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Federal republic: Unemployment-slight change

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1978) : Federal republic: Unemployment-slight change, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 13, Iss. 3/4, pp. 98-99, https://doi.org/10.1007/BF02928851

This Version is available at:
https://hdl.handle.net/10419/139535

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Federal Republic: Unemployment-Slight Change

In 1977 the number of gainfully employed persons in the Federal Republic was again lower than a year ago. After in 1973 the so far highest level had been reached with 26.65 mn, last year the number of employed persons – according to data available at present – has declined to less than 25 mn; one third of this decline fell to the share of foreigners. From 1976 to 1977 the diminution at an annual average of 100,000 has only been relatively small. This is to be explained exclusively by the further reduction in the number of self-employed persons, while with the employed wage and salary earners in the aggregate no mentionable change came about any more. Individually, however, there have been considerable antagonistic developments. Thus the number of those employed in the building industry (ca. 80,000) and in the basic materials industry (ca. 30,000) has dropped again noticeably, while in the services sector it has risen by about 100,000. Regarding wage and salary earners the development adjusted for seasonal variation has been more favourable during the course of the year than the change on an annual average. In the second half of the year the initial decline has been replaced by an increase, although a slight one only.

That unemployment on an annual average has even declined somewhat during the past year in spite of the again diminishing number of employed persons and in spite of the strongly increased number of school leavers is to be explained by the migration of foreigners and the transition of German labour into the latent reserves of labour. During the last months unemployment adjusted for seasonal variation has tended to decline. In view of the pronounced difficulties of adjusting for seasonal variation in the case of unemployment, this is certainly a statement to be considered with reservation. But there is, after all, another indicator pointing in the same direction: The number of the monthly (gross) accessions to the unemployed persons has for some time again been lower than in the preceding year. Recently unemployment also of women has tended to decrease, after for a long time there had been no improvement at all. Thus the number of unemployed females is still greater than at the peak of unemployment in mid-1975, while the number of unemployed males adjusted for seasonal variation has dropped by 200,000 since then. The more unfavourable labour market situation for women is to be explained not least from the structural problem of vocations in trade and offices. In addition there are the special difficulties of arranging employment, which result from the fact that more than one third of the unemployed females (ca. 200,000) are looking for part-time jobs.

Its impact on age groups is showing perhaps even more distinctly how necessary it is to consider unemployment from differing aspects. According to a special survey of the Federal Institute for Labour Exchanges and Unemployment Insurance of September 1977 – the then unemployment ratio was 4 % – the ratio of the age group from 30 to 55 years amounted to 3 % only; 57 % of all employed persons belong to this group. The lowest ratio of 2.7 % was registered in the age group from 45 to 50 years, the highest one with over 6 % in the group between 20 and 25 years. Voluntary fluctuation plays, however, a major role with these young wage earners which is already revealed by the fact that on average they are unemployed only for a short period. Older employed persons, not least because of the protection-of-labour clauses, do not lose easily their jobs, but if this happens they have only minor chances of getting a new job. Thus about one third of all vacancies do not involve wage earners older than 50 years since there is a maximum hiring age limit for applicants. About 50 % of the unemployed over 50 years are not fully suited for reasons of health. As a result this age group's share in long-term unemployment is far above average. About one third was unemployed for more than one year while with the unemployed under 50 years it was only 15 %.

By vocational groups there are also wide differences regarding unemployment. In most cases the number of unemployed exceeds vacancies to such an extent that even considering the fact that a large proportion of vacancies are not reported to the labour office, a considerable excess supply of labour must be taken for granted. Sectors where the number of vacancies is larger than that of the unemployed are rare. This applies to skilled labour in the building industry, in wood processing and the food industry. But the wide-spread complaints about the lack of qualified labour indicate that there must be quite a number of professional and/or

regional sectional markets where labour of the required qualification standard is scarce. On the contrary there are vocational groups showing a particularly high excess supply to which belong mercantile callings and office and administration personnel. There unemployed and vacancies are in the ratio of six to one. Nevertheless first tendencies towards improvement are asserting themselves here. Thus in January/February the number of unemployed in these vocational groups was about 10 % below the previous year's level.

In the last months the total number of unemployed persons was approximately as high as a year ago; adjusted for seasonal variation it showed, as mentioned above, a slightly falling tendency. Thus it has become "safer" to forecast an essentially unaltered annual average level of unemployment, since the initial level, which is known now, corresponds largely to the assumption of the annual forecast. A 3 % increase of the real gross national product is still to be expected. Under these circumstances the risks of forecasting unemployment are primarily based on alterations of factors which are difficult to foresee, such as migration of foreigners and the transfer into the latent labour reserve of persons so far registered as unemployed.

Great Britain: Recovery to Be Expected

The remarkable slowing-down of inflation has for some time been the most prominent feature of the development of the British economy. From August 1977 to January 1978 consumer prices rose at a current annual rate of only 6 % (one year earlier: about 20 %). The price-reductions for foodstuffs which are particularly sensitive to seasonal influences exaggerate the tendency towards price stability, but even if leaving this sub-group out of account the cost of living in the same period increased merely by about 7 % (on an annual basis). In January there was a one-digit inflation rate for the first time since 1973 (9.9 % as compared with the preceding year). This spectacular deceleration was largely due to two factors, namely the wage trend and the revaluation tendency of the pound. The heavy deceleration of the upward movement of wages was largely achieved in the framework of phase II of the incomes policy which ended last July and led even to substantial losses in the real incomes of employed persons: in 1977 their average income in real terms was about 5 % lower than in 1976, thus only slightly exceeding the 1972 level. At the same time the sensible deceleration of the upward tendency of wages and prices was one of the causes of the conversion of the devaluation into a revaluation tendency of the British pound which again favoured stabilisation through declining import prices.

The external value of the British currency increased by 9 % between August 1977 and January 1978; this reflects in the main the significant improvement of the current account to which the further expansion of North Sea oil production made a major contribution. The phase of growing surpluses, however, seems to have come to an end, not least because imports have recently shown a vigorous re-increase. This partly reflects the recovery of overall demand which – after a period of stagnation – seems to have come about around the end of the year. Expansionary effects are likely to have originated from the development of stocks. Simultaneously the recovery of private consumption that started last summer made progress, its further increase being supported not least by the tax-free extra-payment to pensioners in December and the retroactive reduction of income tax. Over and above this, average earnings have increased faster and have grown also in real terms. As against that, the increase of investments in fixed assets in manufacturing industry was interrupted.

While the real gross domestic product, on an annual average, hardly increased in 1977, underemployment grew further. In view of a – seasonally adjusted – unemployment ratio of about 6 % since late summer 1977, the fight against unemployment gains increasing priority, the more so since the explosion of wages, which was feared by many after two years of a tight incomes policy, will probably be avoided. In spite of the premature repayment of part of the IMF-loans obtained in 1976/77, it is intended to fulfil the economic obligations undertaken in connection with these loans. This indicates that it is recognized that inflation must be curbed as an important precondition for a lasting reduction of the still prevailing cyclical and employment problems. Thus it may be expected that the money supply (M 3) which between the spring and the end of last year grew somewhat faster than intended, will be expanded more cautiously again.

There is scope for additional stimulating measures of fiscal policy. For, in case of an unaltered policy the budget deficit