



Doc. 65

26 November 1951

Common policy of Member States on Full Employment

Report¹

Committee on Economic Affairs and Development
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1. 1951 - 3rd Session - Second part



A. Draft Recommendation

The Assembly,

Recalling the terms of its Recommendation 25 (Doc. 103, 2nd Session) of August, 1950 requesting each Member State to be invited to submit to it a " full employment target " and certain other information concerning its domestic policy for achieving full employment and economic stability,

Noting that the Committee of Ministers transmitted this Recommendation to Member States with the request that the replies should reach the Secretariat-General before February 1st, 1951,

Wishing to draw the attention of the Committee of Ministers to the fact that by May, 1951 only nine Governments had forwarded their replies and that at the beginning of November two Governments had still not complied with the request,

Furthermore noting that only one Government, namely that of the United Kingdom, had fixed a full employment target and that several replies lacked the data necessary for assessing the economic situation in the respective countries and the general character of their domestic policies,

Referring to the replies furnished by the Member States on their employment situation¹ and to the conclusion based on the study of these replies²

Wishing to stress the following aspects of the employment situation in the Member States of the Council of Europe :

- a. That the main problem of most Member States is excessive pressure of demand and that unemployment in Western Europe is mainly concentrated in Germany, Greece, Italy and Turkey,
- b. That in the case of Greece and Turkey the unemployed cannot be integrated in the national economy owing to lack of industrial potential and that in these cases the appropriate remedy is to be found in a policy of industrialisation and emigration at the same time as agricultural development. It should in fact be emphasised that the problem of full employment and of the industrialisation of the under-developed countries of the Council of Europe is intimately linked to the agricultural situation in these countries. Their economic development raises in fact a twofold problem : first, that of finding opportunities for new employment (in the country itself, in the territory of Member States or in their overseas dependencies) for persons deprived of their livelihood through the mechanisation and modernisation of agriculture, which in turn calls for the investment of fresh capital in the extractive and manufacturing industries of the home and overseas territories in question; secondly, that of finding reliable export markets for such surplus agricultural output as may arise from the mechanisation of farm production,
- c. That in Germany unemployment, which is to a certain extent matched by idle industrial capacity, is the result of several factors, such as the continuous influx of refugees, lack of housing in areas where industrial capacity is not fully utilised, and the political division of Germany,
- d. That in Italy, where, again, a section of the industrial potential is inadequately used, the problem of unemployment is aggravated by the rapid growth of population and the fact that Southern Italy can to some extent be regarded as an under-developed region,
- e. That at the international level a better international allocation of raw materials and concerted measures for facilitating increased mobility of labour and capital would greatly contribute to solving the present problem of unemployment and of inflation in Western Europe,
- f. That there is, however, an even greater need for each Member State to pursue effective and imaginative domestic policies, and that it is a fundamental responsibility of each Government to maintain a high and stable level of employment while at the same time avoiding inflationary pressure,

Emphasising the importance which it attaches to its Recommendation 5 of May, 1951 calling for the convocation, jointly by the Council of Europe and the O. E. E. C, of a Conference to draw up a European Agreement on Full Employment and Economic Stability, based on the findings embodied in the Report entitled " Full Employment Objectives and the Problem of European Economic Co-operation " which, by decision of the Committee of Ministers, has been transmitted for comment to the Governments of all Member States,

1. Reiterates its request that each Member State should submit a " full employment target. "

2. See 3rd Session : Doc. 65 (Explanatory Memorandum).

2. Recommends to the Committee of Ministers

- a. That each Member State should re-examine its present economic policy in the light of the above considerations,
- b. That each Member State should as soon as possible take action on the Recommendation 7 adopted by the Consultative Assembly on 15th May, 1951 concerning the establishment of a Raw Materials Resources and Purchasing Board,
- c. That each Member State should agree to transmit to the Secretariat-General
 1. twice a year in February and in August the latest available data on the state of employment and prices in Member States and any other documents, such as national income accounts and papers on economic policy, which might be useful in assessing their economic situation,
 2. a copy of their replies to the various questionnaires sent out by the Economic and Social Council of the United Nations on the economic situation of Member States,

3. Instructs the Secretariat-General to undertake an analysis of these data in collaboration with the other International Organisations concerned, as well as with independent experts, and to report its findings to the Committee on Economic Questions.

B. Explanatory Memorandum

1. Introduction

1.1.

In its Recommendation 25 on Full Employment adopted in the course of the First Part of the 1950 Session (Doc. 103), the Consultative Assembly requested that each Government should be invited to submit to it;

" a full employment 'target' in the form of a range of unemployment or employment percentages or, alternatively, a minimum level of employment, or maximum of unemployment, which it will endeavour by all means in its power to maintain. "

It further requested that each Government should submit to the Council of Europe :

" a report on its general domestic policy for achieving full employment and economic stability, with particular reference to :

- a. the use which it expects to make of the various techniques recommended in the Experts' Report, such as flexible fiscal policies, adjustable public investment programmes and measures to maintain incomes and levels of consumption (see paragraphs 153 to 164 of the Report).
- b. the Experts' proposal for the adoption of automatic compensatory measures, or, if these are not to be adopted, the alternative means at its disposal for diagnosing the employment situation and for taking rapid action to counteract an unfavourable trend,
- c. the means by which it hopes to ensure the stability of the price level and to avoid both inflation as well as deflation,
- d. the measures which it proposes to introduce in order to deal with the problem of structural unemployment,
- e. the adequacy of its legislative procedures, administrative organisation and statistical services to implement these policies.

The Committee of Ministers, having accepted the Recommendation of the Assembly on Full Employment, invited the Governments of Member States to supply the Secretariat-General with the information requested above, and instructed the Secretary-General to " undertake a study of the material received and to make a compilation of it, in consultation with the other international organisations dealing with the problem, in particular with the O. E. E. C. "

It was not until April, 1951 that the Secretariat-General had received enough replies to warrant putting them in summary form. This summary was transmitted to O. E. E. C. on 4th May, 1951 and to I. L. O. on 9th May, 1951, O. E. E. C. sent in its comments on 28th July, 1951, and I. L. O. on 4th August, 1951.

Meanwhile the Committee on Economic Questions^A at a meeting in July, 1951, had expressed the wish that the whole of these documents be submitted to the Study Group which had taken part in the drafting of the Report entitled " Full Employment Objectives in relation to the problem of European Co-operation. "

Unfortunately, it proved impossible to reassemble all the experts who had taken part in this Study Group, and the Secretariat-General was able to get into touch only with Mr. Nicholas Kaldor, Fellow of King's College, Cambridge, and Mr. Richard Downing of the International Labour Office. Their views may be found in the analysis of the replies received and the " Conclusions " of this document.

The comments of O. E. E. C. are given separately. Those of I. L. O. have been incorporated by the Secretariat-General in the Summary itself.

1.2. Analysis of the Replies of the Member Governments

(This part of the document was drafted by Mr. Kaldor and Mr. Downing).

