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Employment policy prospects in the European Communities

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So closely interdependent have the various aspects of social and economic policy now become in different parts of the world that it would be pointless and absurd to examine employment policy in the context of one part of Western Europe without considering its implications for international economic stability and basic political options in a much broader framework. Despite the title of this article, therefore, much of what will be said below holds good beyond the boundaries of the European Communities.

Traditional theory and practice of employment policy

The very notion of " employment policy ", and even more so of " active employment policy ", appears to stress the voluntarist role attributed to the responsible authorities.

In all the industrialised countries with liberal or neoliberal economies, employment policy evolved at the macro-economic level as a by-product of the efforts to combat the great crisis of the 1930s. It was at one and the same time the corollary and the instrument of economic recovery. The 1946 Employment Act in the United States [2] marked the triumph of the Keynesian theory that governments should play an active part in stimulating markets threatened with periodic depressions of increasing gravity.

Making a clean break with the doctrine that the State's role is merely that of a referee and that social and economic matters should be kept entirely distinct from politics, the " Western " world enthusiastically espoused the principle of regulating the market and the economic growth rate by controlling

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[2] ILO: *Legislative Series*, 1946—USA 1.

aggregate demand through the national budget. Monetary and credit policy, which had previously acted as an economic thermometer, was now pressed into service as a sort of economic thermostat and began to exert an influence far exceeding what had hitherto been considered its rightful role. The financial expert became the wizard of the age, the magician who would save the industrialised world from the contradictions that had brought it to the brink of ruin.

The extraordinary period of prosperity following the Second World War soon convinced most of the remaining sceptics, and especially those in influential positions, that the miracle formula for combining steady growth, full employment and social peace had finally been found. The fact that the ideas of " partnership " and of workers' participation in economic management should have developed during a period when Keynesian theories were dominant is certainly no coincidence. A great deal could be said about the mass of pseudo-scientific fallacies which grew out of the conviction that the contradictions of the industrialised world had at last been resolved and that a way had been found whereby all the various interests involved could gradually be reconciled. In particular, it was hoped that sustained growth based on the mobilisation of existing or potential manpower reserves (such as women, migrant workers, handicapped persons and those living in underdeveloped regions) would make it possible to improve the status of these economically " marginal " groups, and that their personal and occupational advancement would in turn contribute to the general prosperity. Similarly, it was imagined that inequalities between social classes, different types of work, rich and poor regions, industrialised and developing countries, could be levelled out, without any need for a social revolution, by fiscal or similar means and by transfer payments giving the underprivileged an ever-increasing share of the fruits of growth.

These fallacies acquired widespread currency and aroused extravagant hopes of the most noble kind, transcending traditional ideological boundaries. Thus, on 5 February 1966, to take just one example among many, Professor Lassudrie-Duchêne of the Faculty of Law at Bordeaux wrote in *Le Monde*:

> All Socialists in the broad sense of the term have accepted, either openly or in their hearts, the same gospel as non-Socialists, namely economic growth and improvement of the standard of living as major goals of modern society.... Everything must be done to avoid disrupting an economy which guarantees the improvement of living standards—this is the very foundation of modern socialism. It follows that socialism, caught as it is in the toils of this common ideology, cannot seek to alter the existing order radically, and must be content with modifications of emphasis and aim. This shift from the original idea of socialisation of structures to the contemporary one of socialisation of results, within the framework of a system guaranteeing maximum growth, is the major event in the history of the socialist movement.

If many socialists and trade unionists really did share these views, implicitly or explicitly, the ruling classes obviously did not have much to fear.

Even aid to the developing countries was seen in the same context. The point was, after all, to help " backward " countries to share in the general prosperity by providing them with enough assistance to ensure a rather higher rate of growth than that of the industrialised ones. With a little patience they would thus sooner or later make up their leeway, just as the working classes in the rich countries had gradually won their place in the sun through constant improvement of their living standards.

Once the unemployment and other difficulties of the immediate postwar period had been overcome, employment policy understandably tended to revert to a mere series of more or less isolated measures providing a measure of control over the labour market, which were backed up with a number of institutions for providing vocational information, guidance and training. With employers competing for skilled, semi-skilled and sometimes even unskilled labour, employment policy as such became a less than urgent concern of the public authorities. All that was required was to steer the existing or potential labour force, including immigrants, towards the enterprises that were crying out for labour, and to attempt to anticipate the market a little at both company and higher levels so as to avoid bottlenecks and promote steady expansion. In addition, it was desirable in certain cases to smooth the path for massive transfers of workers from one sector to another (as in Italy, where in the space of a single generation 30 per cent of the labour force moved from the primary to the secondary and tertiary sectors) or within sectors as a result of constant technological progress. The need to encourage mobility stimulated the development of recurrent education and training. The international division of labour was bound to accentuate this process of constant change.[1] But the really significant decisions were taken in the course of economic and financial planning at national and even at enterprise level, and measures relating specifically to employment were no more than a consequence of these.

