



Policy Note

2014 / 1

THE SOCIAL ENTERPRISE MODEL FOR A JOB GUARANTEE IN THE UNITED STATES

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The job guarantee is a proposal that provides greater macroeconomic stability and secures a fundamental human right. Despite the economic and moral merits of this policy, often the program is rejected because of concerns about its administration. How would the program be implemented? Who will create the jobs? Can work be found for every unemployed individual who wishes to work? This policy note addresses these concerns by elaborating on a proposal for the United States that would run the job guarantee through the social enterprise sector, which includes traditional nonprofit organizations and emerging nonprofit social entrepreneurial ventures (see Tcherneva 2012a).

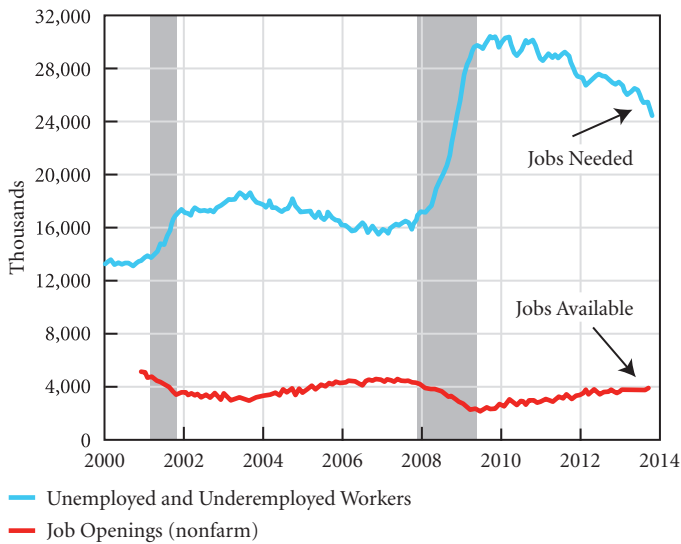
What Is the Problem?

The problem is fundamental. It is not just a problem of today's deeply ailing economy. It is permanent. There are always people willing to work whom profit-driven firms do not wish to hire. Even when economies are growing rapidly, there are never enough job openings for all those who want to work. Today, that number is just over 24 million people: 10.4 million officially unemployed and 13.9 million in hidden unemployment (willing to work but not counted as unemployed, or working part time because no full-time employment is available) (Figure 1).

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Figure 1 Number of Unemployed and Underemployed Workers versus Number of Job Openings (in thousands)



Note: Shaded areas indicate US recessions. "Unemployed" includes both the officially unemployed and those who are not counted in the labor force but want a job. "Underemployed" includes those working part time for economic reasons (slack business conditions or the lack of full-time work).

Source: Bureau of Labor Statistics

The mark of unemployment is *itself* an obstacle to getting a job. Evidence indicates that employers equate nine months of unemployment to four years of lost work experience (Eriksson and Rooth 2014). And so unemployment breeds unemployability, feeding the decades-long uptrend in long-term unemployment, while the economic, political, and social costs are mounting.¹

When considering the problem of unemployment, it is important to stress the long run. The task is to find a solution to joblessness both in recessions *and* in expansions. While economists consider a number of proposals for job creation today, as soon as the economy recovers sufficiently and unemployment reaches some fashionable NAIRU rate—which Federal Reserve research has recently placed at 6.7 percent (Weidner and Williams 2011)—the remaining unemployed are quickly forgotten.

It is time to reorient the policy focus from creating jobs for the jobless now, to creating jobs for the jobless always. Neither the private sector nor conventional pro-growth, pro-investment pump-priming fiscal policies can accomplish this task (Tcherneva 2012b, 2013a). The job guarantee (JG) provides the solution.

The JG program has been discussed at length in the literature (e.g., Kaboub 2007). It solves the problem of unemployment over the long run by instituting a federally funded but locally administered program that ensures a voluntary job opportunity to anyone who is ready, willing, and able to work in a public service project at a base wage. There are multiple implementation designs such a program can take. This policy note proposes that, in the United States, the program would be most effectively run through the social enterprise sector.

The Social Enterprise Sector Creates the Jobs, Not the Federal Government

The JG is an employment safety net. It is not designed to replace existing welfare supports, including traditional unemployment insurance (in that sense, participation in the JG is *voluntary*); nor is it incompatible with or a replacement for private sector employment. Quite the contrary, one of its core features (the buffer stock) makes it symbiotic and interdependent with private sector activity (more below).

