

UNEMPLOYMENT: ITS CAUSES AND THEIR REMEDIES.

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Is unemployment inevitable? If so, are there any remedies which will mitigate its evil effect?

These are the questions which are on the lips of those who are compelled to face one of the most vital of the many problems with which civilisation has to grapple.

The problem is not a new one; men have been found at all times and in all countries standing idle in the market place because there was no one to hire them. It is not a symptom associated with any particular form of society, industry or economic development. Countries which are wide apart as regards their fiscal policies or their industrial conditions suffer alike from this problem—countries which have been recently opened up for development and old countries with established civilisations are confronted with unemployment—though no doubt in many varying degrees of intensity.

The factor which has made it particularly urgent and pressing in these days is the world-wide dislocation of trade, the inevitable sequence of the European war.

Within the area of the Saorstát we have had an additional cause in the shape of civil disturbance during 1920-1923, which, in so far as it led to a further dislocation of trade and a removal of spending power, has superimposed many complications upon what in any event was bound to prove a sufficiently troublesome matter.

The presence of an exceptionally large number of unemployed makes it urgent. Whether the figure be taken at 30,000 or 60,000, and some say it is even higher than that, matters little; it is still most serious.

The contrast between the prosperity of the war (and the immediate post-war) years and the present severe depression of trade has led to an unparalleled intensity of feeling on the subject. Not only has this contrast deepened the feelings of the public, but there is a much wider diffusion of knowledge as to the real facts of the situation, and the present position of the unemployed seems worse when measured by the higher standard of comfort then attained.

Unemployment may arise from a supply of labour in excess of demand or the physical inability or unwillingness of a worker to accept work when offered. In the early stages of civilisation the simplicity of human wants and therefore the ease with which they could be supplied restricted unemployment to a small dimension. The highly developed and complicated demands which arise from the variety of tastes now shown by the consuming public have accentuated all the difficulties which were present even in the most early developments of society. An all-powerful and all-wise Providence, knowing exactly what each member of the public would want, or (which is even perhaps still more important to remember) able to determine what each person would want, could overcome some of these. If such a Power could at the same time control the elements of nature and ensure harvests adequate to meet all our requirements another frequent cause of unemployment would be removed.

OBJECTIVE CAUSES.

The demand for labour may be diminished as regards its total quantity by such causes as pestilence, disease, war or civil disturbances. And it will be noted that sometimes these visitations of nature, etc., may occur in countries which are far removed from that which is immediately affected—a famine in India may cause unemployment in Lancashire. This is a positive reduction which arises from causes outside the industry of the country, but whose effect upon it may be exceedingly serious. Negatively there may arise a diminution of the demand through an insufficient accumulation of wealth for investment purposes—thus making it impossible to provide the necessary capital for development and enterprise—and through other reasons referred to in detail later on.

But in addition to those which affect all industries at the same time there are certain causes peculiar to each industry which are active at all times, even under the most stable conditions. Their effect is (*a*) to vary the demand for a particular kind of labour. The public form new tastes, they demand new aptitudes and new enterprises on the part of the producer.

Changes in method of travelling or traction, now seen in the competition between motors and the railways, lead to the cessation of the demand for one class of labour and the creation of a demand for another type; (b) to cause such demand to be of an irregular character, although that irregularity may be quite constant. Under the heading of irregularity must be put all seasonal demands, and those changes which take place in connection with trade booms, etc., movements which may be spread over quite a long period, but which at the same time manifest certain clear regularity.

SUBJECTIVE CAUSES.

From the standpoint of the worker these are all objective causes, but he is open to the influence of what may be called subjective causes in the shape of ill-health, accidents arising from his occupation, his family circumstances, his defects of character and ability, all of which must be carefully considered and given their proper importance when reviewing the general problem.

REMEDIAL MEASURES.

For each of these phases of unemployment appropriate remedial measures have had to be designed. To meet a situation which has arisen from some cause affecting industry as a whole and not a particular trade special action on a large scale by the Government authorities and public bodies becomes necessary. It is not possible to go into the details as to the various kinds of relief work which can be set up, or the extent to which public works of a useful character can be postponed until they are necessary, or hastened forward earlier than would otherwise be warranted. In practice the tendency has been to spend money on public works when business is good and restrict expenditure when it is bad—the reverse of what should take place. This method of dealing with unemployment is not new; in fact, it is the oldest of all methods. Under certain circumstances it is the only one available. Such schemes become harmful, not helpful, if they withdraw from industry the funds required to extend and develop it or if they retain in their employment labour which is required elsewhere.

