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# **A Federal Job Guarantee to Combat Geographic Inequality**

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## About the Author

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She is also a fellow at the Thurman Arnold Project at Yale University, and is currently researching the legal sources of worker power decline in rural and distressed communities as well as mechanisms for reversing that decline. Her work has been published or is forthcoming in the *University of Chicago Law Review*, *University of Pennsylvania Law Review*, *Michigan Law Review*, *Duke Law Journal*, and other academic and popular outlets.

Hafiz recently served as an expert advisor to the Federal Trade Commission on labor competition issues.

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## About the Roosevelt Institute

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# Introduction

For nearly all Americans, work is the only route to economic security and mobility. But not all roads are created equal. *Where* you work in America matters. There is a [widening gap](#) between the richest people and places and the poorest who reside in rural and distressed urban communities. That increased [geographic inequality](#) originates less from wealth and more in work-generated [income](#): Geographic “sorting” has concentrated high-earning jobs in some places while workers in other places have struggled with only modest earnings increases at best, generating [more than half](#) the gap in rising inequality nationally. While workers across the country struggle to access high-quality, well-paying jobs, that struggle is deeply place-specific.

For too long, economists have ignored place-based inequality, in part due to widespread adoption of a “[spatial equilibrium hypothesis](#).” Under this neoliberal theory, market forces and perfect capital and labor mobility correct for geographic inequality: Workers move—or threaten to move—to better-paying jobs in growing cities and employers move to communities where labor costs are low. But these predictions of convergence have [not materialized](#). In what [economists](#) have dubbed the “Great Divergence,” income and geographic inequality have [increased](#) since the late 1970s, and rural and distressed communities today have much [lower](#) average [earnings](#) (even accounting for work experience, level of education, and IQ), [lower labor force participation rates](#), higher [poverty rates](#), and [worse health and well-being](#) outcomes than wealthy communities.

In [forthcoming research](#), I highlight two core contributors to these economic realities. First, employers have significant market power in rural and distressed communities based on those communities’ unique labor market characteristics—characteristics that market forces alone cannot fix. Rural and distressed labor markets are thin—they have lower numbers of buyers and sellers, which means fewer matches that are harder to find. They are more likely to be highly concentrated. Much like electric and other public utilities that operate as “natural monopolies,” many employers in rural and distressed communities operate as natural *monopsonies* or *oligopsonies*, with only one or a few employers capable of profitably operating at scale, giving them significant buyer power.<sup>1</sup> This structural reality has left workers at the mercy of strong employers, with very limited outside options. For workers, strong employers [mean](#) lower pay, lower workplace quality, higher rates of under- and unemployment (including long-term unemployment), and higher inequality than would exist in a perfectly

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<sup>1</sup> “Monopsony” and “oligopsony” refer to the market power that one or a few firms have on the buy-side of a transaction in a relevant market (here, in the market for labor services).



competitive market. These labor market effects also make rural and distressed communities less resilient to economic shocks and more vulnerable to the adverse health and well-being effects of joblessness, and provoke political [polarization](#) and [feelings](#) of resentment, disempowerment, and defeatism.

The characteristics of rural and distressed labor markets present challenges precisely because the private sector cannot or has no incentive to remedy them through competition due to the challenges diseconomies of scale present to profitability. In other words, the costs per additional unit of production of a good or service tend to be *more* expensive in these communities, and those higher marginal costs make it so that the more firms produce, the more costly it is, reducing profitability and the promise of efficiency gains and higher returns at scale. The only remedy, then, to this intractable problem of strong employers is some form of government intervention. But the second reason workers suffer a place-based disadvantage to good jobs has to do with regulatory—or *deregulatory*—response to these labor market realities. Beginning in the post-war period, and accelerating in the 1970s, federal legislation and court decisions dismantled jobs programs and social insurance programs while weakening both antitrust enforcement and labor and employment law protections. Collectively, federal labor market regulations have enabled capital mobility, corporate consolidation, and wealth transfers from increasingly captive workers with decimated on-the-job protections and fewer and fewer outside options if they leave bad employers. Our current legal landscape has thus ignored and even exacerbated workers' unequal bargaining leverage with employers in rural and distressed communities, generating a spatial division of labor beneficial to capital at workers' expense. Combined, these structural and regulatory features contribute to geographic inequality.

Scholars and policymakers have put forward a range of proposals to alleviate the harms of geographic inequality. From pre-labor market solutions—investment in education and training—to place-based industrial policy, housing reform, and post hoc tax-and-transfer solutions, these proposals have sought to level the playing field between workers and employers, decrease perceived skills gaps, and generate public-private partnerships to further economic development and growth in place-based ways. But no proposal has addressed the core problem of natural monopsony—the “public utility”<sup>2</sup> character of employment—in rural and distressed communities, ignoring a fundamental source of employer power that, when left unaddressed, makes nearly impossible any achievement of fair or even competitive levels of employment, compensation, and workplace quality.