The federal government funds the program, but nonprofit social entrepreneurial ventures (SEVs) and traditional nonprofit organizations propose, manage, and run the projects. We can use the already existing infrastructure to launch it: convert the nation's unemployment offices to "employment offices" and let them register all those unemployed who wish to work in the social sector at a base wage (e.g., a living wage). Allow nonprofits and SEVs to hire workers from the register to become involved in the kind of important work these groups are already doing.

Why the Nonprofits and SEVs?

The nonprofit and social enterprise sectors produce original, innovative, and sustainable solutions to seemingly intractable socioeconomic problems that the private sector has failed to solve. Their mission and reason for existence is to create social value, and to address very specific problems like poverty, hunger, homelessness, environmental degradation, community blight, inadequate care, and education for all. The work of the social enterprise sector is a bright spot in many economies today, as it tries to attend to needs that the private sector and outdated government policies have failed to address.

Here are some of the key characteristics of the social enterprise sector that make it especially suitable for running a job guarantee program in the United States in a manner that enhances participatory democracy, individual initiative, and entrepreneurship:

Social enterprises are voluntarily created and managed by groups of citizens. As a result, while they may receive grants and donations from public authorities or private companies, social enterprises *enjoy a high degree of autonomy* . . . ;

[. . .]

Social enterprises are the result of *an initiative by citizens* involving people belonging to a community or to a group that shares a certain need or aim. They must maintain this dimension in one form or another;

Decision-making rights are shared by stakeholders, generally through the principle of “one member, one vote.” Although capital owners in social enterprises play an important role, *decision-making power is not based on capital ownership*;

Social enterprises are *participatory in nature*, insofar as those affected by the activities (the users of social enterprises’ services) are represented and participate in the management of activities. In many cases one of the objectives is to strengthen democracy at [the] local level through economic activity;

Social enterprises include organisations that totally prohibit the distribution of profits and organisations such as co-operatives, which may distribute their profit only to a limited degree. Social enterprises therefore avoid profit maximising behaviour, as they involve a *limited distribution of profit*;

Social enterprises pursue *an explicit aim to benefit the community* or a specific group of people. By doing so, they directly and indirectly promote a sense of social responsibility at [the] local level. (OECD 2006)

Yet delivering systemic large-scale solutions to social problems remains a challenge for nonprofits and the social entrepreneurial ventures for two reasons: (1) their work is always underfunded and (2) they are always understaffed. The job guarantee solves both problems—it provides funding as well as labor.

While tackling social ills that result from unemployment and underemployment are within the purview of nonprofits and SEVs, achieving full employment is not. By articulating the elimination of involuntary unemployment as a social objective on par with the eradication of homelessness and hunger, and empowering nonprofits and SEVs to help achieve this objective, the JG would fulfill the goal of the Universal Declaration of Human Rights of guaranteeing a decent job to all who wish to work (United Nations 1948). Generating full employment over the long run *itself* produces social value that serves the public purpose. A JG is a sustainable solution to the problem of unemployment. By harnessing the social entrepreneurial sector’s energies, it becomes the institution that delivers true full employment over the long run. To accomplish this task, policy can do three things:

- (1) Explicitly marry the various social objectives of the social sector with the goal of providing jobs for those who wish to work. Let the unemployed participate in the very process of social provisioning, by guaranteeing a job offer in that sector to anyone ready, willing, and able to work.
- (2) Scale up the social ventures that are already successfully operating on the ground. There is no need to invent new types of projects; simply permit them to do more.
- (3) Reproduce already successful work models in places where no such nonprofits or SEVs exist.

Nonprofit and Much SEV Work Is Countercyclical

A key feature of the social enterprise sector is that much of its work is countercyclical, which permits the buffer-stock mechanism of the JG to work effectively (Mitchell 1998).

When economies falter, community needs increase and social problems multiply. This is precisely the time when the social sector needs to perform much more work and requires extra helping hands. That is also the time when the JG expands. Those who have lost their jobs would now move from

private sector employment to social sector employment—rather than from employment to unemployment. Since it is a job guarantee, the program is also open to new entrants and anyone who wishes to work in the social sector for a base wage.

When economies recover, some social problems are alleviated, spending on programs shrinks, fewer workers are needed, and many transition to better-paying jobs in a recovering private sector. Because social needs continue to exist, the non-profit sector is perfectly suited to providing jobs for those who have been left behind by a growing economy. Unlike conventional stimulus programs, the work of nonprofits and SEVs does not disappear during expansions.

Fit the Job to the Worker

A common concern is that there is not enough productive work for everyone. The experience of the New Deal and Argentina's *Plan Jefes* shows that such programs can be up and running in four to six months, and that useful tasks can be performed even by the least skilled and least educated citizens (Tcherneva 2013b).