Both *tendencies* are inevitable. (1) The natural desire to have something done to relieve distress calls for action by Government, and the money is provided by the taxpayer—the employer who should be extending his business activities. (2) The natural reluctance of the worker to leave a job and surrender himself to the chances of the labour market to obtain a

new one, even though it be a change from temporary to permanent work, must be reckoned with. Above all the schemes must take into consideration the type of labour disemployed. To provide labouring work for a skilled craftsman is to waste many years of careful training.

The purely modern remedy for unemployment, which, it may be remarked, is really a remedy for its consequences rather than for the evil itself, is State Insurance, on a contributory basis, covering all industry. Its wide scope ensures a measure of stability which could not be attained by any scheme restricted in its application. Its contributory basis establishes a feeling of independence and self-respect. It is of course a charge on industry, but experience will prove, and indeed I think has already indicated, that in the long run it relieves industry from a burden which it would otherwise have to carry in some more costly form.

As a means of dealing with cyclical or seasonal unemployment—normal unemployment—it has established itself permanently in all countries where it has been tried.

The labour exchanges which operate the scheme should also in theory play a really useful part in overcoming the maladjustment arising from want of fluidity in labour. In practice they fail largely because of fixity of habits, personal ties, housing difficulties, etc., which prevent the free movement of the worker.

There is, further, the unemployment which arises from variations in the type of labour demanded. The remedy here is not easy to discover: Modern progress makes new calls upon the individual's capacity. The response is determined by his education, character and training, by Trade Union rules, with their narrow and unyielding lines of demarcation of work, and by a number of extraneous conditions.

The consideration of these hardly comes under the scope of our paper this evening; they are of a very general character, but with the present-day rapid developments in new and unexpected directions they deserve consideration.

Following the order of causes detailed above, we come to those which affect the individual and not the industry. Insurance again comes to our assistance. Health and accident schemes specially designed to tide over periods of life, when earnings cannot be maintained, merely await further useful development. There may be some differences of opinion as to the comprehensiveness of such schemes and the area within which the exigencies of economic circumstances would allow them to function usefully, but I think there is no

alternative to them as methods of meeting that portion of unemployment which arises from individual circumstances and not from those of the industry.

While, however, it is true that from one point of view the individual circumstances can be isolated in this way and considered apart from the objective side of unemployment, the real crux arises from the fact that in the last resort one is dealing with a multitude of different individuals, and not a collection of puppets who can be moved from place to place or used from time to time regardless of their personalities.

Whether you are dealing with unemployment by relief work or by insurance, the effect upon the individual determines whether the scheme is sound or not. If a large number of individuals are affected by some definite and widespread general depression over a prolonged period it becomes increasingly difficult to give employment relief without at the same time undermining the very qualities which it is vital should be maintained. A man who at the beginning of the period could have taken up his work after a short interval of unemployment is found after a period of months to be a different man from every point of view. His efficiency has been impaired; he has lost certain aptitudes, or at least they are not preserved at the same pitch of perfection as when he left off work. The very work offered may be unsuitable for him and injure his peculiar skill. The longer he is at such work the less inclination he may show to return and look for a new job. These effects cannot be reduced to statistics, and yet they are most important factors to be considered when arranging for relief.

The man who is unemployed from purely seasonal and temporary causes is in a stronger position. He has probably already reckoned with this factor as part of his normal life; its effect upon his character is therefore largely discounted, and provided a scheme is in force which will tide him over the intervening period he will resume with a minimum of loss.

