A GREAT REASON NOT TO WORK

A top economist says it's not surprising that Europe's jobless rate is higher than America's, since people quickly learn that being unemployed actually pays pretty well.

BY DAVID FALCHEK
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If you pay someone enough not to work, they'll not work for a long time.

That's how Thomas Sargent, Ph.D., described persistently high European unemployment as the speaker at the University of Scranton's Henry George Lecture on Tuesday.

For the past two or three decades, Old Europe has been marked by unemployment rates topping 10 percent. United States unemployment, in contrast, has been between 4 and 6 percent recently.

Dr. Sargent, a professor at New York University, blamed Europe's generous unemployment compensation — in some cases up to 80 percent of a worker's most recent salary. After a time, payments drop, but they continue almost indefinitely.

"It's a wonder anyone in Europe works at all," he said.

Dr. Sargent said that the greater the unemployment payments, the greater the wage or prestige the unemployed person will hold out for.

For many European workers, staying on the dole makes better economic sense.

In the U.S., by contrast, displaced workers receive about 34 percent of their pay for six months, then nothing.

"Stingy and short," Dr. Sargent said.

But the result is that jobless people in the U.S. actively look for work — even jobs of lesser pay and stature than those they left.

In Pennsylvania, he showed, most displaced steelworkers found jobs right after their unemployment benefits ran out, even though those jobs were at a much lower pay.

"U.S. steelworkers never made as much as they did, but they sucked it up and went back to work because they had to," he said. "In Europe, unemployed steelworkers remained unemployed and became discouraged workers."

Dr. Sargent cited a colleague from Sweden who decried the European unemployment system as "immoral" for consigning people to dependency and removing them from the economy.

Leaders in Germany and France are reconsidering unemployment payments, Dr. Sargent said, but at great political risk.

Several hundred students and residents turned out for the speech. Finance major Joseph Marolda, of West Paterson, N.J., said Dr. Sargent's talk showed him that the new global economy would value analytical skills more than information learned from books and other media.

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