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<sup>2</sup> “Public utilities” are generally understood as private enterprises with natural monopoly that provide crucial services to the public, from common carrier transportation, telecommunication, energy, water, or sanitation services. See, e.g., MORGAN RICKS ET AL., NETWORKS, PLATFORMS, AND UTILITIES: LAW AND POLICY 7 (2022).



This policy brief argues that natural monopsony conditions in rural and distressed labor markets require reviving and applying a more aggressive public utility [toolkit](#), and the most effective and efficient component of that toolkit for labor market regulation is a public option in the form of a federal job guarantee. Most importantly, a federal job guarantee is the best means of increasing worker power relative to strong employers by giving workers an outside option that ensures fair pay but also establishes uniform and consistent labor standards that raise the bar for private sector employers to compete with nationwide. A federal job guarantee would not only further critical economic development and geographic convergence goals, but it would facilitate skills strengthening and buffer vulnerable communities from economic shocks, generating real macroeconomic gains. The expansion of federal on-the-job benefits and union protections alone would generate multiplier effects in local economies. It would also provide a training ground for workers on how to exercise their collective voice on the job effectively, including by providing workers experience and expertise on negotiating and administering collective bargaining agreements. These skills are particularly crucial in communities with declining and limited, if not entirely absent, union density, enabling worker-led institution building where very few, if any, of these institutions exist. These microeconomic, macroeconomic, and socio-cultural advantages could have foundational impacts for our national welfare and, importantly, for working class empowerment.

## How Rural and Distressed Labor Markets Are Rigged Against Workers

Regardless of skill level, a troublingly large number of workers in rural and distressed communities work in something like [company towns](#): Towns in which workers are tied to one local employer and have few, if any, outside options.

Under narrow estimates, around [46 million people](#), or one in seven Americans, live in rural America.<sup>3</sup> Rural labor markets [have](#) smaller populations with low population density, high commuting costs, and reduced potential for specialization due to fewer educational and training opportunities that produce lower average levels of educational attainment. Small businesses with fewer than 50 employees supply most rural jobs—around [65 percent](#)—but the second and third most prominent employers are state and local governments and hospitals.

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<sup>3</sup> While federal government agency definitions of “rural” vary, this brief adopts an expansive definition of “rural” that incorporates definitions by the Office of Management and Budget and US Census Bureau—encompassing “non-metropolitan” areas—but also understandings of “rurality” drawn from the rural sociology and geography literatures that highlight socioeconomic and identity-based criteria. *See, e.g.,* Matteo Marini & Patrick Toomey, *Rural Economies*, in *HANDBOOK OF RURAL STUDIES* (Paul Cloke et al., eds. 2006).



Smaller-scale living and lower population density mean that rural populations experience diseconomies of scale: The more goods and services produced on average, the more expensive it is to produce them.<sup>4</sup> Until the 1970s, federal regulation of [critical infrastructure](#) cross-subsidized rural access to utilities and common carriers, but [deregulation](#) of those industries has reduced rural growth and productivity. Reduced and more expensive access to infrastructure means that achieving [minimum efficient scale](#)—or, the lowest point on a cost curve at which companies can competitively produce goods or services—takes more, mostly private, resources and higher start-up costs that businesses are slower to recoup. These characteristics make rural labor markets [highly concentrated](#), giving workers few outside options to local monopsonists and oligopsonists. These high concentration levels are associated with [lower wages](#) in the private sector, suboptimal employment levels, and collapsed or collapsing competition. Family-owned businesses are declining—nearly [600,000](#) shuttered during the Great Recession—as are [low-wage retail](#) and service employers. As community demand suffers, so does [health](#) and [elder care](#), [educational](#) opportunities, training, and public services, further reducing private and [public](#) employment. Where they exist, big-box stores generally pay lower taxes and [extract profits](#) that move outside those communities to corporate headquarters. Fewer employers mean lower tax bases with [multiplier effects](#) throughout rural communities.

