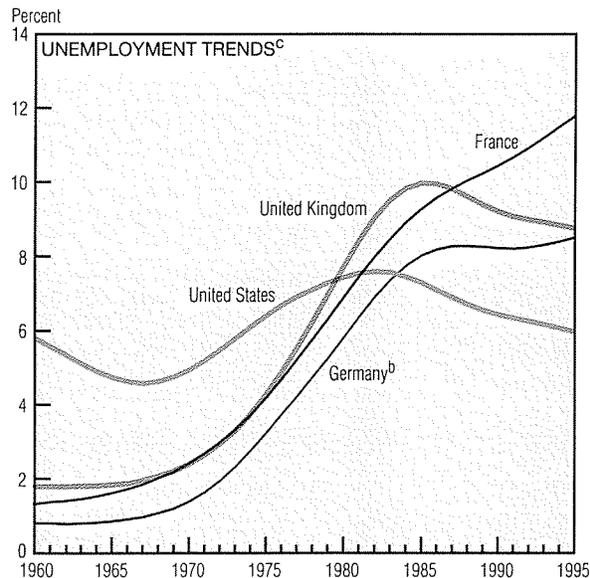
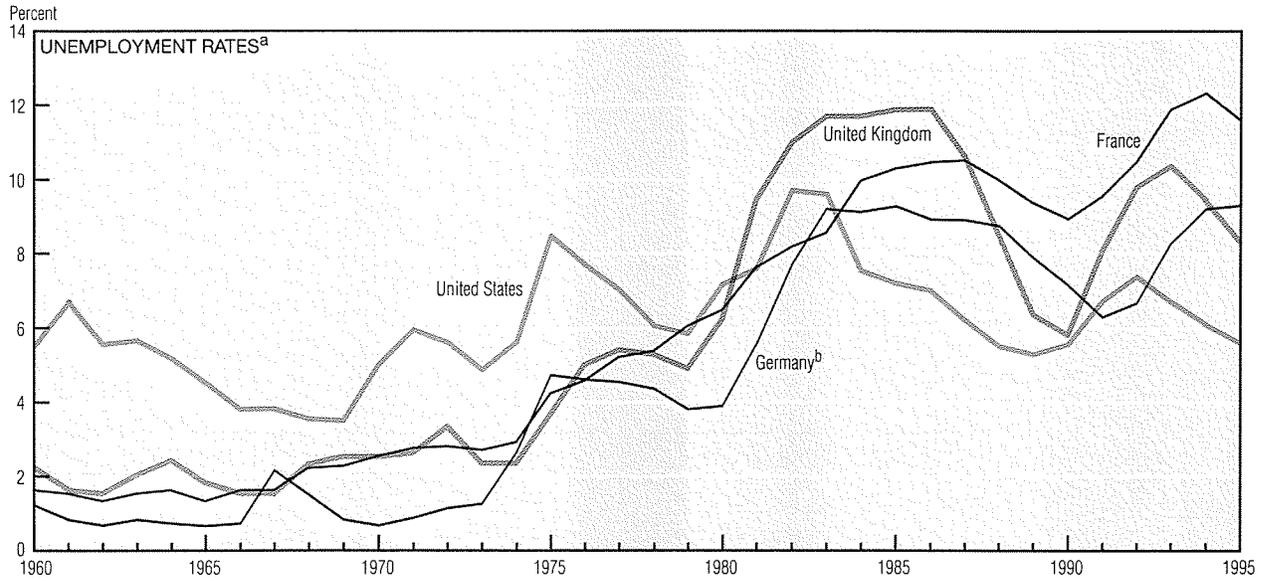


# International Developments



## Total Growth, 1960-1994 (Percent)<sup>d</sup>

	Labor force	Working-age population	Employment
France	34.8	43.3	19.5
Germany	14.8	27.9	8.5
United Kingdom	17.3	15.9	8.4
United States	88.2	67.9	87.1

a. Unemployment rates are as reported by the originating country.

b. All data labeled Germany refer to western Germany.

c. Trends are computed using the Hodrick-Prescott filter.

d. Employment, labor force, and population data have been adjusted by the BLS to approximate U.S. definitions more closely.

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; and Data Resources International.

Since 1960, most European countries' unemployment rates have trended steadily upward, while U.S. unemployment has shown virtually no trend increase. Average 1995 unemployment rates in France, Germany, and the U.K. were 6 to 10 percentage points higher than 1960 rates, while the 1995 jobless rate in the U.S. was roughly equal to the 1960 rate.

Unemployment rates are affected not only by changes in the employment level, but also by fluctuations

in population size and in labor-force participation rates. Rising unemployment rates may reflect lower employment levels with a relatively steady labor-force size. Alternatively, higher unemployment rates may reflect a labor force enlarged by increases in the population or in labor-force participation rates. If increases in employment levels do not keep up with growth in the labor force, unemployment will rise.

