

European Job Guarantee: Targeting the triple crises facing post-COVID Europe

Policy working paper

October 2020¹

Authors:

Jan J. Zygmuntowski²

Kirył Zach³

Krzysztof Hejduk⁴

Prepared for: *Europe, a Patient* initiative

Table of contents:

Summary	2
The triple crisis of unemployment, public health and environmental collapse	4
Macroeconomic potential of Job Guarantee	5
Empirical examples - case studies	9
Legal basis and financing options for EU Job Guarantee	12
Designing EU Job Guarantee for regions in transition	14
High quality job creation through integrated industrial policy	18
Pilot programme for regions in transition	20
Conclusions	22

¹ First revision: 8.11.2021

² Kozminski University, Polish Network of Economy

³ University of Cambridge, PhD Researcher

⁴ Warsaw School of Economics, student

Summary

The EU in 2020 is in the midst of a triple crisis of unemployment, public health and environmental collapse. These aspects are deeply intertwined and should be tackled together, since they all reflect structural problems of the European labor market.

Job Guarantee is the proposed fiscal tool for ensuring a healthy economy. There is also a growing body of empirical evidence that labor market policies targeting unemployment have considerable positive impact, beyond direct social aid. Both theoretical and empirical studies show that Job Guarantee has several features building economic resilience:

- Employer of last resort - solving unemployment;
- Counter-cyclical impact;
- Maintaining price stability;
- Setting minimum wage floor;
- High self-targeting - low administrative costs;
- Developmental instrument preventing loss of skilled workforce;
- Facilitating structural transition.

Based on the experiences of several comprehensive programmes, namely US Work Progress Administration, Argentinian *Plan Jefes*, London Olympic Games and the Olympic Delivery Authority, and finally British Coal Enterprise we suggest creation of a European Job Guarantee (EU JG) as a policy tool for post-pandemic recovery. **EU JG would be a programme of publicly funded, high work standard employment of last resort, based on local economic needs (including industrial transition).**

It would be founded on the following principles:

1. **Determining a targeted number of jobs, but allowing flexibility for expansion;**
2. **Set results-based contractor organisation earnings;**
3. **Pay more than current minimum wage;**
4. **Implement employee guarantee packages for job transition;**
5. **Prioritize public, third sector and cooperative jobs;**
6. **Provide high work standards and worker participation;**
7. **Plan in the long-term to match industrial strategies.**

Pilot projects should be set up in order to test the programme. The proposed regions are the decarbonising regions in transition, i.e. targeted by the Just Transition Platform, and identified in the approved territorial just transition plans. We analyse the possibilities for job creation and suggest an outline of the pilot programme.

The scheme of the programme should be such that local governments, in cooperation with NGOs and citizens, determine where jobs are needed, and propose the creation of new public companies and cooperatives. The currently existing labor offices may play an important role in this system, using the information they have on the employment structure. Employees hired by local public, third sector or cooperatives take up work, and the state provides adequate financing based on the figures from a given municipality.

EU Job Guarantee will work only if it is perceived as empowering for a community which is at the same time plagued by the triple crises facing European society. Ensuring multi-stakeholder collaboration and worker participation is essential for European Union to thrive in those times of social and environmental regeneration.

The triple crisis of unemployment, public health and environmental collapse

COVID-19 pandemic has exposed substantial risks for the stability and cohesion of the European Union at its very foundations, including the cornerstone principles of solidarity and integration. Individual Member States differ largely in their capacity to protect their societies and economies from the health risks of the pandemic. This is due to many factors, including differing income levels, fiscal positions and capacity to attract and/or retain professional staff. Since healthcare is a labor-intensive sector, it relies largely on care and trust in both medical (doctors, nurses) and non-medical (technical, support, sanitary workers) personnel. Therefore, the current public health crisis is deepened by the lack of workers in countries that are unable to compete with growing public sector wages. These include Poland, Romania, but also Italy (in terms of nurses) or France (in terms of doctors).

The response to the epidemic is thus a labor market issue; improving the quality of employment in the health sector can save European lives.

However, even compared to the pandemic, the climate crisis remains the biggest challenge facing humanity. According to the Intergovernmental Panel on Climate Change, the world must transition towards carbon neutrality by 2050 to avoid fatal consequences. The European Green Deal was proposed to counter the environmental blight brought about by the current model of industrial production and to facilitate investment within the single market. Though, transitioning the European energy system towards carbon neutrality will require thousands of workers to change occupation and re-skill. The Green Deal already incorporates the concept of a Just Transition which means realigning energy transformation with the social needs and changes in the labor market.

European Green Deal is thus a labor market issue: reskilling and creating new quality jobs can save the environment.

Structural inefficiencies of the regulatory regime protecting society from negative consequences of the markets could already be observed in face of the 2008 financial crisis and later the eurozone crisis. The most dire consequences of crises usually impact young and low-skilled workers, facing unemployment or worse labor conditions. In the aftermath of COVID-19, youth unemployment skyrocketed, reaching over 40% in Spain, over 30% in Greece and passing 20% in countries as diverse as Sweden, Italy, Luxembourg, Portugal, Croatia and France, in June 2020.

Future of the European youth is thus a labor market issue: protecting employment is a priority during the crisis.

A survey conducted in March 2020 by Oxford University clearly shows that young Europeans prioritize climate protection and good, stable employment. Yet, this is not reflected in the key strategies of the EU itself. To rebuild trust and avoid an economical and humanitarian crisis that would jeopardise both the European Green Deal and the European project as such – the citizens of Europe need direct support from the EU.