In answer to Recommendation 25, of the 2nd Session, of the Consultative Assembly all Member States of the Council of Europe submitted replies with the exception (up to the time of writing) of the Netherlands and Iceland. The character of the replies received, however, varies greatly, and only in some cases do they deal with the nature of their employment or monetary stabilisation policies as such. In the majority of cases the replies of the Governments dwell upon the immediate prospects of their general economic situation in the

near future rather than with the specific questions put in the Recommendation of the Consultative Assembly. In some cases (as, for example, in the case of the German, Italian, Greek and Turkish replies) stress is laid on the peculiar structural nature of their unemployment problem. It is only in the case of the reply of the United Kingdom and that of Luxembourg that the questions posed in the Assembly's Recommendation are answered point by point, while a few other Governments give a more general outline of their employment stabilisation policies. Most Governments regard as their main problem in the near future the maintenance of stability of prices in the face of growing inflationary pressures.

1.2.1. The adoption of a Full Employment Target

The U. K. Government fixed a figure of 3 per cent as the maximum number of persons registered as unemployed on a given day of any month of the year expressed as a percentage of the total number of employees. This figure applies to the U. K. as a whole rather than any particular region, and the percentage has been chosen in order to take into account such unavoidable unemployment as may be due to external influences and frictional and other causes. The U. K. reply also makes it clear that this figure is not to be considered as a mere warning-signal but that the Government might take positive counteraction in appropriate circumstances even before this level of unemployment is reached.

The Belgian Government mentions in its reply that frictional, seasonal and residual unemployment (the latter comprising those unemployable on account of age and physical disabilities) would in its view account for a minimum unemployment of 100,000 persons or some 4 per cent of wage-earners. It mentions also that insufficient mobility of labour, weather conditions, etc. might account for an additional unavoidable unemployment of some 50,000 persons, or another 2 per cent. While the Belgian Government's reply makes no formal commitment similar to those contained in the U. K. reply to keep the level of unemployment within definite quantitative limits, it does indicate a target of not more than some 150,000 unemployed for the coming year.

The Norwegian reply, in response to the request for a definition of a full employment target, mentions that unemployment never reached as much as 1 per cent of the total active population of Norway during the last five years, and that the Government has proposed an amendment to the Norwegian Constitution whereby the principle that every Norwegian subject has the right and the duty to earn his livelihood shall be incorporated into the Constitution. A similar principle is already embodied in the Constitution of the Grand Duchy of Luxembourg.

The French, the Swedish and the Danish Governments state that their present situation is one of full employment and that, in view of this, they do not regard it as appropriate to adopt a full employment target in the present circumstances. The Irish Government emphasises that the nature of its unemployment problem (mainly taking the form of disguised unemployment in agriculture) is such that the announcement of specific full employment targets would not serve any useful purpose in the circumstances of that country. The remaining replies do not make any reference to the adoption of a full employment target.

1.2.1.1. General Domestic Policies for Achieving Full Employment

(a) La réponse du gouvernement du Royaume-Uni suit d'assez près la Recommandation des experts des Nations Unies. Elle voit dans l'impôt et les cotisations des assurances sociales un moyen d'agir sur le volume des dépenses et fait également allusion, à cet égard, à certaines mesures spéciales de contrôle des investissements privés et publics. Le gouvernement suédois, sans entrer dans autant de détails, fait état de mesures à long terme analogues. Le gouvernement de la Sarre fait valoir que son manque d'indépendance en matière de monnaie, régime fiscal et commerce extérieur, limite sa faculté de mener une politique indépendante de plein emploi qui lui soit propre.

(b) Tho U. K., while warmly welcoming the principle of the proposal for the adoption of automatic compensatory measures against unemployment, doubts whether in the particular case of the U. K. advanced legislation provided for automatic changes is necessarily the appropriate method, since the Government possesses at the present time various means for effectively and promptly stimulating the level of demand, should this become necessary. The Luxembourg Government mentions that, while automatic measures for offsetting shortages and surpluses have not yet been considered, there has, nevertheless, been a consistent policy of adapting the fiscal policy of the State to the needs of full employment within the framework of the annual budget.

(c) A number of Governments, without dealing explicitly with the nature of their long-term policies, give an outline of the measures they have introduced, or propose to introduce, to deal with the problem of economic stability in the immediate future; thus, many Governments mention restrictions introduced on private investment, and the Belgian Government mentions the stimulation of an increase in imports as a means of keeping down domestic prices.

In addition to the various devices for regulating demand mentioned under (a), a number of replies emphasise the present danger to monetary stability emanating from worldwide inflationary pressures. In the case of Sweden stress is laid on additional credit restrictions, an increased budgetary surplus, the sterilisation of profits in the export industries and price controls as particular means of combating inflationary pressure. The replies of other Governments, whilst less elaborate, emphasise similar policies. Some Governments mention the raising of interest rates while others refer to the restriction of investments through building permits or the direct control of capital issues.

(d) The German Government in its reply points out that its considerable unemployment at the present time is of a structural character, in that it is due to an occupational structure which no longer entirely corresponds with present needs, and an uneconomic geographical distribution of manpower. As regards the second, it emphasises the need for additional houses before the internal mobility of labour can be improved. It takes the view that its unemployment problem can be improved only by a gradual process.

The Italian Government in its reply regards the serious unemployment ruling in that country as of a structural character. It emphasises that this unemployment is not primarily to be attributed to " a lack of means of production and of transport facilities " except in regard to electrical power where the problem is being remedied through an extensive programme of constructing new power stations. Nor is it due, in the view of the Italian Government, to difficulties with the balance of payments or the budgetary situation or to a shortage of productive capacity, which in many cases is already excessive. The cause of unemployment in Italy, the Government considers, is especially to be sought in " the lack of balance between the country's natural resources and its active population " and also to " a lack of capital and the general characteristics of the (Italian) economic structure, inherited from the past, which retard production development. Though the specific measures taken to deal with the unemployment problem made it possible, in the view expressed in of the Italian reply, to absorb the annual increase in labour supply and even to reduce unemployment by some 300,000 (or 15 per cent) in the course of the last two years, the Government considers that the nature of the Italian unemployment problem is such that it cannot be solved by " methods at present used by other countries to achieve full employment or by steps designed to ensure better harmony between the factors affecting production. " Although the Italian reply does not actually mention emigration as a major remedy, it is evident from the nature of the reply that the Government considers mass emigration as an essential element of a solution of the problem.

The reply of the Greek Government mentions the fact that the unemployment problem in Greece becomes more serious every year with ,, the fresh supply of wage-earners coming on to the labour market. " The Turkish Government expects unemployment to increase in agriculture as a result of mechanisation, while its urban unemployment is also likely to increase as a result of the termination of E. R. P. aid. The problem of unemployment in these two countries is largely of the character of a surplus population in rural areas which cannot be integrated in urban occupations owing to the lack of industrial capacity. Unemployment is of a similar nature (i.e. due to surplus population in agriculture) in Ireland also where, however, the Government has succeeded in expanding industrial employment considerably through the expansion of productive home investment. The Irish Government considers that, while the possibility of affording increased employment lies in the industrial and commercial sphere rather than in agriculture, the maintenance of a high level of employment and of rising living standards depends in the long run on prosperity in agriculture which alone can create opportunities for enterprise and development in other fields.