The final report of a major conference held in 1967 on the subject of employment stabilisation in a growth economy is particularly eloquent in this respect. It will suffice to quote a few extracts from the paper entitled " Manpower policy in a labour-scarce economy ", by Professor Solomon Barkin of the University of Massachusetts:

> The present conference discloses that few of those concerned in the labour market have yet understood the vast change in orientation, policies and tactics and the new relations of institutions to one another required to achieve the respective goals in a labour-scarce economy. . . . Moreover, when labour scarcities are combined with governmental programmes to promote continued economic growth, full employment, rising living standards and price stability, which tend to underwrite the permanency of labour scarcity, the older approaches are quite clearly obsolete. Present

[1] See ILO: *Action of the ILO : problems and prospects*, Report of the Director-General, International Labour Conference, 59th Session, Geneva, 1974, p. 13: " It is significant that the ILO's Second European Regional Conference last January concluded that, among the questions requiring greater co-operation among European countries, was the ' development of a new concept of the international division of labour—the need for which has been highlighted by the energy crisis—aiming at: (i) a more equitable distribution of employment opportunities between Europe and the developing countries; and (ii) within Europe, the transfer of industry and employment opportunities to countries where the lack of work at present forces workers to emigrate '."

thinking and values are built on assumptions of scarcity of capital: now we are experiencing shortage of both capital and labour.[1]

Professor Barkin leaves no doubt about the reasons for the growing interest in marginal groups on the labour market:

A third alternative [for management] is to tap new labour sources.... All reports indicate increasing use of women. Other groups are older workers, coloured and minority groups, handicapped, students, temporary workers, moonlighters.... All kinds of changes in terms and conditions of employment are necessary to reach out to the new groups, as is illustrated over and over again in the discussions on the employment of women with family responsibilities who need part-time schedules, nurseries and adequate transport facilities.[2]

The role of the authorities is equally clear:

Better understanding of the merits and demerits and appropriate uses of alternative tools for meeting labour stringency is vital to a progressive economy, and the public agencies must be ready to offer research findings and counsel based on careful knowledge of enterprise needs and public policy. The manpower agencies have a real opportunity to serve and they must rise to the challenge.[3]

Employment policy in the EEC prior to the institution of summit meetings

The Treaties of Rome were signed in 1957 during a period of exceptional economic growth, and they inevitably reflect the prejudices of their time. The free movement of workers, goods and capital was expected to lead in due course to the establishment of fairly homogeneous social and economic conditions over a vast area; within this area economic agents and the " social partners " would act autonomously and the national and supranational authorities would only need to exercise over-all supervision and eliminate the more glaring incompatibilities. It was hoped that capital would flow spontaneously towards labour-surplus areas, and in the meantime workers would be free to migrate towards labour-scarce ones. There was great confidence in the dynamic properties of an enlarged, stable market, as can be seen in the wording of Article 117 of the Treaty establishing the European Economic Community:

Member States hereby agree upon the necessity to promote improvement of the living and working conditions of labour so as to permit the equalisation of such conditions in an upward direction. They consider that such a development will result not only from the functioning of the Common Market which will favour the harmonisation of social systems, but also from the procedures provided for under this Treaty and from the approximation of legislative and administrative provisions.

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[1] OECD: *Employment stabilization in a growth economy*, International Conference, Munich, 24th-27th October, 1967, Final report (Paris, 1968), p. 9.

[2] Ibid., pp. 11-12.

[3] Ibid., p. 18.

Article 118 still further limits the scope for Community action by stating that:

> Without prejudice to the other provisions of this Treaty and in conformity with its general objectives, it shall be the aim of the Commission to promote close collaboration between member States in the social field, particularly in matters relating to . . . employment. . . . For this purpose, the Commission shall act in close contact with member States by means of studies, the issuing of opinions, and the organising of consultations both on problems arising at the national level and on those of concern to international organisations.

In practice, therefore, although employment was recognised as falling within the competence of the Community, the Commission's authority extended no further than producing studies, issuing opinions and carrying out consultations. And throughout the initial phase of the EEC's development that is exactly what happened. The structure of the labour market differed widely from one member State to another, and it did not seem at all necessary to define any specifically *Community* employment policy apart from the free movement of labour. Since over 90 per cent of job vacancies were filled by workers who lived less than one hour's travel away there seemed no reason not to leave full responsibility for such matters in the hands of member States, while nevertheless facilitating emigration from regions of chronic structural imbalance until such time as they could be " modernised ". Thus Community action in this field was doubly marginal: on the one hand it suffered from the peripheral nature of employment policy generally in a booming economy, while on the other it appeared to be merely a corollary—and not even one of great importance—to labour market regulation at the national level. Practically up to the beginning of the 1970s, in fact, most member governments objected vigorously whenever the Commission dared to propose even so much as a voluntary co-ordination of national policy with regard to immigration from countries outside the EEC. Each Member clung to its right to seek additional manpower without being subject to consultation or restrictions other than the priority accorded to nationals of the Community countries.

There was room for everyone, it was felt, within the vast and swiftly growing transnational socio-economic system. It is true that in view of the persistence of certain imbalances and inequalities—of which, moreover, the EEC had no monopoly—it gradually came to be recognised that there was a need for more systematic and effective action in favour of underprivileged groups and regions, but essentially so that they could catch up with the leaders and thus be reintegrated in what was generally considered a paragon among systems.[1]

[1] Cf. Commission of the European Communities: *Preliminary guidelines for a Community social policy programme (17 March 1971)* (Brussels), annex to the *Bulletin of the European Communities*, 1971, No. 4, p. 29. This document noted that major inequalities in wage levels persisted in all member countries: " . . . the same branches of industry are almost always at the top or bottom of the wages table; . . . in all member countries, this relationship is gradually shifting in favour of the rapid-growth industries ". Variations of wage levels among regions were still sometimes substantial and even increasing in certain

Structural inflation, recession and the discrediting of traditional theory

Yet even while employment policy was taking shape, under the influence of Keynesian ideas, as a set of specific instruments operating within a system of economic development that was implicitly accepted by nearly everyone, the course of events was undermining the credibility both of the system itself and of the ideas on which it was based.

The various institutions [1] which were set up in order to alleviate the shortage of skilled labour and assist disadvantaged workers and backward regions were confronted—at first insidiously and then, after 1973, brutally—with an entirely new and unforeseen situation, namely worsening and uneven rates of inflation leading to world-wide economic instability and the most severe recession since the 1930s.

