



PUBLIC SERVICE EMPLOYMENT

Projections of Numbers and Demographics of
Participants and Economic Effects of the Program

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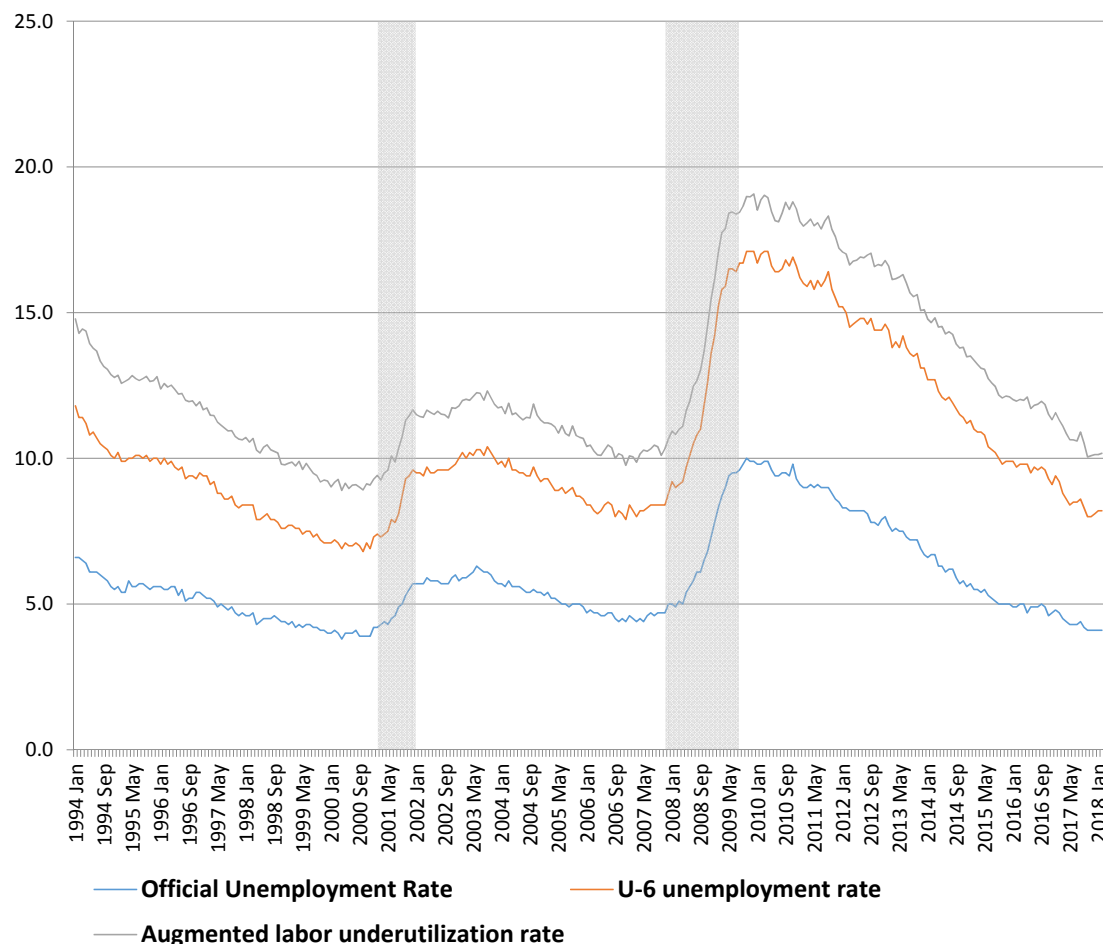


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There Are **Never** Enough Jobs For All Even at the Peak

