

Employment Policy in Sweden

by

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The author of the present article argues that an active employment policy can be used—and has been used with some success in Sweden—to maintain full employment without inflation ; the essence of such a policy, in his view, is the speed and vigour with which it can be applied and its adaptability to the prevailing situation. He proceeds to describe the machinery of employment policy in Sweden and the various measures at the disposal of the national employment service including those to encourage labour mobility, to increase or reduce the demand for manpower, and to influence the location of industry.

IN the last five years Sweden's employment policy has been more active than ever before and has taken on several fresh features. The new "selective" approach to manpower problems is now regarded as an important and an integral part of our economic policy: aimed at bringing the country closer to such objectives as full employment, stable money values and a rapid rate of expansion, it supplements the action—of wider effect—taken as regards finance, currency and credit. Employment policy has been enlisted in the service of economics to a much greater extent than ever before.

THE THEORETICAL BASIS OF AN ACTIVE EMPLOYMENT POLICY

The theoretical basis of an active employment policy may be summarised as follows. In a full employment society the demand for goods and services is very high; people have plenty of work, they earn good money and have a high purchasing power. In this situation it pays to increase production; undertakings seek to expand their plant and to invest more capital. The community is obliged to follow suit because public works—streets and roads, homes and schools, railways and communications, water power, etc.—form the essential infrastructure of industrial and economic expansion.

This situation induces a powerful demand for manpower—so powerful that in most cases it cannot immediately be met. Excess demand causes an upward movement in actual earnings and then a rise in wage rates that is usually out of proportion to the rise in output. The enhanced activity also leads to higher profits for undertakings, expanded business and¹ a still greater demand for manpower. The effects of this process are also felt in the form of higher costs, higher prices and a depreciating currency. If the level of costs rises too sharply the export industries, with their prices increasing, find it hard to compete with other countries; a fall in exports may result, and this will threaten both the level of employment and the standard of living. A currency reserve, however large, can only help to provide a temporary escape from this dilemma. To ask the trade union movement to contain wage demands is no solution either, for in a free wage market it cannot be the function of trade unions to restrain their members from making claims, and any union which did so would soon lose its strength and their respect. Inflation must nonetheless be counteracted; but the right way, an effective way, of intervening has to be found.

It must be, primarily, the State's concern to resist inflation by an appropriate economic policy. When business activity approaches the level which will cause a big demand for manpower, rapid action has to be taken to reduce the temperature of economic life: there will be little alternative to extensive intervention in credit, currency and financial policy, i.e. tighter credit, dearer money and limited public expenditure. If the counter-inflationary policy is seriously meant, these measures must be taken on such a wide scale that they put a brake on economic activity and the excess demand for manpower is reduced or disappears. But this in turn almost always leads to lay-offs and dismissals in some undertakings, some trades and some localities, i.e. to a threat of unemployment which cannot be tolerated in a full-employment society. To meet this particular problem by immediately reversing financial, money and credit policy or by taking fresh general action to stimulate the economy would soon lead to a new wave of inflation, and is therefore out of the question. There is thus only one escape—to retain a tight economic policy at the general level and, to attempt to provide other work for those threatened with unemployment, using "selective" measures intended for the unemployed alone; these include helping unemployed workers, in accordance to their needs, to find jobs in other occupations or localities, and creating new employment opportunities in the areas affected by unemployment. This requires practical measures both to increase geographical and occupational mobility, and to create employment or influence its location. Both are indispensable.

An active employment policy may be defined as "measures which affect labour as a factor in production and are so varied, so individualised as—in time—to fit every single person on the employment market". If economic policy operates through employment policy and uses selective measures on the employment market to supplement more permanent and general action, it may well create economic equilibrium while retaining full employment. This has been the objective in Sweden, to a greater extent than formerly; and some success has been achieved.

THE NEED FOR AN ACTIVE EMPLOYMENT POLICY

The need for an active employment policy arises in a number of fields, some of which will be discussed below.

Effect of Technical Development on Employment

Technical development nearly always leads to a saving of manpower at some point in the production process, so people often regard it as a calamity, and there are many instances in which unemployment has been attributed to techniques requiring less and less manpower.

Technical discoveries are conquering the world; we live in the age of automation. The debate on the rapid progress of technology still ranges between gloomy pessimism as to the fate of the workers and light-hearted optimism about a new and better world; yet we know that technical development is not a calamity and need not cause unemployment if the link between this development and the employment market is controlled by the right means. An active employment policy is the foremost of these.

The essence of the whole problem of technical development and manpower is the prevailing level of employment and employment policy. Technical development never creates unemployment if the demand for goods and services is kept so high that the new products can also be sold. In other words, in a full-employment society there is no risk of unemployment from technical development: on the contrary, such development strengthens full employment. But in a society with substantial unemployment technical development which saves human labour does appear also to create unemployment. (The margin between the two types of society may not be very great; it may be a matter of only a few per cent. more or less, as the difference between daily unemployment in the United States and in the European "full employment" countries shows.) But technical development only *appears* to create unemployment. Some countries complain that automation results in unemployment—but they are precisely the ones which already have it. The full-

employment countries make no such complaint. However, unemployment is not caused by automation itself ; it arises from the failure of some countries to maintain full-time activity for their whole working force. Not to introduce automation, in the hope of avoiding unemployment, is no solution. After all, automation is not introduced to cause trouble, or because an undertaking wants redundancy for its own sake ; an undertaking usually automates because of urgent economic necessity, because it must do so in order to survive.

Technical development and full employment go hand in hand to the advantage of both, because technical development, by increasing output and raising standards, creates new needs, new demands for manpower. But this applies only in a full-employment society ; and to create and retain full employment is an economic, not a technical problem. Full employment can exist under various technical conditions and at various technical stages, but its creation is purely a problem of political economy which the community is responsible for solving.