Even under the most favourable circumstances the percentage of the unemployed in any particular trade or occupation will not fall to zero. There will remain a reserve of at least $2\frac{1}{2}$ per cent. to 5 per cent. if one is to judge by what took place in the past. The character of this reserve is worth consideration. When restriction in trade takes place and an employer has to consider whose services he has to dispense with he will select those who are least productive—he must do so if his business is to survive; those who are least productive, are those who are deficient in education, training and general character; the man who has been an irregular timekeeper, who

perhaps has absented himself without reason, whose work has been deficient, is the first to go. These "ins and outs" of the industrial world create the real problem of Unemployment Insurance, because these are the very men who are least able to withstand periods of unemployment, physically, mentally and financially. Remuneration during a period of unemployment must not exceed the average rate of earnings, otherwise there would be an inducement to the individual to be more frequently unemployed. These men's average is low. Therefore the standard weekly payment is low.

It has been suggested that some distinction could be drawn as regards unemployment insurance payments which would provide a higher weekly sum for the superior skilled man who is momentarily displaced. One answer to that suggestion is that such a man will himself, by reason of his own superior habits of thrift and prudence, put himself in a better position to stand the stress of unemployment than those others of whom we are speaking. No matter what our sympathies might dictate, our reason will insist that individuals must be brought to realise that they are, to a certain extent, masters of their own fate. Any other course would be demoralising, and in fact I think anyone with experience of workers as a whole would maintain that such is their view. There is a strong spirit of independence. But the most distressing phenomenon of unemployment in recent years has been the extraordinarily large number of men unable to get work, of none of whom could it be said that they were in the slightest degree incompetent or unworthy of being retained. They have been unemployed for long periods, and insurance which normally might be expected in their case to tide over the interval having failed completely, supplementary action has become necessary. This is the justification for the "dole."

PREVENTIVE MEASURES.

These are the principal remedial measures which help to cure unemployment when it has arisen. Are there any positive steps which could be taken to prevent it? Here one finds a difficulty which is in no sense new.

Unemployment arises from an imperfection in the relation of supply to demand. In the last resort unemployment can be attributed to ignorance: that is to say, it is to be assumed that the manufacturer who makes or the farmer who produces more than is required at a price which will yield him a profit would have refrained from making so much if he could have known that he could not effect sales. But of course in addition to want of that knowledge, which in many cases would have

prevented certain plans of manufacture being carried out on a scale larger than was necessary, there are difficulties which arise on the speculative side of human nature.

Certain ideas must be put to the test before it is known or can be proved what they are worth. The speculative character of even the simplest operation of buying and selling is not appreciated fully. Success, except in some few exceptional and outstanding instances, is achieved as the result of a multitude of wise decisions by many people. Failure, which leads to unemployment, is the result of foolish or wrong decisions. Periods of boom and depression are the result of mental processes applied to financial problems and dependent on moods of optimism and pessimism.

It is generally accepted that a larger diffusion of information in the form of statistics and a greater co-ordination of statistics would prevent these. That hope has been often expressed. In the early 19th century Carlyle wrote: "Bubble periods with their panics and commercial crises will again become infrequent, and steady modest industry will take the place of gambling speculation." The hope was vain. It may be questioned whether the wider dissemination of facts regarding industry, the effect of weather on crops, etc., and the better collection and reproduction of statistics have done anything more than keep pace with the more complicated processes now necessary to carry on our industries, which have made the adjustments more difficult to accomplish. We must conclude that the difficulties we are faced with largely arise from fundamental defects in human character and intelligence rather than from the structure of industry itself.

There are other influences, however, which tend to create unemployment, the effect of which upon the industry of the country is of vital importance. The instability of Governments, by which I do not mean a simple change of control from one party to another, but fundamental changes such as have been taking place all over Europe, including this country, during recent years, discourage the building up of industries which would provide the necessary employment.

Again, high taxation, local and national, is a serious factor, because it withdraws from investment in industry funds which, while they lie in the hands of the individual, must tend to come into use, become remunerative, and yield some return. If wealth is not being accumulated by those who have been in the habit of saving, enterprise will not be given its main stimulus, and little development will take place.

A sound policy as regards wages is also of very great im-

portance. The narrower the margin of profit, the less the inducement for enterprise. In the *Statist* of January 9th a reference is made to a study of unemployment in Great Britain by a Professor Rueff, of the University of Paris: "An extraordinarily close correspondence between changes in the level of real wages and changes in unemployment is shown. When prices fall more rapidly than money wages unemployment increases. When money wages tend to fall relatively to price movement the unemployment curve shows a corresponding fall."

