PUBLIC SERVICE EMPLOYMENT
Projections of Numbers and Demographics of Participants and Economic Effects of the Program

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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
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

<table>
<thead>
<tr>
<th>Demographics of Potential Participants</th>
<th>CNIP 16+</th>
<th>Labor Force</th>
<th>Total Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands</td>
<td>Percent</td>
<td>Thousands</td>
</tr>
<tr>
<td>Total</td>
<td>253,538</td>
<td>48.3%</td>
<td>159,187</td>
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<tr>
<td></td>
<td>122,497</td>
<td>48.3%</td>
<td>84,755</td>
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<tr>
<td></td>
<td>131,040</td>
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<td>74,432</td>
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<tr>
<td>Race, Ethnicity, Gender</td>
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<tr>
<td>White</td>
<td>198,215</td>
<td>78.2%</td>
<td>124,658</td>
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<td></td>
<td>96,861</td>
<td>38.2%</td>
<td>67,564</td>
</tr>
<tr>
<td></td>
<td>101,354</td>
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<tr>
<td>Black/African American</td>
<td>31,889</td>
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<td></td>
<td>14,525</td>
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<td></td>
<td>17,365</td>
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<td></td>
<td>7,064</td>
<td>2.8%</td>
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<td></td>
<td>8,057</td>
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<td>Hispanic or Latino</td>
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<td>16.1%</td>
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<td></td>
<td>20,266</td>
<td>8.0%</td>
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<tr>
<td></td>
<td>20,430</td>
<td>8.1%</td>
<td>11,401</td>
</tr>
</tbody>
</table>

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**