(e) No country suggested that its legislative procedure, administrative organisation and statistical services were inadequate for implementing its internal economic policies. Mention should be made, however, of the fact that available data on unemployment vary in comprehensiveness and reliability and are not in general comparable between the various countries.

The Secretary-General considered this to be a point of particular importance and has thought it advisable to add, as Appendix II to the present document, a brief analysis of the statistical methods employed in the different European countries together with a few remarks on the method to be followed in order to permit comparison between them.

The Secretariat-General has also considered it advisable to draw up a general table giving the unemployment figures for the various European countries in recent years, a table which will be found in Appendix I of the present Report. In the drawing up of this table the governmental replies have been supplemented by information supplied by these same Governments on other occasions (in reply, for instance, to the Questionnaire of the Secretariat-General on the problem of refugees), and by certain official statistics published by the I. L. O. This table is intended merely to give some indication of the approximate dimensions of the problem in the different Member States and should be considered only subject to the reservations already made.

And, finally, the Secretariat-General has endeavoured to submit, as requested by the Resolution of the Committee of Ministers, a bare synthesis of the replies received, refraining from making any observations upon the text of these replies and upon the policies followed.

1.3. Data concerning unemployment in the different Member States

Most of the replies give some indication as to the extent and causes of unemployment in the Member States of the Council of Europe before going on to outline the remedies recommended and the plans for combating unemployment which they imply.

It being impossible, for the reasons stated above, to make a quantitative comparison, the Secretariat-General has thought it advisable to make a rough classification of the Member States according to the trend of their unemployment figures during the post-war period. It has seemed possible to distinguish three main groups :

- a. Those industrialised countries which are at present experiencing full employment and for which the main problem seems to be rather that of inflation.
- b. Those industrialised countries which have experienced considerable unemployment during this period.
- c. The under-developed countries which suffer from chronic unemployment owing to a lack of industrial equipment.

Needless to say, such a classification is in essence a purely arbitrary one, and a nation like Italy, for example, can be classed in the second or third of these categories, according to whether one considers the North or the South of the country.

(a) Among the industrialised countries which are enjoying full employment may be placed Denmark, France, Luxembourg, the Saar, Sweden and the United Kingdom.

The full employment which does exist in these different countries is certainly, at least to some extent, and for some of these countries, due to a systematic policy with full employment as its main objective. But it must be noted that the French reply, for instance, makes it clear that other causes have also had their effect, first the necessity of reconstruction, and later that of re-armament.

The close relationship which is thus to be seen between the full employment in some of these countries and their re-armament effort is expressed with particular clarity in the reply from the Saar, which declares : " The Government of the Saar is aware that the maintenance of this favourable level (of employment) is closely linked with the impetus given by re-armament. "

But the impetus given by re-armament is far from being an unmixed blessing, above all for those countries already enjoying full employment.

The Swedish reply mentions for example that in 1950 the inflationary pressures prevailing in the world market had a powerful influence upon Swedish economy and adds : " If a country with the industrial and commercial structure of Sweden, and which has no idle productive capacity, pursues a policy of full employment at a time when inflationary tendencies are so strong in the world market, there is a serious danger of inflation. "

For these countries the present problem is not how to prepare measures to compensate for a possible depression resulting from outside circumstances, but rather to see to it that the full employment at present achieved shall not result in inflation. Sometimes, indeed, the problem is to find the manpower necessary for the dual effort of civil and military production. This potential shortage of manpower may also be accompanied by a certain frictional unemployment due to the conversion of certain industries for the needs of national defence, and it is also possible that the scarcity of certain raw materials in the international market may bring about unemployment in some industries dependent upon them.

((b) Among those replies received to date, the German and Italian ones seem to be particularly characteristic of the second group indicated above, the group of industrial countries experiencing unemployment.

The German Government attributes the unemployment prevalent in the Federal Republic primarily to certain causes peculiar to Germany, the large-scale destruction of industries, the dismantlings, the presence in the Federal Republic of millions of refugees, the return of demobilised soldiers and prisoners of war. But two obstacles of a more general nature make it particularly difficult to re-classify the unemployed workers : a professional structure no longer corresponding to present needs, and a faulty local distribution of manpower. Finally, the report mentions the problem of raw materials as being particularly acute. This problem is a twofold one : on the one hand, the lack of new investments contributes to the difficulties of mining certain indigenous raw materials, on the other hand, considerations connected with the balance of payments and the scarcity of certain raw materials in the international market render difficult the supplying of Germany with foreign raw materials for which it normally has a big demand.

The Italian report, for its part, brought out strongly the particular demographic conditions of Italy. The report, which quotes the figure of 1,837,000 unemployed for 1950, recalls that since 1936 the population of this country has increased by some 4 million inhabitants, which corresponds to an increase in the total volume of the potential labour market of some 3 million units.

One observation must be made here. If we are tempted to use the word over-population, it must nevertheless be noted that the notion of over-population is independent of that of population density. Some countries have very low population densities, and yet, given the insufficiency of their own resources, experience a de facto over-population. Conversely, nobody would think of calling certain industrial regions with the biggest densities in Europe over-populated. The notion of over-population has, consequently, a purely relative value and has no meaning except in relation to a certain stage of economic development and capital equipment. The Italian report itself mentions, for that matter, among the principal causes of unemployment in Italy : " the shortage of capital and the general characteristics of an economic structure, resulting from past conditions, which acts as a brake on the development of productivity. "

It would therefore be a gross over-simplification to attribute the high unemployment figures experienced by these two countries to the demographic factor alone.

(c) In the group of countries suffering from a lack of equipment may be placed Greece, Ireland and Turkey. The economy of these countries is found to be closely, and sometimes almost exclusively, dependent upon agriculture. The methods employed in the last-named, under conditions of individual family farming, are generally rather backward. These primitive economic methods bring with them a chronic condition of under-employment which the familiar methods of exploitation do not always wholly conceal; hence one generally finds in these countries a quite considerable amount of seasonal unemployment during the ' dead season. ' It might be thought that this state of affairs at least shelters these countries from that type of unemployment experienced in the more highly industrialised countries, which results from a decline in effective demand. But this is not always the case. The agriculture of some of these countries is often virtually monopolised by a single export crop, such as tobacco, with the result that, when the foreign demand drops, these countries, just like the more highly industrialised ones, are subjected to crises of over-production.

The very measures which might be proposed to remedy this state of affairs by modernising agricultural methods involve the short-term risk of causing an increase in unemployment : mechanisation is certain to liberate manpower which cannot be re-employed unless the area cultivated is increased and new crops and new industries are developed.

But, if one takes a long-term view, one may nevertheless conclude, in the words of the Report from Ireland, that in these countries the maintenance of a high level of employment and the raising of the standard of living is, in the long run, dependent upon agricultural prosperity; the possibility of increasing employment is certainly to be found in the industrial and commercial field rather than in agriculture, but the expansion of agricultural production would be exceedingly beneficial, for it would increase demand and augment the number of opportunities for enteri^rrise and development in other fields. An increased volume of agricultural exports would inject into the whole economic system an increased purchasing power, and would constitute, by reason of this very fact, an essential condition for the setting up of secondary and tertiary industries likely to afford new opportunities of employment.

