

Guaranteed jobs in America: Motivations and limitations

By Dean Baker and Jared Bernstein

May 14, 2018 – *The Washington Post*

Here are five facts for understanding the argument that follows.

- For most of the past four decades, the U.S. labor market has not been at full employment, meaning there have often been too few job opportunities for job seekers. Even today, as we close in on full employment, pockets of weak labor demand persist.
- Since we've been keeping such data, starting the 1970s, the unemployment rate for African Americans has been twice that of whites.
- This differential contributes to large and persistent wage, income and wealth differences.
- For decades, Democrats and Republicans have argued that work must be a ladder out of poverty. Most recently, conservatives have been adding work requirements to anti-poverty programs.
- The Federal Reserve, when it judges inflation to be a risk, raises the unemployment rate (or prevents it from falling) to offset that risk.

Against these five facts, consider that Democratic policymakers are thinking seriously about government programs to create decent jobs for people who live in places where too few exist. As noted, even in year nine of the current expansion that boasts a 17-year low on the unemployment rate, there are far too many people and communities left behind. This, along with the black/white unemployment differential and its impact on minorities' living standards and future opportunities, is a classic market failure, providing a clear rationale for government intervention.

As economists who have long bemoaned the absence of full-employment labor markets, we are uplifted and gratified to see this policy thrust. Its logic follows directly from the fact that the game has long been rigged against

those who lose the most from the dynamics engendered by the five facts. These include minorities, immigrants, the working-age poor, and all low- and middle-wage workers. In other words, not exactly a fringe group.

We would single out minority and poor families as uniquely vulnerable to these market failures. Majorities in Congress insist that they work in the paid labor market, but the lawmakers not only fail to guarantee them a decent job; they keep the minimum wage ridiculously low (\$7.25 in states that still adhere to the federal level), threaten to slash job-training dollars and work supports, and do nothing to repair a criminal justice system that creates high barriers to labor market entry and advancement for many minority workers.

Meanwhile, when the job market finally heats up to the point where it's tight enough that those left out might get pulled into action, the Federal Reserve invariably tries to cool this heat. The Fed's interpretation of its mandate to maintain the lowest jobless rate consistent with stable prices leads it to push back on the very conditions needed to meet the requirements for work increasingly insisted upon by conservatives.

It is this vise grip on the economically vulnerable to which the job guarantee responds. As you'll see, we have serious concerns about its feasibility, but it is a rational response to an irrational and discriminatory economic system.

It is also a proposal with a large, technical problem: Because of the rigged system we just described, if a policy is introduced that guarantees good, permanent jobs to anyone who wants one, it will draw in tens of millions of workers from the private, low-wage labor market.

The package on offer from the one popular version of a job guarantee could be an improvement for at least 50 million currently employed workers. Even if the employers of half of these workers raise their pay to match the package offered through the job guarantee (a great outcome), that would still leave 25 million currently employed workers for whom the guaranteed job would be an upgrade.

Add in the unemployed and underemployed, and this gives us more than 35 million workers in this program and, quite possibly, many more. The federal government's current workforce, outside of the Postal Service, is 2.2 million, meaning the job guarantee would increase the size of the federal workforce by a factor of 10.

Sen. Cory Booker (D–N.J.) recently introduced a three-year pilot program offering a guaranteed job in 15 urban and rural places. That's a smart way to proceed, one that should allow us to see if our concerns are justified. If so, local governments in the pilot areas will find themselves having to essentially re-create the private low-wage labor market by undertaking a huge expansion of public-sector jobs.

Therefore, it makes sense to also try a less interventionist approach to job creation. Various members of Congress, including Sen. Chris Van Hollen (D–Md.) and Rep. Ro Khanna (D–Calif.), are rolling out ideas for

subsidized jobs programs that target long-term jobless workers and/or those with persistent poverty-level earnings. The job would have to pay at least the minimum wage, and employers, who could be in the public, private or nonprofit sector, would receive a subsidy to cover wages, overhead and training costs. Unlike many earlier versions of such plans, these subsidies would last for a significant period: at least 18 months, and possibly as long as 30 months (with the opportunity for subsidized workers to “re-up” with a different employer if necessary).

We should test both ideas. If we try only the job guarantee and our suspicion that it calls for an unrealistic expansion of the public sector is correct, the cause of a national jobs program could suffer a setback. Less ambitious plans might prove to be more manageable and could still reach most of those now left behind.

But before we get too bogged down in pragmatic details, let's recognize how responsive these job ideas are to the contradictions that have long plagued the job market as faced by millions of people striving to get ahead in a system whose architecture is fundamentally stacked against them.

Jared Bernstein, a former chief economist to Vice President Joe Biden, is a senior fellow at the Center on Budget and Policy Priorities. Dean Baker is senior economist at the Center for Economic and Policy Research.