The Europeanization of the U.S. labor market

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IN NOVEMBER 1982, the United States was at the bottom of a severe recession in which the unemployment rate hit 10.6 percent. Although 101 million people were working, 11 million were looking for work. By the end of the 1980s, 119 million were working and the number of unemployed people had fallen to 7 million. Even as the U.S. labor force had grown by 14 million people, the U.S. economy had created 18 million jobs. Civilian employment as a percentage of the working-age population reached an all-time high in 1989. The U.S. economy in the 1980s was a virtual job machine.

The European labor market, on the other hand, was far less successful at creating jobs. Between 1980 and 1989, for example, West Germany's labor force grew by 0.7 percent per year, but over that same time, German employment grew by only 0.5 percent per year. That difference might seem slight. But over nine years, the cumulative difference was 2 percent. Thus the unemployment rate in West Germany was a full 2 percentage points higher than it would have been had the growth of employment equalled the growth of the labor force.

Similar stories hold for other major Western European countries over the same period. France's unemployment rate at the end of the 1980s was 2.8 percentage points higher than if the growth of employment had equalled labor force growth. For the United Kingdom, the labor force grew by 0.7 percent annually while employment grew by 0.6 percent. (The only major exception was Sweden, where annual labor force growth of 0.5 percent was less than the employment growth of 0.7 percent.) For the European Economic Community (EEC) as a whole, the labor force grew annually by 0.8 percent while employment grew by only 0.4 percent. Whereas before 1976, civilian employment as a percentage of the working-age population was less in the United States than in the United Kingdom, Germany, and France, it is now higher.

The good news is that the U.S. labor market has created so many jobs. The bad news is that governments in the U.S. are Europeanizing the U.S. labor market. Through legislation and court decisions, the U.S. is moving toward the kind of labor market restrictions that have so hampered job growth in Europe.

Eurosclerosis

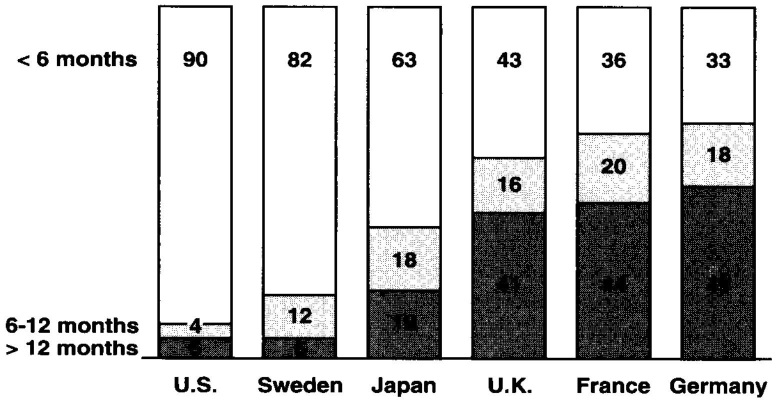
European job growth has been so dismal that economists have coined a term for it: Eurosclerosis. The crudest measure of the phenomenon is the conventional unemployment rate, which is the number of unemployed people as a percentage of the civilian labor force. In 1989, unemployment rates in the EEC were as follows:

Country	Unemployment %
France	10.9
West Germany	5.8
Italy	7.8
Netherlands	8.8
United Kingdom	7.4

All had higher unemployment rates than the United States' 5.3 percent. And even West Germany, whose unemployment rate was only 0.5 percentage points above our own, had much higher unemployment than its average for the previous thirty years.

Figure 1

Distribution of Unemployment by Duration, 1989
(percent for each duration)



Source: McKinsey Global Institute, Service Sector Productivity, Washington, D.C., October 1992, based on data from OECD Employment Outlook, 1991.

Unemployment is not a major problem if it lasts only a short while. Economists view short-term unemployment as a healthy looseness in the joints that helps dynamic economies adjust. When demand for some industries' products increases and demand for others' products declines, as inevitably happens in a healthy economy, some workers in the declining industries lose jobs and seek work in the expanding industries.