But even in a full-employment society with a big demand for manpower, labour does not move so smoothly and easily that the manpower problems of automation solve themselves. Manpower is not perfectly mobile, whether geographically or occupationally, and society must try to help workers to adjust themselves to the employment market conditions resulting from technical development. There must be a stimulus from society to transfer manpower freed in one area by technical development to another area where there is a new demand. This push towards adjustment also leads to a swifter utilisation of the benefits of technical development for the greater good of people, and technical change can proceed more rapidly. A society which can hasten the adjustment of manpower to technical change will also gain a technical lead over other countries. What are needed, above all, are concrete measures of employment policy designed to increase the geographical and occupational mobility of manpower or to move capital to where the manpower is to be found.

The Bigger Market

All over the world there is an effort to create bigger common production and consumption areas where goods, capital and manpower can move freely from one country to another. These efforts will not leave the employment markets of the small countries—including Sweden—untouched, since they are already very dependent upon foreign markets ; indeed, more complete integration will lead to an even larger measure of dependence. Stiffer competition will result in a redeployment of undertakings and manpower, which

will require adjustments on the part both of management and of labour. Some undertakings will not be able to hold their own and may be forced to go out of production and dismiss their manpower. Others will be able to sell still more and will be prepared to increase their production and hire more manpower. This is where active employment policy enters the picture as an important means of solving the adjustment problems that will result from increased competition caused by bigger markets. Whether the world will be able to profit by the great benefits of the international division of labour will largely depend upon the efficiency of employment policy, the main features of which are geographic mobility of manpower, increased training and retraining and a policy for the location of industry that is well adapted to prevailing conditions.

Aid to Developing Countries

An active employment policy in the industrialised countries can make a great contribution towards aid to the developing countries. If we seriously mean to help the developing countries there is, in the long run, no better and more flexible way than for the rich industrialised countries to try to start normal trade with these countries as soon as possible. In other words the industrialised countries will have to buy the goods of the developing countries, if these are better and cheaper, even though they may have been manufactured by cheap and often exploited manpower. The consequence for the industrial countries might well be that their production will not be able to compete with the cheaper products manufactured in the developing countries. But these consequences will have to be accepted, and appropriate employment policy measures adopted to solve the consequent problems of adjustment arising in industry and on the labour market.

The Swedish trade union movement has long been in favour of establishing normal trade relations with the developing countries, even if this would temporarily be to the detriment of its own members. Rather than customs duties and other means of protection against cheaper foreign goods it has called upon the State to pursue an energetic employment policy to facilitate the adjustment process and alleviate the effects of freer trade. This is an unusual policy to come from trade union quarters, but a policy deserving the highest mark in international life.

Structural Changes in the Economy

Structural changes are rapid in a swiftly expanding economy. All industrial countries provide models for the study of such changes. Mechanisation and rationalisation are swiftly reducing the demand for manpower in primary producing sectors such as

agriculture, forestry, fishing and mining. The surplus manpower in these sectors is transferring to industry and the services. Even industry is being swiftly mechanised and rationalised, and in many industrial countries the demand of industry for manpower is not expected to grow much further. It is in the services sector, with its many branches, that the demand for labour will expand.

This trend can also be taken as a measure of rising standards, for prosperity is largely expressed in terms of increased demand for modern services. Technical development makes it possible to increase production with less manpower; this means that the workers will have more leisure time, and people's demand for more leisure-time consumption will lead to a bigger need for manpower in the leisure-time industries. Travel and tourism will flourish; the expanding societies will be able to afford more social welfare for their inhabitants, and the social welfare occupations will expand; training and education will need more and more manpower; and increased production will need more manpower for distribution, etc.

All this raises specific demands for increased mobility—above all for occupational mobility and for the training and retraining of manpower for professions which the employment market of the future will need. These structural changes can be accelerated and facilitated by an active employment policy, flexible and well adapted for the purpose.

But simultaneously with this trend towards an ever-increasing proportion of manpower in the service sector, there is a trend towards the geographical concentration of economic life. This is caused by the simple fact that manpower is primarily needed in industry and the services, and that where these are established densely populated areas will be formed. The expansion of urban economies and the backwardness of the countryside are the underlying causes of this concentration. But above and beyond this there is another trend that leads to larger, densely populated areas, namely the trend towards the concentration of undertakings into larger units under the pressure of technical development (techniques can better be utilised in large units) and of stiffer competition in world trade, which forces undertakings to reduce costs by amalgamating.

This concentration of industry requires greater geographic mobility on the part of manpower, and can be speeded up and made more efficient through measures of employment policy designed to stimulate mobility.

On the other hand, in order to counteract excessive concentration in the largest densely populated areas a number of countries have adopted an active policy of decentralisation aimed at spreading

economic activity over a larger number of areas. Such a policy, though designed to create a larger number of expanding areas, does not eliminate the need for geographic mobility called for by the decline of the rural economy. Geographical mobility must still be encouraged, even though the movement of manpower will be into a larger number of less concentrated areas.

Utilisation of Manpower Resources

Employment policy measures can also have the effect of improving the utilisation of manpower resources in certain groups, including female workers, aged manpower and the handicapped. Special programmes have been adopted in Sweden for this purpose.

Female Workers.

The number of women workers under 50 is on the increase. Only 24 per cent. of all married women in Sweden are economically active, and an attempt has been made to estimate the further resources still available. Deducting married women over the age of retirement and assuming that mothers with children stay at home until their children have reached the age of 10 to 12 years, and that the upbringing of the children therefore occupies some 12 to 20 years of the mother's working life, it can be concluded that married women are available for wage-earning employment for about half of their working life, or in other words that about 50 per cent. of all married women would be available for employment. Now Sweden has about 1,800,000 married women and, since only 24 per cent. of them (430,000) were wage earners in 1960 (full-time work), the unused resource would amount to 470,000. Considering that the entire labour force of Sweden is 3,800,000, the unused wage-earning potential of women represents a very large wasted asset.

