



The Promotion of Full Employment in Switzerland

Switzerland has faced serious problems of employment adjustment since the outbreak of war in 1939. In the summer of 1941 the Federal Council appointed an Employment Commissioner to prepare measures for providing employment and to co-ordinate and concentrate similar measures taken by the cantons, communes, and private enterprise. In September 1942 the Commissioner issued an interim report on the work already accomplished, in which he also outlined the tasks still to be undertaken.¹ This report is summarised below.

On 29 July 1942 the Swiss Federal Council issued a Decree for the regulation of the provision of employment in wartime. These regulations are based on the principle that the Confederation, in co-operation with the cantons and private enterprise, shall take steps to prevent unemployment in so far as private enterprise is not in a position unaided to offer adequate employment opportunities. A general plan is to be drawn up, integrating the regular and emergency works and orders for supplies of public authorities, and, so far as possible, also of private enterprise. The plan is to be drawn up on a long-term basis, to be constantly adapted to changing conditions, and to be extended when necessary. Thus the Federal Council has now embarked on a policy, based on a long-term, carefully prepared plan, not, as hitherto, to combat unemployment that has already occurred, but to prevent the spread of unemployment.

The report notes the existence of a widespread popular opinion that it is the duty of the State to see that everybody has work and income, but points out in this connection that it is the citizens who form the State, and that the monetary resources for any public provision of employment must be obtained from the taxpayers. A policy of subsidy is suitable for certain purposes, but in the long run it does not lead to a real increase in the volume of work. Furthermore, the State will not be in a position to assist industries which are in difficulties over a long period without intervention in their organisation, and this involves the danger of the spreading of State power to more and more fields, and of the increasing restriction of that individual freedom which continues to be the Swiss ideal.

Finally, it is pointed out that the provision of employment by the State has only been fully successful in countries in which the State has taken the whole economic machine under central control and has itself carried out those measures which seemed necessary

¹ *Arbeitsbeschaffung in der Kriegs- und Nachkriegszeit. Zwischenbericht des Delegierten für Arbeitsbeschaffung* (Zurich, Polygraphischer Verlag, 1942). 115 pp.

for the achievement of full employment. If that were done in Switzerland, it would be contrary to the most elementary principles of the Swiss Constitution, namely, the federal structure of the country and the sovereignty of the cantons. In other words, the main task of providing employment must rest with the cantons and with private enterprise.

The first fact to be noted is that in the ten pre-war years unemployment was most serious in the export industries and in the building industry. Within the building industry the fluctuations were most marked in house building, which varied not merely in accordance with demand, but also in accordance with rents and building costs. It is therefore necessary to keep building costs low if the construction of dwellings is to be encouraged.

In the effort to achieve full employment the Government may decide to undertake public works when private building is at a low level; but as this measure could not lead to a revival of private building, it would tend to become permanent, and the increased taxes needed to finance such permanent action would seriously diminish the power of the export industries to compete on foreign markets. A second possibility is to continue the policy of autarky necessitated by the war; but this would mean that Switzerland would have to produce goods which it would be cheaper to obtain from abroad, and would in this case too suffer a decline in the capacity to compete with other countries. The Employment Commissioner comes to the conclusion that the solution of the problem must be sought in the first place in increased exports. But export trade is bound up with import trade, and such a policy may therefore have to be supplemented by a suitable public works policy, in addition to which a certain degree of autarky, at least in agriculture, will probably have to be maintained.

The Commissioner then groups the practical steps that must be taken under four heads:

- (1) Co-ordination of all measures taken to provide employment;
- (2) Planned financing of employment measures;
- (3) Advance planning of all public works and orders for supplies;
- (4) Fuller economic statistics and more detailed observation of the business cycle.

It is most desirable that public works and orders for supplies should be planned in such a way as to restrict them in periods of high employment and expand them in periods of low employment. The measures for their co-ordination should apply not only to works and orders for which public bodies are responsible, but also, in so far as this is technically possible, to those for which private enterprise is responsible. Apart from construction works, the immediate preparation of orders for railway rolling stock, other railway and post office equipment and machinery, and the like, to be given between the end of the war and the revival of export trade, has been requested so as to prevent too sharp a decline in the metal working and engineering industries. Steps are also being taken to ensure

that orders for war material shall not cease immediately on the cessation of hostilities.