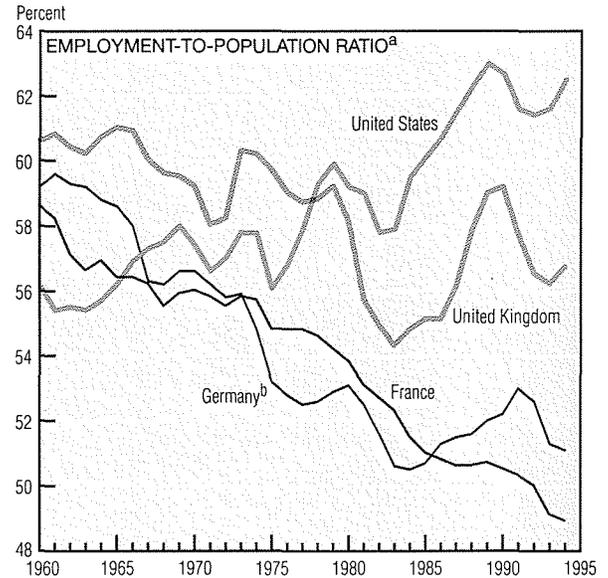
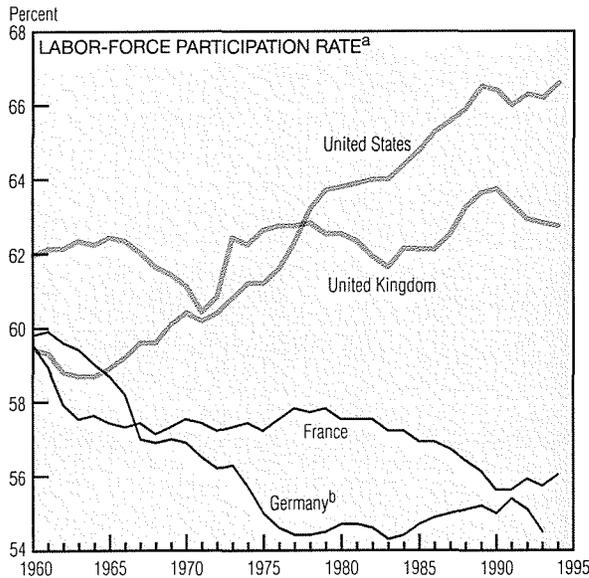
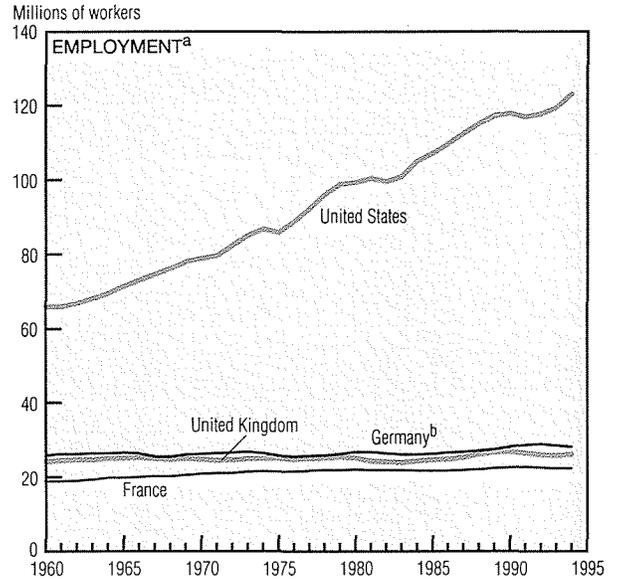
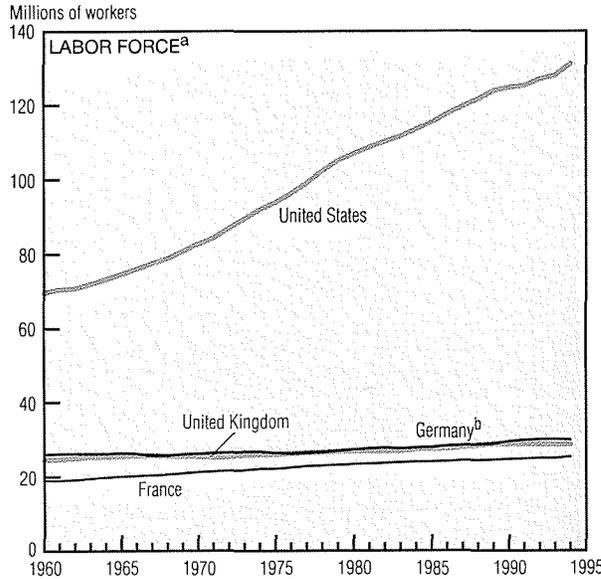
Before looking at the data, then, one might expect to find that coun-

tries with relatively large increases in population or labor-force participation rates would have experienced growing unemployment. In fact, just the opposite is true of the four countries examined here.

Over the 1960 to 1994 period, both the labor-force participation rate and the total population grew substantially more in the U.S. than in France, Germany, or the U.K., resulting in an 88% increase in the U.S. labor force. In comparison, the labor

*(continued on next page)*

*International Developments (cont.)*



a. Employment, labor force, and population data have been adjusted by the BLS to approximate U.S. definitions more closely.  
 b. All data labeled Germany refer to western Germany.  
 SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; and Data Resources International.

forces of France, Germany, and the U.K. grew by 35%, 15%, and 17%, respectively. Yet the U.S. was the only country without a notable increase in its unemployment rate over the period, reflecting substantially larger employment-level increases than in the three European countries.

The trend in labor market participation rates has differed greatly among these countries. U.S. participation rates have climbed steadily since the early 1960s, increasing by more than 7 percentage points from

1960 through 1994. In contrast, participation rates in Germany and France declined over this period, falling by roughly 5 percentage points and 3 percentage points, respectively, while the U.K. participation rate has increased by less than 1 percentage point.

The trend in employment-to-population ratios has also varied. Germany, France, and the U.K. have seen their employment-to-population ratios fall by 8, 10, and 4 percentage points, respectively.

In comparison, the U.S. posted an increase of roughly 6 percentage points from 1960 to 1994.

Attempts to explain the lack of employment growth in Europe have largely focused on the regulatory environment. Research suggests that labor market regulations like legislated severance payments, plant closing legislation, and advance notice requirements may play a key role in explaining many European countries' disappointing employment growth.