The problem comes when unemployment lasts a long time. And here is where Eurosclerosis is very apparent. The five major members of the EEC for which the data are available had, in 1989, much higher long-term unemployment than did the U.S. For the United States, as for Canada, Japan, and Sweden, the long-duration unemployment rate, which equals the percentage of the civilian labor force unemployed thirteen weeks or longer, was very small. Only 1.2 percent of people in the U.S. labor force were unemployed longer than thirteen weeks, compared with rates for the EEC countries that were four to seven times as high. As can be seen in figure 1 above, the difference is even more dramatic for longer-term unemployment. Only 0.3 percent of people in the U.S. labor force were unemployed for one year or more, while the EEC countries had rates of 3.0 to 5.6 percent. In the U.S., the number of people unemployed for twelve months or more was less than 6 percent of the number of people unemployed. In the EEC countries, the corresponding number ranged from a low of 49 percent for West Germany to a high of 72 percent for Italy. In other words, more than half of the people in the EEC countries who were unemployed were unemployed for a year or more, compared to only one in sixteen in the United States.

Blame the government

When a large fraction of unemployed people is out of work for more than one year, economists tend to suspect government as the primary culprit. The reason is simple. The long-term unemployed can be divided into two categories: those who don't want work and those who do. Those who don't want work but are just casually looking or insist on nothing less than the ideal job, will stay unemployed long-term only if they are independently wealthy or if the government subsidizes their unemployment. Those who want work will typically find it in much less than one year if government does not prevent them from finding it. So the culprits to look for to explain high long-term unemployment are government subsidies that discourage people from finding jobs and government regulations that discourage hiring. Both were abundant in the EEC economies in the 1980s and much less so in the United States.

The main subsidy for not working is unemployment insurance which, in the EEC countries, differs in two main ways from the U.S. system. First, the replacement ratio, the ratio of benefits to pay, is typically higher in the EEC. A single forty-year-old worker previously employed at the average 1988 production worker wage, could get unemployment benefits equal to 59 percent of previous earnings in France, 58 percent in Germany, and 70 percent in the Netherlands. Compare this to 50 percent for U.S. workers. (Britain's system of unemployment benefits is unusual in that the weekly benefit does not vary with previous weekly pay. As a result, the benefit, at only 15 percent of the average 1988 production worker wage, was very low relative to past wages for high-paid workers and fairly high for low-paid workers.)

Actually, as Brookings economist Gary Burtless has noted, the difference in replacement ratios is higher than the above data indicate. The reason: The typical European worker is covered by government-provided health insurance, whereas the typical American worker is not. Therefore, when a U.S. worker loses his or her job, unemployment benefits, at about 50 percent of previous wages, are actually well below 50 percent of the previous total compensation, when the value of health insurance is included. When the European worker loses his or her job, however, if unemployment benefits are 60 percent of the previous wage, then unemployment benefits plus the government-provided health insurance exceed 60 percent of the previous total compensation. Economists have found that the higher the replacement ratio, the longer the person is unemployed. This makes sense. With less to gain from taking a job, workers are more choosy. The result is a higher overall unemployment rate and a higher long-term unemployment rate.

It pays to wait

The second systematic difference between U.S. unemployment benefits and those of the EEC countries is that with the latter, unemployed people can receive benefits for much longer. In France, for example, the maximum duration is two and a half years. In Germany, the maximum duration for unemployment insurance is one year, and for unemployment assistance, which is almost as high as unemployment insurance, there is no maximum. In the Netherlands, the maximum duration is three years, and in Britain it is one year. In the United States, by comparison, the maximum duration has been only six months.