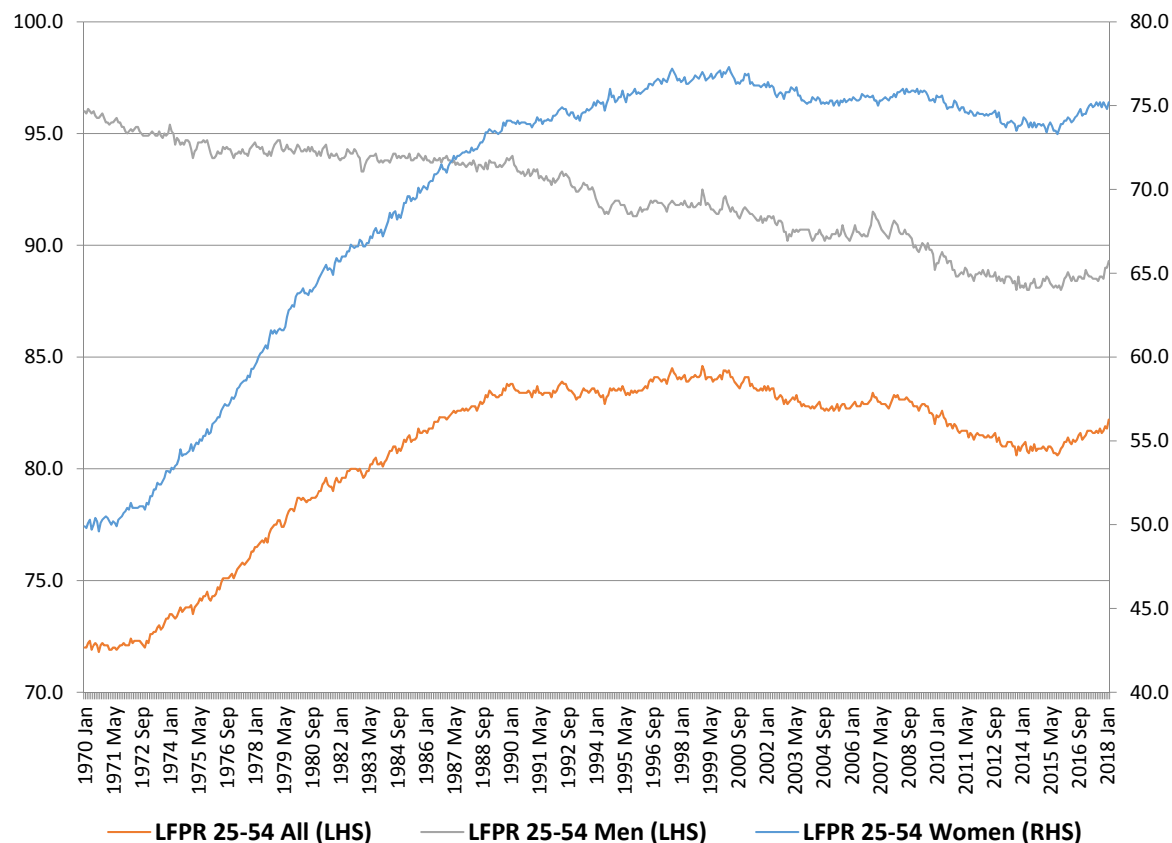


- As Good As It Gets?
 - Labor mkts have recovered?
 - Longest streak of job creation: 15 Million jobs created over recovery.
 - Unemployment rate near pre-crisis levels—and below what is traditionally considered to be NAIRU.
 - Employment rate (finally) showed improvement.
 - Fed resumed “normalization” course for Fed funds rate over a year ago, recently reconfirmed.

