

# Fight against unemployment: rethinking public works programs

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## Abstract

The processes of globalization have succeeded in shifting the focus from productive employment generation and expansion of domestic markets to export competitiveness. The disastrous effects of such a shift have been exacerbated by the recent global crisis. The need of the hour is to rethink public works programs to mitigate such effects and to move societies towards full employment. The paper addresses precisely these issues with arguments for rethinking public works programs for the skilled and unskilled workforce. The question of externalities, principle of financing and the positive social impacts of inclusion are also discussed.

**Keywords** unemployment, public works, effective demand, skill, inclusion

## 1. Introduction

As the global crisis deepens and most industrialized and developing countries continue facing the risk of a prolonged labour market recession, it is leading to a catastrophic rise in unemployment and decline in real wages. Several countries have used neoclassical tools to mitigate this, primarily by moving legislation to have more flexible labour markets. The oft-repeated neoclassical logic has been that rigidities in labour markets are the barriers to recovery. The economic mechanism being that of lowering interest and wage rate to incentivize private investment; but the plans have not succeeded so far due to a lack of effective demand. On the other hand, public investment driven public work projects, by encouraging social participation, can be the way to stimulate economic recovery and expansion in employment. Along similar lines, the International Labor Organization (2009) reiterates that it is crucial to implement a coherent, job-oriented recovery strategy to address the basic needs of millions workers and their families, and emphasizes that employment and social protection must be at the centre of fiscal stimulus measures to protect the vulnerable groups and to reactivate investment for raising aggregate demand in the economy.

Public works become closely interlinked to social programs in contemporary democracies under the tension of various kinds of identity politics of exclusion and inclusion. It has the potential to alleviate these tensions and contrariwise, if badly conceived such programs can also heighten such tensions. This paper explores new frontiers of public works program from this viewpoint; and investigates how public work programs can be effective in combating labour market problems in economically and socially meaningful ways. The paper consists of six parts. The second part, after this introduction, reviews briefly the theoretical debate of market mechanism and unemployment related to classical and Keynesian paradigms regarding voluntary and involuntary unemployment and their policy implications. Section three draws a clear distinction between Keynesian demand management and new public works programs with emphasis on the distinction between demand side and supply side of the problem. Section four focuses on two issues which could be the basis for demarcating new

employment policies, i.e. public works programs with and without skill components relating it to questions of benefits, externality and labour productivity. Section five discusses the principle of finance sharing of public works programs and its possible effects on inflation and private investment. In the last section, we conclude with a discussion of possible inclusion benefits of newly designed public works programs.

## 2. Market mechanism and unemployment

The issue that divides economists most sharply into opposing camps is unemployment because it impinges directly on how the relation between the market and the state affects the majority of citizens in market democracies. The course of the debate and policies reflect this abundantly. Keynes rejected the concept of voluntary unemployment as misleading, the classics and neo-classics insists on it in various ways to date. The debate does not die down and, at every turn with the revival of the ideology that, “the market always knows the best and reconciles public with private interest”, the notion of voluntary unemployment continues to be recreated in new mathematical guises, basically as choice between leisure and work,<sup>1</sup> search under incomplete information<sup>2</sup>, persistent frictional unemployment;<sup>3</sup> even Marx’s notion of the “reserve army of labour”<sup>4</sup> may be reinterpreted with some twist as natural rate of unemployment defined by the Phillips curve<sup>5</sup> formulation and non-accelerating inflation rate of unemployment (NAIRU)<sup>6</sup>. Fashions come and go, but unemployment continues to haunt market democracies, at times with a low rate, but at times at threateningly high rates, as in parts of Europe today.