As in rural labor markets, it is a struggle for the estimated 50.5 million Americans living in distressed communities to find decent work.<sup>5</sup> While there is an increasing “[ruralization](#)” of distress—and overlap between rural and distressed communities—communities in “distress” also include “[legacy cities](#)”—post-industrial manufacturing cities adversely impacted by automation, globalization, and reverse agglomeration effects from plant closures and reduced output. These communities [stretch](#) from the Rust Belt through military-industrial cities of the West. They include [older suburbs](#) of metropolitan areas that have declined due to population loss, aging infrastructure, rising crime rates, unemployment, and blight. [Over half](#) of Americans living in distress are people of color. While rural labor markets suffer high employer concentration levels, distressed labor markets suffer what sociologists term “[spatial concentration](#),” higher [concentrations](#) of [joblessness](#), lower access to job networks and jobs, lack of access to quality schools, and limited exposure to sources of social capital that facilitate economic advancement. These economic and socio-cultural conditions, compounded by information frictions, or the challenges workers face to accessing

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<sup>4</sup> Diseconomies of scale are the opposite of economies of scale, where production costs *decrease* per unit at scale. See generally Paul Dempsey, *The Dark Side of Deregulation*, 39 ADMIN. L. REV. 445 (1987); George Stigler, *The Economics of Scale*, 1 J.L. & ECON. 54 (1958).

<sup>5</sup> This brief defines “distressed” in line with the social science and public policy literature as communities by zip code or county that fall into the bottom quintile of economic well-being measures based on combined metrics of education, housing vacancy, unemployment, poverty rates, median income ratios, and changes in employment and business establishments. See, e.g., Econ. Innovation Grp. (EIG), *The Spaces Between Us* 4 (2020).



information about jobs and signaling their own merits to potential employers, [increase workers' mobility costs](#). The shuttering of businesses and sectors means that workers face scarcer employment, and, particularly where community banks have closed, reduced access to credit, making it harder for new firms to get enough capital and financial support to successfully enter. Fewer employers, up to and including *no* employers in certain sectors and occupations, leave workers with limited outside options to existing jobs or, to use antitrust scholar [Christopher Leslie's term](#), "[no-opolies](#)" that function as employment deserts. Nearly one in five Americans confront either high to very high [labor market concentration](#) or [distressed](#) labor market conditions.

While government disinvestment and policy choices are important drivers of these labor market realities for millions of workers, there are structural features of these markets that, in the absence of very aggressive government regulation, end up making these adverse outcomes a foregone conclusion. Specifically, rural and distressed labor markets are much more likely than growing urban labor markets to operate under conditions of "natural" monopoly/monopsony or natural oligopoly/oligopsony.<sup>6</sup> Natural monopoly (or monopsony) describes markets in which the entire demand (or supply) is satisfied at lowest cost by one firm because "[the cost of producing a product or service declines as output increases.](#)" When such markets have more than one firm, "[either the firms will quickly shake down to one through mergers or failures, or production will continue to consume more resources than necessary.](#)" Natural oligopolies (or oligopsonies) exist [where](#) total market-wide costs are [minimized](#) when the number of sellers (or buyers) is more than one but fewer than the number of firms in a [competitive market](#).

Public utilities and railroads are classic examples of natural monopoly. Our gas, electricity, and rail infrastructure were operated most efficiently by a single firm due to steep start-up costs and strong economies of scale. But with those production efficiencies come dominance that enables harmful [monopoly prices or monopsony wages](#), as well as reduced output, hiring, and/or wage growth. That dominance also effectuates [transfers](#) from dependent populations to wealthy corporations. For this reason, in and beyond the United States, natural monopolies are and have been either nationalized or subject to highly interventionist government regulation to avoid unfair monopoly or monopsony prices.

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<sup>6</sup> By "natural monopsony" or "natural oligopsony," I mean circumstances "where productive efficiency requires that there be a single buyer" or a small number of buyers "of an input"—in this case, a labor input. *See, e.g.,* ROGER D. BLAIR & JEFFREY L. HARRISON, MONOPSONY IN LAW AND ECONOMICS 70 (2010). Such circumstances can arise in rural or distressed labor markets due to natural monopoly conditions in a local or regional product or service market, for example, or because minimum efficient scale may only be achieved by one or a small number of firms due to demand conditions in a relevant output market. My discussion focuses narrowly on circumstances where an employer (or employers) can profitably exercise monopsony (or oligopsony) power because of the structural conditions of the labor market, not because of any anticompetitive conduct it has engaged in that market.



Within the US, taming natural monopoly historically drew from turn-of-the-century [theorizations](#) of “public utilities” and “public service corporation” regulation that early “Brain Trusters” and progressives reconceptualized as crucial components of the “[modern American state](#),” proposing public ownership, rate regulation, and non-discrimination duties to a wide range of industries with natural monopoly characteristics, from railroads and electricity generation to firms providing [public accommodations](#), like hotels [and even employers](#). On the employer side, economists like Joan Robinson extended analyses of natural monopoly to [natural monopsony](#), modeling theoretical unilateral buy-side price-setting on company towns with one employer.

