

# Returning to the Promise of Full Employment: A Federal Job Guarantee in the United States

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## INTRODUCTION

Unemployment is one of the strongest predictors of poverty. While the United States has an array of social insurance programs in place, 43.1 million people (13.5 percent) remain in poverty, struggling to meet basic needs for themselves and their families.<sup>1</sup> While these programs have reduced poverty rates by nearly half,<sup>2</sup> we must reckon with the fact that as the social insurance regime has shifted to a “work-based safety net,” providing the majority of assistance to the working poor – a group that would not exist under our proposed program in the first place – millions are left in dire need.

During the Great Recession, the U.S. witnessed one of the largest gaps in the current safety net – the lack of support for the jobless – take a major toll on Americans across the country. At the height of the crisis, conservative measures of unemployment indicate that over 15 million Americans, or 10 percent of the labor force, were out of work,<sup>3</sup> making no contribution to traditional measures of economic productivity and economic growth, and struggling desperately to provide for themselves and their families. Broader measures of unemployment, such as U6,<sup>4</sup> that better capture hardship during economic downturns indicate that 17.1 percent of workers were unemployed or working part-time, despite wanting full-time employment.

A job in and of itself is not a sufficient condition to escape poverty. With at least 25 percent of workers earning wages below the poverty line,<sup>5</sup> and 44 percent of homeless individuals reporting to have engaged in paid employment in the past month,<sup>6</sup> *non-poverty wages* need to be an essential component of reducing poverty. Still, we must recognize that the costs associated with unemployment go far beyond poverty. The nature of the harms from unemployment or underemployment are well documented. In addition to inflicting lasting damage

<sup>1</sup> <http://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf>

<sup>2</sup> <http://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought>

<sup>3</sup> U3 is the International Labour Organization official unemployment rate that includes individuals who are unemployed and have actively looked for work within the past four weeks.

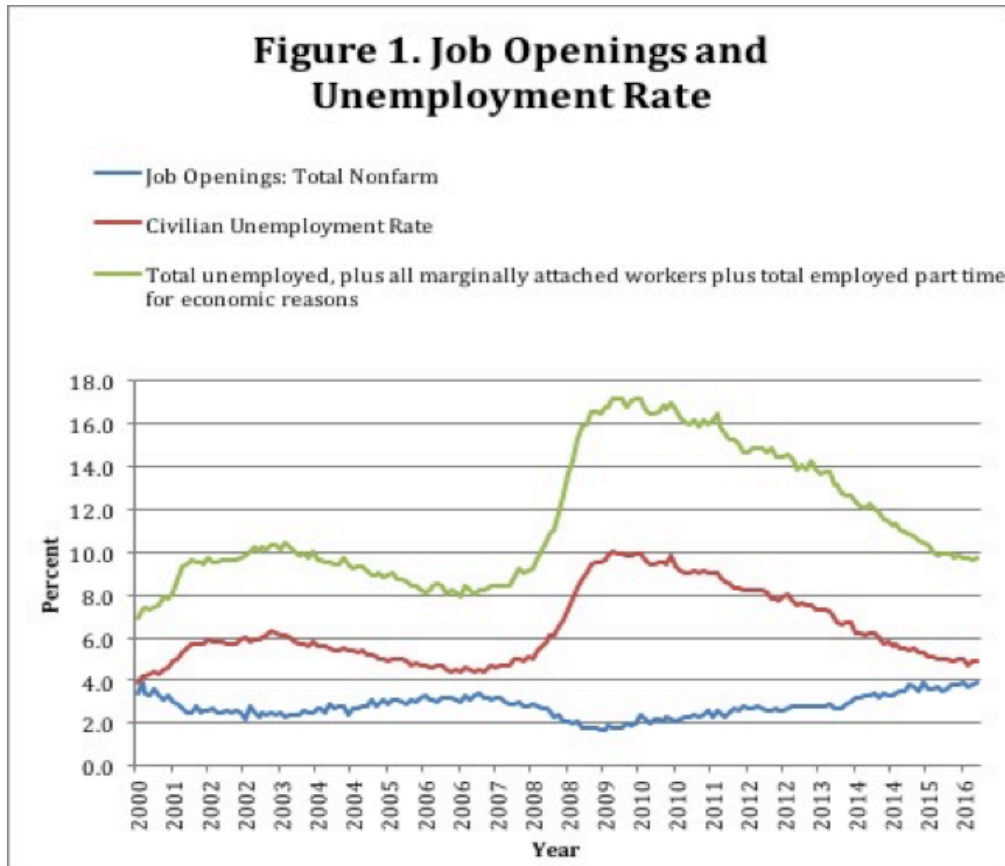
<sup>4</sup> U6 is a broader unemployment, or “underemployment” rate, which, in addition to U3, includes “discouraged workers,” or those who have stopped looking for work due to current economic conditions; other marginally attached workers who are willing and able to work but have not actively sought employment in the past four weeks; and part-time workers who seek but cannot attain full-time employment.

