

WORKING FOR A BETTER WORLD: The Social and Economic Benefits of Employment Guarantee Schemes

Mathew Forstater

Center for Full Employment and Price Stability,
University of Missouri—Kansas City,

and

Levy Economics Institute of Bard College

“Fundamental Theorem of Welfare Political Economics”

(WITHIN THE PRESENT INSTITUTIONAL FRAMEWORK
OF MODERN CAPITALIST SOCIETY):

**THERE IS NO SINGLE POLICY
THAT CARRIES WITH IT
MORE POTENTIAL BENEFITS THAN
TRUE FULL EMPLOYMENT,
OR
A GUARANTEED JOB
FOR EVERYONE
READY AND WILLING TO WORK
(at a living wage-benefits package)**

Costs of Unemployment

Unemployment has tremendous social and economic costs, to both the unemployed and society as a whole.

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Unemployment harms individuals, families, neighborhoods, villages and communities; job creation brings real, tangible, direct and indirect social and economic benefits, not only for those employed, but for all members of the community as well as the community as a whole.

Benefits of Job Creation

The economic benefits are both microeconomic and macroeconomic, and there is also an important mutually reinforcing relation between these economic benefits and the social benefits.

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the *production* aspect—employment results in increased production of goods and services; and

the *recognition* aspect—the employed person is engaged in a worthwhile activity.

Employment

When members of the community are employed at productive jobs, the person employed has income and recognition, and the community gets better and more goods and services. In addition, there are not only the initial benefits of job and income security and more and better public and community services, there are also the numerous indirect benefits—the *economic and social multipliers*—that accompany these.

Economic and Social Multipliers

On the economic side, the initial job and income growth associated with employment translates into further increased spending and rising incomes throughout the community. The social multipliers concern the benefits to individuals, families, neighborhoods, and communities of decreased crime, drugs, and family disruption, and increased and strengthened security, education, health care for the infirm and the elderly and environmental protection.

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is a key to good physical and mental health;
is the best weapon in the battle against poverty;

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- **improves income distribution and reduces inequality;**

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- **promotes community.**

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- promotes social and political stability;**
- stabilizes business expectations**

Mutually Reinforcing Relation Between Social, Micro, and Macro Benefits

It may not be the case that the total benefits of job creation are a simple summation of the social, macroeconomic, and microeconomic benefits. Rather, there may be a mutually reinforcing dynamic at work, in which benefits in one area increase the benefits in others. In other words, the principle of cumulative causation may apply, in which positive feedbacks and reinforcing dynamics comprise a virtuous cycle of socioeconomic benefits.

Mutually Reinforcing Relation Between Social, Micro, and Macro Benefits

One good example where this may apply is productivity growth. There are both macro and micro sources of productivity growth and these may be mutually reinforcing. A number of the social benefits may also affect productivity through increased job security, etc. The total effect may therefore be greater than the sum of the individual impacts.

Mutually Reinforcing Relation Between Social, Micro, and Macro Benefits

These are the *social and economic multipliers* that result from job creation, and may benefit individuals, families, neighborhoods, villages and communities in multiple ways.

Conventional Aggregate Demand Management

In terms of strategies for *attaining and maintaining* full employment, there are some problems with the conventional approach of stimulating aggregate demand.

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Second, even if true full employment could be attained via the traditional approach, how would the system deal with the *loss of flexibility and functionality* associated with full employment?

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Others, from Karl Marx to Alan Greenspan, have identified the functionality of unemployment, which raises obstacles to policies to eliminate it.

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along with excess capacity, provides the system with the flexibility to respond to structural and technological change.

Employment Guarantee

The approach to full employment known alternatively as the Employer of Last Resort, the Job Guarantee, and Public Service Employment is an effective strategy for both eliminating involuntary unemployment and addressing the functionality and flexibility issues.

Employment Guarantee

Under these plans, government offers to hire anyone ready and willing to work who cannot find employment in the private sector or regular public sector. The job pays a living wage-benefits package, and is usually performing some type of community, public, or social service.

Employment Guarantee

A well-designed employment guarantee scheme can serve as a powerful automatic stabilizer, ensuring that the government budget deficit will never be too large or too small, and thus assisting in the prevention of both unemployment and inflation.

Employment Guarantee

Public employment may be directed toward public works and other infrastructure development and improvement that may promote private sector productivity growth.

Employment Guarantee

Public employment may result in the maintenance and appreciation of human capital.

Employment Guarantee

Additional social costs can also be reduced as a result of public employment activities.

Employment Guarantee

Expenditure on public employment schemes will be partially offset by a reduction in other forms of expenditure that are rendered unnecessary.

Employment Guarantee

Public works tend to be less inflationary than the 'dole' because they increase both aggregate supply and aggregate demand, rather than only aggregate demand.

Employment Guarantee

Inflationary bottlenecks and other rigidities may be avoided with employment guarantee schemes.

Employment Guarantee

Firms can continue to maintain reserve capacity, even while Employment Schemes guarantee full employment of labor.

Many Other Benefits

The Employment Guarantee is the only means of achieving the right to employment, found in numerous governmental and other documents, including the United Nations' "Universal Declaration of Human Rights."

Right to Employment

Not only is the right to employment a right unto itself, it is also the basis for many other natural and human rights.

Right to Employment

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- The right to a decent standard of living

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- The right to good health
- The right to live free of discrimination
- The right to develop talents, skills, and capacities

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- The right to opportunity
- And more

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