1.4. Governmental action and the technical expedients employed

Needless to say, the technique employed by the different Governments to ensure full employment varies according to the different data, demographic and other, of the problems set forth above. Rather, therefore, than merely listing the different technical expedients employed, it has seemed preferable to show their use and the way in which they work, according to the particular aspects of the problem to be tackled.

It can be said, rather superficially perhaps, that for some countries which have already reached a state of full employment, the essential problem is to reconcile it with price stabilisation. For others it is essentially a problem of capital equipment and development. Finally, in almost every case, delicate problems arise concerning the mobility of manpower.

1.4.1. Full employment and the struggle against inflation

The measures intended to combat unemployment often result in the stimulation of inflationary pressure, and, conversely, a policy of deflation is often accompanied by unemployment. The problem is not that of choosing between these two dangers, but rather of controlling the application of measures destined to ensure full employment so as not to set in motion an inflationary spiral.

If we take point by point the list of Government measures recommended by the Report of U. N. experts (paragraphs 153-164) and quoted by the Recommendation of the Assembly, it will be seen that the countries which have achieved full employment have interpreted their application in the following manner :

1.4.1.1. Fiscal policy

It is now admitted that, normally, it is the level of effective demand which determines the level of economic activity, producing a deflationary movement if it is insufficient, and resulting in an inflationary movement if it rises too rapidly.

Fiscal policy constitutes for a modern Government the principal means of assuring a satisfactory balance between effective demand, on the one hand, and the supply of consumer goods and services on the other. Thus - the need for a budget surplus in a period of inflationary pressure and for a budget deficit in a period of deflationary pressure is generally recognised—and is mentioned in particular in the British and Swedish replies.

On the other hand, modern fiscal systems have a tendency automatically to compensate for the effects of economic fluctuations. Thus the usual sharply progressive income tax corresponds not only to a desire for social justice but also plays an anti-inflationary role, such taxes skimming off an increasing share of money income according as the latter is swollen by inflation.

In the same way, in a large number of countries, the system of unemployment insurance, and in general the various social charges which are sometimes grouped under the name of security-taxation have, in addition to their social function, a stabilising role to play in the economic field. The British reply, for example, stresses the fact that in the present period of full employment the contributions paid under the heading of the National Unemployment Insurance Scheme considerably exceed the amount of benefits distributed, and that the scheme thus contributes to the reduction of inflationary pressure, just as it would contribute to the maintenance of the level of demand in the case of a depression.

1.4.1.2. Investment Policy

A modern Government, moreover, is in a position to influence not only the level of total demand in an indirect way by its fiscal policy, but also has at its disposal methods of more direct action not only on the level of consumption but also on that of investment.

Now, it is a fact that, at least in those countries where full employment is assured, the present sellers' market stimulates investment : firms realising large profits are inclined to reinvest an increasingly higher proportion of them, the more so as in many countries Government taxation would absorb the greater part of profits if they were not re-invested. In addition, shortage of manpower conduces to rationalisation and modernisation of equipment, whilst the re-armament effort undertaken is inevitably accompanied by substantial military investments. If free play were given to all these forces, they would result, in a demand for investment goods clearly exceeding those available.

Inasmuch as this demand for investment goods is allied to the high levels of consumption resulting from full employment, it would inevitably create a strong inflationary pressure. The problem posed is therefore whether it is desirable to restrict the level of investment or that of consumption or both simultaneously. Countries like Great Britain and Denmark take simultaneous action in respect of both investment and consumption, whereas a country like Sweden, which, during and since the war has achieved a high level of investment, is in a position to stand up to inflation without reducing its consumption.

By virtue of its increase in production France proposes to maintain investment at a level approximating to that of 1950 and simultaneously to increase its consumption without prejudicing its military effort.

But, whatever solutions may be adopted—and they vary in relation as well to the resources of each country as to the rate of previous investment—Governments are intent not only on controlling the total level of investment, but also on laying down for them a scale of priority in accordance with certain social and political as well as economic criteria.

With regard to Government investment (and in a country like Great Britain such investment represents two fifths of the total) the Governments fix their level directly, and investment proposals held over until a later date constitute reserve plans ready to be put into immediate effect if ever the need arose to combat deflation. It must be noted, however, that while the Government may be able to take direct action in this field, some Government investments are by nature incompressible, and this fact tends to restrict the scope of Government action.

As far as private investment on the other hand is concerned the problem is two-fold. It must first of all be known what investments are contemplated and their economic utility assessed. Thereafter it is a question of taking action to ensure that some are forbidden, whilst others are encouraged. Thus the British Government engages in a periodic examination of all investment proposals and encourages the leading industries to draw up long-term investment plans.

In order to cope with private investments, some Governments employ a more or less rigid system of building permits, which provides a check on the volume of building for both private and industrial purposes. Restrictions on long-term credits exercised by raising the rate of interest constitute in their various forms another weapon in current use.

The British Government is one of the few Governments not to have recourse to this practice, but it has at its disposal a more effective means in the direct control which it exercises over the issue of any loan exceeding £50,000.

The Swedish Government for its part is considering the introduction of an investments tax. It has also signed an agreement with the forestry industries, by which part of the profits realised by these industries on the export markets will be blocked for a period of ten years and inflationary tendencies to that extent reduced.

1.4.1.3. Action on consumption

Most Governments are of the opinion that they possess the necessary powers to enable them to take action in respect of the level of consumption and, even in countries like Great Britain where there exists direct rationing of consumer goods, the tendency has in recent years been to reduce the number of products rationed. Fiscal measures and, in particular, the effects mentioned above of a system of graduated and heavily increasing rates of direct taxation, together with the natural increase in prices (sometimes aggravated by the elimination of subsidies) will, in the opinion of most Governments, suffice to maintain consumption at its present level.

On the other hand, as far as raw materials are concerned, some Governments are still practising, or are obliged to reintroduce, systems of allocation for commodities such as paper pulp, steel plate and certain rare ores. Such systems of rationing may take the form of a controlled distribution by the Government or of direct agreement between the trades concerned.

Stabilisation of the income of producers of primary products

There exist in most of the industrial countries of Europe plans for the maintenance of agricultural prices intended to furnish agriculture with assured markets and the minimum prices necessary for its prosperity and stability. Unfortunately, the chief agricultural countries for which such measures would be particularly desirable are not in a position to resort to this policy, precisely because of the large proportion of their national income derived from agriculture; this is particularly evident in the case of underdeveloped countries.

1.4.2. Equipment of under-developed countries and areas

If in countries with full employment the chief problem at present is that of combating inflation, and consequently of closely supervising the level of investment, in countries inadequately equipped the problem is, on the contrary, one of stimulating investment. Thus the reply from Ireland mentions both various steps by which the State tends to stimulate private investment (such as State guarantees and preferential rates of taxation) and a number of investments which the State contemplates making on its own account.

Particularly interesting from the social point of view appear to be the measures adopted by the Turkish Government to set up small local, rural and provincial industries. Such industries seem, indeed, to be the very thing for absorbing surplus agricultural manpower—without, however, uprooting it. Conversely, such local industries should enable the technical methods used by Turkish agriculture to be improved.