Much of public utility law has since been [deregulated and dismantled](#). But company towns remain and are neither theoretical nor rare among rural and distressed communities experiencing low or declining demand. In those settings, one or a small number of firms most efficiently provide goods and services at scale and function as “natural” monopsonies or oligopsonies. Regional hospitals in towns like North Platte, Nebraska, are good examples. Hospitals have high start-up costs, from acquiring facilities and equipment to meeting regulatory and permitting requirements and hiring skilled staff. With widely fluctuating and low demand for instantaneous service in close proximity to client populations, these high costs mean that regional hospitals operate most efficiently [at scale](#). Towns with low population density are more likely to generate these conditions. Efficiencies in hospital care provision make regional hospitals more likely to be not just natural *monopolies*, but also natural *monopsonies* over labor inputs—medical staff—because such hospitals become the [sole employer](#) for their services within reasonable commuting distance.

There are countless examples of natural monopoly and/or monopsony in “company towns” across rural and distressed spaces, from traditional mining and manufacturing towns like Gillette, Wyoming, to towns dominated by [poultry-processing facilities](#) like Green Forest, Arkansas. More contemporary examples are towns that house [Amazon warehousing, logistics](#), or cloud-computing centers in [central Ohio](#) and [eastern Oregon](#), or manufacturing towns like [Canton, Mississippi](#), that service a dominant employer like Nissan. Even a [single grocery store](#) in a small town can function as a natural monopoly where demand in that market is only capable of profitably sustaining one firm. Natural monopolies collapse workers’ outside options for [alternative employment](#) for their skills and contributed value. So even if natural monopolies do not result in pure natural *monopsonies* in labor markets—a grocery store cashier might work as a retail cashier—[empirical research](#) reveals low elasticities and high job differentiation even in low-skilled work in such contexts. Evidence suggests that workers do [not quit](#) dominant employers in these settings, even when those workers are relatively portable, due in part to the limited number of market actors—thin markets—which generate





high lock-in effects from scarce employment. Natural monopolists thus have significant local market power in such labor markets. But natural monopsony can exist locally even where firms lack natural monopoly. Consider a food processing facility: It sells food in competitive regional or national markets, but it can have significant [buyer power](#) in a labor market in a town near a poultry farm because it benefits from scale economies that make local competition unprofitable.

These core labor market characteristics—natural monopsony, market thinness, and the deeper market failures they generate—are frictions that accrue to employer [power](#). They are generally linked to [lower wages and wage growth](#), wage dispersion and pay gaps, lower workplace quality, and even lower measures of [subjective well-being](#), with stronger [effects](#) in rural and distressed labor markets where these characteristics are more [highly concentrated](#). While city-size wage premia are partially driven by productivity or agglomeration effects, an increasing body of [research](#) has found that the city-size wage premium and employment gaps between small and large cities are attributable to employer labor market power across locations. Company town employers' buyer power in local labor markets also grants them significant political influence to extract benefits like [tax breaks](#) that are even more regressive and generative of inequality. And powerful employers can make [unilateral decisions](#) to shut down plants or veto collective decisions on economic development and [diversification](#) at the expense of local populations.

## How Labor Market Regulation is Not Place-Neutral

While rural and distressed labor markets are more prone to natural monopsony and market thinness, these market failures do not exist as isolated market forces destined to harm workers in these communities. Government regulation and social institutions have shaped and continue to shape them. Specifically, as I argue in forthcoming [work](#), federal regulation and policy have fundamentally structured these on-the-ground labor market conditions. These include the more well-recognized impacts of federal trade policy, but also underrecognized contributions of federal monetary and fiscal policy, antitrust law and enforcement, and labor and employment law and enforcement. While this regulatory infrastructure appears place-neutral on its face, policy design decisions and their effects have had and continue to have place-based effects that combine to fundamentally disadvantage workers in rural and distressed areas.

First, federal employment policy has not and cannot be place-neutral as an economic or structural matter. It has established the conditions for [uneven](#), place-specific concentrations of employer monopsony through a combination of trade, monetary, and fiscal policy. Trade



policy under [NAFTA](#) and liberalized trade [with China hit workers](#) in legacy cities the hardest, resulting in significant job loss and reduced wage growth for unionized, blue-collar workers as well as service-sector workers. With fewer employment options, trade-affected workers in urban markets were [channeled](#) into less-skilled, non-unionized, lower-wage work.

