# A jobs guarantee — progressives' latest big idea

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Opinion US employment

But cynicism about politics means we should be wary of making promises we cannot keep

Lawrence Summers

The percentage of US workers, or those seeking employment, aged 25-54 has declined over the past two decades © Bloomberg

The impulse behind the latest "big" progressive idea of offering job guarantees is entirely valid. Studies show that those without jobs are much more likely to be dissatisfied with their lives, to become addicted to alcohol or drugs, and to be abusive within their family than even those working at low wages they find inadequate.

On this point, the US economy is falling short of its potential. The fraction of the adult population aged 25 to 54 that is working or seeking work has declined over the past 20 years. Despite the US's vaunted labour market flexibility, the chance that a man, aged between 25 and 54 years old, is out of work is much greater than it is in France and not very different than what it is in Italy. In sharp contrast to the rest of the world, the percentage of adult women working in the US has been declining since the 1990s.

These trends are important causes of the increasingly bitter nature of US politics and of resistance to technological change and overseas trade. President Donald Trump received disproportionate support in parts of the country where joblessness increased most.

If the US could, in even a modestly efficient manner, guarantee jobs in a way that significantly increased employment, it would be a very good thing. I want to be enthusiastic about job guarantee proposals. But at a time when cynicism about government is strong, it is very important for progressives to avoid making promises that they cannot meet. So we must examine the practicality of job guarantees.

The first question is how much to pay. A programme of "last resort employment" could provide the minimum wage and low benefits. But that will not help those laid off from highly paid manufacturing jobs or those who expect to earn wages well above the poverty line.

While such a proposal could help many young people, it is far from clear that it would connect with the principal concerns of rust belt adults.

On the other hand, if the guaranteed jobs paid premium wages, say double the $7.25 an hour national minimum wage, they would represent an attractive alternative for a quarter or more of the work force raising questions of cost and economic disruption.

Suppose that a $15 an hour guaranteed job drew 4m extra people into the workforce and attracted 10m existing employees, a quarter of those for whom it would represent a wage increase. The cost, once benefits, materials and supervisory needs are included, would, conservatively, be $60,000 a worker. That would increase government spending by $840bn: more than a quarter of the current federal total. If wages for the 30m lower wage workers who remained in the private sector went up by only $4 an hour, private sector costs would rise by $240bn. The burden would largely fall on small businesses and disproportionately hurt restaurants and other major employers of low wage labour.

## How did the 2008 financial crisis affect you?

A second question raised by job guarantees is what all these new workers would do. The federal government civilian workforce comprises 2m people. Meaningfully increasing employment, or offsetting adverse trends even if all those hired came off the sidelines of the workforce, would require boosting the number of federal employees by at least 50 per cent.

The US has large needs for infrastructure and taking care of the aged, for example. They are met through federal contracting, not direct hiring. Using the employment guarantees to address these national problems would require significant restructuring of the way services are provided, probably with an efficiency cost.

A final question concerns the macroeconomics of a jobs guarantee. If the US Federal Reserve saw the budget deficit expanding substantially, a tightening of the labour market or upward pressure on wages, it would likely respond by raising rates significantly. This would discourage spending and offset the employment gains from a guarantee scheme.

If, on the other hand, the programme was financed with new taxes, demand from those who paid the taxes would go down. That would reduce private sector employment and offset the gains from an employment guarantee.

If these questions have persuasive answers, that would be terrific. But right now, I am inclined to think that the idea of a jobs guarantee should be taken seriously but not literally. A combination of wage subsidies, targeted government spending, support for workers with dependants, and increased training and job-matching programmes represent a more viable strategy for meeting demand for guaranteed employment.

*The writer is Charles W Eliot university professor at Harvard and a former US Treasury secretary*