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The Federal Job Guarantee—A Policy to Achieve Permanent Full Employment

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Introduction

Full employment has been part of the policy discourse in the United States since the early twentieth century. One of the most notable proponents of true full employment—defined as an economy in which any person who seeks a job can secure one—was President Franklin D. Roosevelt; his vision of "economic security" for all is a touchstone for full-employment advocates. For Roosevelt, direct hiring programs such as the Works Progress Administration (WPA) and the Civilian Conservation Corps (CCC) were great successes during the Great Depression. While they provided much-needed—albeit temporary—relief during the economic catastrophe, their size and transient nature were insufficient to achieve the long-term impact on employment that Roosevelt, and the full-employment supporters that came before and after him, sought.

Today, economists and policymakers, including the governors of the Federal Reserve System, tend to associate "full employment" with a four-to-six percent unemployment rate, using the standard measure of unemployment.[4] This measure of unemployment counts workers who do not have a job, have actively looked for work in the previous four weeks, and are currently available for work; it does not count the millions who have stopped actively seeking employment, or those inadequately employed in temporary, seasonal, or other precarious employment situations. The four-to-six percent unemployment rate referred to above is based on a conception defined by economists as the non-accelerating inflation rate of unemployment (NAIRU). It is noteworthy that this "target" has changed throughout time. Moreover, an economy with these unemployment rates needlessly

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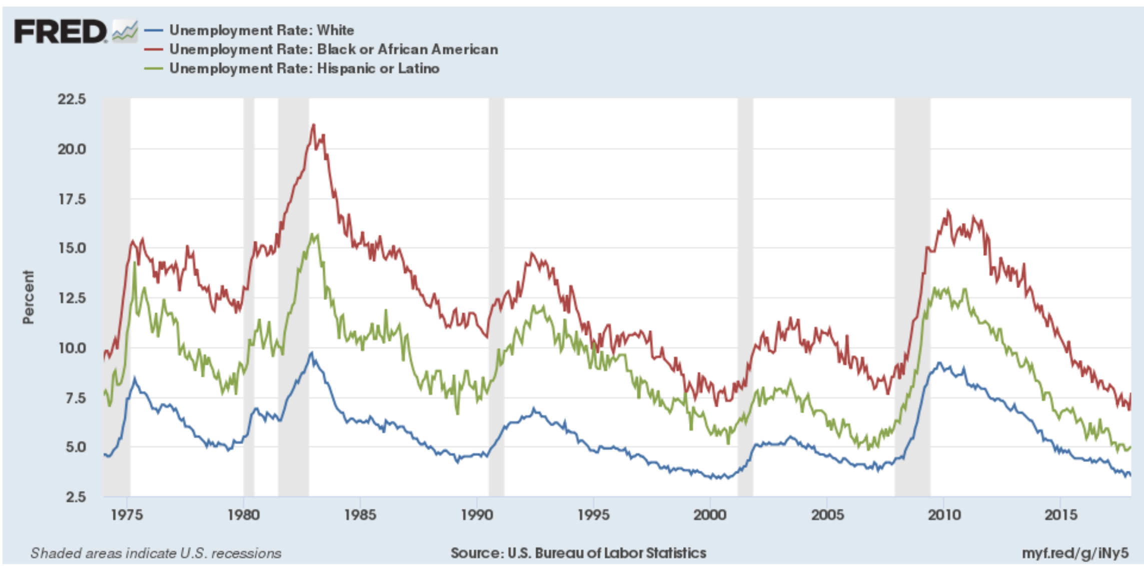
[4] This measure in known as "U-3" in the monthly employment report from the Bureau of Labor Statistics.

condemns millions of U.S. workers to unemployment and underemployment, often resulting in severe economic hardship for those left behind by decisionmakers' policy choices.

At today's relatively low unemployment rate of 4.1 percent (January, 2018), 6.7 million workers remain unemployed, an additional 5 million are working part-time though they would prefer full-time work, and job seekers still substantially outnumber job openings.[5] Moreover, this aggregate picture masks the fact that unemployment does not affect all workers equally. Historical unemployment data highlight the persistent trend of discriminatory labor market practices that result in substantially higher unemployment rates for some social groups. For instance, black workers routinely face an unemployment rate that is roughly twice that of white workers, even after controlling for educational attainment.[6] [7] There is recent evidence that narrowing of the racial unemployment gap occurs as the labor market tightens, but these gaps may be exacerbated during economic downturns.[8]

FIGURE 1: Unemployment Level by Race



[5] Bureau of Labor Statistics, "Job Openings and Labor Turnover Summary," U.S. Department of Labor, January, 2018, https://www.bls.gov/news.release/pdf/jolts.pdf.

[6] Janelle Jones and John Schmitt, "A College Degree is No Guarantee," Center for Economic and Policy Research, May, 2014, http://cepr.net/documents/black-coll-grads-2014-05.pdf.

[7] The gap in unemployment between white and black workers is relatively stable across time. Further, recent research suggests that the unexplained portion of the wage differentials between white and black workers has been growing during the past forty years. For further discussion, see Mary C. Daly, Bart Hobijn, Joseph H. Pedtke, "Disappointing Facts about the Black-White Wage Gap," Federal Reserve Bank of San Francisco, September, 2017, http://www.frbsf.org/economic-research/publications/economic-letter/2017/september/disappointing-facts-about-black-white-wage-gap/.

