

# Time for a WPA-Style Jobs Program?

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**MarketWatch Blog** by Alicia H. Munnell



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The focus on raising the debt limit has distracted us from the real problem – namely, the desperate plight of the unemployed. Conventional approaches to reducing unemployment through stimulating consumption do not appear to be working. Six million people have now been unemployed for 27 weeks or more. For many, unemployment insurance benefits have run out. Employers don't want to hire the long-term unemployed. As a result, millions have no way out of an economic and psychological morass. We need a modernized version of the Depression Era's Works Progress Administration (WPA) to provide jobs directly to unemployed Americans.

The economy remains in dire straits despite repeated efforts at stimulating demand. The Federal Reserve has kept the federal funds rate close to zero for more than three years and has tried to lower long-term rates by purchasing \$900 billion in long-term Treasuries through two tranches of Quantitative Easing. On the fiscal side, Congress enacted the American Recovery and Reinvestment Act of 2009, injecting \$787 billion to stimulate the economy. Since then, policymakers have enacted several other measures – including tax cuts for businesses, modest additional temporary aid to states, a partial payroll-tax holiday for workers, and further extensions of unemployment benefits – to spur recovery and aid the unemployed.

Despite these efforts, the unemployment rate is currently at 9.2 percent, a decrease of only 0.9 percentage points from its peak in October 2009. More importantly, unemployment, after some improvement, is now moving in the wrong direction. And there's no reason to think that things will turn around quickly. According to Carmen Reinhart and Kenneth Rogoff's overview of financial crises in *This Time Is Different*, the average recovery in the postwar era is nearly four and a half years. And recovery from the U.S. financial collapse could be on the long side of the average, given that we may have exhausted our monetary and fiscal levers.

A prolonged recession will mean that more people will join the 6 million individuals who have already been out of work for more than 27 weeks.

Many of those are young and less educated, but a significant share is older workers. In both cases, people lose not only their earnings but their sense of identity and self respect. For younger workers, the additional risk is that they will remain on the fringe of the labor market; for older workers, the risk is that they deplete resources targeted for retirement and end up destitute in old age.

These long-term unemployed have little chance of finding any job for several years. In addition to the weak economy, they face discrimination from employers, according to **a recent article in the *New York Times***. A recent survey of Monster.com, CareerBuilder and Craigslist revealed hundreds of sites indicating that the employer would consider (or at least "strongly prefer") those currently employed or just recently laid off. Although such a practice probably does not violate the discrimination laws, it has become wide enough to spur state legislation to outlaw such ads.

The plight of the unemployed requires direct action. Some of it could take the form of public subsidies for private sector jobs and transfers to state and

local governments to stop the firing, but a WPA-style jobs program seems worth considering. The WPA was authorized in 1935 and, during its first five years, it employed about 2 million people – almost 4 percent of the labor force – per month. Most of its money was spent on operational activities, such as construction, repair, and maintenance of highways, streets, roads, and public buildings, recreational facilities, public utilities, as well as conservation works. But roughly 20 percent was spent on community service, including education, libraries, museums, art work, public health etc. Certainly today, elder care could be added to that list.

Some **sympathetic critics** argue that a WPA-type program is not possible in a reasonable timeframe in today's world. They cite likely opposition from public sector unions, political gridlock, and increased red-tape in terms of federal government hiring. Those seem like legitimate concerns, but doing nothing cannot be the right answer.