

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

Group of Experts on Adjustment Assistance Measures

## INFORMATION SUBMITTED BY GOVERNMENTS

### Addendum

#### Sweden

The following memorandum has been received by the secretariat from the Swedish authorities, further to the information circulated in document COM.TD/W/6/Add.3.

### Swedish Manpower Policy as an Instrument for Adjustment Assistance

#### 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 stoppages 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 now affects about 30,000 persons each year (in courses lasting six months on the average); the total cost for training and subsistence is in the order of SKr.200 million (\$40 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 1964 approximately 35,000 cases (nearly 1 per cent of the labour force) were involved and the total cost was SKr.27 million (\$5 million).

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

An active localization 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 subsidies for the erection of industrial buildings, Government loan guarantees and various municipal commitments are examples of supporting measures which have been used in this connexion.

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 the Oskarshamn shipyard.

## 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 - ordinary amount SKr.500<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 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. Family allowances: To cover costs of two households up to nine months if the family cannot immediately follow the worker to a new job: SKr.200 per month for wife, SKr.45 for each child, maximum SKr.250 for rent. Reduction by one third after three and six months - 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 house without a loss. In such cases the Labour Market Board can take over the house of a would-be out-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 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.

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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.8.

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 seven years. Those which existed before 1959 were used only for some thousand cases per year.

In 1964, 33,000 persons<sup>1</sup> received travel allowances (point 1 above); about 23,000 of these also received starting help; and a few thousands each one of the other allowances. Total costs SKr.26.8 million.

In the same year 27,000 started in retraining courses (points 7 and 8). The length of the courses varied between a few weeks and two years, average five to six months. Total cost SKr.200 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

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<sup>1</sup>The total labour force is around 3.5 million.

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. 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). Types of training: 55 per cent metal work for engineering and building industries, 9 per cent building and civil engineering, 7 per cent office work, 6 per cent household and restaurant work, 5 per cent electrical work, etc. Length of the courses thirty-three weeks average, thirty-eight weeks for men and eighteen for women; variations from a few weeks to two years. Actual length was shorter, roughly half a year, as 29 per cent left before the end of the course, either because they found satisfactory employment or because of illness, lack of interest, family considerations, etc. Average age was nearly thirty years, with 28 per cent below twenty-two years and 16 per cent above forty-four years.

#### 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 infrastructure in under-developed areas.<sup>1</sup> Partially it consists of subsidies to the establishment or enlargement of undertakings in underemployed areas (localization policy proper).

According to a recent Parliamentary decision the Localization 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 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

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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".

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 localization 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 shipyard was virtually closing down in a town where it had been the biggest source of employment.

### III. THE CASE OF OSKARSHAMN

In the spring of 1962 a shipyard at Oskarshamn, a town on the Swedish south-east coast, notified (in accordance with agreed rules) the local employment service about its intention to cut down its staff from 930 to 600. The dismissals were intended to start in August 1962 and be carried through by the end of the year. The shipyard was the largest undertaking in the town which had about 13,000 inhabitants.

Immediately after receiving the notification, the Country Labour Board took initiative to appoint a "collaboration committee" including representatives of the undertaking, the employees, the municipal authorities and the Labour Board. This committee was to be a forum for mutual information and discussion on problems resulting from the dismissals and on appropriate action to be taken. The committee adopted a programme on the following lines:

1. All assistance should be given to facilitate replacement on the open market; economic aid should be given for removal of those seeking transfer to other areas: the employment service staff should be enlarged in order to intensify placement efforts.
2. Location of new industry should be sponsored in co-operation with the National Labour Market Board and the Association of Swedish Industries.
3. Vocational training and retraining for adults should be extended. Additional localities for this purpose could be supplied by the shipyard.
4. Sheltered employment should be arranged for those workers who could not - because of age or other handicaps - be re-placed on the open market. A primary concern would be to establish a sheltered workshop within the town.