Why does duration of benefits matter? Consider an unemployed person whose benefits are about to run out. That person knows that if he turns down the next job, he may be without any income when his benefits expire. So he is much more likely to accept a job. How many additional weeks of unemployment would a longer duration cause? Northwestern University economist Bruce Meyer and Lawrence Katz, now chief economist in President Clinton's Labor Department, answered a similar question for the U.S. in a 1990 article. Their research, funded by the National Science Foundation, considered the effects of a thirteen-week extension of unemployment benefits. They found that the extension increased the average duration of unemployment for someone receiving benefits by 2.2 weeks, from 16.2 weeks to 18.4

weeks. This may sound small, but it translates into a 0.4 percentage point increase in the overall unemployment rate. So an additional two years of unemployment benefits, the difference between France and the United States in the late 1980s, could plausibly account for a one or two percentage point difference in unemployment and for a substantial fraction of long-term unemployment.

The two major anomalies in the data for Europe are Sweden and Italy. In Sweden, the replacement ratio is a stunning 90 percent and the maximum duration is sixty weeks. Yet, as noted earlier, the long-term unemployment rate in Sweden is low, even lower than that of the U.S. How can this be? Because the Swedish government typically requires those who receive unemployment benefits to work in public works projects or to be retrained. Sweden's measures reveal just how intrusive governments can become to discourage behavior that their own subsidies encourage. Bertil Rehnberg, director of the Swedish Labor Market Board from 1973 to 1983, stated the issue bluntly: "We have taken the view ... that society's view of what is a suitable measure ought in some cases to override the opinions of the individual."

When in these programs, Swedish workers are not counted as unemployed. The effect on the unemployment rate is huge. In 1989, for example, when only 66,000 people in Sweden were counted as being unemployed, the Swedish government had over 145,000 people in its public works and retraining programs. Had all of these workers been counted as unemployed, the measured unemployment rate in Sweden would have been 4.5 percent rather than the 1.4 percent rate actually reported.

The other anomaly is Italy. Although Italy had one of the highest unemployment rates and the highest rate for workers unemployed twelve months or more, Italy's unemployment benefits are fairly low. For workers generally, benefits replace only 15 percent of lost earnings. For industrial workers, according to the Office for Official Publications of the European Community, "where unemployment is due to redundancy because of cessation of the enterprise or of reduction in staff a special unemployment allowance equal to two-thirds of the last daily earnings is paid for 180 days...."

A possible explanation is that the high reported unemployment is a statistical artifact of Italy's huge underground economy.

Possibly many Italians tell the government survey-takers that they are unemployed and then head off to work in their unreported jobs. One piece of evidence for this explanation is the ratio of the unemployment rate on a household basis to the unemployment rate on an individual basis. The former is the number of wholly unemployed households as a percentage of all households. The latter is the conventional unemployment rate. In 1985, Italy's ratio of the household unemployment rate to the individual unemployment rate was only 0.30, compared to a ratio between 0.45 and 0.68 for most of the rest of Europe. This low ratio supports the underground economy hypothesis: If unemployment were as important a problem as the conventional unemployment rate indicates, we would expect, along with a high long-term unemployment rate measured from data on individuals, a correspondingly high unemployment rate measured from data on households. But the low ratio of one to the other means that the percentage of wholly unemployed households in Italy is not correspondingly high.

Some U.S. economists have argued that the high European unemployment rates cannot be due mainly to high unemployment benefits because benefits in Europe were high between 1967 and 1973, when Europe's unemployment rates were below those of the United States. But that is like arguing that welfare statism has not hurt the Swedish economy because for the first few years after the welfare measures were introduced, the Swedish economy performed well. The fact is that people often adjust slowly to changes in economic institutions. The high unemployment benefits introduced in European economies in the 1960s should not have been expected to cause high unemployment immediately. Most workers, unlike the economists who study them, do not have accurate and complete data on the rules of the unemployment insurance system. Only by observing their friends and neighbors over time would most workers even know that they could, while unemployed, receive a large subsidy from their government that would last a long time.

No hiring

Another major difference between Europe and the United States has been that European governments have much more stringent restrictions on hiring, firing, and temporary work.

