

Unemployment as a social cost*

Marco Rangone and Paolo Ramazzotti

Abstract

Over the last decade, workfare programmes provided support to the unemployed only insofar as they were willing to accept a job. The theoretical underpinnings of these programmes are that institutional constraints prevent labour supply from adjusting to the technologically determined requirements of labour demand. We contend that when individuals look for a job, they generally want to take into account non-monetary features such as occupational status. Status cannot be traded, it usually is complementary to income, it determines lifestyles and life possibilities. As for labour demand, its requirements do not reflect efficient behaviour and technical constraints because business "efficiency" cannot be taken to be a measure of social efficiency and technology cannot be used as a benchmark to assess the efficiency of business conduct. We suggest that Sen's notion of capabilities may constitute an appropriate benchmark to assess the social efficiency of the economic system. This leads us to a few policy implications. The "capabilities benchmark" leads us to stress the importance of freedom to choose how to conduct one's life. Acting in favour of freedom involves the understanding of how business strategies affect learning patterns and available choice sets. It also involves the assessment of policy issues - such as cooperation between the scientific community and business, scientific freedom, educational goals and their institutional implementation, and unemployment relief systems - which may influence the relation between business strategies and social learning.

Marco Rangone, Università di Padova, Italy. E-mail: rangone@decon.unipd.it.

Paolo Ramazzotti, Università di Macerata, Italy. E-mail: ramazzotti@unimc.it.

*The authors wish to thank Angelo Reati and Stefano Solari for their comments on previous versions of this paper. The usual disclaimer applies. The authors are jointly responsible for the paper as a whole. For purely administrative reasons, however, M. Rangone is responsible for sections 1-4 while P. Ramazzotti is responsible for sections 5-8.