5. A detailed plan should be made showing how the dismissals were to be carried through. In order to synchronize dismissals with the finding of new work opportunities, it might be necessary to place certain Government orders with the shipyard, thus prolonging employment in certain cases.

6. To the extent that it would not be possible to arrange employment by the means mentioned above, public works should be started - with priority for projects which might improve the possibilities of bringing new industry to the place.

In the autumn of 1963, the shipyard management declared that it would not be possible to maintain any shipbuilding activity much longer; during the autumn of 1964 the staff, including by that time about 750 workers and 250 salaried employees, would be gradually dismissed. However, after discussions with the management, orders were secured for the building of three ships so that the dismissals could be carried through at a slower rate. Financial problems involved in the building of one of the ships, a tanker, were solved with the aid of the labour market authorities. In connexion with the closing down of the shipbuilding activity, a decision was taken to form a new company to operate a mechanical workshop with 350-400 employees on the old shipyard premises. The capital required for this purpose was secured through Government loans.

During the period from September 1962, when the first dismissals took place, to the end of February 1965, the following measures have been taken to secure new employment for redundant employees.

#### Employment service

A total of 717 work seekers, coming from the shipyard, have registered as work applicants with the employment service. Out of these, 319 had been dismissed while 398 were still working with the shipyard at the time of registration. The number of placements by the service on the open market was 712, of which 171 in employment outside the town of Oskarshamn. Special allowances were granted in order to facilitate geographical movements. In forty-one cases employment was secured in public emergency work projects, and fifteen persons were placed in sheltered employment. (One person may have been subject to two or more placements.)

The number of persons not employed by the end of February 1965 was fifteen, including five persons over sixty-seven years of age and six aged less than fifty-six.

#### Industrial location

The municipal authorities and the Country Labour Board have co-operated in attracting new industry to the town and in stimulating the development of already existing undertakings, and support has been received from various national

authorities. This activity has resulted in about 475 new job openings and the figure is expected to more than double during the course of 1965/66.

The costs of preparing new industrial sites, building new premises, enlarging other premises, etc. amount to about SKr.37 million of which somewhat more than SKr.12 million have been granted as Government subsidies. Furthermore, Government and municipal guarantees have been given for loans to the projects in question.

#### Vocational training and retraining

As previously mentioned, measures were taken to enlarge the capacity of the training centres located in Oskarshamn. The number of retraining courses was raised and training was also arranged at a vocational school established by the shipyard company and in the ordinary municipal vocational school. In all, 223 persons from the shipyard received training to facilitate re-placement. Part of the training has been supplied in direct connexion with the industrial location activity. Labour recruited to newly located undertakings has received specially designed training, and subsidies to such training have been granted as an integral part of the industrial location programme.

#### Conclusion

By knowing well in advance the plans for cutting down the shipbuilding activity of the Oskarshamn shipyard and establishing close collaboration with all parties concerned in solving the problems of the forthcoming dismissals, the latter have been carried through with a minimum of friction and difficulties for the employees concerned. The knowledge that action was being taken to solve the problems of the individuals certainly made these dismissals much less dramatic than they would otherwise have been. Unemployment never took on any large scale. New employment opportunities have replaced the old ones and industry has become more varied than it used to be. In fact, industrial and commercial life at Oskarshamn is today in a better position than it was before the announcement of the close-down of the shipyard, which for many years had been of decisive importance for the town's development.

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In the foregoing, Swedish practices and experience in the manpower policy field have been described both generally and in a specific case of successful conversion of the work force of a shipyard to other employment through various aids to geographical and occupational mobility, the attraction of more viable industries into the area, and utilization of the old premises for new types of production. Sweden has been particularly keen on developing a great variety of measures to promote adjustment in the labour market. It is therefore of particular interest to observe that the experience already gained there has led to the conclusion (in a recent report by a special Commission including representatives of the political parties and the organizations of labour and management) that these measures should be continued even more intensely and on a broader scale.