

Linda A. Heilman

Industrial Unemployment in Germany: 1873–1913*

The parameters, causes and solutions of modern Germany's *industrial* unemployment problem first emerged in *sharp* relief during the period between 1873 and 1913. The evolution of differentiated approaches to job scarcity, the collection of statistics that impacted policy decisions, and the introduction of piecemeal remedies to alleviate unemployment were a few of the more important innovations during those years. This period also bequeathed to the twentieth century a persistent gap between the perception and reality of unemployment that had far-reaching historical consequences. As we shall see, intervals of acute need, major population shifts, successive economic crises without sufficient recovery, compounded by the random, unpredictable nature of unemployment nurtured insecurity and disproportionate fears of socialist revolutions.

These anxieties emerged during years when aggregate unemployment levels rarely exceeded six percent and typically fell below three percent. One reason why unemployment remained at these low levels was that 200,000 of the half million enlisted men in the German army were drawn from the civilian working class. And even under normal economic conditions, there were at least a quarter million annual convictions for vagabondage. One observer noted that if workers detained by the prisons and military had entered the labor market at the time of the census in December 1895, the number of unemployed would have doubled, rising from 3.5 percent of the entire working class to more than six percent.¹

Today even the higher six percent figure doesn't look particularly alarming, but contemporaries believed that an acceptable level of idleness was one percent in summer and three percent in winter.² And it is crucial to remember that this was the standard against which actual unemployment levels were measured before 1914.

AN ERA OF RECURRING ECONOMIC CRISES

Between 1873 and 1913 the German economy experienced a series of crises that varied in intensity. To a certain extent, the crises became progressively less severe in scope but increasingly ominous in their cumulative impact on the collective psyche. The most severe recession opened the period, lasted until 1879, and was characterized by a dramatic deflationary trend that persisted in abated form for two long decades. Although unemployment data is scant, job shortages almost certainly peaked during this first slump. The 1880s were an interval of incomplete recovery characterized by high levels of emigration that helped minimize

* For complete bibliographical information and fuller explanation of points raised in the text, see my doctoral dissertation available through University Microfilms, Ann Arbor, Michigan: *Linda Abramson Heilman, Industrial Unemployment in Germany 1873–1913*, Ph. D. University of California, Berkeley 1982.

1 *Otto Most, The Problem of Unemployment in Germany*, London 1910, pp. 6–7.

2 *Ibid.*, p. 4.

unemployment rates during the downswing between 1882 and 1886. The first half of the 1890s brought a third economic crisis that began to ebb in 1894 and gave way to steady recovery after 1896.

Although the second half of the period saw an end to the severe deflationary trend of the early years, briefer recessions recurred in 1901 and 1907. Between 1908 and 1909 the abrogation of tariff and trade agreements combined with cyclical sectoral downswings to elevate unemployment levels again until new treaties were negotiated in 1910 and 1912. In 1913 another crisis compounded by political considerations, poor business conditions, diminished building activity and strong contractions in the labor market stimulated unemployment. While the intensity of the setbacks steadily diminished between 1873 and 1913 they were sufficiently frequent and severe to foster an undeniable crisis mentality. In addition to periodic crises, after 1873 uncertainty began to intrude upon the predictable existence of earlier decades when laborers knew from birth exactly what jobs they would do.

Under the old pre-industrial order, producers had been able to anticipate demand with precision because they were personally acquainted with the local economy and the needs of their customers. Rather than crafting custom-made articles sold in advance of production, however, factory owners during our period mass produced articles for indeterminate numbers of buyers in vastly expanded markets. Without concrete knowledge of consumers or competitors, producers frequently overestimated demand and flooded the markets with unwanted goods. The results of this miscalculation included falling prices, diminished output, bankruptcies and unemployment.

By the end of the century, insecurity rather than order shaped the expectations of the industrial working classes. Where and when work would be available and for how long were questions of vital concern to laborers who could find only intermittent employment during the economically depressed period between 1873 and 1896. Lured into abandoning rural, agrarian lives during the phenomenal boom that immediately followed the founding of the Empire, many of the new industrial laborers were subjected to the vicissitudes of an economy that underwent a crash followed by three major downswings during the next twenty-three years.

THE 1895 CENSUS

The only comprehensive survey of German industrial unemployment before 1913 was undertaken in two seasonal segments as part of the 1895 census. Out of a total working population of 22 million, 1.35 % or 299,352 persons were counted as unemployed on June 14, while 3.46 % or 771,005 were enumerated on December 2, 1895.³

The census excluded the permanently disabled and showed that in the summer two-fifths of the unemployed were idle because of their unfitness for work while three-fifths were jobless for other reasons. During the winter the discrepancy became even more obvious with only one-fifth of the unemployment attributable to illness. Another distinction isolated individuals who had lost their jobs due to their own grossly inappropriate behavior. Those persons plus the lazy and others who simply refused to work were consistently presumed to constitute a small minority of the unemployed. The 1895 census in conjunction with less comprehensive surveys suggested that one-half to three-quarters of the unemployed lacked positions for reasons that were classified as economic. The balance were idle for a variety of primarily personal reasons.

In occupational terms, persons engaged in seasonally related work were vulnerable to predictable, periodically recurring inactivity. Agricultural laborers, those working in the build-

³ For complete statistics on the 1895 census, see: *Die berufliche und soziale Gliederung des Deutschen Volkes, Statistik des Deutschen Reichs, Neue Folge, Bd. 111, Berlin 1899.*

ing trades and some parts of the transportation industry were subject to the highest rates of unemployment. In fact, two-thirds of all unemployment in December was attributable to seasonal shutdowns in construction and agriculture. An additional factor in this context was the degree of training required for a particular occupation. As a vague guideline, the occupational risk of unemployment was inversely proportional to the amount of skill needed to perform a given task. Unskilled workers who were plentiful and basically interchangeable could be dismissed and rehired with minimal effort. They were therefore subject to far greater risks of replacement than highly skilled workmen.

In terms of age, those most susceptible to unemployment were elderly workers. Individuals over 50 were more vulnerable than younger persons and those still working after age 70 suffered the very highest rates of unemployment. Young people constituted a majority of the labor force and the largest contingent of unemployed. But, if one looks at relative rather than absolute numbers, it becomes clear that susceptibility to unemployment in most occupations increased with age.

Males and single people who predominated in the labor force as a whole were affected more frequently than female or married workers. At a time when family size was considerably larger than today, statistics show that relatively few dependents were affected by unemployment among heads of households.

Workers who lost their jobs in 1895 were most likely to reenter the labor force within eight to fourteen days. Reflecting the large number of seasonal workers, those who were idle for longer stretches typically resumed employment after one to three months of inactivity. Recurring instances of unemployment within very short intervals were probably scarce. Nor was there any demonstrable direct correlation between the frequency and duration of idleness. Jobless workers were given opportunities to regain their economic composure – neither the tenure of their inactivity nor the immediate prospect of recurrence was sufficient to destroy their productive potential.

In geographical terms, unemployment was concentrated most heavily in large cities where industrialization and population growth went hand in hand. One estimate during the 1890s indicated that approximately five million non-agricultural workers changed jobs in the course of an average year. In the process of such changes, workers typically experienced two to three weeks of unemployment. Germany's mobile labor force tended to find work in occupations that subjected them to lower wages, seasonal shifts and significantly higher risks of discharge than their more settled colleagues. Without organized assistance, lacking family ties in newly relocated, impersonal urban settings, frequently cut off from municipal unemployment assistance by residence requirements, workers who came to industrial cities in search of jobs were viewed by contemporaries as the *potential* source of an undesirable Lumpenproletariat.

Regardless of the individual victims, there is reason to conclude that dismissals were selective and not random. Workers who were least productive, efficient, reliable or tenured and perhaps most troublesome were among the first to be laid off. Recent agricultural employees with little seniority or experience were especially vulnerable – the last hired were frequently the first to be discharged. So too were single workers – an overt effort was made to keep on married men with children in preference to single men or any women. Female employees, who typically withdrew from the labor force upon marriage, took precedence over males only when their retention was due to lower wages. Foreign workers, who numbered about 1.3 million by the end of the period, were openly resented for taking jobs away from Germans and were consistently among the first to be dismissed.

If there was a typical unemployed industrial laborer in Germany at the time of the 1895 census, he would have been male, single, unskilled, working in a seasonal occupation, probably in a large city. In all likelihood he would have arrived at both his work and residence fairly recently and would not belong to a union or any other institution whose collective means

gave members leverage in a shifting labor market. His work would provide the primary motivation for his choice of location and when threatened with unemployment, he might decide to move on. Although he could very well be old, he was unlikely to belong to the working class elite which was more highly skilled, organized and firmly entrenched in society through long-standing communal and family ties.

Based on the census data, it seems fair to postulate that the more privileged elements within the working class – married men with families, union affiliations, stable residences and a modicum of job skills – were not subject to inordinate amounts of unemployment between 1873 and 1913. Precisely because these pillars of the lower echelon establishment remained immune, there was no real unemployment crisis during our period. The social implications of unemployment were minimized because even those directly affected by loss of employment and temporary impoverishment were rarely threatened with economic extinction. Their dependents were apparently not too numerous, and were occasionally able to compensate for lost family income. Add to this the observation that the unemployed were the most economically and politically impotent members of the community – factors including occupation, age, skill, family status, tenure of residence and lack of organization all worked to their disadvantage.