The most stringent regulations on hiring are in Italy, where the government requires companies to rank candidates by criteria chosen by the government. The two main criteria: the size of the candidate's family and how long the person has been unemployed. Note the absence of any criterion that the employer would want listed, such as how productive the person is likely to be in the job. And the second criterion listed—how long the person has been unemployed—is likely to be negatively correlated with productivity. No wonder Italy's underground economy is so large.

The governments of Austria, Denmark, Finland, Greece, Italy, Spain, and Sweden give their own employment agencies a monopoly, making for-profit employment agencies illegal. The governments of Belgium, France, Germany, and Norway permit for-profit employment agencies only for filling temporary jobs. Some European governments even regulate the advertising of vacancies. The governments of Belgium, France, and Sweden, for example, require employers to notify the government employment agencies of all vacancies for which they plan to recruit outside the firm. The governments of Finland, Greece, and Spain require firms to report all vacancies, even those they intend to fill from within the firm, to the federal government. The government of Spain goes even further. According to the Organization for Economic Cooperation and Development (OECD):

> In Spain, it appears to be illegal to advertise a job at all until a contract of employment for it has been submitted to, and approved by, the placement service.

All such restrictions necessarily discourage employers from hiring, adding to the long-term unemployment problem. Compared to European countries, the U.S. restrictions on hiring look like laissez faire. The main American restrictions have been for affirmative action.

No firing

Nor can a typical employer in Europe just decide to fire someone. Rather, he or she must comply with various government regulations, many of which are quite onerous. One might think that such restrictions would reduce unemployment, and in fact they are likely to in the short-run, just after such restrictions are implemented. But European governments' restrictions on firing have been in force for many years, which means that firms have had time to adjust to the restrictions. How might they adjust? The main way is likely to be by making fewer permanent hires. An employer who hires someone long-term knows that if the person does not work out, or if market conditions or technological change reduce the firm's demand for that employee, the employer may have to jump through government hoops to fire the person. The knowledge of this future hassle may well dissuade the employer from hiring in the first place.

Virtually all European governments restrict firing of individual employees. In Germany, for example, an employer must give an employee two to three months' notice and must consult the Works Council. Furthermore, the dismissal must not be "socially unwarranted." If the Works Council vetoes the dismissal, the employer must appeal to the Labor Court. During this whole process, the employer must keep the employee hired. The penalty for an "unfair" dismissal: one month of pay for every year of service.

In Italy, the restrictions are even more stringent. The employer must supply proof of the reasons for dismissing and the reasons must be "just." The employee may demand a meeting with the trade union and the employer, a hearing, and an appeal to the courts. The compensation for "unfair" dismissal is not less than five months' pay. As one expert on such laws summed it up, "Dismissal [is] considered practically impossible except for criminal acts."

France allows summary dismissal for gross misconduct. But if an employer dismisses an employee for economic reasons, the employee can claim financial compensation. Portugal goes a step further, prohibiting dismissal without "just cause," which includes gross misconduct but not incompetence.

Before European employers can dismiss a group of workers, they must pre-notify the workers, and, in most countries, must compensate the workers just as for individual firings. In France, between 1979 and 1986, employers wishing to dismiss part of their work force had first to consult the Works Council, which had up to fourteen weeks to prepare its opinion. Then the employer had to request permission from the Labor Office, which could wait up to thirty days to decide. Thus the total wait for collective dismissals could be over four months. Employers were also required to pay severance pay to hourly workers equal to at least twenty hours of wages per year of service. A new law in 1986 abolished the role of the Labor Office and shortened the delays.

These restrictions on hiring and firing make it harder for people in Europe to get jobs because employers know that jobs are made semi-permanent by law. This permanence shows up in the data. Only 19 percent of employees in the EEC in the late 1970s had held their jobs for less than two years, versus 39 percent in the United States in 1983.