By the same token, despite the needs of rearmament, the Italian Government does not intend to slow down the proposed execution of public works or land settlement and improvement projects, especially in the southern part of the country. Generally speaking, of the measures which it plans to undertake, one law, known as the Fanfani plan, appears likely to absorb considerable manpower whilst at the same time helping to solve the housing problem. The plan, which aims at raising the level of employment by stimulating in particular the building of cheap housing, is financed by State contributions (thanks especially to the counterpart of Marshall credits), by compulsory contributions from employers and workers (the former provide two-thirds of the total) and by repayable annuities or rentals to be paid by beneficiaries. The technical and financial plan is worked out by " an executive committee " made up of representatives of the workers, employers and the national administrative departments concerned. These yearly plans, staggered over a period of seven years, are put into effect after receiving the approval of the Minister of Labour. Their execution is entrusted to an Administrative Council on which the various social categories and administrative bodies concerned are represented.

It is of some interest to emphasize that this law does not create a new administration or a new bureaucracy, but that the Administrative Council avails itself of the service of an already existing body, the National Insurance Institute.

To a certain extent one may consider the case of under-developed countries to be on a par with that of certain areas which, although situated in industrialised countries at present enjoying full employment, nevertheless present fairly similar problems. This is, for instance, the case in regard to what the British reply calls " special areas " or " development areas. " The reference is to areas closely dependent upon some form of industry (coal-mining for export or ship-building) whose decline has resulted in their impoverishment.

The special problems raised by such areas have long since been acknowledged by British legislation (just as Italy recognises the special problems arising in the south of the peninsula) and the Government has put into effect a whole series of measures, details of which are contained in the British Government's White Paper on the " Distribution of Industries. " The Government has endeavoured to encourage by all the means in its power the establishment of new industries in these areas, and for this reason a number of war factories were set up in those areas during the war. The factories have since been " reconverted " and are now used for peaceful ends. Special credits have been granted as well as priorities for the use of certain scarce materials. In some cases the local authorities have themselves adapted the land and put up the necessary buildings. Systematic efforts have been made to improve public utilities (water, gas, electricity, transport, etc.) in these areas, and accommodation has been provided to house the skilled workers essential to the new industries. Furthermore, the Government has set up a certain number of factories for lease on special terms to firms undertaking to employ a certain percentage (at least 50 %) of disabled men, and some of the factories have, in fact, been built in those areas. Lastly, and, what is perhaps not least important, a systematic advertising campaign has been undertaken to acquaint industrialists wishing to put up new factories with the often considerable natural advantages which these areas offer.

But, whether it is a special case of " development areas " or a general case of under-developed countries, there is no doubt that capital investments cannot always suffice and that some part of the manpower living there at present will also have to look for work in other areas or countries. The problems of all kinds, difficulties of housing and linguistic and administrative snags resulting from the movements of manpower are well-known.

1.4.3. Mobility of labour

This is a problem which arises in varying degrees in most European countries, and some replies from both industrialised and underdeveloped countries bring out the special advantages to be derived, particularly under present economic conditions, from all measures tending to facilitate the mobility of labour, both geographically and as between different trades. The German Government, for instance, mentions in its reply an occupational structure which no longer completely corresponds to contemporary needs and also an uneconomic geographical distribution of manpower. In order to remedy this latter state of affairs, the German Government has undertaken various measures tending to adapt the geographical distribution of labour to the post-war industrial structure. In order to facilitate the settling of workers in industrial areas with unemployed industrial capacity, it has embarked on a housing policy which resulted in 1950 in making available 350,000 accommodation units. The new buildings, it has been pointed out, have, above all, been concentrated in areas

offering possibilities of permanent employment. But in almost all European countries it is still the problem of mobility between occupations that is the more acute. The need to develop export industries in some countries in order to improve a balance of payments unfavourably affected by an alteration in rates of exchange, the need to develop armament production in most countries, and the constantly increasing need for highly skilled labour impose on most European countries a large-scale policy of technical training. This need has, moreover, been generally recognised, and one Government, for instance, that of Denmark, has shown the importance which it attaches to this problem by setting up a special committee for the labour market, which has invited the co-operation of trade unions as well as that of producers.

Finally, it appears that in all countries without exception there is still to be observed— even if now in a lesser degree—the century- old general movement of population depleting the countryside in favour of the towns. The French Government mentions expressly the necessity which will be incumbent upon it to resort to immigration in order to carry out its ambitious programme of increased production. For the shortage of manpower (especially skilled manpower), from which certain States are suffering while others experience unemployment, a more extensive movement of population between the countries of the Council of Europe would certainly constitute an appreciable remedy.

There can, however, be no doubt that such movements of manpower will be inadequate to absorb existing surpluses of population and (either in their respective reports or else in their replies to other questionnaires concerning such problems as that of refugees) the Irish, German and Italian Governments emphasise the need for emigration overseas.

2.

3. Conclusions

(This part of the Report was drafted by MM. Kaldor and Downing)

In a final analysis the following general conclusions emerged from a consideration of the replies received from Governments on the subject of full employment.

1. It is evident that at the present time unemployment in Western Europe is not general but is concentrated in specific countries or areas. In the case of a number of countries there is at the moment no lack of employment opportunities, the problem of these countries is rather that of an excessive pressure of demand, with the consequent danger of inflation. Hence, with a few exceptions, the Governments are not concerned at the moment with the question of how they would deal with problems of mass unemployment, should a situation of insufficient general demand, and consequent lack of employment opportunities, recur. Since, however, the Consultative Assembly in its Recommendation last year had mainly the long-term problems of ensuring full employment rather than the immediate economic prospects in mind, it is to be regretted that the answers to the questionnaire do not permit an adequate picture to be drawn as regards the major question posed by the Assembly :—• how far Governments accept the responsibility for maintaining high levels of employment and economic stability, and how far they are prepared to undertake co-ordinated measures to attain these objectives.
2. Unemployment of major proportions in Western Europe is concentrated in a few areas, notably Germany, Italy, Greece and Turkey. Rightly or wrongly the Governments of these countries do not consider that their unemployment problem could be eased by measures affecting the general demand for commodities. In the case of Greece and Turkey unemployment is mainly due to a growing surplus population on the land which cannot be integrated in the economy owing to a lack of industrial employment potential. The remedy here could only be sought in industrialisation of major dimensions supplemented by mass emigration. Italy also has concealed unemployment on the land, but it has considerable industrial unemployment as well together with inutilised industrial capacity. In the case of Germany also unemployment is largely of an industrial character and is attributed by the Government to the fact that surplus manpower is not available in the right industries or in the right places.
3. In the case of the other industrialised countries of W. Europe the present situation is more one of a growing inflation—attributable in part to the worldwide inflationary tendencies and in part to the rearmament effort—the remedy for which should partly be sought in the more effective application of measures of monetary stabilisation and partly in the removal of the obstacles to a further expansion of production. The shortages which prevent further productive expansion have their origin partly in a scarcity of raw materials and partly a lack of manpower, particularly of skilled manpower.