The alternative understanding associated with the names of Keynes and Kalecki places at the centre of the problem of unemployment deficient demand in the market for products, not for labour. Marx diagnosed lack of demand and under-consumption as a recurrent problem of capitalism with insightful comments about how money interferes with Say’s law in his formulation of money-capital-money circuit.<sup>7</sup> Never the less, his theory was incomplete in a crucial respect in so far as he failed to link his theory of exploitation of individual worker with the theory of realization of aggregate surplus through adequate demand in the market. Greater exploitation of individual worker creates more surplus value per worker; however unless we know how many workers would be employed by the capitalists in view of market demand the total surplus that can be realized into monetary profit is indeterminate. That essential link was provided by Kalecki<sup>8</sup> in his theory of profits along with his theory of mark up pricing pointing out the link between money wage and the price level. Keynes with his circle of economists in Cambridge developed the same theory independently enriching it with the theory of how the multiplier works as a convergent geometric series,<sup>9</sup> how money as a store of value in an uncertain world interferes to create deficiency in demand and ineffectiveness in monetary policy. He also questioned the policy lowering money wage by pointing out the link between price and money wage (also pointed out by Kalecki) which makes real wage an endogenous variable unsuitable as a policy instrument.

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<sup>1</sup> See Lucas (1981), *Studies in Business Cycle Theory*.

<sup>2</sup> See Diamond (1982) on Search unemployment.

<sup>3</sup> See Pigou (1933) *Theory on Unemployment*.

<sup>4</sup> See Marx (1885) *Capital*, Volume I.

<sup>5</sup> See Phillips (1958) *The Relationship between Unemployment and the Rate of Change of Money Wages in the United Kingdom 1861–1957*, *Economica*.

<sup>6</sup> See Friedman (1968) *The role of monetary policy*

<sup>7</sup> See Marx, (1893) *Capital* Vol. 2.

<sup>8</sup> See Kalecki, (1971) *Selected Essays on the Dynamics of the Capitalist Economy*.

<sup>9</sup> See Kahn, (1931) *The relation of home investment to unemployment*

Keynes and Kalecki provided economists with the powerful idea that, income determination should be viewed as a circular process in which expenditure determines income breaking the analogy between the individual and the society. Aggregate income is driven by aggregate demand, consisting of the level of consumption and investment expenditure and net export surplus in an open economy. The link with under-consumption theory and class distribution of income is clear. Redistribution in favour of the working class with a higher propensity to consume would stimulate demand. Higher public and private investment would also stimulate demand, but higher private investment would require a better “climate for private investment” which is usually difficult to achieve in depressed situations, particularly in the short run. Similarly, achieving greater export surplus would increase the size of the domestic market. However, one country’s export is another country’s import in a zero sum game. It is hard to see how this can be achieved by most countries suffering from unemployment in a globalizing world.

Keynes (1936) argued that market economies have two fundamental failings: they are incapable of generating full employment and of improving the income distribution when are left to their own devices. So, governments must intervene to solve the market failures. Public works circumvent the problems of relying on private spending and investment for full employment. Robinson (1949) had analysed how public works can serve as a counterweight to the fluctuations in investment undertaken by profit seeking entrepreneurs. Public spending on employment-intensive activities tends to have a high multiplier. Public investment represents a major opportunity to generate both employment and address some development challenges. However, Kalecki<sup>10</sup> had clearly foreseen the tension that creeps up between capitalists and workers when States followed continuous full employment policies over time. The relation between the market and policies to tackle unemployment is indeed fraught with tensions in a democracy<sup>11</sup>.

In contemporary times, public works schemes are viewed by many economists as programs of promoting inclusive development.<sup>12</sup> Such programs can modify the economic growth path, so as to include segments of the population that have been hitherto excluded from remunerative productive employment; This could potentially also lead to a reduction in a number of other social and economic costs which tend to increase along with unemployment. Hence, designing a new kind of public work programs, with direct involvement of local communities, will make a maximum impact in creating jobs and will help to raise productivity and skills to empower people in deprived regions and will mitigate ecological problems; eventually even private investment would “crowd in” as the domestic market expands to revitalize the whole economy.<sup>13</sup>

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<sup>10</sup> See Kalecki (1943) for Political Aspects of Full Employment, where he underlines this tension.

<sup>11</sup> Marx had argued rather optimistically that the right of the working class to vote would turn out to be incompatible with private ownership of property because it would lead from “political to social emancipation” of workers.

<sup>12</sup> See for example, Minsky 1986; Mitchell 2001; Bhaduri 2005; Hirway 2006; and Kregel 2006.

