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Title:

**Combating unemployment:
A simulation of policy implementation within a postgraduate lesson**

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Combating unemployment:
A simulation of policy implementation within a postgraduate lesson¹

Abstract

This article regards the organization a research-focused postgraduate lesson. The subject of the lesson is on employment structure and unemployment. The research examines the characteristics and the effectiveness either of the most known models either new innovative proposals for combating unemployment. Theoretical models from the past have as main aim the full employment. The newer models regard the restrictions of the fiscal policy, but the reduction of unemployment or the aim of full employment has minor meaning. After crisis of 2007-8 there was an explosive increase of unemployment in some countries, while they have not the capability of using the proper tools for the effective combating unemployment. A new proposal has been presented for combating unemployment recently. The innovative interference regards both the method of the funding the procedure and the type of employment of the unemployed people. During the research implementation, the students have used the empirical data, and elaborated comparatively, with the tools of the different theoretical models, on the target of full employment for the selected countries. The results show that the serious social issue could, definitely, be eliminated and there are the people who have the scientific skills for the resolution of crucial problems of employment.

Key Words: collaboration of private and public sector, combating unemployment, comparative analysis, research-lesson,

The subject of the article

This elaboration has as a subject the organization of a postgraduate lesson on research basis. The content of the lesson has been focused on the resolution of the crucial problem of unemployment. The aim of the teaching approach was the proper preparation of students for tackling the unemployment rate, using an effective method from the pool either of the well known suggestions either of the innovative models for combating unemployment. This approach gives the opportunity for the academic study of the theoretical debate, while calls the students to have the experience of practical test of the consequences of implementation (under hypothetical conditions) of the different models. The design of the lesson gives to the students the pathway to, strongly, understanding the structure and the operation of the labor market, along with the preconditions and the limitations for employability. During the research implementation, the students have used the statistical data from international organizations, and elaborated comparatively, with the tools of the different models, the target of full employment for the selected countries. Their obligation, as a working team, was to deliver a collective volume, which has the form of a report. According to my view the procedure has achieved its targets. The team working produced a quasi-research group, very well, theoretically and empirically, informed on the field of employment, and capable to make the diagnosis of the problem of unemployment for each modern country, while it could manage the design of alternative models (with the empirical dimensions) for the effective combating unemployment. After the above experience, they could or even would work immediately on the treating this serious issue and maybe on any relevant too.