THE ACTUAL AND PERCEIVED CAUSES OF GERMAN INDUSTRIAL UNEMPLOYMENT

Between 1873 and 1913, most Germans considered excess supply, or overproduction, rather than insufficient demand as the primary source of unemployment. Only a few nineteenth-century observers recognized that lack of aggregate demand for goods and services also diminished employment opportunities.

Scattered regional and occupational unemployment surveys produced a variety of explanations including illness, atmospheric conditions and work scarcity.⁴ A municipal survey conducted in Dresden between 1909 and 1913 showed that the most common causes of unemployment were seasonal work, bad business practices and operational shutdowns. German cities reported unemployment caused by employers' or employees' notice, old age, strikes, wage disputes, military drills and accidents. In addition, a complex of interrelated forces impinged on the German labor market: Employers' demand for workers, real wage rates, the location of industries, the educational level of the work force, the distribution of labor and its mobility. The relationship among these factors at any given point in time went far to determine the extent of frictional unemployment.

Technological unemployment derived from demand shortages and mismatching in the labor market. While the immediate and obvious effects of improved technology were increased productivity, fewer men required to manufacture more goods, layoffs and a diminished demand for labor, the long-range impact was rather different. Formerly, unskilled workers were considered interchangeable, subject to lay-offs and easily replaced when renewed demand for their output warranted rehiring. But with technology came an increased need for more highly skilled, scarce and specifically trained labor. That, combined with capital investments which made it highly unprofitable to cease production, led to new employment practices during the last quarter of the nineteenth century. Rather than dismissing workmen when the economy went into a temporary slump, alternate production patterns were developed to avoid laying off valued employees.

While there were severe pockets of technological unemployment among occupations such as handloom weavers, the most common form of idleness resulted from climatically dictated annual ceilings on the number of workdays in trades such as construction. Those in seasonal occupations attributed unemployment to unfavorable weather, scarcity of materials, tradi-

⁴ *Georg Schanz, Zur Frage der Arbeitslosen-Versicherung, Bamberg 1895, p. 229.*

tional shutdowns and lack of effort among discouraged job seekers to find alternate employment in the face of repeated rejection. Frozen waterways, frost, snow cover and low temperatures were some of the weather-related factors limiting outdoor activity and employment during the winter.

German unemployment rates typically began a gradual ascent in October or November, peaked at the turn of the calendar year, and underwent a slow but steady contraction in February or March. Although differing markedly in intensity, most sectors experienced some sort of dead season during the average year. Statistics collected between 1902 and 1912 indicated that there had always been a month in which some great industry underwent its worst difficulties while another experienced its greatest prosperity.⁵

This lack of sectoral synchronization was an essential factor in the health of the German economy since it prevented business activity from coming to a halt. Even though seasonal unemployment was widespread and tended to last longer than other forms of idleness, a staggered sectoral pattern was conducive to minimizing its impact on the entire economy. It safeguarded the opportunity for alternate employment plus continued production and consumption in industries not undergoing seasonal contractions.

Demographics: Population and Mobility of the Labor Force

At the time of unification, Germany's population was slightly more than 41 million. Four decades later, in 1910 the populace had expanded to almost 65 million, having experienced annual growth rates of 1.18 %. This population growth, unlike that after 1913, was largely independent of geographical redistribution.

Although birth rates declined during our period, mortality rates dropped even more due to higher income levels, better housing, safer working conditions plus improved health and hygiene. The number of German residents increased by 26 million between 1871 and 1913, and the labor market had to absorb the impact of this expansion or suffer unemployment.

In addition to birth and death rates, emigration that enabled the Empire's working population to respond to variable demand for labor affected unemployment levels. An estimated one million Germans emigrated during the decade preceding our period. Had they not departed, it is reasonable to assume that unemployment rates during the 1873–79 recession would have been far worse.

The years between 1875 and 1879 resembled the early 1840s with emigrants totalling about 143,000 annually. An increase in emigration occurred between 1880 and 1884 when an estimated 173,000 persons per year left the country. The annual average abated to around 100,000 between 1885 and 1889 but picked up again with the third major recession that was in full swing between 1890 and 1893. A total of 2.4 million emigres departed over the years between 1871 and 1895. If those individuals had remained in Germany, continued to occupy jobs, to reproduce, or to require relief because they could not find work, they would have had a profound influence on unemployment levels.

Compounding the impact of emigration was the domestic resettlement that occurred between 1873 and 1913. In this context, the 1907 census indicated that 48 % of the population resided in a community other than their birthplace. Some 15 million persons or three times the number of emigrants crossed state and provincial borders in search of new homes between 1860 and 1914. Estimates suggest that by the end of the period every second citizen had participated in some phase of the massive relocation process that accompanied industrialization.

Prior to 1880, internal migration was typically confined to short moves between adjacent districts. After the 1870s, however, new patterns began to emerge with migrants travelling

5 *Soziale Praxis*, vol. 22, 1912–13, p. 356.

longer distances, most frequently from east to west. During the last two decades of the nineteenth century, more than 1.3 million persons migrated from Germany's eastern provinces to other parts of the Empire. Potential movement between urban jobs and rural families worked as a safety valve for victims of industrial unemployment. This pattern prevailed until the mid-Nineties when the longer distances between a worker's agrarian origins and industrial livelihood made it more difficult to move back and forth.

Given the legal right to move under the *Freizügigkeitsgesetz*, the physical mobility made possible by railroads, the information provided by labor exchanges and assistance in the form of union travel benefits or public half-way houses, the population distributed itself in a manner well calculated to ensure its economic survival through work. The fact that German unemployment rates were not higher during the so-called Great Depression of the nineteenth century is compelling testimony to the popular willingness to perceive economic opportunity and then act on that perception.

Agriculture, Cottage Industries and Secondary Occupations

There were at least three ways in which German agriculture impacted the industrial labor market. First, it served as a source of manpower for industry. Secondly, it provided jobs for idle industrial laborers. And finally, it played an important role in nurturing cottage industries.

By providing alternate incomes for the industrial unemployed, agriculture and cottage industries helped alleviate problems associated with lay-offs. By supplying work for older persons, married women, children, and those just beginning productive employment, cottage industries absorbed groups that were particularly vulnerable to dismissal.

Like cottage industries, secondary occupations provided a welcome alternative to total unemployment during Germany's transition to factory-oriented production. Secondary occupations thrived in areas where small-scale commercial or agricultural operations remained economically feasible. They were apparently not viable options, however, where large-scale production predominated in regional markets. As a rule, small towns and rural rather than urban settings lent themselves to secondary employment.

In addition to employment alternatives in cottage industries and secondary occupations, shifts within the industrial sector of the economy worked to contain unemployment levels between 1873 and 1913. While some firms were dismissing workers or closing down production completely, others were hiring labor forces, absorbing competitors and commencing operation for the first time. This process was at the heart of Germany's industrial revolution and it continued at variable speeds throughout the slumps and booms that characterized this period. The result of the emergence, absorption and disappearance of firms may have been a wash in terms of aggregate employment but it lent an element of vitality to the economy. Pockets of growth in the face of overall contraction were an important antidote to stagnation in the labor market and the economy as a whole.

Reduced Wages and Short Time

One of the most common alternatives to lay-offs as a means of cutting both expenses and production during periods of slack demand was to curtail the hours worked. Either by adopting a shorter workday or diminishing the number of days worked each week, employers sought to limit total time spent on the job. This enabled entrepreneurs to preserve their labor supply while instituting economically necessary cutbacks in production during crises. Reduced hours also provided a way of spreading the burden of work shortages more equitably. They were frequently preferred by employers as an alternative to dismissing some workers in order to maintain full shifts for a smaller labor force. This type of underemployment be-

came increasingly popular with entrepreneurs who were reluctant to relinquish the services of particularly productive or highly skilled workmen.

The point needs to be made that statistics which failed to include reduced hours probably underestimated the extent of unemployment, especially during recessions. Data from 1901–02, for example, suggests that the ratio of partially to totally unemployed was approximately seven to ten. In December of 1902, 28.5 % of those responding to a questionnaire indicated that their work week had been reduced by as much as six hours. An additional 23.3 % of the respondents worked from seven to 12 fewer hours each week; 34.1 % worked 13 to 18 fewer hours; 10.9 % worked 19 to 24 hours less while 3.2 % worked a week diminished by 24 or more hours.⁶

Apart from policies aimed at reducing unemployment, there was a clear trend toward a shorter work week between 1873 and 1913. Because Germany began to modernize relatively late, laborers at the beginning of our period still worked the long twelve-hour days associated with agriculture and early industrialization. There were, of course, significant variations, with union members in certain industries and large cities working less than ten hours while those in rural cottage industries put in up to fifteen hours each day. Estimates put the average work week at 72 hours in 1872, 64 hours during the 1890s, 62 hours by 1900 and 57 hours by 1914. As the period progressed, Sunday labor became a thing of the past and a six day work week the accepted norm. Reduced hours played an important role in the creation of more jobs and enabled the economy to absorb an expanding labor force with minimal unemployment.