[8] Tomaz Cajner, Tyler Radler, David Ratner, and Ivan Vidangos, "Racial Gaps in Labor Market Outcomes in the Last Four Decades and over the Business Cycle," Federal Reserve Board, June, 2017, https://www.federalreserve.gov/econres/feds/files/2017071pap.pdf.

While achieving full employment is an important aspect of generating equitable growth in the economy, policymakers should also be concerned with developing policies that guard against poverty-level wages. Although unemployment is a major predictor of poverty in the United States, data indicate that simply having a job is an insufficient condition for the escape of poverty. A study by the Economic Policy Institute found that despite being employed, 28 percent of U.S. workers took home poverty-level wages in 2011, leading to grave economic conditions for these workers and their families.9

The U.S. government has intervened in the labor market to support full employment and non-poverty wage policies. Government programs and policies including the Federal Reserve's dual mandate, the Earned Income Tax Credit (EITC), minimum wage laws, living wage ordinances, Medicare and Medicaid, and the Supplemental Nutrition Assistance Program (SNAP) have gone some distance toward protecting the economic well-being of millions of Americans. Though the current anti-poverty and social insurance regime slashed poverty rates nearly in half in 2016 (when compared to poverty rates in the absence of these programs), it largely bypassed those without employment; and the shift to a work-based safety net, inaugurated by the 1996 welfare reforms under the Personal Responsibility and Work Opportunity Reconciliation Act signed into law by President Clinton, further exacerbated a safety net riddled with holes for those without work.10

Although the programs listed above may have been effective in reducing unemployment, poverty, hunger, and other social ills, they fall short of providing a social insurance system that offers a genuine path to full employment and the elimination of poverty. We recommend a slate of bold legislation to achieve and maintain full employment and end working poverty in the U.S. economy.

We recommend:

- *The permanent establishment of a National Investment Employment Corps (NIEC).* The NIEC will provide universal job coverage for all adult Americans. The permanent establishment of the NIEC would eliminate involuntary unemployment.
- *The elimination of poverty wages through the pay structure of the NIEC.* The federal job guarantee would provide a job at a minimum annual wage of $24,600 for full-time workers (poverty line for a family of four) and a minimum hourly wage of $11.83. Workers would have the opportunity to advance within the program, rising from the minimum wage in the program to an estimated mean salary of $32,500. The wage would be indexed to the inflation rate to ensure that the purchasing power of enrollees is maintained and the wage will vary to allow for some degree of regional variation. The minimum wage rate in the program will also rise to meet the national minimum wage if it were to exceed the wage rate recommended here.[11]

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[9] "The State of Working America," Economic Policy Institute, http://www.stateofworkingamerica.org/fact-sheets/poverty/.

[10] Danilo Trisi, "Safety Net Cut Poverty Nearly in Half Last Year," Center on Budget and Policy Priorities, September, 2016, https://www.cbpp.org/blog/safety-net-cut-poverty-nearly-in-half-last-year.

[11] In effect, the job guarantee can set a new minimum degree of compensation by providing a fallback position to workers. If the federal minimum wage is raised above the current wage proposed in the program, the program wage shall be revised upward to meet the federal minimum wage. This will alter the cost estimates provided below.

- *The inclusion of fringe benefits*. To provide a true non-poverty wage and meet the fundamental rights of American citizens, the policy will include health insurance for all full-time workers in the program. The health insurance program should be comparable to that offered to all civil servants and elected federal officials. In addition, the NIEC would offer benefits such as retirement plans, paid family and sick leave, and one week of paid vacation per three months worked. These benefits, in conjunction with non-poverty wages, will set a reasonable floor in the labor market—which, through competitive forces, will result in private-sector workers having the dignity of fringe benefits as well.

A Bold Policy to Achieve Permanent Full Employment

The persistence of involuntary unemployment in the U.S. economy is the status quo—but it need not be. Recent research has highlighted the policy mechanisms behind rising inequality in the United States; likewise, unemployment substantially affects inequality and is itself affected by the policy.[12] While the Federal Reserve initially had a single mandate of price stability, the 1978 Full Employment and Balanced Growth Act (commonly known as the Humphrey-Hawkins Act) legally required the Federal Reserve to pursue "maximum employment," thereby creating the modern dual mandate of the Federal Reserve. While the maximum employment mandate has resulted in sizable employment gains when the Federal Reserve chooses to prioritize it, the mechanism has proven far from sufficient in achieving full employment in the Keynesian sense—that is, an economy where anyone who wants a job can find a job.[13]

Although the federal government has established full employment as a national goal in the past—via the Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978—it has failed to achieve these goals through macroeconomic stabilization policies, monetary or fiscal. The only time the United States was operating near full employment was during World War II. From 1943 to 1945, the U.S. operated at an average unemployment rate under 1.7 percent.[14] Thus, this paper proposes the creation of a National Investment Employment Corps to achieve permanent full employment in the U.S. economy through large-scale, direct hiring by the federal government.[15] We argue that not only would such a policy bring the economy to sustained full employment, but it also would constitute a sizable restructuring of the labor market.[16]

[12] Joseph Stiglitz, Nell Abernathy, Adam Hersh, Mike Konczal, and Sue Holmberg, "Rewriting the Rules of the American Economy," The Roosevelt Institute, May, 2015, http://rooseveltinstitute.org/rewriting-rules-report/.

