

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ADJUSTMENT ASSISTANCE PROGRAMMES

### Addendum

#### Statement Submitted by the Government of Sweden

As a result of Sweden's liberal trade policy Swedish industry has in general had to meet a hard competition from abroad and not least from the less-developed countries. As a result of this competition and of the changing situation on world markets there have been adjustments, mergers, fusions and close-downs within the Swedish industry as well as in other countries. This development can be regarded as a continuous process of structural or sector rationalization which is considered to constitute a healthy development from a long-term economic point of view.

There are no specific legislative or governmental regulations in Sweden related to structural adjustment assistance. The adjustment that has taken place has been spontaneous. It has however been facilitated by general official policies such as an active labour market policy. In this connexion reference can be made to the decision of the Organisation for Economic Co-operation and Development Council in May 1964, to recommend that member States re-examine their manpower policies with a view to increasing their ability to solve employment problems created by technical and economical developments.

In 1968 there was established a national investment bank to facilitate especially such investment projects that are aimed at rationalization, structural adjustment and development.

A short account of the aims and objectives of the Swedish policy in this field is given below (cf. "Modern Swedish labour market policy", published by the National Labour Market Board in 1966).

### Labour market policy in Sweden

The National Labour Market Board is responsible for questions relating to labour market policy in Sweden. The Board has been provided with substantial personal and financial resources enabling it to take prompt and effective measures. The parties of the labour market, workers and employers, are represented within the Board as well as within its regional agencies - the County Labour Boards.

The Swedish employment policy comprises many different measures. The most important administrative condition for a successful labour market policy is considered to be an effective public employment service.

A system of vocational guidance has been formed whereby vocational guidance throughout the country is organized and supervised. Guidance is given in direct relation to the employment opportunities available in the country and is based upon the right of free choice of the individual.

Short-term forecasting covering twelve-month periods and largely dependent on information gathered through the employment service organization, combined with an "advance warnings" system obliging employers to inform the employment service of planned lay-offs or close-downs makes it possible to adapt the labour market policy in order to meet changing conditions.

A further aspect of employment policy entails measures designed to create employment. Among the measures used in Sweden to maintain a steady level of employment the following may be mentioned:

- Emergency work: (public works of various types financed over the budget of the National Labour Market Board) can be started quickly and ended just as quickly in order to even out fluctuations in manpower demand. Governmental construction and other public works can be increased in the event of unemployment (and decreased in the event of over-employment). Industrial activity can be stimulated by means of additional public contracts, etc.
- Housing construction is used both as a means of general financial policy and for its selective influence on employment.
- Investment reserve funds are used to encourage enterprises to invest during periods of recession with the aim to even out business fluctuations. The funds have also been used to promote investment in certain regions. According to existing provisions the enterprises may set aside a certain portion of their profits free of tax for future investment.

- Geographical mobility is facilitated by means of special allowances for those who have to seek and start work outside their own locality.
- Retraining and upgrading courses are arranged on a large scale. The programmes of these courses are worked out jointly by the employment authorities and the educational authorities in close consultation with the organizations of workers and employers.

In addition to these measures there are special schemes for the industrial location policy in Sweden.

## I. Introduction

The conversion of the structure of economic life, which implies that less profitable production is discontinued and labour and capital utilized instead on more profitable lines, constitutes an important prerequisite for economic progress. It is, therefore, desirable to overcome the resistance to the closing down of non-profitable companies and the demands for support or protection of their production, which to a great extent derive from anxiety about the future employment and income of the employees involved. The experience of the Swedish labour market has shown that the problems which arise in connexion with stop-pages can be eliminated to a great extent by an active labour market policy, in co-operation with the parties concerned. In recent years, measures to facilitate and stimulate the adjustment process in the labour market have been made an increasingly important element of Swedish economic policy.

Occupational mobility is stimulated by a rapidly expanding scheme for Government-sponsored training and retraining of the unemployed. This programme affected in 1968 almost 100,000 persons (in courses lasting four months on the average); the total cost for training and subsistence is in the order of SKr 450 million..

To stimulate geographical mobility in particularly desirable cases (i.e. bringing workers from unemployment areas to labour shortage areas), several types of grants can be given by the employment offices to cover travel, transportation and resettlement costs, including lump sums of up to SKr 2,000 (\$400). In 1968 approximately 30,000 cases were involved.

Various arrangements have been undertaken to overcome the particular housing difficulties for migrants.

The industrial location policy, aimed at bringing new, more vital firms to the affected areas or to enlarge existing firms, has in certain cases been an effective remedy for the employment problems connected with the closing down of

factories. Government loans and grants for the erection of industrial buildings are the main instruments in the pursuance of this policy.

Temporary solutions to employment problems are arranged by public works or by selective placing of Government production orders with industries. For workers who, due to age or other reasons, could not be given employment in the open market, employment in sheltered workshops or other similar activities has been arranged.

More precise details of the system of measures to promote manpower adaptability or local job creation are given below together with an account of some recent investigations about actual results. As a further illustration an account is given of a concrete case - the closing down of AB Svenska Konstsilke.