The EU in 2020 is in the midst of a triple crisis of unemployment, public health and environmental collapse. These aspects are deeply intertwined and should be tackled together, since they all reflect structural problems of the European labor market. An EU Job Guarantee might not be a silver bullet, yet it is the only instrument which addresses all three crises simultaneously, while boosting the economy.

Macroeconomic potential of Job Guarantee

Job Guarantee is well rooted in economic theory. There is also a growing body of empirical evidence that labor market policies targeting unemployment have considerable positive impact, beyond direct social aid (Tcherneva, 2020). Indeed, the qualities of the Job Guarantee make it a useful fiscal tool for ensuring a healthy economy.

Employer of last resort - solving unemployment

Just as the public sector serves as a 'lender of last resort' for the banking system, preventing it from collapse in times of high uncertainty, the state can act as the 'employer of last resort', preventing long-lasting unemployment, underemployment and permanent fall of the employment rate. First scholars studying economic crises and unemployment, such as John M. Keynes and Michał Kalecki saw unemployment as a constant feature since the private sector acts conservatively and stops investing in the face of economic downturn, waiting for a better business situation. The policy objective of a Job Guarantee is therefore to employ those out of work before they become permanently inactive. This problem is all the more urgent as the actual unemployment is significantly higher than the official statistics indicate. Data from the USA show a large scale of flows between the unemployed and those not in the labor force (in both directions). Furthermore, among those finding employment there are more people who in the previous month were not in the labor force, than those who were officially unemployed (Wray et al., 2018). As achieving full employment by standard policies tend to generate inflation and financial instability "a suggestion of real merit is that the government become an employer of last resort". (Minsky, 2013).

Counter-cyclical impact

Job Guarantee is not only a recovery policy. During the downturn it acts as an immediate automatic stabiliser, smoothening the business cycle. In such a situation, the programme absorbs employees dismissed by private companies, which allows to maintain aggregate demand and positively influences GDP growth. Whereas during an economic boom, investment and employment in the private sector increase, which lowers the cost and the fiscal stimulus effect of the Job Guarantee programmes. The counter-cyclical trait of such flexible changes in the spending size plays a crucial role in preventing the transfer of shocks to the private sector, while allowing to maintain stable levels of incomes of employees

and, thus, local demand. Such a programme not only protects employees, but also positively influences the entire economy and facilitates the functioning of enterprises. Therefore, Job Guarantee reduces the huge economic and social toll of each crisis which we now observe with almost decennial regularity.

Maintaining price stability

Job Guarantee model allows to control price stability by using an income policy. Buffer employment ratio (BER, the ratio of JG employment to total employment) disciplines the wage-price pressures the same way as the unemployment buffer stock used in the standard approach. The main difference is that under the proposed programme, stabilizing the price level is done not at the expense of people losing their jobs, but by increasing participation in the programme. Apart from social welfare considerations “it is the only rational strategy for a government that supplies a fiat currency and wishes to maximize macro benefits and retain price stability (...) The policy generates inflation stability because the suppression of non-buffer sector output asserts the numeraire price – the BSE wage [Buffer Stock Employment, one of model’s names]” (Mitchell, 1998). The relationship between unemployment and inflation is the subject of ongoing academic debate, but the model that is still most commonly used in practice is the heavily-criticised NAIRU (Non-Accelerating Inflation Rate of Unemployment). The introduction of an Job Guarantee scheme would allow for a smooth transition to inflation control utilising a labor market mechanism as well, except that these people would not be effectively unemployed, but would constitute a "buffer" of employment. The ‘reserve army’ thus remains, yet changes status to employed. Controlling inflation in this model (NAIBER) is in some respects even easier - apart from the automatic mechanism of employment migration between the programme and broader economy, it is possible by manipulating the wages paid under the programme.

Setting effective minimum wage floor

It can be argued that the Job Guarantee effectively sets the wage floor, as anyone with a worse remuneration would switch to the programme, thereby introducing a non-bureaucratic minimum wage. Instead of setting penalties for employers hiring below minimum wage, a mechanism of competitive employment is created. Such a programme improves working conditions in the private sector since employees enjoy the possibility of moving into job posts administered within the programme. In the end, private employers would need to offer: wage, benefit package and working conditions at least as good as those offered by the programme. The informal sector (so-called “grey zone”) would shrink over time as workers were integrated into formal employment, gaining access to protection provided by labor laws

(Wray, 2012). Adoption of such a programme would also allow elimination of many existing welfare payments, as there will be virtually no unemployment (apart from frictional one). In a world where wages have disconnected from productivity gains, falling from almost 70% share of GDP to slightly over 50% in most EU countries, finding new tools to increase wages of the working class - and especially low-skilled or youth workers - is key to building decent work conditions and re-establishing a thriving middle class. Additionally, such a process provides pressure on the enterprises to innovate through increasing the capital productivity, rather than looking for cost-savings by slashing wages. It is possible by increasing government spending as government deficit is an increase in savings of the private sector – “whenever government engages in deficit spending, the private sector’s aggregate holding of net financial assets, $H(nfa)$, must be increased (...). Should the private sector wish to increase its aggregate $H(nfa)$, it can be satisfied only by an increase in government deficit spending” (Mosler, 1998). With a correct wage negotiation arrangement Job Guarantee could be a critical venue through which wage growth could once again match the productivity growth.

“The pool [of workers] acts like a “reserve army” of the employed, dampening wage pressures as private employment grows. In recession, workers downsized by private employers can work at the JG/ELR wage, which puts a floor on how low wages and income can fall” (Wray, 2012).

