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**Job Guarantee and Minimum Wage -  
A solution to Unemployment and Poverty  
in Western Countries, including Germany?**

Hieke-London-September 3rd, 2022

Poverty and the issue of the working poor are, of course, important economic policy questions!

Heterodox economists need *and* do provide suggestions of how to reduce poverty and unemployment.

One suggestion is derived from MMT.

With MMT comes a renewed form of JG (formerly ELR).

What is JG/ELR and how has it changed over time?

Does it provide a realistic solution to unemployment and poverty?

## **Initial Versions of “Employer of last resort” (ELR) vs. more recent “Job Guarantee” (JG)-Proposals**

### **Government provides a buffer-stock: an unlimited supply of jobs for the unemployed**

- Unemployed are forced to participate and accept ELR-jobs and to behave according to the general rules established by the public sector programs. (Three Strikes...)
- These specific ELR-public employment opportunities are characterized by low/limited attractiveness.
- Job are „additional“ in order to avoid substitutability with regular public and private sector jobs.

## **Initial ELR vs. more recent JG-Versions**

- ELR-supporters call the programs “voluntary“, because unemployed can deny to participate.
- Minimum Income/Wage of these public sector jobs are pretty low
- Work/Job is considered preferable to Basic Income
- No budget restrictions on part of the government (now MMT)

Initial ELR-approaches (e.g. Wray since 1997) not far from Workfare-concepts.

Similar suggestions were made by mainstream economists in Germany, when the Red/Green coalition reformed social security in 2005.

## (DIW, 2003, 2005)

Workfare proposals:

Social security only in return for participation in social work

Enforcable when income/wage close to minimum income set and guaranteed by the courts (adjusted for family size)?

## (CESifo, 2002/2004)

„Activating“ social security/workfare

Basic guaranteed income set by the court should be potentially be reduced in order to provide „work incentives“ in workfare programs

→ Otherwise it resembles a Zero-Euro workfare program

**More recent proposals by JG supporters (e.g. Ehnts/Tscherneva 2020/2022) seem to move away from earlier ELR proposals**

- Due to realisation that proposals are close to workfare/mainstream?
- Or rather: Due to MMT which suggests that any unemployment level can automatically be eradicated at no real cost (just additional government spending)?

....Possibly for the second reason...!



Most of the time, proponents of JG argue that critics overemphasize potential problems of JG

But let us just look at the types of jobs proposed by JG

Supposedly: „Fair Jobs“ at €15 p.h.

# **What kinds of work can/do workers perform?**

## **JG-Proponents suggest:**

- Companion for senior citizens, the bed-ridden, mentally or physically disabled
- Public school classroom assistant
- Safety monitor for schools, parks, neighbourhoods, playgrounds, subway stations, street intersections, or shopping centers
- Neighborhood cleanup/Highway cleanup
- Low income housing restoration
- Day care assistants for children of ELR/JG workers
- Library assistants
- Jobs to clean up and save the environment (New trend!)

**Recently, JG-proposals have become more moderate. However – beyond „fair work“, several other issues are also debatable:**

- **Wages** now set at €15 p.h. – realistic? Gap to private sector?
- **Unlimited supply of jobs** – realistic?
- **JG-Jobs counter-cyclically readily available and only useful during times of unemployment?**
- **Substitutability** – Jobs private, as well as public?
- **Productivity** – Irrelevant?
- **Unlimited numbers of participants**, also unconditional participation for an unlimited time and EU-migration not an issue?
- **Unlimited supply of funds (MMT)**

**More recently, JG-proponents argue:**

*What about people who do not want to work in the program?*

„This is a voluntary program. No one is required to work in it. Nonparticipants would still benefit from the program. People who are outside the labor market benefit from the enhanced public services. Those who only wish to work in the private sector still face better employment opportunities because the JG improves overall economic conditions. And if they cannot find suitable private sector work, they still have the option of enrolling in the JG **or in other family and income support programs.**“

Proponents therefore suggest that there is a clear difference between JG and workfare.

But is it in fact the case?

Is alternative **and sufficient** income support (particularly in the U.S.) available for unemployed, not participating in JG, or will wages of JG programs need to be set pretty high?

Otherwise, why sign up for the program?

→ OR do people derive sufficient satisfaction from JG-jobs (in this context see Hieke/Spallek 2009)?

JG suggests guaranteed annual incomes for single individuals of roughly €30000 p.a.

Realistic?

Can it be secured on a national basis and without restrictions in the U.S, or within the EU?

## Summary:

Initial ELR as well as new JG-concepts appear to establish a guarantee full-employment.

**In fact, it is only an artificial (statistical) full-employment concept (e.g. Hieke 2022).**

**More recent JG-concepts should also not be used to disguise the fact that in many capitalist economies under-employment and unacceptable income and living conditions exist for increasing parts of society.**

**At least one aspect of JG could be innovative for Germany:**

**Voluntary, unconditional JG *could* prevent possible poverty traps and poverty among the elderly (In Germany, e.g., the long-term unemployed need to spend almost all of their savings before being eligible for income support)  
→ Ironically, this policy was introduced by the Red-Green coalition in 2005!**

**Whether JG would achieve much more is question however!**

**Traditional, demand side oriented, Keynesian approaches may achieve more!**



## **JG might have a higher rate of acceptance among the general public**

However, it appears important to provide a bundle of measures which appear feasible and potentially politically successful against unemployment, rather than some single, „revolutionary“ idea like JG.

This means, issues of budgeting, substitutability, countercyclical effects etc. need to be discussed by proponents of JG more explicitly!

Arguing – similarly to unconditional Basic Income proponents (in Germany Götz Werner was a strong supporter) – that JG is a universally applicable, somewhat unlimited concepts to eradicate unemployment (and poverty) appears far-fetched and exaggerated.

That MMT can provide an automatic and universal tool for achieving full-employment through JG in an almost miraculously fashion without any trade-offs is more than questionable!

Thank you for your attention!

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