One of the frequent by-products of shorter hours as an alternative to unemployment was wage reductions. In addition to curtailing output, employers tried to cut expenses during slack periods by minimizing wage outlays. Money wages fluctuated more when unemployment was low than when it was high. This relationship occurred because employers were both willing and able to increase wages during prosperity. Workers on the other hand tenaciously resisted cuts in pay during recessions. Unions in fact seemed to prefer that some of their members be dismissed rather than share the loss by having everyone accept lower wages. When workers had no voice in the decision, employers typically instituted wage reductions that amounted to as much as a quarter of the employees' earnings.

As a rule, German money wages were rigid in the downward direction. Because slight declines were common and usually sufficient to curtail rising unemployment, the only substantial decrease during our period occurred in the first decade. One reason why unemployment wasn't higher during the 1870s must be sought in the deflated prices that accompanied the recession. In an era of deflation, reduced earnings retained more of their purchasing power. This helped to ease the burden of significantly lower income from 1876 to 1884 when real wages rose for those who continued to work. Unemployment during these years would have been far greater had wage rates been artificially prevented from falling. In other words, lower wages during recessions were more acceptable to German labor because deflated prices made money go farther and because already high levels of unemployment made alternatives even less appealing.

In Berlin, where East German historians estimate there were extremely high levels of both unemployment and underemployment – approaching 25 % during the late 1870s – wages fluctuated as follows: The years between 1870 and 1875 brought rapid increases, with average annual incomes rising from 508 to 627 Marks. From 1875 to 1882, these gains were entirely wiped out, falling back to 500 Marks before beginning another ascent. Between 1883 and 1891 average income in the capital increased steadily according to estimates published

⁶ *Correspondenzblatt*, March 3, 1902, p. 144, and April 25, 1903, p. 271; *Arbeitsmarkt*, vol. VI, No. 9, pp. 162 f.

in *Soziale Praxis*.⁷ Despite organized labor's efforts to advance industrial wages through strikes and other more conciliatory means, workers' real wages increased by no more than one percent annually between the late 1880s and 1913. Even after a prolonged upswing, German industrial laborers received lower real wages than workers in the United States, the United Kingdom, France or Sweden.⁸

Although in theory unemployment was viewed as a potentially revolutionary force, between 1873 and 1913 the following factors worked to minimize a danger whose extent was grossly exaggerated by ill-informed contemporaries: Technological change and entrepreneurial innovations that opened up new opportunities as they phased out obsolete positions; continuation of industrial expansion, albeit at variable rates; emergence of new firms as old ones disappeared; efforts on the part of employers to avert layoffs by resorting to alternatives ranging from stockpiling inventories to reducing wages and hours, lowering profit margins, opening up export markets and selling at reduced prices; emigration; returning to rural family homes to wait out intervals of idleness; union assistance programs and local government efforts to mitigate the effects of work shortages. Together these decentralized measures were reasonably effective. Consequently, for the nation as a whole, the pattern of unemployment between 1873 and 1913 never posed unmanageable social or economic problems that required broad political solutions.

The Role of the State and Public Policy

In the most general terms, there were three types of unemployment policies that were considered on a national scale. These aimed respectively at preventing, controlling and relieving unemployment. Preventive measures included monitoring production, increasing the educational level of the labor force, regulating the number of apprentices, restructuring the organization of industries, adjusting wages and hours to minimize lay-offs, equitably distributing available work and stockpiling inventories. As we have seen, some of these preventive measures were successfully introduced at the micro-economic level and did a great deal to contain unemployment. However, the federal government offered very few macro-economic measures of a preventive nature prior to 1913.

The second category of measures to control unemployment on the policy level was confined almost exclusively to the introduction of labor exchanges. During the late 1890s, a nationwide network of exchanges emerged as part of an effort to contain unemployment stemming from faulty dissemination of information in the labor market. Public works projects were also used to combat unemployment although they did nothing to root out its causes. They did provide a source of activity and income for workers without jobs in the private sector and there was some talk of using the state's role as an employer to combat idleness. But here, as elsewhere, much more was accomplished on the local level than on a national scale. Consideration was given to tariff policies and resettling urban industrial workers in depopulated rural areas but little in the way of a practical result was forthcoming. Short-term policies calculated to increase the demand for labor by progressively raising tariffs, funding public works projects or subsidizing industries simply were not within the purview of federal bureaucrats.

The third and most prevalent variety of unemployment policy aimed at alleviating the consequences of work loss. Nationally, the greatest discussion was generated by unemployment insurance but no program was adopted until the Weimar Era. Here the problem of inertia was compounded by ignorance of the extent of persons and expenditures involved. The un-

⁷ *Soziale Praxis*, vol. 4, 1895–96, No. 15, p. 174.

⁸ *Hans-Ulrich Wehler, Das Deutsche Kaiserreich 1871–1918, Göttingen 1973, p. 148.*

certainty due to poor statistical methods and imprecise forecasting precluded the adoption of any federal insurance plan during our period. A limited number of municipalities did introduce insurance programs, many of which were tied to union affiliates.

Despite the lack of uniform policy initiatives, the federal government as an employer, consumer, administrator, legislator and entrepreneur exerted considerable influence in the labor market. Whenever the government hired or dismissed employees or undertook public works projects, changes in unemployment rates occurred. As the collective agent of a society that prohibited citizens from stealing or begging, the German state was the only entity with the duty, the mandate and the means to provide employment for those unable to find work in the private sector. Regional and local authorities used construction projects during the downswing of the 1870s to provide jobs for workers who would otherwise have competed in the private sector or been unemployed. The recessions attributed to overproduction during the early years of our period could have been ameliorated by increased federal spending. There is however little evidence to suggest deliberate initiatives to stimulate employment by the German government in its capacity as a consumer.

In the realm of legislation, laws stipulating the hours and wages, plus the maximum and minimum age of employment worked to control the number of persons in the marketplace and the amount of labor they could legally expend. In addition, laws regulating tariffs, trade, and migration affected the levels of industrial unemployment in Germany. There was no consistency in efforts to enact legislation that would have eliminated or even alleviated unemployment on a permanent basis. Instead, both the Reichstag and provincial diets raised the question of unemployment relief as a cyclical regimen that coincided with economic crises. After the 1895 census established that unemployment existed in manageable proportions during years of relatively normal economic activity, only severe slumps occasioned debate over public policy in this area.

As an entrepreneur, one of the most conspicuous roles of the state resulted from its control over the nationalized rail system. By building canals, maintaining roads, and operating the railways, the German government exerted a tremendous impact on transportation costs. This in turn had effects that reverberated throughout an economy dependent on the movement of people and produce for its existence. Power in the field of domestic transportation gave the state important leverage with major clients such as the representatives of heavy industry in the Ruhr. Unfortunately, the federal government was either unable or unwilling to coordinate these powers in the pursuit of an anti-cyclical full employment policy. Throughout our period, measures were aimed at containing the effects of unemployment rather than eliminating its causes.

The Role of Labor Unions and the Social Democratic Party

Part of the reason why national leaders from Bismarck to Bethmann Hollweg failed to do more for the unemployed can be found in the apolitical behavior of the people directly affected. Apathy rather than activism characterized the attitude of most unemployed Germans during our period. The need for an organization that would have enabled idle workers to exercise influence from below on the public, the parliamentary bodies, and the administration was never fully appreciated. By failing to coalesce along lines of mutual advantage, the unemployed suffered a severe handicap in an era of blatant economic and political influence peddling.

Germany's economically disenfranchised workers never evolved creative channels for circumventing a system that remained unresponsive to their needs. They were also unable to work effectively within the governmental structure to achieve a well-formulated unemployment policy. While organized coalitions of industrialists functioned as the primary opponents of publicly funded unemployment benefits, the jobless worker had no comparable

forum in which to respond. Social Democrats in the Reichstag pursued unemployment policies with insufficient vigilance. Their allocation of funds also reflected the relatively low priority assigned to unemployment problems. At a time when Social Democratic unions were spending 22 million Marks for strikes, agitation and organization, only 8 million Marks were allocated for unemployment compensation.

The obvious institutional mechanism for combating unemployment was the trade union. As representatives of labor's interests on the unemployment issue, unions were poorly equipped to handle the challenge posed by management's collective power for two reasons. First, organized labor throughout our period never represented a majority of the work force. Most of the time, trade union members constituted less than one quarter of German laborers, essentially an elite. It is indeed arguable that those most vulnerable to industrial unemployment fell totally outside the jurisdiction of unions since they remained unaffiliated with any organization. Secondly, because many union members were subject to relatively low levels of unemployment, they tended to place greater emphasis on other priorities such as health insurance, wages, and working conditions.

Although a few unions like the *Deutscher Buchdrucker Verein* established early travel funds for unemployed members, it was not until the 1890s that even the most progressive unions gave serious consideration to general unemployment benefits. By the time unions came around to providing compensation for lost wages, unemployment was a less pressing problem than other reforms whose introduction earned the loyal support of many industrial workers.