<sup>5</sup> <http://stateofworkingamerica.org/fact-sheets/poverty/>

<sup>6</sup> <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/310291-Homelessness-Programs-and-the-People-They-Serve-Findings-of-the-National-Survey-of-Homeless-Assistance-Providers-and-Clients.PDF>

on an individual's labor market prospects, unemployment is associated with increased rates of physical and mental illness, alcohol and drug abuse, child and spouse abuse, failed relationships, suicide and attempted suicide, and a host of other personal and social ills.<sup>7</sup>

Figure 1 documents the persistent gap between unemployment and job openings – a gap that widens during economic downturns, but remains stubbornly large during “strong” labor markets as well. Even when the economy is booming, millions remain unemployed and underemployed due to the government's inaction to function as an employer of last resort.



Source: Federal Reserve Bank of St. Louis

## UNEMPLOYMENT DOES NOT AFFECT ALL GROUPS EQUALLY

Historically, unemployment has varied greatly by group. The institutions that make up the economy allow for systematic discrimination in the labor market against many groups of people, subjecting ex-offenders,<sup>8</sup> recent military veterans,<sup>9</sup> and certain racial/ethnic groups to unjust and unnecessarily high levels of joblessness.<sup>10</sup> Historical data indicate that unemployment rates for black people are consistently twice the rates of white people. This two-to-one gap, as seen in Figure 2, persists among groups with higher degrees of education

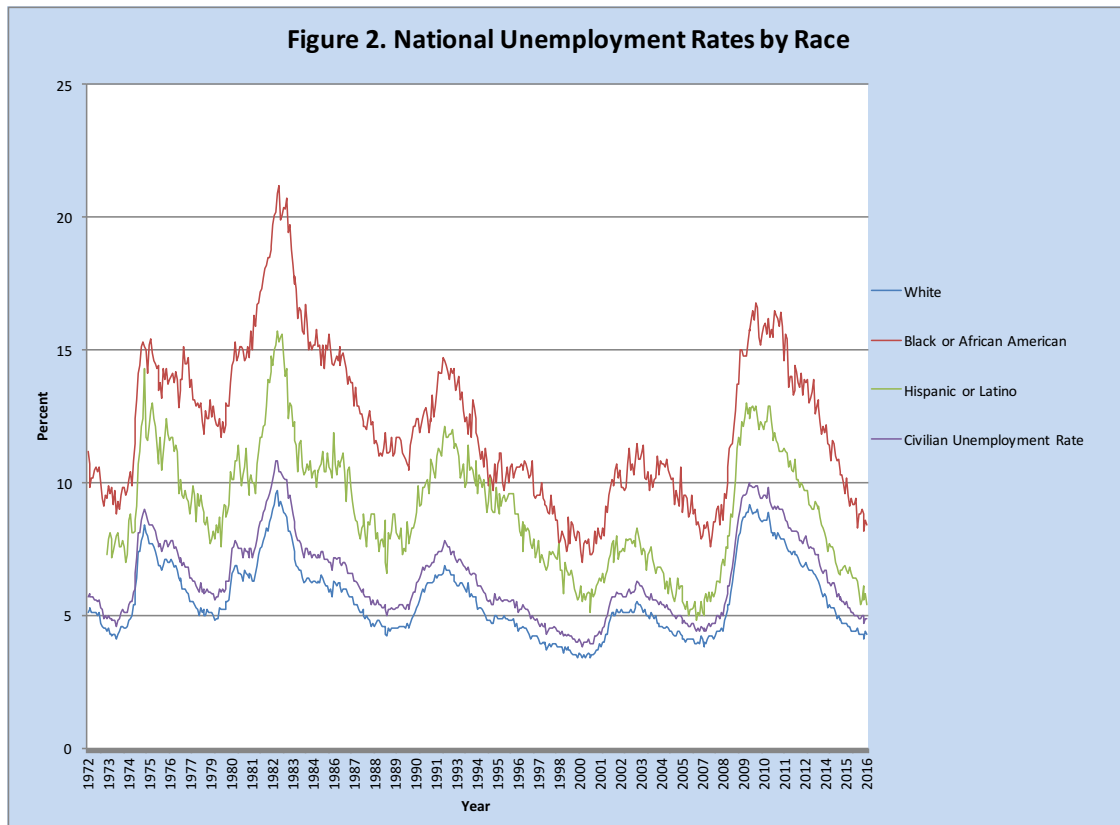
<sup>7</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1447721/>

