

# What Is the “Federal Jobs Guarantee” and What Are People Saying About It?



**Ryan Bhandari**  
Former Senior Policy  
Advisor, Economic  
Program  
[@rbhandari3](https://twitter.com/rbhandari3)

An idea that is sure to get attention during the 2020 primaries is “a guaranteed federal job,” a proposal *The New York Times* noted was “a big idea from a bygone era.”<sup>1</sup> It’s easy to see why people are interested in ideas that help people earn a good life, but how would this specific policy work in practice and what kind of effect would it have overall on the economy?

Some, like Stony Brook University Professor Stephanie Kelton, a former advisor to Senator Bernie Sanders and proponent of the federal jobs guarantee, argue that bringing millions more into guaranteed federal jobs would lead to more buying power and contend that “it’s clear the economy as a whole does far better, and that means that the private sector does far better.”

Yet, that opinion is far from universal. Others, like Annie Lowery in *The Atlantic*, approach the idea with a healthy skepticism: “But guaranteeing every American a job means ... finding work for people in every town in half a continent. It means accommodating the homeless, the violent, the drug addicted, and the illiterate in the workforce. It means

expanding the Department of Labor to become something like the size of the Department of Defense.... It is a trillion-dollar logistical puzzle, wrapped in a politically fraught stimulus effort, inside an experimental economic enigma. And none of these proposals quite know how to solve it.”

In this memo, we unpack the policy and lay out five concerns that potential supporters should be aware of.

## **What is the federal jobs guarantee?**

A federal jobs guarantee is as simple as it sounds on the surface: everyone in the country will be guaranteed a job by the US government should they desire one. There are two versions right now gaining attention. One plan is written by academics Mark Paul, Sandy Darity, and Darrick Hamilton. The other was written by Pavlina Tcherneva. In general, these plans promise:

- Guaranteed jobs in infrastructure repair, ecological restoration, caregiving, and community development projects.
- Benefits like health insurance, paid sick leave/vacation, and retirement plans.
- Control for state and local governments that will decide which kinds of jobs to create.
- A reduced uptake of welfare programs and unemployment insurance as well as decreased criminal justice costs.

The key difference between the two plans is the minimum wage for the new jobs. The Tcherneva plan establishes a \$15 minimum wage and the Paul et al. plan calls for an \$11.80 minimum wage for all federally guaranteed jobs. Yet, both have the same underlying goal: Permanently solve the problem of involuntary unemployment by making the federal government the employer of last resort.

## **What are the Concerns?**

Ensuring people have the opportunity to work and earn a good life is a shared value across the country. But, the federal jobs guarantee approach raises a number of concerns. And voters seem to be wary of it. In our [polling](#), only 9% support a new program that guarantees a full-time government job—36 points less than those who support a new program where government works with business to create more good-paying jobs in the private sector. Among just Democrats, the divide was starker: 14% support a federal jobs guarantee while 59% want government to work with business to create private sector jobs.

Politics aside, the federal jobs guarantee raises five substantive concerns.

**#1: It solves a different problem.** Right now there are over seven million open jobs and six million unemployed people. Yet, many of these jobs are going unfilled. Why? Many people don't have the right mix of skills or training. New jobs are often in different places than old ones. Childcare and transportation are often prohibitively expensive. And others struggle with opioid addiction and other conditions. And yet, a federal jobs guarantee doesn't address any of this. Even during economic downturns, there are better and far more efficient ways to help workers and communities such as targeted public works programs, hiring credits for employers, temporary tax cuts for working families, extended unemployment insurance, and money to shore up state and local budgets.

**#2: The cost is enormous.** A federal jobs guarantee will cost *at least* hundreds of billions of dollars per year and much more during a recession when the employment rolls for the government would naturally increase. Here are the cost estimates from both plans based on people participating in the jobs guarantee:

	10 million people	15 million people
Paul et al Plan	\$560 billion/year	\$840 billion/year
Tcherneva Plan	\$468 billion/year	\$702 billion/year

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With annual federal outlays at roughly \$4.5 trillion, we're talking about anywhere from a 10-20% increase in spending to pay for the jobs guarantee. As for how to pay for it, advocates are split on whether it should be paid for at all. Paul et al. provide a few possible tax increases but don't devote much attention to the matter. Stephanie Kelton says, "What the models show is you can do this without creating an inflation problem and therefore why would you pay for it with tax increases of one kind or another?"<sup>2</sup> Even though the cost of the program could be partially offset through decreasing social assistance costs, it's still very uncertain how and when these savings would materialize. What we're left with is a new program taking up funding that could be used instead for things like increased childcare, training support, expanded health care coverage, and more.