This is the background against which a special programme for women has been adopted. It includes the following measures :

- (1) Training, retraining and further training are to be increased and speeded up. This goes for women of all ages without any age limit. Allowances to be paid by the State during the training period.

- (2) Opportunities for part-time work are to be increased by means of directives to the public authorities to make such employment available and by propaganda among private employers.

- (3) Occupational guidance for women will be intensified and directed towards an "equalisation of female and male occupations". In this connection an inventory is being made of traditional male

occupations which might be suitable for women. Biotechnological research is being undertaken to establish different conditions for "male and female occupations". The equipment of the vocational training schools is under study, as well as the practical possibilities of admitting women to training courses not traditionally intended for women.

(4) The capacity of day nurseries, nursery schools and family day homes for children of wage-earning mothers will be increased.

(5) The entire employment office organisation will be put at the disposal of women seeking employment.

Older Workers.

The proportion of older workers in the Swedish labour force is increasing. In 1950 workers over 50 represented 25 per cent. of the total; by 1960 this proportion had risen to 30 per cent., and it is expected to be somewhat higher in 1970. At present persons over 50 are estimated to number some 2,600,000 as against 1,800,000 in 1950. At the same time there is noticeable reluctance on the part of employers to engage older workers. Investigations have shown, however, that older workers can be just as efficient as younger ones and that it can be just as profitable to employ them.

A suitable employment policy can lead to the better utilisation of older workers, and the programme for these workers in Sweden includes the following measures:

(1) Employment offices maintain an inventory of jobs suitable for older workers in close consultation with the employers. Exchanges of experience in this field are organised.

(2) The personnel departments of undertakings are encouraged to bear in mind the possibility of employing older workers.

(3) Older workers are given the opportunity of employment on a trial basis, the cost of the probationary period being borne in whole or in part by society.

(4) Employment offices are responsible for investigating the possibilities of part-time work for older workers.

(5) Training, retraining and further training for older workers are being expanded, and training courses specially adapted to their ability to learn are being provided.

(6) All age limits for work and training have been abolished.

(7) The entire employment office organisation has been mobilised for a solution of the problem of older workers. The larger employment offices have officials specially responsible for the co-ordination of measures in favour of older workers.

Handicapped Workers

In the employment market workers are always to be found who, because of various handicaps, cannot be employed unless special measures are taken. In Sweden handicapped workers are estimated to represent about 2 per cent. of the total labour force. This proportion, so far from diminishing, has tended to increase in recent years, owing in part to the greater number of traffic accidents. Experience has shown that with suitable rehabilitation the overwhelming majority of handicapped workers can be productively employed, and that employment policy plays a significant part in this rehabilitation. The special programme adopted in this field in Sweden aims, in particular, at—

(1) detecting the need for special measures as early as possible by means of close co-operation between the employment service and sickness funds, hospitals, social institutions and the organisations of the handicapped ;

(2) providing vocational guidance and aptitude testing for the handicapped, and expanding research into work analysis and work physiology ;

(3) expanding facilities for occupational testing and occupational rehabilitation ;

(4) expanding vocational training and retraining facilities for the handicapped and widening the choice of courses offered ;

(5) increasing the work done by the employment service to keep employers and government services informed of handicapped workers available for employment ;

(6) reserving many more jobs for the handicapped (an estimated total need of 20,000, as against the 5,000 at present set aside for them) ;

(7) organising industrial home work ;

(8) providing more financial assistance for the handicapped.

THE ORGANISATION OF EMPLOYMENT POLICY

The central authority responsible, under the Labour Department, for planning and executing employment policy in Sweden is the National Employment Service. In each county a County Employment Service runs a vast network of local placement offices and representatives.

The National Employment Service

The National Employment Service follows the development of the employment market in the entire country—as well as abroad—

and provides guidance for current employment policies. It is headed by a board consisting of a director-general and assistant director-general, members and deputy members. Among the members two represent the Swedish Employers' Confederation; two, the Swedish Confederation of Trade Unions; one, the Central Organisation of Salaried Employees; and one, the Swedish Confederation of Professional Associations. These members are nominated by their organisations. Two of the other members traditionally represent agriculture and employed women respectively. The members of the board are appointed by the King-in-Council. One or more members are usually also Members of Parliament.

The Secretariat of the employment service is organised in eight bureaux the names and spheres of activity of which are as follows:

(a) The Employment Office Bureau: general employment market and placement office matters; measures against unemployment; further training and retraining; foreign manpower and clearance of manpower with other countries.

(b) The Vocational Guidance Bureau: vocational guidance and placement of young persons; employment and training forecast research.

(c) The Sheltered Employment Bureau: special categories of workers requiring sheltered employment.

(d) The Insurance Bureau: unemployment insurance.

(e) The Location and Research Bureau: research and planning activities; location of industry; statistics; and national defence questions.

(f) The Technical Bureau: measures concerning general works to combat unemployment.

(g) The Finance Bureau: measures concerning the management of funds, auditing and supply.

(h) The Chancellery Bureau: legal and administrative matters; personnel and internal administration; supervision of private placement offices.

County Employment Services

In each county a County Employment Service operates as the regional authority responsible for all employment questions. It follows the development of the employment market within its area and, in accordance with the directives or intentions of the National Employment Service, takes the necessary steps to maintain a balanced employment situation.

Like the National Employment Service, the county employment services are headed by boards. These consist of a chairman and five members, unless the King-in-Council has ruled that there shall be more members on any particular board. One of the members is vice-chairman. Each member, except the vice-chairman, has a personal deputy. The chairman, the members and the deputies are appointed by the King-in-Council for a maximum period of three years on the nomination of the Director-General of the National Employment Service. Three of the members traditionally represent the organisations of employers and workers, and one of the members or the deputies is a woman. The governor of the county is usually appointed chairman.

