# Helene Simon, “Unemployment” (April 1929)

## Abstract

The pioneering theorist of modern social policy Helene Simon (1862–1947) had written extensively since the early 1900s on the economic challenges facing families and the ways in which welfare programs and legal reforms could address them. Despite her Jewish background, Simon remained in Germany until 1938, when the intensifying antisemitic policies of the Nazi regime compelled her and her sister to emigrate to England, where Simon’s niece, the prominent psychologist Frieda Fromm-Reichmann, had found refuge five years earlier.

During the First World War, Simon called attention to the struggles of war widows and orphans, and, after the war, she looked toward how the new republic could design a welfare state that addressed the needs of everyone in society, particularly mothers and children. Her 1925 book *Landwirtschaftliche Kinderarbeit* [*Agricultural Child Labor*], for instance, considered how to balance a state interest in protecting children with a family need to utilize available labor. Simon also worked extensively with the SPD politician Marie Juchacz and the organization that she founded in 1919, *Arbeiterwohlfahrt* [Workers’ Welfare], in analyzing issues around social equality and “welfare” in the widest sense of the word. In recognition of her profound intellectual influence in this area, the University of Heidelberg awarded Simon an honorary doctorate in 1922. Workers’ Welfare began publishing its own magazine, named *Arbeiterwohlfahrt* after the organization itself, in October 1926, and Simon contributed several articles to it. The journal’s editor, Hedwig Wachenheim, herself a social worker and SPD politician, shared Simon’s expansive understanding of “welfare” and sought to engage a broad range of scientists and politicians to examine and debate the subject in its twice-monthly issues.

In this 1929 article, which appeared more than half a year prior to the onset of the Great Depression and its massive layoffs of workers, Simon considered some of the structural factors in the interwar German economy that contributed to unemployment and offered a prescient critique of the weaknesses, as well as the strengths, of the nation’s landmark 1927 Law on Job Placement and Unemployment Insurance [*Gesetz über Arbeitsvermittlung und Arbeitslosenversicherung*, or AVAVG]. Her opening quotation laid bare a fundamental economic paradox that required political intervention: “The greatest strains in the job market, which require a labor-market policy, are unemployment and a shortage of workers.”

Simon focused on the effects of AVAVG, which linked job placement and unemployment insurance together for the first time in Germany, a model that remains in place to this day. AVAVG also guaranteed individuals the right to unemployment insurance simply by virtue of having previously paid into the system, and without having to prove need. Employers and employees each contributed 3% of the employee’s wage to the fund, which an independent federal institution (a *Reichsanstalt*) managed. Politicians and administrators set up the system during a relative boom in Weimar Germany’s economy, and it had never prepared and planned for more than a maximum of 700,000 unemployed workers at any given time. When unemployment surpassed the five-million mark in February 1930, however, the fund fell dramatically short of its obligations. The ensuing political stalemate over how best to address the crisis led the collapse of the governing coalition and the beginning of minority governments held together by emergency decrees and presidential authority.

Simon’s article anticipated some of these problems, and she spoke of the need, already apparent in early 1929, to rethink the state response to unemployment. Simon also cited a report by Rudolf Wissell (SPD), the Minister of Labor and a longtime trade-union official, whose assessments echoed Simon’s concerns. At the time of the article’s publication, though, Simon and most German welfare advocates assumed that

the Reichstag would soon revise and improve AVAVG, after a new government had formed and as the law's real-world shortcomings had become apparent. Within less than a year, those real-world shortcomings would assume dimensions that not even Simon herself could have imagined.

## Source

### Unemployment.
### by Helene Simon.

"The great manifestations of tension in the labor market that demand a labor market policy are unemployment and a labor shortage."

