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A CONSENSUS STRATEGY FOR A UNIVERSAL JOB GUARANTEE PROGRAM

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The idea of a job guarantee (JG) policy has been vaulted to prominence in the context of several recent endorsements of the idea (or variants thereof) by a number of likely contenders for the 2020 Democratic nomination (including Senators Elizabeth Warren, Kirsten Gillibrand, Bernie Sanders, and Cory Booker).[1] Recently, I coauthored a report that presented a JG proposal along with estimates of the economic impact of the program over a 10-year horizon (Wray et al. 2018). However, several other variants have been proposed and/or endorsed. This policy note seeks to establish some common ground among the major JG plans and provides an initial response to critics.

Our approach to the JG would provide new jobs in a Public Service Employment (PSE) program for approximately 15 million workers at $15 per hour, while creating an additional 4.2 million private sector jobs. It would include a package of benefits worth 25 percent of the wage bill and cover additional costs at 20 percent of the wage bill. The generous wage and benefit package would become standard across the country, as all private and government sector employers would need to match it to retain workers. It would boost real GDP by about $560 billion per year, while inflation would peak at just 0.74 percentage points above baseline projections (falling to just 0.09 percentage points above the baseline by the end of the program's first decade). The federal government's budget deficit would rise by a maximum of 1.5 percent of GDP over the baseline, falling to an average of 1.13 percent of GDP by the second half of the decade. State budgets

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would improve by $53 billion per year—even after raising the wages and benefits of all government employees to the PSE program's standards. These estimates do not take account of many of the cost savings that would be enjoyed by all levels of government, firms, and households as a result of the increase in wages and reduction in unemployment and poverty rates.

The federal government would pay the wages, benefits, and other program costs, but implementation would be highly decentralized—with qualifying not-for-profits, state and local governments, and school districts, as well as the federal government creating the jobs. An important feature of our proposal is that, other than establishing a minimum wage and benefit package, projects would not compete with the private sector. We have focused our program on *public service employment* because we expect most of the jobs to involve provision of *care services:* care for the environment, care for people, and care for communities. We think this reflects the best match of the potential program labor force with the needs of their communities.

Common Ground

There are several other proposals that adopt similar features ($15 per hour wage minimum, universal availability, generous benefits), with some prominent differences. These include tiered wages (some employees might receive much more than $15 per hour), subsidized private for-profit employment, guaranteed income whether one works or not, a focus on construction of infrastructure, and centralized program management (with the federal government actually employing the workers).

To clarify the positions we have taken in our report (Wray et al. 2018), and in an effort to see where supporters of the idea of a JG might be able to come to a common agreement, I outline what I think are essential components of a JG proposal, and indicate where I think compromises can be made.

1. **The JG should pay a living wage with good benefits.** In line with other progressive proposals, the JG wage should establish a national minimum wage at $15 per hour, with free Medicare-style healthcare. It should also provide free childcare to enable parents to participate in the program. The JG program itself can greatly expand childcare provisioning, as many JG workers can be employed to provide childcare to underserved communities and to JG workers.
2. **Congress will appropriate the necessary funds to pay program expenses**. No additional taxes will be levied. As I discuss below, advocates of the JG should not play the "how you gonna pay for it" game.
3. **The JG should be universal—providing paid work to anyone ready and willing to work.** It should also be universal in the sense that it serves every community, offering jobs where people live and providing real benefits to their communities. The JG's wage and benefits will set the minimum standard nationwide. This will provide a boost to communities across the nation, with relatively greater benefits where they are needed most: where jobs are scarce, where pay is lowest, and where markets suffer the most from lack of income to support buying power. Given the projected size of the program, it will probably be necessary to phase it in over several years. Current proposals for the $15 minimum wage envision a complete phase-in by 2022; the JG program might follow the same timeline.
4. **The JG should not devolve to either workfare or welfare.** The social safety net should not be dismantled; no existing social services should be eliminated. Individuals should be able to continue to receive existing benefits if they do not want to work in the JG program. At the same time, the JG should not provide income support to those that do not work in the program. The JG should be seen as an employment program in which workers are paid for work. The program should have visible benefits to communities so that the workers in the program are recognized as making positive contributions in return for their wages. The program's purpose is to provide paid work, not welfare. Workers can be fired for cause—with grievance procedures established to protect their rights, and with conditions on rehiring into the program.
5. **However, there should be room in the JG for time-limited training and education.** While on-the-job training should be a part of every project, proposals can be solicited for specific training and basic education programs that will prepare workers for jobs in the JG—and, eventually, for work outside the JG. It is important that these are time limited and that the training is for jobs that actually exist.
6. **Project implementation and management will be decentralized**. There should be diversity in the types of employments and employers—to help ensure there are projects that appeal to workers and their communities. Projects

should go through several layers of approval before implementation (local, state or regional, federal) and be evaluated at these levels once in progress. Decentralization helps to protect the program from whatever political winds emanate from the du jour occupant of the White House.