## II. General measures for adjustment and their results

### A. Manpower adaptability

The measures utilized in Sweden to improve geographical and occupational mobility are described in the next few paragraphs. In principle, the allowances in question can be paid to unemployed persons, persons threatened by unemployment because of a foreseen reduction of the work force with the present employer, and persons with particular handicaps which can be compensated by these types of aid; there is now a tendency to extend their utilization to other cases. The employment service can apply these measures when it is deemed desirable to encourage workers to move out of districts or occupations with unemployment in order to take up jobs where there is a labour shortage.

(As a background it should be recalled that the Swedish employment service is rather well developed. The employment offices can be temporarily reinforced in localities with acute employment difficulties in order to give the job seekers good contacts with the labour market of the whole country. An occupational counselling service for adults aims at improving the rationality of job placement - a system of unemployment insurance is also established in co-operation with trade unions and Government.)

### Geographical mobility

1. Travel allowances. Round-trip ticket and maximum four per diems for job seeker and his wife for interview visit with prospective employer. Transportation costs for family and furniture on actually taking up the new job.
2. Starting help. Lump sum on top of transportation costs - maximum SKr 1,000<sup>1/</sup>, proportionately lower if the new job is likely to be shorter than six months (used to overcome labour shortage in certain seasonal employment cases). Repayment of

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<sup>1/</sup>The figures should be judged against the fact that the average hourly earnings of a male industrial worker are around SKr 10.

proportionate part if the person in question leaves before six months without taking up new job in a similar area.

3. Resettlement allowance. For whole families moving out of certain special regions with particularly high unemployment. Maximum SKr 2,000.

4. Separation allowance. To cover costs of two households up to twelve months if the family cannot immediately follow the worker to a new job: SKr 450 per month, SKr 60 for each child. Reduction by 50 per cent after six months. After six months the worker is also allowed one round trip ticket per month for visit with family.

5. Government purchases of houses in depressed areas. The unemployed are often tied to a depressed area by difficulties of selling their houses or tenant-owners' flats without a loss. In such cases the Labour Market Board can take over the house of a would-be cut-migrant on such conditions that he is protected from the loss. (Experimental scheme, started 1965.)

6. Provision of dwellings in shortage areas. The housing shortage often hinders migration into labour shortage areas. In co-operation with the labour market and the housing authorities the communes in question can receive extra amounts of subsidized building credits on condition that they let immigrants receive some of the new flats along with people on the local waiting lists. (This has been particularly effective as a means to increase the number of building workers in cities where an expansion of residential building was desired.) The Labour Market Board has also been authorized to provide temporary buildings when this could help overcome shortages, particularly of building workers in expanding areas.

#### Occupational mobility

7. Retraining of adults. Persons over twenty-one years of age participating in Government-sponsored courses receive monthly subsistence allowances ordinarily varying between 40 and 80 per cent of the average wage level for male workers in manufacturing industries. (The amounts depend upon size of family and housing expenses; they can be less than the ordinary minimum in cases of young people living with parents or wives living with a husband earning full income.)

8. Employers who organize adult training (with payments according to collective agreements) may receive a subsidy of up to SKr 1 per hour. In order to stimulate localization of new industries in new areas with acute employment difficulties, the subsidy can be increased; in practice the maximum seems to be SKr 5 or 6 per hour.

#### Scope of the mobility measures

The number of cases where the various mobility stimuli were used has been rapidly increasing during the last years.

In 1968, 53,000 persons<sup>1</sup> received travel allowances (point 1 above); about 26,000 of these also received starting help; and a few thousand each one of the other allowances.

In the same year 100,000 started in retraining courses (points 7 and 8). The length of the courses varied between a few weeks and two years, average four months. Total cost SKr 450 million (estimated order of magnitude).

### Results of the measures

Geographical mobility. An investigation was made in the beginning of 1964 concerning 1,091 persons who had received "starting help" in January 1963. (At this time the amount was maximum SKr 300 for jobs of at least three months duration.) One year later 38 per cent kept the job they had originally received, and the same number had other jobs; 20 per cent had no jobs, being either unemployed (5 per cent), in training courses, in the army, at home as housewives, etc.; the results for 4 per cent were unknown. Roughly one tenth of the total seems to have returned to the home community, thus making the arrangement a failure. Those who did not keep to the original employers were in general not to be regarded as failures; on the whole they had got new jobs of similar importance, away from their original home area. The turnover rate does not seem excessively high, compared with the turnover rates otherwise found during the first year with a new employer, particularly when one takes into account that the "starting help" arrangement is used particularly to bridge a relatively large gap both geographically and with regard to social and cultural environments. The persons involved belonged mainly to manual occupations. Often the geographical move also meant a change of occupation.