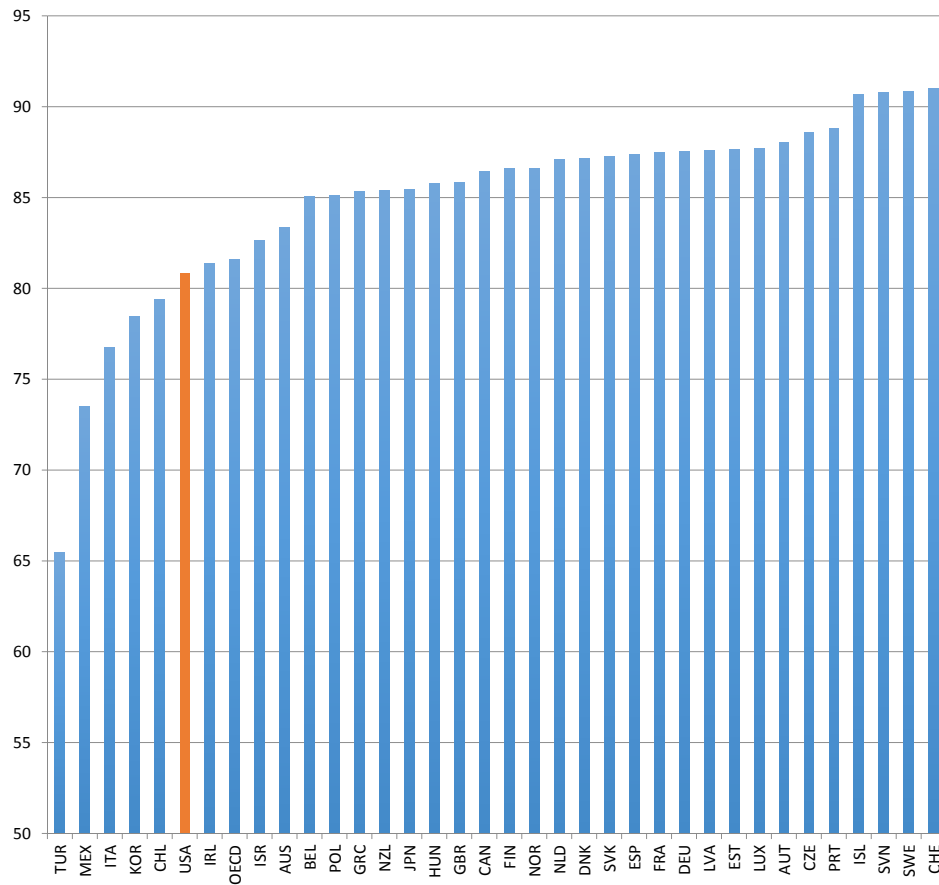


Prime Working Age LFPR: Men vs Women

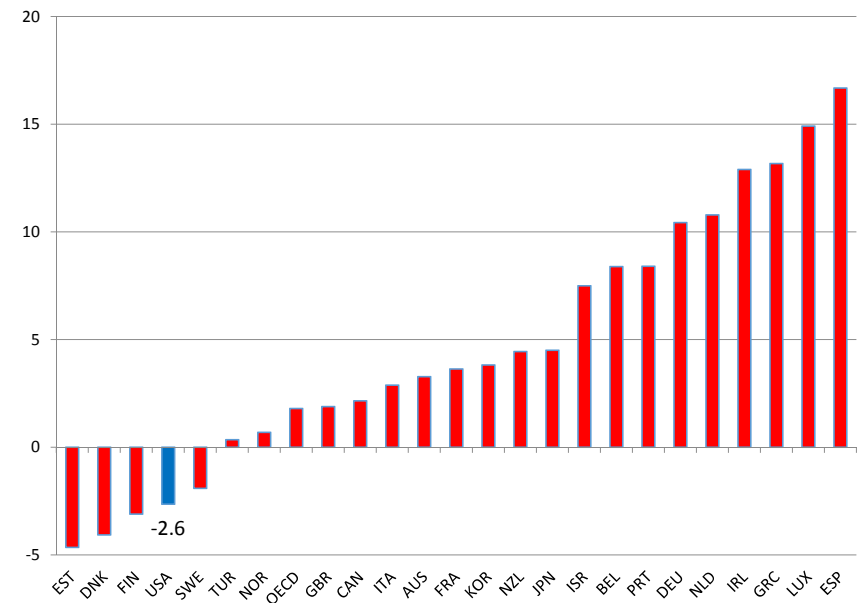
- In the run-up to GFC, LFPR for prime age already declining:
 - Falling for Prime-age men since 1970s, especially for
 - Men with HS or less
 - Black men
 - Prime-age women LFPR stagnant and falling since late 1990s.



OECD Prime Age Labor Force Participation Rates



• Change of LFPR 1990-2015



We Need a Public Option: *Public Service Employment*



- Must be **Permanent**: Through the thick and thin of the business cycle
- Must be **Universal**: Jobs for everyone, for every community, *guaranteed*
- Must be **Good** Jobs at Good Wages



Economic Effects of a Universal JG Through a PSE Program

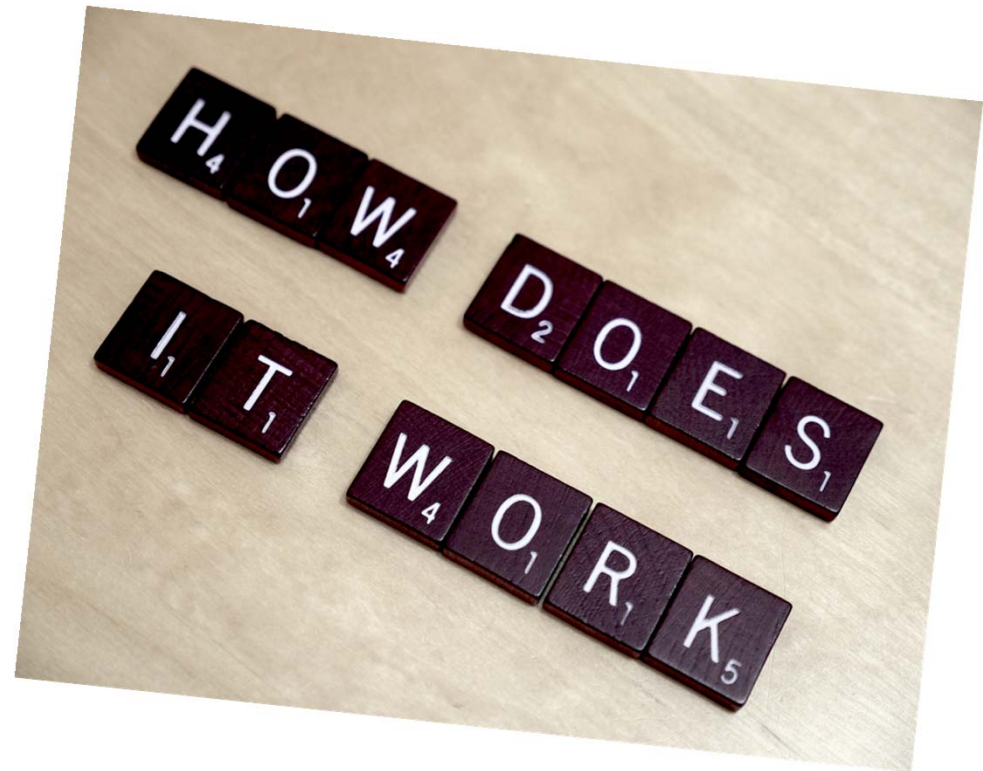


- ***Positive Impacts On:***

- Total **employment** and Private employment
- National **output**
- **Poverty** rates
- **State and local** government **budgets**

- ***Manageable Effects On:***

- **Federal budget**
- **Inflation**



Assumptions for Projections and Simulations

- We use the widely adopted Fair model, which has proven to provide a robust fit to real-world data over a long period of time.
- Program pays \$15 per hour, or \$31,200 annually for full-time work.
- Average work week is 32 hours, which includes a mix of full-time and part-time workers.
- Nonwage benefits are 20% of wages.
- Materials and other costs are 25% of wages.
- Real-world implementation would be phased in over a period of years, with wage gradually rising to \$15 per hour, but for the purposes of analysis we model a program that is implemented quickly (over four quarters) and pays \$15 per hour from the beginning.