Temporary solutions

One way to get around restrictions on hiring and firing is to hire people for periods of time fixed in advance or to contract with temporary work agencies, like Kelly Temporary Services in the United States. And that is what many employers in Europe did. So in the 1970s, European governments began to respond by regulating temporary work. The governments of Italy and Sweden are the most restrictive: both prohibit private temporary work agencies and both "severely restrict direct employment on the basis of non-permanent contracts." In Sweden, a law passed in 1976 gives trade unions the power to object to temporary work contracts in cases where improper practice is suspected. Of course, as a result of these restrictions, both Italy and Sweden have large black markets in temporary employment. In Germany, France, Belgium, Denmark, and the Netherlands, legislation passed between 1970 and 1976 imposed strict regulations on temporary work companies. In Germany, for example, the maximum period for temporary work was only three months (but has been increased to six months since 1985). The German government also has an outright ban on temporary work in the construction industry. In 1982, France's Socialist government tightened restrictions on temporary work after the number of temps had increased rapidly between 1975 and 1982. Trade unions, as in Germany, were given the legal power to object to temporary work. As a result, the number of temporary employees fell by 30 percent in 1983. In 1986, the restrictions were loosened.

The other major policy that hampers job creation in Europe is the legal monopoly given to labor unions. Unions typically use such monopoly power to increase wages, which reduces the number of workers that unionized firms wish to employ. This does not distinguish European labor unions from American ones. What is different, though, is that labor unions' legal privileges diminished in the 1980s and early 1990s in the United States, but increased in Europe. One major diminution occurred in 1981 when the Professional Air Traffic Controllers Organization (PATCO) engaged in an illegal strike against the U.S. government. Based on past experience, PATCO's members had good reason to think that they would get away with it. When other unions of government employees had gone on strike illegally, they had not been fired. But PATCO guessed wrong. Newly elected President Reagan charged the PATCO strikers with breaking the law, and, more important, hired permanent replacements and refused to reinstate the strikers. Presumably, public-sector employees, an increasing percentage of unionized employees, got the message that they could no longer be sure of getting away with striking.

Another major diminution of U.S. union power occurred with the Supreme Court's 1988 decision in *Communications Workers v. Beck*. In the twenty-nine states without "right to work" laws, American labor law allows for so-called union shops. Translation: If unions and employers agree to it, unions may collect dues from all employees, even those who choose not to join the union. Because workers have to pay dues whether or not they join, many workers go ahead and sign up. But the *Beck* decision states that unions cannot use the dues collected from non-members for political purposes. Now, a worker in a union shop has a financial incentive not to join. The incentive equals the amount of dues the worker saves by not having to contribute to the union's political activity. The other major difference between labor unions in Europe and in the United States is that governments in the United States generally have not given labor unions the power to block hiring and firing and to prevent the hiring of temporary employees. As a result of the decline in U.S. unions' legal privileges, the number of private-sector union members, which peaked at 17 million in 1970, had fallen to 10.5 million by 1989.

America looks east

U.S. labor markets have, in general, been much less regulated than European markets. As a result, the U.S. economy in the 1980s managed to create one new job for every existing six. Yet government officials in the United States are increasingly imitating the failed policies of Europe. U.S. governments are intervening more, while, ironically, some countries in Europe have slightly reduced intervention.

In 1979, President Carter signed a law requiring recipients of unemployment benefits to pay taxes on those benefits. Benefits were taxed if the workers were above a certain income threshold. In the 1982 tax law signed by President Reagan, these thresholds were reduced. Finally, in the 1986 Tax Reform Act, the thresholds were reduced to zero. Since then, all unemployment benefits have been fully taxable. Thus the tax laws of the 1980s reduced the size of unemployment benefits relative to wages and so made work somewhat more attractive. But in March 1993, the United States took a major step toward the European system. President Clinton and Congress, against Republican opposition, passed a program of extended unemployment benefits. The new federal program increases the possible duration of unemployment benefits by twenty weeks in states with low unemployment rates and by twenty-six weeks in states with high rates. Now, a worker in a state with a high unemployment rate can collect benefits for as long as a year. The result is likely to be a more than 0.4 percentage point increase in the unemployment rate and a large increase in long-term unemployment.

