to take on another cadet, which will enable him to expand without cost by one employee at a time. (Foster:1980) The reasoning here is that the government will achieve more by providing free labor to a small business than by paying the youth unemployment insurance or welfare benefits. Such help on the part of government has further implications. It may prevent the types of crime committed by alienated and frustrated unemployed youth.

(e) Research and Development

A higher percentage of GNP should be devoted to Research and Development to encourage inventors and also enable large companies to develop new products to meet the demand at home and abroad. New inventions can spur an economic boom and hopefully create jobs.

(Foster:1980),

(f) Other Ways to Create Jobs

Many jobs could be created in the service sector, particularly in health and welfare where preventive medicine would enhance people's well-being and reduce hospital and medical care expenses. The number of elderly people in society will continue to rise and such people will require special care and assistance. Lawyers, accountants and experts in taxation and other fields could be hired to explain policies to those who cannot cope with the complexities of the state in modern society. Hospitals are understaffed and so is the school system. Finally, much improvement is needed in housing and transportation. (Jenkins & Sherman:1979)

The recycling of materials used in the manufacture of superfluous goods was suggested as a means of providing jobs for the unemployed. (Jenkins & Sherman: 1979)

(g) Annual Guaranteed Minimum Wage

The annual guaranteed minimum wage was already in the 1940s the subject of controversy. For example, a company would guarantee to all its employees who have a record of five years of continuous service a minimum of 2080 hours during any period of twelve consecutive months. This would give workers job security and lessen labor turnover. On the other hand, it would increase production costs and prevent the enterprise from being competitive. The annual guaranteed minimum wage also raised problems when applied to a given industry because the latter could not control the variations of production and employment, as well as foreign trade, the investment situation and government fiscal policy.

(Bouvier:1954)

(h) Alternate Periods of Education, Work and Retirement

It is customary for an individual to complete high school and then attend a trade school or university. Then he spends most of his adult years in the labor force and finally retires at age 65. This rigid sequence could be made more flexible to allow the individual to have more control over his career and life pattern. An individual could, for instance, take one year of anticipatory retirement to further his education or attend a vocational school to upgrade his skills or

acquire new ones. Anyone who does not wish to return to school could use this time to pursue other productive activities. (Emmerij:1980)

Many remedies have been proposed to alleviate unemployment, some of which have been tried out and worked successfully under certain conditions while others failed. The above remedies have one point in common. They require government financial aid in one form or another. Spending more on research and development may encourage inventors and, if the latter are successful, spur business activity and employment. Some great inventions like the Jenny, the automobile and the airplane, for instance, have brought a boom and been a source of job creation. Subsidizing small entrepreneurs will also create employment.

Time-sharing can reduce unemployment. However, the practice must be worldwide, otherwise the few countries which introduce it will not be able to compete in world markets due to their higher production costs. The governments of these countries could, as an alternative, subsidize the exporting producers.

Earlier retirement the way it is done in Japan would cause hardships to the improvident since pensions are delayed until the retiree is 65 years of age. On

the other hand, it is difficult to visualize earlier retirement when pension funds are considered inadequate to support a large number of retirees in the face of a decreasing working population.

Zero growth, the annual guaranteed minimum wage and alternate periods of education, work and retirement would, like time-sharing, raise production costs and, in some cases, lower productivity as well as people's standards of living.

Introducing more flexibility into the work organization has merit. Some people are working under stress and never reach retirement age while others develop psychological problems through involuntary idleness. Rationing work may enable people to lead healthier lives. It would, no doubt, reduce the crime rate and the incidence of mental illness, child abuse, alcoholism and drug addiction in society.

Sweden has fought unemployment without resorting to any of the above solutions and thus safeguarded its market economy. It is well known, on the other hand, that corporations and individuals are highly taxed in Sweden compared to their North American counterparts. Canada and the United States could adopt some of Sweden's policies, such as Advance Warning and the In-

vestment Reserve Funds, without prejudicing their market systems. In any case, manpower training programs are increasingly important to help solve structural unemployment. At present these programs are practically non-existent. They could be reinstated and improved, particularly to alleviate unemployment among the young.