[13] Dean Baker, Sarah Rawlins, and David Stein "The Full Employment Mandate of the Federal Reserve. Its Origins and Importance," Center for Economic and Policy Research; Fed Up; and The Center for Popular Democracy, July 2017, http://cepr.net/images/stories/reports/full-employment-mandate-2017-07.pdf.

[14] Bureau of Labor Statistics, *Historical Statistics of the United States Colonial Times to the 1970, Part I* (U.S. Government Printing Office, 1975), Series D 85-86 Unemployment: 1890-1970, 135.

[15] William A. Darity Jr., "A Direct Route to Full Employment," 37 no. 3-4 (2010), pp. 179-181.

[16] For other scholarly work exploring similar job guarantee proposals, see Harvey 1989, 2000; Wray and Forstater 2004; Wray 2008; and Tcherneva 2012, 2013.

The federal job guarantee would provide a job, at non-poverty wages, for all citizens above the age of 18 that sought one.[17] The minimum wage rate in the program is $11.83 an hour, equivalent to $24,600 per year for full-time workers, which is the current poverty line for a family of four. This rate would be indexed to inflation, ensuring that workers' purchasing power is maintained over time.[18] The program would incorporate wage variation based on time and performance in the program, a worker's previous experience, education, and region of residence; thus, we estimate a mean annual wage for all employees at approximately $32,500.[19]

The permanent establishment of the NIEC would eliminate persistent involuntary unemployment in the economy, ensuring that the United States lives up to the unfunded mandate to achieve and maintain full employment as outlined in the Full Employment and Balanced Growth Act of 1978. But we know that a job is not sufficient for workers to live a life of decency and guard against poverty. To provide an adequate living for workers and keep them and their families financially stable, workers will receive a benefits package in addition to a non-poverty wage as part of their compensation.[20]

At this time, we estimate additional expenditures of $10,000 per full-time worker per year to provide adequate health insurance and benefits. Since workers would be public employees, the insurance would be comparable to current health insurance plans offered to civil servants, including members of Congress.[21] Other fringe benefits will also be provided to workers, including paid family and sick leave and one-week paid vacation per three months worked.

An Abbreviated History

The idea of a federal job guarantee is not novel. Government intervention in the labor market to ensure full employment has been part of the political and policy debate at the national level at least since President Roosevelt's final State of the Union address in 1944, wherein Roosevelt introduced what he called an *Economic Bill of Rights*.[22] The speech was grounded in Roosevelt's belief that "the American Revolution was incomplete and that a new set of rights – economic rights and rights analogous to Nobel Laureate Amartya Sen's more recent conception of *human capabilities* – was necessary to finish it."[23] The first "article" of his proposed second Bill of Rights was the *right to employment*. The second was the right to "earn enough" to lead a life of dignity. Roosevelt was

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[17] Complementary youth employment programs should be considered. For a recent discussion of full employment for the young, see Harold A. Pollack, "Full Employment for the Young, Too," Center on Budget and Policy Priorities, September, 2017, https://www.cbpp.org/research/full-employment/full-employment-for-the-young-too.

[18] This was initially part of the Full Employment Bill of 1945, S380.

[19] The details of the wage scale should be established by a committee within the Department of Labor.

[20] Benefits, such as health insurance, are critical to the financial health of workers. For instance, medical bills are currently the leading cause of bankruptcy in the United States.

[21] Estimate was established using 2017 premiums published for non-postal workers by the U.S. Office of Personnel Management, https://www.opm.gov/healthcare-insurance/healthcare/plan-information/premiums/.

[22] Frankling D. Roosevelt, State of the Union Message to Congress, January 1944, http://www.fdrlibrary.marist.edu/archives/address_text.html

[23] Cass Sunstein, *The Second Bill of Rights: FDR's Unfinished Revolution and Why We Need It More Than Ever* (New York: Basic Books, 2004).

convinced that security—"physical security…economic security, social security, moral security"—was central to the success of the American experiment.

Roosevelt, a defender of private property and state-sanctioned capitalism, was convinced—and rightly so—that the free market alone could not provide the necessary security to the American people. In the absence of the provision of adequate opportunities for work by the private sector to eliminate involuntary unemployment, Roosevelt envisioned the creation and maintenance of a public-sector jobs option to provide employment for all seeking work. Prior to the 1944 State of the Union address, Harry Hopkins, a trusted advisor to Roosevelt and one of the chief architects of the New Deal, strongly advocated a permanent federal employment program; while Roosevelt supported the idea, the administration was not able to secure it.[24]

The country's pursuit of genuine full employment—meaning the elimination of unemployment—through a job guarantee did not end with Roosevelt; rather it was just beginning. In 1946, two years after Roosevelt's introduction of an Economic Bill of Rights, Congress passed the Employment Act of 1946. Although this was a markedly weaker version of the failed Full Employment Bill of 1945, it nevertheless helped reshape how the federal government would view its role in the pursuit of full employment.25

Those seeking a mechanism for permanent full employment knew their work was far from over. It is often forgotten that full employment was a cornerstone of the famed 1963 March on Washington. Civil rights leaders including Bayard Rustin, Dr. Martin Luther King Jr., and Coretta Scott King publicly endorsed the universal right to a job at non-poverty wages for all Americans.26 Although their work in the 1960s resulted in significant strides with regard to civil rights, economic rights were largely left unrealized.