<sup>13</sup> See (ILO 2009) “*Global Jobs Pact*”, which argues for environment friendly and labour intensive public works to combat prolonged joblessness and its social – economic consequences. ILO assessment of employment effects of different fiscal measures has revealed that “the greater the employment orientation of the measure, the stronger the stimulus for the real economy.

### **3. Public works: demand side vs. supply side**

The management of aggregate demand can take many different routes and, the logic can be applied to justify in almost diametrically opposite political views. In a closed economy, employment generation through demand led growth can work in two ways, through either investment or consumption. In the former case wealth and income tax concession for the rich, restraint on wages despite productivity growth or an engineered stock market boom is attempted in trying to bring about “profit led growth”. Alternatively, redistribution in favor of the poor and increase in public consumption through social welfare measures would be policies of “wage led growth” (Bhaduri and Marglin, 1990). Such policies are likely to be more effective in the short run by raising the rate of utilization of existing capacities as Keynes and Kalecki had originally argued. It was pointed out by Steindl (1953) that an accelerator-like capacity utilization effect would affect investment and, fixed investment would continue to be sluggish without higher capacity utilization. When this capacity utilization effect is sufficiently strong, pure redistribution in favour of the rich (or support to the banks as happens in the “Stimulation package” in the U.S) may be ineffective. Globalization has also turned out to be detrimental to a pro-poor policy of wage led growth so far largely because its obsessive focus on unit cost reduction for international competitiveness at the expense of expanding the domestic market encourages restraint on wage in relation to labor productivity growth.

Multi-party democracies have to work with a short time horizon with regular accountability at election times. Although much favoured by conservative economists, the argument that improvement of private investment climate is the only way to solve the problem reaches barrier in situations of depressed economic activity and employment on this count. Improvement of business expectations is a sluggish process involving confidence building because investments in long lived fixed capital goods once made are sunk costs. Favorable business expectations have to be firmly in place for private investment climate to improve. In addition there are imponderable shocks which would require elected governments to act immediately without focus on improving investment climate. In contrast the remarkable advantage of a well-conceived public works program to fight unemployment, if necessary financed by budget deficit, has both flexibility and quick short term impact on the unemployment problem.

Escalating unemployment and low-paid insecure jobs and increasing concern about economic and social costs of raising poverty force governments to react to these problems by effective policies. In unfavourable business climate, public works scheme is an effective active labour market policy that can be used as an instrument of last resort in fighting chronic unemployment and poverty and in the meantime create valuable assets. New public work schemes, with direct involvement of local communities, can be the most efficient program to prevent unemployment and income inequality from becoming a social disruption. Developing countries typically have enormous investment deficit in infrastructure and public services, such as soil conservation, improvement of irrigation and water delivery systems, forestation, flood control, roads, drainage, sewage and sanitation, schools and health care, especially in remote and backward regions coexisting with unemployed people who are willing to work at reasonable wage but are excluded from productive employment.

In this context new public work projects can be designed in collaboration with local communities, government officials and NGOs, environment protection groups, and women rights groups. Local residents can participate in beneficial community-based activities that provide most needed infrastructures decided by them. Furthermore, engagement of local

community in the process of project implementation can improve community members' abilities to assume responsibility of completed projects, thus guaranteeing better maintenance of the assets created. We emphasise later in the paper how the possible disadvantages of higher inflation and over-burden of public debt which could be alleviated at least partly through a clear rethinking about the choice and design of the public investment program.

#### **4. Public works: skilled and unskilled workforce**

One of the main planks of attack against Keynesian public works programs have been the lack of focus on productivity. Old fashioned Keynesian demand management policies have been caricatured as digging holes and filling them up. Any new public works program has to face this issue along with the other problem of absorption and development of skilled labour in public works programs. This in itself is not a new problem, but has remained relatively under-emphasized in the design of conventional public works programs focused exclusively on demand management with the consequence that structural problems of existing educated unemployment and skilled artisans have been seldom addressed.