7. **Where possible, proposals should scale-up existing projects with proven track records and with adequate administrative capacity to add JG workers.** Making use of existing capacity will minimize additional overhead. Program funds should be focused on paying wages and benefits to JG employees. Federal spending should not subsidize administrative expenses.
8. **The JG should not be used to subsidize wages of workers employed by for-profit firms.** This distorts markets and is not likely to generate substantial new employment. Private business is already heavily subsidized by all levels of government. The JG should not be used as yet another corporate welfare program. However, private firms will benefit indirectly (and greatly) from the program as it provides a pool of hirable labor and as it contributes to economic growth that improves markets for firms.
9. **Direct employment by the federal government for the JG should not dominate the program.** Most employment should be administered at the local level—where the workers are, in the communities where they will work. The JG program will probably need to create 15 million new jobs—six times greater than the number of federal employees today. If all 15 million were to join the federal workforce, supervision of all these new workers would, alone, require hiring a large number of additional federal employees. This would be politically difficult even if the massive scaling-up of the federal workforce were administratively possible. The federal government's role in the direct provision of jobs should be focused on providing projects to underserved communities and workers—after not-for-profits and state and local governments have employed as many as they can.
10. **Inclusivity and experimentation should be encouraged**. The federal government should solicit proposals for novel approaches to job creation. For example, workers' co-ops could be formed to propose projects in which wages, benefits, and limited materials costs would be covered by the federal government for a specified time period.
11. **Consistent with point 10, project proposals put forth should not be summarily dismissed simply due to political bias.** The JG program should welcome diversity. We should entertain the notion that even those at opposite ends of the political spectrum might have good ideas for projects. Determination of an organization's eligibility to submit projects would be similar to the process the IRS uses for designation of tax-exempt status, although the standards for keeping politics and religion out of the projects should be higher, since federal government money will be spent directly for employment in the program.
12. **With decentralization, the types of projects permitted would take account of local laws and rules, including prevailing wage laws and union wage rates.** With the JG paying $15 per hour, this means that in many states and localities, rules and laws will prohibit various types of work, including construction. In those areas, JG workers will not build infrastructure, for example. It is possible that limited-term training or apprentice projects could be funded in those areas instead. However, in many states construction by JG workers paid $15 per hour would be permissible. Decentralization helps to ensure conformity with local laws and rules, while maintaining a uniform JG wage.
13. **Exceptions to the uniform wage should be considered, but this should not become the norm.** For example, state or local governments might want to subsidize (at their own costs) the federally paid wage of $15 per hour in order to increase wages to some higher level. This might be because of high living costs locally. Or some JG employers might want to offer additional benefits (at their own cost) to workers, including housing allowances for high rent areas.
14. **Limited pilot programs that experiment with different models deviating from what is described above might also be considered.** For example, a pilot program run by the federal government, with all participants hired as federal employees, might be tried before the JG is implemented on a national scale.

A JG program cannot be expected to solve all social and economic problems. It is not a substitute for other social and economic programs. We will still need various labor force programs, including retraining of and compensation for skilled workers who lose their jobs to imports or robots. We will still need a major public infrastructure program to bring the country into the 21st century. We will still need a safety net for those who cannot, should not, or do not want to work. We will still need a major reform of the healthcare system—although extension of coverage to all JG workers will make that much easier to do. We will still need to downsize and constrain the runaway financial sector. We still have a long legacy of neoliberalism and the destruction that it has caused to our society and economy. And we still have excessive inequality, although the JG will go a long way toward reducing inequality at the bottom by providing paid work at a living wage.

We can understand the desire to expand the reach of the JG program that is reflected in the bolder proposals put forth by some, but we believe it is better to focus the JG program where it can do the most good—creating good jobs for the unemployed, underemployed, and underpaid.

