

Global Employment Challenge¹

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Today's youth are apprehensive of growing competition from abroad for scarce job opportunities in an increasingly globalised labour market, resulting in rising levels of unemployment and progressive deterioration of social support systems. The swelling ranks of elderly and retired workers worry that their savings and pension funds will be inadequate to support current life styles during the prolonged period of retirement. Falling birth rates, increasing longevity and the end of the baby-boom have resulted in a smaller working population in OECD countries to generate tax revenues to support retirement and social security funds. In addition, rising levels of unemployment aggravate the problem of funding pensions and balancing government budgets. Governments are increasingly unable to finance welfare systems, because fewer employed workers are contributing tax revenues to support the growing numbers of the working age unemployed and expanding population of the elderly. Thus, generating employment for youth today is essential for financing retirement of a growing elderly population.

These trends appear to signal the approaching limits to prosperity, an end to the better future that successive generations have inherited for the last half century. In truth, they signal only the limits of current concepts, priorities and policies. It is not the potential for job creation, economic growth and prosperity that have been exhausted, but rather the potential of outdated values, theories and strategies. For decades economic growth has been regarded as the remedy for all social ills. More recently, reliance has progressively shifted from the performance of the economy to the performance of financial markets. Many contemporary economic thinkers would have us believe that this is a natural, indeed inevitable, consequence of increasing technological development, globalisation and efficient markets. In fact, the process is neither natural nor inevitable. It is rather the inevitable product of increasingly fragmented concepts and policies.

Right to employment

The recent financial crisis and its economic repercussions point to the need for a reconsideration of fundamental economic goals and objectives. Prevailing policies are the result of a divorce between employment, economy, finance and society. We have lost sight of the fundamental aim of the economy, which is human welfare not growth for growth's sake, and the essential linkage between employment and social welfare, so evident to economic reformers from the time of Adam Smith to the Great Depression and up to the end of the Second World War. Employment and the purchasing power it generates form the bedrock of national prosperity, the principal source of economic security for the individual and the spur for economic growth of the collective. Failure to ensure employment opportunities

¹ Based on a paper presented at the International Conference on Concerted Strategies for International Development in the 21st Century organised by the Club of Rome in Bern, Switzerland, on 17-18 November 2010 and published in *Cadmus Journal* (April 2011), 1(2) p. 60. Available at <http://www.cadmusjournal.org/article/v1i2april2011-global-prospects-full-employment>.

for all job-seekers saps vitality from the core of any economic system and undermines the other pillars on which it is based. Recognition of this simple truth was the philosophy that underlay America's New Deal and the post-war boom in Europe.

Two centuries ago, Adam Smith identified the proportion of the population employed and the skills of the workforce as the primary determinants of the wealth of nations. In other words, economic growth and growth of employment opportunities went hand in hand. But in the post-industrial economy, technology can be applied to multiply production and stimulate economic growth with little or no increase in human labour. This compels society to find ways to redistribute the privileges, benefits and social security associated with employment to cover all its members.

In recent decades, the problem has been aggravated by the growing divorce of financial markets from the underlying economies they are intended to support, the preoccupation with corporate profits at the expense of household incomes and rising levels of income inequality. Finance is a subset of economy as economy is a subset of society. Fragmented thinking results in policies that support the part at the expense of the whole. The insurance and pension industries depend for their vitality on the vitality of the underlying economy, which means on the increasing prosperity of the average citizen. A system that encourages and rewards speculative investment, while taxing employment, is squandering its own future for the sake of nominal present gains. A system which measures results in terms of total economic growth, disregarding the increasing concentration of wealth in the hands of a smaller and smaller portion of the population is destined for eventual bankruptcy.

Employment and equitable income distribution are not merely necessary inputs for economic growth; they need to be recognised as essential conditions and fundamental rights—the economic equivalent of the right to vote in democracy. In a market economy, they are the essential means for providing each individual and family with the purchasing power required for their own livelihood and to generate the demand needed to support rising production and income levels for others. Policies designed to manage fiscal deficits and inflation rates to maintain the confidence of bond holders and investors can never successfully replace or supplant the primacy of policies that ensure expanding job opportunities for all that seek them.