However, exclusive focus on skill development for strengthening the supply side is mistaken. It can turn out to be like a game of musical chairs or a long queue in which more skilled have the advantage of being reshuffled to the front, but the length of the queue does not decrease<sup>14</sup>. Unless complemented by sufficient expansion of aggregate demand not even all skilled workers, leave alone the unskilled workers would get jobs. It is a common experience in many third world countries that skilled labor largely subsidized by public money and institutions end up supplying labour to advanced countries for the lack of effective market demand in the less developed nations. Skill formation must not therefore be delinked from the design of demand generation through public works.

##### **4-1. Public works without skill**

The Keynesian public works program can be thought of as a miniature wage led expansion program in local contexts. The wages earned by working on the program is partly or wholly consumed which could potentially have the multiplier effect through successive rounds of expansion. One has to distinguish between utilization of the capacities of existing stocks and building new capacities. Let us return to Keynes' metaphorical example of pyramids rather than the oft repeated one about digging holes.<sup>15</sup> However we need to decipher the example. Pyramid building would have definitely kept the local population of slaves employed as long as it is being built. The problem however is that the pyramid has very limited local use and in fact then resembles digging and filling the holes. The emphasis on just keeping labor employed has limited relevance in a modern democracy. It increases consumption expenditure to expand aggregate demand but in the absence of expanding supply potential it can reduce inequality in consumption only by redistributing consumption between the

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<sup>14</sup> See Vickerey (1998) for a lucid exposition.

<sup>15</sup> See Keynes in *The General Theory of Employment, Interest and Money*, Book III *The Propensity to Consume*, Chapter 10: *The Marginal Propensity to Consume and the Multiplier* where he states that "Ancient Egypt was doubly fortunate, and doubtless owed to this its fabled wealth, in that it possessed two activities, namely, pyramid-building as well as the search for the precious metals, the fruits of which, since they could not serve the needs of man by being consumed, did not stale with abundance. The Middle Ages built cathedrals and sang dirges. Two pyramids, two masses for the dead, are twice as good as one; but not so two railways from London to York".

employed and the unemployed through inflationary price rise or through a rationing scheme<sup>16</sup>. To be politically sustainable in a democracy labour employed in public works program must be productive. This is the first major departure from older Keynesian demand management policies in recession where demand activates underutilized supply but does not create new capacity.

Productivity can be brought in through two channels – either building productive assets (as an example, the National Rural Employment Guarantee Act in India has a list of permissible works which are designed to increase productivity) or, by increasing particular skill required for public projects. For example, public works program could give rise to a demand for cement, bricks etc which could be produced locally with technology designed with the help of the center. An interesting example of “new product” not related directly to the project could be given from Orissa-India, where the public works program done in scorching hot summer months gave rise to an immediate demand for towels and an expansion of the market. Local market demand can be made through traders bringing the supply from outside or setting up local production could arrange new supply in response to local demand, but all this would happen with varying time lags depending on the circumstances. Local supply reduces this time and a major consideration in the design of local projects is to build warehouse and storing facilities for goods. “Grain banks” exist in some parts of India mostly under private initiatives or NGOs, but detailed consideration of how supply lines of different types can be locally created and managed (with absorption of skilled labor) as complements to the project, deserves far greater attention. Indeed one way of reducing the fear of inflation is to have decentralized response through local grain storage and other supplies. Even the management of certain types of common property resources like forests, water bodies, etc. should be considered also from this standpoint.

Local politics and tensions are almost inevitable around the question of who benefits from the creation of productive assets. For example a pond or a well being built would contribute to increase in local agricultural production and benefit the local population; or the building of infrastructures like schools or roads, hospitals, children’s playgrounds etc. However, not all assets need to be a public good and there could well be situations where the asset is created on private land. The question of benefits or positive externality is one of local inclusiveness and that could be the general principle of designing such public works program, e.g. a rich farmer may need a well on his private land and might be the largest employer of agricultural labor in the area. Thus indirectly a well or water source constructed on his land could boost local employment and productivity. The central problem in such a situation is to separate the ownership right of land from the use right of the public with prior consultation and a management design which gives control of water use to the larger community and not to the individual owner of the land. Theoretically a public works program could have a place for public-private partnership provided the incidence of the financial burden for these kinds of assets, separating ownership from use right.