In the countries now constituting the enlarged European Community, for example, the average annual rate of inflation between 1960 and 1972 was around 4 to 4.5 per cent, though already with considerable differences from one country to another. In Belgium the rate was 3.3 per cent, in the Federal Republic of Germany 3.2, in France 4.4, in Italy 4.2, in Luxembourg 2.9, in the Netherlands 4.9, in the United Kingdom 4.7, in Denmark 6.0, in Ireland 5.4. The rate rose gradually from year to year. This monetary erosion, affecting all the market economy countries, would have caused anxiety in the days of classical economic liberalism but was now accepted without much heart-searching inasmuch as it was accompanied by a still faster rise in wage and other incomes.

The stabilisation of exchange rates, which is a basic condition of long-term planning and the smooth operation of an increasingly internationalised market, is obviously difficult to attain if rates of inflation vary too much from country to country; in the long run this causes massive disruption of established trading patterns and the danger of serious economic imbalances with harmful repercussions on employment. Beyond certain tolerable limits all countries feel threatened by the " wildcat " devaluations and revaluations with which some countries seek to export their difficulties to others. To convert financial policy from a thermometer simply taking the temperature of the economy and the employment situation into a thermostat, in accordance with Keynesian principles, can be a risky business if individual national circumstances suggest different temperatures to different governments at a time of growing economic interdependence.

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cases. Moreover, underprivileged groups continued to be subjected to discrimination despite Community regulations to the contrary. This was particularly flagrant in the case of women workers who, despite the provisions of Article 119 of the Treaty and the various measures adopted by the Community, were paid substantially less than their male colleagues doing comparable work (ibid., pp. 31-32).

[1] In the EEC a case in point is the Social Fund which, among other things, subsidises the retraining and readaptation of workers suffering from structural unemployment or underemployment.

This is naturally all the truer when a group of States forms a compact association in which protectionism—and in particular tariffs (even selective ones) or similar measures—is proscribed. Thus it is not surprising that there should have been growing anxiety in the EEC from about 1967 on, even though in general things still seemed to be going well. The devaluation of the French franc in 1969, followed by revaluation of the mark, threw these contradictions into such clear relief that the first European summit conference—held in The Hague on 1 and 2 December of that year and attended by the heads of State and heads of government of the EEC countries—was largely dominated by the need to supplement the customs union and the common agricultural policy with an economic and monetary union. This would require the introduction of much more restrictive and far-reaching measures than had been necessary for the customs union that had been put together up till then.

On a broader plane and in the absence of an agreed political solution it was the dollar and hence the state of the North American economy that served as the common regulator, even though this endowed the United States with an increasingly resented hegemony and aggravated the general inflationary process through the problem of eurodollars and the excessive and anarchic growth of international liquidity. The course of events thus highlighted one of the main weaknesses of Keynesian theory and practice, namely the basic incompatibility of decisions taken unilaterally by national governments in an attempt to regulate a market that was becoming increasingly interdependent. It seemed indeed that the EEC was caught between the Scylla of surrendering real authority to the most powerful single country and the Charybdis of returning to dog-in-the-manger protectionism.

In 1970, therefore, the Werner Report (named after the Prime Minister of Luxembourg who was entrusted with the task of drawing the Hague summit's conclusions on the question of economic and monetary union) came out in favour of the establishment of a Community " decision centre ". In plain language this meant a government for economic and therefore social affairs, which would exercise supranational authority over the governments of the member countries in matters of common concern and speak for them with a single voice to the outside world.

The second Community summit was held in Paris in October 1972 at a time when the situation was getting more and more tense and the repeated monetary crises could no longer be written off as mere accidents. Economic and monetary union, combined with an active social and regional policy, was reaffirmed as the immediate aim. The somewhat ambiguous term " European union " indicated awareness of the political leap required but also the difficulty of defining how far to go and how to proceed. This summit took on added significance because it was the first attended by Britain, Denmark and Ireland, the three new States that were to join the Community on 1 January 1973.

Though the crisis of the Keynesian system was felt with particular acuteness in the fledgling European Communities, it in fact extended to all countries where neoliberal ideas prevailed, and finally, through the contagion transmitted by interdependence, to the rest of the world. Calls for a new world monetary order, gradually changing to appeals for a new world economic order, began to be heard with increasing frequency in international organisations such as the OECD, the International Monetary Fund and the ILO. These calls became the more pressing as monetary chaos was compounded by increasingly uneven development during a period of runaway growth.

Faced with an ever-accelerating and uncontrolled rise in costs, governments were forced into taking unilateral deflationary action, the effect of which was only to aggravate national and international structural imbalances. Thus at a major tripartite conference on the theme " Industry and society in the European Community " held in Venice from 22 to 24 April 1972 under the auspices of the EEC Commission, it was noted that social infrastructure had been sacrificed in EEC member countries even though the need for it had been explicitly recognised, notably in medium-term economic planning.[1]

It was clear, therefore, that the macro-economic measures adopted with a view to remedying the situation were already militating against the acknowledged requirements for balanced development. Furthermore, aid to the Third World began to decline steadily in the majority of the rich countries, which hoped in this way to " export " their " temporary " financial difficulties.

Even when hedged about with control measures at national level, therefore, runaway growth appeared less and less likely to lead to that universal social harmony which had seemed almost within reach. The extraordinary success of the initial labours of the " Club of Rome " revealed the extent to which concern about the possible limits to growth and its inherent contradictions had become a real sociological headache for political, economic and social leaders alike.[2] Sicco Mansholt himself, President of the EEC Commission and father of the common agricultural policy, joined whole-heartedly in the struggle for a new approach.