Response to Some Early Critics

There have already been a number of criticisms of the various JG proposals, although most of them do not specifically target our approach. Kevin Drum at *Mother Jones* claims that there would be 50 million workers "who would be better off with a government-guaranteed job than with the job they have now" (Drum 2018). How could he reach such a number? By assuming that no current low-wage and low-benefit employers will provide healthcare benefits or match the $15 per hour wage (by 2022) and that all currently employed part-time workers will jump ship to work in the JG. He goes on to proclaim that, even with 15–20 million employees in the program, "3–10 percent of the labor force [is] effectively nationalized forever by the federal government." Now, as we have argued (Wray et al. 2018), the peak employment in our simulation is approximately 15 million—and all of these workers are available for "privatization" by firms should they need more employees. Workers are not pulled out of the private sector to be "nationalized" by the JG, rather they continue to work instead of falling into unemployment. As such, they are actually more available to be hired than if they were idled by lack of opportunities in the private sector. The JG simply provides a public *option*—it does not "permanently" remove them from the private sector.

As A. P. Joyce (2018) argues, "How does one simply go 'get a job' if there aren't enough well-paying, full-time jobs for everyone to have? In a political system that focuses so much on 'job creation' and 'job creators,' why does the burden fall on workers when there's just not enough jobs to go around?" It should be no surprise that the private sector focuses on profits, not job creation—job creation by the private sector is incidental to the main preoccupation, which is profitability. Only at the business cycle peak do private employers come close to creating a sufficient supply of jobs; as our report shows, all of the business cycle peaks since 1990 have fallen far short of true full employment.

Adam Ozimek, senior economist at Moody's Analytics, takes a line similar to that of Drum, complaining that "a federal program . . . that guarantees good paying jobs would not simply . . . target the unemployed, [it] would likely pull workers out of the private sector labor market, creating the need for even more well-paying guaranteed jobs" (Joyce 2018). Yes, our goal is to ensure that the program's wage ($15 per hour, phased in over the next four years) establishes a private sector minimum wage of $15 per hour by 2022. That is indeed the goal of any minimum wage legislation—to set a minimum wage. The $15 per hour would reestablish a living wage, comparable to the actual minimum wage in the late 1960s. Our current federal legal minimum wage is about half that—a disgraceful fact that condemns a full-time worker and the worker's family to poverty. No nation as rich as the United States should accept poverty-level wages. Firms with business models that require that their workers live in abject poverty should find a new business model—or be driven out of business. These are unacceptable business models for any nation, except perhaps the poorest and least developed nations on earth. However, the plain fact is that every time minimum wages have been increased in the past, almost all firms have managed to stay in business. The reason is because most firms can remain competitive, as their competition raises wages, too. Further, higher wages mean consumers can spend more, creating more sales. As we show in our simulations, the JG boosts real economic growth—with a bigger pie, most firms will do better even with higher wages.

Economists have always worried about the employment effects of minimum wage hikes. While the conventional wisdom is that higher minimum wages force firms to downsize their labor force or to go out of business altogether, the best empirical research finds no negative employment effects from wage hikes.[2] Many of these studies focus on state or local minimum wage increases. They find that when, say, New Jersey raises its minimum wage, it does not suffer job losses when compared to a neighboring state (say, Pennsylvania) that did not hike wages. These results cannot be easily extrapolated to a large boost to the federal minimum wage, however. On one hand, we might expect a state minimum wage increase to have a greater effect if employment can simply move across the border to the low-wage state—something that cannot happen when the federal minimum is increased. On the other hand, these higher state minimum wage standards tend to occur in more prosperous states—the PSE would increase the minimum compensation all across the country, including those relatively low-wage regions.

Further, the proposed $15 per hour wage represents a big increase, except in the larger and more prosperous areas of the country that have high local minimum wages. While we assumed that the PSE program would pay $15 per hour from inception for the purposes of our simulation, our proposal would phase in wage hikes over four years. That would require PSE wage increases of just over 18 percent each year. Those are large increases, but not entirely unprecedented: the federal minimum was increased by 40.8 percent in three steps between 2007 and 2009; between 1990 and 1991 it was raised by 26.9 percent in two steps; from 1978 to 1981 it grew 45.7 percent in four steps; and between 1974 and 1976 it was increased 43.8 percent in three steps. If we focus on state-level minimum wage hikes, of the 485 single-year increases between 1980 and 2011, almost half were in the range of 10–15 percent (Kuehn 2014). While the PSE program's induced wage increases would be larger, they would be in the context of an economy that creates 19 million more jobs and approximately $560 billion more real GDP annually. Importantly, raising wages through a JG cannot cause job losses—if the higher wage causes layoffs, those workers will move into the PSE program and receive the higher wage.