High self-targeting - low administrative costs

Having a high level of self-targeting, such a programme allows minorities and excluded groups to reach out and actively seek alternatives, thus reducing reliance on informal, mostly unprotected employment relationships in the black market. The programme should have a positive impact on the situation of women in the labor market, reducing the wage gap and improving the situation in terms of economic activity among women - their smaller share in the labor force is still visible. Reduction of discrimination will take place as full employment is known to be a useful tool in the fight for equality (Darity, 1999). Such a programme also reduces administrative costs of finding out who needs help and targeting them with the tool, helping to eliminate involuntary unemployment among those who experience the greatest barriers to obtaining full-time work (Wray et al., 2018). Finally, Job Guarantee is not charitable aid, thus dignifying and empowering individuals to regain stability as a productive member of the community. This is especially important as the existing social assistance programmes for the unemployed have a negative impact on their morale and are associated with social ostracism, and the long-term lack of work

prevents further professional activation. Together with a positive impact on people who would otherwise be subjected to constant pressure related to the lack of work, the skills acquired by them during work can be used in later work on the labor market, thus increasing productivity of the entire economy.

Developmental instrument to preventing loss of skilled workforce

Modern economy provides new paths for economic development such as the mission-oriented approach proposed by prof. Mariana Mazzucato and widely adopted within the context of European innovation policy. The approach assumes that the state should not shy away from 'picking winners' and playing an active role in the economy. This could and indeed should include creating good quality jobs, in particular in disadvantaged regions which often lack tools to compete with affluent regions in terms of high remuneration and job stability. By creating jobs where there are people willing to work and where the scale of the problem is greatest, the programme will deliver economic boost in communities where it is needed most. An important role could be played by local governments, responsible for direct job creation in the field of municipal and environmental services, as well as simple technical and renovation works. By making decisions at the local level, it would be possible to use the programme work effectively and thoughtfully. Thus, directing funds to people who are currently unemployed would not only improve their standard of living - their work would, after all, serve a public purpose. Within that context, the Job Guarantee becomes a structural development instrument, boosting employment and facilitating mission-driven growth.

Facilitating structural transition

Many regions that face challenges of transition - especially those reliant on fossil fuel extraction or power plants for employment - could face the threat of dramatic economic and social collapse. The need for rapid transition away from fossil fuels to combat the climate crisis may mean that the most pollutive sectors will face decline more drastic than industries in places like former industrial heartlands of Detroit in the US or Sheffield in the UK due to deindustrialisation in the 1980s. In the absence of significant, targeted investment in job creation any such place can face structural collapse of the labour market, where long-term recession can be accompanied by especially insidious long-term unemployment. Historical cases show that there are cumulative and pervasive negative effects on the labour - especially loss of skill, human and, eventually, social capital, deterioration in infrastructure, further lowering local demand and scaring away private investment. Which in the end is not only unproductive and tragic for the community

but also increasingly costly to maintain, with increasing need to supply social support schemes like unemployment benefits, but also health provision and policing expenses in depressed areas. Job guarantee is one of the most powerful tools to avert such a scenario. For one, it keeps workers professionally active, empowering them and aiding in changing the very structures that produce poverty (Tcherneva, . Also, more importantly, in the presence of appropriate sectoral strategy they will be able to upskill into more dynamic sectors, with high-quality jobs.

Empirical examples - case studies

The Job Guarantee programme can be a response to many problems on the labor market, but its launch and operation should be preceded by an analysis of existing solutions. The purpose of this chapter is to draw attention to the tools used so far that are in line with the programme assumptions, and to indicate which elements of the implemented solutions can be used under the Job Guarantee, and which, on the contrary, were carried out incorrectly or were based on different assumptions from the very beginning.

US infrastructure and Work Progress Administration

The rapid creation of the most fundamental infrastructure in the US that serves to this day – from schools, hospitals and bridges to post offices and museums – was possible thanks to the 1930s' Work Progress Administration. It was a Job Guarantee programme relieving unemployment in the times of Great Depression, hiring people of all trades and putting them to labor, sometimes even seemingly unproductive. In the few years that it existed, WPA managed to establish forty thousand new buildings and refurbish another eighty-five thousand. Additionally, WPA has provided favourable conditions for development of theatre, art and music programmes that allowed American culture to blossom and later expand globally. Overall, the agency helped 8.5 million people in times of economic downfall and war. It is actually believed now, as i.a. Noah Smith from Bloomberg often demonstrates through data, that a Job Guarantee programme of this sort should be launched again, since the bulk of crumbling US infrastructure was built under WPA, the last programme of such a scale.

Argentinian Plan Jefes

Pope Francis' unequivocal support for a 'universal basic wage' which acknowledges 'the noble, essential tasks' comes from his grassroots work in Argentina with the Cartoneros, who were employed by *Plan Jefes*. The policy has been studied thoroughly by Pavlina R. Tcherneva (2005; 2012; 2020), and it offers one of the most striking modern-day empirical examples of a successful Job Guarantee programme. The situation in Argentina before the programme started was very difficult. After the decade of the currency board, there was „a 25% decline in average nominal income per household, a 48% reduction in the real income (measured by the ratio between nominal income and the poverty line), a rise in the Gini coefficient, three times more poor households, and lower elasticity of distribution and income to poverty” (Kostzer 2008). When the unemployment peaked at 25% in May 2002, the Argentinian government stepped in and directly financed jobs, while collaboratively governing the programme with local governments and NGOs. In the extensive employment programme the state functioned as employer of last resort. The scale of the action was sufficiently large - the financing of the programme amounted to approximately 5% of the total state budget and covered 16% of households, reaching even 40% in some provinces. Unemployment fell shortly after and many local development and care projects that could not be financed other way have been conducted (Tcherneva, Wray, 2005). The management of the programme took place at the local level and funds were transferred directly to the beneficiaries. The Local Councils controlled the allocation of benefits and were responsible for the transparency of the programme, and their members were also representatives of the community. The programme assumed work for 20 hours a week for each programme participant – employees were fired if they did not work enough hours, similarly if they found a full-time job in the formal sector. The critical remarks of the programme participants were largely related to organizational issues (low-productive activities, skilled employees performing simple tasks, some arbitrariness and no impact on the course of the project), a large part was also dissatisfied with the amount of the allowance. The programme had an unprecedented impact on the Argentinian labor market, but was seen from the outset as a temporary tool to deal with the crisis. After the economic situation improved, despite the fact that the wages in the programme set the minimum wage functionally, some employers were not willing to pay that much and put pressure on the government. The programme was gradually phased out. It is yet another extremely impactful example that provides a blueprint for thinking about unemployment and other environmental and public health challenges.