A major new restriction on hiring is the Americans with Disabilities Act (ADA), passed in 1990 with the support of former President Bush. The act bans discrimination by employers against any "qualified individual with a disability." The act applies to all employers with fifteen or more employees. Discrimination is defined not just as failing to provide equal pay and equal employment opportunity, but also not making the "reasonable accommodations" necessary for the employee to perform the job's "essential functions." And what is disability? The ADA defines it as a mental or physical impairment that "substantially limits" one or more "major life activities," which include walking, talking, and breathing. The act never specifies how serious the condition must be. And the act explicitly counts as disabled those with a history of alcohol or drug addiction and those with AIDS. An employee who sues under the act and wins can obtain the same remedies that are available under the Civil Rights Act. This means that employers who fail to provide "reasonable accommodations" for their "disabled" employees could pay huge settlements.

The ADA will hurt employment in three ways. First, employers will try carefully to figure out whether a job candidate has disabilities that will cost the employer once the candidate is hired. Of course, the employer cannot explicitly turn down a job applicant due to disability, because that would violate the law. So the employer will find excuses. Thus, employment for disabled people could well fall in the short-run. Many of the disabled will be able to offset the disadvantage that the law creates for them by accepting lower wages. But some will not, partly because the same law bans paying lower wages to disabled people.

The second effect of the law on employment will be to discourage employers from hiring anyone, disabled or not. An employer knows that simply turning down a disabled applicant, either because the applicant is disabled or for other reasons, could open her up to a lawsuit. So the employer may simply choose not to fill certain jobs or to use temporary employees. The third effect will be for firms with slightly over fifteen employees to cut their employment down to fourteen. That way, they will be exempt from the law.

The cost of family leave

Another law that discourages hiring is the Family and Medical Leave Act, passed in February 1993 with the support of President Clinton. This act requires employers with fifty or more employees to provide up to twelve weeks of unpaid leave for medical emergencies that involve an employee's immediate family. To the extent the law is effective, it will give unpaid leave to employees to whom the employer did not want to give leave. That is the key point that some of the law's proponents obscured by arguing that such leave was in the interest of the employer: If the employer's true interest was to provide leave, he or she would do so without the law requiring it. Thus the law will raise the costs of employing those workers. The Joint Economic Committee estimated that just the out-of-pocket expenses, such as health insurance premiums, for twelve weeks of unpaid leave in 1991 were $1,995 per worker. And the reduced amount and quality of output due to the absence of those employees would add substantially to the cost. An employer may respond by hiring fewer people who are likely to take unpaid leave. The effect, as with the Americans with Disabilities Act, would be less employment.

The effect will probably not be large because the mandated leave is unpaid and few employees will, therefore, take advantage of it. But in the longer run, advocates of mandated leave will seize on this low usage as an argument for requiring paid leave. They will point to the paid leave for medical emergencies that exists in many European countries. And if they succeed in getting the U.S. government to mandate paid leave, the costs of leave will be much higher and the effects on employment much greater.

The United States has also moved closer to Eurosclerotic policies with its law on plant closings. Passed in 1988, the law requires companies employing more than one hundred people to give sixty days advance notice of any closure or layoff involving fifty or more full-time employees. Although the law is full of exemptions and has not, therefore, had much effect, it is still a significant step toward European labor policy. Just as for Europe, the short-run effect is to save jobs by raising the cost to the employer of closing. But the long-run effect will be to make employers less likely to hire.