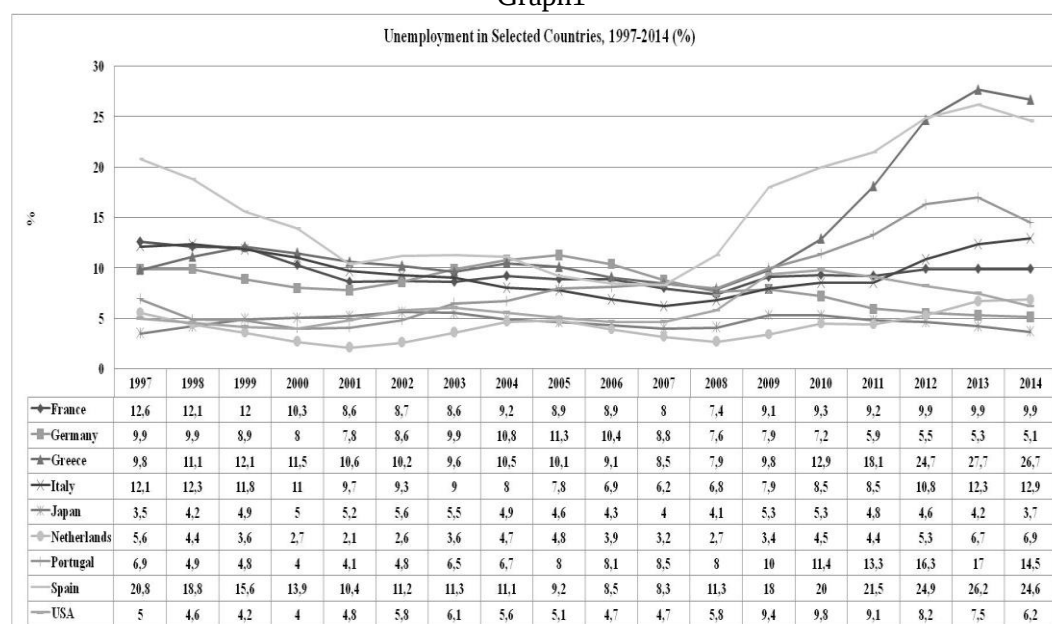
Unemployment during crisis

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Unemployment has had a heavy increase after the explosion of crisis (2007-8). The relative rate has had an enormous upward moving for several years (about five) in the countries with serious fiscal problems (between them are the following countries: Greece, Italy, Portugal, and Spain). Some of them have confronted the implementation of memoranda of fiscal policy (e.g. Greece and Portugal) and the rate remained at very high point for longer duration (Graph 1). Spain has not the torture of a memorandum of fiscal policy, but its unemployment rate is relevant to the Greek rate (Lytras, 2017).

The orbit of the crisis has been remarked by some special events on the policy for combating unemployment. In USA and Japan the answer to the pressure of the unemployment was the increase of the public funding of economy (Lytras, *ibid*) via the impressive increase of their already large public debt (in Japan the enormous debt is now even larger). This move has undoubtedly contributed to a very significant reduction in unemployment and then to its tolerable restraint for the two societies. In European Union and especially in Euro-zone the choice was the stability of the single currency and, therefore, the austerity. The difference of the impacts of both policies is obvious.

Graph1



Source: ILO, ILOSTAT (Database), *Unemployment* (www.ilo.org).

The aforementioned differences put the restrictions for the future policy especially in Europe under the conditions of single currency. The invention of an alternative policy is an absolute necessity.

The background and new choices for combating unemployment

The necessity to control the growth of unemployment and the reduction of the relevant rate, after the crisis of 1929-30, has created the motivation of the Keynesian “therapy”. The well known model is based on enhanced aggregate demand. The prerequisite of the method is the state interference, with all the instruments of fiscal and monetary policy, in economy [Keynes 2007 (1936)]. The target is the restoration of market arrhythmias, after the strong public funding of economy. The Keynesian model has achieved its target in the USA, during 1930’s. The state has increased the public expenses and the rate of unemployment has been reduced (Baran, Sweezy, 1968, 146, 232-233) to a tolerable percentage.

In Europe, during the after war period, a similar to Keynesian model, which has been invented basically by W. Beveridge (1942a; 1942b), has been implemented. The state’s interference has the form of a wide net of social protection and supporting (e.g.

national health system, social security system, public education system, many benefits policies for the unemployed and the poor people). The W. Beveridge's model is accompanied by the aim of full employment (Beveridge, 1944, 10-12), which has been a reality for at least two decades. The intervention of the state in this method of policy has as a prerequisite the establishment of large public structures, along with their necessary personnel. The heavy cost of these structures is paid by the tax system, which is a significant economic burden of modern citizens (Galbraith, 1993, 182-183).

The supporters of the neoclassical economic approach and the neoliberal political parties have posed negative arguments against the prerequisites of both the aforementioned models, during the period of fatigue (Hayek 2009; 2011; Friedman 2002). According to the new and prevailed theoretical and political trend, the tackling of unemployment follows the general logic on competition, with the enhancement of the competitiveness of labor. The supporters of neoliberals' approach have the estimation that the increase of wage-earners' levels would be formed by the extension of entrepreneurship. The aim for extensive social cuts reduces the grants for employment's supporting and benefits of the poor people. The "lower or basic guaranteed income", with the form "negative income tax" (NIT), is the alternative scheme of social policy, which would replace all the previous benefits (Friedman, *ibid*, 192-195).

The proposal of "state as employer of last resort" (ELR) [Minsky, 2008 (1986)] expresses the belief that the state could employ the major part of the unemployed persons, during the difficult periods of high rate of unemployment. The wage of the new employees in public institutions is the same with the regular basic salary. Minsky suggests the public funding of the relevant programs, either with the supply of additional currency mass in the system either with the issuing new public bonds. The state must have full sovereignty in the control of monetary and fiscal policy. In H.P. Minsky's approach, the required currency mass is a small percentage of GDP. This model of policy has been used in Argentina the period of crisis and achieved the restoration of the rate of unemployment to tolerable levels (Tcherneva 2012, 6-12).