The turn of the tide, 1973-74

The year 1973 can now be seen as a crucial one in which the hopes that the former balance would be restored automatically and that swift, smooth growth could be maintained were swept away by harsh realities. The apparently benign monetary erosion of the 1960s stood suddenly revealed as intolerable inflation. Increasing numbers of economists recognised the structurally inflationist nature of Keynesian neoliberalism.[3] The figures show clearly that

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[1] Michel Albert: " Marché commun et équipements collectifs ", in Commission of the European Communities: *La croissance du coût des infrastructures et des équipements collectifs et le problème que pose leur financement pour un développement harmonieux de la Communauté*, Conférence " Industrie et société dans la Communauté européenne ", Venise 1972, rapports n° 7.

[2] See D. L. Meadows *et al.*: *The limits to growth* (New York, Universe Books, 1972).

[3] See in particular John Kenneth Galbraith: *Economics and the public purpose* (Boston, Houghton Mifflin, 1973), for example p. 189, and the very interesting analysis in Commission of the European Communities: *Interim report of the Study Group on the Problems of Inflation* (Brussels, 18 July 1975). The report's conclusions are similar to those of Galbraith.

this was a long-term and growing problem, not just an isolated phenomenon that could be easily corrected. The sudden rise in oil prices in the autumn of 1973 accelerated the process still further although it was not the root cause.

From then on the fight against inflation took pride of place in all the market economy countries. Everywhere the Keynesian system was put into reverse, which in the prevailing international anarchy was bound to stir up trouble despite all the soothing professions of solidarity that accompanied the process. In a period of booming economic activity, differences are submerged in the tide of prosperity which enables even the worst off to survive. In a period of austerity and recession, on the other hand, differences are brought out into the open and conflicts of interest take a more bitter turn. And so today the economic and monetary union of the EEC countries, the necessity of which was solemnly reaffirmed at the Paris summit in December 1974, seems ever more remote and unattainable unless there is a radical change of heart. In March 1975 the Study Group " Economic and Monetary Union 1980 ", which was established by the EEC Commission early in 1974 under the chairmanship of Mr. Marjolin, former Vice-President of the Commission responsible for economic and financial affairs, declared:

> What is now being questioned is the idea which has been the basis for the past 20 years of the views of many Europeans, namely that a European political unity, particularly in the economic and monetary field, will come about in an almost imperceptible way. This was the Europe of small steps. It is clear that experience up to now shows nothing that supports the validity of this idea. One may legitimately wonder today if what may be required in order to create the conditions for an economic and monetary union is not perhaps on the contrary a radical and almost instantaneous transformation, coming about certainly after long discussions, but giving rise at a precise point in time to European political institutions.[1]

In such circumstances, obviously, there are bound to be profound changes in the methods and even in the underlying concept of employment policy. Inevitably, the various deflationary measures taken by the majority of market economy countries have produced a rapid increase in unemployment and underemployment. The level of economic activity has fallen to its lowest point since the immediate postwar period. To make matters worse, inflation, though slowing down, is generally still above the level of 1972-73 when there was a labour shortage and growth was still in full swing.

In other words we are faced with the well-known phenomenon of stagflation, which no employment policy can ignore and against which traditional remedies have proved powerless. Since governments are unsure whether they should step on the accelerator or the brake they usually end up doing both at once. On the one hand the public is exhorted to save in order to reduce

[1] Commission of the European Communities: *Report of the Study Group " Economic and Monetary Union 1980 "* (Brussels, 8 Mar. 1975), p. 5.

overheating and bring prices down, while on the other it is encouraged to buy more so as to stimulate the economy and create employment.

The same sort of contradiction can be observed in the management of public finances. Governments deliberately budget for deficits in the hope of stimulating growth and employment, but at the same the omnipresent spectre of inflation incites them to austerity and cuts in public expenditure. In an attempt to reduce this basic contradiction they make subtle adjustments in the timing of the various measures, which unfortunately are often rendered pointless by the unpredictable reactions of producers and consumers.

This search for a compromise between conflicting aims is illustrated perfectly in a speech by President Valéry Giscard d'Estaing on 4 September 1975.

> We are now undergoing the greatest upheaval the world economy has had to bear in time of peace for 45 years. No country in the European Community is spared, whatever the political complexion of its rulers. In France the employment situation has become alarming. First, we must stop it getting any worse; next, we must improve it. The problem, then, is to create jobs. This means that economic activity must be stimulated so that firms are encouraged to start hiring workers again. Should this have been done a year ago? In my opinion, no. With the high inflation rates which then prevailed such action would have caused prices to rise faster than ever, increasing our external deficit without creating more jobs, so that we should now be defenceless against unemployment.

No sooner had the President accepted a large budget deficit with a view to reactivating the economy, however, than he went on to announce that " next year, in 1976, the budget will have to be balanced again ". Thus at the very moment of stepping on the accelerator he let it be known that he was about to put on the brakes, and this at a time when the rate of inflation had indeed been brought down to under 10 per cent but was nevertheless still well above what it had been (6 per cent in 1972 and 8.2 per cent in 1973) when growth was at its maximum and full employment virtually achieved!

All the experts, whether of the OECD, the EEC or the member States, agree that it is unrealistic to hope for a major upturn in the employment figures in the immediate future. It is impossible not to conclude that the hesitation exhibited by governments indicates an increasing awareness of the very dangerous consequences of regular deficit budgeting, even though lip-service is still paid to Keynesian theory advocating heavy public spending so long as the employment market remains depressed.