The county employment services have a secretariat at their disposal, headed by a director, who is responsible for the daily work of the service and also usually acts as secretary of the board.

The county employment services run what are generally called "public placement offices".

Most of the main placement offices and many of the branch offices have special sections for vocational guidance, employment of civil servants and sheltered employment and, in some places, also for employment of seamen as well as of artists and musicians.

The employment service organisation is thus highly ramified. The efficiency of its operation depends upon direct contact with the employment market in every locality in the country. The network of placement offices has therefore been supplemented in the smaller localities by placement representatives who usually have one or two regular reception hours in minor localities. In addition, in some counties officials from the larger placement offices act as itinerant placement consultants, visiting certain localities once or twice a week.

To co-ordinate the activities of the placement offices and make it easier to keep an eye on the entire employment market certain counties have been subdivided into a number of local employment areas.

Ever since they were first created the public placement offices in Sweden have been guided by the same basic principles. Their services are available to all and they offer all types of employment free of charge. They take a completely neutral stand towards disputes between employers and workers, as well as concerning the wages and employment conditions offered or demanded. The aim of the placement offices is to provide employers with the best available manpower and the applicants with the jobs for which they are best suited. It should be realised that the placement office, in any case, only brings together supply and demand, but that the decision to engage or not to engage is the employer's alone.

EMPLOYMENT POLICY MEASURES

The aim of employment policy is to create a balance between manpower supply and demand, and it must therefore be planned in such a way as to influence both demand and supply. The measures at present used in Sweden have been designed to influence both geographical and occupational mobility and to supply employment where surplus manpower is available. Employment policy can likewise influence the demand for manpower by measures to boost employment in periods of seasonal or general business recession ; and it can put a brake, in certain situations, on a demand which might otherwise become excessive. As already mentioned it has the means at its disposal to stimulate a better utilisation of certain manpower resources. Its arsenal, finally, includes measures for vocational guidance and advice, employment market information, employment forecasts, employment market statistics and an advance notice system on the cessation of production and temporary dismissals of workers, unemployment insurance and unemployment assistance.

Geographical Mobility

The most important means of stimulating geographical mobility is more effective placement. As already mentioned the Swedish system is rather well developed geographically and relatively well staffed. Personnel has increased by more than one-third over the past five years (it now numbers 1,500 in a total labour force of 3,800,000). No formal qualifications are required for enrolment on the staff, but previous knowledge—both theoretical and especially practical—of the employment market is considered a merit. Recruits receive 18 months' initial training, followed by frequent refresher courses.

The placement offices handle somewhat more than one million jobs a year, 25 per cent. of them of very short duration. This is estimated to correspond to about one-third of all openings on the employment market during a year. Applicants number about 700,000, a considerable percentage of all those seeking work. These figures would seem to indicate a very high level of activity on the part of the placement services by comparison with most other countries ; yet this activity is not considered to be adequate to ensure a rational balance of manpower supply and demand, and great efforts are made to strengthen the role of the placement service in this field.

The placement offices make up daily and weekly lists of vacancies and use radio, television and prolific advertising in the daily newspapers to keep the public informed of manpower supply and demand.

A telephone information service was introduced recently for the same purpose.

In addition placement offices can now offer a number of financial incentives to encourage geographical mobility. Most of these have been introduced only during the last five years ; they include the following :

Placement offices can pay the travel and removal costs of a worker and his family to a new workplace ; this allowance is payable even though the worker may not have committed himself to accept the job, and only wishes to look over the situation on the spot.

A worker who moves from an area of manpower surplus receives a government grant of 300 crowns (it is proposed to increase this sum to 500 crowns). This grant is payable even for temporary seasonal transfers, but is then somewhat reduced in proportion to the duration of employment.

To stimulate transfers from certain areas—called “pockets of unemployment” in Sweden—an additional special settlement grant of 2,000 crowns is payable if the transfer is permanent. If the worker transferred is a breadwinner who cannot immediately take his family with him—because of a housing shortage in the new workplace—he receives a housing indemnity for a maximum of nine months equal to the rent he is obliged to pay for his family at his old place of residence, and a special monthly allowance of 140 crowns for the wife and 45 crowns for every child under 16 years of age. The allowance for rent is reduced by one-third after three months and by two-thirds after six months. The total financial incentive for a breadwinner with two children is estimated to equal two to three months’ average wages of a skilled worker. If he comes from a “pocket of unemployment” the amount equals three to four months’ wages. This incentive has proved substantial enough to be an effective inducement for workers to leave unemployment areas in order to seek jobs elsewhere. It must be emphasised, however, that it is provided for a clearly defined purpose, and is not available throughout the country, but only in areas with a manpower surplus. Altogether some 10,000 people move each year with the help of such special allowances, representing 15 per cent. only of the total number of workers moving to take up jobs in other places obtained for them through the placement service. In manpower surplus areas, however, the corresponding proportion ranges from 50 to 100 per cent. of the total.

In virtually all transfers the housing shortage is the major obstacle to mobility. In order to ease this situation the National Employment Service is empowered to help the transferred workers in various ways. Unemployment funds have been used to build

houses for workers moving to new jobs with their families (and hostels for single persons). In certain cases expanding communes are granted extra credits (95 per cent. of all dwelling houses in Sweden are built with state loans) on condition that they provide a corresponding number of dwellings for transferred workers. Sometimes such workers are given priority on waiting lists for new housing, especially in the case of key manpower, such as construction workers who are going to build more new housing.

A particular problem faces a number of transferred workers: if they own a house or apartment they must sell it at a reasonable price before leaving. The point is that the value of these dwellings often drops in areas with a declining population. It has now been proposed that in such cases society should intervene, help the moving workers to sell their apartments and assume any financial loss.