However the problem is not simply divergence between private and the public benefit .The current literature on social exclusion points to many instances in public works program from which the socially vulnerable groups are altogether excluded or grossly marginalized. Depending on the particular context the design of projects for financing of public works needs to build into its criteria of acceptability the extent of inclusiveness involving issues of race, gender, minorities, and caste. Recent studies in India throws light on discrimination faced by

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<sup>16</sup> See Kahn, “Collected Economic Papers”.



excluded groups in India in matters of public health,<sup>17</sup> education<sup>18</sup> and even government sponsored food programs.<sup>19</sup> In fact, children from excluded communities grow up with this kind of stigmatization even today in India and which manifests itself in everyday forms of exclusion from government sponsored programs. The situation of women and minority groups is similar in terms of denial of access from full participation in public programs.

Similar are the problems of social exclusions due to unemployment faced by Iran. Iran's economic growth has been on the decline since 2008, Iran's unemployment and underemployment have increased considerably. At present, unemployment rate is about 11 percent, but this rate for youths is more than 25 percent, and for young women 42 percent. About 35 percent of unemployed young workers have been searching for job more than 19 months. Only 4 percent of Iranian unemployed receive unemployment benefits, and about 96 percent of unemployed who have not paid for social insurance have no access to unemployment benefits.<sup>20</sup> Unemployment is one of the most important causes of poverty and escalating social problems such as addiction, divorce and violence in Iran, which have caused raising government expenditure regarding police and prisons.

The kind of work that could be done under the new public work program would be primarily of an unskilled kind implying that it would be requiring more of repetitive manual labour. The question of labour productivity in such a program would have a limited role. The complementary increases in land productivity by creation of productive assets for simple water management, warehouses, primary schools, health centers, local forest management etc would necessarily be the major factor for direct and indirect increases in productivity. This implies that the wage share and material cost of such labour intensive activities could primarily be borne by the State. In the case of assets being created on private land, the material cost burden could be shared by the owner of the land. In this way the primary increase in local consumption demand is to be ensured through the wage channel, and basic wage guarantee could be looked upon as a generator of sustained local demand.

In such programs, however, there would be leakages. The point is to see whether this leakage is within the region/local area – e.g. the local contractor siphoning of materials or the wages being siphoned off by local powers but all wage income spent mostly locally. Formally, the leakage would act as the “saving propensity” of an indirect internalized multiplier mechanism which leads to damped demand generation locally. As opposed to this, suppose rich people take advantage and don't put the money back into local circulation. In such a case the benefit is externalized beyond the local region. The principle of financing should be accordingly drawn up particularly in case of public- private cooperation with greater possibility of externalization of benefits.

#### **4- 2: Public works with skill**

The relatively neglected component of a public works program in skill formation reminds one of Adam Smith's famous observation that the extent of division of labor (read “skill”) is limited by the size of the market. As already pointed out, the supply side fallacy needs to be avoided. Instead it needs to be emphasized that skill formation in itself is not a guarantee for more jobs but a reshuffling among job-seekers with fixed number of jobs determined by the size of the

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<sup>17</sup> See Acharya (2010) for analysis of exclusion and public health.

<sup>18</sup> See Nambissan (2009) for examples of exclusion in schooling.

<sup>19</sup> See Thorat and Lele (2004) for examples of exclusion from food programs.

<sup>20</sup> See Iran Statistics Center (2015) for changes in unemployment in Iran.

market and the composition of demand (Vickerey, 1998). Training for skill development is usually of the vocational kind but it does not interfere with the basic idea that without demand creation more jobs cannot happen. The principle is the same everywhere, say for example in a university. Not all people who apply will find a place in the same university. Given limited capacity in the university, it would raise the bar and ask for higher qualifications for applying. All this will do is to put some people at the head of the queue but not shorten the queue as in the game of musical chairs with limited seats.

