

The full employment at the center of economic and social policies

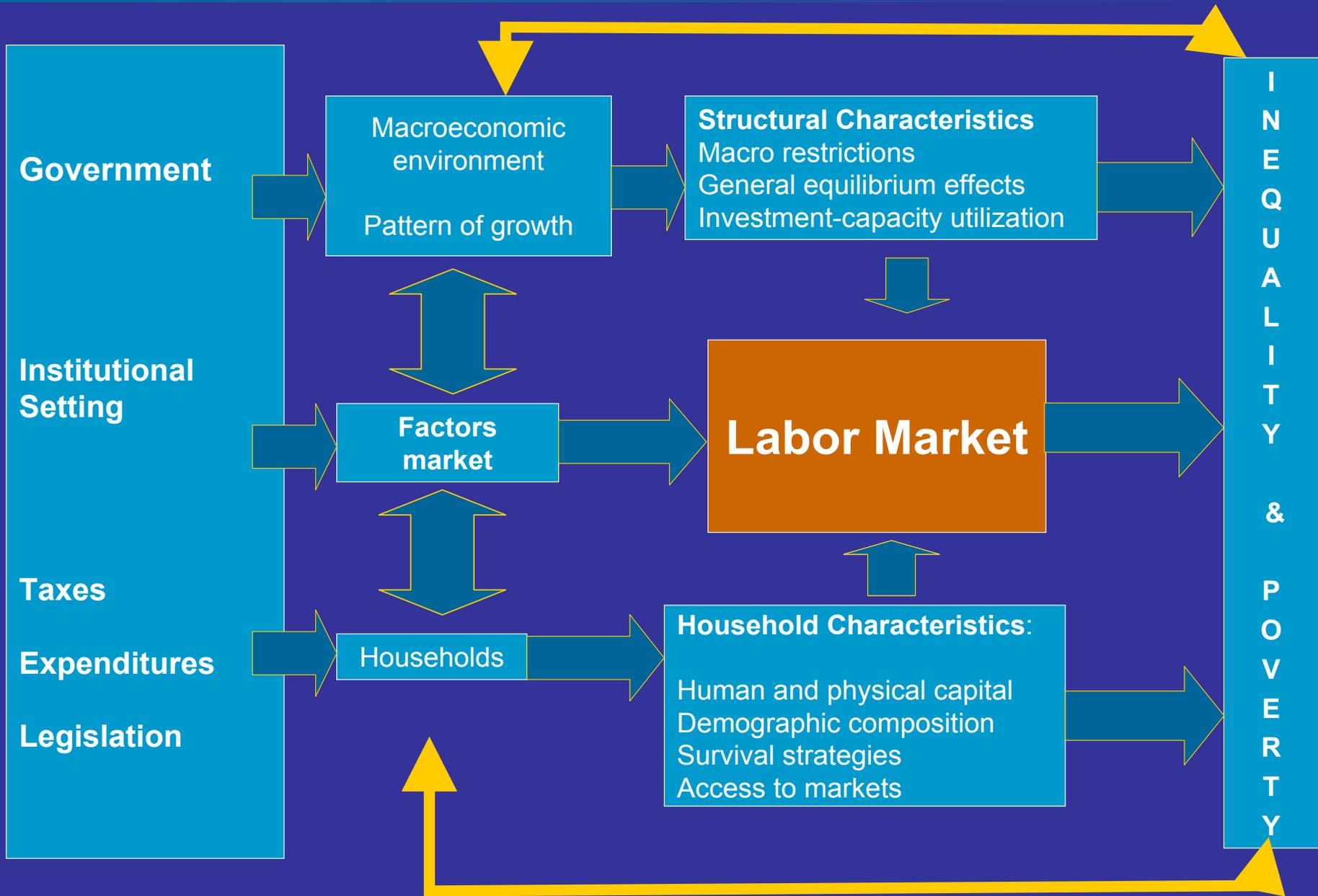
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Role of the labor market

The labor market is the *gear-box* that links the

macroeconomic setting with household welfare

- This is a multidirectional relationship that depends upon.



Social and political dimension

- Social Integration
- Personal achievement
- Source of social mobility
- Constitutional right
- Source of citizenship

How does this perform in different macroeconomic settings?