Employment and social stability

Any system that ignores the centrality of remunerative employment opportunities undermines not only the prospects for its youth and the security of its elderly, but also the very basis for its own future viability. Youth unemployment is of particular concern. Not only does it mar the prospects of the next generation; high levels of youth unemployment are also associated with rising levels of social unrest and violence. The youth unemployment rate was 28 per cent in Greece when the first public demonstrations, strikes and protests broke out in 2007. At the end of 2010, the youth unemployment rate in the EU-27 was 21 per cent, reaching a high of 43 per cent in Spain.

The quest for financial and fiscal stability distracts our attention from a much more serious challenge to the stability of society itself. The recent democratic revolution in the Middle East was driven by growing numbers of unemployed youth. Prior to the recent February 2011 protests that toppled President Mubarak, Egypt's GDP had been growing rapidly but too few jobs were created to absorb the educated unemployed. The unemployed, not fundamentalist theology, is the main source of other violent social movements in Asia and Africa, such as the growing Naxalite menace spreading through rural India at a time of unprecedented prosperity. That is the unspoken rationale for India's national rural employment programme, which guarantees a minimum of 100 days of gainful employment to 50 million rural households. While social safety nets in industrialised nations have tempered the frustration and contained the instability to a large extent, younger generations denied the opportunities available to their predecessors will not long remain passive victims. The long-term viability of both economy and society necessitates that we recognise employment as a fundamental human right.

Newtonian economics

So far has economic theory become divorced from social realities that many contemporary theorists would have us believe that these are fanciful or utopian ideals that fly in the face of global evolutionary

trends. They argue that the limit to jobs is as real and finite as the limits imposed on the availability of non-renewable resources, something we must simply accept and learn to live with—or rather without. These conclusions arise from the misguided notion that economics are governed by immutable, universal laws and that we must necessarily accept the consequences of the natural evolution of markets.

A reconsideration of first principles belies this view. In *The Employment Dilemma and The Future of Work*, Orio Giarini and Patrick M. Liedtke challenged the classical view of economics, rejecting a “system of models in the deterministic tradition of Newton’s world as an autonomous, closed, self-regulating universe, running according to predetermined laws, culminating in a static equilibrium.”² Economic systems are determined by human beings. They are the product of our aspirations, values, perceptions, and attitudes, and the social organisations we create to realise them. They are the result of human choices made in the past, choices that can be altered at any time.

Temporary constraints apart, is there really any limit to the potential for job creation? The historical record rejects such a notion. The past six decades have been a period of unprecedented population growth, technological advancement, worker productivity and globalisation—trends which apparently make it increasingly difficult to generate full employment. Yet the growth of global employment has actually outpaced that of rapid population growth since 1950; employment expanded 175 per cent, while population rose 164 per cent. Even in countries such as India, whose labour force is the fastest growing in the world—its working age population is projected to rise by 135 million people by 2020—most regions are experiencing an increasing shortage of workers and most employers struggle to recruit both the skilled and unskilled workers they need to sustain growth. Only a small proportion of these jobs are being created by export-oriented or outsourcing industries. The vast majority are the result of rising levels of domestic demand. India’s economy may be growing faster than that of many other nations, but the underlying principle is still valid. The global shortage of employment opportunities is strictly man-made, not the result of any natural limits.

Paradox of unmet needs and underutilised resources

Common sense tells us that both human needs and human capacities are essentially without limit. Indeed, these processes are self-augmenting. The more we develop and draw upon our capacities, the more they grow. The more we satisfy basic human needs, the greater the search for high levels of comfort, convenience, security, status, knowledge and enjoyment. While material resources are apparently limited, there is no such limitation to the development of human and social resources. The creative capacity of human beings for discovery, invention, innovation, organisation, knowledge and skill is infinite.

Economic policy fails in its efforts to reduce unemployment, because it views employment and economy in isolation from the wider society of which they are a part. Modern society faces an apparently inexplicable paradox of its own making. On the one hand, the world is more productive than ever before. On the other, we find that society is increasingly unable to engage and utilise the most precious and perishable of all resources—the human resource. On the one hand, there are approximately three billion people living on less than US\$2.50 a day with a plethora of unmet needs—a seemingly insatiable appetite for food, clothing and housing, higher levels and quality of education, improved health care, faster and more accessible transportation and communication, greater entertainment and leisure activity. On the other, hundreds of millions of capable willing workers are without employment and a billion or more are grossly unemployed. In addition, US\$4-5 trillion in financial assets circle the globe every day searching for higher speculative returns, largely unrelated to meeting real human needs. Our inability to generate sufficient employment opportunities for aspiring youth and experienced elderly workers is the result of institutional and policy failures, not inflexible economic laws.