Occupational Mobility

Training, retraining and further training are essential if the necessary manpower adjustments are to be made in the face of swift technical change and structural rationalisation.

In the last five years Sweden has increased its retraining capacity to an annual intake of about 1 per cent. of the labour force, or 35,000 people. Retraining is the responsibility of the county employment services. The length of courses varies from a few months to more than 20 months. They are attended by 12 to 15 participants and take place in large centres with more than 300 trainees, as well as in smaller units with only a few courses.

The programmes for the courses are worked out jointly by the employment authorities and the educational authorities in close consultation with the organisations of employers and workers, which thus have an opportunity to influence the curricula. Training is provided by the educational authorities, but recruitment and placement of trainees is handled by the employment service, which also pays the training allowances.

Trainees receive an allowance of 410 crowns per month. Their rents are paid for them in full and they also receive family allowances (for wife and children) on the same conditions as transferred workers under the programme to stimulate geographical mobility described above. The total allowances paid for retraining amounts to two-thirds of the average income of a worker.

Training is now given in almost 100 occupations, and has proved very satisfactory in practice. About 80 per cent. of those trained receive jobs immediately in the occupations they were trained for. Retraining is often combined with removal to another area and is, in fact, concentrated in the manpower surplus areas. On completion of training many workers receive removal allowances.

Retraining is also provided within undertakings, broadly according to the same principles as in the centres. This method is used primarily when new undertakings are set up in manpower surplus areas, in which case retraining is directly adapted to the production of the undertakings concerned. Handicapped workers are also often retrained within the undertaking.

Individual Assistance

One of the aims of employment policy in Sweden is to provide so many alternative means of action that the employment official always has at his disposal something suitable for each applicant. This is particularly important in the case of the handicapped and of older workers.

In addition to the placement service and the training, retraining and further training facilities already described, a wide range of measures are taken to help specific groups of job seekers.

The handicapped are given occupational tests and on-the-job training in special shops organised by the communes, or privately, with state grants. During training, which may last from a few months to several years, allowances are paid by the National Employment Service on the same basis as for retraining. For those who cannot find jobs in the open market work is provided in special sheltered workshops with guaranteed minimum wages. Sheltered workshops are also organised by communes and foundations with the help of state grants for investments in buildings and machinery—about 50 per cent.—and a regular subsidy for operation amounting to 15 per cent. (it has been proposed that this subsidy should be increased to 50 per cent.). A special form of sheltered activity is provided by “records jobs” in central and local government, and in certain cases in private undertakings, which are mainly reserved for older intellectuals.

Handicapped workers who wish to start a business of their own, and are capable of doing so, may obtain an establishment grant of 5,000 crowns through the National Employment Service. Welfare officers attached to the placement offices also do everything possible to help the handicapped to obtain from other sources the means they need to start a business.

To provide older workers who can be neither retrained nor transferred to another area with useful work, a special form of cheaper local public works was instituted a few years ago. These include easier work like clearing and cleaning of parks and forest areas, lighter street and road works, lighter and simpler construction works, certain jobs in museums and libraries, etc. These works are initiated, on the proposal of the local placement offices, by the county employment services. The local authorities receive a 50 per

cent. state subsidy from the National Employment Service for such works.

This wide range of individual means has enabled employment officials to find useful jobs for virtually every applicant.

Vocational Guidance and Advice

An additional way of helping applicants to find their way in an ever more differentiated and complicated employment market is by providing vocational guidance, with objective information and assistance in solving the problems of training and choice of occupation. Guidance is given in direct relation to the employment opportunities available in the country and is based on the free choice of the individual.

Attached for administrative purposes to the placement offices, vocational guidance is provided in close contact with the schools. A large number of pamphlets have been written by the Vocational Guidance Bureau of the National Employment Service, which has also issued a number of publications for various categories of job seekers and students. The main offices of the employment service in each county serve as regional centres for vocational guidance and include a special department responsible for organising and supervising vocational guidance throughout the county. Some of the larger branch offices also have special personnel for vocational guidance, while the smaller offices have part-time liaison officers (often teachers), who help the employment office personnel to deal with young persons seeking advice and assist in the vocational guidance activities of the schools. At the primary-school level specially trained teachers act as vocational guidance counsellors.

Vocational guidance is widely available in the comprehensive secondary schools. In addition to the publications already mentioned, vocational guidance classes are given both by the school-teachers and by the officials of the placement offices. These activities are intensified in the final year of schooling. Individual vocational guidance is provided in close co-operation between the local authorities, the schools and the youth employment office, the last mentioned finding training jobs for school-leavers. Pre-vocational training jobs designed to familiarise students with various occupations are also arranged by the placement offices.

School guidance is often followed by individual visits to the vocational guidance counsellors of the placement office, where more thorough individual attention can be given to applicants. The same service is available to anyone, regardless of age, who wants advice and information on choice of occupation, training and retraining. Consultations of this kind now number about 100,000 a year,

while the schools provide individual vocational guidance for about 60,000 pupils per year.

The Forecasting Institute of the National Employment Service

A special section of the Vocational Guidance Bureau called the Forecasting Institute is responsible for long-term employment forecasts. The Institute consists of a special board, the forecasting delegation of the National Employment Service, and a group for methodological research.

The task of the Institute is to evaluate the future demand for and supply of persons with various levels of training, and to examine the future manpower needs of various branches of the economy as well as the structural changes which can be expected in the composition of the labour force. Its forecasts are used in the planning of training and for vocational guidance; they also form the basis for long-term employment market policy and in certain respects for policy for the location of industry.

The Institute has been functioning for two years. Though many of its forecasts are uncertain—it has to make judgments on developments some 10 years ahead—much of its work has already proved to be of great value.

