

ppi radically.  
pragmatic

---

# Guaranteed Jobs: Too Big to Succeed

Anne Kim  
May 2018





# Guaranteed Jobs: Too Big to Succeed

MAY 2018

Anne Kim

## INTRODUCTION

As the party out of power, Democrats have the luxury of thinking big as they consider how to topple President Donald Trump in 2020. Bold, ambitious ideas are what the party sorely needs if it is to capture voters' attention and woo them from Trump's corrosive grip.

But if Democrats are to craft a winning agenda for 2020, bigness and boldness alone are insufficient; political feasibility and substantive plausibility are also necessary ingredients. That's why the latest big and bold idea catching the eye of potential 2020 contenders – a federal jobs guarantee – is ultimately a disappointment.

Touted by advocates as a way to achieve “permanent full employment,”<sup>1</sup> the notion of a federally guaranteed job for anyone who wants one has won support from three rumored presidential hopefuls so far, including New York Sen. Kirsten Gillibrand,<sup>2</sup> Vermont Sen. Bernie Sanders and New Jersey Sen. Cory Booker. Last week, Booker revealed draft legislation<sup>3</sup> to pilot a federal jobs guarantee program in up to 15 localities nationwide, while Sanders has floated a much more ambitious national plan<sup>4</sup> focused on public works projects at a scale not seen since the Great Depression. Under both proposals, participants would earn wages of up to \$15 an hour, along with benefits such as paid family and sick leave and health insurance. “There is great

dignity in work – and in America, if you want to provide for your family, you should be able to find a full-time job that pays a fair wage,” said Booker in a press release announcing his effort.<sup>5</sup>

**Under both proposals, participants would earn wages of up to \$15 an hour, along with benefits such as paid family and sick leave and health insurance.**

Booker’s endorsement speaks to the inherent surface appeal of a jobs guarantee. To borrow President Bill Clinton’s famous formulation, Americans who “work hard and play by the rules” deserve a shot at self-sufficiency, and the promise of work for all who want it invokes Americans’ innate sense of fair play. Proponents also rightly point out stark disparities in employment between certain groups, the result of discrimination and other structural barriers that guaranteed access to meaningful employment could arguably remedy.

Unfortunately, the idea also suffers from a variety of fatal defects, including its size, timing and relevance and any number of practical obstacles that make it administratively unworkable as well as politically untenable. For one thing, it rests on the dubious assumption that the American electorate – at a time when public cynicism and distrust toward government remain at all-time highs<sup>6</sup> – is ready to embrace a dramatically expanded role for the federal government as the nation’s largest staffing agency and employer. More fundamentally, the idea betrays a deep lack of faith in the inherent resilience of the American economy and its people to weather disruption and change. Most Americans don’t share the left’s inordinate confidence in government’s ability to engineer shared prosperity from the top down. Aggressive advocacy of a panacea like government guaranteed jobs can only reinforce public impressions that progressives will always default to “big government” as the solution to complex economic problems.

---

## CONCEPTUAL FLAWS

While a federal jobs guarantee certainly passes the “bigness” test, its very bigness is a central conceptual weakness, at least in the current political environment. It is far too large a hammer in search of a nail.

According to the leading proposal for a national guaranteed jobs program, it would cost roughly \$543 billion a year to create 10.7 million new federal jobs covering every worker unemployed or underemployed in January 2018 (a figure known as “U.6”).<sup>7</sup> That would put the number of job guarantee participants at nearly five times the size of the entire current federal workforce.<sup>8</sup>

**According to the leading proposal for a national guaranteed jobs program, it would cost roughly \$543 billion a year to create 10.7 million new federal jobs covering every worker unemployed or underemployed in January 2018.**

It’s hard to fathom why proponents believe there is public appetite for a jobs program of this scale today, especially given that the nation’s official unemployment rate is at its lowest in nearly 20 years, employers in many places are complaining of worker shortages,

the economy is set to grow at a solid pace and fears of inflation are currently preoccupying central bankers and financial markets.<sup>9</sup> And even though workforce participation is lower than it could or should be compared to historical standards,<sup>10</sup> the magnitude of unemployment and underemployment is nowhere near what it was the last time a massive federal works program was proposed and implemented, which was during the Great Depression. Then, unemployment rates were running at upwards of 15 to 25 percent<sup>11</sup> while the private sector was wholly crippled.