Occupational retraining. Another investigation concerning 1,674 persons (1,304 men and 370 women) who finished retraining courses in March and April 1963 was made in April 1964 and showed the following: 48 per cent had got a job in the same occupation as the training course and 38 per cent in other (usually allied) occupations. The fact that 14 per cent had not got any jobs was mainly due to such causes as illness, military service, return to home work (by housewives), etc. On the observation date, one year after leaving the courses, 26 per cent had no jobs, mainly for the same reasons. A new follow-up study of this group in December 1966 showed that about one third of both men and women still worked in the same occupation as the training course. Of those, who in the first study in 1964 had a job in the same occupation as the training course, had somewhat over 50 per cent jobs in allied occupations. The percentage of persons with the same job in the two studies rose with the age of the persons. Basis for admittance to the training course: 61 per cent actual or threatened unemployment, 24 per cent partial disablement, 15 per cent other handicaps (mainly "insufficient occupational training", e.g. for housewives who wanted to take up paid employment after many years at home or unskilled workers who were needed in the rapidly expanding building industry).

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<sup>1</sup>The total labour force is around 3.8 million.

General judgment on mobility programme

A Royal Commission with representatives of the political parties and the labour and management organizations recently surveyed the whole programme and made proposals which are now being considered by the Government. The Commission regarded the programmes as successful and recommended their continuation and reinforcement. Particularly it was regarded as desirable to extend the retraining activities to other than the unemployed and allied categories; the task was as much to alleviate manpower shortages as to eliminate unemployment; therefore the limitation should be discontinued, and the payments should be increased so that one could acquire a better choice of participants, particularly in the retraining courses.

Any judgment on the results must take into consideration, on the one hand, that Sweden has on the whole had full employment (unemployment  $1\frac{1}{2}$  per cent of labour force according to American-type sample surveys) with a strong shortage of labour, particularly in metal and building industries in most parts of the country, with unemployment of any importance mainly in the northern provinces (notoriously two to four times the average, with strong seasonal fluctuations) and in more scattered localities in the rest of the country. This means that on the one hand the placement in new jobs has been easy, but on the other hand that the selection of applicants for retraining and moving allowances has been limited and to a great extent consisted of what is sometimes called unemployables. This explains the relatively high "fall-out" at the retraining courses.

B. Local employment creation

In order to stimulate expansion in the under-developed areas in the North (where weak industrialization and rapid rationalization of forestry is reducing the demand for manpower) and in order to re-establish employment in acute cases of local unemployment, the Government sponsors a programme of selective support to creation of local employment. Partially this is provided by temporary public works, giving relief in an unemployment situation and at the same time improving infra-structure in under-developed areas.<sup>1</sup> Partially it consists of subsidies to the establishment or enlargement of undertakings in under-employed areas (industrial location policy proper).

The Industrial Location Policy measures are mainly the following:

Subsidy of 35 per cent (in exceptional cases 50 per cent) of building costs for establishment or enlargement of undertakings in manufacturing industry or tourism. Increased subsidies, covering a large part of the wage costs, (see above) to training and retraining arrangements for adults when this is needed for

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<sup>1</sup>The relief works can also be used to stimulate mobility: they sometimes provide a stepping stone for people who, via such employment - located in full-employment area - can find their way out of unemployment areas. Persons with more or less permanent personal handicaps can also be placed in certain forms of relief work or in "sheltered employment".

their establishment or enlargement. The subsidies can be used in certain areas or localities with high unemployment but should only be given to undertakings which can be deemed to become self-supporting in the longer run. It is supposed that this will mean that the undertakings have to be placed in agglomerations which are big enough to be viable eventually as growth centres. In addition to the subsidies, the Government can provide particular credits to support local creation of employment opportunities.

#### Local action in acute cases

When a certain community is acutely hit by employment difficulties, the Labour Market Board, in co-operation with the provincial and municipal authorities, immediately takes particular action if this is judged to be necessary. (According to agreements between the Board and the various management organizations, important reduction in employment - as well as increases - shall be notified to the provincial Labour Board two months in advance; this gives possibilities for advance preparation of necessary action.) This action consists both of measures to help people take up jobs in other areas or industries (reinforcement of the local employment office, information about job opportunities and the means available to facilitate geographical and occupational mobility) and of measures to stimulate location of new employment into the area. For the psychological situation it is of great importance that persons threatened by unemployment can begin to look around for other employment opportunities before they really lose their jobs, so that they can quietly accustom themselves to the idea of going somewhere else or retrain themselves for a new occupation.

The following section is a description of a particular case where a textile factory was virtually closing down in a town where it had been one of the biggest sources of employment.

In August 1967 AB Svenska Konstsilke, a textile company at Borås (a town in the south of Sweden with about 70,000 inhabitants), notified its intention to cut down its staff by 462 employees. The cut-down was announced to begin in February 1968 but after consultations between the County Labour Board and the company the starting of the cut-down was postponed to May 1968. Immediately after receiving the notification the County Labour Board took initiative to appoint a "collaboration committee" consisting of representatives of the company, the employees, the municipal authorities and the Labour Board. In addition a special employment service was set up within the factory. The "collaboration committee" held twelve meetings. The work of the committee and the special employment service has given the result that the number of persons not employed in the beginning of 1969 was nineteen. Of 271 persons who were placed in other companies 176 were employed within one week after the cut-down had begun. Eighty-five persons were able to continue their work in AB Svenska Konstsilke and thirty-two persons were attending training courses, arranged by the National Labour Market Board.