

Congressional Black Caucus Deficit Commission

“Insuring Permanent Full Employment”

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The Bureau of Labor Statistics reports that about 14.5 million Americans remained in the ranks of the unemployed in December 2010. December's unemployment rate of 9.4 percent represented the twentieth consecutive month where the jobless rate exceeded 9 percent, the longest span of with rates that high since the Great Depression. While the December estimate represented a decline in the unemployment rate, it was in part attributable to a decline the labor force participation rate associated with discouragement effects and the employment-population ratio remained unchanged at 58.3 percent. The nation faces an ongoing and sustained employment crisis.

To address the crisis the federal government should establish a job guarantee program for all adult citizens. The government should insure that the opportunity to work for decent pay is a citizenship right for all Americans. Having Americans out of work does immense damage to the human spirit, imposes extensive costs to the individual and the society as a whole, and creates and perpetuates deficit finance crises at all levels of government – federal, state and local.

The federal government should establish a National Investment Employment Corps offering all citizens 18 years of age and above an employment guarantee at a minimum salary of \$20,000 with \$10,000 in benefits, including medical coverage and retirement support. An upper bound estimate of the expense of the program could be established by putting all 15 million persons unemployed at the peak levels of unemployment at the current crisis at a mean salary of \$40,000, inclusive of materials and equipment per worker, with \$10,000 in benefits. The total compensation package would amount to \$750 billion which is less than the first \$787 billion stimulus package and considerably less than the first phase of the bailout of the investment banks estimated at \$1.3 trillion. This initiative would be far superior to the indirect incentive effects of stimulus measures because it would constitute a direct mechanism for job creation.

Correspondingly, the net expenses of the job guarantee program would be reduced because of wide array of cost savings from other programs that could be reduced or eliminated. With the federal government acting as employer of last resort, unemployment compensation funding could be slashed and antipoverty program funding, including free and reduced lunch subsidies and food stamps, could be reduced greatly (indeed, a job guarantee could eliminate both working and jobless poverty simultaneously). Furthermore, the income paid to the employees of the National Investment

Employment Corps would restore tax bases at the state and municipal levels alleviating their current budget crises.

Market interventions like minimum wage laws and financial regulation and the associated enforcement expenses could be eliminated. The former no longer will be needed since the floor on the wage standard would be set by the minimum salary offered by the National Investment Employment Corps, and the latter no longer will be needed because the presence of the job guarantee would mitigate the adverse effects of fluctuations in speculative investment markets on personal employment and income.

States and municipalities can conduct an inventory of their needs and develop a job bank of tasks that require performance giving priority to the most urgent. The work to be done by employees of the National Investment Employment Corps would address the nation's human and physical infrastructure requirements. This could include the construction, staffing and provision of high quality preschools, computer repair, upgrade and maintenance, sanitation workers, flood and other disaster service workers in hospitals and schools, and the extension, repair and maintenance of the public transportation infrastructure, e.g. roads, bridges, and dams. In 2009 the American Society of Civil Engineers (ASCE) gave the country a grade of D on its physical infrastructure; one in four rural bridges were characterized as structurally deficient. ASCE reported that in Texas alone there were only seven engineers and a budget of \$435,000 to oversee more than 7,400 dams.

There are numerous advocates of a direct employment program across the political spectrum ranging from Kevin Hassett at the American Enterprise Institute to Larry Mishel, president of the Economic Policy Institute. The National Urban League's dozen "Dynamic ideas for Urban America" includes a proposal for fund for direct job creation by "cities, counties, states, universities, community colleges, and non-profit community based organizations" predicated on their area unemployment rates. The proposal advanced here differs from theirs insofar as it will be a permanent and universal job guarantee, rather than temporary and contingent on emergency conditions. It will, however, function well as an automatic stabilizer insofar as the numbers of persons put to work in the National Investment Employment Corps will rise during downturns and fall during upswings; thus it will expand and contract counter cyclically.

The program also will provide assurance of employment for members of stigmatized populations who are subjected to discriminatory exclusion. Princeton sociologist Devah Pager's audit study in Milwaukee demonstrates that among males of comparable ages and education, white males with criminal records were more likely to get call backs for jobs than black males with no criminal record. Moreover, white males with a criminal record faced half the odds of receiving a call back as white males with no criminal record. Bureau of Labor Statistics data indicates that among 18-25 year olds, white high school drop outs have an unemployment rate 10 to 12 points lower than blacks who have completed some college. The program envisioned here would provide employment for all – black or white, male or female, with a criminal record or without.

In addition, the personal and familial costs of damaged mental health and other stressors faced by the unemployed would be mitigated by a program of this type. Indeed, the unemployed themselves often say that they would rather be paid to work than receive unemployment compensation. A *Huffington Post* article by Delaney and Nasripour dated February 24, 2010 Marvin Bohn who is described as “a 57-year-old former executive chef in Ohio [who] has been getting unemployment checks since June 2008” is quoted as saying, “Instead of receiving the unemployment checks, even if it’s a fill-in job, it’d be doing good. I would be very happy to do that.” A 45 year old former casino worker Glenn Blackburn commented, “Put me to work digging ditches or helping build roads. Anything is preferable to sitting on my butt. This would give those of us on unemployment back our pride and actually accomplish something with the money being spent. There is a work force of a million people just sitting idle waiting for something to do. That is a massive amount of lost labor that could be fixing America’s infrastructure. Instead of unemployment hire me to do that.”

In fact, there are closer to 15 million people “just sitting idle waiting for something to do.” There is plenty of important work for them to do. There are innumerable benefits to be garnered from having them do the work. Let us implement a national employment program that provides a job guarantee for all citizens.