Though some proponents might imagine an automation apocalypse that could ultimately throw millions of Americans out of work, talking about a national jobs guarantee program now is, at best, still wildly premature. Moreover, even if such a circumstance should occur, it's far from settled that Americans would prefer a large-scale public jobs program over other strategies to manage economic disruption, including, heaven forbid, their own abilities to learn new skills and adapt to change.

A second and more serious conceptual flaw with a jobs guarantee is that it seeks to solve the wrong problem. While the lack of jobs is a continuing concern for some groups in some areas and absolutely should not be overlooked, the biggest malady ailing the middle and working classes isn't so much the quantity of jobs as their quality – in the form of stagnant wages, declining benefits and the loss of stability and security. In this context, a national jobs guarantee program isn't just too big a hammer, but the wrong tool altogether.

Though wages are finally ticking upward, the long-term trend toward stagnation is still far from being erased. The Brookings Institution, for

example, reports that real wages for the middle quintile of workers grew by only 3.4 percent between 1979 and 2016, while labor's share of national income has also steadily fallen despite healthy corporate profits.<sup>12</sup> More Americans are also losing access to traditional employer-provided benefits, such as health insurance. At the same time that the share of employers offering health insurance has dropped by 10 percentage points since 1999,<sup>13</sup> according to the Kaiser Foundation, more Americans are finding themselves to be no longer employees at all but members of the ever-precarious "gig economy."

Especially vulnerable are the workers with the least amount of education, the one group that has remained consistently underemployed despite rising fortunes for others. In March, for instance, just 44 percent of Americans without a high school diploma were working,<sup>14</sup> compared to 72.6 percent for college graduates.<sup>15</sup> While a jobs guarantee program could potentially help some of these less-educated workers, a big question is why they should be shunted to relatively low-skilled public jobs rather than given the opportunity to increase their skills and compete for skilled openings currently going begging.

**In March, for instance, just 44 percent of Americans without a high school diploma were working, compared to 72.6 percent for college graduates.**

As for the question of wages, proponents of a job guarantee argue their plan would put upward pressure on wages by forcing private sector employers to compete for workers. This argument, however, rests on a very large and unproven assumption: that enough workers would in fact prefer a "public option" over private

sector work to create that pressure. Many workers, for instance, might choose a lower-paid private sector job in the short term with the potential for advancement in the future, rather than a public job capped at \$15 an hour into

perpetuity. In any event, the potential impact on private sector wages would be indirect at best when other, more targeted ideas could have broader impact on workers' incomes and financial security.

---

## PRACTICAL OBSTACLES

Even setting aside the conceptual and political weaknesses of a federal jobs guarantee, any number of practical obstacles could also prove insurmountable.

For instance, one such practical question is the kind of jobs government would provide. Booker's proposal, for instance, imagines that participants would work in fields that are "currently underprovided, like child and elder care, infrastructure, and community revitalization." What's not clear, however, is how the government will gauge demand in a particular sector so it will know how many workers to deploy. Also unanswered are where and how to place them. These are not questions in which the federal government has a proven track record, particularly given the limited success of the more than 40 employment and job training programs the federal government already administers.<sup>16</sup> If, for example, the government miscalculates and produces a surplus of elder care providers in a community with an insufficient number of potential patients, what would these workers do?

The new corps of government workers will not be fungible from one field to another, given the skills required for each of these professions, as well as licensing and other requirements. Workers cannot be working in a nursing home on one day and on a road crew the next, depending on demand.

A second set of practical concerns involves the role of the private sector and the effect these new federal workers would have on labor markets. While job guarantee advocates seek to create a new "floor" in the labor market<sup>17</sup> and prompt the private sector to raise its own wages to compete for workers, it's not clear that this is, in fact, what would happen. What could occur, however, is the displacement of private sector providers of child care, elder care and other services if the federal government ends up competing directly with existing employers. While some may not find this outcome objectionable if big companies were the ones to face the most pressure, the reality is that small businesses – such as home-based day care centers – are the least likely to survive in the face of government competition.

A third set of worries involves the preparation of workers for the jobs they would be asked to do. Current job guarantee proposals seem to assume that anyone who wants a job also has the skills and capacity to perform it, which is unrealistic. While the simple lack of available work might be all that stymies many workers, many other Americans who want to work face far more serious barriers, including the lack of skills, mental and physical disabilities that limit their capacity, caregiving obligations, mental health concerns or other issues that will need to be overcome if full-time employment is to be a reality.



