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Policy Note

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GUARANTEEING EMPLOYMENT DURING THE PANDEMIC AND BEYOND

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"Economic vandalism" is how the late Bill Vickrey (2004) described unemployment. Everything about the coronavirus response in the United States today suggests one thing tomorrow: guaranteed and prolonged mass unemployment, the kind that most of us have never witnessed. When the CARES Act loan guarantees (with already extremely weak job protections) expire and firms face continued reduction in demand, the layoffs that did not take place during the pandemic will happen when the economy "reopens." Whatever cash assistance we provide to families to keep them afloat now, millions of them will be scrambling for the pitifully scarce jobs of the post-pandemic world. And we know what many of those jobs will be: poorly paid, with no benefits or basic employment protections, much like the ones "essential" workers currently have (the delivery drivers, grocery store clerks, and sanitation staff). While lending and cash assistance help firms and families pay the bills, they are not job creation policies. They are not even reliable job protection policies.

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What conversations will fill the halls of economic conferences, the Fed's research offices, the chambers of Congress, and our TV screens tomorrow? Will experts tell us that the unprecedented global shock had created a wave of unemployment that was just… inevitable; that, unfortunately, unemployment has turned into a structural and impossible-to-tackle problem; that the natural rate of unemployment is now permanently higher, and the NAIRU[1] is in the double digits? We have seen this script before.

The avalanche of job losses today and mass unemployment tomorrow are of our own making, created by our seeming inability to conceive of policies that protect and create jobs on demand. There is another option: instead of capitulating to a world of guaranteed unemployment, we can demand policies that guarantee employment. During the pandemic, the government can protect jobs by acting as a kind of employer of last resort, while in the post-pandemic world it can create jobs directly via mass mobilization and a job guarantee (JG). In this environment, an employer of last resort backstopping payrolls, mass mobilization, and the JG are three different but organically linked policies.

As our European counterparts have done (Carroll 2020), the government can promise to pay the wages of workers whose jobs are threatened by COVID-19. This can be done in multiple ways. In some Scandinavian countries, the government participates in tripartite negotiations with firms and unions, working to minimize the number of layoffs and offering to pay the wages—effectively becoming an employer of last resort—of those workers whose jobs would have been eliminated.

Another method would be for the government to provide direct grants to firms, as several members of Congress have recently proposed,[2] that would cover the wages of all workers earning up to a certain amount or of furloughed and laid-off workers only, with additional subsidies for operating costs. Each grant comes with explicit conditions to retain or bring back laid-off workers and use the funds as planned, without stock buybacks, dividend payouts, CEO compensation subsidies, or golden parachutes.

The funding is not the issue. The $2.2 trillion authorized in the CARES Act was enough to pay every single wage in the US economy for three months (Tcherneva 2020a). If any of the above methods were attempted (and the government paid a proportion of all wages), the budget could have protected jobs through the end of the year and possibly longer. Since more spending is on the way, it is not too late to pursue this strategy.

The government is essentially bankrolling private firms already and has the prerogative (nay, responsibility) to impose other stipulations, e.g., to require firms to offer hazard pay, guaranteed paid leave, and a minimum wage of $15/hour for all workers. This would have the effect of fortifying working conditions throughout large swaths of the labor market in the United States, where nearly half of all workers earn below $10.22/hour (Ross and Batemann 2019).

This policy would still not be sufficient to combat unemployment or poorly paid employment, but it would rapidly stem the hemorrhage. The US economy already lost 30 million jobs in just six weeks, which is greater (by about 7.5 million) than all of the jobs created in the previous 11 years of recovery following the global financial crisis. How many million more jobs will we lose next month? The Federal Reserve expects unemployment to exceed its Great Depression levels (Johnson 2020).

Now is the time to plan a program that tackles the second epidemic: the social catastrophe that comes with mass unemployment. If we wait for the private sector to create the needed jobs, we shall be waiting too long. Jobless recoveries have become the norm for half a century now, and even when we managed to reach the lows of 3.5 percent unemployment in the months before the pandemic, economists were begrudgingly admitting that there was more labor market slack left.

To restore jobs, and good jobs too, the government must play a direct role in hiring the unemployed. To do this on short order it would need to launch large-scale public investment projects that create millions of good union and other well-paying jobs at all wage and skill levels. There are other existential threats before us and there is plenty of work to do. The Green New Deal is the obvious place to start.

It is important to make clear that large-scale mobilization and direct job creation programs are not the same thing as ensuring that decent jobs are always available to anyone who is looking (Tcherneva 2020b). The only way to do this is through a JG—the third, and indispensable, piece of any comprehensive job creation and job preservation strategy. It is a program that guarantees anyone who walks into the unemployment office can walk out with an employment option that offers a minimum living income with benefits. The JG is a public option for jobs in the public service sector that offers on-the-job training and assistance with transitioning to other employment opportunities.

Critically, the JG raises the wage floor by establishing a labor standard for minimum pay and working conditions for all jobs in the economy. It is a policy that ensures that precarious and poorly paid work is extinguished along with the coronavirus by increasing competition in the labor market—competition for workers. Why toil away at $7.25/hour if the local green JG project offers $15/hour and Medicare? As an alternative to the most precarious private sector work, the JG pressures firms to improve their pay and benefits if they wish to retain and attract employees. Many private sector workers will get a pay raise, which in turn will boost spending, growth, and firm profits. Businesses that can only survive by paying poverty wages will no longer be viable; nor will those that use the "threat of the sack" to create the most difficult working conditions (wage theft, discrimination, harassment) for the lowest-wage and most vulnerable workers. The JG will give workers the power to say "no" to abusive employers. It will also act as a stepping-stone for young people entering the labor market, an employment opportunity for caregivers who wish to return to paid work, and a bridge to civilian employment for former inmates and veterans.

The bottom line is this: mass unemployment is *avoidable.* But having accepted it as an inevitable (even if unfortunate) circumstance during recessions and pandemics—and worse, as a perennial feature of the economy—we have painted ourselves into a corner, unable to envision a world or policies that prevent it and the pain it inflicts on families and communities.

The JG is the assurance that good jobs will be waiting when the economy turns the lights back on. The stronger the job protection policies now, the bigger and bolder the mobilization efforts tomorrow, the more nimble and effective the JG program can be. It remains the only policy that secures that essential, most basic economic right for all—the right to a decent, useful, and remunerative employment opportunity—at all times, good or bad.

Notes

1. The non-accelerating inflation rate of unemployment.
2. See, for instance, the Paycheck Guarantee Act (https://jayapal.house.gov/wp-content/uploads/2020/04/OnePager_Paycheck_Guarantee_Act_04092020.pdf) and the Paycheck Security Act (https://www.sanders.senate.gov/download/paycheck-security-act?id=01B1D358-E02E-4D1B-8C20-6B0676414E72&download=1&inline=file).

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