The majority of people in Canada and the United States want a degree of government intervention but at the same time are anxious to preserve the market system. Government leaders hesitate to take the drastic measures necessary to achieve near-full employment since it would be against the interests of the majority. The predicament of the unemployed is that they represent a minority in a country's total population. If unemployment is inherent to the market system then every effort must be deployed to make it for the individual as shortlived and painless an experience as possible.

FOOTNOTES

1. OECD: Organization for Economic Co-Operation and Development.
2. OECD 1978 Study giving part of GNP devoted to manpower programs and unemployment figures for various countries.
3. In fact, the attainment of a 4 percent unemployment rate by 1983 was the goal of the Humphrey-Hawkins Full-Employment and Balanced Growth Act of 1978. The other goal under the Act was to reduce inflation to 3 percent. These projections seemed realistic in 1978. Neither of them materialized.
4. Current Economic Analysis, Statistics Canada, October 1983, p. 7, Supply & Services Canada.
5. Labor Force Information, Statistics Canada, January 1987, Supply & Services Canada.
6. The Handbook of Basic Economic Statistics, monthly supplement August 1986, Vol. 40 No. 8 Economic Statistics Bureau of Washington, Washington D.C.
7. Bulletin of Labor Statistics, International Labor Office, Geneva 1986-2
8. The section on the New Deal is based on Broadus Mitchell's work "Depression Decade: From New Era through New Deal" The Economic History of the United States (New York: Rinehart & Company, Inc. 1947).
9. Benefit-cost ratios - Benefits are calculated as the increase in the graduates' annual income after training, projected over their working years to retirement and discounted at 10 percent; costs include costs of purchasing courses, production foregone as a result of the trainee's absence from the labor market, government overhead, and the trainee's expenses associated with the training. (Gunderson:1976)
10. This section is based on Garth L. Manquim's work entitled MPTA: Foundation of Federal Manpower Policy (Baltimore: The John Hopkins Press, 1968)

11. "The cost-benefit studies have been of two types: (1) those which compared the pretraining and post training employment and earnings of samples of MDT trainees and estimated the time period necessary for them to repay the public investment in the form of higher earnings and tax payments, and (2) those which compared the post-training employment and earnings of those completing training with comparable control groups who were not trained."
(Mangum: 1968; 126)
12. Except where otherwise indicated, this section is based on W. Mirengoff and L. Rindler's book The Comprehensive Employment & Training Act (Washington, D.C.: National Academy of Sciences, 1976)
13. Again, except where otherwise indicated, this section is based on W. Mirengoff et al's book CETA Accomplishments, Problems, Solutions (Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 1982)
14. BLS: Below living standard.
15. OMB poverty level: Poverty level determined by the Office of Management and Budget.
16. This section relies mainly on Helen Ginsburg's book entitled Full Employment and Public Policy: The United States and Sweden (Lexington, Mass.: Lexington Book, 1983)
17. Geoffrey K. Ingham Strikes and Industrial Conflict (London: MacMillan, 1974)

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APPENDIX I

Job Creation and Wage Subsidy Programs of the 1970s and early 1980s in Canada

Opportunities for Youth Program (OFY) Campus unrest during the preceding school year and the prospect of a high rate of unemployment among students during the summer of 1971 prompted the government to create this program. Funds were made available to students from areas affected by unemployment to develop and implement innovative projects for the provision of community services. (Goldman:1976)

Local Initiative Program (LIP) was inaugurated in 1971 first to remedy seasonal unemployment during the winter months and later reduce unemployment in certain areas. It was financed by the federal government and was operated with a minimum of government intervention. It was an invitation to municipalities, private organizations and individuals, even the unemployed, to create and implement projects generating temporary jobs for the seasonally unemployed and improving a community by supplying it with new facilities or services or by utilizing untapped resources. (Goldman:1976)