When federal policy [shifted](#) from a New Deal guarantee of some form of employment to post-war monetary policy that [pegged](#) interest rates to “natural unemployment” or NAIRU measures, it tethered stabilization of the money supply to a healthy tolerance of [actual unemployment](#), preserving a reserve army that erodes worker power more broadly, [especially](#) in communities experiencing recession during [inflationary](#) periods. Much like Greece had limited tools to lift itself out of its 2010 recession once it was locked into the Euro, state and local governments can do little to control their money supplies either to increase worker earnings or to temper the benefits that high interest rates accrue to employer power in their jurisdictions.<sup>7</sup>

Because employers in rural and distressed labor markets already have high levels of market power, [they can](#) lay off workers or refuse to increase wages when the Federal Reserve raises interest rates and then rehire them (or not) when interest rates are cut again, and they can do this despite workers' [increased](#) productivity. [Empirical work](#) has shown that monetary policy has real place-based effects, and that raising interest rates not only punishes worker earnings but does so most harshly for those earning incomes in rural and distressed communities.

Where monetary policy has failed these communities, fiscal policy [has also failed to](#) sufficiently step in to fill the gap and generate national economic convergence, particularly when it comes to economic development that tempers or decreases employer power. Between the New Deal and the Johnson administration, the federal government had paired direct job creation with central economic planning and place-based industrial policy to [reduce](#) income inequality [nationally](#).<sup>8</sup> But since the [Nixon administration](#), and more fully during the [Reagan administration](#), [New Federalism and neoliberal employment policies dismantled](#) federal job [guarantees](#) and place-based [anti-poverty](#) and industrial policy programs [in favor of a](#)

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<sup>7</sup> State and local governments' predicament in this regard is similar to that of Greece during its 2010 recession. Locked into the Euro, it could not merely print money to boost demand in its local economy. *See, e.g.,* YAIR LISTOKIN, LAW AND MACROECONOMICS 170-74 (2019).

<sup>8</sup> Useful examples include the Tennessee Valley Authority and large, government-financed manufacturing facilities during World War II, which, respectively, have been found to persistently increase place-specific employment, earnings, and upward mobility. *See, e.g.,* Patrick Kline & Enrico Moretti, *Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority*, 129 QJ. ECON. 275 (2014); Andrew Garin & Jonathan Rothbaum, *The Long-Run Impacts of Public Industrial Investment on Regional Development and Economic Mobility: Evidence from World War II* (2022), <https://drive.google.com/file/d/1RD48bbTv66oiItfWRggWppgMPPVck-65/view>.



[decentralized](#) patchwork of [privatized](#) training and welfare programs through anemically funded block grants administered through states. [Workforce development](#) has since been governed by local officials and private employers with [scarce oversight and minimal federal standards, and limited to no institutionalized worker representation](#). The resulting fiscal policy initiatives neither track nor attend to divergent increases in employer monopsony that disproportionately impact employment and earning outcomes in rural and distressed communities.

Beyond trade, monetary, and fiscal policy, [antitrust law](#) has incentivized and enabled labor market restructuring in four core ways that favor capital mobility and leave unregulated employer monopsony at the expense of workers in rural and distressed communities. First, antitrust law does [not prohibit natural monopsony](#), and it currently [lacks](#) robust enforcement tools to encourage competition in markets with thin market characteristics and diseconomies of scale. Second, until very recently, antitrust enforcers spent over a century ignoring the labor market effects of mergers that enabled high and very high labor market [concentration](#) levels in both [labor and product markets](#) in rural areas. Market [concentration](#)—especially in the [agriculture, health-care, and banking sectors](#) in rural and distressed areas—[has](#) facilitated employer collusion and anticompetitive conduct. [Private equity](#) has also strengthened employer power in hospitals and [nursing homes](#) in rural and distressed areas through [leveraged buyouts](#), closures, and staff reductions. [Bank consolidation and subsequent closures](#) in rural and [distressed areas](#) have created [banking deserts](#) and reduced access to lending and credit, further restricting new firm entry in these areas. And finally, by [deregulating](#) vertical disintegration [since the 1970s](#), antitrust law has placed “fly-over” country on the front lines of workplace “[fissuring](#).” Permissive policy on employers’ use of anticompetitive vertical restraints enabled employers to more easily [disperse](#) components of their supply chains in places with high labor market concentration and more captive workforces, eroding worker compensation and working conditions across the country.

