The Daily Dish

The Single-Employer Proposal

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Eakinomics: The Single-Employer Proposal

Having accepted single-payer health care, the political left has a new proposal to consider: guaranteed (government) jobs. Specifically, as the authors themselves outline (and in their words):

- *The permanent establishment of a National Investment Employment Corps (NIEC).* The NIEC will provide universal job coverage for all adult Americans. The permanent establishment of the NIEC would eliminate involuntary unemployment.
- *The elimination of poverty wages through the pay structure of the NIEC.* The federal job guarantee would provide a job at a minimum annual wage of $24,600 for full-time workers (poverty line for a family of four) and a minimum hourly wage of $11.83. Workers would have the opportunity to advance within the program, rising from the minimum wage in the program to an estimated mean salary of $32,500. The wage would be indexed to the inflation rate to ensure that the purchasing power of enrollees is maintained and the wage will vary to allow for some degree of regional variation. The minimum wage rate in the program will also rise to meet the national minimum wage if it were to exceed the wage rate recommended here.
- *The inclusion of fringe benefits.* To provide a true non-poverty wage and meet the fundamental rights of American citizens, the policy will include health insurance for all full-time workers in the program. The health insurance program should be comparable to that offered to all civil servants and elected federal officials. In addition, the NIEC would offer benefits such as retirement plans, paid family and sick leave, and one week of paid vacation per three months worked. These benefits, in conjunction with non-poverty wages, will set a reasonable floor in the labor market—which, through competitive forces, will result in private-sector workers having the dignity of fringe benefits as well.

This idea — which I think of as a single-employer proposal — is dangerous and completely unfeasible. But before turning to my reservations, let me first acknowledge the core strength of the idea: It is built upon work. Thus, unlike the universal basic income (UBI), it affirms the role of work in generating income, fostering social cohesion, and building self-respect. Good. The rest, well — bad.

To begin, it is enormously expensive. Even the authors put the number at something like $500 billion per year. That's likely an underestimate, but big enough to get some attention. The authors pay lip service to the idea that there would be offsets in lower spending on the social safety net and suggest that there is nothing to worry about. (Have you ever noticed that progressives argue vehemently against the idea that tax cuts pay for themselves, but then casually assert that spending proposals do exactly that?) The price tag and the economic downside from the taxes needed to cover this cost are plenty to worry about.

A more serious problem will be the devastation wrought on the labor market. In effect, the guaranteed-job proposal has at its core a massive minimum compensation: an indexed minimum wage, plus health insurance, plus “retirement plans, paid family and sick leave, and one week of paid vacation per three months worked.” The authors intend for this to “set a reasonable floor in the labor market.” It does set a floor, but hardly a reasonable one. If jobs and the firms that they exist in could support this level of compensation, then competitive forces would have driven compensation there already. Instead, there will be massive layoffs and closures. These layoffs will swell the ranks of the guaranteed jobs and shrink the tax base necessary to pay for it.

It would politicize a huge chunk of workers’ lives. Who decides what these workers will do? Angels? No, politicians and bureaucrats. Who gets the cushy job? The politically well-connected. Who gets a raise? The politically well-connected. Any notion of the labor market as a meritocratic system would soon disappear, as would any idea that workers are learning skills that genuinely promote improved private employment opportunities. Advocates for this proposal will advertise it as a large-scale training program that supports the private market. But the reverse is more likely true.

What would the workers produce? Unlike the private market, where people display the value of goods and services by parting with their hard-earned cash, the activities of the federally employed will be dictated from above with little or no regard for what is important: “If projects at the local, county, or state level are inadequate to maintain full employment in the region, **the Secretary [of Labor] shall intervene** in the locality to provide adequate employment opportunities. Projects will be designed to assure full employment in all localities.” (Emphasis added.) In short, the program would make work projects for the sake of making work. This is never a good idea.

This concept of required work opportunities undercuts the traditional dynamism of the U.S. labor market. Workers do not move to opportunity, in this proposal; the federal government simply delivers taxpayer cash to their door. Products that aren’t attractive don’t disappear from the market, and the labor used to make them isn’t freed up for more productive uses elsewhere; tax dollars ensure that the efforts of the guaranteed-job workers are simply wasted.

Work that yields rising real wages and genuine access to the American Dream is a serious issue in America. But the single-employer, guaranteed-jobs fantasy is not a serious response. It is the moral equivalent of a lollipop being offered to workers to climb into a Volga and take a fun ride to the Soviet Safeway.