Employment Creation

A further aspect of employment policy entails measures designed to create employment. Though the general level of employment necessarily depends on monetary and financial policy, it has already been stressed how difficult it is to apply such instruments of policy so exactly that full employment—neither more nor less—will result. There is the risk that they may lead either to underemployment or to an excessive demand for manpower, a factor producing inflation. These general means have therefore to be supplemented by selective methods to increase demand and employment in certain situations and to reduce excessive demand in others. In the process there is an interplay between general measures and selective measures of employment policy, and a very close co-ordination between them is required.

The following measures have been tried in Sweden in order to maintain a steady level of employment, both seasonally and in relation to varying business cycles.

Emergency Works.

Emergency works of many different kinds can be started quickly and ended just as quickly in order to even out fluctuations in manpower demand, both seasonal and cyclical. Financed out of credits at the disposal of the National Employment Service, they

usually consist of construction and public works of various kinds, primarily under the management of the authorities. Investment in emergency works supplements regular investments of the same kind, which are more evenly distributed throughout the year and from one year to another. They are usually made locally and regionally wherever unemployment crops up.

Employment in emergency works varies between 15,000 during the winter and 2,000 to 3,000 during the summer, whereas the range between periods of boom and recession is somewhat narrower (7,000 to 10,000).

The county employment services are responsible for assessing the need for emergency works and may in certain cases put such works in hand on their own initiative ; but, as a rule, the decision lies with the National Employment Service, which can also encourage local works by allocating state credits available for employment stabilisation purposes.

Housing Construction.

Housing construction is used both as a means of general financial policy and for its selective influence on employment. In Sweden 95 per cent. of all housing is built with state loans, and employment in the building industry can thus easily be encouraged or restricted, by easing or tightening housing credit, in order to counteract seasonal or cyclical fluctuations in the level of employment. Each year Parliament fixes the minimum level of building credits but empowers the Government to raise these sums if the employment situation warrants. The housing and employment authorities co-operate closely and allocate the credits regionally in accordance with both employment and housing needs. It is also on their proposal, based on the employment situation, that the ceiling on housing credits may be raised by the Government. The level of housing construction throughout the year is controlled by the county employment services through the issue of special building permits. During the two business recessions of 1958-59 and 1962-63 housing construction was increased to the extent of 10,000 dwellings, which not only transformed the threat of unemployment into an increase of activity in the construction industry but had the effect of maintaining business activity in general.

Investment Funds.

To encourage undertakings to take measures calculated to even out business fluctuations the law provides that they may set aside a certain portion of their profits free of tax for future investment. These reserves must be deposited either in a fund for development of industry or in a fund for the development of

forestry, but at least 46 per cent. of the amount deposited must be placed on a special account in the national bank. In certain years undertakings have been permitted to place the entire sum in the national bank, and special tax concessions have been granted. The deposits are under the supervision of the National Employment Service.

Depositors are free to use 30 per cent. of these reserves for the purposes for which they are intended after five years have elapsed, unless authorised to do so earlier by the National Employment Service or the King-in-Council.

The balance of the funds may be used only subject to special decision as prescribed by the National Employment Service in the light of the employment situation.

Undertakings which draw on their investment funds in accordance with such a decision are entitled to a special rebate on their income tax amounting to 10 per cent. of the amounts withdrawn.

For suitable long-term investments the King-in-Council may authorise the use of investment reserves over a longer period; advance authorisation may even be obtained to use future reserves for similar purposes.

In 1962, according to the tax report for that year, deposits in reserve investment funds under the control of the National Employment Service amounted to about 2,400 million crowns.

During the 1958-59 recession authorisation was granted to use more than 1,000 million crowns, mainly for housing construction but also for roads, forestry, machinery and equipment.

To meet the threat of unemployment in the building industry during the winter of 1962-63 the National Employment Service decided, on 11 May 1962, to permit undertakings to draw on their investment funds for construction projects, provided these were started before 1 November 1962 and that the expenditures involved were committed not earlier than 1 July 1962 and not later than 30 April 1963.

The total expenditure covered by this authorisation amounted to 1,200 million crowns, and it was estimated that about half of this amount would actually be met by withdrawals from investment funds. A sample survey carried out in November 1962 indicated that 9,000 men were employed in these building projects.

In order to counteract the slackening of activity in the engineering and shipbuilding industries, the National Employment Service decided on 30 November 1962 to boost orders for machinery, equipment and ships by permitting undertakings to draw on their investment funds on certain conditions.

The decision in question stipulates that investment reserves may be used for the purchase of machinery and other capital

equipment for which orders are placed before 1 May 1963. In the case of ships, the authorisation extends to expenditure for reconditioning and repairs.

These measures are having their effect ; by the end of January 1963 permission had been granted to use investment funds for the purchase of machinery, etc., to the amount of 195 million crowns.

Public Contracts.

Another means used to maintain the level of employment consists in stimulating industrial activity by means of additional public contracts. This may be done by increasing the regular state appropriations for this purpose with the explicit motive of supporting employment. But the National Employment Service may also place orders, using the special funds available to it, and it is this second method that usually shows the quickest results. Similarly, at the onset of a recession, the employment authorities, in consultation with various other departments, may take steps to speed up the placing of contracts already authorised. Local authorities are also encouraged to place their orders with industries particularly affected by the business cycle. When the employment situation warrants, the National Employment Service is also empowered to subsidise the orders placed by local authorities to an amount of 20 per cent. During the 1958-59 recession several thousand men were employed on the execution of extra orders placed as a result of these various special measures.

* * *

All these measures of employment policy aim at supporting employment by maintaining the general level of investment. To a large extent they are the key to full employment. If they can be maintained the wheels of the economy keep turning and a favourable employment situation prevails, not only as a direct result of investment but also because of its indirect effect on other branches of the economy.