<sup>8</sup> <http://cepr.net/documents/publications/ex-offenders-2010-11.pdf>

<sup>9</sup> [http://www.rand.org/pubs/research\\_reports/RR284.html](http://www.rand.org/pubs/research_reports/RR284.html)

<sup>10</sup> <http://ww1.insightcced.org/uploads/CRWG/Umbrellas-Dont-Make-It-Rain8.pdf>

as well, with recent black college graduates experiencing unemployment at a rate of 9.4 percent compared to white college graduates with an unemployment rate of 3.7 percent.<sup>11</sup> Unemployment for blacks remains roughly twice the rate of whites at every level of education. Even when black students complete a degree in a STEM field, which are in high demand by the labor market, they still experience markedly higher rates of unemployment, and are more likely to end up in jobs which do not require a STEM degree.<sup>12</sup> Taking a longer run view, we observe that since 1972 unemployment has averaged double digits for black workers and has *never* fallen below 7 percent – a level that is only reached for white workers during times of economic crisis.



Source: Federal Reserve Bank of St. Louis

## THE POLICY: A FEDERAL JOB GUARANTEE

In light of this rich history, we propose the passage of legislation guaranteeing every American over the age of eighteen a job provided by the government through a National Investment Employment Corps (NIEC). The *permanent* establishment of the NIEC would eliminate persistent involuntary unemployment and improve economic well-being, ensuring that the United States is able to achieve full employment, as outlined by the Full Employment and Balanced Growth Act of 1978.<sup>13</sup> The Federal Job Guarantee (FJG) would provide a job, at wages that lead to a higher standard of living, to all Americans seeking employment. The wage rate would start at \$11.56 an hour, equivalent to \$24,036 per year, which is in line with the average wage rate of other federally recognized income thresholds, such as the one used by the U.S. Department of Housing and Urban

<sup>11</sup> <http://www.epi.org/publication/unemployment-for-young-black-grads-is-still-worse-than-it-was-for-young-white-grads-in-the-aftermath-of-the-recession/>

<sup>12</sup> <http://cepr.net/documents/black-coll-grads-2014-05.pdf>

<sup>13</sup> <https://www.gpo.gov/fdsys/pkg/STATUTE-92/pdf/STATUTE-92-Pg1887.pdf>

Development (HUD).<sup>14</sup> This rate would be indexed to inflation, ensuring that workers' purchasing power is maintained over time.