Local Employment Assistance Program (LEAP) This was an experimental program instituted in 1972 for the chroni-

cally unemployed, such as the native people, ex-offenders and the socially, mentally or physically disabled. Under such a program the government approached provinces, municipalities and social agencies to devise work projects which would likely become commercially viable, and enable the chronically unemployed to acquire saleable skills and participate in the labor market. (Goldman:1976)

1977 new programs: The Canada Works Program which replaced the Local Initiative Program, the Young Canada Works Program which formed part of the Student Summer Employment and Activities Program, under which established organizations were able to sponsor employment generating projects during the summer months to meet community needs in some areas, and the Summer Job Corps, another component of the Student Summer Employment & Activities Program. This program enabled federal departments and agencies to create short-term jobs providing young people, primarily students, with challenging work experience for career and education development. (Department of Manpower & Immigration 1976-77 annual report)

Wage subsidy programs of 1978: The Job Experience Training provided young people with 26 weeks of work experience to facilitate their entry into the labor market. Participating employers received a wage subsidy

and had the opportunity to evaluate these young people before hiring them permanently. The Job Exploration by Students Program exposed secondary school students to employment and enabled them to make an informed and realistic career decision between continuing their education or entering the labor market. Finally, the Employment Tax Credit Program allowed a tax credit to employers in the private sector who expanded their workforce by hiring unemployed persons to fill newly-created jobs. (Department of Manpower & Immigration annual report of 1978-79)

1980 new employment development programs: The Canada Community Development Projects created jobs in areas of severe unemployment, the Canada Community Services Projects supported employment in the voluntary and community social service sector, the Local Economic Development Assistance was a public project designed to stimulate private sector employment through local enterprise development in the community, and the New Technology Employment Program created jobs for highly educated graduates in scientific and technical fields who could not find employment in their disciplines. (Department of Manpower & Immigration 1980-81 annual report)

Fiscal 1983-84 was a year of consolidation. Twelve job creation programs were reduced to four major programs, that is Canada Works Local Employment Assistance and Development, Career Access and Job Corps. Career Access was a wage subsidy program designed to provide employment opportunities for the inexperienced, the disabled and others facing barriers to employment. Job Corps was a program to help disadvantaged persons acquire necessary preparation and employment-related skills. Communities and the private sector or sponsors were to initiate projects which provided counselling, work orientation, employment experience and other support to the disadvantaged. It was up to the sponsors to plan the participants' activities, establish performance standards and measurable goals. Upon graduation Job Corps participants could join Career Access to gain entry to the labor market. (Department of Manpower & Immigration 1983-84 annual report)

APPENDIX II

Other Manpower Programs of the 1960s and early 1970s in the United States

Job Development Programs:

Job Opportunities in the Business Sector (JOBS) 1968 This program was operated jointly by the federal government and private sector employers to hire, train and retrain the underprivileged. It appeared to be a short-term employment generating program. (Ferry et al.:1975)

Public Service Careers (FSC) 1970 Contrary to other manpower programs, FSC provided work experience for the disadvantaged in local, state and federal government agencies. Its purpose was also to meet the growing human resources demand of the public sector. (Ferry et al.:1975)

Apprenticeship Outreach Program (AOP) This program was financed with MDTA funds and operated by community-based organizations, civil rights groups and trade unions under contract with the Department of Labor. Its role was to help young people from minority groups to qualify for apprenticeship by providing them with information and tutoring. (Ferry et al.:1975)

Public Employment Program (PEP) 1971 This was the first job creation program since the public works program of the 1930s. The federal government subsidized states and

local governments to hire the unemployed in transitional public service jobs in the fields of education, transportation, environmental quality, health care and public safety. (Perry et al:1975)

Employability Development Programs:

Opportunities Industrialization Centers (OIC) 1964 This program offered outreach, counselling, prevocational training and job placement but no allowances were given to trainees. It was a community-based project which operated mostly with funds from the federal government through the Department of Labor and the Department of Health, Education and Welfare, and the Office of Economic Opportunity. There was no specific length of training as training depended on the availability of jobs in the local labor market and could be completed on the job. The majority of participants came from the black community and minority groups. OIC was located mainly in urban areas. (Perry et al:1975)

Concentrated Employment Program (CEP) 1967 This program was created to provide a "multiple set of remedial manpower services" due to the other programs' inability to lower unemployment in certain poverty areas throughout the country. Its main services consisted in outreach, counselling, prevocational training and job development.