4. It is evident from the above that greater prosperity and better living standards in Western Europe require a higher volume of production combined with improved economic and financial stability. An improvement in production could best be brought about by the re-activation of idle manpower and idle industrial capacity in those areas of Europe where they are still available. This could be furthered partly by international measures and partly by more effective policies pursued by the Governments of the countries concerned. In the field of international action the most important requirements appear to be :
- a. a better international allocation of raw materials which would make it possible for some countries to utilise those of their resources which are at present idle;
 - b. concerted measures for facilitating increased mobility of resources between different areas—i.e. the flow of capital into the under-developed areas and the migration of labour to the areas where manpower shortages prevail.

International measures for facilitating the movement of both capital and labour cannot remove the need, however, for more effective and imaginative internal policies in the field of economic development. It cannot be urged too strongly that the pace of economic development in any particular country does in the last resort depend on the vigour of policies pursued by the Governments concerned. It cannot be doubted that in this respect there are wide divergences at present between the different countries of Europe. With regard to the general problem of inflation, there also appear to be wide divergences at present in the nature and effectiveness of the internal measures to combat it which the various countries are willing to adopt. While some countries emphasise the steps they have taken to counteract inflationary tendencies, in the case of others there is too great a tendency to attribute the inflation to external causes and too little appreciation of the individual responsibility of each Government for the maintenance of its own monetary stability.

3.1. Memorandum on the study of a programme of Full Employment prepared by the O.E.E.C. at the request of the Council of Europe

1. In order to make the contribution requested of the O. E. E. C., the object aimed at the following note is :
 - a. to indicate from what angle O. E. E. C. has up to now considered the problem of full employment, and the place which this problem will take up in its future work;
 - b. to comment on some features of the memoranda by the various countries which seem particularly important and to make clear the positions that countries have taken up in regard to the proposals and suggestions contained in paragraphs 5 and 7 of Recommendation No. 5 of the Consultative Assembly of the Council of Europe. These points have mostly been taken up in the survey of the problem produced by the Secretariat General of the Council of Europe. It is, however, considered that they should be brought out rather more directly.
2. These comments refer to the following replies of which the O. E. E. C. has received copies : Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Saar, Sweden, Turkey and the United Kingdom.

3.1.1. Section I : Work of the O. E. E. C.

3. The general policy of the O. E. E. C. stems from the pledges which the countries gave to one another in the Convention for European Economic Co-operation (Paris, 16th April, 1948). According to Article 8 : " The Contracting Parties will make the fullest and most effective use of their available manpower. They will endeavour to provide full employment for their own people... (and they) will co-operate in the progressive reduction of obstacles to the full movement of persons. " The related objectives are set out in Article 7 : " Each Contracting Party will, having due regard to the need for a high and stable level of trade and employment and for avoiding or countering the dangers of inflation, take such steps as lie within its power to achieve or maintain the stability of its currency and of its internal financial position, sound rates of exchange and, generally, confidence in its monetary system. " These two Articles relate to the objective set out in Article 2 : " The Contracting Parties will, both individually and collectively, promote with vigour the development of production... "
4. The attainment of a high and stable level of employment is therefore not treated as an isolated objective of the Organisation, it cannot, in particular, be separated from the maintenance of a reasonable degree of financial and price stability, and these two questions have been studied together in the successive reports of the Organisation upon internal financial stability. The objective of maintaining a high level of employment is also closely connected with the objectives of increasing production and productivity and achieving a high level of international trade, conducted on a basis which is beneficial to all parties. All these various objectives

require a high and stable level of employment for their full attainment, but, conversely, a high and stable level of employment required that they in turn be achieved. Detailed work on particular aspects of employment policy has also been undertaken by the Manpower Committee.

5. The reports on internal financial stability in 1949 and 1950 found that certain countries had a greater problem of achieving a high level of employment than others. Thus, for instance, they concluded that the considerable unemployment in Germany and Italy was largely due to structural factors, but that appropriate measures to increase demand and production could have been expected gradually to bring a substantial increase in employment—as could also have been expected in Belgium in 1950. The forthcoming study of internal financial stability will concern itself particularly with the problems of the future, and will have to pay special attention to the dangers of inflation in present circumstances.

6. In effect, the effort now required is that of preventing the new pressures generated by the increase in defence preparations from cutting away what has been achieved. These new pressures have increased the calls on output and have already aggravated local shortages of particular skills. The crucial problem is still to ensure the right use of available resources as well as to prevent their wastage and mis-direction through inflation.

7. Since the arrival of new dangers to production and financial stability arising from the shortage, and consequent sharp rise in prices, of certain raw materials, the O. E. E. C. has been actively concerned with the question, both of stimulating the production and allocating the use of scarce raw materials, following the Decision by the Council C (51) 68 (Final) of 10th March, 1951. The work in hand is described in the Survey prepared for the Council of Europe, Part II, Section B, paragraphs 64 to 68.

8. A great part of the work if the O. E. E. C. has been, and is, devoted to creating trade and payments conditions in which an increase in the volume of trade is encouraged and the danger reduced of fluctuations in the economy of one country adversely affecting the economies of the rest. This helps to raise the real national income of the countries by assisting each of them to exchange products which it produces comparatively easily for those which it cannot. The main methods adopted—liberalisation of trade and the creation of the European Payments Union—have been described at some length in Part II, Section A, of the Survey prepared for the Council of Europe. They include many features (the provisions for flexibility in the Liberalisation Code, the constant review of the E. P. U. position of Member countries, and the taking of appropriate action in the light to these reviews) which are designed to ensure that a due balance is achieved between two objectives which are largely complementary but may sometimes be in conflict : first, the development of a high level of unrestricted trade between the participating countries and their associated monetary areas; and, secondly, the maintenance of a high level of internal activity.

9. Virtually all the activities of the O. E. E. C. bear therefore directly or indirectly on the level of employment, and, consequently, as was stated above, the problem of employment is not treated in isolation. There are, however, a number of specific questions concerning manpower which are the special field of the Manpower Committee, working within the framework of the general policy of the Organisation.

10. Thus, the efforts of the Manpower Committee have been directed towards the objective of increasing labour mobility, both within and between Member countries, but effective and rapid progress towards a solution meets many obstacles. These take various forms. There are administrative and psychological problems as well as practical problems, such as those deriving from the shortage of housing and the special skills sometimes required. Full consideration has to be given to obstacles of this nature, and to the possible means of overcoming them, when considering over-all plans for full employment. Much work has also been devoted to the inadequacy of labour statistics and the lack of comparability between those of different countries, and it is hoped that substantial progress will result from measures following the Council Recommendation of 20th January, 1951 C (51) 8 (Final). Among these measures is the increased use by member countries of the American system of labour force sample surveys. Meetings of labour statisticians from member countries are being held under the aegis of the O. E. E. C., with the collaboration of the I. L. O., to secure the greatest possible benefit from these steps.