London Olympic Games and the Olympic Delivery Authority

When the 2012 Summer Olympic and Paralympic Games were planned, British government and the Olympics Delivery Authority worked with trade unions, local authorities and others on an agreement that ensured that the project would deliver good quality local jobs and skills programmes. The new recruitment programme, LEST 2012 Action Plan, aimed to create 70,000 jobs in the capital city and host boroughs. A similar agreement was then reached to deliver the High Speed Rail 2 project. Strong framework agreements, which set out how contractors will work with trade unions to deliver local jobs and apprenticeships, should be aimed for every infrastructure project backed by government investment. These agreements also need to set out a commitment to tackling labour market inequalities and ensuring equal access to work for those with protected characteristics. The LEST 2012 Action Plan made disbursement of funds to the contractor conditional on the fulfilment of a number of conditions, including the provision of full employee rights. The contractor – Seetec – was supposed to receive payments for each person for which it found a job, while 40% of the fee was to be paid only if that person worked a year in one position. It turned out, however, that meeting this condition was difficult and the financing rules were changed during the programme—after the change, it was enough to keep the employee employed for six months, not necessarily in one place. The problem may have arisen from the nature of the work to prepare the Games, which is generally short-term. Despite some problems, the programme was successful as 61,750-76,050 people (according to various estimates) obtained work among the previously unemployed. The conclusion in the official summary was that a significant challenge for the future would be to improve the retention of work by programme participants after its completion (SQW, 2013). However, the programme had a lasting impact on the labor market in the region, increasing employment above forecast in the coming years.

British Coal Enterprise

A case worth examining is the situation in the British mining industry in the 1980s and 1990s. In view of the need to transform the sector, the British government launched a public sector job-creation agency, BCE, in 1984. Despite intense strikes, the government closed or privatized many plants that soon collapsed anyway. The assumed goals of the programme were outplacement services, business funding, and workspace provision. The programme helped around 55,000 miners find jobs (which is roughly 1/3 of jobs lost in British coal industry during the period of the programme's operation) and most experienced a significant drop in income. Exact data depends on the specific case and is often difficult to establish, but

e.g. workers from Parkside colliery closed in 1992 experienced an average 30% drop of income—and it only concerns that part of them which found a job, as in 18 months from closure of the mine nearly half of them were still unemployed. A large part of the programme funds was allocated to loans for setting up new businesses—this part of the programme led to a dynamic increase in the number of companies in the mining areas (despite the fact that not all of the loan fund was used), most of which were unable to sustain, especially in the face of increased competition. In the long run, the programme can hardly be called a success. The adopted financing model was not properly thought out, many miners became permanently unemployed and the new jobs often did not guarantee an adequate level of employee rights and stability.

Legal basis and financing options for EU Job Guarantee

An EU Job Guarantee that secures the right to employment to anyone in decent public services and projects is uniquely positioned to tackle the triple threat of unemployment, public health and environmental neglect. It's counter-cyclical features render it the most versatile instrument to implement for all times – as it can be automatically deployed only as necessary. Employing the unemployed to address public health and environmental challenges means that we will be relieving pressures on expenditures dealing with negative consequences of healthcare systems collapse and ecosystem deterioration.

Therefore, EU JG would be a programme of publicly funded, high work standard employment of last resort, based on local economic needs (including industrial transition).

The triple crisis is in fact a triple trigger for the EU to establish a Job Guarantee programme. Guaranteeing the Right to Employment and the Right to Health, both crucial for human dignity, is inherently EU's responsibility (Article 2 TFEU) and has to be the guiding force of European policy implementation (Article 9 TFEU). Unemployment is a fundamental and often ignored social determinant of health, and so are environmental neglect and devastation.

The EU is also charged with reporting on the European Pillar of Social Rights, a part of The Joint Employment Report (JER) by the European Commission, whereas the Council is mandated by Article 148 of the Treaty on the Functioning of the European Union (TFEU). It is necessary to recall that Article 122

TFEU provides a direct legal basis for the Council to implement appropriate measures to the economic situation (on a proposal from the Commission), in particular in the event of serious difficulties and disasters beyond the control of a Member State. In this situation, the Council, on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned. The European Semester and Council recommendations are gaining on importance - now being linked to Recovery & Resilience Facility country plans - so embedding the EU Job Guarantee as a Council recommendation could be the step one.

There is also a precedent programme which has strong similarities to the proposed EU Job Guarantee. The existing Youth Guarantee programme, established formally as a European Council recommendation, points towards a more comprehensive EU Job Guarantee, allowing for a decisive move towards employing the unemployed to fill the public services and local community gaps. Whilst it has proven efficient as a pilot, it is too narrow and not directly connected to funding as required for the challenge that is before us. But it confirms that labor market policy is not anything new for European authorities; it is only lacking in ambition.