During the 1958-59 recession, these measures were applied (in conjunction, of course, with a reduction in interest rates and easier credit terms) with an effect estimated at about 3,000 million crowns, or between 2 and 3 per cent. of the gross national product. The direct effect on employment is estimated to have amounted to 50,000 jobs, or about 1.5 per cent. of the labour force. Since the indirect effect is likely to have been just as large, it can be said that the measures taken provided employment for 3 per cent. of the labour force, and kept unemployment at a low level.

Three important lessons could be drawn from experience during the recession of 1958-59.

First, it is necessary to use many different means to stimulate employment. It is no use concentrating on any single method or the effect will be one-sided and of little consequence. The measures adopted must be numerous if they are to meet the different needs of the individuals who make up the labour force.

Secondly, the measures must be taken in time. The time factor is often decisive for the effectiveness of the measures adopted.

Thirdly, each measure must be applied with sufficient vigour. A forceful policy is needed if a downturn in employment is to be changed into an increase.

The aims in view cannot be achieved unless there is an ample reserve of suitable projects ready to be put into operation. Hence the great importance of preparatory planning, for which the National Employment Service is responsible. For planning purposes the county employment services assign some of their staff to maintain constant contact with local authorities and private business in order to stimulate and encourage them to plan methodically and thoroughly. They keep an eye on the progress of each project to see that preparations are advanced as far as possible beyond the initial planning stage. Once a project is so far advanced that no more than two months need elapse between the time when authorisation is given to launch it and the actual engagement of manpower, the project is included in the "investment reserve". If longer time is required, the project is not considered ripe for inclusion in the reserve.

To encourage local authorities to plan reserve projects the State pays subsidies amounting, as a rule, to 50 per cent. of the planning costs. At the national level the National Employment Service keeps in close contact with the various government departments and ministries regarding their investment plans.

Each year the National Employment Service prepares a comprehensive plan of the investment reserve ; this is submitted to the Government, and thence to Parliament for approval. The investment reserve includes building and construction works representing more than 1,000 million crowns, or 10 per cent. of the annual investment in such works. It also includes proposals for orders to industry amounting to several hundred million crowns. Parliament decides the size of the investment reserve for the following budgetary year, and approves the various projects or groups of projects, but some latitude is nevertheless left to the National Employment Service to substitute one project for another as the employment situation requires. At the same time Parliament approves credits amounting to 300 million crowns, on which the Government can draw, without consulting Parliament, to launch works included in the investment reserve whenever developments on the employment market so

require. This provides the administration with a flexible instrument for swift action.

Measures to Reduce Demand

The primary task of employment policy is to bring about a balance on the employment market. This means that in certain situations measures may have to be taken to reduce excessive demand for manpower. Such a demand arises in boom periods, especially in a country where the climate causes wide seasonal variations and "overheated" months are likely to occur during the course of the year. Measures against excessive demand for manpower are then urgently needed to prevent inflationary crises.

Restrictive general measures of a financial, monetary and credit-regulating character are, of course, of fundamental importance in such situations. But their weakness is that their effect is slow, and they must therefore be supplemented by more rapidly acting employment policies. These have also been tried in Sweden, especially during the boom of 1960-61.

The very fact that measures previously taken to stimulate employment are withdrawn in time has the effect of reducing demand. It is just as important to do this in good time as it is to take measures to fight unemployment in time, and employment policy has a more rapid effect than any other means.

Emergency works have proved very flexible for this purpose. In a matter of months about 10,000 men can be released from such works in order to satisfy increased demand for manpower elsewhere. The reason for this is that the work projects have been so chosen that they can be completed in a short time or are of such a character that they can be quickly interrupted without difficulty. This is true of forestry works, for instance; larger construction works—roads, water and drainage—can be interrupted for a time and resumed later. Admittedly this may involve increased costs, but the disadvantages are outweighed by the advantages of releasing manpower for other purposes.

Authorisation to draw on investment funds can also be timed so as to have a strong stabilising effect on business cycles. Although a project, once started, is likely to be completed even if the deadline for the use of investment funds is exceeded, because of the considerable tax advantages attaching to the use of these funds, undertakings always make an effort to concentrate most of their building activities during the periods when their use is authorised. Hence the effectiveness of blocking investment funds at the first sign of a boom, a measure that can be taken by a simple decision of the National Employment Service.

During the 1960-61 boom a new scheme was tried out : undertakings which deposited with the investment funds instead of withdrawing from them were granted special additional tax concessions.

Yet another means of regulating manpower demand is to restrict building credits. During a boom the authorities put a brake on further expansion of construction, and endeavour to keep it at the higher level reached during the preceding recession without allowing any marked increases. Because permits for new housing construction are issued by the county employment services, this power can also be used to reduce total demand for manpower.

Excessive demand can also be avoided provided that shortages are not allowed to arise. If the demand for manpower reported can be entirely satisfied within 24 hours no excessive demand will arise, and anything that can be done to meet demand as quickly as possible will thus have a balancing effect. Among the measures applied in Sweden during the 1960-61 boom mention may be made of intensification of labour exchange activities, measures to increase labour mobility especially aimed at transferring people from areas of unemployment (employment service personnel were redeployed for the purpose), and increased efforts to mobilise unused manpower resources such as women, older workers and handicapped workers. Finally, restrictions on the immigration of foreign workers were eased.

All these measures to reduce demand and meet it as quickly as possible were used during the 1960-61 boom. Together with the general measures of monetary, financial and credit policy they are estimated to have reduced manpower demand by about 50,000, and excess demand by a few per cent. Considering the business situation at the time, the measures should have been taken a little sooner and somewhat more vigorously in order to reduce demand still further ; but the policy applied did undoubtedly result in a better economic balance and in smaller price and cost increases than during previous boom periods.

Measures for the Regional Location of Industry

Labour mobility is one of the pillars of employment policy ; but, like many other countries, Sweden has discovered that all workers cannot be moved and that it might be in the interests of society not to depopulate too large areas of the country.

