World Academy of Art & Science

Project Proposal

Theory & Strategies for Full Employment

CONTENTS

I. The Need for New Theory and Strategies

The World Academy's e-conference on the Global Employment Challenge (GEC) has documented the dire need for new thinking and action to address the pressing problem of unemployment in the world today. The recent international financial crisis has thrown into stark relief serious deficiencies with prevailing theories that advocate macro-economic stimulus as the principle policy instrument available for creating new jobs. Applying conventional economic analysis, policies and public programs, the leading economies of the world have expended a few trillion dollars over the past year to offset the economic impact of financial collapse and stimulate employment generation through economic growth.

In spite of this unprecedented expenditure, today a record high 212 million people are without jobs globally, according to official ILO figures.[1] This figure grossly underestimate actual unemployment and underemployment worldwide, which leave more than three billion people living on incomes of less than $2.50 a day and unable to meet even their minimum economic needs. Even in economically advanced nations, huge numbers of people – most especially youth – are unable to find remunerative employment. According to one estimate, the actual level of unemployment and underemployment in the USA is approximately 17.5% of the work force, representing some 25 million people.[2] It may take 5 to 10 years before unemployment levels in the USA return to pre-crisis levels. Similar conditions persist in most OECD countries. Real unemployment rates in many countries are at least twice the official figures, which do not account for those who have given up seeking for work.

The financial crisis has aggravated the global employment problem, but the problem itself precedes and will persist long after the world economy recovers from the recent downturn. Even before the onset of the crisis, levels of unemployment were unconscionably high in many countries. In 2005, unemployment was 18% in Spain, Poland and East Germany, more than 15% in Croatia and Slovakia, and 30% to 95% throughout most of Africa. Especially troubling is the high youth unemployment rate, e.g. around 35% in Poland, Croatia and Slovakia, 30% in Italy and Greece, 20-25% in France and Spain. The reliance on massive public expenditure to stimulate job creation has not only proven inadequate, but also threatened the financial stability of countries such as Greece, Spain and Portugal who thought they could afford it.

In spite of these bleak figures, the presentations and discussions that have taken place during the GEC indicate that long term trends support the view that full employment is an achievable goal and that other strategies do exist that are capable of generating full employment nationally and globally.[3] In order to generate the confidence needed for widespread adoption, these alternative approaches require the support of theoretical backing and practical evidence. The purpose of this project is to identify and document alternative approaches backed by valid theory for achieving the goal of full employment.

This project lends itself for application in any country. In order to develop and initially test the approach, the project team proposes in collaboration with SEED to conduct a study of full employment potential in Croatia, a country with a relatively small population and a high level of unemployment.

II. Necessity of Full Employment

One of the central themes that emerged from the GEC is the necessity of recognizing employment as a fundamental human right and the responsibility of governments to take all possible steps to achieve and maintain full employment. The right to employment is supported both by idealistic as well as practical considerations.

In a world in which individual citizens are expected to provide for their own economic livelihood and that of their families, access to employment is an absolute necessity for physical survival and human welfare. Economy is a social organization created by human beings to meet human needs and human welfare. Any theory which purports to represent sound economics must provide a viable means for all members of society to acquire at least the minimum (why not the optimum?) level of purchasing power needed for survival, development and full enjoyment of their human potential. If economic systems based on current theory are unable to provide sufficient employment opportunities, it means either the prevailing theory or its application is deficient.

A few centuries ago that vast majority of the world's population lived on the land and eked out a subsistence level existence from their own physical labor. This is no longer the case. As Winston Nagan observed in his paper, society has become so structured and economy so specialized that today the vast majority of human beings are dependent on employment outside the home for their survival and welfare.[4] Government policies, laws and regulations permeate virtually every aspect of modern economic and social life, effectively determining what types of activity can and cannot be carried out and thereby directly or indirectly determining the number and type of employment opportunities available to the population. Principles of justice necessitate that a government which interferes with economic activity in order to protect the rights of some must ensure conditions that support the basic economic rights of all its citizens. Guaranteeing the right to employment is not only just and necessary; it is also the only effective way to ensure that employment opportunities are available to all citizens. A firm commitment of governments to uphold this right will generate the political will required to achieve it.