Models simulated



- We ran four simulations, using two settings for each of two sets of scenarios:
 - higher- and lower-bound versions of the PSE program,
 - both simulated with and without the Federal Reserve's interest rate reaction function "turned on."
- The higher-bound version adopts assumptions leading to greater participation in the program—more costly and potentially inflationary, while the lower-bound assumptions lead to a smaller program.
- With the Fed's reaction function turned on, the Fed is presumed to raise rates to "lean against the wind."
 - As we've always argued, with a JG in place, Fed tightening no longer causes unemployment; it simply moves workers out of the private sector and into the JG.
- I'll highlight the higher bound with Fed turned off—the highest inflation version, although slightly smaller program than with Fed turned on.

Main Findings: Economic Impact



- Employment in the program peaks in 2022 at 15.4 million.
- The stimulus from PSE generates more than 4 million additional *permanent* private sector jobs.
- Approximately 5 million workers come into PSE jobs from each of the three main labor force categories: Unemployed, Employed, and Out of the Labor Force.
 - About 5 million underemployed or underpaid workers leave current employment for the PSE
 - Employers of the rest of the part-time and lowly paid match the PSE to retain workers
- Peak boost to real GDP is in 2022–24 and averages \$593 billion per year.

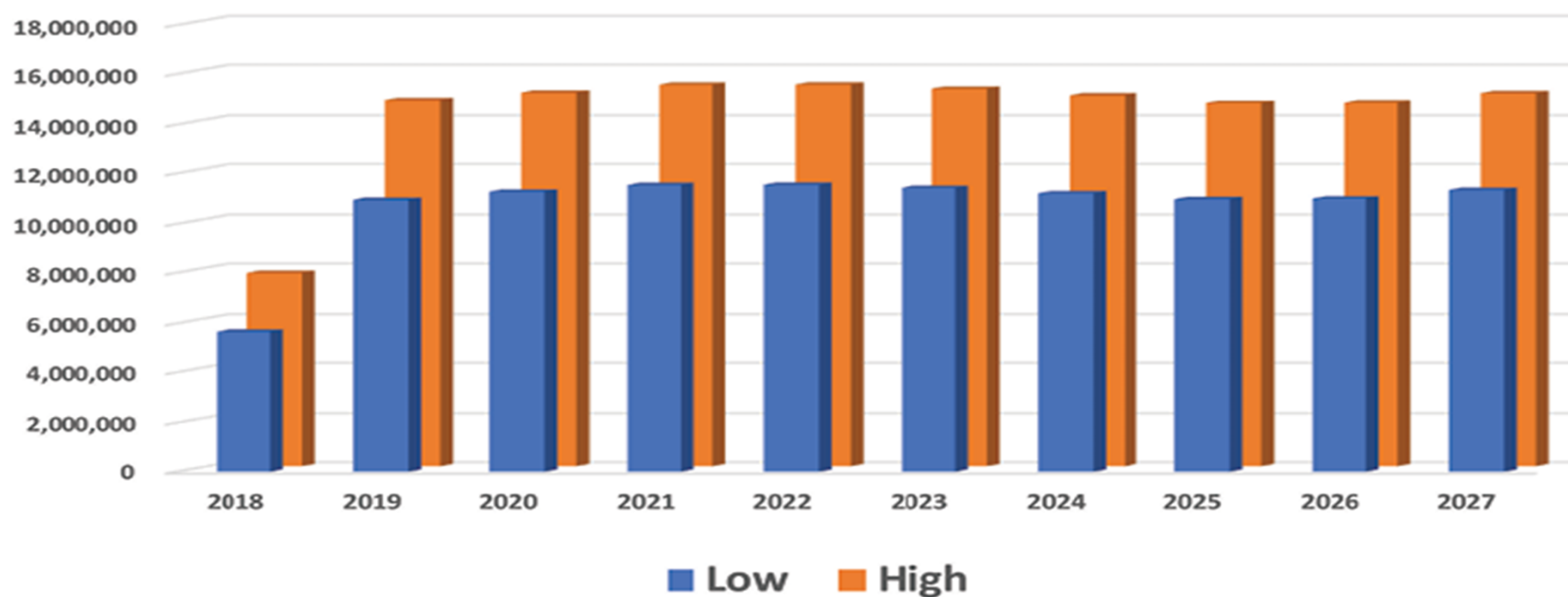
Main Findings, Continued

- The increase of inflation over the baseline peaks at 0.74 percentage points in 2020, falling to 0.09 percentage points by the end of 2027.
 - (With the Fed turned on, the peak boost to inflation is only half a percentage point.)
- While federal spending rises, federal tax revenue also rises, so that net increase in the budget deficit is about \$400 billion/year, or maximum of 1.5% of GDP.
- State budgets improve by about \$53 billion per year.
- Note: we have underestimated cost savings to social spending, Federal and State.

