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## Stabilizing an unstable economy and supporting social and environmental justice

### Employment guarantee: experiences, scales, timing and lessons for the EU

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## Introduction

Multiple crises (economic, social, sanitary, environmental, etc.)

- Stimulated dissemination of heterodox proposals
  - ✓ to combine full-employment
  - ✓ with ecological and social transition
  - job guarantee & green (+ other colors) New Deal(s)
- Experiences or experimentations are often mentioned
  - various conceptions and scales
    - France: Zero Long-Term Unemployed Territories (TZCLD)

It is necessary to learn from experience and difficulties

- ✓ to turn a short-term (contracyclical) policy into a long-term (structural) one
- ✓ to disseminate local experiences, or to implement national ones
- ✓ to (really) deal with the ecological transition

#### Plan

- I. What is a job guarantee (coupled with green New Deal)?
- II. Job guarantee as an innovative full-employment state policy
- III. Experimentations and local implementations
- IV. Why these policies did not disseminate to a larger scale?

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# I. Job guarantee as an innovative full-employment state policy

A full-employment policy rather than a recovery policy

- full employment as a priority objective
  - creating jobs where (and only where) they are needed
  - less inflationary than a recovery policy (still debated)

Principles (Dammerer et al., 2018)

- State as employer of last resort (ELR) (Randall Wray, 2007)
  - ✓ paid job-search (first weeks)
  - ✓ then full-time employment (part-time on demand)
  - ✓ wages corresponding to local living standards + social security, childcare, etc.
  - ✓ training to enable recruitment in private or public organisations

Hyman Minsky (1986)

- proposal: a “systematic” and “permanent” ELR policy

*“The main instrument of such a policy is the creation of an infinitely elastic demand for labor at a floor or minimum wage that does not depend upon long- and short-run profit expectations of business. Since only government can divorce the offering of employment from the profitability of hiring workers, **the infinitely elastic demand for labor must be created by government**”.*

(Minsky, 1986, p. 343)

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## ... that departs from regular employment policies

Labour cost reduction

- Subsidizing the demand for labour
  - hypothesis: it will stimulate the demand for labour
  - ✓ France: several waves of social contributions exemptions since 1993
    - Balladur, Fillon, Tax Credit for Employment and Competitiveness CICE, Responsibility Pact, etc.
  - ✓ representing significant public expenditures but very disappointing job creations

Job guarantee: the ‘elasticity’ of labour demand pertains to the state’s responsibility

Activation policies

- Activating of the unemployed and MIS recipients
  - monetary incentives to work
  - job-search (or social) support
  - PES reforms
  - requirements-control-sanctions
    - ✓ France : reforms of unemployment insurance, proposal to condition the MIS ‘Active Solidarity Income’ to compulsory activity, etc.

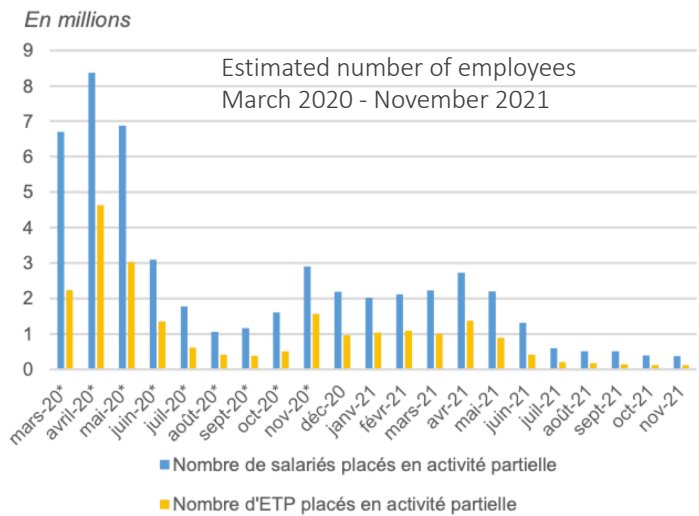
Job guarantee: ‘make work’ rather than ‘make work pay’ (or workfare)

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## Exception: short-time work during the sanitary crisis ? The French case

An experience of state as an employer of last resort?