III. Project Scope

This project will seek to achieve the following objectives:

1. Assess the potential of each of the strategies described in Section V below for application by countries, regions, states, municipalities and other organizations, including an evaluation of cost, benefits, risks and requirements for implementing each strategy.

2. Identify examples of successful or best practices for each strategy wherever possible and evaluate existing data regarding their effectiveness.
3. Design pilot projects that can be applied at various scales to demonstrate the efficacy of each strategy under different conditions.
4. Provide justification for each strategy as part of a consistent theoretical framework.
5. This proposal envisions a pilot project in Croatia as the first phase.

IV. New Theoretical Perspectives

Identification of potential or proven employment generating strategies by itself may not be sufficient to bring about their rapid, widespread implementation around the world. Existing economic theory and conventional policy measures are deeply entrenched among academics and policy-makers. Therefore, it is necessary to re-examine the underlying theoretical framework that supports prevailing practices to show that it is both incomplete and insufficient to fully address the employment problem. In a report to the Club of Rome, Orio Giarini and Patrick Liedtke document the insufficiencies in current employment theory.[5] It is equally necessary to evolve a more comprehensive theoretical framework that reflects the true role of various parameters in the generation of new employment opportunities.

One basic limitation with existing theory is that it continues to be based on the nation-state as the unit for economy and employment generation at a time when employment markets are becoming increasingly regional and global in nature. The phenomenal four-fold multiplication of world trade since 1990 has largely internationalized the labor market for manufacturing jobs. The rapid development of the internet is having a similar impact on employment in IT, business outsourcing, financial services, publishing and many other fields. Increasing corporate mobility is moving jobs to underutilized, lower priced labor markets. Combined with regional integration and demographic changes arising from an aging population in Europe, as well as large scale migration of technically qualified manpower from developing countries, these factors are reducing the capacity of national level theory and policy to effectively deal with an increasingly globalized issue.

A still more fundamental deficiency with current theory arises from the fact that it views economy in isolation from the society of which it is a part. At any point in time society taps only a tiny portion of its creative potential. Society evolves by developing new ideas, organizations, systems, needs and ways of life. Economic growth arises as a natural result of social development and social evolution. Society is a field for interaction between people. Social potential is created by forging new and more effective ways for people to interact. Four social institutions – language, roads, cities and money – formed the basis for the evolution of civilization over thousands of years. Today our capacity for constructive interaction has multiplied a thousand-fold, yet we have only begun to understand how to utilize that greater potential.

The strategies discussed above barely scratch the surface of the potential, much of which is too intangible to quantify but nonetheless very real and powerful. Can we truly

assess the social potential created by the fact that 1.7 billion human beings are now connected over the Internet in a single social system that has the potential to deliver world-class education to everyone, or that 350 million of them participate in a single social networking system, Facebook? We need only imagine the constraints we would face if only 5 or 10% of humanity were accessible by roads, mail services or airlines. Imagine the difficulties we would encounter if the world today lacked English as a common language for communication or if it lacked a mechanism for converting money from one national currency into another. We have hardly begun to fathom the social potential generated by linking a very large portion of humanity to a single system for communication, commerce, education, employment, entertainment and other social interactions.[6]

A more comprehensive and integrated social theory of employment will provide the essential foundation for more comprehensive and effective practices. The project will examine existing perspectives and seek to evolve a more inclusive theoretical framework that more effectively harnesses unutilized social potential to fulfill unmet social needs.

V. Available Tools for Full Employment

The GEC has explored a number of promising alternative strategies that can be adopted individually or in combination to achieve full employment. This project will examine the most important of these strategies in order to evaluate and document their feasibility for application under a range of different economic conditions and develop a set of best practices applicable at different levels in different parts of the world.