To truly provide workers with a reasonable compensation to keep them out of poverty, workers will also be guaranteed a benefits package. At this time, we estimate that an additional \$10,000 will be spent per full-time worker per year to provide adequate health insurance and retirement benefits. Since workers would be public employees, the insurance provided would be comparable to current health insurance plans offered to civil servants. With millions of Americans uninsured and unemployed or underemployed, this option would be akin to a "public option" in healthcare. While the provision of health insurance will increase program costs by approximately one quarter (once capital expenditures are taken into account), it would be necessary until the government takes action to provide adequate health insurance for all, in which case program costs would be reduced substantially. Other fringe benefits will also be available to workers, including paid family and sick leave and paid vacation.



Given recent unemployment statistics, we estimate that the program will have an initial cost of \$775 billion USD. This assumes that on average, each job costs \$55,000, including wages, benefits, and spending on supplies and capital goods. The initial cost of the FJG would be offset by significant cost savings through reducing enrollment in many existing federal social insurance programs, increases in tax revenue at the federal, state, and municipal levels, increases in the growth rate of GDP, and substantial productivity and capacity gains in the U.S. economy.

Benefits of a job guarantee would be felt far beyond those directly employed under the NIEC. For one, workers under the program would be providing socially useful goods and services to our society. If history is any guide, we can look at the wonders built under the Works Progress Administration, which employed over 8.5 million unique workers from 1935-1943.<sup>15</sup> Workers could rebuild our crumbling infrastructure, help facilitate

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<sup>14</sup> Calculations based on 50% of the median reported by HUD.

our transition to a green economy, provide high quality universal child care and education (which is now more expensive than college in many states),<sup>16</sup> provide staff for a public banking option through the Postal Service, and more.

Such a policy would fundamentally transform the current labor market in the United States, greatly altering the current power dynamics between labor and capital – particularly for those at the less compensated end of the labor market and traditionally marginalized groups. While worker compensation historically tracked productivity growth, we have witnessed a troubling divergence in their paths since the 1970s.<sup>17</sup> This relationship can be restored through bold policies, such as the Federal Job Guarantee, that empower workers. Indeed, such a program constitutes a direct route to producing full employment by eradicating involuntary unemployment, and reversing the trend of lost worker bargaining power by removing the employer threat of unemployment. Since the Federal Job Guarantee achieves, and maintains, full employment it relaxes some of the burden on the Federal Reserve with regards to its dual mandate of achieving price stability and stimulating the economy. Such a policy reform will effectively allow monetary policy to focus more on stable prices.

As outlined above, these benefits will impact those groups of people that experience the greatest barriers to entry in the labor market, especially in their search of good jobs. Youth and those recently incarcerated face particularly strong barriers to entry in the labor market. Youth unemployment produces multiple scarring effects that have long-term negative impacts on earnings and employment down the road. Further, workers with a felony conviction, or those who spent time in prison, are substantially more likely to be unemployed. Those able to find jobs, despite the substantial barriers to employment, reintegrate into the community with more success and have lower recidivism rates. Providing those recently released with a job at non-poverty wages and benefits may substantially reduce recidivism rates and provide them with meaningful and socially useful work.

A federal job guarantee would function as a *de facto wage floor* – private employers would have to offer wages and benefits at least as enticing as the federal government to attract workers. Rather than subsidizing poor jobs, the FJG effectively eliminates poverty for those willing and able to work by providing a guaranteed job at non-poverty wages, thus setting a reasonable compensation floor in the labor market and re-establishing full employment as a government mandate. The proposal is predicated on the view that there is an absolute shortage of decent jobs, rather than there being insufficiently skilled workers to fill vacant positions in the private sector. We see this as a vital benefit of a universal jobs program. There has been extensive public support for recent increases in the minimum wage, such as the Fight for \$15 campaign; however, without universal coverage through a jobs program, the effective minimum wage in this country remains \$0 – as involuntary unemployment still exists. Further, workers would be emboldened to organize and demand fair working conditions and a say in management, demands that were once a cornerstone of the labor movement.