- up to **8.6 millions employees** were effectively on short-term work in April 2020
  - up to EUR 8.9 billions expenditures in April, about **EUR 30 billions in a year**
  - financed by the state (2/3) and the UNEDIC (unemployment insurance scheme)
  - more than the additional investment in health
- state as an (employers') insurer of last resort



Source : Dares, [Flash Acemo-Covid19, décembre 2021](#)

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## An environmentally and socially sustainable policy

Pavlina R. Tcherneva (2020)

- State as guaranteeing a right to work
  - programmes for public permanent job creation
  - for unemployed willing to work
- Jobs responding to social and environmental needs
  - ✓ forest maintenance
  - ✓ public services
  - ✓ care work
- National policies, local implementation

Difficulties

- Implementation and how to make full-employment fit with ecological transition?

Defensor of the job guarantee

- Heterodox economists
  - Post-Keynesians
  - 'modern monetary theory'
- Stephanie A. Kelton, James K. Galbraith, Pavlina R. Tcherneva, L. Randall Wray, etc.
  - Levy Economics Institute
- Inspiration
  - theoretical: J M Keynes, J R Commons, Abba Lerner, Hyman Minsky
  - empirical: New Deal

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# What about economic and environmental sustainability?

## Subordinating fiscal policy to full employment

Lerner (1944)

- Full employment (and related investment) is the first priority
  - must guide the definition of dedicated government budget
- Every other consideration such as fiscal balance is useless
  - must be ignored if not consistent with full-employment
- Now: ecological matters cannot be ignored

## Monetary creation

Tcherneva (2021)

- Governments with monetary sovereignty may lack (human, natural) resources but not money
  - Ex, USA: when the Congress votes a programme and adopts a fiscal policy, funds are made available
    - ✓ for all kinds of public policies
    - ✓ including full-employment and stable prices that should be on top of policy agenda
- EU member states are not in the same situation
  - they renounced to their monetary sovereignty and to part of their fiscal sovereignty

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# On the criticisms of and obstacles to the ELR policy

Levrero (2019)

- 2 Questions
  - are there obstacles (and which ones) to the implementation of an employer of the last resort policy (ELRP)?
  - is the ELRP the best policy for full employment?
- has to be coupled with Keynesian policies sustaining aggregate demand
  - derogating to EU treaties
  - coupled with measures to increase the Keynesian multiplier
  - and to contain inflation

## Obstacles to ELRP (Levrero 2019)

- cost-push inflation may remain a problem in an expansionary phase (no 'buffer stock')
  - solutions
- define a "non inflationary size of ELRP workers", NAIBER (Wray, 1997; Mitchell, 1998)
- put the ELRP wage rate close to the level of unemployment benefits (close to a workfare policy)
- high ELRP wage rate and inflation attenuated by increasing productivity + social measures
- ELR jobs may substitute regular public employment in the public services
- skilled ELR workers may do unskilled work or be paid
- financing ELR generally implies an increase in the public debt-GDP ratio
  - not possible in EU MS

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## II. Think global, act local: local experimentations, local implementation

Several models of full-employment policies

- centralised (New Deal, USA)
- decentralised (Non Employed he & she Family Heads, Argentina)
- experimental (Zero Long-Term Unemployed Territories, France)

What kind of economic model?

- how to finance it, notably in EU member states

How to implement it?

- what philosophy, what kind of jobs, activities, pay, employers?
- what kind of governance?
- what connection with ecological (energy, etc.) transition

What scale, what timeline?