**#3: It could crowd out tens of millions of private sector jobs.**

There are currently 54 million people who earn \$15 an hour or less. When they find out the federal government is offering \$15 an hour plus benefits and permanent job security, many of those workers would quit their current job and join the federal workforce.<sup>3</sup> Companies that could afford to would raise wages to keep some of these workers; other companies would simply go out of business. The labor markets would be controlled by the government in ways never seen before in America. And even if just half of low-wage private sector workers quit, the number of federal employees would rise by between 35 and 40 million.<sup>4</sup> Costs to the government would then rise to anywhere from \$1.6 trillion to \$2.24 trillion *per year*, and the private sector would see massive repercussions.

**#4: Inflation would rise.** A sudden increase in the cost of labor for businesses will lead to inflation throughout the economy because of higher business costs that will need to be passed on to consumers. In addition, when only those at the bottom of the income distribution get a defacto raise to \$15, there are upstream consequences. Workers who were making \$15 an hour may demand \$20 an hour now. Workers making \$20 an hour might want \$25 an hour and so on. This may

seem like a benefit, but “this is a story of serious wage-price spiral, unless we introduce other measures,” warns progressive economist Dean Baker.<sup>5</sup> We have been very fortunate that inflation has been well under control for the last few decades. A federal jobs guarantee could change that pretty quickly.

**#5: It would be an administrative nightmare.** Finally, matching millions of workers to the jobs envisioned under a jobs guarantee would be an administrative nightmare to implement. State and local governments will be tasked with finding the productive work to do, but how do we train millions of people to do these jobs? How does the Department of Labor oversee the millions of new jobs to make sure they’re legitimate? What are the qualifiers for the kind of work that’s eligible? What if a right-leaning state wants jobs done that a left-leaning federal government deems unproductive or socially unacceptable like building an oil pipeline or opening up a coal mine?

Finally, how does the federal government fire workers who are guaranteed a job? Tcherneva argues that workers can be fired for not showing up or threatening the safety of others, but what about extremely poor performance?

## **Conclusion**

The gravitational pull of a jobs guarantee is understandable. Uncertainty around job stability and the future of work has left many people very nervous. They don’t know when their next raise is going to be, and they don’t know if their job is going to exist ten years from now. Some on the political left believe the federal jobs guarantee provides comfort to voters by ensuring that anyone who wants a job will be provided one by the government. But behind this catchy slogan are a series of substantive issues that potential supporters should seriously consider.

### **ENDNOTES**

- 1.** Jim Tankersley, "Democrats' Next Big Thing: Government-Guaranteed Jobs." *The New York Times*, May 22<sup>nd</sup>, 2018, Available at:  
<https://www.nytimes.com/2018/05/22/us/politics/democrats-guaranteed-jobs.html>. Accessed March 14<sup>th</sup>, 2019.
- 2.** Laura Paddison, "What is a Federal Jobs Guarantee?" *The Huffington Post*, July 6<sup>th</sup>, 2018. Available at:  
[https://www.huffingtonpost.com/entry/federal-job-guarantee-explained\\_us\\_5b363f4ae4b007aa2f7f59fc](https://www.huffingtonpost.com/entry/federal-job-guarantee-explained_us_5b363f4ae4b007aa2f7f59fc)  
Accessed March 14<sup>th</sup>, 2019.
- 3.** Greg Ip, "The Problem With a Federal Jobs Guarantee (Hint: It's Not the Price Tag)." *The Wall Street Journal*, May 2<sup>nd</sup>, 2018, Available at:  
<https://www.wsj.com/articles/the-problem-with-a-federal-jobs-guarantee-hint-its-not-the-price-tag-1525267192> Accessed March 14<sup>th</sup>, 2019.
- 4.** Lowering the job guarantee wage from \$15 down to \$11.80 in the Paul et al plan would reduce the number of workers who have an incentive to quit, but not by a significant amount.
- 5.** Dean Baker, "Dems' Job Guarantee Isn't Nearly as Easy as It Sounds." *The Daily Beast*, April 27<sup>th</sup>, 2018, Available at:  
<https://www.thedailybeast.com/dems-job-guarantee-isnt-nearly-as-easy-as-it-sounds> Accessed March 14<sup>th</sup>, 2019