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<sup>15</sup> <http://socialwelfare.library.vcu.edu/eras/great-depression/wpa-the-works-progress-administration/>

<sup>16</sup> <http://www.epi.org/publication/child-care-affordability/>

<sup>17</sup> <http://www.epi.org/files/2015/understanding-productivity-pay-divergence-final.pdf>

## A FEDERAL JOB GUARANTEE HAS DEEP AMERICAN ROOTS

The idea has been discussed among politicians, policymakers, activists, and academics for at least 80 years, dating back to the populist governor Huey Long in his Share Our Wealth Plan.<sup>18</sup> In 1934, he argued that the United States should use public works to ensure “everybody [is] employed.” The FJG reached center stage in President Franklin D. Roosevelt’s final State of the Union address in 1944, when Roosevelt introduced what he called an *Economic Bill of Rights*. The first “article” of his proposed second Bill of Rights was a *right to employment*. In the absence of the provision of adequate opportunities for work by the private sector to eliminate involuntary unemployment, Roosevelt envisioned the maintenance of a public sector option to provide employment for all. The second article ensured that the job would provide non-poverty wages – eliminating the working poor once and for all.<sup>19</sup>

Roosevelt’s ambition to permanently secure full employment was pursued in the failed Full Employment Bill of 1945. The goal of the legislation was to provide employment for *all* who sought a job – including those who were not part of the labor force at the time. A year after President Roosevelt’s death, a markedly weaker version of the bill, the Employment Act of 1946, passed Congress, but it lacked many of the key provisions from the original Full Employment Bill. Unlike the earlier bill, the 1946 Act had no provisions for the federal government to assure a job for *all* willing workers.

The country’s pursuit of genuine full employment – meaning the elimination of unemployment – through a job guarantee did not end with Roosevelt. Other bold leaders ranging from his successor, Harry Truman, to civil rights leaders Bayard Rustin and Dr. Martin Luther King, Jr. publicly endorsed the universal right to a job at non-poverty wages for all Americans. The famous March on Washington was after a march for Jobs and Freedom – two rights that go hand in hand. The job guarantee was also a cornerstone of the presidential campaign of George McGovern, who demanded that all Americans seeking a job should be able to secure a position through public service employment. McGovern was committed to non-poverty wages, calling for a wage of \$4,000 per year, equivalent to \$23,028 in 2016 USD. Additional early and important advocates of an employment guarantee include Sadie Tanner Mossell Alexander, the first black American woman to receive a Ph.D. in economics, and Coretta Scott King.

In 1978, a small part of Roosevelt’s and Dr. Martin Luther King, Jr.’s program was incorporated into the “Full Employment and Balanced Growth Act,” better known as the Humphrey-Hawkins Act, which committed the government to lowering the unemployment rate to 3 percent. The Humphrey-Hawkins bill has been largely ignored in practice without any consequence. While Roosevelt’s bold aim has not been realized, its ambition is embodied in the Full Employment and Balanced Growth Act of 1978.

## CONCLUSION

Our goal is to provide policy insight and proposals to build an inclusive economy, putting economic justice and inclusion first. The economic dice are loaded in America. Our economy is plagued by structural problems that perpetuate inequality in opportunity and outcome.<sup>20</sup> A federal job guarantee would restore psychological balance

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<sup>18</sup> <http://www.hueylong.com/programs/share-our-wealth-speech.php>

<sup>19</sup> <http://www.fdrlibrary.marist.edu/archives/stateoftheunion.html>

<sup>20</sup> <http://deanbaker.net/books/rigged.htm>

and dignity to the millions of unemployed individuals who desire to work, but cannot. It would also address the long-standing unjust and discriminatory barriers that keep large segments of stigmatized populations out of the labor force. And it would reverse the rising tide of inequality for all workers by strengthening their labor market bargaining power and eliminating the threat of unemployment once and for all. While benefits will be felt by those directly employed, the policy will also raise the wages of millions in the private sector by setting a substantially higher minimum compensation package, and expand the provision of public goods and services in the United States.

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