I.
The specter of unemployment walks abroad, with incredibly wide repercussions. Preventing unemployment: the placement in and provision and procurement of work in the necessary amounts [are] in the meantime the "dream of theory." Support and relief, unemployment and welfare offices scarcely alleviate economic hardship and moral and psychological distress. Long, forced idleness whittles away at the abilities of job seekers. The claim that public assistance weakens the will to seek work is unspeakably silly, thoughtless to the point of maliciousness, and old as the hills. To be sure, a lack of success often saps people's will and strength. Naturally there are also born vagabonds and idlers "just for the fun of it." Each of us also probably knows perfectly honorable people, who, regardless of their class or profession, prefer to avoid unpleasant and poorly paid (but also other) labor, if their assets allow it. "Wer die Arbeit kennt, reißt sich nicht darum" (Those familiar with work don't jump at the chance to do it) and similar popular songs express this with humor.

But what does this tell us in light of the unwritten history of the suffering of the unemployed, the unknown victims of our economy? What does it tell us in the face of the ordinary fathers and mothers of families, of young and old people eager for any opportunity to earn money? You need only look at the snow shovelers (including many weak and careworn figures) to know the truth.

In his illuminating and impartial textbook "Agrarpolitik" (Agricultural Policy), which is based in equal measure on a knowledge of the history, theory and practice of agriculture, Aereboe writes: "The surest criterion of cultural evolution lies in the increasing esteem for labor."— — "The penchant for idleness — — is not the privilege of any estate, but a universal human characteristic, which must be trained out of each individual. The first prerequisite for this, however, is the opportunity for anybody willing to work to find it. To create it is thus the chief task of the national economy, the second is that all work be suitably remunerated."

Since the beginning of the machine age, which separated workers from the means of production, entrepreneurs saw in the reserve army of "hands" that they could hire or lay off at will, depending on the state of business, a means of depressing wages: Instability of employment as a principle of profitability approved by the dominant political economy. Times change, and people change along with them. No one speaks anymore of the reserve army in the simple economic sense. Unless, of course, one considers foreign migrant workers to be such a concession. Namely for agriculture, where the advantage of winter layoffs means savings of both wages and accommodation costs (in the summer, the most primitive barracks suffice); and where, after the harvest is over, the farmer regularly catapults reapers into the big cities as unemployed people. There they crowd the homeless shelters with their legitimate and illegitimate children, or are expelled to their home regions, where they are not needed. Overall, however, trade unions and state security have largely pulled the ground from under the reserve army as intentional labor market policy. In the prewar period there were protracted periods of economic advancement, often paired with serious labor shortages, intensified by emigration. Since the war, in

contrast, the labor market has never again remained semi-stable. Even before then, the imperial statistical office estimated that around 100,000 persons were permanently unemployed; at the lowest point of economic decline, the figure was some 500,000. However, at that time, when the conditions for any economic improvement were deprived of the socio-political possibility of their realization, the German labor market was “not the subject of systematic national policy.”

Otherwise, the now-squandered “wealth of the nation,“ the tight interlocal organization of employment placement services and “systematic national policy” repeatedly called for by Jastrow and others could likely have prevented any protracted unemployment. Some things were done, but much else was left undone. More intense efforts would have been needed to mobilize against it.

When the war broke out and during the fighting: Integration of persons into all kinds of paid employment without regard to age and sex. As the war was coming to an end, countless plans for the reintegration of returning soldiers: Ministry of Economic Demobilization, one committee after another. The defeat threw all these fine plans into disarray. After the war: decree on the freeing up of workplaces (1919 and 1920) with the clear purpose of removing the auxiliary workforce from the labor market, successfully at first, but ultimately in vain. The summoned spirits refuse to go away again. Their army augments the hordes of those impoverished by the inflation. From early 1927 to November 1928 some 2.5 million people, including those who had just left school, thronged German productive industry. Only this, in conjunction with the temporary effects of rationalization and the fall in mass buying power as a result of price rises, made it possible, after the specious prosperity of 1927, for the creeping descent into depression in the abnormally cold winter of 1928/29 to push up the number of unemployed for a time to nearly 2.5 (two and a half) million. This surpassed the record unemployment of the crisis year 1926, although, according to the most recent report by the German Institute for the Analysis of Business Cycles, there was no generalized crisis whatsoever at the end of February 1929. In all likelihood, even with an improved economic situation and halfway bearable organization of the burden of reparations, the number of available workers will surpass requirements for quite some time. For the foreseeable future, until the numbers and composition of the population change as a result of better opportunities for emigration and a shift in age cohorts, we will probably have to reckon with more than just periodic unemployment on the free labor market, if creative social policy (such as that expressed, for instance, in the War Invalids’ Employment Act) does not succeed in effecting a change. Despite crushing unemployment in the cities, a labor shortage persists during the months of planting and harvest and in individual trades. Despite crushing unemployment, foreign migrant workers are still being allowed, although with increased restrictions. Child labor continues, women and youths are still being overworked, the eight-hour day is still being violated and people are still working many hours of overtime in close proximity to short time. Overall, this deplorable state of affairs offers many paths to indirectly prevent unemployment.