As antitrust regulation strengthened employer power in rural and distressed communities, labor law eroded labor’s countervailing leverage. The National Labor Relations Act (NLRA) [exempted](#) workers critical to production and service provision in these communities: [public sector employees, farmworkers, home care workers](#), and family child care providers. States and localities [can](#) move to fill these gaps, but that has only increased geographic divergence between red and blue states. Even worse, labor law has [incentivized](#) capital to spatially reorganize production to disfavor unionized workers. The National Labor Relations Board (NLRB)’s presumption of “enterprise,” or single-firm bargaining, and obstacles to sectoral bargaining force unionized firms in non-unionized industries to aggressively compete on costs, driving them to relocate facilities where labor costs are low. [Permissive](#) agency and



court [rulings](#) allow management to close plants, restructure, and outsource work after workers unionize as well as shed liability as “employers” when they vertically disintegrate and relocate production in areas with lower union density and labor costs. Federal extension of “right-to-work” protections further burden unionization efforts in states that have adopted them, [decreasing union density](#), union success in representation elections, and worker earnings.

Federal employment law has also contributed to geographic inequality, most importantly because of the geographic divergence in its protections. The Fair Labor Standards Act, the Occupational Safety and Health Act, Title VII, workers’ compensation, and unemployment insurance can offer wage floors and basic protections against hazardous and discriminatory workplaces. They strengthen worker power and check employer monopsony by increasing workers’ exit options, lifting wages at the bottom of the wage distribution, and improving workplace conditions and employment outcomes. But they are imperfect regulatory fits for rural and distressed labor markets. First, while all workers covered under federal employment law get the same baseline protections, states and localities can lift and expand federal floors. Relegating work law, and especially workers’ compensation and unemployment insurance, to the local level gives workers in Democratic strongholds more benefits and exit options than workers in red states. Second, employment law exemptions exclude most small employers in rural and distressed communities and important categories of workers likely to be employed there. Finally, as in labor law, employment law is ill-suited and does not have enough resources to tackle violations in smaller-scale, social capital-based jobs with market frictions at the scale of rural and distressed labor markets, including information frictions and high matching and mobility costs.

Regulation has thus structurally benefited employer power in rural and distressed communities, enabling capital mobility at workers’ expense. But it has also burdened workers’ ability to leave those communities for better-paying and/or higher quality jobs. In addition to the [high mobility costs](#) associated [with leaving](#) communities of support, finding a new job, and moving, [housing costs](#) in growing urban labor markets have [skyrocketed](#) to the point of utter unaffordability. In addition to valuing freedom of movement—and the [right to remain](#)—populations in rural and distressed communities are in [dire need](#) of services that cannot be automated, from health care to education to legal services. This reality creates a [regulatory catch-22](#): Public policy can either promote labor mobility at the expense of critical service provision in rural and distressed communities or it can raise obstacles to mobility to preserve a healthy service sector at the expense of relegating workers to employer monopsony.



# Why We Need a Federal Job Guarantee

Natural *monopoly* has invited highly aggressive government intervention to avoid significant public harm from unilateral private price-setting of essential goods and services, up to and including government ownership and public utility regulation. Natural *monopsony* in rural and distressed labor markets requires an equally aggressive response to avoid harmful and unilateral private wage-setting. A federal job guarantee is the best place-based intervention to remedy those harms and combat geographic inequality.

While a federal job guarantee program could vary in scope and funding sources, any form of guarantee would benefit workers in rural and distressed communities. A public option that costs only a third of the Biden administration's infrastructure spending to date—an estimated [\\$1.09 trillion](#)—could employ 23.4 million people, including 12.7 million officially unemployed, 2.6 million marginally attached to the labor force, and 8.1 million who are involuntarily part-time workers, and all within a three-tier wage structure that would pay skilled workers \$21/hour, semi-skilled workers \$18/hour, and unskilled workers at \$15/hour. [A more ambitious program would](#) cost \$2.1 trillion, two-thirds the cost of President Biden's infrastructure spending. Spending on a job guarantee would be offset by higher economic output, tax revenue, and savings on other assistance programs like unemployment insurance and food stamps. A leaner program could target direct employment in rural and distressed areas alone where the effects of employer monopsony are most substantial and intractable.

Modest current proposals by [Senator Cory Booker \(D-NJ\) and Representatives Bonnie Watson Coleman \(D-NJ\) and Ilhan Omar \(D-MN\)](#), by Representative [Ayanna Pressley \(D-MA\)](#), and the [Levy Institute](#) (and promoted by Senator Bernie Sanders [I-VT]) target specific high-unemployment communities across the country and are structured around one-tier pay structures at \$15/hour with health insurance and other benefits. All envision some form of living wage to avoid regression of a public option into “workfare,” and pair federal funding with decentralized local administration. This is a particularly important feature of making the federal government the employer of last resort in a way that targets geographic inequality: Local projects and worker-led economic development will be critical for ensuring program administration achieves social and economic goals while generating productive projects that undermine local employer monopsony.

