

## **New bill will get the labor market running on all cylinders**

By Mark Paul and Dean Baker

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For years, economists have been saying that we're at, or "awfully close" to, full employment. The most recent numbers put the headline unemployment rate at 3.6 percent — the lowest rate we've seen in nearly 50 years. This is welcome news.

Relatively low unemployment means there are far fewer people looking for work who can't find it. But low unemployment doesn't affect everyone equally. When the unemployment rate dips to low levels, the people who benefit the most are those who have been at the back of the queue — black workers, Hispanic workers, immigrants and other disadvantaged workers in the labor market.

If we go back just five years, when the overall unemployment rate was 6.3 percent, the unemployment rate for blacks was 11.4 percent. Today, it is 6.2 percent, a drop of 5.2 percentage points. While this is still far higher than we should accept, it does represent progress.

The benefits of low unemployment go beyond just allowing more people to get jobs. It also gives more bargaining power to those workers who have jobs. We have seen this impact, as wages have at least modestly outpaced prices for the last four years, allowing workers at the middle and the bottom to see gains in living standards; though it's barely putting a dent in the decades of stagnant wages for most workers.

According to the predictions of Federal Reserve officials a few years ago, these levels of unemployment were simply unsustainable. Importantly, this highlights a long and ongoing battle within the Fed over just how low unemployment can go if we are to avoid spiraling inflation.

Historically, the Fed has chosen to prioritize stable prices over full employment, resulting in decades of persistently weak labor markets that force millions of workers to remain idle.

But in this recovery, these economists were beaten back. This was in part due to pressure from groups like the grassroots labor and community coalition Fed Up, and, in part, the result of then-Fed Chair Janet Yellen's willingness to hold off on rate hikes until there was actual evidence of inflation, which remains below the Fed's target.

With these data points in mind, it would be easy to think that the labor market is running on all cylinders. But it's not. Many groups of workers are still struggling to find employment and decent wages.

Nearly one-in-four unemployed workers have been out of a job for at least 27 weeks. These 1.3 million long-term unemployed workers, plus the millions of other people who have dropped out of the workforce or are underemployed, highlight the failures of the labor market.

Thankfully, some in Washington have been paying attention. Last week, Sen. Chris Van Hollen (D-Md.) and Sen. Ron Wyden (D-Ore.) introduced the Long-Term Unemployment Elimination Act.

The bill's aim is simple: Put an end to long-term unemployment. Importantly, the bill would provide much-needed funding to generate real job opportunities for the long-term unemployed through new mandatory federal funding to local workforce development boards and community-based organizations.

The jobs, which would last a year on average, will not only provide non-poverty wages to

workers but will also provide the necessary wrap-around services to ensure success. This will help workers overcome some barriers to employment including transportation and childcare costs.

Targeted job creation, rather than tax cuts, which are the oft-proposed Republicans' answer to such economic challenges, has a proven track record. First, instead of relying on the myth of trickle-down economics, programs such as these provide funding to employ all workers affected by long-term unemployment.

Importantly, the legislation also includes the millions who have been out of work for at least 27 weeks but aren't counted in the official unemployment statistics.

Many will argue that now is not the time for such measures. After all, the economy is running hot. But they're missing the big picture.

First, by putting in place the Long-Term Unemployment Act during a relatively strong labor market, the program will have a bit of time to get up and running. Second, by scaling up the program now, it'll be ready to quickly ramp up when the next recession comes, which it inevitably will.

Democrats can decry Trump and the Republican party all day, but they need to take concrete steps to show workers that they can offer an economy that works for all.

As 2020 presidential candidates start offering their economic messages, we've seen many of them get behind the idea of a job guarantee. This program is no job guarantee, but it takes important steps toward ridding our economy of unnecessary unemployment that is costing not only economic output, but people's lives.