The General Commission of German Trade Unions justified the low levels of unemployment support during the nineteenth century by referring to the perils that continued to plague organized labor after the repeal of the anti-socialist law. With the memory and ever-present threat of confiscation, it is not surprising that labor leaders wanted to establish a sound footing for their organizations before risking the formation of large funds whose seizure could wipe out their reserves. Prior to the turn of the century, relatively few union members were protected against unemployment. This situation changed during the last ten years of our period when the more secure German trade unions began to offer unemployment benefits through mutual insurance programs.

By 1908, forty out of the sixty Independent Federations provided unemployment compensation that usually included travel and severance allowances. Seventy-two percent of their total membership or 1.3 million individuals qualified for this coverage. Comparable figures applied to the smaller Christian trade union movement where 192,443 workers – 73 % of the membership – in fourteen of the twenty unions qualified for unemployment benefits. In the Hirsch-Duncker Associations, 97 % of the membership – slightly more than 100,000 – received support for travel and unemployment. In all of the above cases, unemployment programs were compulsory for union members.

The cost of compensating jobless members was substantial, particularly during recessions. In 1908, for example, unions spent almost nine times the amount laid out by *Arbeitsnachweise* to alleviate unemployment. During that year alone, the independent unions spent 8.1 million Marks with travel benefits consuming 1.2 million Marks and removal allowances amounting to 29,000 Marks. The Hirsch-Duncker Associations spent 288,068 Marks on unemployment during 1908 with 18,241 Marks going for travel benefits. Of the existing commercial associations, nine shop assistants' groups distributed 226,250 Marks to unemployed members while four groups of clerks and commercial travelers gave 6,651 Marks and five associations of higher grade clerks paid out 67,096 Marks. Fourteen Christian trade unions paid unemployment and travel benefits that amounted to 134,453 Marks in 1908.⁹

⁹ Hauptstaatsarchiv Stuttgart, E150–1768, *Fürsorge für die Stellenlosen* 1910, pp. 16–17.

During the 18 years between 1891 and 1908 the independent trade unions spent approximately 27.5 million Marks on unemployment compensation. The amounts paid out varied with economic conditions. Unions that spent a half million Marks on unemployment relief in 1900 paid more than twice that amount when a recession struck the following year.¹⁰ Paralleling the growth of the independent trade unions, the Hirsch-Duncker Associations by 1894 had a total membership of 67,000 to whom they paid 73,000 Marks for all forms of unemployment compensation. Five years later in 1899, the total expended on unemployed members had increased by more than a third, amounting to 105,000 Marks.

As a general rule, union unemployment expenditures peaked during recessions and subsided during boom periods. Trades with the strictest occupational separation among their members offered some of the highest unemployment benefits. Professionally oriented unions with well-paid memberships that had invested in prolonged training tended to provide the best subsidies. At the same time, labor organizations representing unskilled, seasonal or quickly trained workers paid the least. There seemed to be a direct correlation between the level of job training and unemployment compensation in German unions. Unfortunately, this meant that the same workers were among the least protected and most in need of unemployment benefits because they were engaged in occupations that periodically subjected them to layoffs.

Culpability for Unemployment

It is significant that claims exonerating workers from culpability for their own idleness referred specifically to their number as proof of innocence.¹¹ The thinking of the day suggested that unemployment was a problem demanding social and state intervention only when large numbers of people were affected. Human suffering as well as individual solutions received surprisingly little attention. Contemporaries were apparently very concerned about the collective ramifications of unemployment but almost criminally insensitive to its personal repercussions. The morality of unemployment and its impact on workers themselves were discussed far less frequently than revolutionary socialism's appeal to the discontented or the loss of national output that resulted from idle hands. Almost all advocates of unemployment relief tried to convince those who would bear the expense that it was in their own best interest and in the interest of society at large to provide the assistance.

An article published in *Soziale Praxis* during 1896 laid down standards of culpability for unemployment.¹² Workers were responsible for their own unemployment and probably ineligible for compensation when they voluntarily left jobs due to the deterioration of wages and hours. They were also responsible when dismissed for laziness, drunkenness, debauchery, incompatibility, or insubordination. The long and variable list of culpable offenses included repeated absenteeism, tardiness, negligence and poor performance. Those fired for supporting striking colleagues were frequently but not always considered guilty. Membership in a union or political party was not acceptable grounds for firing and workers who lost jobs for such reasons were almost without exception entitled to whatever compensation was available. The typical case of »unverschuldet« unemployment, however, sprang from purely economic sources attributable to production cutbacks or work shortages.

The public was becoming increasingly sophisticated in its dealings with those who were not working. Differentiating among persons unable to work for physical reasons, those unwilling to work due to moral turpitude, and individuals unable to find jobs for purely economic rea-

10 Hauptstaatsarchiv Stuttgart. Beilage zur Sozialen Praxis. Materialien zur Frage der Arbeitslosenversicherung. Dr. jur. Richard Freund, Berlin 1903, p. 7.

11 *Soziale Praxis*, vol. 5, 1895–96, No. 45, p. 1198.

12 *Ibid.*, No. 39, p. 1039.

sons represented a major step forward. This differentiated approach lay at the heart of evolving modern methods for coping with industrial unemployment. And it took place in Germany during our period largely as a result of the confluence of three historical events: Bismarck's social legislation, the so-called Great Depression and the ongoing process of industrialization. By the time of the 1895 census, those unable to work had become the province of poor relief or social insurance administrators. Those unwilling to work were dealt with by the police, labor houses and other legal or correctional authorities. And with the proper classification of individuals, the way finally became clear to put into place the institutional apparatus necessary for coping with problems generated by economically induced industrial unemployment. Germans during our period came to organize and implement institutions such as *Arbeitsnachweise*, labor colonies, *Verpflegungsstationen* and insurance to deal with unemployment.

Seasonal variations, technology, policy decisions, collective protection, mobility, endogenous labor considerations and micro-economic changes were some of the factors affecting German industrial unemployment levels during our period. Although the actual and perceived sources of unemployment were diverse, few multi-causal explanations of work shortages were forthcoming. Lack of a comprehensive theory of unemployment that took into consideration the complexity of underlying causes played a major role in limiting contemporary efforts to resolve attendant problems. In conjunction with insufficient quantitative data that blurred the details of the dilemma, this failure to grasp its broad contours precluded formulation of effective countermeasures. The result, as we shall see, was a fragmented effort to contain rather than eliminate industrial unemployment.

MEASURES TO ALLEVIATE INDUSTRIAL UNEMPLOYMENT

The first line of defense against the perils of unemployment was the individual worker himself who was urged to be diligent on the job and parsimonious with the fruits of his labor. In addition to proponents of personal savings or self-help, there were many who advocated private efforts of a collective nature either through employers' organizations or, on the employees' side, through trade unions. Others attempted to deal with unemployment through legislation and viewed the issue as part of the larger problem of social welfare. In a related vein, there were men who concurred that the public bore responsibility for families that could not support themselves. During the relatively short-lived Second Reich, their concern focused on the form rather than the substance of relief – they argued about administrative jurisdictions and whether unemployment was the proper concern of local, state or national government.

As late as 1910, only a handful of companies had established employers' funds that provided compensation for workers facing unemployment.¹³ One of the few significant examples was Carl Zeiss' Optical Instrument Works in Jena. There compensation took the form of severance pay for any worker who was involuntarily dismissed. In many cases, the amounts paid were substantial, sometimes approaching six months' wages and one quarter of an entire pension. Even though an imperial act made indemnities to discharged workmen increasingly common, very few companies provided adequate unemployment protection for their employees. Slow to act individually, employers as a group were also loathe to accept financial responsibility for workers unable to find jobs. As an example, it is worth recalling employers in the building trades who feared that unemployment funds would be used to

13 Die bestehenden Einrichtungen zur Versicherung gegen die Folgen der Arbeitslosigkeit im Ausland und im Deutschen Reich. Teil I: Die Versicherung gegen die Folgen der Arbeitslosigkeit, Berlin 1906, p. 543.

strengthen unions, support strikes, aggravate class struggles and rob management of its »Herr im Hause« role.¹⁴

Presumably, a major cause of unemployment was widespread distress among industrial firms. And during times when business conditions required employers to curtail their work force they were in no position to give away money. Industrialists resented subsidizing unemployment funds with Marks that they could not afford to pay out in wages. They argued that the more employers were forced to pay in unemployment benefits, the less they would have to meet payrolls. Hence, the fewer workers they could engage and the more idle hands there would be.

If self-help and private associations were the first lines of defense against unemployment, the state was looked to as a final bulwark against economic disaster and the spread of discontent due to job scarcity. Its function in this context was to protect property and preserve the political order. Most public discussions and programs were generated by economic necessity – concern about unemployment appeared to be short-term, with demands for new programs surfacing and disappearing in direct proportion to the urgency of the problem itself. In Imperial Germany, unemployment compensation, much like poor relief in preceding centuries, came to be seen as a municipal service. Public works projects, employment offices, and insurance programs all had grass roots origins. They did not filter down to local communities as innovations from above; federal and state agencies were slower to respond to the needs of the unemployed than local bureaucracies. Measures to alleviate unemployment were instituted on a communal basis first and then an effort was made to establish an organizational network by linking local offices together.