It drew funds from MDTA and the Economic Opportunity Act of 1964. (Ferry et al:1975)

Work Incentive Program (WIN) 1967 The purpose of this program was to help the recipients of Aids to Families with Dependent Children (AFDC) become economically independent. Its major services were orientation, remedial education, vocational training, placement and follow-up. The program was revised in 1972. WIN II emphasized job placement. A tax credit of up to 20 percent of the first year's wages of WIN hires, was granted employers as an incentive and the government paid 90 percent of the training costs. Welfare recipients were enjoined to avail themselves of this program. When they did, they benefited from a declining tax on earnings and were allowed to keep the first thirty dollars of monthly earnings plus one third of additional earned income without losing welfare benefits. Local manpower agencies and local public welfare agencies administered the program jointly. (Ferry et al:1975)

Job Corps 1964 Created under the Economic Opportunity Act of 1964 this program concentrated on disadvantaged youths 16 to 21 years of age who experienced great difficulty in finding a job. Job Corps was operated by government agencies and private industry, and offered counselling, basic instruction, high school instruction

or the equivalent, skill training, work experience and placement. The program leaned more towards remedial education than intensive training. (Ferry et al:1975)

Neighborhood Youth Corps (NYC) 1964 Among the programs receiving federal assistance NYC was second only to MDTA. It was created under the Economic Opportunity Act of 1964 and aimed at keeping young people in school or at helping school drop-outs. It provided job market orientation, work experience and for school drop-outs skill training. (Ferry et al:1975)

Operation Mainstream (OM) 1967 This was a small manpower program designed to give jobs and work experience to older persons in local beautification projects and other activities intended to improve the quality of life in the community. The program was a vehicle for income transfers and enabled the elderly to become to a certain extent economically independent. (Ferry et al:1975)

TABLE III
 Economic Impact of Manpower Programs
 MDTA
 Pre- And Post-Training Annual Earnings of Trainees

Study	Training Type	Training Year(s)	Income		Change
			Pre-	Post-	
Hardin and Borus	INST	1960-1963	-	-	1,524
Muir et al	INST		2,296	3,634	1,338
	OJT		2,652	3,860	1,208
Farber	INST	1964	978	2,306	1,328
	OJT	1964	1,500	3,140	1,640
Prescott and Coolley	INST	1967	1,740	3,357	1,617
	OJT	1967	2,157	4,083	1,926
MDTA Outcomes	INST	1969	-	-	1,876
	OJT	1969	-	-	1,614
Four City	INST	1969-1970	2,000	3,100	1,100

Source: Perry, Chas. R. et al. The Impact of Government Manpower Programs (Philadelphia: The Wharton School, University of Pennsylvania, 1975), p.47

TABLE IV

MDTA
Median Hourly Rate of Trainees
Pre- and Post-Training.

Termination Time Span	Enrollee Wage Rates					
	Institutional			On-the-Job		
	Pre-	Post-	Change	Pre-	Post-	Change
1962-1965	\$ 1.44	\$ 1.74	\$ 0.30	-	-	-
1965-1966	1.44	1.73	.29	-	-	-
1967-1968	1.55	2.04	.49	\$ 1.74	\$ 2.29	\$ 0.55
1969	1.77	2.15	.38	1.82	2.19	.37
1969-1971	-	-	.48	-	-	.36
1971	1.93	2.23	.30	2.13	2.44	.31
1972	2.07	2.25	.18	2.52	2.68	.16