Education and skills deficit

One significant contributing factor is the growing gap between the educational and skill levels required by an increasingly sophisticated technology and the actual capabilities of today’s working age population.

² Orio Giarini and Patrick M. Liedtke (1997) *The Employment Dilemma: The Future of Work*- Report to the Club of Rome, p. 60. Available at http://genevaassociation.org/PDF/BookandMonographs/The_Employment_Dilemma_2006.pdf.

The rate of technological and social development is far outpacing the rate of development of human and social capital resources. While educational levels are rising everywhere, demand for more education is growing even faster.

The importance of education is clearly reflected in the link between levels of education and unemployment rates. A study prior to the recent recession in the U.S. revealed that those with a high school diploma earned 42 per cent more and had an unemployment rate 36 per cent less than those without a high school diploma.³ In the Czech Republic, 23 per cent of people who failed to finish secondary school are unemployed, compared to just 2 per cent of university graduates.⁴ This same difference exists with respect to unemployment levels for skilled and unskilled workers. In the U.S. those aged 19 and under have an unemployment level that is four times higher than those aged 25 and above who took the time and effort to improve their skills by training. The employment rate for people with low skills is only 49 per cent in Europe, compared to 83 per cent for those with high levels of skill.

At the other end of the age spectrum, the present conception of employment and retirement overlooks the immense value of human capacities—human capital—wasted when people are prematurely retired long before the end of their productive lifespan. Unlike machines which deteriorate with age, human beings learn and mature over time, and often make their greatest contributions late in life, when accumulated experience has distilled into wisdom. Moreover, in a world in which the majority of children are still denied access to quality education and so many other human needs are left unmet, it is unwise and wasteful to neglect or prematurely discard this precious resource. Currently employment starts after the completion of education and is terminated abruptly with retirement around age 65. Extension of the working age by gradually declining levels of part-time work is an important dimension of the overall solution. Fuller utilisation of our most experienced human resources necessitates a very different structure, which might include the commencement of work experience at an earlier age before the completion of education and extend the working life much longer, with a gradual reduction in working hours according to economic need, health and personal choice.⁵

Conclusion

Rationality necessitates that we examine whether the underlying premises and values of contemporary economy are justifiable in terms of the overall goals and objectives of human development. We are compelled to consider whether a society that meets the needs of only some of its people and does so in such an inequitable manner is anything other than a technologically sophisticated version of the law of the jungle. If civilisation can lay claim to anything more than the most primitive achievements of Nature, it is that civilised society in the modern era purports to be governed by human rights and values, not merely natural ability, power and expediency. The real issue is not whether the policies of the current market-based system result in the most stable and prosperous economy, but whether they issue from the intention to uphold the welfare and well-being of all human beings. Anything less does not deserve the name of knowledge or science and would be unacceptable even were it remarkably successful. The fact that it is increasingly fraught with problems is a saving grace that urges us to reformulate economics as a truly human science. The economic limitations we face today result from limited values that seek to maximise the advantage of some, rather than the well-being of all. Both idealism and pragmatism demand that economic theory and policy be reformulated based on the primacy of human rights and the welfare of all citizens.

The insurance and pension industries are the commercial sectors most closely allied to the welfare of society as a whole and have an important role to play in educating public opinion and public policy as to the necessity and benefits of a fundamental reorientation of both theory and practice.

³ United States Department of Labor, Education Pays (2011) Bureau of Labor Statistics. Available at <http://www.bls.gov/>.

⁴ OECD (2004) Unemployment rates and educational attainment, Table A8.2b. http://www.oecd-ilibrary.org/education/education-at-a-glance-2008/unemployment-rates-and-educational-attainment-2006-number-of-25-to-64-year-olds-in-unemployment-as-a-percentage-of-the-labour-force-aged-25-to-64-by-level-of-education-attained_eag-2008-tablea8_2b-en. And OECD (2006) Education at a glance, <http://statlinks.oecdcode.org/>.

⁵ Ivo Šlaus and Garry Jacobs (2011) Human Capital and Sustainability, 3(1): pp. 97-154, Available at <http://www.mdpi.com/2071-1050/3/1/97/>.

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