After Dr. King's assassination, Coretta Scott King doubled down on the pursuit of authentic full employment legislation. Her work was instrumental in shaping an early version of the 1978 Full Employment and Balanced Growth Act, better known as the Humphrey-Hawkins Act, and early versions of the bill established a federal Job Guarantee Office, signaling the government's direct involvement in ending unemployment through direct employment. 27

While this office was eventually cut from the legislation, the final bill established an interim five-year target of three percent unemployment for individuals 20 years of age and older, and four percent for individuals age 16 and over within five years, with full employment to be achieved "as soon as practicable" thereafter. The proposal, as originally drafted, would have been enforceable; it established a legal right to work where the unemployed would have the right to demand employment from the federal government. The bill, which was passed into law, has been largely

[24] June Hopkins, *Harry Hopkins: Sudden Hero, Brash Reformer* (New York: St. Martin's Press, 1999).

[25] Phillip Harvey, "The Right to Work and Basic Income Guarantees: Competing or Complementary Goals?" *Rutgers Journal of Law and Urban Policy* 2, no. 1.

[26] Helen Lachs Ginsburg, "Historical Amnesia: The Humphrey-Hawkins Act, Full Employment and Employed as a Right," *The Review of Black Political Economy*, 39, no. 1 (2012), pp. 121-136.

[27] The act was an amendment to the 1946 Employment Act drafted by Leon Keyserling.

ignored in practice, as the final version weakened the full employment mandate from a commitment to a "goal." The U.S. government has never achieved the reasonable employment targets set in the law, close to 40 years since passing the 1978 Full Employment and Balanced Growth act.28

Other countries have employed varying forms of a job guarantee program to promote full employment and poverty alleviation. Perhaps the best known examples are India's National Rural Employment Guarantee Act (NREGA) and Argentina's Jefes y Jefas. India's program, the largest direct employment scheme in the world, with over 600 million workers eligible for employment, provides up to 100 days of guaranteed paid employment per year for rural households. Recent research indicates that the program increased earnings for low-income households and increased employment in the private sector. Income for the low-income households increased 13.3 percent, with the vast majority (90 percent) of the increase coming from higher wages in private employment rather than wages earned through program employment.[29] The Argentinian case provides additional insight into large-scale direct employment programs, where the government successfully provided guaranteed employment to a head of household for at least four hours a day to engage largely in community development projects.[30] While both of these programs differ in important ways from what we propose here, the research evaluating them to date provides useful guidance for full employment policy design and implementation.

Benefits of Permanent Full Employment

The benefits of permanent full employment in the U.S. economy through the creation of the NIEC would be substantial. They include, but are not limited to:

- *The elimination of involuntary unemployment*. A public option for employment means workers will no longer be forced into unemployment. The policy would eliminate cyclical and structural unemployment and provide workers with the dignity and sense of purpose that comes with employment. Furthermore, the elimination of involuntary unemployment would bypass the social and personal ills associated with unemployment, such as the erosion of skills, increased rates of physical and mental illness, suicide and attempted suicide, and failed relationships, among others.[31]
- *A true floor in the labor market*. While minimum- and living-wage laws have historically been implemented to place a floor in the labor market, they fail to provide viable pathways to

28 William Darity Jr. and Darrick Hamilton "Full Employment and the Job Guarantee: An All-America Idea" in Michael Murray (ed.) *Full Employment and Social Justice: Solidarity and Sustainability,* Palgrave forthcoming.

29 Karthik Muralidharan, Paul Niehaus, Sandip Sukhtankar, "General Equilibrium Effects of (Improving) Public Employment Programs: Experimental Evidence from India," National Bureau of Economic Research, 2017, http://www.nber.org/papers/w23838?utm_campaign=ntw&utm_medium=email&utm_source=ntw.

30 For an in-depth discussion of Argentina's Jefes y Jefas program, see Pavlina Tcheneva and L. Randall Wray, "Employer of Last Resort Program: A case study of Argentina's Jefes de Hogar Program," SSRN, 2005, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1010145.

31 Arthur H. Goldsmith, Jonathan R. Veum, and William A. Darity Jr., "Unemployment, Joblessness, Psychological Well-being and Full Employment: Theory and Evidence," *Journal of Socio-Economics* 26, no. 2 (1997), pp. 133–58; William A. Darity Jr., "Employment Discrimination, Segregation, and Health," *American Journal of Public Health* 93, no 2 (2003), pp. 226-231.

employment or out of poverty for those looking for work but unable to obtain employment in the first place. The job guarantee would function as a de facto floor in the labor market, greatly increasing the bargaining position of workers throughout the economy. For private employers to attract employees, they would have to offer a job that is at least as good as the one offered by the government.