The public sector can initiate massive public works projects today and rebuild the crumbling US infrastructure. And while that is a crucial strategic policy objective that requires immediate attention, public works themselves are a rather clumsy method for providing jobs for everyone over the long run. Building a bridge is not always the best solution to employing the unemployed. It is more appropriate to find them targeted and direct employment in a sector that is already countercyclical, like the social enterprise sector.

Since the JG guarantees a job at a base wage for everyone, irrespective of skill or level of education, the program would fit the job to the worker (rather than the worker to the job). One way to do this is, after assessing the needs and resources in a community, to permit the nonprofits, SEVs, and (through them) the unemployed themselves to propose the types of work that they wish to do in those communities. As outlined above, this is how the social enterprise sector operates already. Running the job guarantee through this sector would be a genuine bottom-up policy, powered by the communities, the localities, and the individuals themselves.

The JG would provide labor and funding to those programs that have been designed to serve some public purpose and address an important social problem. A basic grant review

process can approve or deny these projects, subject to the same guidelines that already exist for nonprofits.

What Kind of Jobs?

Nonprofits and SEVs already work to provide sustainable and reproducible low-cost solutions to the social problems afflicting the most overlooked and blighted areas in our nation, through projects such as community clinics, urban fisheries, veteran services, aquaponics, youth mentoring, and many others. Many support community sustainable-agriculture initiatives, work to address the dual challenge of homelessness and AIDS, provide internship opportunities for at-risk youth, or renovate and beautify decrepit urban spaces.

Consider just one problem that countless US communities face: the “food desert” problem. A food desert is an area with little or no access to healthy and affordable food. Many such rural and urban areas rely on gas stations or convenience stores for food. There are no gardens, farmers’ markets, or other sources of fresh produce. Areas suffering from food insecurity also have among the worst health-related and other social problems. Addressing the food desert issue in the United States can alone generate millions of jobs.

Program Funding

The program is financially sustainable over the long run when the federal government appropriates the funding.² The federal government, however, need not fund 100 percent of the total cost of these projects. Many nonprofits and SEVs already have some resources and, as it was done in Argentina in 2002, the government could commit to paying 60–80 percent of the total costs of the project (Tcherneva 2013b). The social sector firms would provide the rest, either by raising funds from their private donors or by supplying part of their infrastructure for the execution of the projects. Additionally, the government could appropriate 80 percent of its budget for wages and only 20 percent for materials (that was about the ratio that New Deal projects used). This kind of public-private partnership can help seal the social contract.

A Final Word about the Private For-Profit Sector

If all of the 25 million people who have precarious income or no income at all today could find employment in the private, public, or social sectors at a decent wage, the effect on the private for-profit sector itself would be more-stable demand, increasing profits, growth, and many more better-paying private sector jobs.

Because the JG is voluntary and provides employment at a base wage, it is unlikely that all of the unemployed today would join the program. If some of them decide to set up their own firms or for-profit SEVs instead, the very existence of the JG ensures that they will be starting their business in a much more stable economy with much more stable demand than we have ever experienced. The stability that the JG imparts on total demand ensures that many of the unemployed today would find employment in the private sector. Experience with direct job creation programs around the world indicates that it promotes private sector employment more aggressively than conventional stimulus policy (Tcherneva 2013b).

The staggering youth unemployment rate (13.5 percent nationwide and as high as 20.2 and 44 percent for teenage Hispanic and African American men, respectively) has serious long-run social implications, not the least of which are the negative effects on future generations' lifetime earnings, employability, and economic opportunities. Yet young people have a great many ideas about the kind of communities they want to live in and are working on potentially transformative initiatives around the country, from the urban farming initiatives in Kansas City and across the nation to the young entrepreneurs in Detroit (Salter 2013). A job guarantee policy can multiply their efforts, while guaranteeing a basic employment opportunity to all. Run through the social sector, it represents a foundational rethinking of the safety net.

Notes

1. In the United States, the costs associated with only the foregone output in 2011 have been placed at nearly \$10 billion *per day* (Mitchell 2012).
2. The US federal government is not financially constrained in the same way that states and localities are, because the Federal Reserve and Treasury always coordinate to meet all federal government payments (Wray 1998). States, by contrast, do not have sovereign power over the issue of

currency. Thus, the existence of the program could be jeopardized by a shortfall in state revenue during downturns—precisely the time when spending on the program would need to increase. States are also limited by their balanced-budget amendments, preventing them from spending in the same countercyclical manner that only the federal government can provide.

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