Barriers like these are especially problematic if a federal work program is focused on infrastructure projects, as Sanders proposes. Though liberals romanticize the Civilian Conservation Corps and other Depression-era federal work efforts, infrastructure jobs often involve physically demanding outdoor labor in all sorts of weather, along with grueling hours. They are not for everyone.

One way to gauge the scope of the challenge around potential participants' employability is to examine the ranks of workers "marginally attached" to the workforce, defined by the U.S. Bureau of Labor Statistics (BLS) as those who want to work and have looked for work in the last 12 months or those available to work but who have not searched for work in the last four weeks. These workers would presumably be prime targets for a federal jobs guarantee program.

Among the 1.59 million workers considered "marginally attached" in 2017, less than a third reported being "discouraged over job prospects," while the vast majority cited other reasons for not being in the labor force, such as the lack of child care or transportation, "ill health or disability," and family responsibilities.<sup>18</sup>

**Among the 1.59 million workers considered "marginally attached" in 2017, less than a third reported being "discouraged over job prospects."**

If the purpose of a federal jobs program is to provide safety net employment for workers who cannot otherwise find private sector jobs, such an effort cannot succeed unless it also helps workers overcome the very barriers that made private sector work tougher for them to attain.

This means the government not only needs to provide jobs, it needs to provide training so that workers can competently perform the work they're given; affordable child care and transportation; remedial help if necessary with basic literacy and numeracy as well as so-called "soft skills"; mental health services and other accommodations. All of these are immensely complex, expensive and time-consuming services. But if the federal government is not willing to provide or at least subsidize these services, the "guarantee" of a job is meaningless unless there is some assurance of a worker's potential success. And even then, there are a host of unanswered questions about the worker's end of the bargain. Can a worker with a guaranteed job be fired? What if an employee is guilty of malfeasance or simply can't perform? What rights and duties does a "guarantee" create?

Finally, there is the consideration of cost.

As mentioned above, the large-scale national job program envisioned by its leading proponents would cost \$543 billion, or 3 percent of GDP, to employ 10.7 million people. This translates to a per-worker cost of \$50,747 a year – or just slightly below the median household income in 2016 of \$57,617.<sup>19</sup> By comparison, federal spending on Social Security totaled \$922 billion in 2016 while benefiting 61 million people,<sup>20</sup> a relative bargain by comparison.

The \$543 billion figure is also situated in the context of relatively low unemployment. At the height of the recession in 2010, the total share of workers unemployed and underemployed ("U.6") was 17.1 percent,<sup>21</sup> meaning that the cost of a federal jobs program could expect to double in a downturn, to more than \$1 trillion a year.

**By comparison, federal spending on Social Security totaled \$922 billion in 2016 while benefiting 61 million people, a relative bargain by comparison.**

Spending of this magnitude would crowd out spending on a host of other priorities that might be better suited to building human and social capital, such as improving early childhood and K-12 education, expanding health care or making college and occupational training more

affordable. Worse yet, funding for a federal jobs program could come at the expense of other safety net programs supporting children, disabled Americans and others who cannot work. As Ernie Tedeschi, an economist who served under President Barack Obama recently told *The Washington Post*, “It would be extremely expensive, and I wonder if this is the best, most targeted use of the amount of money it would cost.”<sup>22</sup>

## ASPIRATIONAL CHALLENGES

At the same time that a federal jobs guarantee program is too big, it paradoxically also aims too low. Federally provided jobs are unlikely to be the kind of jobs that people want, nor would there necessarily be a path to upward mobility for those relegated to this work. While a federal jobs program might promise the dignity of work for all, what is delivered could still be work without dignity.

As envisioned by its advocates, the kinds of jobs the federal government could provide include such tasks as “the repair, maintenance, and expansion of the nation’s infrastructure, housing stock, and public buildings,” “assistance with ecological restoration,” “engagement in community development projects,” as well as jobs in child care, education and senior care.<sup>23</sup>

While there is value in all of this work, the ranks of America’s unemployed and underemployed deserve better. Compared to the private sector, the federal government is relatively ill-suited to the task of creating jobs that demand workers’ creativity, innovation and commitment, that best

fit the needs of the local and national economy at any given time and, importantly, are self-sustaining.

With many fewer dollars than a jobs guarantee program would cost, the federal government should invest in other, more effective ways to spur the creation of high-quality jobs, prepare workers for well-paying careers with opportunities for advancement and supplement the wages of the working poor.