1. Job Guarantee Programs

Job guarantee programs range from the temporary Jefes project operated by Argentina to India's National Rural Employment Guarantee Scheme which presently guarantees 100 days of employment per year to more than 45 million families. Randall Wray[7] and Rania Antonopolous[8] presented compelling evidence to show that government-sponsored employment guarantee programs of this type are a viable option for addressing unemployment in a wide range of developed and developing countries. Wray also observed that the social costs of high unemployment in terms of loss of human capital, poverty, social isolation, crime, regional deterioration, health issues, family breakdown, school dropouts, social, political and economic instability, violence, ethnic hostility, and even terrorism far outweigh the cost of public jobs programs capable of generating full employment.

2. Complementary Currencies

At the height of the Great Depression, an experimental currency introduced in the town of Woergl, Austria wiped out 30% local unemployment in a short time. Today more than 2500 complementary or local currencies are being utilized by communities, NGOs and corporates around the world to compensate for the inadequacies of national money systems, often with remarkable effectiveness. As we write a plethora of non-national money systems are also gaining currency on the Internet. Yet, mainstream economic

theory does not adequately account for the capacity of these supplementary systems to harness unutilized resources to provide for unmet social needs. Nor does it help us assess the ultimate potential for creating innovative monetary systems. Bernard Lietaer has described a variety of innovative currency programs that can be adopted by countries, states, regions, municipal governments, companies or NGOs to effectively supplement that role of national currencies.[9] The project will examine a range of these programs to identify those best suited for widespread implementation at different levels and under different economic conditions.

3. Technological Innovation

For the past two centuries, technology has been a principle engine for economic growth and job creation. Most of the jobs in today's economy are based on technologies that did not exist 50 years ago. A vast majority of them, such as those in information technology, communications, financial services, medicine, aerospace, and consumer electronics are based largely on technology developed in the past 10 to 20 years. R&D is essential for development of new technologies, but technology dissemination and adaptation are equally important for converting new technologies into real jobs. Countless technologies already exist that are either unknown or remain unexploited due to lack of public awareness, proven potential or entrepreneurial initiative. In a report for the Club of Rome, Gunter Pauli has documented 100 proven, ecologically sustainable technologies that have the potential for creating 100 million new jobs within the next 10 years.[10] The project will examine a broad range of commercially viable existing technologies that can be implemented under different conditions in different parts of the world.

4. Filling Skill Shortages

A shortage of skills is one of the principle reasons for high levels of unemployment. Numerous studies cited by Ashok Natarajan confirm that large scale unemployment co-exists along side high levels of unfilled jobs in both industrialized and developing countries.[11] An article in Wall Street Journal in 2007 revealed that there were 600,000 unfilled jobs in Germany, of which 40,000 were jobs for engineers and other skilled people. Another survey revealed that 80% of small firms in Germany find it very difficult to mobilize the skilled labor force that they require. Small manufacturers and building contractors in the USA are among those that report severe difficulty in recruiting skilled workers. A World Bank study of corporations in developing countries found that 50% of them suffered from a shortage of skilled workers. Even countries like India with enormous manpower and training infrastructure suffer from this problem. A mere 5% of India's workforce has received formal vocational training. Skills shortages prevail in a wide range of basic occupational categories such as plumbers, electricians, masons, carpenters, etc. Since in today's world economy jobs move to where skills are available, skill shortages in one place can often be exploited to create employment opportunities. The project will examine best practices and effective strategies for identifying and meeting skill shortages.

5. Organizational Innovation

Organization provides the structural foundation for all economic activity. Markets, money, and banking are organizational innovations that have revolutionized economy and society over the past few centuries. In the mid 1980s, the Government of India generated more than a million new jobs by introducing a simple organizational innovation to promote telephone booths as a self-employment program. A study conducted by The Mother's Service Society for the International Commission on Peace & Food in 1991 documented the potential for creating 100 million new employment opportunities in India within 10 years by adoption of modern agricultural technology combined with innovative production and marketing organizations.[12] The project will examine a range of organizational innovations that can be widely applied to create new employment and self-employment opportunities.