Skill formation can be linked to the issue of raising effective demand in two ways. Returning to the earlier idea of profit led growth, skill formation can raise profitability of investment by reducing search for the right skill by an enterprise and the required sharing skill formation cost through extensive consultation and tie-up with industries. The apprenticeship model in Germany could be a possible sort of model to consider in this context.

The financing principle has to be flexible for skill formation depending on how and to what extent it is internalized as benefit by public and private sector. Skill creation and absorption with short time lags need emphasis with longer on the job training rather than putting the entire burden on publicly funded schooling. On the job training and longer duration of training would become crucial in terms of skill creation and hence retention in the same industry or firm-specific skills.

One immediate policy could be to create a pool of available skilled people through registration and developing government sponsored service centers in various cities and even small towns. The needed skill can be provided from these centers for commonly needed services including not merely plumbing, electrical and construction works, but also nursing for the sick and caring for old and disabled people. It is essential for the quality of service to be maintained by evaluation with feedback from the client, and giving only a retention fee to the service provider. The rest has to be collected on satisfactory completion of service from the client on a piece-meal basis for each job. This method would not only keep some supervisory check but would indicate indirectly what services are in relatively short supply. The economic principle of relative scarcity may then be applied to raise the relative price of those services or to help with government subsidies.

## **5. Inflationary pressures of public works**

Concern about inflation is often raised in connection with public works programs. Some economists insist that higher fiscal deficits lead to higher inflation. The argument goes, if government spends more in creating employment for the poor, in providing infrastructure, basic facilities, providing better health care, drinking water, mid-day meals etc., it essentially falls short of earning revenue. To cover that deficit might take to printing money which will lead to an inflationary pressure. Alternatively, if the government borrows from the market (against bonds lowering interest rate) it leads to “crowding out” of private investment. This issue essentially reduces to whether the Government fights serious unemployment and provides basic facilities to its poorer citizens or suffers paralysis from the fear of possible fall outs of fiscal deficit? Once the focus of this debate shifts to (a) emphasizing the matching of demand and supply through formation and expansion of local markets through decentralization, and (b) the need for socializing consumption of some essential commodities for the poor through social rather than private money wage, the problem of inflation becomes



less unmanageable. And, this might be a better approach to tackle the problem than through conventional debates on fiscal and monetary policies.

The current obsession with growth rates and fiscal deficits, prevalent amongst policy makers and economists globally, has its lineage in orthodox economic theory. Most governments under the aegis of globalization usually use the trade off between inflation and unemployment (i.e. if one targets unemployment there will be higher inflation), as an excuse to not pursue full employment policies. Just as the Great Depression was setting in, the British Treasury released a White Paper in 1929 called, “memorandum on certain proposals relating to unemployment” which laid out the theoretical foundations for the view that the government should at all times balance the budget – in effect refraining from expenditure in mitigating unemployment. The Treasury view was a response to Lloyd George’s suggestion that the British government should spend more money on public works to tackle the increasing unemployment. Old views continue to be revived to disable governments from fighting unemployment

Broadly, there are two ways to finance an increase in government spending: tax the rich or borrow either from the central bank (deficit financing) or from the market.

Let us assume that there exists a demand constraint rather than a supply bottleneck. Let us take the case of a typical social sector scheme where workers work on a public work program and are paid wages in cash or grains or both (essentially food for work programs, unskilled public works etc.). We concentrate on deficit borrowing as the route taken by the government to finance such a scheme. What is by and large true for contemporary times is that the majority of the workforce in the unorganized sector lives at below subsistence levels. Thus any increase in wage incomes of the poorest would mean that it would be consumed. The mechanism is deceptively simple – the government injects money (in public works) which leads to an increase in incomes and output by an amount more than the injection. This is what economists call the “multiplier” mechanism. Effectively, higher income means higher spending and hence more income - which means that there would be an increase in the government’s tax revenue collection (even with unchanged tax rates). Similarly the increase in labour productivity through skill formation, if absorbed locally can also lead to successive rounds of multiplier effects. So higher governmental spending does not necessarily mean higher deficits.