The "workfare" (welfare-to-work) policy has been politically supported by the B. Clinton's administration and has the dynamic for the revision of the welfare state. This method of social supporting is partly based on M. Friedman's idea for the "negative income tax" and definitely imposes obligations for the beneficiaries to deliver cheap wage labor as a rather counterweight for their benefits. The relevant law [Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), 1996] and the new program of social support [Temporary Assistance for Needy Families (TANF)] (Patterson 2012) is a synthesis of a general social program of the new age and a practical framework for combating unemployment (Béland, Vergniolle de Chantal, Waddan 2002, 25). The analogous to the "workfare" (welfare-to-work) policy has been implemented in United Kingdom too. The general plan was a set of smaller interferences for various groups of the population. This scheme of policy actions has had a contribution in tackling the problems of unemployment of younger age categories of the population through flexible forms of work. The dissemination, then after, of part-time employment is absolutely clear (Van Reenen 2004; Zaidi 2009).

A new proposal has presented by A.N. Lytras (2016; 2017a) in two different texts. The very meaning of the proposition (Reconciliation of the Holders of Stock with Employment and New Activation in the Regions-Re.Ho.St.E.N.A.R) is the formation a future network, which is similar to a big and regular private enterprise, in the regions of a modern state, with public supporting. There are two major innovations. First, the stock holders do not risk their capitals in a personal economic adventure, but they invest their capitals to a common deposit for a year time in commercial banks. They would receive a valuable (and competitive) profit (through the interest rate) and the yields of the program. The deposits are going to be used, as the guarantee for the issuing of coupons, which are partly composed by the deposited capitals. The other part is the value of coupon which is going to be paid by the citizens/consumers for the delivery of services they could buy at low prices by the beneficiaries of the program. Second, the beneficiaries of the program

(from the official pool of the unemployed persons) do not work as wage-earners. They participate as autonomous workers (freelancers or own-account workers). They are going to be paid at the end of each month after the delivery of their personal services to consumers, for a ten months period. In this program the state adds with the equivalent of the withdrawals, each month, but these grants are mostly returnable, because the coupons conclude the relevant taxes and the contributions to the social security system. It is remarkable that the cooperatives and the already own-account workers could cooperate with the beneficiaries of the program. The local authorities have the official responsibility for running the regional programs. This is definitely an expression of social solidarity, but does not require a change of the everyday transactional behavior. This attempt unifies the elements of entrepreneurship, in a way of effective co-operation, when they are divided and ineffective (Lytras 2016).

The design of research

During the first informative sessions the students have taken the framework of bibliography of the lesson, the design of their team-study and the characteristics of the research for the full semester. In this procedure they took analytical data files (digitals) from recognized institutions. The employment and unemployment data which regard France, Germany, Greece, Japan, Italy, Netherlands, Spain, and Portugal, have as a source the International Labor Organization's (ILO 2016) Databases and Estimations. The GDP's (Gross Domestic Product) data have as a source the International Monetary Fund's (IMF 2017) Databases. The subject of the research was the next: The achievement of the full employment of unemployed people, in 2016, using the different theoretical models (for the aforementioned countries). The dimensions of the elaboration were the following: the number of the necessary positions of workers either in public structures or institutions either in private enterprises, the number of the needed enterprises for the full absorption of national unemployment, the cost of the national programs (with the same cost per worker: 600 USD) for the remuneration of beneficiaries, the operational cost of their activation (200 USD per worker), the total budget for each country, and its analogy (%) of GDP and actual public expenses.

The students made a group study of the alternative theoretical models and prepared their personal contributions on the national case-studies. The procedure has walked normally the demanding path and at the end the research-group, has made the collective and the personal presentations in the plenum, the two last weeks of the semester. The discussion was very constructive. The elaboration has been concluded, with the delivery of a collective volume, which includes both the cooperative theoretical review and the personal contributions. In my opinion the conclusions are cautious, with critical comments and, therefore, useful for every reader. We expose then some of the main results of their effort.