Judicial innovations

While the Congress and state legislatures have not placed nearly as many burdens on employment as exist in Europe, increasingly they don't have to. U.S. courts are doing it for them. Before the 1970s, U.S. courts subscribed to the "at will" doctrine for employers. Under this doctrine, employers are free to terminate employees at will, just as employees are free to quit at will. But since the 1970s, courts have chipped away at this equal treatment of employers and employees. In April 1993, for example, the California Court of Appeal upheld a \$5.1 million damage award in *Hunio v. Tishman Construction Co.* Hunio, a construction manager, had walked off a major project because, he said, a customer was "abrasive and abusive." When he came back, he claimed, the company gave him only minor projects, left him idle much of the time, and denied him a raise and a Christmas bonus. The jury award to Hunio included \$2 million for "emotional distress" and \$1 million in punitive damages.

Such seven-digit awards are much more common than they used to be. The average wrongful-termination jury award in California is \$1.3 million, which is almost three times what it was just five years ago. The threat of such awards makes employers wary of hiring long-term in the first place.

Employers can also avoid such suits by hiring temporary workers. When we in America used to think of temporary workers, we thought of typists filling in for a few days for someone who was sick. But nowadays even mortgage bankers, physicians, and academics are temporary workers. And, although in the year ended June 1993, manufacturing employment officially fell by 300,000 in the U.S., the number of manufacturing workers provided by temporary agencies grew by 300,000.

As mentioned earlier, European governments have responded to the growth in the temporary sector by regulating it. The first major such step in the United States was made with the 1990 budget law. One provision of that law requires all government workers, whether they work one day or forty years, be covered either by a pension plan or Social Security. Public employee unions lobbied for this provision. As the U.S. temporary sector expands, other unionized workers may well lobby for similar provisions for the private sector.

Helping the unions

Recent measures have also strengthened the hand of unions. In December 1992, the National Labor Relations Board outlawed "quality circles" in non-union firms. The NLRB did so by declaring that in non-union firms, cooperation between labor and management is illegal, because the committees through which the cooperation occurs are "company unions." This ruling may well mean that the only way U.S. firms can have quality circles is to have unions. And President Clinton made another step in the direction of Europe by reversing an executive order signed by President Bush that implemented the *Beck* decision. Bush's order required that each union report the amount of dues used for political purposes so that workers who didn't want to contribute didn't have to. That order weakened the union shop. But as one of his first official acts, President Clinton reversed the order. No longer are unions required to report the amount spent on political pursuits. Because the Supreme Court ruling is effectively not enforced, it is much easier for unions to ignore. This strengthening of unions' monopoly power hurts employment.

The Clinton administration is also pushing for a law to ban the hiring of permanent replacements during a strike. Such a law would strengthen the legal monopoly of unions. Finally, President Clinton's labor secretary, Robert Reich, has announced a ten-member commission that is supposed to redraft U.S. labor laws. The appointees include Douglas Fraser of the United Auto Workers; John Dunlop, who, as labor secretary under President Ford, unsuccessfully tried to pass legislation allowing picketing unions to shut down construction sites; and former President Carter's labor secretary, Ray Marshall, a strong union backer. Not a single member represents the almost 90 percent of the private U.S. workforce that is non-union. Although the commission's recommendations are not yet known, the political slant of the commission suggests that it will recommend further strengthening of union monopolies.

Reverse course now

The U.S. has avoided many of the rigidifying regulations that have hampered employment in Europe. If anything should have taught us how wise we were to do so, it is the employment records on both continents in the 1980s. Yet the U.S. labor market continues to Europeanize.

It is not inevitable. Nothing is stopping us from reversing course and deregulating further. The 1980s showed us what a little deregulation could do for employment. Why not deregulate further? We could make unemployment insurance into true insurance, in which the beneficiaries pay premiums that reflect the probability they will make claims on the insurer. We could return to the symmetric treatment of employers and employees that existed in the law before the 1970s. That would mean abolishing restrictions on hiring and firing which hurt employees as well as employers. We could eliminate the special legal powers that force employees to join unions against their will. These measures could create millions of productive new jobs. As a bonus, they would increase our freedom. Who says there's no such thing as a free lunch?