Thus it is hardly surprising that anxiety is growing even at the highest level. Addressing a joint meeting of governors of the World Bank and the International Monetary Fund last September, President Ford made no attempt to hide his concern.[1] He emphasised the interdependence of nations, even

[1] In the course of his speech in Washington on 2 September 1975 President Ford stated: " Even in the midst of recession, inflation continues at an uncomfortably high rate. While some progress has been made, the simple truth is that re-establishment of a durable and non-inflationary period of economic growth in the world will not be easy."

the most powerful among them, and the great difficulty of returning to what, in retrospect, now seems a golden age.

Towards an agonising reappraisal

The need to change course is thus more and more widely recognised. To borrow the well-chosen terms of Mihajlo Mesarovic and Eduard Pestel in their second report [1] to the Club of Rome, we must now abandon " undifferentiated " in favour of " organic " growth, which is by no means inherent in the spontaneous development of mankind and can only result from deliberate choices on the part of those who make up " the world system ".

This opens up a new and completely different perspective on the crisis, and more specifically on the employment crisis. Seen from this angle, the object is no longer just to get the economy restarted in an undifferentiated way in the hope that the market itself will strike the necessary balances and compromises between individual aspirations. Rather it is to take selective measures implying a deliberate and planned allocation of available social resources, including human ones. To this end employment policy, which at present is something of an afterthought, should take its rightful place " upstream " from growth, depending on the type of growth envisaged and the objectives agreed upon (of which full and better employment should indeed be one).

In other words, employment policy should be well to the fore among governmental preoccupations; it cannot be excluded from any global view of collective development. Specific problems such as vocational guidance and training, or more generally the optimum organisation of the labour market, certainly do not disappear, but they are subordinated to much broader options of which they form a part. Thus the emphasis must increasingly be placed on changing employment structures in accordance with the chosen orientation of production.

This being so, it is of vital importance to improve the quality of the labour supply, but in a sense very different from what has been and too often still is meant by those words. The point is no longer simply to remove bottlenecks caused by the mismatch between the labour force and available jobs [2], but to create a labour supply specifically in order to meet selected future needs. In this context employment forecasting, which has long been recognised as necessary but difficult, takes on an entirely new significance and becomes

[1] Mihajlo Mesarovic and Eduard Pestel: *Mankind at the turning point* (London, Hutchinson, 1975).

[2] This state of affairs does not stem only from inadequate skills but also sometimes from a refusal to accept certain kinds of work on the existing terms. This explains the fact that in France and the Federal Republic of Germany, for example, the number of immigrant workers from non-EEC countries still far exceeds the number of unemployed despite the recession. To make the despised jobs more attractive would require radical changes in conditions of work (e.g. pay, hours, the working environment), which in turn cannot be isolated from broader social options.

the expression, in terms of training, of the community's over-all choices translated into probable requirements for particular skills.

Mobility of labour also acquires a new meaning. Naturally, there will still be problems arising from rapid technological change and from workers' capacity to go on adapting to new jobs, even within a given enterprise, so that polyvalent skills and recurrent training will continue to be important. What changes fundamentally is the purpose of mobility. The point is no longer to facilitate man management in the enterprise or within the framework of the labour market as a whole, but to train people to attain over-all goals which they themselves have chosen in their capacity as citizens of a democratic society. Instead of being regarded as a symptom of insecurity, especially during recessions—although a number of studies show that for the average worker, once past a certain age, job transfers even in times of economic prosperity usually signify demotion rather than promotion—mobility must come to be appreciated as an essential condition for social progress. Currently seen as a fate to be avoided and thus arousing determined resistance, it actually offers real opportunities for enriching and improving the quality of life and work. If this is evoked as a possibility rather than a certainty it is of course because everything depends on whether the risks of mobility are borne, as they should be, by the community as a whole, with adequate safeguards for workers' acquired rights. This is a field in which neither private employers, who are prisoners of their limited resources, the constraints of competition and the restricted scope of their industrial activities, nor traditional social security schemes, which are designed to offer protection against the hazards of life, not changes forming a normal, structural feature of socio-economic development, are any substitute for the public authorities.

There are numerous signs of increasing awareness of the changes needed. Many countries are introducing new legislation to protect workers against the effects of mass lay-offs, recession and temporary loss of employment.[1]

It would nevertheless be unrealistic to expect an automatic and almost imperceptible transition from the attitudes prevailing today to organic growth and the new type of active employment policy involving " oriented " manpower planning, genuine guaranteed employment (rather than tenure of the same job) and a proper career structure with maintenance of acquired rights. The fact is that there is a break between the old system and the new. As we have seen, the break is not complete and some of the ideas now current are on the right lines. But the qualitative change that is needed is by no means assured and is bound to require an agonising reappraisal of existing concepts and practices.

[1] Witness the growth of legislation protecting workers more or less completely against loss of earnings in the event of workforce reductions. (For further details on this subject see Edward Yemin: " Job security: influence of ILO standards and recent trends ", in *International Labour Review*, Jan.-Feb. 1976, pp. 17-33.) Further signs include the adoption of a European directive on " collective redundancies " and the Commission's proposals to ensure maintenance of workers' acquired rights. The use of Article 56 of the Treaty instituting the European Coal and Steel Community to maintain the incomes of workers compelled to seek alternative employment set an early precedent.

The discussions on " restructuring " the economy as a durable solution to the current recession have been extremely revealing of the unavoidable practical problems involved. Those who believe the present crisis and the increase in unemployment to be the consequence purely of cyclical factors are growing steadily fewer. Observers who are alarmed by the very idea of change—or who are just intellectually lazy—see the fact that Keynesian measures have not been applied internationally as the main reason why traditional remedies have failed, and argue that if governments would only co-ordinate their action to a greater extent, while allowing for flexibility in special situations, it should be possible to get the economy moving again.