PSE Employment: Simulation



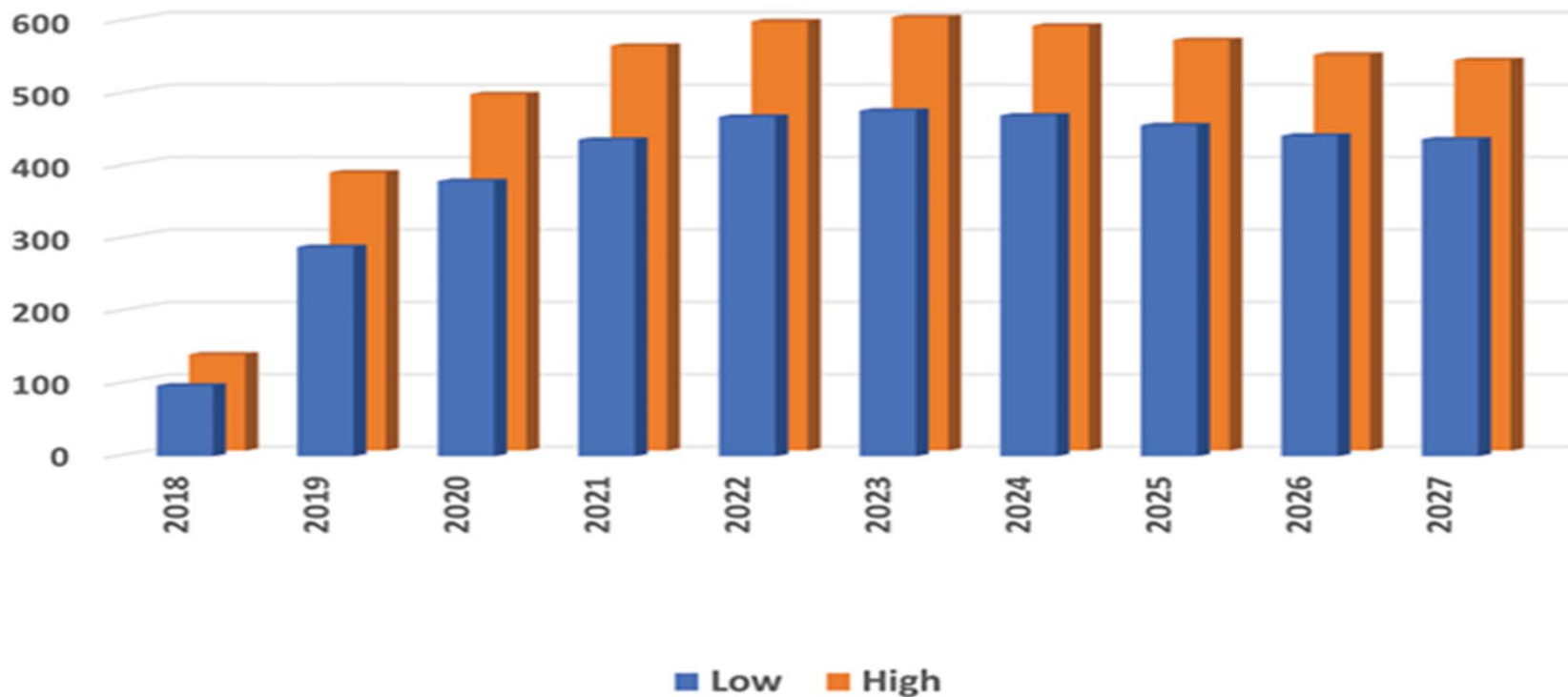
Figure 3.1 PSE Employees



Source: Authors' calculations

Additional GDP, Simulation

Figure 3.2 Additional Real GDP from the PSE Program (2017Q4=baseline, \$ billion)