6. Internet-based Self-employment

The emergence of the Internet has opened up an entirely new field of employment and self-employment opportunities accessible by workers and deliverable to customers anywhere in the world. The internet combines technical innovation with organizational or social innovation. Though attention has focused on direct job creation by major corporations in the IT and business outsourcing industries, huge numbers of job opportunities are also being created for individuals in fields such as research, marketing, publishing, translation, education, business and other types of consulting, vocational training, website development and management, e-conferencing, e-commerce and other fields. Largely unknown to the public-at-large, the potential for Internet-based self-employment remains vastly underutilized. The project will examine and document a range of Internet-based self-employment opportunities with the potential for large scale job creation and formulate strategies for effective exploitation of this potential.

7. Entrepreneurship

In spite of the publicity given to the downsizing of many large corporations, the fact is that throughout the world, small and medium size businesses are the major source of new jobs. During the recent recession, total employment among Canada's small firms remained constant, whereas employment among large corporations declined 10%. In India, only about 5% of employment is in the private corporate sector. In the USA, small firms are responsible for 50% of all jobs and 64% of all new jobs created during the past 15 years, including 40% of high tech workers. That is why entrepreneurial and small business development programs and business incubators are so important.

While many countries encourage new business formation, far less attention is given to supporting small businesses after they have been established. Small businesses not only create the most new jobs, but they also destroy the most due to very high failure rates. The US economy creates about 600,000 new small firms each year, but it also loses almost an equal number due to closure and bankruptcy. Only 70% of new firms survive for two years or more and only 51% survive for five years. Many of these firms are started by individuals with little or no managerial training or experience. Unlike

countries such as Netherlands, which require entrepreneurs to undergo formal training before starting a business, many small business owners in USA cannot even read a profit and loss statement. Similar conditions exist in developing countries such as India where new business failure rates are extremely high due to lack of entrepreneurial training. Organized training and counseling for such businessmen can considerably reduce business failures and losses. The project will document a set of global best practices international for the development of new businesses and prevention of business failures.

8. Comprehensive Strategies

Any of the seven strategies listed above may be sufficient to dramatically reduce unemployment without reliance on the huge levels of government spending required by traditional macro-economic stimulus packages. Yet individual countries may find a combination of strategies the fastest, most cost effective way to achieve full employment. Therefore the project will also formulate a comprehensive list of best practices that can be implemented individually or in combination by countries at different levels of development.

VI. WAAS Program Evaluation

1. Program Framework

This proposal qualifies under multiple categories of the Program Framework proposed by the SPC in their second report to the Board.

Category	Thrust Area	Global Employment
Reliable Knowledge		√
Global Governance	**Effective Democracy**	√
	Global Security	
	Sustainable Ecology	
Social Development	**Educational Advancement**	√
	Equitable Prosperity	√
	Cultural Enrichment	

2. Project Checklist

This proposal meets all 10 of the WAAS program features

a. Multi- or trans-disciplinarity – The project spans the disciplines economics and development, political science and international affairs, law and human rights, sociology, business management, industrial technology and ecology.

b. Social Relevance to a significant issue – The issue is of paramount importance to virtually every country in the world.

c. Global Reach – The project has relevance to all regions and countries.

d. Local Relevance – The project is relevant to cities and local communities as well as states, regions and nations.

e. Catalytic Impact -- The practical and theoretical relevance of this topic has the potential to generate significant attention and action from the world community.

f. Uniqueness of perspective or contribution -- The project is original in scope and perspective and leverages the cross-disciplinary characteristics of the Academy's membership and interests to address a crucial and pressing issue.

g. Commitment – The participation of 20 fellows of the Academy in the GEC indicates a significant level of interest, involvement and commitment. A core team of fellows is already committed to undertake the project.

h. Collaboration with other organizations – The project envisions collaboration involving Fellows, non-fellows, other academies, research institutes and organizations from different fields and in many countries.

i. Visibility of Academy – By inviting collaboration and participation from non-Fellow experts, other organizations, universities and perhaps even students, the Academy can significantly increase its public visibility.

j. Financial feasibility – The project can be scaled to accommodate various levels of financial support.

