

Mass Unemployment Costs Productivity in Germany

by Rainer Apel

Unemployment is expensive for a society: Billions of dollars are spent to support jobless workers, engineers, and scientists whose skills could generate enormous productive output, but are prevented from working in their profession. This problem in Germany was frankly and clearly addressed, in a new report issued by the Nuremberg-based Institute of Labor Market and Profession Research (IAB). The IAB, linked to the national unemployment agency of Germany, on May 17 published its report for the year 2003, which revealed that unemployment burdened the state with net budget expenses of 83 billion euros that year—10% more than the year before. The 83 billion cost is split into two categories: 1) 53% in terms of direct payments to jobless Germans, and 2) 47% in terms of lost revenue in taxes and social insurance not paid by the unemployed. Especially alarming is the fact that the state had to compensate for an extra loss of 18% in revenues from employees' and employers' payments into the public social insurance fund in 2003 (both pay into the fund, in Germany—ed.). This gives an indication of how fast the deepening economic depression is eroding the social welfare and public health system in Germany.

Two-thirds of the increased unemployment expenses affected the Federal budget, in 2003; the remainder affected the budgets of the German states and the municipalities, pushing the latter into an even more precarious fiscal situation, as they only get a minor share of the national tax revenue.

3 Million Jobless Unaccounted

The IAB report also reveals the fraud of incorrect, manipulated official labor market statistics, which, after a statistics “reform” two years ago, now list any employment as “a job,” be it one for a single hour or 40 hours per week. Neither is the “silent labor reserve” included in the official labor market statistics: This category consists of about 3 million Germans at working age who are not registered with the unemployment offices because they have either given up any hope of finding a job through the unemployment administration, cannot work because of illness or family obligations, or are taking part in state job creation and professional re-training programs. The IAB estimates the national German labor force at about 45 million—and since only 37.7 million registered jobs exist, there is actual unemployment in the range of more than 7 million. Thus, there remains a gap of 3 million beyond the 4.2

million Germans registered as unemployed at the end of 2003.

As bad as these figures are, they still do not tell the whole story about the disastrous effects that protracted mass unemployment has on the German national economy. The IAB report indicates the effects on the private sector economy, in addition to the burden they have on the state budgets. The IAB concludes that in terms of goods not produced, services not provided, investments not made, and lower consumption, mass unemployment burdened the GNP of Germany in 2003 with a net loss of 250 billion euros. The year before, the net loss was said to be 230 billion. This is an estimate, made on the basis of taking into account what output the German economy at full employment could yield, at present levels of skills of the full workforce of 45 million. The estimate even takes into account that modernization, restructuring, maintenance and other measures that take components of industry out of the production process temporarily, would make 620,000 Germans jobless for a certain period anyway, even under full employment conditions.

Germany is not only far away from full employment, it is suffering from a continuous net loss of available jobs. At the beginning of 2003, Germany still had 38.7 million registered jobs—ranging from full-time to part-time jobs. Now, in the Spring of 2004, there are 37.7 million registered jobs—one million fewer than 15 months ago. In the first quarter of 2004, there were 139,000 fewer jobs available than in the same period of 2003; and during the fourth quarter of 2003 alone, already 233,000 jobs were eliminated, which means that chances of getting the 4.34 million officially-registered jobless back to work are diminishing, by the month.

Moreover, firms tend not to employ new staff, but rather to remobilize workers who are on short-work whenever increased sales options justify an increase of production output. For example, in April, short-work figures shrank by an amazing 27%, due especially to workforce remobilization in firms of the machine-building sector, which saw a net increase of exports by 2% (the only sector with an increase) that month.

Unlike sectors of industry that produce with mass assembly lines and relatively low-skilled workers, the machine-building sector depends on high labor skills and on a precision of production that qualifies German machine-building products in numerous branches as the best in the world. Machine-building firms usually hesitate to fire staff, because the skilled workforce at these high levels is hard to get on the normal labor market. Therefore, they “park” some of their workforce in short-work, which also guarantees higher pay for the workers than under state jobless support.

The IAB team measured national productivity of Germany on the basis of presently available skills. With the LaRouche Eurasian Land-Bridge Development proposal, the specter of increased production of machines and machine-tools would greatly increase the skills of a larger share of the working population. The net loss of productive output from not implementing the LaRouche program, would be far above the 250 million euros annually, which the IAB estimated.