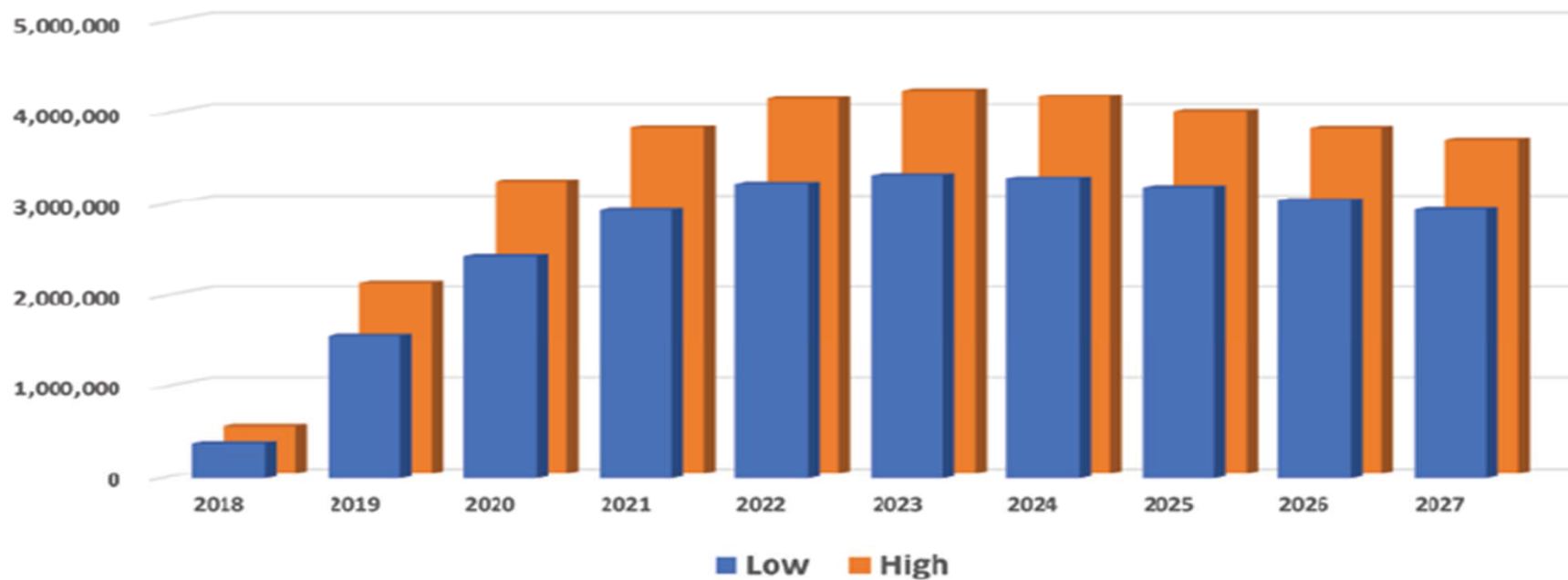


Source: Authors' calculations

Private Sector Jobs Created



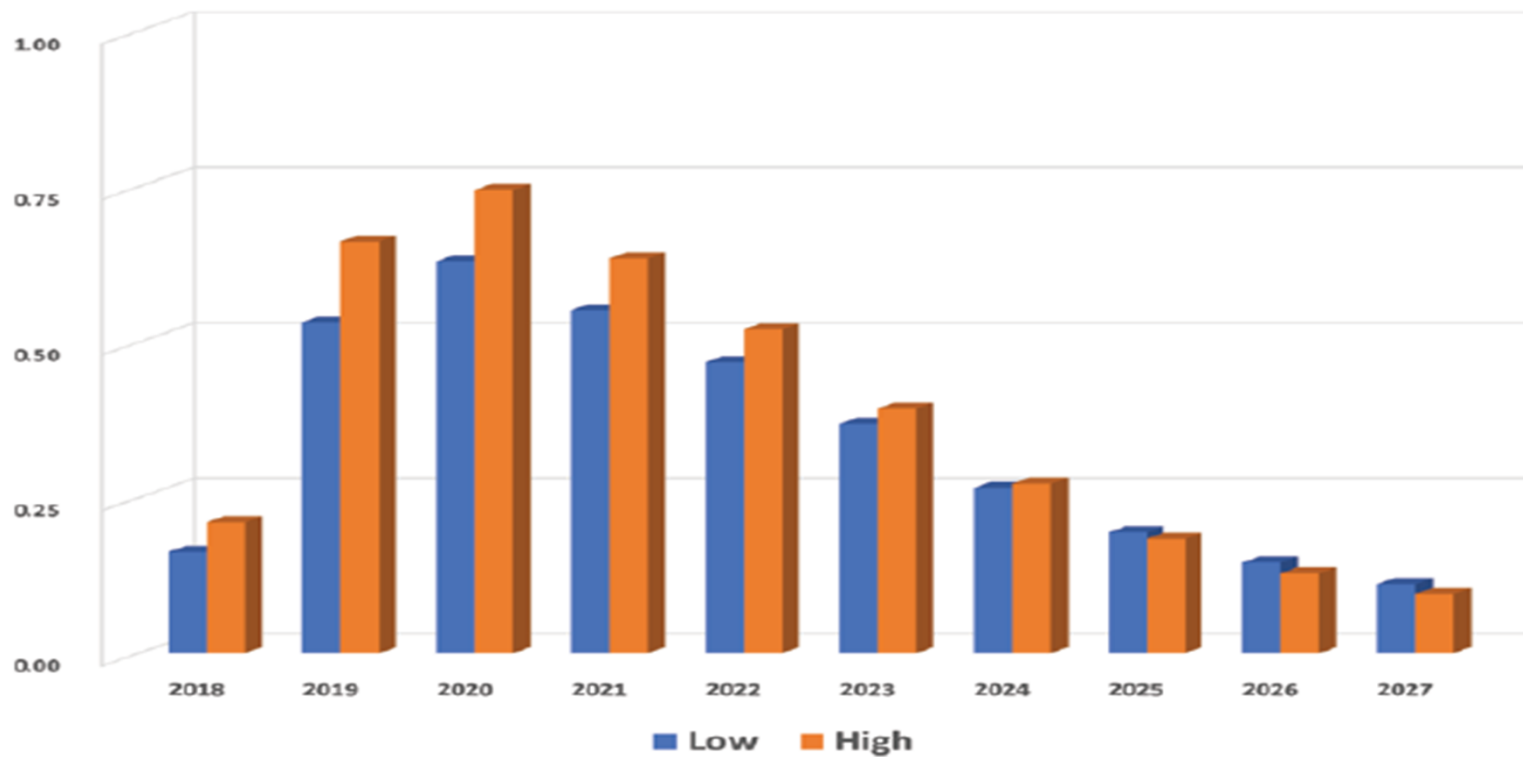
Figure 3.3 Additional Private Sector Jobs Created (millions)