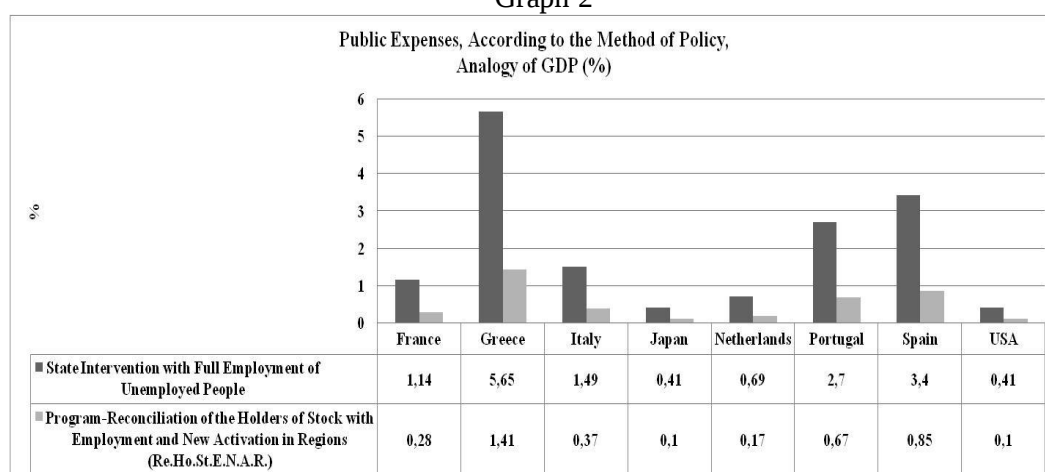
Findings and results

We can point out that the research certifies the adequacy and effectiveness of the most known applied models, even those of the rather far past. In fact, their non-implementation today, as if they are not useful, is due to the "concern" of modern policy-makers, with their analogous results to the institutions' official opinion, to deprive any potential governmental intervention from, almost, all financial instruments and technical tools, which are necessary for the demonstration of the effectiveness of the aforementioned models for combating unemployment.

Effective combating unemployment, with methods that have been created in the past, is therefore a perceptible and present reality in modern times too. Based on past events, we considered that we should not adopt the most recent and perhaps more innovative policy proposals with ease, since the countries in question are not distinguished from very high and uncontrolled unemployment. Since these countries can handle the tested tools, they can simply use them without being submitted to institutional or administrative tests and other “expenses” (like the waste of time). Innovative options and proposals are the alternative for countries with an “explosive” and uncontrolled increase in the unemployment rate, while it is impossible for them to manage creatively the known means of exercising fiscal policy (e.g. the devaluing the currency, the increasing the inflation, and the increasing of public debt with the cautious managing the deficit of the state budget, etc.).

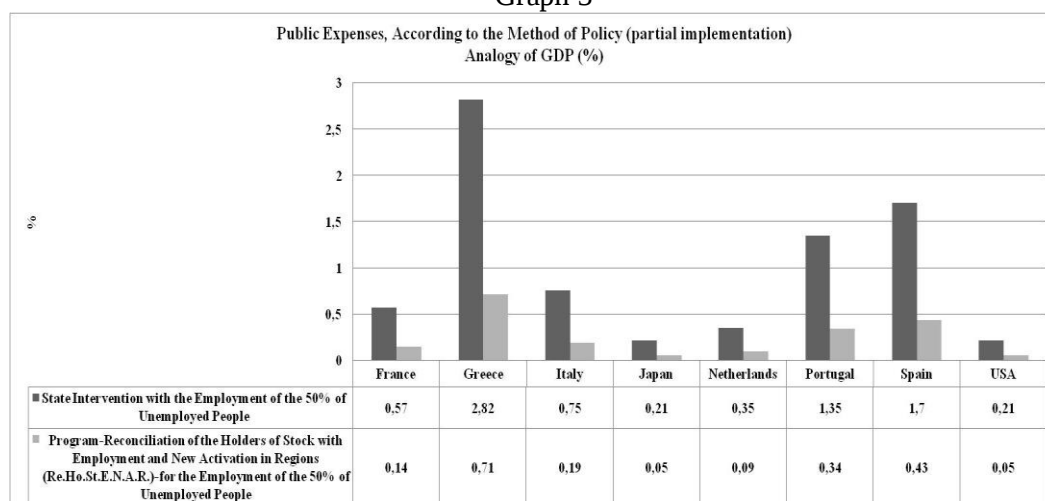
In fact, the research suggests that an effective fight against unemployment by the modern state is entirely feasible, with relatively limited public financing requirements for the economy and society (Graph 2). It is evident from the analyses and comparisons that, even in the most difficult cases, there are satisfactory alternatives, with the even more limited state expenses for unemployment programs. In these alternatives there are the possibilities for interventions with phases and thus for managing a corresponding fraction or analogy of (annual) public expenses (Graph 3).