Source: Perry, Chas. R. et al., The Impact of Government Manpower Programs (Philadelphia: The Wharton School, University of Pennsylvania, 1975), p. 169

TABLE V

Job Entry Rates by Activity, CETA Title IIB/C, Title IID, and Title VI, Fiscal 1980
(Percent of terminations)

Termination status	Classroom training		On-the-job training Title IIB/C	Public service employment	Work experience		
	Occupational skill	Other			In school	Other	Service only
Total: Number	156,754	58,536	68,860	c	104,096	83,924	73,744
Percent	100	100	100	--	100	100	100
Entered employment	44	34	63	--	5	36	58
Private sector	36	29	57	--	4	23	51
Public sector	8	5	6	--	1	13	7
Other positive terminations	16	25	4	--	76	21	13
Nonpositive terminations	40	41	33	--	19	43	29
Title IID							
Total: Number	6,774	2,684	c	197,816	2,104	5,400	5,465
Percent	100	100	--	100	100	100	100
Entered employment	34	23	--	36	9	24	30
Private sector	27	19	--	14	2	16	25
Public sector	7	4	--	22	7	8	5
Other positive terminations	20	29	--	8	50	29	16
Nonpositive terminations	46	48	--	56	41	47	54

TABLE V
 Job Entry Rates by Activity, CETA, Title IIB/C, Title IID, and Title VI, Fiscal 1980
 (Percent of terminations)

Termination status	Classroom training		On-the-job training Title VI	Public service employment	Work experience		
	Occupational skill	Other			In school	Other	Service only ^a
Total: Number	2,054	-	-	188,567	-	3,732	2,136
Percent	100	-	-	100	-	100	100
Entered employment	48	-	-	35	-	7	40
Private sector	42	-	-	14	-	4	30
Public sector	6	-	-	21	-	3	10
Other positive terminations	12	-	-	6	-	68	15
Nonpositive terminations	40	-	-	59	-	25	45

- a. Includes employment services such as intake, counseling, referral to employers, and/or supportive services such as health care, transportation, child care, etc.
- b. Excludes transfers to other CETA titles.
- c. Number of terminations 2,000 or fewer.

Source: Mirengoff, E. & Rindler, L., The Comprehensive Employment & Training Act., (Washington, D.C.: National Academy of Sciences, 1982). pp. 296-297

TABLE VI

New Enrollees, Terminations, and Job Entries, CETA Title I (IIB/C), Title II (IID), and Title VI, Fiscal 1975-1980

(thousands)

Fiscal Year	New Enrollees ^a			Terminations ^b			Job Entries					
	Title I (IIB/C)	Title II (IID)	Total VI	Title I (IIB/C)	Title II (IID)	Total VI	Title I (IIB/C)	Title II (IID)	Total VI			
Total	6,449	1,397	2,021	9,871	5,931	1,150	1,999	9,080	2,216	331	553	3,100
1975	1,126	227	157	1,510	553	71	34	658	176	17	10	203
1976 ^c	1,553	324	381	2,258	1,670	216	469	2,355	505	49	94	648
1977	1,119	165	432	1,716	1,049	261	162	1,472	409	46	55	510
1978	965	101	556	1,622	1,007	100	531	1,638	450	38	162	650
1979	891	348	346	1,585	875	220	521	1,616	388	93	146	627
1980	795	232	153	1,180	777	282	282	1,341	288	88	86	462

- a. First-time enrollments for each title. Includes transfers from other titles.
- b. Includes transfers to other titles of CETA.
- c. Includes transition quarter (July-Sept. 1976).

Source: Mircengoff, M. & Rindler, L., The Comprehensive Employment & Training Act., (Washington, D.C.: National Academy of Sciences, 1982), p. 301

TABLE VII

Labor Force Status of CLTA Terminées by Program Activity
3 and 12 Months After Termination a.

