Job Guarantee

A Job Guarantee (JG) that works to keep inflation down as it provides employment to anyone willing and able to work is central to MMT. Employment rates are important in any economic analysis. For many decades economists and politicians have conducted economic policy on the basis that unemployment is an economic stabiliser (i.e. it stabilises the levels of wages and consumption). There is an assumption that allowing just enough unemployment in the economy prevents inflation from rising above a target figure. It is known as the Non-Accelerating Inflation Rate of Unemployment (NAIRU). Under such policies both working people and the unemployed have paid a heavy price in terms of job insecurity and reduced standards of living, whilst governments have compensated for low wages (and subsidised the companies that pay them) through tax credits and other benefits.

The government needs to create a demand for its currency so that people will use it. It does this by making us pay taxes using that currency; we are not allowed to use anything else to pay the tax. The government then spends by creating the money that the population needs to earn so that they can pay their taxes and add to their savings. Therefore, the government controls the level of unemployment by changing the levels of spending and taxation; it creates the unemployment that the NAIRU demands.

The Job Guarantee turns this current thinking that unemployment is the stabiliser in the economy on its head and argues that full employment does this better; that the Job Guarantee not only lowers inflation, but also minimises the socio-pathologies of crime, mental illness, social exclusion and family breakdown associated with periods of long term unemployment. It also minimises the lost output in the economy that comes with mass unemployment. Automatic stabilisers are the welfare and support benefits funded by the state, that people turn to when they lose their jobs, such as unemployment benefit, housing benefit or the Universal Credit. Spending on these benefits rises automatically as unemployment rises, and tax revenues from earnings and profits fall.

In academic terms, a JG acts as a price anchor to subdue inflation and also as an automatic stabiliser that maintains economic activity in the real economy when total (aggregate) demand falls below the level required to maintain full employment. The pool of Job Guarantee workers expands during economic downturns and shrinks during economic booms as workers are taken back into the private sector. It smooths out the fluctuations that occur during the business cycle by helping to stabilise total wages and consumption. In plain English, the public sector becomes the employer of last resort to provide jobs for the unemployed population in areas of the economy and community where demands are not being met. The Job Guarantee resolves the problem of the unemployment that government taxation creates, enabling the population to earn the currency. When the private sector cannot employ all workers, (especially in an economic downturn), the government can step in by providing public sector employment, at a living wage, to facilitate their transition to private sector employment as the economy grows.

The Job Guarantee is nationally funded and locally administered; facilitating the transition to private sector employment while providing socially beneficial work at a living wage and an income floor for the economy as a whole. It is a partnership between central and local government. It establishes a basic minimum standard for a decent job with decent pay in the public sector, a standard which the private sector must match, (at a minimum) to attract workers. That would include good working conditions, a basic retirement income and wage benefits.

The Job Guarantee has an important spatial element, as it enables the local communities to identify jobs that meet their unique geographical and demographic circumstances. It enables the government to directly support communities in remote and rural areas where private employment is scarce.

A common criticism of the JG is that it is workfare (where unemployed people are made to work for their unemployment benefits). It is neither workfare nor temporary employment (unless by the worker's choice should better terms and conditions be offered elsewhere). The JG is not driven by a sense of the Puritan work ethic either, but by international studies of the effects of unemployment on the individual and on communities. The workplace is a social environment and as such has many benefits not only in combatting loneliness and mental health problems but also in promoting well-being and fostering a sense of self-worth, as long as the work is useful and meaningful.

Since the beginning of the Industrial Revolution technologies have changed our relationship to work but have not reduced the need to work. However, the modern acceleration of automation and AI has replaced stable employment and good pay with low wages and precarious employment, especially at the lower end of the pay scale. Automation may in time replace the majority of dirty and dangerous jobs, and that will be a good thing and not to be feared. We must ensure that such a change frees up human imagination and creativity to create new jobs aligned with public purpose aims for the benefit of the economy and society as a whole, under a Job Guarantee.

More information:

Professor Fadhel Kaboub explains the case for a Job Guarantee in the UK. Professor Kaboub gave this talk at City University, London, in 2018.

https://youtu.be/h1Ux_JbHQVE

Discussion with Professor Bill Mitchell and Warren Mosler on the societal costs associated with unemployment and inflation.

https://youtu.be/6kILjC3P9z4