There were five major public institutions for the relief of industrial unemployment in Germany between 1873 and 1913: labor exchanges, public works projects, tramp prisons, labor colonies, and work houses. The primary objective of all these institutions was to prevent the formation of idle habits by keeping workers occupied. During the 1870s labor houses were available to quarantine contaminated idlers, cure them of sloth and rehabilitate them to join the work force. During the 1880s labor colonies performed essentially the same function on a longer-term voluntary basis in a more rural setting. At the same time the *Verpflegungsstationen* and *Wanderarbeitsstätten* provided limited relief in kind to the unemployed in exchange for manual labor. During the 1880s and 1890s labor exchanges alleviated unemployment by facilitating contact between employers and employees in the private sector. After the turn of the century public works projects were designed to employ jobless members of the community usually on a seasonal basis with as little disruption as possible.

In every instance, an effort was made to separate the unworthy idler and confirmed loafer by choice from the worker who was unemployed through no fault of his own. The test for determining whether an unemployed laborer merited relief was to offer him work of any kind and be sure he was willing to do it rather than anxious to avoid it.

Arbeitsnachweise

The first German community to establish a labor exchange was the Prussian town of Minden that added an employment office to the existing *Verpflegungsstation* in 1864. A second, more important exchange was founded in Stuttgart during the following year. These early examples of municipal efforts to find jobs for local residents were not emulated with regularity until 1880. Labor exchanges in most major German cities were founded by the end of 1894 when a decree of the Prussian trade ministry charged towns having more than 10,000 resi-

14 Niedersächsisches Staatsarchiv Osnabrück, Dep. 3b, V, Fach 45/46, No. 32, p. 193; Deutscher Arbeitgeberbund für das Baugewerbe.

dents with the duty of establishing exchanges. In order to give workers a chance to support themselves and their families, *Arbeitsnachweise* were strongly supported by trade unions as an indispensable supplement to inadequately funded public works projects. The addition of regional organizations in areas like Westphalia and Alsace-Lorraine plus access to railroads and telephones made the work of coordinating job seekers with available positions more effective. Progress was steady but uneven, with labor exchanges in the South better developed than in the North of Germany.

Perhaps the most important event during the decade after 1894 came when the *Verband Deutscher Arbeitsnachweise* was founded in 1898 under the leadership of Dr. Richard Freund. Over 200 of the more than 450 public labor exchanges in Germany belonged to this central union by 1910. Of the existing exchanges that year, 325 were municipal and their services were generally gratuitous. When these exchanges were functioning effectively, they were exempt from competition with private employment agencies under an imperial act of 1910.

In order to gauge the overall effectiveness of the public exchanges, it is worth noting that near the end of our period agencies affiliated with the national organization were filling almost one million vacancies per year. During 1907–08 more than 930,000 jobs were filled and although that number decreased to 860,000 during the trade slump of 1908, both figures accounted for an overwhelming majority of the success achieved through public offices. In comparison, only 53,000 jobs were found by public exchanges not participating in the *Verband* during 1908–09. Employees' exchanges filled approximately 300,000 positions while employers' associations were handling almost twice as many jobs. In absolute terms the volume of business conducted by the *Verband* exchanges surpassed that handled by employers' bureaus. However, the average number of situations filled by each individual agency was approximately the same – somewhere around 7,500 – for both types of operation.

The effectiveness and the clientele of exchanges varied considerably from one region of the country to another. An effort was made to place unskilled as well as skilled workers and apparently with equal success. Relatively few agricultural laborers or women benefitted from the exchanges. Some effort was made to place reservists and in the south German states considerable emphasis was put on finding situations for apprentices. The exchanges, in attempting to be fair to the public they served, tried to fill jobs primarily on merit. If there was more than one qualified applicant for a position, preference was given to permanent residents or married men and beyond that to the earliest candidate. Since labor exchanges were dependent upon the cooperation of both employers and employees, a neutral posture in the event of strikes or lock-outs was essential.

Public Works Projects

Although there was some talk of alleviating industrial unemployment through public works projects as early as the *Vormärz* and again during the 1870s, it wasn't until after the turn of the century that such undertakings became commonplace. Public works projects were far less disruptive than labor colonies, work houses and other institutions that incarcerated people as a precondition for sustenance. Municipal projects enabled seasonally unemployed married men with dependent children to remain in their homes and by working for the city make it through the predictable dead months with a minimum of dislocation. Through publicly financed employment, the laborer did not learn to depend on demoralizing handouts but was able to survive the slack period with his self-respect and finances in tolerable order. When a steady job became available again, the worker was free to return to employment in the private sector. Municipalities, in exchange for helping the unemployed, benefitted from projects that were used to maintain public streets, grounds, utilities and other services essential for the well-being of all residents.

In order to limit the number of claims for relief, most cities placed restrictions on individuals trying to qualify for employment through public agencies. Surprisingly, as late as 1905, only twelve cities had imposed restrictions based on age in administering public works. An area of far greater concern was the cause of unemployment because there was a strong aversion to unworthy applicants. Popular sentiment favored limiting public employment to resident or native job seekers – administering public work much as poor relief was doled out. This of course presented deterrents to geographical mobility and aggravated the unemployment problem it was intended to alleviate. Additional restrictions on applicants for public jobs in 46 cities during 1905 limited employment to workers with dependents. In areas where single laborers were hired, their wages were adjusted downward to reflect their lesser obligations. This kind of attitude toward pay-scales for public works projects foreshadowed the subsequent Soziallohn.¹⁵

A further control on wages for public employment was the prevailing pay-scale in the private sector. As with other types of unemployment relief, public works projects paid less than private jobs to assure that the government was not competing for labor that could be utilized elsewhere. The daily wages for public jobs in 1905 ranged from a low of 90 Pfennige for boys under 16 in Görlitz to a high of 3,10 Marks for men with dependent children in Frankfurt am Main.¹⁶ Wages fluctuated with age and skill within these parameters, but the average hovered between one and two Marks per day. Total costs ran into many thousands of Marks each year, the amounts varying with the number of workers and kinds of projects in which they were employed.

If the government had attempted to alleviate all unemployment reported during the 1895 census by paying each jobless individual one Mark per day in exchange for participating in a public works project, estimates projected a total annual expenditure of 144 million Marks. If the subsidy were increased to a more equitable two Marks per day, the outlay during a year that contemporaries viewed as slightly better than average in terms of unemployment would have approximated 280 million Marks. Although that amounted to less than a third of the sum spent on the army and navy, it was more than most taxpayers were willing to allocate for unemployment relief.¹⁷

Paralleling variations in the cost of public works projects were differences in the hours. The range of time spent on the job went from a low of 6.75 hours per day in Danzig to a high of 10.5 in Freiburg.¹⁸ These relatively short days look progressive until we recall that most projects operated out of doors during months when sunlight was at a minimum. Typically, work started at the end of November or the beginning of December and continued through early to mid-March. One particularly early project began on October 13 in Nürnberg and an unusually late one ended on May 30 in Leipzig.¹⁹ The average duration of public works projects was about 16 weeks with some running for as little as two months and others stretching out through half the year. As a general rule, skilled workers required public jobs for shorter periods than unskilled laborers. Regardless of training, however, most workers left public employment voluntarily.

Tasks performed through public works projects ranged from street maintenance and cleaning to erecting buildings, macadamizing roads, gardening, canal digging and railroad con-

15 Die Regelung der Notstandsarbeiten in deutschen Städten. Beiträge zur Arbeiterstatistik, Nr. 2, Berlin 1905, p. 83.

16 Ibid., p. 120.

17 Reichsarbeitsblatt IV, 1906, No. 11, p. 1006: Arbeitsvermittlung und Arbeitslosigkeit. Die Versicherung gegen die Folgen der Arbeitslosigkeit. die Projekte für das Deutsche Reich. Die Stellung der Regierungen VI (Schluß).

18 Regelung der Notstandsarbeiten in deutschen Städten, p. 109.

19 Reichsarbeitsblatt I, 1903, No. 10, pp. 806–819: Arbeitslosigkeit in deutschen Fachverbänden.

struction. Diverse undertakings inaugurated in the guise of public works differentiated between ordinary services – *Notstandsarbeiten* in the narrow sense – and extraordinary measures initiated to alleviate unemployment. The former tended to include long-range maintenance while the latter was confined to one-time projects whose implementation could be made to coincide with unusually high rates of unemployment.

Labor Houses

As early as the eighteenth century, the Hohenzollerns had adopted a policy of eliminating sloth, mendicancy and vagrancy by committing idlers to detention houses where they could work for their keep. With the advent of the German Empire, the Imperial Penal Code included the following offenses as cause for confinement in a labor house: Vagabondage, begging, gambling, drunkenness, idleness, prostitution, sloth and homelessness. As one would surmise from this hodgepodge, a potential problem with the whole system was that it indiscriminately threw together minor moral offenders and the confirmed dregs of German society. What is equally significant is the frame of mind that this mix reflected. Begging, prostitution and intoxication were placed on a par with laziness and the corrective for social ills of every stripe was simply reduced to hard work.