Tcherneva (2020)

- Financing the job guarantee is much easier than finding how to implement it

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## Job guarantee: success stories

Argentina (2002-2003) : 'Non employed heads of family' (*Jefes y jefas de hogar desocupados*, Dammerer et al., 2018)

- context : unemployment rate above 20% (2001 crisis)
- decentralised programme, community dimension
- paid job (4 hours a day min.) programme with social security and training
  - ✓ various activities (construction, urban agriculture, alphabetisation, health promotion, etc.)
  - ✓ no condition (diploma, experience)
- 2 millions workers in the public sector (13 % of the active population)
  - unemployment rate decreased (from 21 % to 9 % within five years)

USA: *New Deal*

- context : unemployment rate about 30 %
- centralised programme
- first programme for public service at a large scale
- Work Progress Administration (WPA)
  - 13 millions workers enrolled
  - service public projects & infrastructures
  - finally supported the war effort... and been sustained by this effort

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## France: TZCLD experimental programme

« *Social exclusion is costly*” (Valentin, 2013)

- NGO ATD Quart monde (2013)
- EUR 30 billions (two millions jobless persons)

Idea: the right to work can be financed at constant budget

- reallocating the cost of long-term unemployment
- and maintaining the unemployment insurance system

National policy experimented locally

- Law of 29 Feb 2016 for territorial experimentation aiming at removing long term unemployment
- Law of 14 Dec 2020 relative to the reinforcement of social inclusion into employment through activity in the social economics sector, and to the experimentation TZCLD

Preamble of the Constitution of 27 Oct 1946

Article 5

« *Everybody has the duty to work and the right to obtain a job* ».

- an “uncertain” right (Jeammaud, Le Friant, 1999)

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## TZCLD: organisation

Employment (avoid the « traps » of integration policies)

- permanent job paid the minimum wage those non employed willing to work in the neighbourhood

Private firms ‘aiming to develop employment’ (EBE)

- and to favour exit towards regular jobs
- right of return in case of failure

Activities

- derived from the project of long-term unemployed
- in concertation with economic actors and elected
  - ✓ to avoid distort competition or substitution effects
  - ✓ new activities are expected to become economically sustainable

Local steering (local committee)

- ✓ establishes a convention with EBEs, gathers actors of the territory
- ✓ receive unemployed persons
- ✓ contribute to the definition of activities

Experimentation (in principle) at constant budget

- National fund with contributions of
  - ✓ the state, *Pôle emploi*
  - ✓ health insurance
  - ✓ National Housing Fund, Departmental Councils

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## TZCLD: will it generalise to the whole country?

Limits of TZCLD's economic & social model (CESE, 2015, Economic, Social and environmental Committee)

- additional public funding is necessary
- training, social and job-search support costs have been forgotten
- minimum wage is a maximum pay
  - ✓ not in line with collective agreement regulations

Dissemination through waves of experimentations

- far from generalisation
- back to regular employment or integration policy?

Idea: financing TZCLD through 'avoided costs'

- asking the unemployment insurance to pay is however problematic
  - ✓ individual entitlements coming from social contributions and governed by social partners
  - ✓ same for the health insurance system
- 'avoided costs' may be not sufficient
  - ✓ benefits often combine with activity incomes
- governance & coordination costs have not been anticipated

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## Conclusion: "Why these policies have never been introduced at a larger scale?" (Dammerer et al., 2018)

They have been... but temporarily

- as crisis policies

In the French case

- TZCLD unlikely to be stopped in times of massive unemployment
- unlikely to become a national wide, long-term and structural policy
  - ✓ necessitates to subordinate the French "whatever it costs" to a full-employment objective

ELRP in the context of EU treaties

- is it politically likely?
- would an ELRP coupled with a Keynesian policy be in line with the ecological transition?

Michal Kalecki (1943)

- employers don't like full employment that increase workers' power while unemployment discipline them

*"'discipline in the factories' and 'political stability' are more appreciated than profits by business leaders. Their class instinct tells them that lasting full employment is unsound from their point of view and that unemployment is an integral part of the 'normal' capitalist system"* (Kalecki, 1943).

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THANK YOU!

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