Source: Authors' calculations

Increase of Inflation

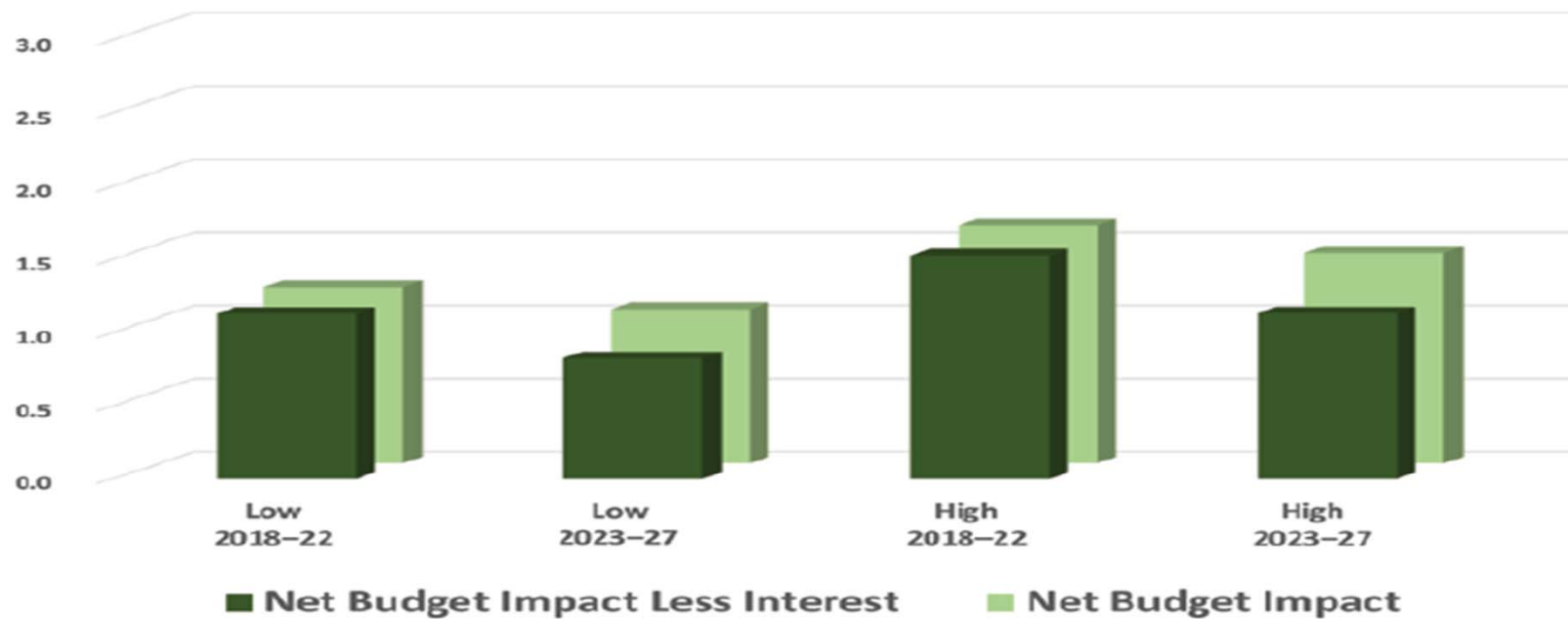
Figure 3.4 Inflationary Impact of the PSE Program (percentage point difference from the baseline value)



Source: Authors' calculations

Net Impact on Federal Budget (% of GDP)

Figure 3.8 Net Budgetary Impact and Net Budgetary Impact less Interest for the PSE Program
(averages as a percent of GDP)