It is certainly true that in the absence of a common " decision centre " the dominant economies can in practice impose the regulatory measures which suit them best, and that this contributes neither to balanced development nor to harmonious international relations. Even the prosperity of the strongest economies is constantly threatened by wild monetary fluctuations, political strife—e.g. the abrupt rise in the cost of oil—and the ever-widening gap between rich and poor countries. The possibilities of protectionism within any particular zone of economic influence are therefore strictly limited. However, it seems quite unrealistic to think of gathering the whole interdependent world under a single authority for the application of Keynesian measures, even with all the local flexibility that would be needed to avoid intolerable distortions. In any case, this utopian solution would do nothing to assist the desired transition from undifferentiated to selective, organic growth.

The growing number of multinational corporations is not only a symptom of the prevailing system's inadequacy and of its inability to renew itself, but also a cause of its increasingly rapid deterioration, particularly as an instrument for ensuring full and better employment. What happens is that, in a chaotic international economy exposed to uncertain and shifting currents, the big corporations—particularly in the sectors relying on advanced technology and massive investments—are obliged to exercise the fullest possible control over both their supplies and their outlets. A multinational is a technological, commercial and financial unit enjoying a large measure of independence. Its facility for juggling with differences in prices and costs gives it an advantage in an uncertain world over local firms subject to the laws of the market. It is therefore in no way surprising that, despite periodic trumpetings about the virtues of competition, the process of industrial and commercial concentration should accelerate as the shortcomings of the Keynesian system become increasingly obvious.

In the United States in 1971, for instance [1], the 333 industrial corporations with assets of $500 million or more accounted for over 70 per cent of all assets employed in manufacturing and a still higher proportion of profits and sales, the remainder of the market being shared among some 12 million

[1] Galbraith, op. cit., p. 43.

smaller firms. In the EEC there were four times as many mergers in 1970 as in 1961 and the trend was steadily rising.[1]

Hand in hand with the phenomenon of concentration goes the development of transnational operations. A report drawn up for the EEC Commission emphasises the scale of this process and advances new arguments supporting those of Galbraith.

> Macro-economic demand management policies assume that competition determines price formation at the micro-economic level. In other words, it assumes a price-flexible supply and demand in response to monetary and fiscal policies. This fails to take into account the emergence of a new " meso-economic " sector between the macro-economic level of public policy and the micro-economic level of small and medium-sized undertakings.
>
> The term " meso-economic " refers to the increase and growth of monopolistic, multinational companies, whose behaviour is totally different from that of small-scale national firms in the micro-economic competitive model. . . .
>
> The following figures illustrate the size of the meso-economic sector:
>
> — in the United Kingdom, less than 1 per cent of firms account for 50 per cent of the country's output and foreign trade; 100 firms control half of industrial output, with 75 firms accounting for half of direct exports and 31 firms for 40 per cent of direct exports;
>
> — in France, the top four firms in each of the following industries accounted for over half the total sales in 1969: metalworking (82 per cent), extraction and processing of various metals (80 per cent), steel (77 per cent), aircraft construction (65 per cent), production of non-ferrous metals (60 per cent), oils and fats (54 per cent), rubber and asbestos (52 per cent);
>
> — in Germany, about 2.5 per cent of industrial firms accounted for more than half of total sales in 1968.
>
> There is every indication that meso-economic firms are continually increasing their share of the market despite the policies attempted at national and Community levels to promote competitive structures. . . .
>
> The growth of this powerful new meso-economic sector is not a conspiracy against the public interest; it is the natural outcome of economies of scale and the need for specialisation.[2]

Like Galbraith, the Study Group notes that the multinationals can practically impose what price levels they choose and are also much better placed than smaller undertakings to absorb wage increases and higher prices for imports from their foreign subsidiaries.

One can thus observe what might be called an " echo effect " whereby the multinationals, applying their own private system of economic regulation, are able to overcome (at least in part) the shortcomings of the Keynesian system but in so doing only worsen the position for everyone else. The fact

[1] Peter Düsberg: " Unternehmenskonzentration und Kooperation im Lichte des europäischen Wettbewerbs ", in *Europa*, Einundzwanzigstes Europäisches Gespräch, Europa '72 Wirtschaftskonzentration in Europa (Cologne-Deutz, Bund-Verlag, 1972), pp. 23-40.

[2] Commission of the European Communities: *Interim report of the Study Group on the Problems of Inflation*, op. cit., pp. 5-6.

that multinationals operate like a State within the State thus hampers the national government in its efforts to promote the development process as a whole, and the prospects for the organic growth of mankind are impaired accordingly. Neither governments nor the growing giants of the private sector are in a position to control the increasingly chaotic situation.

On account of their far greater capacity to absorb costs, the giant corporations and the sectors they control are much less affected by the cutbacks resulting from deflationary policies than are the smaller companies. The latter receive the full impact of deflationary measures head on, are beset by problems of financing and indebtedness, and do not have the means available to the multinationals for offsetting the reduction in consumption. The power and social influence of the really big groups, reinforced by the unions' efforts to safeguard their members' jobs and living standards, mean that they are less exposed to the recession than the mass of small and medium-sized firms. One has only to think of the panic which governments display at the thought of a prolonged crisis in a sector such as the automobile industry, which exerts such a determining influence on the economic climate and employment in most industrialised countries. The result is that government support is concentrated on those sectors which, *a priori*, are best able to shift for themselves, so that the coexistence of persistent inflation and widespread unemployment has nothing mysterious about it: in the present economic context, once inflation has risen above a certain level still tolerable to the community, the effect of non-selective control measures is simply to replace structural inflation with structural stagflation and to accelerate the trend towards the concentration of development on the already overgrown sectors, while at the same time seriously aggravating the over-all employment situation.