That is why the policy of encouraging labour mobility is accompanied in Sweden by a complementary policy for the regional location of industry—for the creation of new jobs where surplus manpower is available.

This policy is also the responsibility of the National Employment Service and is implemented mainly by means of advice and

persuasion. But measures of employment policy can also be used to influence the location of industry. For example the employment authorities can provide training for the manpower needed by new undertakings in development areas. Similarly, emergency works can be used to assist local authorities to prepare industrial areas, to construct roads, lay on water, etc., and in certain cases, to build industrial premises for subsequent lease to new undertakings. The State also grants loans and credit guarantees to new undertakings in development areas.

The National Employment Service is conducting extensive research into the problems of regional development. This must take into account that the typical rural industries in the primary sector, such as agriculture, forestry, fishing and mining, are all undergoing rapid rationalisation, with the release of hundreds of thousands of men in a single decade. These released workers have been absorbed by industry and the services concentrated in densely populated areas. At the same time, industry today is tending to concentrate into even larger units because of the economic advantages of scale that often result from amalgamation. Industry is also becoming more dependent upon modern social services, such as training in universities and higher schools, better communications, larger shops and increased leisure and cultural consumption, for which the demand is constantly growing. Many of these modern services can exist only where there is sufficient demand for them, and hence they, in turn, tend to be established in a limited number of densely populated localities.

In Sweden, all towns have been classified in one of three categories : Category A, comprising towns with at least 30,000 inhabitants, of which there are 90 ; Category B, comprising those with at least 15,000 inhabitants, of which there are 150 ; and Category C, comprising those with at least 7,500 inhabitants, of which there are 300. Industrial location policy is tending more and more to concentrate on the Category A localities as development areas, since this appears to be the most reasonable solution for a country with a free market economy and free competition and one that is undergoing rapid economic expansion and is dependent on foreign trade.

It is at present actively being considered how the policies for the regional location of industry and for the encouragement of labour mobility can be better used to complement one another.

Employment Market Research and Information

A sound knowledge of the employment market and continuous information on the employment situation and the measures in hand form important elements of employment policy.

The National Employment Service keeps continuously in touch with the employment situation by means of labour force surveys (employment and unemployment). Such investigations are now being carried out four times a year (an increase to eight times a year has been proposed). Special counts of the unemployed at the employment offices are made each month and, for certain groups, twice a month.

Forecasts of future developments on the employment market are made at least twice a year on the basis of inquiries made by the county employment services in all larger undertakings and a sample of medium-sized and small undertakings. These forecasts have proved to be very realistic and have enabled the various measures of employment policy to be applied in good time.

The statistical series on unemployment, employment, manpower demand and price and cost trends are especially important. The National Employment Service follows them very closely and takes swift action as soon as any significant changes are noted, such as an increase of unemployment and/or a reduction of demand, or increased manpower demand and mounting price indexes.

The Swedish employers' organisations have committed their members, by an agreement with the National Employment Service, to give the county employment services notice at least two months in advance of larger lay-offs or dismissals (at least ten men in medium-sized undertakings and at least 50 in larger undertakings). This advance notice system is of very great importance, since it gives the employment authorities the time to act and prepare new jobs for the manpower released.

In cases where production is discontinued, a pattern of action has now become standard all over the country. Its aim is to solve the winding-up problems as smoothly as possible. A committee is appointed comprising representatives of the local placement office, the local authorities, the trade unions and the undertaking. This committee has the main responsibility for the orderly winding-up of the undertaking with the least possible prejudice to the staff. All available means are used to provide new jobs for the dismissed workers.

The employment services keep in close touch with the daily newspapers, and supply them with as much information as possible. Wide use is also made of advertising.

It is also of the greatest importance to keep the employment service staff itself well informed, and a special internal information service has been created for the purpose. This enables the staff to advise the public of the often very swift changes in the employment situation and of the measures being taken.

Unemployment Insurance and Unemployment Assistance

When neither job nor training can be provided for an unemployed worker, unemployment insurance remains as a last resort. In Sweden unemployment insurance is based on unemployment funds—at present, about 50—organised as national funds for various occupational branches. Originally created by the trade union organisations concerned, they are now juridically entirely independent and cover employees who do not belong to any trade union. The members pay contributions to the funds, but relatively large state subsidies are also granted according to the extent of unemployment. Of the amounts paid out by these funds during a normal year, about 40 per cent. is covered by state subsidies.

The aim of insurance is to compensate workers for loss of income due to involuntary unemployment. A worker who leaves his work voluntarily and without due cause loses his right to benefit for four weeks. The same applies to a worker who refuses to accept an offer of employment considered suitable according to existing rules. The funds pay out 50 to 60 million crowns during a normal year.

Unemployed workers who are not eligible for unemployment insurance benefit can obtain cash assistance subject to a means test. Such assistance is provided, with the consent of the county employment service, by the communal unemployment board and is subsidised by the State. In present circumstances recourse is very seldom had to unemployment assistance.

THE COST OF EMPLOYMENT POLICY

The cost of employment policy during the current budgetary year is estimated at 750 million crowns, or 0.8 per cent. of national income and 4 per cent. of the state budget. The bulk of the costs (about 50 per cent.) is consumed by emergency works of various kinds. About 15 per cent. is spent on retraining and further training and about 10 per cent. on unemployment insurance. The amounts spent to encourage geographical mobility are the lowest and represent only between 1 and 2 per cent. of the total. Two to 3 per cent. is spent on rehabilitation measures. Nearly 10 per cent. is spent on administration (personnel and overheads). The remainder is used for other purposes, such as reception of refugees.

These figures take no account of sums withdrawn from investment funds, nor of the cost of measures which, though affecting employment policy, are really a part of financial policy, such as increased housing construction or increased ordinary public investments.
