

## Time for a Federal Jobs Program

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### Abstract

The U.S. unemployment rate is above 10 percent, with nearly 16 million Americans out of work, and President Obama is calling for a December summit to consider job-creation ideas. Two labor economists explain why it's time for the federal government to directly create more publicly funded jobs.

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### Commentary

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The nation's unemployment rate is now above 10 percent, with nearly 16 million Americans out of work, and President Barack Obama is calling for a summit next month to consider new job-creation ideas. Is it time for the federal government to directly create more publicly funded jobs? Yes, and here's why.

Unemployment is likely to remain at or above 10 percent for most of next year. The numbers look especially dire for youth and minorities: the unemployment rate stands at 18 percent for 20- to 24-year-old men. In fact, less than half of black men in this age group hold a job—many have simply given up. Most economists expect the recovery to proceed modestly, so jobs will be created at a slow pace and high levels of joblessness will persist for several years.

If these projections prove true, the nation will suffer trillions of dollars of lost income. Much unemployment is long-term; 40 percent of the unemployed have already been jobless for at least half a year. As their time out of work drags on, they lose valuable skills and occupational knowledge and become less employable when jobs do open up. For many young workers, the drop in their earning power will be permanent, hitting hardest less-educated and lower-income workers who don't qualify for unemployment insurance and other public assistance.

So far, the American Recovery and Reconstruction Act (ARRA)—the administration's economic stimulus package—has helped restart growth in gross domestic product. But, employers are thinking twice about taking on more workers since they've managed to raise productivity and output while employing fewer people. And ARRA spending next year won't be sufficiently targeted or labor-intensive to dent unemployment very substantially.

Given this bleak prognosis, the federal government should focus a major new jobs initiative on linking low-wage workers and those exhausting unemployment insurance with publicly valued projects. Monitored by states and localities, these projects will produce public "goods" like bike paths, repairs and weatherization for low-income housing, recreational facilities, child care and home care assistance for elderly and disabled Americans. Past experience shows how to ensure that the program works: Keep the applications simple, allow competition so that only the best projects get funded, hire enough monitors and technical assistance staff, and pull the plug on projects that aren't meeting their production targets.

To target the jobs effectively and reap the maximum job creation per dollar, the funded jobs should mostly pay \$8 to \$10 per hour. Workers with family responsibilities would qualify for work supplements, such as the earned income tax credit, food stamps and other benefits. Large infrastructure projects that require special skills and higher wages might also qualify for funding if they create a lot of work and truly are "shovel ready." States or private-sector employers might also be prodded to add second shifts to projects already under way by paying for night and weekend work.

Direct, highly targeted job creation costs far less per job than ARRA and other huge outlays, such as homebuyers' credits and bailouts of financial institutions. With roughly \$30 billion per year for wages, payroll taxes and overhead, a strong initiative could directly create 1 million jobs and indirectly add at least another 120,000 at a cost per new job of about a quarter the ARRA price tag. Extra strain on the federal deficit would be modest in comparison and partly offset by greater economic growth and lower costs for unemployment benefits.

A common argument against such a program—that the new jobs would have been created in the private or

public sectors anyway—clearly holds no water today. And fears that state and local governments or private employers will lay off workers to hire from the new pool of applicants isn't convincing now, either, since all types of organizations—including nonprofits—will receive funds that will be targeted mostly on less-skilled workers.

The American economy has generated tens of millions of new jobs in the past few decades, and our nation's successful social model expects work of almost all its citizens. But when the private job market shrinks dramatically, federal investment in jobs is the best way to keep workers employed and recharge the economy.

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