- Under the Keynesian pattern of growth
- Under the Free Market Globalization schema

The Domestic Demand Schema

- *Keynesian* regime of accumulation
- Welfare state
- Self centered growth
- Active state
- Economic planning
- Labor as the central aspect of social inclusion

Integration-Articulation Characteristics

- Social Integration
- Sectoral Integration
- Regional Integration

Limitations of the schema

- External shocks, terms of trade deterioration
- Internal monopolistic structures
- Distributional struggle
- Stop and go pattern of growth

Causes of disarticulations: the globalization schema

- Foreign trade deregulation
 - Reduction of tariffs, elimination of barriers
- Financial opening
 - Free flows of funds, market sets interest rate
- Deregulation of domestic markets
 - Privatization, subsidies removal
- Supply side strategies in labor market
 - Deregulation, flexibilization, informalization

Social Impact

- Wages as a mere cost of production
- Firms target on foreign markets or higher income groups
- Higher unemployment
- Precarious insertion in labor markets
- Polarization and heterogeneity

Sectoral impact

- Outsourcing putting out and *informalization* of production
- Integration of productive processes at international level
- Removal of backward and forward linkages
- Nobody takes the role of “*investor of last resort*”.

Regional Impacts

- Some regions loose their productive capacity
- Social and sectoral articulations at local level are dismantled
- Local state face problems of financing and provide social protection

Economic Impacts

- Income distribution deterioration
 - Unemployment, *precarization*, informalization
 - Deterioration of the competitiveness of local firms
 - Closing of small scale firms and activities
- Implosive reduction of markets

Failure of *targeting social policies* and *supply side* responses

- Intervene on the consequences, not the causes of exclusion
- Assume that the labor market failure is a problem of supply of the labor force
- Growth necessary, but not sufficient condition to generate employment

Richard Freeman said

“The problems of the labor market can not be solved with interventions in the labor market”

Full employment at the center of the macro policies

- Full Employment as an effective and efficient social policy
- The reinsertion in the labor market as a strategy against exclusion and poverty
- State as *Employer of Last Resort (ELR)*

What is an ELR Program?

- At a fixed minimum wage the government employs every person who is willing to work at that salary
- Will make a commitment to work in community and productive activities
- Free entrance and exit to the program

Economic Advantages of an ELR

- Improves and maintain levels of aggregate demand
- Improves income distribution
- Struggles against poverty and exclusion
- Fixes a minimum wage for the formal and the informal sector
- It is counter-cyclical

Political advantages or the ELR

- Constitutes a global strategy against exclusion and poverty
- It is a clear schema of social protection, not charity
- Has concrete quantitative goals
- Integrates excluded groups
- Permits the identification of problems for further interventions

Social advantages of ELR

- It is basically anti-cyclical
- Solves basic needs problems of households
- Improves human capital at individual and global level
- Involves beneficiaries in collective plans and projects
- Reduces pressure on informal labor markets

Regional advantages of ELR

- Improves infrastructure and services at local level
- Tend to generate multiplying and accelerating effect
- Can articulate with productive sectors in order to create stable, good quality jobs
- Does not distort negatively local markets

Silver bullet? One size fits all?

- There are several issues that should be taken into account.
 - Keynesian type of unemployment, not marxian
 - Floating exchange rate
 - Some structural factors of the characteristics of the economy
 - Food importer, food exporter
 - Oligopolistic structures

Tools for complementing the ELR

- Child allowance
 - Child-care
 - Student fellowships
- Health insurance
- Elderly support
- Training and back to school

Institutional setting

- Registration of beneficiaries
- Organization of work commitment
- Follow up of training
- Labor intermediation
- How to define the amount of the benefit?
 - Fine tuning?
 - Poverty line?

Registration of beneficiaries

- Transparent
- Open, well publicized
- Flexible entrance and exit
- At the school
 - With complementary information in order to allow other interventions
 - Working history

Organization of work commitment

- Has to be decentralized at local level
- With community participation in order to assign priorities locally
- Has to be considered additional budget to buy tools and materials
- Needs some training in order to assess projects
- Some degree of coordination to avoid repetition and competition between projects

Training and skills development

- Promotion of basic training, mainly formal education
 - Sometimes in regions there is a lack of teachers, infrastructure, etc.
- Boost “*on the job*” training.
 - Workers unions can be here important

Labor intermediation

- Public employment service
 - Not only as a repository of CVs
 - Auditing of the performance of projects, especially training
 - Asses needs of the private sector at local level
 - Mainly: *Moral collateral*

But basically

- There is no better social policy than a full employment policy
- There is no better employment than *decent work*