The increase in social sector spending leads to two situations being conjured up by the economic orthodoxy: (a) the government will borrow out of a fixed pool of savings hence leaving lesser investment for the private players thus “crowding out” of private investment; and, (b) to cover that deficit it might take to print money which in effect will lead to an inflationary pressure. First, through the multiplier mechanism, increased incomes mean that households increase consumption expenditure and savings. So increased government spending does not eat away the pool available for private investment (the crowding out effect) but in fact increases the pool (a sort of crowding in). Hence higher government spending by deficit financing would actually lead to a scenario where the fiscal deficit finances itself through the multiplier mechanism. The second strain of thought (i.e. more money means more inflation) is associated with various versions of Monetarism (Friedman) and forms the intellectual backbone of arguments to curb state action in the social sector and more privatization. Given demand constraint, more injections would give rise to more output and thus more money would not necessarily “chase” the same goods and hence would not give rise to inflation. The bogey of “sound finance” was precisely raised and articulated to usher in

neoliberalism in countries across the world which would imply moving away from a full employment objective. Given such a situation the new public works program will have to ensure that it is necessarily a question of destination or who benefits. The next issue is that of enhancing productivity with a major component of it being internalized. The principle of financing should necessarily follow from the principle distinguishing inclusion from exclusion. Regarding the problems of social exclusion one needs to revisit the importance of the social wage. If the focus is on citizens and the processes that lead to their social exclusion, then the social wage would be comprising of (but not limited to) a guaranteed income, universalized healthcare, public transportation, educational aid etc. – steps that will lead to a amelioration of exclusionary outcomes. The social wage has traditionally been used by early social democratic parties, especially in Scandinavian countries, and a revival of the concept of social wages in contemporary times would be particularly effective in containing the devastating effects of inflation.

## **6. Conclusion**

Apart from the productivity enhancing benefits of public works programs, the other social dimension is of inclusion. What we can expect from such programs in contemporary times is the large influx of socially excluded groups especially, women. There are large numbers women who are interested to work, if job is accessible. Large part of potentially active women frustrated of useless job searching, stay at home and become inactive. By implementing public work schemes in backward regions, considerable number of such women will participate in the programs. In fact, such programs will reveal the real number of potential active women. Therefore, it is necessary to design special jobs in health clinics, child and elderly care centres, projects' accounting and supervision for educated and less educated women, especially women head of households. While, such works will empower women in deprived regions, it alone cannot reduce women's unemployment and underemployment rates considerably; as many women will enter the labour market in the areas that new job opportunities will emerge.

For millions of unemployed and underemployed workers decent living is out of reach. Although, pro-growth, pro-private investment strategy has failed in sufficient job provision in the past three decades, it has still remained the main tool for dealing with serious labour market problems. However, the need to find more sustainable sources of economic growth, particularly through domestic demand and wage-led alternatives, encouraged a group of countries to implement alternative policies, such as public work programs. Post recent global economic downturn, academics and even ILO have insisted that it is crucial to implement a coherent, job-oriented strategy to address the basic needs of millions workers and their families and emphasized that employment and social protection must be at the centre of fiscal stimulus measures to protect the vulnerable groups and reactivate investment and demand. This approach relies on strong positive multiplier effects to create virtuous cycles of employment and productivity growth.

Most developing countries facing labour market crisis, try to change the trend by providing subsidized loans to private sector via state-owned banks. However, generous loans were not successful to generate sufficient employment opportunities. In sluggish economic situation and unfavorable business environment, private sector is not interested in productive investment; and credit facility cannot bond the creditor to use the money in productive and job generating businesses. Escalating unemployment and low-paid insecure jobs and increasing

concern about economic and social costs of raising poverty force governments to react to these problems by effective policies.

Public work schemes can be the most efficient program to prevent unemployment and income inequality from becoming a social disaster. Public work schemes can be implemented in deprived regions mostly overrepresented by ethnic and religious minorities that suffer badly from chronic unemployment, underemployment and poverty. Public works scheme, with direct involvement of local beneficiaries, can stimulate the economy, create most needed infrastructure, improve the standard of living of people, reduce tensions of exclusion and encourage private investment.

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