Ultimately the programme should be financed fully by EU or Member States together as an automatic, anti-cyclical instrument, and not by independent investors. Funds from Just Transition Mechanism, Recovery and Resilience Facility, Next Generation EU or other future programmes should be used. Introduction of new own resources of the EU such as carbon border tax would allow in the coming future to set EU Job Guarantee as a permanent mechanism in the Single Market or in the Economic and Monetary union, complementing monetary union with very much needed fiscal union (ECB, 2020).

Designing EU Job Guarantee for regions in transition

Frequently, authoritative analyses of the dilemmas of Just Transition have often been based on inappropriate goals. For example, the recommendations of the World Bank indicate that the main problem that the transition country should focus on is increasing mobility and facilitating the flow of people to other urban centers (World Bank, 2018). While this may actually solve the problem of some workers, it raises other issues - depopulation and other social troubles in cities in which industry closes down and thus breakdown of societal cohesion, which is what EU cohesion policy is tasked to resolve. In addition, if this type of philosophy was adopted on a broader level and applied to the entire EU, it would become a

justification for a further brain drain and outflow of people from poorer to richer countries. Such policy leads to structural weakening of entire regions and drives geographical polarization of growth instead of serving as a development instrument to kick-start growth. It is crucial though to help communities rebuild growth at the local level. Job Guarantee could help overcome this problem.

The workfare approach, popular in recent decades, especially in the UK, is also wrong. By offering below-market rates, it leads to humiliation of employees, and lack of payment of benefits in the event of failure to start work harms the excluded. Characterizing economic deprivation as a 'labor discipline tool' bears the characteristics of neo-Taylorist repressions more than serious policy recommendations. At the same time, by sending unemployed people to work in private companies and paying for them, such programmes are de facto used to subsidize these enterprises, keeping less productive companies afloat.

In short, long-term transition is unachievable if "rather than protecting from the market, the emphasis is now on enabling them to strengthen their employability within the market" (Ashiagbor, 2013). This leads to structural inefficiencies - two examples of this are the extremely high youth unemployment in some regions of Italy (trying to fit to a market where it failed already) and resistance against Just Transition in coal regions of Poland (understandable from the union's point of view).

The basic assumptions of pilot instruments should therefore draw from the positive empirical examples. In order to have the macroeconomic impact described in section 2 of this paper, the programme should be financed with public funding with the use of outcome-based contracting and with particular attention paid to guaranteeing programme participants full labor rights and representation as well as decent working conditions (including wages). An important feature of the programme is also the fact that it provides for the payment of salaries to all employees at the same level, which should be slightly above minimum wage in the given economy.

In the case of regional implementation though, it is worth considering to fix the remunerations on a competitive level with not only minimum wage, but the average wage in regions most likely to be impacted by considerable labor shifts. Such approach allows to speed up the transition while avoiding a serious drop in income levels amongst households which benefited from previously well-paying sectors. Since energy transformation and public health rebuilding are essential (the aforementioned 'triple crises'), rapid transition should be treated as a priority.

A problem which is very specific to transition regions is creating direct job transition from sunset industry (such as coal or lignite mining) into another workplace. This issue commonly arises when the liquidation

of a specific mine or factory is being negotiated with its (often highly unionized) workforce. The difficulty, and a common point of contention is providing alternative employment - commonly for a number of workers - that would provide remuneration of similar size, and similar employment benefits. For the Job Guarantee programme in transition regions this is a crucial issue to resolve in order to meet goals of the Just Transition. The most effective way in which that goal could be achieved is to implement into Job Guarantee a mechanism for arranging a so-called employee guarantee packages, or social settlement (in Polish: *pakiet gwarancji pracowniczych*, or *porozumienie socjalne*). This is a type of legally-binding contract used in a number of EU Member States between a group of employees of one enterprise and their future employer. Such a solution would provide a much stronger guarantee of proper employment conditions and wage than a promise of some yet-unknown employment after quitting the job at the mine.

It is worth remembering that the activities undertaken should strive for intergenerational solidarity and ensure the worker participation, democratizing and decommodifying work⁵. As latest research confirms again, it is workplace autonomy, competence-building and human relations that explain about 60% of variability in work meaningfulness - whereas additional benefits and wages **alone** do not bring motivation (Nikolova, Cnossen, 2020). The three main ways to achieve this can be characterised as follows:

1. **setting up works councils** - requiring that beneficiary institutions of the programme (public companies, non-governmental organizations etc) allow for creation of works councils, which serve as shop-floor level representation of workers to consult managerial issues with employees⁶; it should be stressed that works councils leading to more team-work, reduction of hierarchies and autonomy have a well-observed positive impact on workplace productivity (Zwick, 2003), wages (Addison, Schnabel, Wagner, 2001) and overall company performance in long-term (observed after 5 years of works council operations - see Mueller, Stegmaier, 2017),
2. **including worker representation through codetermination** (German *Mitbestimmung*) - following most developed economies, it is necessary to build participation of employees in company board of directors or supervisory boards; this caveat can be treated as expansion of the previous one and indeed proves to have a similar positive impact on company performance (Jirjahn et al., 2011),

⁵ See: <https://democratizingwork.org/>, a petition signed in the midst of the COVID-19 pandemic by several thousand leading scholars in the fields of economics, business and other social sciences.

⁶ The legal basis is: *Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community*

3. **protecting dialogue with labor unions** - as independent representation of workers, often mobilizing together workers in a given sector yet employed at different companies, labor unions are in a unique position to use legal means such as collective bargaining rights and strikes to defend labor rights in a conflict scenario. The impact of bargaining leads not only to better work conditions for employees, but to increased innovation (especially process innovation) in companies, even stronger than competitive pay setting (Bryson, Dale-Olsen, 2020).