- *The elimination of working poverty*. Unemployment is one of the strongest predictors of poverty in the United States. Households whose usual breadwinners are out of work are three times more likely to be poor than working households.[32] The job guarantee would substantially reduce poverty by eliminating involuntary unemployment and setting a non-poverty wage and compensation floor in the labor market.
- *Improving workers livelihoods as the Federal Reserve manages its dual mandate*. As noted above, the Federal Reserve has a dual mandate—maximum employment and price stability. Through its use of monetary policy, the Federal Reserve plays a vital role in promoting full employment; however, monetary policy has proven insufficient for eliminating involuntary unemployment. Historically, the Federal Reserve has had a significant role in increasing unemployment as a result of combating any inflationary pressures that may exist in the economy. With a job guarantee policy in place, the Federal Reserve can conduct monetary policy without promoting rising levels of unemployment. In this scenario, the job guarantee program can maintain employment and consumption expenditures while the Federal Reserve employs monetary policy to reduce private investment in order to cool the economy. Thus, U.S. workers would be less vulnerable to the Federal Reserve not adhering to their responsibility of a dual mandate appropriately due to their cultural over-emphasis—a function of their close ties to the financial sector—on price stability.
- *The restoration of local and state tax bases*. By providing for full employment, the job guarantee will increase employment, and therefore expenditures and tax revenues for local and state governments. Although the job guarantee is designed as a universal program, more resources will flow to communities that currently have the highest rates of unemployment and underemployment (presumably because of higher uptake of NIEC employment opportunities). This will result in increased government resources to better serve their constituents.
- *Macroeconomic stabilization*. The job guarantee would function as a robust automatic stabilizer in the economy, maintaining levels of employment during economic downturns through direct hiring, and freely allowing workers to flow from the jobs program to the private sector during economic boom times. While workers may see some decrease in their purchasing power during an economic contraction, the job guarantee will automatically expand as demand for employment in the private sector contracts, providing a buffer to incomes and guarding against major pitfalls in effective demand.
- *The provision of socially useful goods and services*. During the Great Depression, the Works Progress Administration (WPA) and Civilian Conservation Corps (CCC) were public employment programs designed to put Americans back to work. The programs were implemented near the height of the Great Depression, when the national unemployment rate reached 25 percent.

[32] Marilyn Achiron, "Fighting Poverty at Work," OECD, 2009, http://oecdobserver.org/news/archivestory.php/aid/3066/Fighting_poverty_at_work.html.

These programs, implemented under the Roosevelt administration, provided goods and services that benefited all Americans by facilitating the logistics and technological expansion of our public infrastructure, including 650,000 miles of new or improved roads; 39,000 schools built, improved, or repaired; 4,000 new or improved utility plants; and 225,000 concerts performed. Under a job guarantee, even those who do not receive employment via the NIEC will likely benefit through the increased provision of public goods and socially desirable goods and services. Furthermore, the provision of productive goods and services will dampen inflationary concerns.

Program Logistics

The majority of Americans secure their livelihoods, and those of their dependents, through paid employment, yet a job at non-poverty wages is out of reach for millions of Americans. Since most people must live by work, a first objective of an economic-security program must be to reach and maintain full employment. Thus, it is the purpose of the NIEC to provide employment for all persons seeking a job and to perform the work necessary to maintain and expand the nation's physical and human infrastructure. The establishment of the NIEC will provide a direct mechanism for achieving permanent full employment in the U.S. economy.

The NIEC would be administered by the Department of Labor and overseen by the Secretary of Labor.33 The Secretary would administer employment grants to eligible entities, including state, county, and local governments, as well as Indian Nations, to engage in direct employment projects. These projects should be designed to address community needs and provide socially beneficial goods and services to communities and society at large.

In addition, the Secretary shall work with federal agencies to identify areas of needed investment in the U.S. economy, including goods (examples: infrastructure, energy efficiency retrofitting) and services (examples: elder care, child care, job training, education, and health services). If projects at the local, county, or state level are inadequate to maintain full employment in the region, the Secretary shall intervene in the locality to provide adequate employment opportunities. Projects will be designed to assure full employment in all localities.

The NIEC can be deployed to cover a wide scope of activities including, but not limited to, the repair, maintenance, and expansion of the nation's infrastructure, housing stock, and public buildings; energy efficiency upgrades to public and private buildings; assistance with ecological restoration and services to reduce the country's carbon footprint; engagement in community development projects; provision of high-quality preschool and afterschool services; provision of teachers' aids; provision of high-quality elder care and companionship; rejuvenation of the nation's defunded postal service; support for the arts; and other activities that shall support the public good.34

[33] Similar to the New Deal jobs programs, which were operated by the federal government, employees of the NIEC at all levels would be federal employees.

[34] If the program supported the postal service, the USPS could be expanded to provide basic financial services through a public banking system, as has been advocated by the Postmaster General. Office of the Inspector General, "Providing

Because of the vital role of state and local governments in providing public workers and services, it is essential that federal agencies and the NIEC are empowered to work closely with these governments. Local and state governments will be encouraged to develop employment proposals in conjunction with community leaders, local government officials, labor organizations, and local residents to ensure the proposals will serve the needs of the constituents and available pool of labor. The employment proposals may not be used to employ individuals who will replace or speed the displacement of existing employees or individuals who would otherwise perform similar work.35 The program will cover wage, benefits, and material expenses.36 This structure will largely parallel the direct employment programs under the New Deal, whose projects were developed and proposed by local and state governments. Fostering partnerships and buy-in from local and state partners is critical to the success of the program, as localities may be most aware of the skills of their available workers as well as projects that will provide the greatest benefit to their communities.