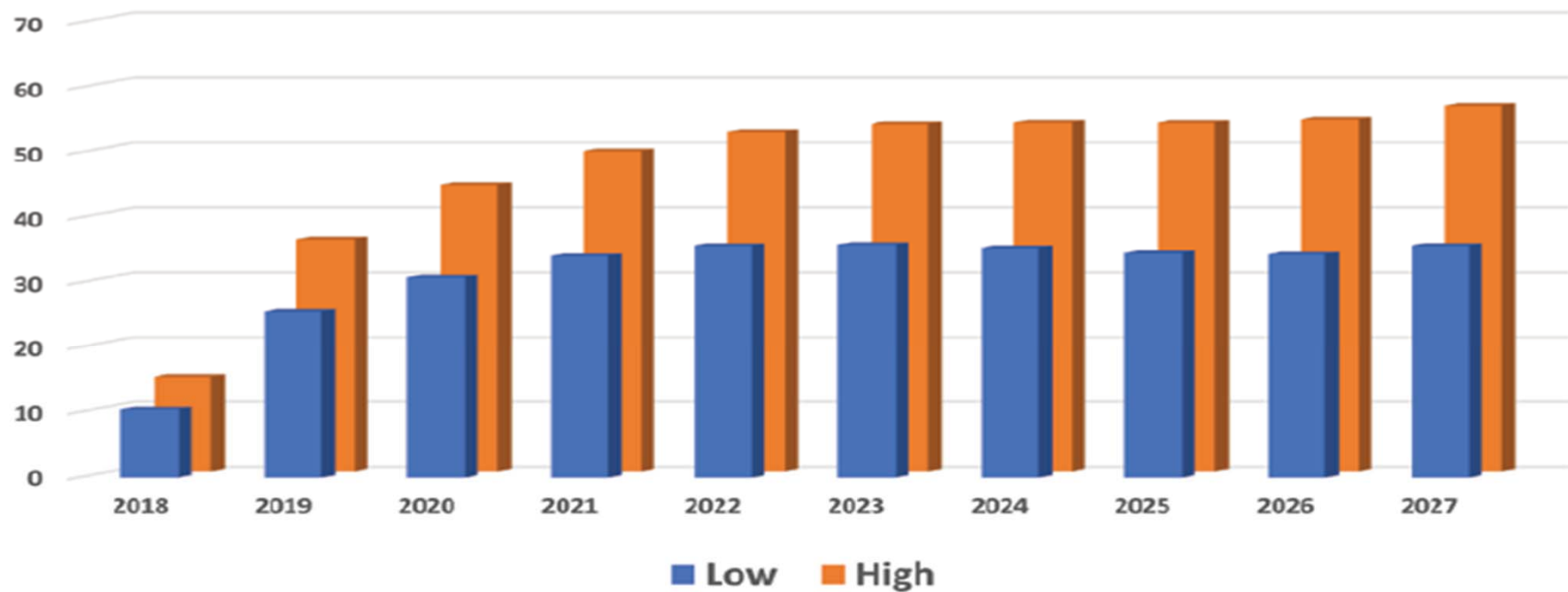
Note: Includes estimates of assumed reductions in expenditures for unemployment benefits, Medicaid, and EITC.

Source: Authors' calculations

Positive Impact on State Budgets



Figure 3.9 Impact of the PSE Program on Aggregate State-Level Budget Positions (nominal, \$ billions)



Source: Authors' calculations

The Job Guarantee benefits minorities, especially black and Hispanic women



Table 2.5 Demographics of Potential PSE Workforce, 2017Q3

Demographics of Potential Participants	CNIP 16+		Labor Force		Total Participants			
					Higher Bound		Lower Bound	
	Thousands	Percent	Thousands	Percent	Thousands	Percent	Thousands	Percent
Total	253,538		159,187		17,463		12,708	
Men	122,497	48.3%	84,755	53.2%	8,592	49.2%	5,820	46%
Women	131,040	51.7%	74,432	46.8%	8,871	50.8%	6,968	55%
Race, Ethnicity, Gender								
White	198,215	78.2%	124,658	78.3%	12,463	71.4%	9,122	71.8%
Men	96,861	38.2%	67,564	42.4%	6,292	36.0%	4,083	32.1%
Women	101,354	40.0%	57,095	35.9%	6,170	35.3%	5,039	39.7%
Black/African American	31,889	12.6%	19,637	12.3%	3,280	18.8%	2,362	18.6%
Men	14,525	5.7%	9,315	5.9%	1,573	9.0%	1,116	8.8%
Women	17,365	6.8%	10,321	6.5%	1,707	9.8%	1,247	9.8%
Asian	15,121	6.0%	9,562	6.0%	866	5.0%	709	5.6%
Men	7064	2.8%	5,091	3.2%	418	2.4%	330	2.6%
Women	8057	3.2%	4,471	2.8%	447	2.6%	380	3.0%
Hispanic or Latino	40,697	16.1%	26,797	16.8%	3,689	21.1%	2,329	18.3%
Men	20,266	8.0%	15,396	9.7%	1,846	10.6%	1,025	8.1%
Women	20,430	8.1%	11,401	7.2%	1,842	10.6%	1,303	10.3%

Note: Estimates do not add to totals because different ethnic groups are not broken down by race. We use 2016 annual averages for the CNIP 16+ and labor force populations.

Source: BLS; authors' calculations

Jobs and Poverty Alleviation



- Employment reduces the likelihood an individual will fall below the poverty line
- Poverty rates for individuals between 18 and 64 (2016):
 - No work: 30.5 percent
 - Less than full-time: 14.7 percent
 - Full-time: 2.2 percent.
- Poverty rates for families with children under 6 (2016):
 - Families with no workers: 89.8 percent
 - Families with only one part-time worker: 56.8 percent
 - Families with one full-time worker: 9.8 percent



JG and Poverty Reduction

- The JG program sets the effective **minimum wage**
- Full-time program participants employed year-round at \$15/hour, earn annual income of **\$31,200** (before taxes and excluding tax benefits)
 - Enough to lift a family of 5 above poverty line
- The JG will lift **9.5 million children under 18** out of poverty if **one member** of the household works full-time, year round
- If **two members** of the household are employed, **one full-time** and **one part-time** both year-round, **12.4 million children** living in poverty today can be raised **out of poverty**
- If **two members** of the household are employed **full-time**, all **12.8 million children** living in poverty today can be raised **out of poverty**