EU Job Guarantee will work only if it is perceived as empowering for a community which is at the same time plagued by the triple crises facing European society. In this respect, a significant support for the implementation of this objective may be gained by participatory control over the programme by local communities, with significant direct participation of citizens. Utilizing **citizen' assembly** - a deliberative method with the use of randomly selected citizens - is one way, pioneered in the EU by Ireland two times already, during 2012-2014 Convention on the Constitution and 2016-2018 Citizen's Assembly which preceded public referendums on systemic changes in Irish law (Farrell, Suiter, Harris, 2018). On a local level, several Polish municipalities have used citizen's assemblies with optimistic results. Such local representation will be essential for the EU Job Guarantee to remain relevant and bring maximum social value added.

The Argentinian *Jefes y Jefas* programme was the closest to the Job Guarantee's assumptions. However, all previous plans are a valuable source of information on the practical implementation of labor market programmes. Based on these examples and going further, it can be concluded that the target, proposed programme of EU Job Guarantee should:

1. **Determining a targeted number of jobs, but allowing flexibility for expansion** - In terms of **extent of action**, be based on an analysis of the scale of the problem and determine how many jobs should be created after its initiation – but instead of assuming a fixed number it should have sufficient flexibility in financing to allow for its expansion beyond the adopted assumptions;
2. **Set results-based contractor organisation earnings** - In terms of **financing**, create a financing model in such a way that the contractor organisation's earnings are dependent on the achieved results – the impact of newly hired on fulfilling specific needs of the local community;
3. **Pay more than current minimum wage** - In terms of **macroeconomic impact**, ensure that the pay for all program participants is at least equal, but preferably higher than the current minimum wage, and seek employment venues providing wage closer to regional average; not provide benefits, but a well-paid job, thus eliminating the risk of dependency on benefits;

4. **Implement employee guarantee packages for job transition** - In terms of **employee transition** for workers from the phased out sectors, provide a mechanism within Job Guarantee framework that will match and facilitate social settlement contract between groups of workers and their new employees, in order to guarantee similar wage and employment conditions; significantly assisting the transition away from pollutive sectors and directly meeting central Just Transition goals;
5. **Prioritize public, third sector and cooperative jobs** - In terms of **social perspective**, provide work in the public sector or NGOs, for the benefit of local communities, charitable organizations, addressing social and environmental problems or for the benefit of excluded people. In business sectors require cooperative status. Details should be set in multi-stakeholder dialogue based on local needs;
6. **Provide high work standards and worker participation** - In terms of **workers perspective**, provide full employment rights (offering legal contract which allows so), good work standards and remuneration; and finally ensure worker participation by democratizing work, ensuring that union activity is not infringed and worker's representation in decisive bodies is present (codetermination);
7. **Plan in the long-term to match industrial strategies** - In terms of **time**, aim at the long term and allow the ability to participate in it for many years, thus setting overall programme evaluation metrics in a broader perspective, linking them with economic/industrial strategies. Since 5-7 year periods are the usual investment frames, no shorter timespan should be set.

High quality job creation through integrated industrial policy

All of the transition regions to a varying degree will face a threat of long-term structural unemployment and underemployment with the closure of workplaces such as coal and lignite mines, most pollutive industrial enterprises, or downscaling those in other fossil fuel sectors. The basic condition to meet the minimal goals of Just Transition is that workers are provided meaningful good quality (or at least comparative) employment beyond sunset industries in which they currently work. Therefore, a targeted sectoral industrial strategy is needed in order to provide a significant pool of high quality employment that could be offered in the Job Guarantee programme. In the absence of the 'pollutive sectors' that often are the main driving engine of the development in the region, its labour market will face not only the threat of job loss in those sectors themselves, but also in those strongly connected to them, especially specialised services. In case of Silesia in Poland, for instance, coal and lignite mining hires about 90,000

workers, but between 200,000 and 280,000 are reliant on that sector to function (Anczewska et al., 2020). A smart industrial strategy may not only provide employment for people in those industries, but also ensure that the sectors developed will take the full advantage of their existing skills.

First step that needs to be taken is, of course, a significant investment in infrastructure of various sorts - especially in energy, transport and construction. This provides high-quality employment in the short-to-medium-term. Secondly, it is essential that there is significant targeted investment into 'green' sectors with high-quality jobs. Ideally, this approach should build on the Smart Specialisation strategy, which has been facilitating regional industrial policy in the EU. While a tremendous proportion of EU funding is specifically targeted for SMEs (most commonly under general public tender), these would not be able to provide enough gainful employment, and their opportunities for growth - and creating high-quality employment - will be hampered by the fall in demand in transition regions. Creation of industrial environments such as industrial clusters in targeted sectors can provide demand for smaller enterprises. And also be the new 'green' growth engine for the transition regions. As the increasing amount of evidence shows such concentrated public investment crowds-in private ventures - especially SMEs.

Under the current arrangement only the maximum of 30bln to 50bln EUR within the Just Transition Mechanism can be directly allocated to this goal. While InvestEU provides another 45bln EUR in JTM it is mostly allocated through an open tender for private investment in general, without strategic allocation. While environmental taxonomy rules are an important part of the assistance criteria, based on evidence from deindustrialised regions it is very dubious that such dispersed investment would be sufficient for structural transformation into sustainable economy. The last funding pillar under JTM - EIB loan facility - is also mostly targeted to infrastructure investment. Thus the Just Transition Fund (and resources mobilised by it) are insufficient to achieve this goal. Especially, as they also need to be divided between other goals including infrastructural investment, institution building and social investment, retraining schemes and cleaning the pollution that jeopardizes the health and well-being of members of their communities.