Efforts to inculcate the virtue of industriousness in the lower orders formed a major part of the labor houses' mandate. In addition, they served to separate the work-shy from the legitimately unemployed. On the most basic level, work houses were set up to protect inmates against their own instinctive tendencies toward idle dissipation. Habits of steady work were hard to instill in a labor force used to numerous interruptions in the form of religious holidays, seasonal shutdowns, illnesses, drunkenness and variable business conditions. The success of the ongoing battle between the good forces of hard work and the evil influence of sloth can be gauged from a few relevant statistics. Repeat offenders for begging and vagrancy were committed to labor houses by local police authorities in growing numbers between 1877 and 1881, rising from 220,000 to 320,000 during that interval. It's important to note the steady, sharp increases during the economically depressed late 1870s and the apparent tapering off that came later.

For the swing year of 1892, police records from the city of Berlin show that arrests of beggars and paupers in the capital numbered in excess of 10,000 each.²⁰ During the administrative year 1907–08, 15,495 persons were detained in all the Prussian labor houses. With the number of releases approximately equal to the number of new commitments, their inmates worked out to an average of 7,528. About 25 % of these individuals were domestic servants and casual laborers while 3,000 listed their occupations as laborers in industry, mining and the building trades. More than 5,000 were adult males between the ages of 30 and 60 while about 10 % were female. More than two-thirds of all these offenders were committed for begging. Persons detained in labor houses represented a mere fraction of the total number apprehended, prosecuted and convicted for begging – only about half of those apprehended were actually convicted. There was a tendency for the incidence of mendicancy to decline toward the end of our period in absolute numbers and even more dramatically in relative terms.

This was encouraging despite the high recidivism rate reported by the Prussian labor houses. Looking again at the figures for 1907–08, more than 80 % of those detained had been in prison. Almost two-thirds of the inmates were at least second offenders while one-third had been convicted three times. Eighteen percent had been recommitted to a labor house within a year of their last discharge. According to estimates of officials at the labor houses, about

²⁰ E. Hirschberg, *Die Maßnahmen gegenüber der Arbeitslosigkeit*, Berlin 1894, p. 6.

25 % of the inmates were thoroughly reformed while between one-third and one-half of the total number improved without being totally rehabilitated.

These figures must have been something of an embarrassment to the labor houses since every effort was made to reintegrate the released offender into the work force. When an inmate was freed, local authorities at the destination of his choice were notified to prepare for his arrival. Either the police, the clergy or members of philanthropic societies were supposed to assist the newly repentant miscreant in finding housing and a job. Despite the high recidivism rate, labor houses did a great deal to confirm the popular notion that tramps, beggars and idlers could be induced to work with the proper supervision. Unfortunately, when the artificially imposed restraints of the labor house were eliminated, many former inmates rejected the virtues of an industrious lifestyle and returned to habits of leisurely dissipation. The activities of the labor house were designed to inculcate diligence in their residents. Much of the labor was outdoors and the typical workday ranged from ten to twelve hours. The kinds of tasks assigned included farming, construction, earth works, building maintenance, domestic service, culinary work and industrial labor within the confines of the institution. In addition to jobs performed for the labor houses, some inmates were assigned to work for provincial administrations, for officers of the labor houses and even for private agricultural or industrial concerns. Over the years covered in this study, there was a steady decline in the proportion of residents employed in private industry. In 1869, 73 percent of the inmates were used by industrial entrepreneurs. That percentage declined to 52.6 percent by 1896 and fell to 40.4 percent by the turn of the century. In 1903 the percentage was down to 27.2 and it continued to drop as the amount of work undertaken inside the labor houses increased. The aim of this activity was to make the workers diligent and the houses economically self-sufficient.

There was usually enough surplus from annual production to afford the inmates a small wage. That provided the »carrot« part of the program while prison-like discipline supplied the attendant »stick«. The inmates of labor houses led a spartan existence. Even innocent luxuries like cigars were frowned upon and reprimands were meted out to those who failed to complete their daily quota of work due to laziness or insubordination. Punishment ranged from reproofs and suspended visiting privileges through dietary restrictions and curtailed earnings to cell detention and strict imprisonment. For genuinely severe misbehavior, straight jackets and chains were available. Although in theory the houses were not designed as punitive institutions, commitment was involuntary and aimed at correcting laziness by inculcating the virtues of industry.

The maximum period of confinement was two years but many individuals were discharged after a much shorter term. One quarter of the inmates served sentences of three to six months. Approximately half of the convictions were for periods ranging from six months to two years. And a final 25 % received the maximum confinement of a full 24-month term. As with all institutions of this kind, genuine reform depended at least as much on the individual participant as on the program he was subjected to during his stay in the labor house.

Labor Colonies

Founded during the 1880s under the moral leadership of the Protestant clergyman Friedrich von Bodelschwingh, the labor colonies were designed to provide work and shelter for the wandering unemployed. In March of 1882 the original colony opened at Wilhelmsdorf in Westphalia. During the succeeding years, a number of imitations began to appear through the active efforts of Bodelschwingh and the financial assistance of the royal family. Both Bodelschwingh and his friends in high places envisioned the labor colonies as a modern alternative to charity in dealing with unemployment. For the well-being of society and the unem-

ployed, begging was to be strictly discouraged and work offered as a substitute for handouts to those who could not find regular paying jobs.

A chain of stations performed a dual service for the local communities and the unemployed wanderers. The former would be freed from the nuisance of itinerant beggars and the latter would benefit by simultaneously avoiding the demoralizing influence of mendicancy, the formation of lazy habits and an addictive dependence on handouts. The unemployed laborer could earn his shelter and food by staying in a succession of labor colonies as he moved across the country in search of a permanent job. The labor colonies and their affiliates filled a need for unemployed workers who were destitute, prohibited from begging and without any claim on the districts they passed through looking for work.

Many of the unemployed who landed in labor colonies had not had steady jobs for a long time – upon their departure this pattern changed for some, but not all alumni. In addition to the unemployed, labor colonies attracted cripples, semi-invalids, drunks and assorted foreigners. As variable as the workers were in quality, they also differed in quantity over time.

Even at the peak of their operation during the late 1880s, the labor colonies were only equipped to handle a small percentage of the itinerant poor. Of the estimated 200,000 job seekers roving the highways in search of employment, only about 4,000 could be accommodated by all of the labor colonies in Prussia – the state best equipped to deal with Germany's itinerant unemployed.²¹ The greatest number of wanderers seeking work and temporary sustenance entered the colonies during the winter months, and the vast majority departed as the weather warmed. Seasonal fluctuations in the number of residents at any given labor colony were considerable and differences were compounded by regional variations. Colonies spread across Prussia, Bavaria, Posen and Thuringia, totalling 16 by the late 1880s.

Verpflegungsstationen and Herbergen zur Heimat

Verpflegungsstationen, or refuges, where the unemployed received relief in kind, were equipped for ministering to the needs of wandering job seekers over shorter intervals than the labor colonies. The refuges provided food and overnight quarters rather than long-term relief to those passing through the area in search of work. Like the labor colonies, the refuges also catered to a dual constituency. The stations served those who were legitimately unemployed, averse to begging, and in need of inexpensive lodging as they looked for work. The second group of individuals were chronic beggars and tramps whose temporary incarceration was intended as a deterrent and a social service.

In the typical case, the unemployed laborer combed areas between refuges looking for work. If no job was likely to be available in the district, the person was rerouted to a main station situated on a major thoroughfare. Presumably a position would open up in the vicinity of the main station where unemployed itinerants could remain for several days. In the interim, their behavior would be observed, resulting in assessments of their abilities and industriousness.²²

In conjunction with the labor colonies and refuges, there were a number of shelters designated as Herbergen zur Heimat, or inns, where the unemployed stranger could find cheap lodging and intermittent work. By 1899 these inns were doing more than any other institution in terms of sheer numbers to alleviate the problems of the wandering job seeker – they were providing in excess of two million lodgings each year. In 1901 the number of visitors totalled 2,690,000 and by 1902 it had climbed to 2,936,000. During the next five years, there

21 Arbeiter Kolonie, in: *Correspondenzblatt V*, No. 1, Jan. 1888, p. 11.

22 *Ephrem Rickling*, *Die deutschen Wanderarbeitsstätten*, München-Gladbach 1912, p. 144.

was a gradual but steady decline that reflected improvements in the economy. In 1903 the number passing through *Herbergen zur Heimat* was 2,618,000 and that had fallen to 2,032,000 by 1907. During the downswing of 1908 and 1909 the numbers again rose to 2,587,000 and 2,694,000 respectively.