Among the myriad of possibilities for increasing incomes is to expand the federal Earned Income Tax Credit for low-wage workers, in combination with raising the minimum wage, as Isabel Sawhill and Quentin Karpilow of the Brookings Institution recommend.<sup>24</sup> Another possibility is to eliminate the payroll tax, which falls most heavily on low-wage workers as well as the self-employed, and replace it with a broad-based value-added tax (VAT) of the kind adopted in most European countries or a carbon tax, which would have the additional benefit of combating climate change.

Another option, which PPI has endorsed,<sup>25</sup> is to help workers earn better wages by expanding the availability of Pell grants to students pursuing high-quality occupational credentials in IT, advanced manufacturing and other “new-collar” careers where demand is growing. This idea would allow older, lower-income and displaced workers who do not want or cannot afford to go to college with an alternative means of upgrading their skills. Government should also invest heavily in rural broadband to expand digital opportunity to all corners of the country and help rural areas decimated by the loss of manufacturing and mining jobs reinvent themselves and attract new industry. Government could also encourage new models of corporate governance and ownership, such as the “benefit corporation” model PPI has embraced,<sup>26</sup> or the expansion of employee stock ownership plans (“ESOPS”), that would ensure that more of the fruits of economic growth flow to workers.

**With many fewer dollars than a jobs guarantee program would cost, the federal government should invest in other, more effective ways to spur the creation of high-quality jobs.**

The advocates of guaranteed jobs have their finger on the right problem: far too many Americans are suffering from the maldistribution – or outright denial – of economic opportunity. But by making work a *right* – as a guaranteed job would do – the government would also paradoxically be diminishing its value. The fundamental nature of the American character is to strive, to achieve – and to earn. What the government should guarantee, then, is not a job but the means and opportunity for all Americans to attain their aspirations to the fullest.



---

# References

- 1 Mark Paul, William Darity, Jr. and Darrick Hamilton, "The Federal Job Guarantee – A Policy to Achieve Permanent Full Employment," March 9, 2018, Center on Budget and Policy Priorities, available at <https://www.cbpp.org/sites/default/files/atoms/files/3-9-18fe.pdf>
- 2 Sean McElwee, Colin McAuliffe and Jon Green, "Why Democrats Should Embrace a Federal Jobs Guarantee," *The Nation*, March 20, 2018, available at <https://www.thenation.com/article/why-democrats-should-embrace-a-federal-jobs-guarantee/>
- 3 Federal Jobs Guarantee Development Act of 2018, Office of Sen. Cory Booker, available at <https://www.scribd.com/document/376916448/Federal-Jobs-Guarantee-Development-Act-of-2018>
- 4 Jeff Stein, "Bernie Sanders to announce plan to guarantee every American a job," *The Washington Post*, April 23, 2018, available at [https://www.washingtonpost.com/news/wonk/wp/2018/04/23/bernie-sanders-to-unveil-plan-to-guarantee-every-american-a-job/?utm\\_term=.afdb204e42f0](https://www.washingtonpost.com/news/wonk/wp/2018/04/23/bernie-sanders-to-unveil-plan-to-guarantee-every-american-a-job/?utm_term=.afdb204e42f0)
- 5 Press Release, "New Booker Bill Seeks to Establish Model for Federal Jobs Guarantee Program in High-Unemployment Communities," Office of Sen. Cory Booker, April 20, 2018, available at [https://www.booker.senate.gov/?p=press\\_release&id=778](https://www.booker.senate.gov/?p=press_release&id=778)
- 6 "Trust in Government," Gallup.com, available at <http://news.gallup.com/poll/5392/trust-government.aspx>
- 7 Paul, Darity and Hamilton.
- 8 "Historical Federal Workforce Tables: Executive Branch Civilian Employment Since 1940," U.S. Office of Personnel Management, available at <https://www.opm.gov/policy-data-oversight/data-analysis-documentation/federal-employment-reports/historical-tables/executive-branch-civilian-employment-since-1940/>
- 9 Christopher Rugaber, "Inflation heating up? US consumer prices in March rose 2.4% from year earlier," *USA Today*, April 11, 2018, available at <https://www.usatoday.com/story/money/economy/2018/04/11/inflation-heating-up-consumer-prices-rising-faster/506350002/>
- 10 Anne Kim, "The Mirage of 'Full Employment,'" *Washington Monthly*, April 13, 2018, available at <https://washingtonmonthly.com/2018/04/13/the-mirage-of-full-employment/>
- 11 *Historical Statistics of the United States: 1789 to 1945*, U.S. Census Bureau, available at <https://www2.census.gov/prod2/statcomp/documents/HistoricalStatisticsoftheUnitedStates1789-1945.pdf>
- 12 Jay Shambaugh, Ryan Nunn, Patrick Liu, and Greg Nantz, "Thirteen Facts About Wage Growth," The Hamilton Project, Brookings Institution, Sept. 2017, available at [https://www.brookings.edu/wp-content/uploads/2017/09/thp\\_20170926\\_thirteen\\_facts\\_wage\\_growth.pdf](https://www.brookings.edu/wp-content/uploads/2017/09/thp_20170926_thirteen_facts_wage_growth.pdf)
- 13 "Employer Health Benefits: 2016 Summary of Findings," The Kaiser Family Foundation and Health Research and Educational Trust, available at <https://kaiserfamilyfoundation.files.wordpress.com/2016/09/employer-health-benefits-2016-summary-of-findings.pdf>
- 14 "Series ID LNS12327659: Employment-Population Ratio - Less than a High School Diploma, 25 yrs. & over," U.S. Bureau of Labor Statistics.
- 15 "Series ID LNS12327662: Employment-Population Ratio - Bachelor's degree and higher, 25 yrs. & over," U.S. Bureau of Labor Statistics.