To tackle those problems we propose:

1. That more funds involved in the Sustainable Europe Investment Plan are prioritised into transition regions. Currently it is only about 10% (100bln EUR) for all transition regions, with less than a half of that sum possibly constituting selective sectoral strategy. This seems insufficient to

provide a large enough pool of meaningful employment for workers in 'pollutive' sectors. The focus of the funding should be seeking opportunities to develop green sectors in place of sunset ones, and seek investment complementarities to optimally facilitate the industrial and energy transition.

2. That funding in transition regions is better coordinated - especially when it comes to funding coming from JTM and funds outside of it. Currently, the investment from Regional and Cohesion Funds, among others, is based on regional operating plans, while the funding under JTM is planned under separate territorial transition plans. Integrating both will allow to tailor and coordinate sectoral investment from outside JTM to better fit the needs of transition.
3. Such a framework should strongly draw from the experiences and institutions of the Smart Specialisation Strategy, which coordinated over 120 innovative industrial specialisation strategies in a number of regions in Europe.
4. A crucial part of that framework should be the involvement of local stakeholders. While integrating both plans should strengthen the role of local governments, other parties such as citizens, trade unions, NGOs and entrepreneurs should be empowered in developing and coordinating investment plans.
5. While InvestEU is a very significant tool for entrepreneurial development, now it lacks a good venue through which it could be integrated into territorial development plans. That would not only be a boon to sectoral strategies of transition regions - instead of dispersing the funding, but also make sure it is beneficial for, and coordinated with the local community.

Pilot programme for regions in transition

While the challenge of transitioning into a sustainable economy requires significant investment in facilities, infrastructure and industry across the whole Europe it is the most demanding in transition regions. Concentration of extractive sectors - especially coal-mining, among other fossil fuels - and high emission industries including steel, cement or fertiliser in regions such as Silesia in Southern Poland create a threat of drastic economic cliff within the next decade.

Nonetheless, special attention should be paid to lignite mining regions. Certainly, Eastern Wielkopolska [Greater Poland] should benefit from the programme due to the fact that this will be a pioneer region for Just Transition in Poland, as a full coal phase-out will take place here the fastest (within 5 to 10 years).

This will mean that the region will be closely observed as exemplary for the possible outcome of Just Transition interventions and it is imperative that this pioneering region be provided with appropriate support, financing and know-how. While Polish Silesia is a much stronger region economically, more diverse due to having multifarious and developed economic and industrial sectors aside from only coal-based activities, lignite mining regions are generally poorer and are highly economically dependent on the lignite-based activities in the area. Not addressing the loss of this income and related jobs will lead to mass migrations and the economic collapse of the regions in question.

To understand the type of jobs to be created in transition regions, there are four issues to consider: where former mine workers want to work, where will they “fit”, where new workers are needed, and where will it be economically viable. The first two are answered in a research report by the Institute for Structural Research (2019). According to it, the most attractive sectors for Silesian miners are: mining industry other than coal mining, automotive, construction and renewable energy. In turn, the sectors in which the employment structure is closest to that in coal mines are industrial processing, construction and transport. When it comes to labor demand, according to the message of this paper, the most important areas are green industry and health. Due to the fact that miners are not interested in working in health care and at the same time seem to be less suitable there, the answer to the fourth issue may be limited to the green industry (in which it is possible to find jobs related to automotive, construction, transport, renewable energy and industrial processing). Analysis by Czyżak et al. (2020) based on IEA data shows that investments in biomass, small and large scale solar energy, wind energy, thermo-modernisation of residential buildings, EV battery production, charging infrastructure, smart grid and hydrogen have the greatest potential for creating jobs in green industry in terms of the amount of capital invested and needs of green industry.

The scheme of the programme should be such that local governments, in cooperation with NGOs and citizens, determine where jobs are needed, and propose the creation of new public companies and cooperatives. The currently existing labor offices may play an important role in this system, using the information they have on the employment structure. Employees hired by local public, third sector or cooperatives take up work, and the state provides adequate financing based on the figures from a given commune.

It is crucial to set up an EU Job Guarantee programme as a **horizontal instrument**, connecting labor market institutions, local governments and strategic funds, e.g. Just Transition Mechanism. That way, a multi-stakeholder discussion would assess the local and regional needs in terms of public health or green

jobs, and sufficient funds would be allocated to directly employ workers in order to fill in those gaps.

Given those considerations, the structure of the programme could follow the guidelines below.

Timeline	Policy action	Result
Months 1 - 4	Initiation of a multi-stakeholder dialogue focusing on understanding needs of a specific region in transition and employment opportunity in green industry and related sectors	<ul style="list-style-type: none"> ● Map of stakeholders and potential employers for the programme ● Agreements / decisions of local citizen assembly
Months 4 - 5	Creating pilot framework specifying requirements and obligations of the programme	<ul style="list-style-type: none"> ● Tender document outline
Months 5 - 7	Consulting the framework with stakeholders; allowing them to modify internal procedures and for new initiatives to be set up	<ul style="list-style-type: none"> ● Institutions align to execute / become beneficiaries of the programme ● New NGOs, cooperatives and/or public bodies are set up to fill the gaps
Months 8 - 9	Launching public tenders	<ul style="list-style-type: none"> ● Beneficiaries chosen
Months 10 - 22	First year of Job Guarantee pilot creating workplaces in regions ins transition	<ul style="list-style-type: none"> ● Number of people employed in the scheme
Months 22 - 24	Assessment of the first programme year and possible expansion towards pan-European Job Guarantee in different sectors and/or regions	<ul style="list-style-type: none"> ● Evaluation report and indication for scaling up

Conclusions

Escaping the triple crisis of unemployment, public health and environmental collapse requires European solidarity. Countries that disproportionately share the burden of these problems are also the countries with the least amount of fiscal space to address them. We have observed the discrepancies clearly since the explosion of post-Eastern enlargement migration. Over 2,5 mln people left Poland alone in search of better wages and labor conditions in richer EU countries. No wonder: a registered nurse in Germany enjoys a wage of almost 2.500 EUR, whereas in Poland nurses earn half of this sum.