The correlation between overall bad times and the number of people seeking sustenance in inns or refuges was even more clearly reflected in the figures on »mittellose Stationsgäste«: They numbered approximately 507,000 in 1899, 759,000 in 1901 and 834,000 in 1902. With economic recovery came a rapid decline to 436,000 until 1907. Then in 1908 with another recession, 716,000 destitute itinerants used the facilities and the following year 704,000 availed themselves of the same opportunity.²³ During 1908, more than 450 *Herbergen zur Heimat* accommodated almost two million paying customers for an average stay of two nights. In addition they provided lodging for about 700,000 unemployed workers from the *Verpflegungsstationen*.²⁴

Despite certain similarities between *Herbergen zur Heimat* and the *Verpflegungsstationen*, there were distinct differences between the institutions and the clientele they attracted. While the inns provided lodging in exchange for cash, the refuges offered food and shelter to those who were willing to work. And it is important to note that paying for services with money was considered far more respectable than reciprocating with work.

The existence of an interlocking network of inns, refuges and colonies catering to the basic needs of the itinerant job seeker did much to solve the most immediate problem of unemployment – subsistence per se. Although after 1882 workers in search of employment could stay alive without an income or charity, the institutional chain here had an important missing link. All shelters were directed toward preventing begging among Germans who were between jobs, but none of them was adequately equipped to secure long-term employment for the individuals who needed steady work to solve their problem on a meaningful level. The meager success of these institutions in placing job applicants can be judged from the fact that of 2.5 million lodgers using *Herbergen zur Heimat* during 1908, the inns managed to find positions for less than 140,000. As we would expect, the percentage of workers finding placement was significantly lower during recessions. Comparing data from the prosperous year of 1899 with statistics from 1902, we find that 31 % more travelers used the inns but 18 % fewer patrons secured jobs during the latter year. While one out of 20 residents of *Herbergen zur Heimat* found employment in 1904, one out of 22 succeeded in 1903 and only one in every 27 got a job in 1902.

Similar figures suggest that the same thing on a smaller scale occurred in German labor colonies. Of the 12,878 individuals who passed through the colonies during 1909, only 2,003 or 15 % left because they had found work. More than half of all residents voluntarily left the labor colonies without any definite prospect of employment. Even more distressing was the fact that among the relatively small group which had jobs when they left the colonies, many soon found themselves out of work and again seeking employment through an itinerant existence. It was therefore not surprising to see workers entering labor colonies on a repeat basis. During 1886, 20 % of the individuals had been in colonies before; by 1891 that percentage climbed to 46.3 %, and by 1910 it had reached 61.5 %. These figures were indicative of the fact that the colonies alleviated but did not eliminate the unemployment problem because they failed to provide adequate job placement facilities.

An appallingly small percentage of success in eliminating unemployment was typical of institutions that lacked connections with a labor exchange, the only truly effective procurer of work in the private sector. Part of the reason why the services of a labor exchange were so necessary may be attributed to the social stigma attached to those who availed themselves of

23 Ibid., pp. 65–66.

24 Ibid., pp. 23–24.

the hospitality of inns, refuges or labor colonies. Employers frequently had to be persuaded that alumni of these organizations deserved a stable job, humane treatment and a chance to reenter respectable society. Popular wisdom held that artisans and laborers really looking for work would avoid roaming the highways because using the railroads was usually cheaper and more conducive to a successful job search. Given this assumption, the less time one spent in the kinds of places considered here, the more employable he was likely to be.

Wahderarbeitsstätten

In addition to the *Verpflegungsstationen* and *Herbergen zur Heimat*, there were a number of *Wanderarbeitsstätten* or labor yards where unemployed workers could do manual chores in exchange for room and board. Most labor yards were established near major cities where they provided an important service. In Berlin, for example, assistance was rendered to approximately 7,000 persons annually near the end of our period. The labor yards, like the refuges and inns, catered to itinerant job seekers and had close ties with *Arbeitsnachweise*.²⁵ The labor yards were not corrective institutions – they envisioned their function as preventive and tried to avert the formation of dissolute behavior patterns rather than reform inveterate tramps. Government support of this effort was formalized in a law of June 29, 1907, that outlined a mechanism for the establishment of administrative links between the labor yards and local communities. With the approval of a two-thirds majority of the provincial diets, rural and urban districts could be required to introduce, support and maintain *Wanderarbeitsstätten*. Their mandate was to provide work for needy, able-bodied males who were traveling in search of employment.²⁶

Despite the good intentions and successes of *Wanderarbeitsstätten* and all the other institutions we have discussed here, the ever present prospect of an itinerant existence had a disruptive impact on the industrial labor force. Unemployment was dreaded by the working classes and society at large as the prelude to a transition from respectability to degeneracy. The fear of unemployment leading to poverty, a dependence on charity and an irreversible loss of status made the mere prospect of losing one's job a traumatic experience. The discomfort of anticipation was heightened by the unpredictability of its onset – at least with the seasonal unemployment that had plagued agriculture for centuries, there was an element of regular recurrence. But in the case of most industries, contemporary knowledge was not sophisticated enough to predict the irregularly recurring cyclical downswings that resulted in major shutdowns and periodic unemployment.

Even if a particular recession wasn't severe enough to result in the actual loss of one's job, a worker never knew when a minor setback or a major catastrophe might engulf his vulnerable family. In addition to periods of unemployment, changes in employment had a disruptive effect on the workers who were forced to switch jobs and on those who had to adjust when their firms changed management. An economy in a state of flux such as Germany had between 1873 and 1913 wreaked psychological havoc on the lives of the industrial labor force despite the efforts of public institutions to avert the degeneration of workers into beggars and paupers. A more palatable approach to unemployment toward the end of our period lay in insurance plans that offered laborers greater security without disrupting their existence.

Unemployment Insurance

Most unemployment insurance programs limited coverage to able-bodied, willing employees who were without work due to economic conditions. The lazy, the destitute, the in-

²⁵ *Ibid.*, p. 98.

²⁶ *Reichsarbeitsblatt* V, 1907, No. 8, p. 783.

capacitated and self-employed were all routinely excluded from insurance protection. The primary function of insurance was to shield those who qualified from the economic hardships of unemployment and thereby avoid a dependence on charity. Insurance admittedly did nothing to prevent the onset of unemployment, nor did insurance contribute to its subsequent elimination. Instead, insurance was intended to provide an alternative to alms-giving that was to be reserved for totally destitute individuals.

Many insurance programs, including Bismarck's national coverage of sickness and old age, entailed an element of subsidy as well as self-help. Unlike other forms of compensation, insurance assumed an ability to predict the incidence, extent, and duration of unemployment. It presupposed that not all subscribers would press claims at the same time but guaranteed each participant a right to expect payment whenever he presented a legitimate claim. In exchange for that right, participants were required to remit regular premiums – they were in effect buying protection so that when unemployment occurred they were entitled to demand the benefits for which they had already paid. In terms of preserving the workers' self-respect, insurance had the coveted advantage of being further removed from hand-outs than other forms of compensation.

There were a variety of unemployment insurance plans contemplated and introduced on a trial basis in various parts of Germany after 1896. The unemployed who had claims on national insurance programs fell into six groups with self-help coverage through: 1) labor unions, 2) national health insurance legislation, 3) professional associations, 4) national invalid insurance, 5) mutual specialty exchanges and 6) communal funds.²⁷

The early models for public unemployment insurance were derived from prior experiments in neighboring Swiss communities which introduced the first municipal programs in Europe. The city of Bern adopted a voluntary plan in 1893 and the following year the canton of St. Gall experimented unsuccessfully with compulsory unemployment insurance. The former ultimately provided the prototype for the program developed in Cologne while the latter was much discussed in Düsseldorf but never adopted in Germany during our period. The compulsory St. Gall plan ultimately failed even in Switzerland where it had to be abandoned because the more skilled and industrious workers resented subsidizing their less fortunate colleagues. Despite setbacks of this kind in neighboring communities, municipal unemployment insurance thrived in most German cities where it was introduced during the first decade of this century.

Three basic kinds of subsidized municipal unemployment insurance were available before 1913. The first type of municipal plan, involving optional funds, was adopted at Cologne and Leipzig. The earliest fund, inaugurated in Cologne during 1896, insured only against seasonal unemployment. After thirteen years of operation, a total of 1,957 subscribers had paid premiums that equalled 42.7 % of the claims: 82.9 % of the insured individuals had suffered from unemployment. In contrast, the less active Leipzig fund that came into being during 1905 had insured fewer than 250 persons after four years. It was not limited to seasonal unemployment and unlike Cologne, which was dependent upon municipal financing, its primary support came from a private charitable foundation.

A second type of plan that involved proportional indemnity was named after the Belgian town of Ghent where it originated in 1901. This plan supplemented union unemployment funds and tended to heighten existing differences between organized and unskilled workers. The Ghent system was widely copied in Scandinavia and France. Among the German cities that experimented with various adaptations of this system were München, Mainz and Wernigerode where supervision of unemployed organized workers was entrusted to the trade unions. Similar programs were tried in the Berlin suburbs of Charlottenburg and Schöneberg as well as Straßburg. The Straßburg fund limited coverage to union men and correlated its acti-

²⁷ Reichsarbeitsblatt IV, 1906, No. 10, pp. 902–26.

vities with municipal relief works and labor exchanges. While the city of Straßburg provided compensation for a total of slightly more than 8,000 days in 1909, unions assumed responsibility for more than 15,000 days of unemployment relief.²⁸

Two years after its inception, the Straßburg program had more than 5,000 affiliated members of 32 trade unions as participants. The surrounding communities of Schiltigheim and Bischheim as well as the city of Freiburg established similar funds immediately after 1907. Each community instituted minor variations in adapting the plan to its particular needs. Freiburg, for example, paid premiums to thrifty subscribers much like Ghent. Meanwhile, an alternate type of proportional indemnity system was tried in Erlangen where every unemployed male who had been a resident of the town for more than three years could receive help if he did not participate in relief works. In Erlangen there was no requirement that those applying for aid subscribe to an insurance fund. Instead, the city voted a credit in 1909 to support unemployed residents.