VII. Expertise Required

1. Theoretical and practical experience analyzing and implementing each of the strategy areas listed in Section V above.
2. Knowledge and access to information on local conditions pertaining in the countries to be studied.

VIII. Project Methodology

1. Identify local partners and sources of data
2. Analyze the factors determining the level of unemployment
3. Assess the scope for generating new jobs through each of the eight strategies listed in Section V above.
4. Work with local partners to assess the feasibility and cost of implementing each strategy.
5. Develop an implementation plan and impact statement.
6. Conduct a regional conference to present the strategy, build public awareness and support for implementation, and project the potential relevance to other countries in the region.

IX. Timeframe

1.	Begin Croatia pilot project	September 2010
2.	Conduct regional conference	January 2011
3.	Submit final report on Croatia	March 2011
4.	Extend to other countries in the region or other regions	June 2011
5.	Publish report on strategies for full employment	December 2012

X. Outputs

1. Report on national level strategy for Croatia
2. Regional conference on strategies for full employment
3. Report on strategies for full employment applicable to other countries (scope will depend on the countries involved in the actual studies)

XI. Croatia Pilot Project

1. Croatia is a nation with a population of 4.5 million, but it has one of the highest unemployment rates in Europe at around 18.4% as of March 2010.[13] It's employment rates among persons 15 to 65 years of age is one of the lowest in Europe: 57.8% in 2008 compared to 65.9% for the EU27.[14] In addition, Croatia has a very high youth unemployment rate (28.3%) compared to 20.5% for the EU27.[15] It shares many of the characteristics of East European nations in the process of transition to stable market economies.

2. For all these reasons, Croatia is an excellent location for a pilot study to apply the comprehensive approach to full employment outlined in this proposal. In addition, it is the headquarters of the Academy's South East European Division and its current President is a Fellow of the Academy.

3. The Project Team proposes to collaborate with SEED for a pilot study in Croatia, a country with a small population and very high level of unemployment with characteristics similar to those of other East European nations.

4. SEED will explore the potential for collaboration with local NGO, commercial and governmental organizations.

5. Some local funding may be available from the Croatian Chamber of Economy.

XII. Project Team

Program initiators:

- Orio Giarini
- Garry Jacobs
- Bernard Lietaer
- Ivo Slaus

Other prospective team members:

- Rania Antonopoulos, Director of the 'Gender Equality and the Economy' program at the Levy Economics Institute of Bard College (USA)
- Jesus Felipe, Principal Economist, Head of the Strategic Research Unit, and Director of the Central Asia Regional Economic Cooperation (CAREC) Institute, in the Central and West Asia Department of the Asian Development Bank
- Jacky Foo, WAAS Fellow
- Ashok Natarajan, WAAS Fellow
- Winston Nagan, WAAS Fellow
- Gunter Pauli, WAAS Fellow
- Guy Stephens, WAAS Fellow
- Randall Wray, Research Director of the Center for Full Employment and Price Stability at the University of Missouri–Kansas City and Senior Scholar at the Levy Economics Institute of Bard College in New York

XIII. Collaboration

The project may involve collaboration with a number of organizations actively involved in addressing similar issues in various parts of the world, including

- Center for Full Employment & Price Stability at the University of Missouri–Kansas City (USA)
- Levy Economics Institute of Bard College (USA)
- Strohalm Foundation (Netherlands)
- The Mother's Service Society (India)

XIV. Budget

The cost to conduct a pilot study and hold conference in Croatia will be $25,000.

The overall cost of the project will depend very much on the country or countries selected, the scope for collaboration with other organizations, and the level of detail in which recommendations are developed.

The budget for a larger multi-year project needs to be developed in collaboration with the Program Committee and the Finance Committee once an in principle approval is received.

ENDNOTES

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