The common suggestion of encouraging mobility and flow of the people is misled, if not tone-deaf solution - especially for the transition regions that will bear the largest sacrifices for the transition to be successful. Rather than encouraging solutions that lead to people leaving those communities, EU should find venues and solutions that will strengthen them, and ensure their long-term economic security. This is both due to a fundamental European commitment to social solidarity, and good economics - finding productive alternative to paying the cost of social and economic deterioration.

Any country leaving recession sluggishly will be hit by such consequences, leading to a major underdevelopment in a mid- to longer term. Instead of moving people to jobs in better-off areas of Europe, we need a sustainable programme of creating jobs where they are needed. Thus, Job Guarantee becomes a structural development instrument that boosts employment in disadvantaged regions. If we are to bridge the gaps, a common fiscal mechanism for the EU is necessary.

Bibliography

Addison, J. T., Schnabel, C., Wagner, J. (2001). Works councils in Germany: their effects on establishment performance. *Oxford Economic Papers*, Volume 53, Issue 4, October 2001, Pages 659–694, <https://doi.org/10.1093/oep/53.4.659>

Anczewska, M., de Grandpré, J., Mantzaris, N., Stefanov, G. & Treadwell, K. (2020). *Just Transition to climate neutrality. Doing right by the regions*. WWF Germany, Berlin.

Bryson, A. & Dale-Olsen, H. (2020). Unions, Tripartite Competition and Innovation. *IZA Discussion*

Papers 13015. Institute of Labor Economics (IZA).

Czyżak, P., Hetmański, M., Iwanowski, D., Kiewra, D., Szwarc, K. (2020). *Zielone miejsca pracy. Przypadek regionu bełchatowskiego*. In: *Strat Policy Paper 04/2020*.

European Central Bank. (2020). The fiscal implications of the EU's recovery package. *ECB Economic Bulletin*, Issue 6/2020.

Farrell, D. M., Suiter, J., Harris, C. (2018). 'Systematizing' constitutional deliberation: the 2016–18 citizens' assembly in Ireland. *Irish Political Studies*, 34 (1): 113-123.

Instytut Badań Strukturalnych (Institute for Structural Research) (2019). *Sprawiedliwa transformacja węglowa w regionie śląskim. Implikacje dla rynku pracy*. IBS Research Report 02/2019.

Jirjahn, U., Mohrenweiser, J. and Backes-Gellner, U. (2011). Works councils and learning: on the dynamic dimension of codetermination. *Kyklos*, 64 (3): 427–47.

Kostzer, D. (2008). *Argentina: A Case Study on the Plan Jefes y Jefas de Hogar Desocupados, or the Employment Road to Economic Recovery*, The Levy Economics Institute Working Paper No. 534.

Minsky, H. P. (2013). *Ending Poverty: Jobs, Not Welfare*. Annandale-on-Hudson, NY: Levy Economics Institute of Bard College.

Mitchell, W. F. (1998). *The Buffer Stock Employment Model and the NAIRU: The Path to Full Employment*. *Journal of Economic Issues*, Vol. XXXII, No. 2.

Mosler, W. (1998). *Full Employment and Price Stability*. *Journal of Post Keynesian Economics*, Vol. 20, No. 2.

Mueller, S., Stegmaier, J. (2017). The Dynamic Effects of Works Councils on Labour Productivity: First Evidence from Panel Data. *British Journal of Industrial Relations*, 55 (2): 372-395.

Nikolova, M., & Cnossen, F. (2020). What makes work meaningful and why economists should care about it. *Labour Economics*, 65, 101847. <https://doi.org/10.1016/j.labeco.2020.101847>

SQW (2013). *Olympic Jobs Evaluation. Final report*.

Tcherneva, P. R. and Wray, L. R. (2005). *Employer of Last Resort: A Case Study of Argentina's Jefes*

Program. Available at SSRN: <https://ssrn.com/abstract=1010145> or <http://dx.doi.org/10.2139/ssrn.1010145>

Tcherneva, P. R. (2012). *Beyond Full Employment: The Employer of Last Resort as an Institution for Change*. Levy Economics Institute of Bard College Working Paper No. 732, Available at SSRN: <https://ssrn.com/abstract=2153220> or <http://dx.doi.org/10.2139/ssrn.2153220>

Tcherneva, P. R. (2020). *The Case for a Job Guarantee*. Wiley.

World Bank Group (2018). *Managing Coal Mine Closure. Achieving a Just Transition for All*.

Wray, L. R., S. A. Kelton, P. R. Tcherneva, S. Fullwiler and F. Dantas. (2018). *Guaranteed Jobs Through a Public Service Employment Program*, Levy Economics Institute of Bard College, Policy Note 2018/2.

Wray, L. R. (2012). *Modern Money Theory*, Chapter 7: *Policy for Full Employment and Price Stability*.

Zwick, T. (2003). Works Councils and the Productivity Impact of Direct Employee Participation PDF Logo. *ZEW Discussion Papers 03-47*. ZEW - Leibniz-Zentrum für Europäische Wirtschaftsforschung.