From the end of the war until 1929, the municipal employment offices and unemployment relief took up the immediate fight, with more or less success. These efforts were replaced by the law on job placement and unemployment insurance (AVAVG) of July 16, 1927. In contrast to municipal self-administration, with its wide sphere of action, it represents self-administration by the interested parties concerning their own affairs (I cannot find a suitable expression for it). One of the underlying ideas is probably to use this organizational form to render compulsory reporting and utilization—the lack of which severely hindered the municipal employment offices— superfluous.

The AVAVG also encompasses occupational counseling and job placement. It created the imperial institute [for labor exchange and unemployment insurance] as the bearer of varied and extensive responsibilities. What characterizes it is the consolidation of those directly involved in the labor process into an administrative unit: representatives of entrepreneurs and workers form an imperial body with headquarters in Berlin. Thirteen regional state employment offices divided along economic lines, 362 employment offices. The imperial institute is under the supervision of the minister of labor. The regional states and municipalities have seats and votes in its organs. The imperial institute has the following

remit: The basic administrative idea of an independent and self-financing imperial organization. As a newcomer, it has yet to prove that it is up to the task.

Its first year of operation ended on October 1, 1928. Its main task was organizational restructuring and construction. The brief time that has elapsed permits no final assessment of successes thus far or potential future achievements. All current implementations thus more or less bear the mark of provisionality. Other social policy laws and formations also experienced trials and tribulations along the way.

All the same, here is some food for thought: Some people are already calling for the revision of the entire AVAVG. Given the unfavorable times, we already need to amend the law with the "Law on Special Relief for Occupationally Typical Unemployment" (seasonal work) of December 24, 1928, four-fifths of whose costs are to be covered from national funds. Despite this relief, the question remains whether unemployment insurance is financially capable of coping with the skyrocketing costs of supporting the unemployed. After all, the imperial institute had to face the—however abnormal—winter unemployment with no reserves. The emergency fund of 105 million marks, which was collected through contributions in the summer of 1927, had, as Wissell explained to the Reichstag at the beginning of January, been exhausted by the end of the year. The national government had to step in with loans to the amount envisioned in the AVAVG. Should the necessity for further loans increase to a degree that makes repayment appear unlikely, "it would be time to consider whether the financial structure of unemployment insurance could be retained unaltered." This, however, would endanger self-administration as intended by the AVAVG.

Aside from the supplementary law on occupationally typical unemployment, the AVAVG already contains an exception from pure self-administration by interested parties: Assistance in case of crisis (§ 101, 102). If the labor market situation remains especially unfavorable for a protracted period, those unemployed persons who are not yet or no longer eligible for unemployment benefits—not yet, if they only partially fulfill the usual requirement of having been employed with insurance for 26 weeks out of the last twelve months; no longer, if they have exhausted the 26 weeks of benefits they can claim. In both cases, crisis assistance is meant to secure their—albeit meager—existence for an additional 39 weeks; for workers over the age of forty this can be extended to 52 weeks. Self-administration is already in retreat here: The minister of labor determines permission for crisis assistance and its duration (after consulting the imperial institute's administrative board). He can restrict it to specific occupations and districts and a particular period of time. After a series of inadequate extensions, a decree of February 22, 1929 (initially valid until May 4 of this year) fundamentally includes all occupations, except for seasonal workers, casual laborers and occupations in which protracted unemployment does not yet prevail. The expiration of crisis assistance benefits is temporarily prohibited until May 4, 1929.

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Translation: Pam Selwyn