

## Employing new ideas for the unemployed

**Colin Read: Everybody's Business**

January 17, 2010 03:24 am

— Many say an economist may predict what will happen, or when it will happen, but not both. I will break this basic tenet by predicting that unemployment will begin to improve this spring and summer. And I don't subscribe to the double-dip recession theory.

I base this prediction, in part, on the fact that unemployment tracks inventories. In the last severe recession, inventories bottomed out in May of 1982, with unemployment peaking six months later at 10.8%. In this Great Recession, inventories bottomed out in June, leading me to believe, hope and pray that unemployment will have peaked by December or January.

It may seem that inventories and unemployment should move similarly and at the same time. However, as fear grips Commercial Avenue, companies lay off workers and deplete their inventories. Once the inventories bottom out, companies must again hire workers back to produce more product. We also see that productivity rises dramatically as firms strive to use their remaining workers more efficiently. Companies will ride this productivity wave for six months or so, delaying rehires until they are very sure a turnaround is lasting.

But, is there actually anything meaningful that can be done about those one in six who are now unemployed, forced to work part time, or so discouraged that they do not even consider themselves employable any more?

We can restructure our labor market while at the same time increasing productivity, absorbing the unemployed and enhancing worker happiness, if not income. However, if we measure our economic policies based solely on income and profits, we may be looking for solutions in the wrong places. And we may be failing to recognize that happiness is related to other variables more difficult to measure, such as leisure time and job security.

If our goal is to get people working again and we acknowledge that businesses are reluctant to rehire when they hear rumors of a double-dip recession, what can policy makers do that would ease unemployment numbers and also address quality-of-life issues? A lot, actually.

**Work Sharing:** First, we can provide incentives for people to share a job. Half employed, but with a foot still in the door and some form of benefits, is a lot better than being fully unemployed, for both the employer and the employee. If two people have a choice of either work sharing or flipping a coin and laying one or the other of them off, I would hazard a guess that most all would choose work sharing.

One problem is seniority. If decisions are made on a seniority basis, those people with seniority may prefer that others are laid-off rather than taking part-time pay, and those without seniority will most likely choose work sharing rather than being laid-off themselves. This is an example of a situational ethic — one's definition of right or wrong depends upon their position, not on their sense of right or wrong in an absolute sense.

There are some easy ways to tip the balance. Instituting unemployment insurance that would partially cover

lost hours, rather than helping only the fully unemployed, would ease the pain. And even small tax credits for companies engaged in work sharing may provide enough incentive for many employers.

**A New WPA:** If one is unemployed, and with little possibility of employment in the near term, would it not be more helpful to society if those individuals are put to work helping to build or repair our nation's deteriorating infrastructure, fix up schools or be otherwise engaged in gainful activities rather than hanging out at the unemployment centers or otherwise sitting at home? Those who are less fortunate should certainly receive assistance. However, it is not unreasonable for society to ask for something, even something small and symbolic, in return for that assistance. Certainly some work in the public interest contributes to the very work ethic we need for prosperity to return.

**Sales tax breaks:** If small business can muster the creativity to discover new sales, the public coffers always get their cut. Perhaps there are opportunities to give businesses a break by releasing them from sales tax for just a short duration. Other states have sales-tax holidays for such things as back-to-school sales, and they are a real shot in the arm to induce new spending.

We may even go further by offering to put in abeyance Medicare and Social Security taxes, especially in conjunction with other programs that promote work sharing etc., until this ship is righted.

**New job creation grants:** Anything we can do to stimulate new job creation, for a short time, would be valuable. Our goal for all these policies is not to expand the government footprint. However, if government can provide a short boost to the economy to help it build up its own momentum, that would be invaluable. The private sector can use some help in pulling itself up by its bootstraps. We ought to offer this aid, although not offer a crutch.

The challenge is not to overreach. We want to encourage new jobs, new car sales, new home purchases, not simply reward those that are going to create new jobs, buy new cars or purchase new homes anyway. The art will be in our ability to separate incentives to begin producing more from the transfers garnered for doing something you would have done as a matter of course.

We must really avoid the easy solution of simply buying our way out of this mess. Most people acknowledge an important role for the government in job creation. Many also fear the dependency cycle that such governmental interference could engender. We should strive to develop wise policies in the first place with appropriate exit strategies once that assistance is no longer required.

Sounds kinda like war, doesn't it?

The problem is, if we do not have a plan for ending the government stimulus strategy at the right time, we are left with bigger-than-necessary deficits, a growing dependency on government and no wind in the sails of the private sector that must be the engine of economic growth.

And simply giving money to states to stimulate and spend as they wish may well be the worst thing of all. States will do whatever is easy and popular, which likely will not be those very things that force it to reinvent itself. If we expect the private sector to reinvent and innovate, we should expect no less out of government itself.

**Colin Read is the former dean and now teaches economics and finance in the School of Business and Economics at SUNY Plattsburgh. His fifth book, "The Rise and Fall of an Economic Empire," will be published by MacMillan Palgrave next fall. He also runs an economic and business consulting company and can be reached at [economicinsights@gmail.com](mailto:economicinsights@gmail.com).**

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