3.1.2. Section II : Comment on the Memoranda of the various Countries*

11. The considerations which have determined the way the question of full employment has been handled in the O. E. E. C. are reflected in the replies of different countries to the questionnaire of the Council of Europe. As a number of Governments made clear, and as was implicit in the replies of many of the others, the question of full employment policy cannot be considered in isolation. This view is most fully expressed in paragraph 5 of the United Kingdom reply, which deserves to be quoted in full : " The primary objective of employment policy is to establish and maintain economic conditions in which no one who is able and willing to

work is denied the opportunity to do so. But the success of employment policy cannot be judged by this test alone. There must, in addition, be a reasonable stability of prices, a healthy relation between overseas expenditure and earning, and conditions which will foster economic progress and the growth of production. An effective full employment policy must therefore be part of a continuing general economic policy, directed towards achieving all these objectives. "

12. In many countries of Europe, such as Germany, Greece, Ireland, Italy and Turkey, the achieving of full employment depends even more upon direct measures and upon long-term economic development than upon increasing overall effective demand; such development would be accelerated by foreign investment. This is reflected in the comment in the Italian memorandum that the unemployment problem in Italy " cannot be solved by the methods at present used by other countries to achieve full employment. " It does not, of course, imply that alternative methods should not be employed as far as possible to reach and to maintain an appropriate level of effective demand, even where this is not a complete solution. For this reason, therefore, although it is understandable that the replies of these countries should concentrate on outlining the measures they are taking to deal with their own particular kinds of unemployment problem, nevertheless it would be helpful if they could also in due course complete the central part of the Council's questionnaire relating to the use of the techniques proposed in the Experts' Report for maintaining an appropriate level of effective demand.

13. Even among the countries where unemployment is at present low, and not of a structural character, the United Kingdom is alone in accepting formal responsibility for the maintenance of a high and stable level of employment, as stated in the White Paper on Employment Policy, Cmd. 6527, published in May, 1944 by the war-time Coalition Government. The United Kingdom reply also discussed in detail the various measures which could be employed. None of them is automatic by deliberate choice, but the impact of a progressive system of direct taxation and the operations of the National Insurance Scheme are shown to be in a measure automatic. France and Luxembourg have not committed themselves in advance to particular measures, but make clear their intention to take what steps may in the event prove necessary, whether by using fiscal policy, stimulation of consumption or investment, or public works. Sweden has the whole field of her long-term economic policy under expert review, and past performance leaves no doubt that the maintenance of a high and stable level of employment will play a key part in that policy.

14. In the present circumstances, it is natural that many Governments are concerned less with the problem of maintaining employment than with related aspects of their general economic policies, and, in particular, with the restraint of inflation and the expansion of production. The prospect is for a continuous high level of demand, and the immediate dangers to employment arise from the threat of interruptions to production due to shortages of essential raw materials. Nevertheless, it is desirable that concern with the maintenance of a high level of employment should continue to have an important place in the economic policies of member countries.

15. The general world outlook, the variety of circumstances in which countries find themselves and their present preoccupations have caused the part of the questionnaire dealing with the adoption of a full employment target to receive relatively little attention. Only one country, the United Kingdom, has felt it opportune to lay down a target in the sense referred to in paragraph 5 of the Assembly's Resolution. It does so with important qualifications about unemployment due to a decline in effective demand originating from abroad. The Belgian memorandum contains the estimate that a situation in which unemployment due to lack of demand has been eliminated would be fulfilled in Belgium when not more than 4 per cent of wage-earners were unemployed. The Belgian Government, that is, has worked out a criterion for full employment in Belgium without putting it forward as a commitment. The other replies received either make no mention of a target or (e.g., Denmark and Sweden) make explicit that they consider setting one of little immediate value in itself.

Appendix APPENDIX

NUMBER OF UNEMPLOYED IN MEMBER STATES FROM 1937 to 1951

PAYS	TYPES de statistique	SOURCE	1937 (1)	1940 (1)	1948 (1)	1960 (t)	1951 (2)	
Belgique	A	A Recensement	126.000 - 182.127	67.300	129.200	221.700	199.900	
Danemark	B	a	95.600	51.600	51.600	54.800	72.100	
France	C	D	a	a Recensement	354.600	380.000	864.170	864.170
République fédérale	d'Allemagne	E	F	Bizone, b	Rép. led., a	820.000	788.000	788.000
Grèce		Rép. du Gv.		76.000	31/12	141.138	30/6	
Islande								
Irlande	A	D	a	a	55.200	(1939)	81.800	81.800
Italie	F	a	874.000	1.620.000	1.748.000	(9 mois seulement)	1.614.900	1.614.900
Luxembourg	A	a	18	15	17	38		
Pays-Bas	F	a	368.900	88.700	42.400	79.100	91.900	
Norvège	F	a	29.900	12.200	9.000	9.000	17.600	
Sarre	G	F	a	b	18.000	6.600	7 derniers	7 derniers
Suède	II	a	67.400	27.600	25.700	22.100	24.400	24.400
Turquie								

PAYS	TYPES de statistique	SOURCE	1937 (1)	1940 (1)	1948 (1)	1960 (t)	1951 (2)	
Royaume-Uni	F	a	1.529.100	394.200	334.400	6 derniers mois		3 9 5 - 6 0 0

KEY TO SYMBOLS AND ABBREVIATIONS :

Nature of statistics :

- a. Compulsory unemployment insurance
- b. Number of unemployed trade unionists
- c. Number of unemployed on relief
- d. Number of applicants for employment
- e. Military Government Census : Persons available for employment
- f. Number of unemployed registered at Employment Exchanges
- g. Manpower register
- h. Figures supplied by trade unions

Source

a : International Labour Review

h : Official National Publications

Bi-zone : U. S. Military Government Statistical Bulletin

Saar : Statistical Handbook

N.B. : These figures are merely indicative. They do not afford a basis for comparison of the returns for individual countries nor, in many cases, for different years.

APPENDIX

STUDY OF THE METHODS USED BY MEMBER STATES TO COMPILE THEIR UNEMPLOYMENT STATISTICS

The object of this Appendix is to deal in broad outline with the problem of unemployment statistics within the framework of Member States. This subject is a particularly delicate one, for although unemployment is a reality common to all countries, the definition of it given by the national statistics varies considerably from one country to another, a fact due, generally speaking, to the differing methods used to obtain the information. The first part of this review will therefore consider the various factors which preclude a satisfactory comparison between the figures obtained by individual Member States, whilst the second part will deal with the various kinds of statistics in use and their respective inherent shortcomings.

The factors which preclude comparison between the statistics emanating from two different countries are manifold. They may, however, be divided up into three main categories.

1. The definition of unemployed persons used to establish unemployment statistics varies greatly from one country to another. Some of them refer to the unemployed in the general sense of the term. Others refer only to unemployed persons who are members of a trade union or registered with some particular body, whilst others relate only to persons looking for employment, even if they already have a job and merely want to change it. The United Kingdom records as an unemployed person anyone who deposits his (or her) individual Insurance Card with the Labour Exchange in order to procure work. Duplication is impossible, as the individual card must normally be deposited with the employer. Only a few individual cases, excluded from National Insurance benefit, may not be covered by the statistics. Belgium and Ireland record as unemployed

any worker or employee subjected to unemployment insurance, as soon as he (or she) registers as being out of work. Persons whether workers or employees, in receipt of pay above a certain level or in continuous special employment (Civil Servants, family breadwinners protected by law) are not eligible for insurance and are, consequently, not included in the statistics. France and Italy consider as unemployed all persons who register as such at specialised employment exchanges. Fraudulency is countered by the requirement of repeated registration during working hours. The small amount of unemployment benefit, furthermore, probably tends to a reduction in the number of those registered. The same applies to Norway and Greece, but they consider as unemployed only workers and employees. Denmark includes in its set of statistics only workers and employees belonging to trade unions and registered with trade union unemployment associations. Lastly, the categories of those seeking employment in France and Ireland are unrestricted, whereas that of the Netherlands includes only workers and employees. The definition "unemployed" varies no less in the professional field. At present there is only one country furnishing a set of statistics covering all the professions exercised within the country, viz. the United Kingdom. The figures supplied by France and Italy theoretically cover all branches of economic activity, but, as a result of registration through employment agencies, some of the professions are not included in the returns. This is especially the case of a large proportion of agricultural workers and craftsmen working in centres possessing no employment agency. In spite of the statutory permanence of their employment, civil servants are included in Danish statistics. Insofar as they can be covered by bodies appointed to collect such data, agricultural workers are included in the returns for Norway, the Netherlands and the Saar.