So far as financial measures are concerned, the Commissioner supports the view of those economists who urge that in periods of high employment public works should be financed by means of taxes, whereas in periods of low employment they should be financed by loans because only in that way will employment be really increased. Economically, the same result can be achieved if a reserve fund can be accumulated in good times and expended in bad times. Steps have already been taken in Switzerland to achieve this end.

As a result of these preliminary observations the Commissioner outlines two types of practical measures: measures for the encouragement of industry, including agriculture; a plan of public works.

ENCOURAGEMENT OF INDUSTRY AND AGRICULTURE

The principal measures suggested in this part of the programme are intended: (1) to increase exports; (2) to revive the tourist industry; and (3) to promote agricultural production and land settlement.

With regard to the export trade, it is urged that there should be increased research by private undertakings, with financial assistance from the State if necessary; renewal and adaptation of plant and equipment; improved organisation and publicity; and the adoption by the Government of a suitable trade and financial policy.

Various detailed measures are proposed for the encouragement of tourist traffic, and more especially for the rationalisation of the hotel industry, necessitated by the years of crisis through which that industry has passed.

Agriculture is suffering from a shortage of labour and attention is drawn to the importance of finding some solution for the problem of the remuneration of married land workers and for the housing shortage which prevails in rural areas. Finally, proposals are made for increased land settlement and for the provision of small holdings for industrial workers.

PUBLIC WORKS

Previous employment programmes have frequently been criticised on the ground that they were largely confined to reviving building activity, in reply to which it has been urged that such a revival is in general the best method of ensuring a maximum increase in employment opportunities. But an examination of the present Federal and cantonal programmes shows that the criticism is no longer justified.

So far as public works under the control of the Confederation are concerned, a long-term programme has been elaborated covering road and railway construction, works to facilitate air travel, the improvement of inland navigation, works required by the postal, telegraph, and telephone administration, the expansion of hydro-electric installations, agricultural land improvement works, forestry development, and defence works. No detailed information is yet available on the last of these items. Most of the plans are intended to be carried out over a period of about ten years. On the other

hand, part of the work (which amounts, for example, to about two-thirds in the case of the Federal railway plans) can be deferred or accelerated according to the situation on the labour market at any particular time.

The estimated total expenditure on the various Federal plans is as follows:

	Million francs
Main roads	540.4
Mountain roads	255.0
Railways	1,076.7
Air travel facilities	200.0
Inland navigation	252.6
Postal, telegraph and telephone works	424.4
Hydro-electric installations	405.2
Lake and river works	77.0
Land improvement works	800.0
Afforestation	12.0

In addition to the above, the cantons were also asked to draw up plans of public works to be carried out over a period of three to five years. Those plans are estimated to cost 1,683.6 million francs in all.

The total estimated cost of all the above plans is thus 5,726.9 million francs.

In September 1942, when employment was at a high level, fears were nevertheless expressed that there might soon be a shortage of materials, and, to meet this contingency, preparations were made for works which could be put in hand without delay at any time.

FEDERAL SUBSIDIES

A good deal of detailed information on methods of financing is given in the report. While it is not possible to deal with most of this information in the present brief summary, there is one point, however, which raises a question of principle, namely the general policy governing the payment of subsidies by the Confederation to other public bodies and in certain cases to private enterprise.

Regular subsidies are paid by the Confederation with a view to a partial equalisation of the financial burden as between different cantons or other bodies responsible for the works. It is now proposed, however, that regular works should as far as possible be paid for by the various bodies concerned, including private undertakings, and that the Federal subsidies should be restricted to extra work undertaken in periods when the labour market situation renders such extra work desirable. If this policy is carried out, the Federal subsidies will act as a stimulus to the bodies concerned to carry out work in periods of low employment. On the other hand, in periods of high employment, it is important to defer all work which is not immediately essential, and the withholding of the Federal subsidy would materially contribute to that result.