Who is eligible to work under the program? Employment opportunities under the NIEC are open to all individuals age 18 and older in the United States.37 While much of the existing safety net in the U.S. forces individuals and families to be exposed to poverty before receiving assistance, the NIEC will provide a job upon request from those who are unemployed, underemployed, or currently outside of the labor force.

Employment can be either part-time (20 hours a week) or full-time (35–40 hours a week) depending on the needs of the employee. For employees to receive their compensation, they must show up to their job and perform the tasks assigned to them. As was the case with the WPA, a Division of Progress Investigation (DPI) should be established to monitor shirking or corruption. If workers are found to be negligent, or generally disruptive to the workplace, disciplinary action can be taken by the DPI.

The duration of employment shall be as long as the individual is in need of employment at non-poverty wages. To assist with individuals' move from the job guarantee to other employment opportunities, the program shall establish a website and database listing individuals employed under the program as available for, and seeking, employment. Thus, in many respects, job recipients under the program will still function as a reserve pool of workers; however, they will be gainfully employed under the program rather than subject to unemployment and economic and personal hardship, as well as the social stigma associated with being unemployed. In turn, individuals shall be allowed up to one day (8 hours) per employed month to seek alternative employment and for professional development.

Non-Bank Financial Services for the Underserved," Unites States Postal Services, January, 2014, https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf

[35] Learning from past experiences such as the Comprehensive Employment and Training Act of 1973 (CETA), it is vital that the program is designed to avoid state and local governments utilizing the program to pay for existing state and local government jobs which would normally be financed through local tax revenues. The purpose of the NIEC is to complement, not replace, existing local and state employment.

[36] Localities would be able to supplement expenses; for instance, if there are local minimum wage ordinances above the pay rate determined at the federal level for the NIEC, the specific locality would be responsible for the additional compensation above that provided by the NIEC.

[37] Additionally, there is need for complementary legislation that provides summer employment opportunities for teens.

The wage for employees should be set at a minimum of $11.83 an hour, plus benefits, and indexed to inflation. While most benefits will be available to all workers, since this is primarily a jobs program, to avoid the moral hazard of participation solely for the health insurance benefit, health insurance will only be available to full-time workers (35–40 hours per week). Wage variation would be built into the program to account for workers' previous experience, education, and region of residence, as well as the prospect of promotion within the NIEC. Therefore, while the base wage in the NIEC will be $24,600 for full-time workers, we estimate a mean wage for all employees at approximately $32,500. Regional variation could follow the scales currently used in the federal government established by the Office of Personnel Management.38

Once the program is initiated, it will take time, perhaps two to three years, to scale the program to meet countrywide demand for employment.39 In the initial phases of the program, the supply of employment opportunities will likely be insufficient to meet the demand for jobs. During this period, the Secretary shall target employment grants and engage in direct hiring in areas with the greatest level of need. These should be determined by indicators such as the unemployment and "underemployment rate" ("U-6" from the monthly employment report)[40], the poverty and extreme poverty rate, and the employment-to-population ratio (EPOP).

To manage projects past, present, and future, we recommend that the NIEC create a website where all projects will be listed. The website can function as a jobs and projects bank, where a list of the needs of communities, states, and the federal government will be maintained and updated, along with aggregate demographic indicators of job recipients. The website will help local and state administers match projects with existing workers in the NIEC. Furthermore, this database will guard against hastily planned emergency work, ensuring public employment be planned in advance and coordinated with the policies and needs of the government.

Program Uptake and Costs Estimates

Program uptake and costs are challenging to estimate for a program that will have profound implications for the economy. Make no mistake, this is a policy to transform the U.S. labor market. For instance, a recent Economic Policy Institute report analyzing the effect of a $15 minimum wage phased in by 2024 found that 41 million workers, roughly 29 percent of the wage-earning workforce, would see a raise.[41] While the wage rate in the NIEC is lower than this, taking benefits into account

[38] For the 2018 scale, please see Federal Salary Council, "Level of Comparability Payments for January 2018 and Other Matters Pertaining to the Locality Pay Program," Office of Personnel and Management, December, 2016, https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/federal-salary-council/recommendation16.pdf.

[39] For example, when President Roosevelt established the Civil Works Administration (CWA), the program was fully functional in about two months, employing over 4 million employees and reaching 8 percent of the labor force.

[40] U3 is the International Labour Organization official unemployment rate that includes individuals that are unemployed and have actively looked for work within the past four weeks. 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; part-time workers who seek but cannot attain full-time employment.

[41] David Cooper, "Raising the Minimum Wage to $15 by 2024 Would Lift Wages for 41 Million American Workers, Economic Policy Institute, April, 2017, http://www.epi.org/publication/15-by-2024-would-lift-wages-for-41-million/.

may result in a comparable change within the labor market—leading to the direct employment of millions and raises for tens of millions. In this section, we provide estimates for program uptake and costs under a job guarantee program in the United States.

