



## Policy for Full Employment

“Employment is the single greatest challenge facing humanity today,” according to Ian Johnson, Secretary General of the Club of Rome, in his opening remarks to an international conference last November—remarkable words coming from an organization known principally for its concern about environmental issues. In similar fashion, renowned security expert Jasjit Singh, a World Academy Fellow, surprised high level government officials when he identified the dangers of domestic social unrest arising from lack of employment opportunities as the single greatest security threat facing India today. In recognition of this threat, five years ago India passed the National Rural Employment Guarantee Act, which provides 100 days of paid work to 45 million of the poorest households in the country. These are just two examples of the growing realization that the world economy is pursuing an unsustainable path in which technological advances, economic growth and swelling corporate profits proceed hand in hand with high and rising levels of income inequality and youth unemployment (twice the level of adult unemployment in most countries), at a time when social protection offered to the elderly and unemployed in many OECD countries is getting weaker.

The prevailing system results in a disproportionate distribution of wealth to those who already possess far more than they need, while leaving billions of people struggling for survival in abject poverty. In an age of rising expectations fueled by the spread of democracy and global telecommunications, both social stability and human values necessitate a concerted effort to rectify the imbalances and inequity of the present social configuration. In “Human Rights and Employment” (Cadmus Issue 1), Winston Nagan argues that access to remunerative employment opportunities must be recognized as a fundamental human right.<sup>1</sup> In “Human Rights, Liberty & Socio-Economic Justice” (this issue), he calls for a wider conception of freedom that embraces economic and social as well as political rights. In “Global Prospects for Full Employment” (this issue), Garry Jacobs and Ivo Šlaus quantify the challenge of full employment and cite both theoretical principles and historical evidence to show that, given the right policies and strategies, it is indeed an achievable goal.

In a report to the Club of Rome “The Employment Dilemma and the Future of Work”, Orio Giarini and Patrick Liedtke outline a comprehensive full employment policy.<sup>2</sup> They too affirm the imperative that human beings must be assured opportunities to produce for themselves. Social welfare payments may be sufficient to keep the body alive, but not to promote healthy social and psychological adjustment. Their approach is based on a new way of organizing work in modern service economies that will guarantee every citizen at least the minimum amount of paid work required to meet their economic needs in a dignified manner. They emphasize that public policy is a principal determinant of how many jobs are created. The public sector directly and indirectly accounted for 28 percent of total employment in OECD countries in 2005, including 35 percent or more in Denmark, France and Norway.<sup>3</sup> In the five largest economies of the EU, more than half of all adults depend upon governments for all or part of their weekly income in the form of salaries, pensions or welfare payments. The

corresponding figure in the USA in 42 percent.<sup>4</sup> Today 40 to 50 percent of all public workers are employed in health, education and other social services. Recognizing the important role that both private and public sectors play in generating economic security, they envision a public-private partnership which combined public responsibility with private inventiveness, initiative and entrepreneurship. Public and private initiative are complementary measures that should work in concert, as in Switzerland's three pillar pension system, in which the first pillar is guaranteed by public institutions and the second pillar by private sources.

Part-time work can play a key role in ensuring employment security. The conception of full time employment has evolved over time. During the last century, the number of working hours in most developed nations declined by 40 to 50%, from an average of 3500 to 4000 a year to under 2000 today. This was achieved through a process of allocating the gains from increasing productivity between increases in income and increases in leisure time. Thus, from a historical perspective part-time work has already become the norm. It has also been consciously promoted by many countries as a means to more equitably distribute work opportunities. Studies suggest that part-time workers can be more productive and derive greater work satisfaction. The hourly productivity of part-time employees in US has been estimated to be 28 percent higher than that of full-time workers.<sup>5</sup> Traditionally part time work has been more prevalent among women. In Sweden, for instance, approximately 50% of public sector employees are women working part time. In 2009, 19 percent of all employees and 32 percent of employed women in the EU27 worked part-time. In Netherlands, which dramatically reduced its unemployment rate in the 1990s by removing disincentives for part-time, part-time employment represented 48.3 percent of total employment in 2009.<sup>6</sup> Over the past few decades part-time employment in OECD countries has grown more than twice as fast as full time jobs.<sup>7</sup> In 2010 only three percent of new jobs were full-time in Britain.<sup>8</sup>

The current system of full-time work, preceded by full-time education and followed by full-time retirement, is far from optimal. Students pursuing higher education can benefit immensely by gaining actual work experience during the period of higher education, thereby helping them meet the rising costs of tertiary education, acquire work-related skills and mitigate the influx of youth into an already over-crowded full-time workforce. The integration of part-time work with education through a dual apprenticeship system has already been successfully adopted in Austria, Germany and Switzerland, where a large majority of youth spend several days each week in educational institutions and participate in employer-operated training and apprenticeship the remainder of the time. At the other end of their working life, older workers typically possess valuable experience that is lost on their retirement. With increasing longevity and sustained health, most also possess the energy and interest to remain actively engaged well beyond the traditional retirement age. Extending the working age through a gradual and progressive shift from part-time employment to retirement will keep them actively engaged and provide a continued source of income to support them during an extended life span.