Labor force status	Program Activity					
	All activities	Classroom training	On-the-job training	Adult work experience	Public service employment	Multiple activities
	(Percent of terminées)					
3 months post-CLTA						
Total	100	100	100	100	100	100
Employed	52	46	64	52	54	44
Unemployed	26	32	21	26	23	30
Not in labor force	21	22	16	22	23	26
12 months post-CLTA						
Total	100	100	100	100	100	100
Employed	60	54	68	56	64	57
Unemployed	21	25	20	22	16	24
Not in labor force	19	21	12	22	20	19

a. Persons who entered adult-oriented C.T.A programs during fiscal year 1976 and who had been out of CLTA at least 12 months.

Source: Mircngoff, E. & Rindler, L., *The Comprehensive Employment & Training Act*, (Washington, D.C.: National Academy of Sciences, 1982) p. 304

TABLE VIII
 1977 Earnings Gains of CETA Trainees in Excess of Earnings Gains of Comparison Group
 by Level of Preprogram Earnings and by CETA Program Activity

Preprogram earnings group	All	Program activities				Work experience	Multiple activities
		Classroom training	On-the-job training	Public service employment			
All groups	\$300 ^a	\$350 ^a	\$ 850 ^a	\$250 ^b	\$-150	\$350 ^c	
Low earners	550 ^a	600 ^a	1,300 ^a	900 ^a	0	550 ^b	
Intermediate earners	50	0	450 ^a	0	-200	250	
High earners	-50	250	300	-250	-800 ^c	100	

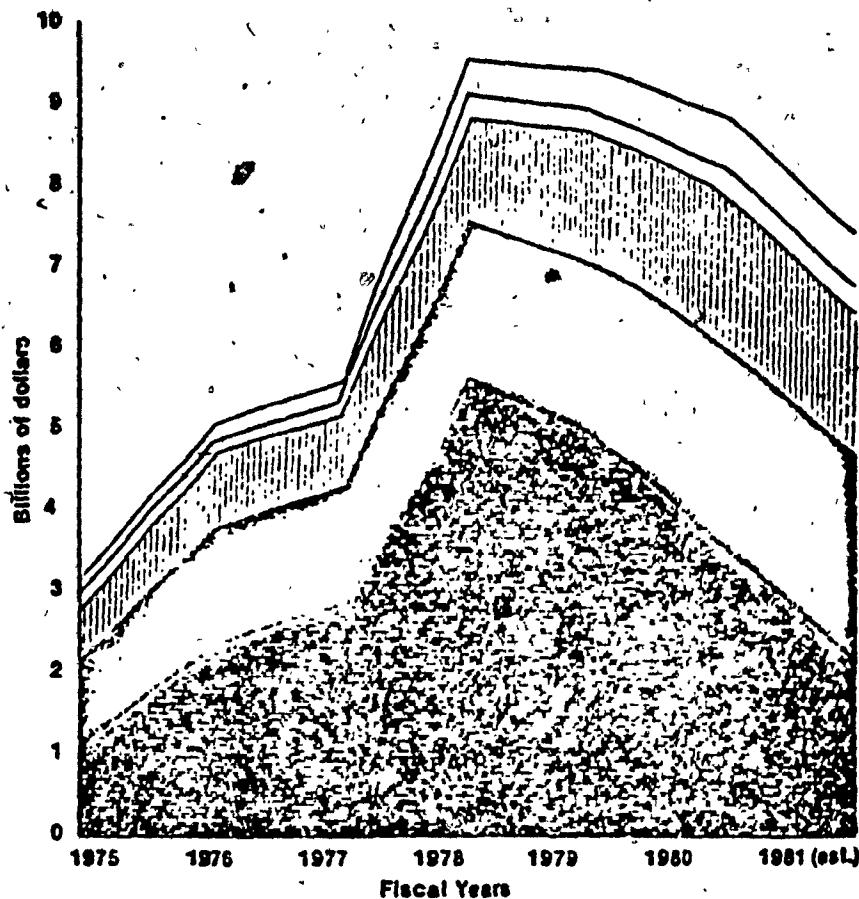
NOTE: This table covers fiscal 1976 CETA enrollees who terminated before December 1976 excluding direct referrals to jobs, persons not assigned to a program activity, and summer youth enrollees. Figures not adjusted for Social Security noncoverage.