Table 1 provides estimates for program uptake and gross cost under the NIEC given the most recent labor market statistics. Using January 2018 data from the Bureau of Labor Statistics, we estimate a total annual program cost of $543 billion, or just under 3 percent of GDP. While headline economic numbers commonly cite the official unemployment measure, we generate the estimate using a broader notion of unemployment and underemployment, known as U-6. We assume U-6 would be brought down to 1.5 percent—what we believe to be a reasonable estimate for frictional unemployment in the U.S. economy—by the uptake of employment through the NIEC and the elimination of involuntary unemployment. This would result in the employment of 10.7 million workers, or 9.7 million full-time equivalent positions.

TABLE 1

Job Guarantee Expenditure and Uptake Estimates

Unemployment and underemployment (U-6), January 2018	8.2%
Total number of unemployed and underemployed workers (U-6)	13.1 million
Number of unemployed and underemployed workers if U-6 were at the full employment rate of 1.5%	10.7 million
Full-Time Equivalent (FTE) Demanded	9.7 million
Avg. Annual Wage	$32,500
Avg. spending on supplies and capital goods per FTE	$11,000
Employer's Share of FICA Taxes per FTE	$2,500
Avg. spending on benefits	$10,000
Avg. cost per job	$56,000
Total Cost	**$543 billion**

Source: Authors' calculations using the labor force statistics from the Current Population Survey and authors' own estimates. Note: Full-time based on 81% demand full time employment (40 hrs) and 19% demanding part-time (20 hrs). FICA rate is 7.65%. We assume only full-time employees receive benefits.

We expect the number of workers employed under the NIEC to fall substantially as the private sector responds to the sizable increases in employment and the growth of workers' purchasing power under the program. Harvey (2011) provides estimates of indirect job creation from a job guarantee program, finding that for every direct job created by the government, the private sector could generate an estimated .26 jobs; however, multipliers tend to be smaller under full employment.

Although the job guarantee may result in the displacement of some workers currently employed in the private sector, especially at the low end of the labor market, evidence from the minimum wage debates may provide insight into the employment dynamics with a job guarantee. Previous research estimating the employment effects of increases in the minimum wage by Allegretto, Dube and coauthors consistently shows that the employment effects of modest increases to the minimum wage are not distinguishable from zero.[42] Since the job guarantee places a floor in the labor market, employers will likely have to offer compensation packages at least as desirable as those offered under the NIEC. Thus, it is, de facto, similar to a rise in the minimum wage; in fact, the increase in total compensation under NIEC exceeds our traditional conception of the minimum wage.[43]

The gross cost of implementing the NIEC would be offset substantially by increases in local, state, and federal tax revenues, decreases in uptake of existing social insurance programs, increases in the growth rate of GDP, and substantial productivity and capacity gains in the U.S. economy. While we do not argue for the elimination of existing social insurance programs, the uptake of employment through the NIEC coupled with the establishment of a new floor in the labor market will result in many families earning incomes above program thresholds. The Congressional Budget Office's Budget and Economic Outlook provides current expenditures on social insurance programs.[44] Using actual government expenditures from 2016, we see that the U.S. government already spends hundreds of billions on social insurance programs annually. While these programs have been estimated to have reduced the poverty rate by half, they have not gone far enough to totally eliminate working poverty.[45] [46]

What programs could we expect to be scaled back through the reduction of need? With the job guarantee providing employment at non-poverty wages, we expect the demand for unemployment insurance ($33 billion FY 2016) to fall substantially.[47] Temporary Assistance to Needy Families (TANF; $16 billion FY 2016) could be nearly eliminated, as the job guarantee would be able to fill the gap for qualifying families in many instances. Additionally, with higher wages from the job guarantee, fewer households may qualify for the Earned Income Tax Credit (EITC; $70 billion FY 2016). For instance, those without dependents working full-time would no longer qualify, while those with dependents would be more likely to see EITC benefits reduced as they phase out of the program due to higher earnings.

With increased earnings, many families are likely to exceed the income limits for the necessary food assistance program, known as the Supplemental Nutrition Assistance Program (SNAP; $73 billion FY 2016). Finally, with the provision of health benefits to full-time workers through the

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[42] Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, "Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas, and Wascher," ILR Review 70, no. 3 (2017), pp 559-592.

[43] It is important to note that the program does not subsidize private employment. Thus, employers cannot replace private workers with workers from the NIEC program.

[44] "The Budget and Economic Outlook: 2017 to 2027," Congressional Budget Office, January, 2017, https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52370-outlookonecolumn.pdf.

[45] Danilo Trisi, "Safety Net Cut Poverty Nearly in Half Last Year," Center on Budget and Policy Priorities, September 14, 2016, http://www.cbpp.org/blog/safety-net-cut-poverty-nearly-in-half-last-year.

[46] As a result of the 1996 welfare reform, cash assistance rolls have fallen dramatically. The safety net has been transformed to rely on subsidizing the working poor through the Earned Income Tax Credit (EITC). This transition to a work-based safety net has particularly hurt those unable to obtain employment.

[47] Unemployment insurance, like the NIEC, expands during times of great need. In 2010, when UI payments peaked, total expenditures were $162.5 billion.