The authors argue that a further extension of the principle of part-time work can absorb the surplus labor that is presently unemployed. The objective of this system is to provide every single individual in society with adequate opportunities for remunerated productive activity. They envision a three tier public-private system of work. The first tier ensures to all those between 18 and 70 (or even 78) years of age a minimum number of hours of paid

work (e.g. 20 hours a week) sufficient to meet economic needs that should be guaranteed by government. This tier would provide assured income to three groups that are often excluded from the employment market – youth, women and the elderly. Work would be remunerated at a guaranteed minimum level corresponding to the idea of a negative income tax and funded by existing unemployment, income support and welfare programs. Citizens would be required to undertake first tier in order to qualify for state benefits. Note that tier one employment can be provided by either the private or public sector, but responsibility lies with the government. State intervention in employment markets beyond this level is prohibited in order to guarantee a maximum of private initiative. Ensuring first tier work for all citizens will also enhance purchasing power to stimulate growth of second tier economic activities.

The second tier would consist of additional or alternative part- or full-time paid work based on individual choice for more hours or higher levels of compensation, according to the opportunities provided by the private sector. Those who seek and are able to obtain attractive full-time employment at higher levels of remuneration would be free to either combine or substitute this tier for the first tier opportunity. Payment in this tier would be based on efficiency rather than seniority. This tier would remain the central pillar of the economy, corresponding to the current system of career employment, but more flexible. It would provide a means to earn additional income for retirement.

The third tier includes non-monetarized self-production or unremunerated voluntary services offered to others. Voluntary work is quite common in the health, social, cultural and political sectors. A study in Germany found that 39 percent of men and 32 percent of women already participate in some form of benevolent or voluntary activity.<sup>9</sup> Education and other sectors offer immense potential for expansion, especially among those of the elderly who have rich experience to share and no need for further paid employment.

The current economic system undervalues and underutilizes the most precious of all resources -- human capital. It fails to take into account the real value of unpaid work – care of children and the elderly, voluntary services to the community. It also fails to properly account for the true cost and value of natural resources, such as energy, thereby imposing an in-built bias in favor of mechanized rather than human work. Thus, an ultimate solution to the employment dilemma depends on the formulation of new economic theory, a third way, as discussed in Cadmus No.1.<sup>10</sup>

## Notes

1. Winston Nagan, "Human rights and employment," *Cadmus 1, no. 1(2010): 49-52*. Available at <http://cadmusjournal.org/>
2. Orio Giarini and Patrick Liedtke, *The Employment Dilemma and the Future of Work: Report to the Club of Rome* (Geneva: The Geneva Association, 2006), 119-145.
3. Organization for Economic Cooperation and Development, *OECD regions at a glance 2009* (Paris: OECD, 2009).
4. Messaoud Hammouya, *Statistics on Public Sector Employment: Methodology, Structures and Trends*. (Geneva: International Labor Organization, 1999).
5. Walter Jean-Louis, *Avis et rapports du Conseil économique et social: Le travail à temps partiel* (Paris : CES, 1997), 93.
6. Eszter Sandor, *Part time work in Europe: European company Survey 2009* (Luxembourg: Publications Office of the European Union, 2011) Available at <http://www.eurofound.europa.eu>
7. FTPT Employment based on a common definition. OECD Stat Extracts, *Organization for Economic Co-operation and Development*. Available at <http://stats.oecd.org/>
8. Simon Duke, Age of the part-timer: 200,000 jobs were created last year. Only 3 per cent were full-time. *The Daily Mail*. Published on 1<sup>st</sup> February 2011. Available at <http://www.dailymail.co.uk/>
9. Mireia Gonzalez, National Report- Germany: Study on Volunteering in the European Union. 2011. *The European Union*. Available at <http://ec.europa.eu/>
10. Orio Giarini et al., "Introductory Paper for a Programme on The Wealth of Nations Revisited," *Cadmus 1, no.1 (2010): 9-27*.