As for the host of small enterprises and the sectors in which industrial concentration is least developed, the increasingly unfavourable ratio of costs (including wages) to selling prices makes self-financing difficult and compels them to resort to external borrowing. The result is a slackening of activity which is the more marked where deflationary policy is draconian and the workers are sufficiently well organised to resist cuts in their wages, which are already usually well below those paid in the highly concentrated sectors.

Finally, the cumulative effect of the differing impact of inflation on concentrated and unconcentrated sectors is to increase the over-all disequilibrium rather than reduce it in accordance with orthodox Keynesian doctrine. As the EEC Study Group put it [1]:

> The sectors in which productivity gains are the most rapid rarely reduce their prices. . . . High-productivity sectors, which are often dominated by a few leading firms, can conduct virtually independent pricing policies regardless of their productivity. As a result, profits and wages in these sectors will rise sharply. Given the general tendency to pay equal wages for the same type of work, higher wages quickly spread to all the other sectors of the economy. Sectors in which productivity increases

[1] Commission of the European Communities: *Interim report of the Study Group on the Problems of Inflation*, op. cit., pp. 8-9.

at a relatively slow rate raise their prices even more sharply in order to be able to pay the higher wage rates and ensure their survival. . . . In brief, the greater the productivity differences, the greater the increase they now can entail in the general level of prices.

Growth at the turning-point

In order to grasp the full consequences of present developments on employment we must carry our analysis a step further. It so happens that the high-productivity sectors are also the major consumers of technology and thus the most capital-hungry per job preserved or created. Moreover, most of them belong to the secondary (i.e. manufacturing) sector, and although this sector grew rapidly in the economically advanced countries from the Industrial Revolution up to the Second World War, the rate of growth has subsequently diminished in an increasing number of them.[1]

This trend is irreversible and certain to spread. In the United States less than a third of the labour force is now employed in the secondary sector, and this proportion is likely to sink to a quarter or a fifth in less than a generation. In most member countries of the OECD we can expect to find over two-thirds of the labour force working in the developed tertiary sector—i.e. services not directly producing material goods and not parasitic on under-development—before the end of the century. Inevitably, this means that the quantitative growth of production and incomes, including wages, depends on an increase in productivity—which is already, relatively speaking, at a very high level—in a steadily shrinking sector.

To put it another way, a 5 per cent over-all increase in production, which was considered a normal growth rate in the EEC from its beginnings up to 1973 and which certain countries hope their economic recovery plans will again make possible as from 1976, will henceforth require an actual increase of 10 to 12 per cent in industrial output. Obviously, also, the gap will go on widening as the low-productivity tertiary sector continues to expand. It follows that the amount of investment needed to maintain the growth rate, especially in the industries traditionally held to play a key role in economic development, will grow exponentially and eventually become intolerable.

Once again, therefore, it is not accidental that massive investment should fail to produce more employment and that current planning should more and more openly envisage a reduction in the number of jobs available. It appears increasingly obvious that what was thought to be a definitive solution to the contradictions of the market economy was in fact no more than a short-lived conjunction of favourable factors which took the heat out of economic and social conflicts and seemed to offer hope of a just distribution of the fruits of rapid growth without calling for painful sacrifices on the part of the well-to-do classes and nations.

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[1] See in particular the classic work by Jean Fourastié: *Le grand espoir du XX^e siècle*, Collection " Idées " (Paris, Gallimard, definitive edition 1963).

New tensions and interest groups are emerging in all types of economic system and regardless of the prevailing pattern of property ownership, even if in many cases they are still ill-defined and could lead to the adoption of diametrically opposed political positions. There is absolutely no guarantee that development will take place under the sign of international solidarity. We may equally well be confronted with a crystallisation of conservative corporate forces and selfish nationalism, even though the nations concerned may coalesce into larger, privileged groups seeking to impose their will on the rest of the world. In which case one would be justified in harbouring a certain scepticism regarding the prospects for the survival of democracy and of peaceful coexistence between such groups.

The entire problem of growth requires a fresh approach. There can be no question of just halting it. This would be absurd in view of the fact that the basic needs of a large portion of humanity are still far from satisfied even in the relatively rich countries, and that the industrialised world will, in the words of Fourastié, " grow hungrier for services ", i.e. education, cultural activities, health and social services, maintenance and repair facilities, protection of the environment, and so on. The object should be, therefore, not to halt growth but to guide it into appropriate channels.

It is fashionable nowadays to argue in favour of a reduction in the labour force participation rate. Yet not long ago we were told that all available labour resources should be mobilised and the retirement age raised: everyone was then preoccupied with the need to overcome the supposedly permanent shortage of labour. To say the opposite now, simply because the current " cancerous-type " growth and lack of imagination and will-power make it impossible in the short term to find suitable work for everybody within the framework of the existing system, is to put the cart before the horse, to submit to the situation rather than to shape it by rational and considered choices. There is nothing wrong with reducing hours of work if that is what people want, if they prefer to " buy " leisure rather than enjoy more goods and services. But it may equally be an act of pure conservative opportunism serving in the end only to sharpen the existing contradictions if its aim, instead of being carefully thought out together with all its implications, is only to limit change for the time being, avoid structural modifications and distribute poverty—and unevenly at that. Clearly, it is the strongest and most competitive industries which can best absorb rising costs by raising prices and increasing mechanisation, whereas in weaker industries, unless there is suitable compensation, higher costs lead to growing inflation, loss of production and profits, and so finally to a decline in the number of available jobs which may well be greater than the number of new jobs created by the reduction of working hours.