In addition to these core elements of a federal job guarantee program, three additional components would aid in strengthening worker power in place-based ways to reverse geographic divergence. First, ensuring that all federal jobs are union jobs with collective bargaining protections enforced through the Federal Labor Relations Authority would, at a minimum, normalize the recognition and exercise of workers' collective rights and



strengthen collective bargaining administration expertise and mobilization of collective worker power against employers in communities that currently have limited union density. For workers who had been members of legacy unions, federal unions could become avenues for transmitting their collective knowledge of union organization and administration to future generations. Second, much like unemployment insurance, and to ameliorate any impacts of anti-inflationary monetary policy on communities in recession, a federal job guarantee program should function as an automatic stabilizer with countercyclical triggers determined through local recessionary conditions to offset income shocks. Third, where natural monopsony occurs for high-skill workers that provide essential services to local communities through private employers, such as regional hospitals, and therefore where it would be inefficient to generate new jobs that would compete with those employers, a federal job guarantee might be supplemented with some form of partial or full public ownership and/or the establishment of non-discrimination duties for hiring administered through federal antitrust enforcement and “essential facilities” doctrine.

A federal job guarantee is the most straightforward place-based intervention to combat geographic inequality. The unique structural features of rural and distressed labor markets make alternative regulatory solutions intractable and insufficient to address or fix the impacts on worker voice and outside options—[workers' bargaining power](#)—that result from natural monopsony, market thinness, and the deeper market failures they produce. Granting workers an outside option to monopsonistic employers presents a simplified and effective solution relative to dismantling or even tweaking the collective legal infrastructure and regulatory sources of worker disempowerment, particularly because certain elements of that infrastructure produce a wider range of social welfare benefits and would be nearly impossible to reform.

Regulatory solutions that fall short of a federal job guarantee have been and continue to be structurally deficient for countering employers' natural monopsony and market thinness in rural and distressed labor markets. Even if policymakers were to expand the money supply, federal monetary policy is a blunt instrument incapable of targeting and incentivizing place-based job growth in rural and distressed communities. Likewise, while trade policy can discourage foreign competition, alone it cannot target local business growth that reduces natural monopsony—if anything, local employers competing in national or international markets for goods or services can still have significant market power among local populations and have every incentive to drive labor costs down in order to remain competitive. Fiscal policy that stops short of a federal job guarantee—whether funded and administered through pre-labor market educational and training programs or economic development spending directed through private-sector employers—does nothing to fundamentally challenge the natural monopsony employers in these communities have and,



if anything, would help to strengthen their buyer power over local populations. Without some kind of federal fallback to lift wage rates, in addition to countervailing labor market institutions like unions, such programs leave in place a captive pool of workers with limited outside options.

Further, economic development aid structured along New Federalism principles has historically placed state and local governments—and specifically members of the state and local political elite and business class—in a position to discipline local populations to accept the terms of private firm-led growth. Traditional New Federalist short-term job training programs have done nothing to weaken employer bargaining power and, if anything, [have strengthened](#) it by servicing employers' interests in accessing desperate workers on welfare subject to legally [imposed work requirements](#). Even worse, workforce development initiatives from Reagan's 1982 Job Training Partnership Act (JTPA) to President Biden's revamped Workforce Innovation and Opportunity Act (WIOA) are premised on the assumption that unemployment, underemployment, lower earnings, lower wage growth, and worse working conditions are the result of unevidenced "skills gaps" rather than of [structural labor market realities](#) that accrue to employer power. Any federal effort to strengthen worker power that fails to disintermediate those networks of local power will face significant challenges.

President Biden's momentous commitment to infrastructure spending and place-based industrial policy has thus far failed to tackle the realities of local employer monopsony in rural and distressed areas. While his stimulus and infrastructure bills support union and high-paying jobs in the construction and innovation sectors, the programs fail to take uniform and economy-wide approaches to ensuring decently paying jobs, institutionalized worker involvement in workforce development, or countervailing worker power against strong employers. Federal workforce development remains highly fragmented with no centralized authority to coordinate workforce investment and employment planning. And while President Biden's public-private partnerships condition funding on a range of labor standards, like other New Federalist policies, they [fail](#) to establish worker-led countervailing power institutions or require worker representation on grant dispensation and monitoring committees. So where funding goes to generate local economic development, it is entirely consistent with generating and maintaining company towns that do little to secure employment options free of employer coercion to all local workers in rural and distressed communities. More general efforts to resolve geographic inequality through post hoc tax-and-transfer measures (as opposed to pre-labor market educational and training initiatives) have also [failed](#) to alleviate the geographic concentration of distributional losses to the most vulnerable in rural and distressed areas.