In a thoughtful piece, John Carney of Breitbart News recognizes the significant unemployment problem we face. He appreciates some of the benefits of a JG program:

> The Job Guarantee holds certain attractions for conservatives. Minimum wage legislation would no longer be necessary because the threat of exploiting desperate workers with low wages would be gone. Anyone taking a job at a wage below what the Job Guarantee paid would obviously be signaling that the non-monetary rewards for the job outweighed the higher wage, perhaps because the job provides valuable experience, an easier lifestyle, or desirable connections. Spending on other social programs such as food stamps would also become less necessary and the indirect costs of unemployment—jail, drug treatment, retraining workers too long out of a job—would also decline. (Carney 2018)

However, he worries that proponents are largely progressives who will use it to further their own political agenda. Most support "building community gardens, artist collectives putting on shows for their community, converting rails to trails, converting abandoned mines into useful and environmentally friendly uses . . . working on bike lanes, preserving and restoring Native American heritage sites, and assisting at a Planned Parenthood clinic." Yet, he claims, none have advocated using the JG "to build hunting blinds and public shooting ranges in state parks." He wonders, "Can home school collectives use it to hire music teachers and baseball coaches? Can out of work folks be marshaled to restore old churches? To staff pro-life pregnancy crisis centers? Advise people living in states with strict gun laws about how to obtain legal firearms? Teach hunting courses? Clear ATV trails in national parks?" He warns that "the Job Guarantee is not just about providing jobs. It is about creating a federal army to carry out the projects of the Blue State Elite."

These are serious questions and charges that deserve answers. While no political (or religious) activity should be supported by the JG program, if the National Rifle Association were to propose a community-based project to promote gun safety that can garner favorable reviews up through the approval process, there is no reason to reject it out of hand. There are hundreds of millions of guns in this country, and improper handling kills Americans every day of the year. Projects supporting home-schooled children would seem to fulfill an important public purpose. Alternative approaches to pregnancy counseling can be supported—so long as they are not proselytizing religious beliefs. Carney is purposely provocative in asking whether the JG could be used to build President Trump's wall. My answer would probably be "No," as that is a major construction project that will be built by private for-profit contractors using modern machinery. Some sections will be in prevailing wage states, requiring union pay. Using the JG would unnecessarily take away private sector jobs. My position is not based on political opposition to the wall, but rather on my approach to the JG. But we do need to be sensitive to political bias.

The JG has also received some criticism from the left. Dean Baker at the Center for Economic and Policy Research "warns that the size of the program—potentially employing at least 10 million people—would create an enormous bureaucratic challenge, noting that the federal government would have to oversee employment of a workforce that is more than five times its current level" (Waldman 2018). That is certainly not our proposal—we recommend decentralization to probably thousands or tens of thousands of employers at the community, city, and state levels.

Baker (2018) also warns that approximately 50 million workers today have wages and benefits below the compensation package we propose for the PSE program, with the average shortfall at $4 per hour.[3] He calculates that "the additional cost to matching this wage in the private sector will be roughly $350 billion a year." Further, "there also has to be some spillover effect. Workers who had been earning $16 or $17 an hour will have to see some bump in pay when the pay for those at the bottom jumps to $15 from levels that are currently as low as $7.25 an hour. If 20 million workers are in the bump range, and they get an average pay increase of $2 an hour, that raises the cost by another $70 billion, putting the total at $420 billion" or, he calculates, 2.1 percent of GDP.

Let's take Baker's numbers at face value. Our simulation shows that real GDP will rise by an average of $560 billion. Spread out over the 50 million workers directly benefiting from higher wages and benefits, that amounts to $11,200 more real output per person, or about $7 per hour worked. If we include another 20 million workers who are already earning more than $15 per hour, we can boost their compensation package by the $2 per hour Baker suggests and still give each of those 50 million who are directly impacted about $10,000 more annually, or more than $6 per hour. In other words, the real GDP created is more than adequate to meet the extra wages and benefits.[4]

He goes on to warn about the inflationary effects:

> And this brings us to inflation. As a first approximation, this 2.1 percent figure [the increase of GDP] would be the impact on the level of prices, although it would be dampened by reduced profit margins and increases in productivity. In any case, a Federal Reserve Board committed to a 2.0 percent inflation target would send interest rates soaring in response to this rise. . . . But even if the Fed can be controlled, this rise in pay for those at the bottom will mean a reduction in living standards for those higher up. They will have to pay more for restaurants and haircuts, as well having their house cleaned and their lawn mowed. Most of us won't shed any tears for the "hard to get good help" crowd, but if we haven't taken steps to weaken their economic power—which won't be easy because they are powerful—we can expect to see doctors, lawyers, and other high-end earners getting pay hikes to protect their living standards. This is a story of serious wage-price spiral, unless we introduce other measures. (Baker 2018)

Our simulations show that implementing the PSE at $15 per hour (which also raises all other wages to at least that level) does increase inflation by a peak of 0.74 percent over the baseline,[5] but inflation quickly declines so that it ends the simulation period barely above the baseline. In other words, it generates a one-time bump to prices and a small increase in inflation that quickly dissipates (in spite of the very large boost to wages, employment, and GDP)—but no inflation spiral. There is no mechanism that would generate a wage-price spiral, as that would require a strong movement of the PSE wage in response to inflation. We do not recommend indexation of wages (which might introduce an inflationary bias). In any case, we do include a reaction by the Fed in some of our simulations—which reduces the inflationary impact—and we would recommend use of fiscal policy, such as tax increases, should inflation become a problem. As I discuss below, we do not support raising taxes to "pay for" the program, but we do support use of taxes for countercyclical purposes.

Baker worries that "if the jobs are genuinely guaranteed, what do you do with people who don't show up, or are incompetent? Can they be fired?"(Waldman 2018). Of course they can—with cause. Just like any other employee in the private or public sector. Finally, he wonders "What sort of tax increase would be necessary to pay" for the program?

Our answer is that we would "pay for" the program in exactly the same manner that Congress has paid for the multiple wars undertaken by the past four presidents, as well as in the same way that the recent $1.5 trillion Trump tax cut will be paid for: by budgetary authorization. Senator Brian Schatz put it this way: "I don't play the pay-for game. I reject the pay-for game. After the Republicans did the $1.5 trillion in unpaid-for tax cuts, and as we're doing a bipartisan appropriations bill—which I support—which is also an increase in federal spending [that's] unpaid for, I just reject the idea that only progressive ideas have to be paid for. We can work on that as we go through the process, but I think it's a trap" (Nilsen 2018). His approach is the correct one—public discussion of a desirable spending program should not be sidetracked by the albatross of a new tax.

A budgetary appropriation for a program that eliminates involuntary unemployment would bring with it a multitude of benefits for the US population and economy—unlike the undeclared wars and the misguided tax cut targeted to high-income earners. We are, collectively, already paying for all the costs of unemployment and poverty-level wages, in addition to the costs of our wars and tax cuts for the rich. Our simulations have included minimal cost savings—mostly to Medicaid and the Earned Income Tax Credit—but there are many more potential savings that will be reaped from drastically reducing involuntary unemployment as well as poverty. As Matthew Klein argues, "federal, state, and local governments already spend about $1 trillion each year on welfare for involuntarily unemployed and low-paid Americans"—about twice our estimated cost of a universal JG program (Klein 2018). Full employment more than pays for itself—if properly accounted—and in any event, it is congressional authorizations, not tax hikes, that pay for programs.

Notes

1. See, for example, Meyerson (2018), McElwee, McAuliffe, and Green (2018), and Yglesias (2018).
2. For a comprehensive survey of the literature, see Kuehn (2014).
3. Baker also warns that if the Fed reacts to inflation by raising interest rates, private firms will downsize workers, increasing the size of the JG workforce. However, as our simulation shows, the impact on inflation is quite small, and we do include a Fed reaction function. Even in the simulations with the Fed hiking interest rates in response to economic growth, the impact on PSE employment is relatively small.
4. Note that this presumes that only the additional GDP that is created by the increase of employment is available to be distributed. If the program shifts the income distribution away from higher income levels, there will be even more real GDP to be distributed to the bottom 70 million workers. Note also that I have used an average of 32 hours for 50 weeks of work per year for these calculations.
5. Not by 2.1 percent—Baker seems to presume that all of the increase in GDP is due to price increases. That requires that the economy has no slack in any sector.

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