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MR. IVOR RICHARD SAYS AMERICAN EMPLOYMENT STRATEGY NOT FOR EUROPE

The following are extracts from the speech made on 7 February by Mr. Ivor Richard on behalf of the Commission to the OECD Conference on Employment Growth in Paris. Mr. Richard's remarks were directed to, and often critical of, a paper on labour market flexibility submitted to the Conference by the US Administration. The American paper claimed in particular that payment of high levels of benefits to the unemployed restricted labour market flexibility, as did over-generous allowances for retraining and wage subsidies.

Mr. Richard contested the relevance of the American thesis to the unemployment and labour market problem facing the European Community: "As far as high levels of transfer payments are concerned, I really do not believe that there are many people on the unemployment registers who do not want a job because they are receiving high benefits. There are currently almost 12.5 million people who are registered as unemployed in the European Community. By comparison, there are only about 400,000 registered vacancies at any particular time. The jobs are simply not there".

High unemployment pay is not the reason for people not seeking out new job opportunities: "the problem is not the disincentive effects of high benefits- the probelm is a lack of jobs".

On the job front, as for economic performance as a whole, Mr. Richard stressed the sharp contrast between the US and European experience:

"In the twelve months to October 1983, seasonally adjusted unemployment rose by 6.4% in the European Community. Unemployment in the United States actually fell by 14.2% in the same period. In that year, industrial production rose by only 1.1% in the Community but by 12.9% in the United States. Labour market flexibility in Europe has to be considered in the context of low rates of economic growth and particularly low rates of employment growth. The problem is not just one of shifting manpower into growing labour intensive sectors of the economy - it is to ensure that there are sufficient growing labour intensive sectors."

On growth and the impact of wages on it, Mr. Richard said:

"I think we are all anxious to see the emergence of non-inflationary growth and obviously wages play an important factor here. But we must get away from the old pre-war notion that if only wages were to fall sufficiently, everyone would find a job. This is a myth: we cannot leave out the effect on demand. No one is going to invest in a productive process if the product cannot be sold at the end of the day. This does not mean that I am advocating massive wage increases - I hope that the present pattern of moderate wage demands, both in nominal and real terms, will continue. I believe that we need to look with an open mind at ways of ensuring that wage rises are in line with productivity growth in coming years so that growth results in more jobs rather than just more income for those with jobs."