Funding the Future

New glossary entry: the job guarantee

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The so-called job guarantee is a policy proposal associated with modern monetary theory (MMT) that seeks to achieve full employment by offering a publicly funded job at a fixed wage to anyone willing and able to work. It is presented as a mechanism to anchor prices, eliminate involuntary unemployment, and provide a buffer stock of employed rather than unemployed labour.

Although well-intentioned, the job guarantee raises significant practical and conceptual problems.

Its key features and limitations are as follows.

First, the job guarantee replaces unemployment with state-managed employment. The implicit assumption in the job guarantee is that the state can create and administer a standing pool of jobs available on demand. In practice, this requires continuous identification, design, and potential supervision of meaningful, additional, and non-displacing work that may not, nonetheless, be undertaken. That is an administrative challenge of considerable scale and complexity.

Second, it assumes a uniform labour buffer can stabilise inflation because the job guarantee is intended to act as a price anchor by fixing a wage for the buffer stock of labour that would otherwise be unemployed. This assumes that a diverse labour force with varying skills, locations and needs can be treated as a homogeneous stabilising mechanism. Real labour markets are far more complex, and inflation is usually driven by factors other than wages.

Third, the job guarantee risks creating a secondary labour market, as the labour it supplies could become a parallel system of lower-paid, less secure, or lower-status work, distinct from mainstream employment. Instead of eliminating labour market inequality, it may institutionalise it, with participants stigmatised or trapped in transitional roles.

Fourth, the job guarantee diverts attention from the proper role of fiscal policy. Full

employment can be better achieved through targeted public investment, industrial strategy and support for demand across the whole economy. The job guarantee reframes the issue as one of residual labour absorption rather than of systemic economic system design, which is what is really required.

Fifth, it misunderstands the nature of unemployment, which is not simply the absence of jobs that can be filled on demand. Unemployment reflects structural issues such as regional imbalance, skills mismatch, inadequate investment, and failures in both public and private sector demand. A universal job offer does not resolve these underlying issues, which should be the focus of energy.

From a Funding the Future perspective, the objective of full employment is essential, but the job guarantee is not the most effective means of achieving it. It risks bureaucratic complexity, labour segmentation and misplaced policy focus.

A better approach is to use fiscal policy directly to sustain high levels of employment by investing in public services, infrastructure, the green transition, and care. This creates real, socially valuable jobs where they are needed, rather than relying on a standing buffer system to absorb those excluded by wider economic failure.

Full employment should be the result of a well-managed economy, not the by-product of a permanent employment scheme designed to offset its shortcomings.