



Resumen 074

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# Beyond Job Guarantee: the Employer of Last Resort Scheme as a tool to promote the Environmental Transformation

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## Información

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### Palabras clave:

Stock-Flow Consistent Models, Job Guarantee Plan, Structural Change, Energy.

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### Clasificación JEL:

B52, J68, Q43

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## Resumen:

The current health and economic crisis has revived the debate on fiscal policy as a major tool for stabilization and long-term goals. The massive surge in unemployment, due to the economic disruption of the lockdown measures, has increased the interest on policies that target employment directly instead of trying to achieve it via a general “demand push”. One of the proposals currently under debate is the Job Guarantee. Under such a policy the government should act as an ‘Employer of Last Resort’, by offering a job to everyone that is able and wants to work and cannot find a job in the private sector. The wage paid in these programs should become the minimum wage in the labour market. Over the years, this policy proposal has received a number of criticism, in particular on i) the impact on both the government budget and debt ii) the prevailing full-employment equilibrium wage rate once the program is implemented and iii) the implication on the external balances (current and trade account), especially when this policy is implemented in a small, open economy. It is our belief that such criticism can be properly addressed without “throwing the baby out with the bathwater”, that is, rejecting the validity of the ELR as a tool to fight poverty, social exclusion and income inequality. As a matter of fact, we argue that a careful design of a scheme of direct employment and public provision by the state – tackling both low and high skilled workforce – can have permanent effects and promote the structural transformation of the economy, thus helping to overcome i), ii) and iii). Starting from this point we develop a StockFlow Consistent model to study the long run effect of the implementation of a job guarantee program inspired by the work of Godin (2013) and Sawyer and Passarella (2019).

## BIBLIOGRAPHY

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