Employment policy in a new society

The transition from quantitative to qualitative growth calls for more than merely a change of adjective. It means changing the type of society we live in, including its economic structures and employment policy. As matters now stand, employment and income levels depend on continuous growth in the consumption of material goods of increasingly doubtful value, the frequent replacement of which is the condition of success. The very structure of our system thus encourages waste and the desire to *have* more rather than to *be* more. Full employment and higher living standards are compatible with the production of longer-lasting, better-quality goods, with the development of services contributing to the improvement and enrichment of human relations, with the expansion of sensible leisure-time activities, and with the supply of essential infrastructure to needy regions (a fundamental condition for lasting peace and the reduction of another and particularly scandalous kind of waste engendered by the existing economic system, namely armaments).

In order to encourage this process a whole range of genuinely selective instruments can be used. The measures adopted will be based on choices between possible alternatives, not just on short-term technical considerations. Since rises in the standard of living, and thus in wage rates, constantly increase the relative costs of labour-intensive enterprises (which are predominant among those producing quality goods and services), why not apply differential tax rates placing a higher load on capital-intensive, mass-production concerns? The aim of such a policy would not be to protect outdated, uncompetitive enterprises, but rather those which need some cost relief in order to expand their labour-intensive and high-quality production activities. Is it not absurd that constantly rising maintenance costs should make it apparently more economical to buy new products (at shorter and shorter intervals) than to get the old ones repaired even when there is much useful life left in them? A major cut in the taxation on maintenance and repair services would make it possible to increase employment significantly while at the same time reducing wastage of resources and making life a great deal simpler. In the same way, a more logical distribution of social security charges, which at present weigh more heavily on labour-intensive enterprises, would not only spread the load more equitably but also make it possible to orientate consumption and thus employment more intelligently. Under the present economic system there are certain sectors that are at a natural disadvantage. Yet there are businesses developing within these sectors which meet real needs and serve to increase employment and, from that point of view, could be both profitable and competitive; there seems no good reason why investment in such activities should not be encouraged.

Even in the United States, a country which is traditionally suspicious of planning and where the market is held in a degree of reverence it is rarely accorded elsewhere, it is significant that eminent persons in many different quarters are calling for a national planning office [1] to enable the political

[1] See the statement by the Initiative Committee for National Economic Planning, 27 February, 1975: " We believe that economic leadership must be exercised in a new way through an Office of National Economic Planning. This Office must be in a position to

authorities, especially Congress, to steer the economy along lines " consistent with . . . national values and goals ". The members of the Initiative Committee for National Economic Planning have no inhibitions about influencing the decisions of economic agents by fiscal measures, selective credits and investments, and resource allocation designed to promote national objectives.

Professor Stein, former Chairman of President Nixon's Council of Economic Advisers, is in no doubt about the importance of what is at stake. In an article published in the *Wall Street Journal* he notes that the Initiative Committee's argument rests on the belief that, in addition to the obvious unemployment and inflation, America is suffering from shortages of housing, medical care, municipal services, transportation, energy, and " numerous other requirements of pressing importance ", and that, according to the members of the Committee, the basic reason for these shortages is the fact that " no reliable mechanism in the modern economy relates needs to available manpower, plant and materials ". But Stein is adamant that economic and social needs cannot be " scientifically " perceived by planners: they must be chosen.[1]

Clearly, therefore, a genuinely new employment policy adapted to the post-industrial era necessarily involves more far-reaching political choices regarding the goals of society, together with selective measures corresponding to these choices. It also implies political discussion at the international level.

The massive increase in the price of oil since October 1973 should at least have produced one point of general agreement, namely that in the world of today, where the situations of individual countries are very different but always interdependent, prices are no longer the product of economic forces only, but also of political forces and of the problems that arise from the coexistence of economies at very different stages of development and with conflicting short-term interests. The current discussions about a new world economic order, the dialogue between Europe and the Arab countries, and the tripartite talks among the industrialised countries, the energy or raw-material producer countries and other developing countries, all stem from an awareness of the politico-economic nature of the decisions that will be required, which is not in any way to prejudge their content or the forum in which they are taken.

In conclusion, then, an active, modern employment policy is predicated on a reorganisation of economic activities so as to favour " quality ", labour-intensive industries in the highly industrialised countries, and implies political

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perceive our country's economic and social needs now and for many years to come and to provide the public, Congress and the executive branch with alternative plans of action, not only to enable us to avert hardship and disaster, but to guide the economy in a direction consistent with our national values and goals. . . . Just as it would have been impossible for a man to go to the moon and back by accident, it is impossible for us to achieve our economic objectives by accident." Senators Humphrey and Javits are members of the Committee, which is chaired by the Nobel economics prize-winner Wassily Leontief.

[1] " How superficial is the notion of economic planning as being the pure application of science, free of value implications and power implications, is clear from the statement of the Leontief-Woodcock Committee. . . . The Committee has made a judgement about the goals of the society, a judgement to which no amount of science could lead " (*Wall Street Journal* (New York), 14 May 1975, p. 14).

discussion among all interested parties not only within the traditional framework of nation States but also at the level of the major economic groupings and with a world-wide perspective. The measures adopted must be both selective, so as to encourage only certain forms of development, and differentiated, because circumstances are not the same in all countries.

To imagine one could implement an employment policy that goes beyond routine management of the labour market to fulfil the most basic aspirations of people everywhere, without raising the essential questions of the politico-economic order and of the type of growth pursued, is not only to delude oneself completely and to misunderstand the course of history but also to store up serious trouble for the future.