MEASURES FOR FULL EMPLOYMENT: JOB GUARANTEE AND THE WORKING-TIME REDUCTION

Organized by research areas G (Macroeconomic Regulation and Institutions), L (Labour Economics) and R (Classical Theory and Policy Analysis)

A combination of Minsky’s proposal of the State as an employer of last resort and the reduction of working-time has been recently proposed as the way to cope the waste of human resources (in the form of labour unemployment and underemployment) that has occurred in the main industrialized countries over the last 40 years. The aim of this session is to analyse the theoretical and operational issues related to these measures in order to assess their viability and effects on a wide range of economic and social aspects.

As Minsky outlined, his proposal of the State as an employer of last resort (ELR) may encounter several obstacles such as the external barrier of the trade balance, an inflationary barrier, and political constraints. How to overcome these barriers and if the ELRP is the more efficient measure vis-a-vis other Keynesian full employment policies are crucial issues in order to implement this program. An institutional setting favouring expansionary fiscal and monetary policies, lowering the propensity to import and addressing the inflation barrier (with a greater labour productivity and income policies lowering firm mark-ups) seems to be a pre-requisite in order to increase the efficiency of full employment policies and lengthen their maintenance over time.

The case for working-time reduction raises either when the path of aggregate productivity increase is faster than the path of attainable growth of output or when a short time policy measure is searched in order to cope with the gap between labour demand and labour supply. The main problems related to this measure can be grouped into three orders. The first is concerned with the implications for distribution and labour cost. Assuming a reduction of working-time proportional to an increase in productivity per hour, the labour cost for unit of production should remain constant with a constant wage level. Should part of the increase in productivity be converted into wage increase, the reduction of working-time would have to be lessened if profit margins must not be affected.

The second order of problems regards the re-organisation of production processes within the firm. There are discontinuities (of different extent according to specific tasks and stages of production) that render extremely complex the readjustment of the processes. The technology does not allow movements along a “continuum” of techniques so that the conversion of productivity increases into shorter working time should be carefully designed in a thorough restructuring of the production processes of the firm splitting of specific tasks of single workers into different complementary workers.
The third order of problems concerns the case in which a general reduction of working hours be imposed by law to all the economy while different sectors show different rates of productivity increase. This would imply (apart from the unlikely readjustment of sectoral wage levels) either an exit from the market of firms with lower (or zero) increase in productivity, or significant changes in relative prices. Obviously, this could be prevented by Government interventions through taxation, transfers and subsidies, as it has been experienced in some Nordic countries.

The problems that a policy of general shortening of the working-time has to face are complex and need to be deeply investigated. In addition, some social aspects are also relevant, such as the use of more leisure time, the provision of new and better consumer goods and services, and so on. In the meantime, attention and studies should be devoted to experiments of flexible and gradual reductions based on personal choices, single firms and collective agreements. On this line should be considered the possibility of agreeing voluntary marginal reductions of working time joined with wage reductions, such as, for instance longer periods of unpaid vacations, or longer temporary leaves, unpaid and for various purposes, or even the possibility of sabbaticals. Another option could be to free the part-time work from its features of forced, precarious, peripheral and unskilled jobs and to extend it to voluntary opportunities for central well-structured tasks requiring high responsibilities and high skills. Still more, retirement regulations could allow for flexible retiring ages, with gradual reduction of working time linked to progressive inclusion of young workers in the firm.