Level of significance:

- a=significant at the 0.01 level
- b=significant at the 0.05 level
- c=significant at the 0.10 level

Source: Mirengoff, E. & Rindler, L., The Comprehensive Employment & Training Act., (Washington, D.C.: National Academy of Sciences, 1982) p.307.

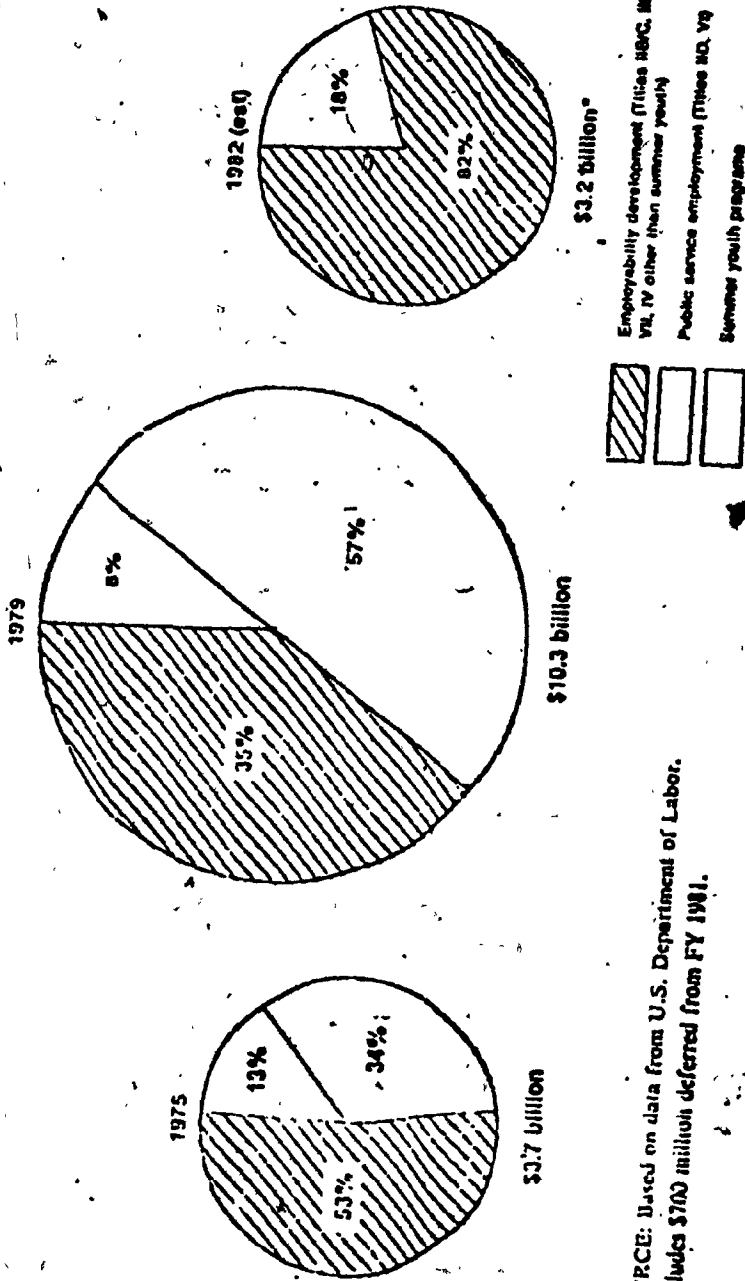
CETA Outlays by Program Approach



-  Labor market services and program direction
-  On-the-job training
-  Institutional training
-  Work experience
-  Public service employment

SOURCE: Office of Management and Budget data.

Program Transformation, Fiscal 1975-1982
CSTA Appropriations



SOURCE: Based on data from U.S. Department of Labor.
*Excludes \$700 million deferred from FY 1981.