

# **Conversations with Dr. Jared Bernstein on October 15, 2014 and January 15, 2015**

## **Participants**

- Dr. Jared Bernstein – Senior Fellow, Center on Budget and Policy Priorities (CBPP)
- Alexander Berger – Senior Research Analyst, Open Philanthropy Project

**Note:** This set of notes was compiled by the Open Philanthropy Project and gives an overview of the major points made by Dr. Bernstein.

## **Summary**

The Open Philanthropy Project spoke with Dr. Bernstein to get an update on the progress of CBPP's Full Employment Project and to hear his views on some other U.S. policy areas. Conversation topics included: the Full Employment Project and other policy proposals to improve the quantity and quality of jobs within the U.S.

## **Updates on the Full Employment Project**

### **Commissioned papers and an event**

Dr. Bernstein has commissioned four outside papers for the Full Employment Project:

- A paper from Dr. Valerie Wilson on the benefits of full employment to minorities. There are few papers like this because macroeconomists tend not to separately analyze effects on different demographic groups.
- A paper from Dr. Andrew Levin and Professor David Blanchflower on reverse hysteresis (the process of undoing reductions in economic capacity caused by recessions). This paper will consider how economic policy focused on achieving full employment can increase employment, investment, and the potential growth rate of an economy.
- A paper from Professor Laurence Ball on asymmetric risk. This paper will likely use Phillips price and wage curves to compare the potential damage from preemptively raising interest rates with the risk of the economy overheating if rates stay too low.
- A paper from Maurice Emsellem on the employment effects of criminal records and on fair-hiring practices for those with criminal records. It will be hard to get to full employment without such a strategy for those with criminal records.

These papers will likely be roughly the same length as those commissioned for the first round of the Full Employment Project and will be intended for an audience of economic journalists (as opposed to academic economists).

Some economists Dr. Bernstein knows have argued that the Full Employment Project would be more influential if it commissioned more academic papers, but he is hesitant to do so. Commissioning academic papers would be more expensive, take a lot longer, and Dr.

Bernstein suspects that commissioning economists to write short papers for a general audience could prompt them to write longer academic papers for a more specialized audience on their own time.

The Full Employment Project is planning an event around these papers for the end of March. They anticipate having Ben Bernanke as the keynote speaker, which should attract significant media attention.

### **Other Full Employment Project work**

Part of the Open Philanthropy Project grant has gone to hiring a research assistant for the project, Ben Spielberg. Spielberg and Bernstein are working on a paper, based to a large extent on interviews with other CBPP experts, about actions that could be taken in different policy areas to minimize the negative impacts of a future recession.

Dr. Bernstein is also working on a new book, tentatively titled *The Reconnection Agenda: Reuniting Growth and Prosperity*. He expects to be able to write and publish it quickly, with the hope that it will prompt presidential candidates in 2016 to engage with some of the policy proposals within it.

### **Other funding for the project**

The Full Employment Project has not received additional funding from other sources since the Open Philanthropy Project grant was made because Dr. Bernstein has not prioritized further fundraising for the project.

## **Other Policy Areas**

### **Job quality**

Relatively few researchers study several issues related to job quality, such as wage theft, overtime pay, and worker misclassification. The minimum wage and family leave, by contrast, are job quality issues that receive much attention. Many policy proposals aimed at improving job quality are divisive among economists and policymakers, and those who support the status quo are generally a stronger force than those who support changes. Despite a gridlocked Congress, the President could use executive orders and other action to reform policy and enforcement in some areas.

#### *Wage theft*

Dr. Bernstein thinks of wage theft as an issue to be addressed on the national scale. The US Department of Labor could do more to stop wage theft, such as:

- Hiring additional wage-and-hours inspectors to enforce labor laws. However, this would require more funding, which would need to come from somewhere else.

- Penalizing violations more severely. In addition to more severe penalties, publicizing punishments of guilty employers could reduce the number of incidents of wage theft.

### *Overtime pay*

If overtime pay laws were better enforced, employers would likely reduce the working hours of some current employees and hire new employees to avoid paying overtime wages. Dr. Bernstein thinks the reduction in hours worked and increase in hiring would likely be neither immediate nor complete, leaving substantial short-term benefits and smaller long-term benefits for those who previously worked overtime but were not properly compensated.

Revising the salary standard for exemption from overtime pay, which can be done via executive rule change, became a prominent agenda item in part because the Economic Policy Institute (EPI), Dr. Bernstein, and others advocated for it. Dr. Bernstein and Ross Eisenbrey co-authored a paper on the topic that helped the issue gain traction. The administration is still deciding what standard to set, and Dr. Bernstein is concerned that the salary cap determining who could benefit will be set too low.

### *Focus on local and state initiatives*

In addition to using the executive branch powers mentioned above to address job quality issues on the national scale, Dr. Bernstein thinks focusing attention on local and state initiatives could be an effective way to increase job quality while Congress remains gridlocked. For example, the minimum wage and infrastructure investment could be addressed on the local and state level. The National Employment Law Project (NELP), EPI, and a number of other organizations, many of them Ford Foundation grantees, work on job quality issues. Funding could be particularly useful for subsidized employment and minimum wage initiatives at the state and local level.

Reductions in the unemployment rate would likely lead to improvements in job quality because when demand for labor is high employers generally need to offer more favorable working conditions to retain employees.

## **Apprenticeships and job subsidies**

Professor Harry Holzer and Dr. Robert Lerman wrote a paper for the first round of the Full Employment Project about apprenticeships. Though their paper focused mostly on apprenticeship programs that lead to unionized jobs, such programs could be scaled up if they are replicable outside of union settings.

Subsidizing jobs involves giving an employer 80-90% of a worker's pay for about six months. This measure has the benefit of being relatively simple and short-term. Apprenticeships, by contrast, can last from two to four years. Professor Holzer and Dr. Lerman think of apprenticeships as targeting the structurally unemployed. Dr. LaDonna

Pavetti and Dr. Bernstein think of subsidized employment as primarily targeting cyclical unemployment and secondarily targeting structural unemployment. Subsidized employment can be pursued on the local and state level. Six states or localities already have small subsidized-employment programs that could be scaled up.

*All Open Philanthropy Project conversations are available at  
<http://www.givewell.org/conversations>*