Graph 2



Source: Lytras (ed.) (2017b), 14; IMF 2017; Central Intelligence Agency 2017.

Graph 3



Source: Lytras (ed.) (2017b), 15; IMF 2017; Central Intelligence Agency 2017.

Conclusions

This article presents the procedure and the results of the research elaboration of alternative models for combating unemployment, in selected countries, within a postgraduate lesson. It is a culmination of the postgraduate course: *Social Structure and Work*, within Master's Program of the Department of Sociology at Panteion University (Athens). The attempt has created collective and individual experiences on one of the most complex issues of the modern employment. The effort has enhanced collaboration and team efficiency in studying and managing important theoretical approaches, combined with the use of available measurements for employment, unemployment, GDP and government budgets of the countries, which are under consideration.

This collective procedure is inspired by the intent of linking postgraduate education and research and forms a useful framework of comparative investigations that could be useful for policy making. Interestingly, these processes, coming from the policy analysis framework, have high abstraction requirements. In their reader, however, they are likely to give the impression of a strong moment of empiricism. It is, however, problematic to highlight only on the one side of these aspects. In fact and on the one hand, the project is an intellectual test of theoretical models, in order to make their proposals and their components clear during implementation. The purpose of their further elaboration is to construct a research step, which is used in order to combat unemployment effectively. On the other hand, the empirical management of data, processes and quasi-forecasts is intended to help the clarity of the practical limits of the theoretical perceptions on the issue and therefore to make clear the cost, the sources of the funds and the capability, for the inclusion of the unemployed persons in the employment. The analysis as a whole has not target the examination (thoroughly) of the causes of the very serious labor phenomenon and to identify the economic components of the problem. As a political analysis in the context of sociological approach, the whole analysis aims to clarify, in a coherent and technically viable way, the process and conditions for the immediate absorption of the unemployed persons during the periods of the very large increase of the relative rate.

According to the comments on the results, in some cases, the combination of the well-known and workable methods of addressing the difficult labor and social issue and of the innovative models for combating unemployment can multiply the capacity to prevent uncontrolled and unpredictable economic phenomena, owing to the rapid growth of the relevant index and its preservation, albeit temporarily, at high levels. Let us explain, with two examples, the synergy of both, namely the known forms of government intervention and the proposal for the leverage of private and public funding: At a time when the unemployment rate moves to tolerable levels (e.g. between five and eight per cent of the labor force), government intervention is stepped up or curtailed with a target to squeeze the rate to the level of 3% of the labor force. At this stage, a parallel program is being created for vulnerable groups of the working population, such as young people who are interested in entering the labor market for the first time and women suffering from the market fluctuations and the frequent adventures of unemployment. With this combination, both the variance of the rate in general and the individual problems of the categories of workers could be addressed.

During the periods of unusual, unpredictable and uncontrollable developments in the economy and employment in the same countries, the innovative method for combating unemployment may take on the position of the first choice, as in that momentum the public revenues necessarily being decreased. It is more logical, at that moment, to use private funds (with a motivation their profitability) for financing (at least in the first step) of programs for tackling the rising unemployment, with less supporting from public spending (the state budget cannot afford the economic burdening).

In my view, the whole process has delivered to the students a high level of understanding about the perception of various forms of feasible policy. In addition, their experience in research project has contributed to the development of empirical and, in some way, technical skills for the managing of any relevant topic within the actual conditions in employment. These skills are useful for any national and international institution for the employment and social structure. There isn't any doubt that the new skills are related with the creative and critical thinking; this is the proper mixture for the modern policy making.

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