2. The area covered by the returns is only in exceptional cases that of the whole territory. More often than not, figures relate to a restricted area, such as that of a few towns, a particular region or a few specified centres of population. The sample given is never representative of the entire population and, except for the United Kingdom, the statistics cannot be collated with overall figures. In regard to Belgium, Ireland and the United Kingdom, and subject to the reservations attaching to the special definition of "unemployed" in each of these countries, the area covered by the statistics is that of the entire country. Within the limits of the special categories concerned, the Danish and Swedish sets of figures likewise relate to the respective countries as a whole. It should, however, be noted that in Sweden, certain areas may have been somewhat inadequately covered, as some of the trade union secretaries acting as census enumerators do not send in their returns in time. All the other countries supply data regarding the persons registered with the exchanges, these being generally situated in towns, which means that sections of the population varying in importance are left out of the statistics. It should, however, be observed that both in France and Italy employment agencies are to be found in quite minor districts, and that these agencies are chiefly concerned with agricultural occupations or those connected with the land.

3. The period covered by the returns varies greatly. Some nations take a census of the unemployed at a specified date, without taking into account whether an unemployed person may have been working the day before. Others record at the specified date only those persons who have been unemployed for some time. Others again work out a daily average of unemployed over a specified period. Some Member States work out an average of registered unemployed covering the last week of the month (as in France) or for the whole month (as in Belgium and Luxembourg). Other States record the figures at a fixed date. This does not, however, always cover the gross number of unemployed at that particular date. It may be conditional; for example, unemployed who have been out of work for some time; or who have worked for a certain number of hours for a more or less lengthy period, all of which renders comparison with the returns of other countries somewhat difficult, especially as some sets of figures include even the partially unemployed where the latter happen to be out of work on the day the census is taken.

In addition to the statistics provided by censuses of the population, which are taken every five years in most European countries, the sets of figures at present utilised by Member States may be subdivided into three main categories :

1. Great Britain avails itself of figures supplied by National Insurance, which also include unemployment risk. This constitutes in a way a permanent census of a very special kind. Belgium and Ireland avail themselves of statistics from compulsory unemployment insurance. Such compulsory unemployment insurance statistics are generally reliable. Their scope is, in point of fact, determined by the laws governing insurance. The insured person who pays his contributions during employment always registers when out of work in order to be able to draw relief. It is therefore possible to compile from returns of this kind a valid percentage based on the total number of insured persons, but it is impossible to compare the figures of two countries utilising the same system, owing to the difference in the laws governing unemployed insurance. Even comparison between specified periods is to be treated with a certain amount of caution, for unemployment insurance administrative bodies have to observe legal deviations in the system, while the returns likewise reflect the changes in the internal procedure administration of the respective funds.

2. Denmark resorts to statistics emanating from the trade unions' insurance funds, and Sweden from estimates submitted by the Confederation of L. O. (Landsorganisationen) trade unions. These statistics have common features, as a result of their trade union origin. They both relate only to a fraction of the unemployed, as registration with the trade union is, of course, optional. The absolute number of unemployed thus obtained represents, therefore, only trade unionist unemployed. The percentages themselves have to be viewed with a certain amount of reserve, as unionists and non-unionists are not necessarily subject to the same unemployment risks. Moreover, the percentage of trade unionists among the workers is in itself subject within the period to fluctuations arising from factors of a complex nature. The trade union funds statistics supplied by an administrative body in accordance with predetermined criteria are more reliable than those supplied by the trade unions themselves. In the latter case, as for example in Sweden, the number of trade union members out of work in a particular area is assessed by the trade union secretary for that area. The reliability of the data supplied is therefore contingent upon the particular meaning which the secretary in question gives to the word "unemployed." Moreover, even if one takes for granted that all branches of economic activity are represented by the trade unions consulted, it is unusual for all trade union sections to reply to the enquiry.

3. Finally, France, Greece, Italy, Luxembourg, the Netherlands, Norway and the Saar obtain their information from employment agency statistics. These figures are based on the number of applications for work, and their reliability is very variable. Where the employment exchange is in touch with a system of unemployment insurance, the figures supplied may be very satisfactory. On the other hand, where registration with an employment agency is optional, the returns are generally incomplete. In this case the reliability of the statistics depends more than anything upon the habits followed by the worker in looking for employment and on the manner in which he is taken on by the employer. In any event employment agencies do not, generally speaking, undertake to submit separate figures for those out of work; they supply them for those looking for work, who may include sick persons, persons on strike, and persons already in employment but seeking a change. Returns made by employment agencies are, consequently, representative only to a very small extent. An analysis of the various factors governing this inability to draw comparisons reveals, therefore, that the methods of compiling the statistics and the definitions in current use within the Member States are fundamentally dissimilar. The excellent results obtained by Great Britain give reason to think that it would be advantageous to extend the methods adopted there. This is, unfortunately, impossible, for that would imply the extension of National Insurance to all Member States. The solution can only be the introduction into Continental Europe of the method pursued since 1940 by the U. S. A. and since 1945 by Canada; the procedure of spot checks. This method has yielded excellent results in both countries and has facilitated a check on the movements of population during and since the war. Although a fairly expensive procedure to launch, it does eventually offer immense possibilities for, by virtue of its flexibility, it enables the most varied statistical problems to be dealt with and places at the disposal of Governments a body of experienced research workers of great use within the framework of modern economy. This solution, moreover, was sponsored by the sixth International Conference of Labour Statisticians, which met in Montreal in 1947 under the aegis of the International Labour Organisation, and, for its part, O. E. E.C. contemplates a meeting of statisticians to study the application of spot check methods in member countries. In conclusion, the Secretariat-General of the Council of Europe feels that it cannot do better than cite and sponsor the recommendation for the improvement of comparative statistics of manpower approved on 20th January, 1951 by the Council of O. E. E. C, which recommends that member countries, with the exception of the United Kingdom, should undertake the necessary study for the establishment of manpower statistics by the spot-check method and also that the United Kingdom should alter the compilation of its statistical data in such a way as to make them comparable to those resulting from spot-checks in other Member countries.

4. Having taken note of the documents analysed above by the Secretariat-General the Committee on Economic Questions submits the following draft Recommendation to the Assembly :