Using antitrust policy tools to encourage local competition among employers can do little to resolve the realities of diseconomies of scale that discourage, make inefficient, and challenge the profitability of firms in naturally monopsonistic and thin markets. And while reforms to labor and employment regulation can certainly increase worker power through eliminating or reducing exemptions, expanding the scope of “employers” and “employees” covered, easing unionization, more effectively discouraging employer violations, and lifting wage floors, such reforms are not a panacea for reducing geographic inequality.

Even where reforms to strengthen labor protections nationwide succeed, firms may still engage in race-to-the-bottom arbitrage to secure tax benefits and regulatory waivers from states and localities willing to assume the increased costs firms may suffer from those increased protections. In other words, firms can still threaten capital flight to dependent communities to discourage worker organizing and effectuation of their rights, and significant geographic inequality can persist where firms shutter facilities in dependent communities for more amenable jurisdictions. Further, higher federal labor standards are only as strong as workers’ ability to insist on them and the government’s willingness and capacity to ensure employer compliance. Both have proven challenging in company towns and against strong employers, and [labor agency resources](#) have been anemic in most rural and distressed areas. A federal job guarantee would directly challenge employer dominance in these areas by providing workers with an outside option with higher wages and labor standards, forcing private sector employers to compete where private competition is otherwise unlikely or inefficient. And where limited enforcement resources fail to ensure compliance with labor market regulation designed to equalize bargaining power between employers and workers, worker voice on the job would be buttressed by a credible quit threat.

Finally, because employer monopsony in rural and distressed communities is both structural and sourced in the weight of our current legal infrastructure, instituting a federal job guarantee presents a simpler solution to dismantling or fundamentally disrupting the collective regulatory frameworks that, while resulting in adverse place-based effects, were designed to and can achieve a range of beneficial policy outcomes. And while individual legal reforms to restrain capital mobility and ease regulatory burdens on worker power are crucial, each would require adjustments to complex regimes with numerous veto points to legislative fixes.

There is precedent for a job guarantee both in the US and globally, and a developing empirical record supports a job guarantee’s ability to reduce poverty and ameliorate geographic inequality. In the US, President Roosevelt’s direct job creation through the Works Progress Administration (WPA) created jobs for [over 8 million](#) people between 1935 and 1943, including over [400,000 jobs](#) for Black men and women, and reduced unemployment by [nearly 40](#)





[percent](#) from its peak in 1937. New Deal policies that lifted the nation out of the Great Depression began a [geographic convergence](#) where poorer places outperformed wealthier ones and regional economic performance dramatically shrunk the earnings gap between traditionally rich and impoverished areas. Job guarantee programs have [proliferated across the world](#) with significant rates of success for overcoming inequality. In a recent [UN General Assembly Report](#), Special Rapporteur Olivier De Schutter detailed how job guarantee programs in France, India, Ethiopia, South Africa, and other countries have strengthened local resilience, promoted local democracy and civic participation, and achieved economic development goals.

The main arguments against a federal job guarantee have focused on its potential costs and inflationary [effects](#); concerns about [administrability](#), inefficiency, and [corruption](#); and claims that a higher minimum wage or universal basic income (UBI) would be preferable. From the perspective of geographic inequality and diminished worker power in rural and distressed communities, however, these arguments fall short. First, evidence from [our own history](#) and successful administration of job guarantee programs in [other jurisdictions](#) offer a strong counter to concerns about costs, inflation, and administrability. What's more, administrability concerns regarding "make work" employment are significantly diminished in areas where local need is so high, particularly to increase productivity and service provision. These needs are particularly dire with regard to health care, elder care, childcare, education, and infrastructure development, and they would be met so much more efficiently with improved transportation and internet connectivity. Investment in each of those areas through employing and training local workers would improve not only local productivity but broader national growth. While higher minimum wages and UBI alternatives would be welcome, they also have disadvantages relative to a federal job guarantee. Higher minimum wages are only as beneficial as they are enforceable, and given rampant [wage theft in low-wage workplaces](#) in rural and distressed communities, this would require a significant restructuring of workplace enforcement and resources that are currently lacking. And unlike a federal job guarantee, UBI may or may not increase productivity in rural and distressed communities because it provides no local channeling of employment to necessary goods and services production that can benefit the collective and encourage economic development.



## Conclusion

A federal job guarantee is a necessary component of any effort to overcome geographic inequality and increase worker power in communities where workers are most vulnerable. The impacts of economic disempowerment in rural and distressed areas are not merely financial—they include broader well-being, civic participation, political radicalization and polarization, and self-governance in areas that extend to generational empowerment around environmental stewardship and efforts at deeper social inclusion.

