

RANIA ANTONOPOULOS

“Responding to the Unemployment Crisis in Greece: A Modest ‘Employer of Last Resort’ Proposal”

Abstract. Unemployment in Greece stands at over 27 percent, and is expected to hit a record high of 30 percent by next year. Since the onset of the crisis, one million people have lost their jobs, and among them, 65 percent are now long-term unemployed. The current macroeconomic framework, which complies with the troika’s fiscal target of generating a primary surplus at any cost, raises little hope for a jobs recovery. In this context, the current prescription of active labor market interventions is incommensurate with the problem at hand, and even more important, is based on misdiagnosis. The cause of unemployment is not the quality of the labor supply but a lack of demand for labor, and therefore, improving employability through retraining and facilitating entrepreneurship among the unemployed will not fix the problem. Furthermore, wage and benefits support to promote rehiring in the private sector cannot take us far either, as businesses have to contend with ever-declining household incomes that have severely depressed domestic demand. A “Marshal plan” fiscal stimulus to restart the growth engine is imperative at this point, and such a proposal has recently been put forward by the Levy Economics Institute. A central component of this proposal is a state-supported emergency “direct public service job creation” intervention. In March 2011, a small “project” of “κοινωνική εργασία” (community service jobs) for 55,000 people was introduced in Greece. It must now be scaled up and become part of an overall growth and stabilization policy. We present the findings of such a policy scenario, an “employer of last resort” program as advocated originally by Hyman Minsky, and of a size that can realistically provide short- to medium-term remediation. In addition to the jobs it will directly create, our research provides evidence of its potential to produce positive macroeconomic outcomes for the overall economy, and poverty reduction results for the unemployed in Greece today.