---

# References

- 16 Statement of Andrew Sherrill, Director, Education, Workforce, and Income Security Issues, "Employment and Training Programs: Opportunities Exist for Improving Efficiency," U.S. Government Accountability Office, April 7, 2011, available at <https://www.gao.gov/assets/130/125957.pdf>
- 17 Paul, Darity and Hamilton.
- 18 "Household Data Annual Averages: Persons not in the labor force by desire and availability for work, age, and sex," U.S. Bureau of Labor Statistics, available at <https://www.bls.gov/cps/cpsaat35.htm>
- 19 Gloria G. Guzman, "Household Income: 2016," U.S. Census Bureau, available at <https://www.census.gov/content/dam/Census/library/publications/2017/acs/acsbr16-02.pdf>
- 20 "The 2017 Annual Report of the Board Of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, July 13, 2017, available at <https://www.ssa.gov/oact/TR/2017/tr2017.pdf>
- 21 "Table A-15. Alternative measures of labor underutilization," U.S. Bureau of Labor Statistics, available at <https://www.bls.gov/news.release/empsit.t15.htm>
- 22 Stein.
- 23 Paul, Darity and Hamilton.
- 24 Isabel Sawhill and Quentin Karpilow, "A No-Cost Proposal to Reduce Poverty & Inequality," Brookings Institution, Jan. 10, 2014, available at <https://www.brookings.edu/research/a-no-cost-proposal-to-reduce-poverty-inequality/>
- 25 Anne Kim, "Forget free college. How about free credentials?" Progressive Policy Institute, Oct. 2017, available at [http://www.progressivepolicy.org/wp-content/uploads/2017/10/PPI\\_FreeCredentials\\_2017.pdf](http://www.progressivepolicy.org/wp-content/uploads/2017/10/PPI_FreeCredentials_2017.pdf)
- 26 Anne Kim, "Tax Cuts for the Companies That Deserve It," Progressive Policy Institute, Jan. 2018, available at [http://www.progressivepolicy.org/wp-content/uploads/2018/01/PPI\\_TaxCuts\\_2018.pdf](http://www.progressivepolicy.org/wp-content/uploads/2018/01/PPI_TaxCuts_2018.pdf)



---

The Progressive Policy Institute is a catalyst for policy innovation and political reform based in Washington, D.C. Its mission is to create radically pragmatic ideas for moving America beyond ideological and partisan deadlock.

Founded in 1989, PPI started as the intellectual home of the New Democrats and earned a reputation as President Bill Clinton’s “idea mill.” Many of its mold-breaking ideas have been translated into public policy and law and have influenced international efforts to modernize progressive politics.

Today, PPI is developing fresh proposals for stimulating U.S. economic innovation and growth; equipping all Americans with the skills and assets that social mobility in the knowledge economy requires; modernizing an overly bureaucratic and centralized public sector; and defending liberal democracy in a dangerous world.

---

© 2018  
**Progressive Policy Institute**  
All rights reserved.

---

**Progressive Policy Institute**  
1200 New Hampshire Ave NW,  
Suite 575  
Washington, DC 20036

---

**Tel** 202.525.3926  
**Fax** 202.525.3941

---

**info@ppionline.org**  
**progressivepolicy.org**