The conclusion that follows is the necessity for a more rapid adjustment than now takes place. That depends on forces in industry which are difficult to measure and to control and which require a very detailed examination for which there is now no time. If it involves labour disputes it tends to still greater uncertainty and loss of trade.

In considering the attitude of Labour towards unemployment, it may be remarked that a more important matter even than the wages policy is its attitude as regards demarcation in the unions and the various regulative devices which it insists upon in order to protect itself from influences which it conceives to be against its interests. Some of these in the long run achieve their object and overcome opposition, but in the meantime much damage may be caused. When all workers contribute no narrow view should be taken by any section which would tend to aggravate unemployment. The acceptance of a mutual basis of contribution creates a reciprocal obligation to make the burden as light as possible. We are not in any case concerned with the matter to-day beyond noting that if such regulative devices are applied in an unwise manner a state of mind may be created which is harmful to enterprise and development.

We now pass from this analysis of causes and remedies to consider what lessons it has for us in regard to unemployment as it presents itself to-day. How many are unemployed? Who are they? In a matter which requires a knowledge of the individuals and their occupations we can obtain little information, and such facts as are available require adjustment, calculation and qualification before they can be used.

At the same time certain points do stand out clearly. Firstly, there is a general diminution in the demand for labour affecting all industry. The external cause is bad trade in England affecting our productive activities. The internal causes are dislocation of normal business resulting from civil war and the removal of a large population from our midst who kept the distributive agencies busily employed supplying their wants.

Moreover, the effect of two successive bad harvests has been to reduce the purchasing power of those who remain.

To meet the situation so created the Government has subsidised the unemployment fund by upwards of £1,250,000. Money has been voted for relief works which will not merely help the immediate needs of the moments but ultimately tend to increase the productive capacity of the country.

The main hopes for improvement lie in the greater political stability, which will tend to security and confidence on the part of investors; and the improved condition of English trade leading to an increased demand, which gives the farmer his opportunity for capturing the market.

Such unemployment as is due to seasonal and fluctuating demand of a normal character cannot be measured, for figures are not published showing how many are unemployed and in what trades they are occupied. So far as it exists it must be met by insurance schemes, and we note that enquiry is proceeding at the moment as regards Health and Workmen's Compensation Schemes with a view to their greater efficiency.

The success with which industry will overcome the difficulties created by the every varying demands of the public depends on the enterprise of those conducting its businesses, whether manufacturing or distributing, and the adaptability of the available labour. Both depend to a very large degree on education—commercial, economic, technical, agricultural, and general. These are problems which affect a manufacturing country in the highest degree. In the Saorstát the manufacturing processes are concerned with the more universal permanent wants of society, and so we largely escape, but not entirely, and the past history of our industries suggest, I think, that we have suffered from adhering too long to old processes in the face of a clearly changing demand.

On the distributing side of our business activities we find people who have money are spending it in new ways, and are demanding new services—the cinema, the dancing hall, motor-ing, etc. The direct effect of this is obvious. The indirect effect, that is to say, the ultimate effect on employment in the country created by the wider diffusion of spending power and its different use, is less easy to trace, and deserves a special enquiry. The old-fashioned economists maintained that “a demand for commodities is not a demand for labour,” that “an individual increases the capital of a country not by spending his wealth on his own enjoyment but by devoting it to reproductive employment.” This has a bearing on the problem, but it cannot be more than referred to in this paper.

What are we to say in conclusion? Our two questions have been partially answered, with much imperfection I fear and in too brief a manner. Some unemployment is inevitable. There are remedies, but each phase of unemployment must be met by appropriate measures.

The potentialities to create employment are here. But he was a wise man who said: "If there is to be a millenium man must make it." May we not adopt the saying and write: If the Saorstat is to be prosperous its citizens alone can make it so.

The springs which feed the fountain of national prosperity and well-being lie in the minds and hearts of the individual. To the extent that they are tainted the product will be impure.

Government action cannot precede individual knowledge and understanding of the problem. Reason, not passion; argument, not force; generosity, not selfishness; national interest, not class prejudice, must prevail if we are to solve the most complicated and the most fundamental of all industrial problems.