NIEC, we expect to see a sizable fall in the need for Medicaid ($368 billion FY 2016) and the Children's Health Insurance Program (CHIP; $14 billion FY 2016).[48]

Beyond savings from the reduced need for existing social insurance programs, we argue the NIEC will also generate sizable increases in tax revenue throughout the economy by increasing productive capacity and maintaining consumer spending. While the majority of economists in recent history have argued that monetary policy was sufficient to stabilize the economy, there has been a recent shift amongst economists recognizing an "activist fiscal policy" is necessary for full employment and macroeconomic stabilization.[49] [50]

There would also be cost savings associated with enhanced human capacities from a job guarantee. Research indicates that extended periods of high rates of unemployment in the economy can lead to "skill losses among workers, reducing human capital and lowering future output."[51] Putting millions of people to work through the NIEC will result in the buildup of the United States' human and physical infrastructure and the provision of additional socially useful goods and services, resulting in a profound impact on the productivity and the long-term growth rate of the economy.

The program could be financed through a variety of mechanisms. While financing the job guarantee is not the focus of the paper, we provide three ways to finance the program policymakers should consider. First, as discussed above, the implementation of a job guarantee will substantially reduce costs in existing social insurance programs. Non-poverty wages will mean many workers no longer need to rely on government assistance to meet their basic needs. A recent UC Berkeley Center for Labor Research and Education study found that $153 billion a year is currently spent on public assistance programs because of low wages, money which could be repurposed to provide more people with a non-poverty standard of living.[52] Also, the program could be financed through implementing a financial transaction tax (as proposed in Rep. John Conyers' H.R. 1000 bill), modifying estate and gift tax provisions, or the implementation of carbon taxes.[53]

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[48] Dollar figures in this paragraph represent current expenditures of the program in fiscal year 2016.

[49] Laurence Ball, Brad DeLong, and Larry Summers, "Fiscal Policy and Full Employment," Center on Budget and Policy Priorities, April, 2014, https://www.cbpp.org/research/full-employment/fiscal-policy-and-full-employment.

[50] According to a 2017 Report from the Roosevelt Institute's J.W. Mason, "in 2016, real per capita GDP was 10 percent below the Congressional Budget Office's (CBO) 2006 forecast, and shows no signs of returning to the predicted level." J.W. Mason, "What Recovery? The Case for Continued Expansionary Policy at the Fed," The Roosevelt Institute, July, 2017, http://rooseveltinstitute.org/wp-content/uploads/2017/07/Monetary-Policy-Report.pdf.

[51] Sushant Acharya, Julien Bengui, Keshav Dogra, and Shu Lin Wee, "Escaping Unemployment Traps," Federal Reserve Board, April 2017, http://economics.rutgers.edu/downloads-hidden-menu/news-and-events/workshops/macroeconomic-theory/1360-keshavdogra/file.

[52] Ken Jacobs, Ian Perry, and Jenifer MacGillvary, "The High Public Cost of Low Wages," UC Berkeley Labor Center, Research Brief, April 2015, http://laborcenter.berkeley.edu/pdf/2015/the-high-public-cost-of-low-wages.pdf.

[53] Some proponents of the job guarantee argue that the federal government could simply fund the program directly without raising additional tax revenue. For an example, see Michael J. Murray and Mathew Forstater, "The Job Guarantee and Modern Money Theory," (Basingstoke, UK: Palgrave Macmillan, 2017).

Conclusion

A job guarantee would fundamentally transform the current labor market in the United States. Our current conception of full employment is inadequate; we discuss a bold policy in this paper to bring the United States to a permanent, more accurate indicator of full employment—by which we mean that everyone who seeks a job can find one at non-poverty wages. Beyond providing full employment, the job guarantee could be a turning point for American workers. Workers are faced with stagnating real wages and a continued erosion of labor's share of income. The job guarantee could significantly alter the current power dynamics between labor and capital—particularly for low-wage workers and traditionally marginalized groups.

Benefits of the program reach beyond those directly employed under the NIEC. If a job guarantee were to be implemented, it also would function as a *de facto* employment floor in the labor market. Private employers would have to offer wages and benefits that are at least competitive with the NIEC in order to attract workers. The universal nature of the program would ensure jobs for all—including those with some forms of disability who may not be employed through the private sector. The universal design is critical to ending working poverty and involuntary unemployment; this is in contrast to other forms of intervention in the labor market, such as minimum wage laws, which do not ensure access to employment in the first place. Nevertheless, complementary changes to the existing social insurance system would be necessary to eliminate poverty entirely, as some individuals may be unable to work for various reasons.[54]

Despite the discussion of full employment as a national priority for nearly a century now, policymakers have failed to deliver an economy that prioritized employment for all. Full employment is a goal that the private market in unable to achieve, therefore requiring government intervention in the labor market. Above, we discuss a transformative policy proposal—a federal job guarantee—whereby the government engages in the direct hiring of workers at non-poverty wages to achieve, and maintain, a full employment economy. Whether or not policymakers agree with the specifics we suggest in our proposal, we encourage them to think about bold solutions to achieve and maintain full employment. Restructuring our public policies to eradicate involuntary unemployment and poverty is within our reach.

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[54] One potentially complementary proposal would be a negative income tax, which could provide a basic income for those unable to work.