

Employment Guarantee Schemes  
Job Creation and Policy in Developing Countries  
and Emerging Markets

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2013

palgrave  
macmillan

# Introduction: Employment Guarantee Schemes—Development, Environment, and Community

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In the late 1990s, a number of economists and policymakers revived the idea of government-sponsored Job Guarantee (JG). Such a policy would assure a public service job for anyone who was ready and willing to work but could not find employment in the private sector or in the regular public sector. In the last two decades, there were a number of workshops, conferences, and special issues in academic journals, focusing on unemployment and strategies for full employment. During this initial stage, the focus was primarily on developing the theoretical basis of the JG approach to promoting full employment.

The current book is a part of a two-volume set on this topic. The first book—*The Job Guarantee: Toward True Full Employment* (Murray and Forstater, 2013)—emphasized theoretical developments, simulations, and applications for advanced industrialized economies. In contrast, this book, the second of the set, directs considerable attention to the challenges of and opportunities associated with enacting direct job creation policies in developing countries, including Ghana and Argentina, and BRICS (Brazil, Russia, India, China, and South Africa) economies. It is a collection of papers from both established and new scholars working on extending and elaborating various aspects of JG by means of formal modeling, simulations, case studies, and applications.

For developing and BRICS economies, the focus of the JG proposal shifts from the maintenance of effective demand to detailing how the

JG program promotes the construction of new infrastructure, the building of new capital, and the opening of new markets (Nell, et al. 2012). As such, the aim of this book is to investigate the importance of grassroots support for JG programs, and how JG might interface with other policy goals, such as environmental sustainability. Eschewing narrow individualistic and economic approaches, the interdisciplinary, historical, and comparative studies discussed herein delve deeper into questions such as how both unemployment and true full employment can affect community.

The economic theory underlying JG is relatively simple, as Hyman P. Minsky (1986) outlined:

The policy problem is to develop a strategy for full employment that does not lead to instability, inflation, and unemployment. The main instrument of such a policy is the creation of an infinitely elastic demand for labor at a floor or minimum wage that does not depend upon long- and short-run profit expectations of business. Since only government can divorce the offering of employment from the profitability of hiring workers, the infinitely elastic demand for labor must be created by government.

(Minsky, 1986, p. 308)

The tenets underlying a JG program are that it (1) provides an infinitely elastic demand for labor, (2) hires off the bottom, (3) creates a pool of available and skilled laborers available for private-sector employment, (4) enhances human capital, and (5) generates valuable work (Tcherneva and Wray, 2005a, pp. 5–6). Some critics, however, claim that such a program would not be politically feasible and that it would be unaffordable; furthermore, they contend that it would not be possible to find workers to participate, and when work is done the jobs performed will not be useful. A potential reason for these critiques is that up to the present there has been very little empirical work on the JG approach.<sup>1</sup>

As discussed in this book, empirical analysis refutes many of these critiques. The JG program has been shown to be politically feasible in both developed and developing countries during times of economic crisis and structural change.

After the failed free market policies of the Hoover administration, a variant of the JG approach was enacted during the Great Depression era. The Roosevelt administration passed New Deal legislation that created the “alphabet agencies” from the Public Works Administration (PWA) to the Civilian Conservation Corp (CCC). The initiation of

these programs came about with great fanfare. Not only were these programs politically feasible, but they provided examples of the useful work that public-sector employees can accomplish. For example, the PWA constructed the Oregon State Capital building and the Federal Trade Commission building in Washington, DC. In the case of the CCC, in a March 21, 1933, speech to Congress, President Roosevelt declared that the CCC’s primary mission is to create:

simple work . . . confining itself to forestry, the prevention of soil erosion, flood control, and similar projects. More important, however, than the material gains, will be the moral and spiritual value of such work.

The US experience shows that the JG design must engage people in work by creating socially useful projects while simultaneously enhancing human capital and worker morale. Perhaps the greatest initial accomplishment of the CCC program was that it mobilized 250,000 American youth in the first three months of its existence. This achievement was the biggest peacetime mobilization of workers in US history. The CCC program lasted until 1942, employed more than 3 million workers, and operated in all 50 US states. That most of the CCC projects constructed during this period are still in use is a testament to their functionality and worth.

In 1933, Roosevelt also established the Federal Emergency Relief Administration (FERA). Like the CCC, FERA had two goals that are important for contemporary JG proposals. The first goal was to counteract the belief that receiving work relief was shameful and the second was to restore the work ethic for over a quarter of the American population who had experienced long durations of unemployment.

Important to the restoration of work ethic is to distinguish the JG projects from “make work” to providing useful “work relief.” The FERA programs included both blue-collar manual labor and white-collar professional work. In both instances, the work was “real work” (Rose, 1994, pp. 29–32), meaning that work was undertaken not for the sake of work itself; rather, workers in FERA programs provided socially necessary services while meeting the needs of the population. White-collar jobs included providing adult education, clerical work for government agencies, work in libraries and art museums, and nursing and elderly care (ibid. pp. 42–43).

The design of contemporary JG programs may be different from that of generations past as societal needs are different. For example, programs

can be designed to become an important part of the Green Revolution, thereby providing jobs while addressing current ecological concerns (see Forstater, 2004; Godin, Chapter 1, and Li, Chapter 2, this volume).

Nancy Rosés (1994; Chapter 7, this volume) investigation of the New Deal era provides inspiration for the establishment of permanent JG programs for both developed and developing regions. Further, the New Deal era sheds light on the central importance of community backing and grassroots support for such initiatives (see also Forstater, 2004, Chapter 6).

The present volume provides many examples of embryonic JG programs from which researchers can learn. In addition to the US experience with instituting the JG, China instituted the *Ningxia Ecological Immigration Program* (see Chapter 2), Argentina the *Jefes y Jefas de Hogares* (see Chapter 3), India the *National Rural Employment Guarantee Act* (see Chapter 4), and Ghana the *National Youth Employment Programme* (see Chapter 5). These programs all lack some of the fundamental features of an ideal JG program. For example, all the aforementioned JG-type programs, including US New Deal programs, contained restrictions on eligibility, compensation, and program length. Nevertheless, each program shares commonalities with traditional JG proposals and is set up to address specific concerns in the respective countries.

Thus, they serve as powerful case studies for identifying successes and limitations. The test cases shed light on the importance of paying attention to the institutional and cultural setting in which future JG programs may be developed. The fundamental key to a successful JG program is to create programs that both employ people and benefit local communities.

Many continue to argue that, through direct job creation, sustainable full employment is within reach (Darity and Hamilton, 2012). The JG programs discussed in the present volume provide economists, researchers, and policymakers with a starting point to address the global problem of unemployment and underemployment. Even several years after the formal end of the "Great Recession," global unemployment and underemployment remain stuck at high rates. The need for serious consideration of job creation policies has never been greater since the Great Depression.

#### Note

1. A notable exception is the case study of Argentina; see Tcherneva and Wray (2005a) and (2005b).

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