Finally, a third type of insurance combined proportional indemnity with optional funds. This combination of the Cologne and Ghent systems was recommended to municipalities by the governments of Baden and Bavaria toward the end of our period. Although the south German states showed some interest in unemployment insurance after 1909 and the question of national coverage was raised in the Reichstag during 1902, 1906, 1908 and 1913, nothing significant beyond the municipal level was introduced. On a national scale, Germans were willing to settle for, and even seemed to prefer, protection of especially vulnerable laborers such as construction workers, navvies and miners.

There were widespread fears about the Ghent system and resentment over using public funds to strengthen union causes. If popular opposition had been overcome, that system might have provided a way to surmount the choice between protection organized along geographic or professional lines. Instead, the private programs that achieved comprehensive coverage in territorial terms were limited to union members organized along occupational lines. And the public programs that achieved comprehensive coverage across professional lines failed to attain sufficient geographical scope to be truly effective.

A successful insurance program needed to be organized along comprehensive lines – public and private efforts had to be coordinated to achieve adequate national coverage. What was missing in Germany was a network of interlocking institutions. Such a network could have linked municipal insurance programs to form a national system of public unemployment coverage for non-union members. A complementary private system organized along union lines could have been coordinated to extend protection to all occupations. The programs that did exist in the public and private sectors were only partially successful because they lacked the institutional apparatus to extend coverage to a meaningful share of the working population.

Regional backwardness and variable unemployment rates were other problems that had to be overcome before eliminating the administrative barriers to broadly based insurance. Finally, unemployment insurance plans were hampered by public concern in three areas: 1) determining whether the cause of unemployment legitimately entitled the insured to compensation, 2) ascertaining through a system of frequent registration whether unemployed subscribers were cheating the system by working on the side while collecting benefits, and 3) finally, making sure that the insurance payments were sufficiently meager and the waiting periods sufficiently lengthy to encourage the unemployed to return to work as soon as possible. None of these problems was satisfactorily resolved during our period and each contributed to the German public's apprehension about federal unemployment insurance.

²⁸ Niedersächsisches Staatsarchiv Osnabrück, Dep 3b, V, Fach 45/46, No. 32: Die Arbeitslosenversicherung der Stadt Straßburg im Jahre 1909.

Despite such concerns, the public showed an increased willingness after the 1880s to accept some responsibility for unemployment and a tendency to remove the attendant stigma. A few perceptive analysts began to acknowledge labor's preference for work over charity. Quarantine-like separation of the jobless gave way to less disruptive public works projects and private savings programs were supplemented by municipally subsidized insurance after the turn of the century. In each of these undertakings, however, there was evidence of a firm conviction that private measures were preferable whenever possible. And every effort was made to avoid placing public unemployment relief in competition with the market mechanisms of private industry. The unemployment remedies considered here were intended to contain the problem by helping affected laborers get through jobless periods as well as possible. Of the institutions we evaluated, only labor exchanges were able to effectively eliminate unemployment by helping workers find permanent jobs. However, not even *Arbeitsnachweise* were equipped to expand the number of positions available to those looking for work. Measures specifically designed to create private employment of a non-temporary nature were simply not forthcoming.

EPILOGUE

The years between 1873 and 1913 marked a transitional phase between pre-industrial and modern methods of dealing with unemployment. Attitudes were formed and institutional mechanisms were developed that conditioned subsequent responses to widespread idleness. This period was a time for experimentation, a time for trial and error, and ultimately, a time for missed opportunity. The brief interval of intense but contained unemployment during the late 1870s, the major shifts in population both internally and internationally, three successive economic downswings without sufficient intervals of recovery, compounded by inaccurate and incomplete quantitative data, produced a climate of fear and anxiety about unemployment that was totally disproportionate to its aggregate dimensions.

Motivated by unfounded fear in the absence of a hardcore unemployment problem, innovations between 1873 and 1913 were introduced at the grass roots level as part of municipal and private efforts to alleviate local problems. The greatest success was achieved at the lowest level of organization. Individual entrepreneurs were more effective than employers' cooperatives like the *Centralverband Deutscher Industrieller* in combating unemployment. Individual laborers willing to capitalize on their mobility to find jobs were more effective than trade unions in averting unemployment. And municipal officials were far more successful in conceiving, organizing and implementing unemployment policies than federal bureaucrats. The personal decision-making process was at least as important as collective policy-making because the tendency throughout our period was to construct a solution from the ground up. At the federal level there was a pervasive inability to come to grips with the unemployment problem in a meaningful way. Ultimately, the lack of anything resembling an anti-cyclical full employment policy constituted one of the major failures of the era. Because local authorities, adaptive laborers and creative entrepreneurs responded intelligently to economic crises, the consequences of this failure were not immediately apparent prior to 1913. However, the legacy of the period in the area of unemployment policy contained a major gap at the highest level. Simply stated, there was no tested or proven national program for dealing with widespread unemployment during economic crises. Between 1873 and 1913, federal policy-makers responded to the needs of workers only under duress – when rising unemployment rates were immanent. As soon as prosperity returned, the few remaining pleas for a federally conceived and executed unemployment policy fell on deaf ears.

Moderate efforts to work within the system through mechanisms like insurance, labor exchanges or public works projects were tailored to meet the needs of limited unemployment. As we have seen, a number of factors combined to keep the level of unemployment during

our period well below six percent. But just as there were no adequate statistics to determine with accuracy exactly how much unemployment existed, so there was no generally accepted theory or explanation of the causes of work shortage that informed policy decisions. Most analysts attributed unemployment to overproduction and called attention to the supply side of the equation. Instead of trying to stimulate demand, the preferred treatment was to control output by regulating prices and the distribution of products through cartels or syndicates. This had a marked effect on contemporary remedies.

Without accurate information about the exact quantities or precise sources of unemployment, it was impossible to develop measures to combat the problem over an extended period of time. A pattern of stop-gap, decentralized efforts to contain the situation emerged in lieu of a consistent federal policy.

Unfortunately, there was one area where a national consensus was reached in relation to the unemployment problem. And that involved the identification of high levels of unemployment with left-wing revolutions. Throughout our period, anxiety about job scarcity and its victims was fueled by and focused on the notion that socialist agitators would be the primary beneficiaries of idle, disgruntled laborers. Uncertainty about the quantity of unemployment, ignorance about its causes and doubt about the most expedient remedies nurtured this anxiety. Despite the low levels of joblessness that prevailed nationwide, there was a persistent gap between the perception and reality of unemployment. Fear of losing one's livelihood and respectability combined with fear of violent political upheavals on the left were the legacy of the years between 1873 and 1896 to those who lived through the Great Depression of the twentieth century.

In this context, it is important to recall that during the 1890s Germany produced groups such as the Bund der Landwirte that cultivated both extremist political views and the machinery of a broadly based mass movement. This did not seem particularly ominous at the time because contemporaries had no reason to fear right-wing organizations. Since Bismarck, anxiety over the political perils attached to unemployment had been channeled exclusively into anti-socialist sentiment. The tendency to link work shortages and revolutionary socialism in the popular imagination was firmly established during our period. Although economic circumstances failed to sustain high levels of unemployment that fanned fears stemming from this connection, the bond persisted in the public consciousness. Subsequently, when unemployment assumed truly epidemic proportions during the 1930s, the expedient of working within existing institutions failed to achieve satisfactory results.

The heritage left behind by leaders in the area of labor policy before 1913 was deficient in several crucial respects. There were no federal policies, sophisticated statistics, comprehensive theories or national organizations adequate to meet the challenge of widespread idleness. Instead, the series of individual and local initiatives that had evolved to contain work scarcity deferred resolution of the underlying social, political and economic issues. Meanwhile, disproportionate fear of both unemployment and revolution from the left emerged with such consistent and convincing fervor after 1873 that it was assimilated into the popular consciousness almost without question. Remaining virtually unchallenged, this learned response of fear at the prospect of rising unemployment drove many voters to adopt extremist political views. Given the unpredictable onset of unemployment, even laborers who continued to hold their jobs were not exempt from this paranoia.

Being only too well aware of the supposed danger on the left and totally oblivious to the threat on the right, subsequent generations of workers and lower middle class voters supported radical programs in response to the threat of unemployment. When widespread work shortages materialized, all of the extremist political parties gained support at the polls. The reactions to limited unemployment and the methods used to resolve attendant problems proved singularly ill-suited to the needs of a mature industrial economy presided over by a faltering democratic experiment. And yet the policies of the Second Reich seemed to define

the available options because Germans dealt with their unemployment problems only during economic crises and our period contained the sole industrial depression prior to the 1930s.