

The Alternative to Welfare: Creating Jobs in the Third Sector

Adapted from The End of Work:

The Decline of the Global Labor Force and the Dawn of the Post Market Era

By Jeremy Rifkin

After years of wishful forecasts and false starts, the new computer and communications technologies are finally making their long anticipated impact on the workplace and the economy, throwing the world community into the grip of a third great Industrial Revolution. Already millions of workers have been permanently eliminated from the economic process, and whole job categories have shrunk, been restructured, or disappeared.

The Information Age has arrived. In the years ahead, new, more sophisticated software technologies are going to bring civilization ever closer to a near workerless world. In the agricultural, manufacturing, and service sectors, machines are quickly replacing human labor and promise an economy of near automated production by the mid decades of the twenty first century. The wholesale substitution of machines for workers is going to force every nation to rethink the role of human beings in the social process. Redefining opportunities and responsibilities for millions of people in a society of declining mass employment is likely to be the single most pressing social issue of the coming century.

Social Wages

Up to now, the marketplace and government have been looked to, almost exclusively, for solutions to the growing economic crisis facing the country. In the current debate over corporate downsizing, mass layoffs, and the emerging two tier society, few pundits have considered the potential role of the Third Sector in restoring the work life of the country. In recent years, we have become so preoccupied with the market and public sectors that we tend to forget that the nonprofit or volunteer sector has played an equally important role in the making of the nation. Today, with the formal economy less able to provide permanent jobs for the millions of Americans in search of employment and with the government retreating from its traditional role of employer of last resort, the Third Sector becomes our last best hope for absorbing the millions of displaced workers cast off by corporate and government re engineering.

The Third Sector cuts a wide swath through society. Nonprofit activities run the gamut from social services to health care, education and research, the arts, religion, and advocacy. There are currently more than 1,400,000 nonprofit organizations in the United States with total combined assets of more than \$500 billion.

The assets of the Third Sector now equal nearly half the assets of the federal government. A study conducted by Yale economist Gabriel Rudney in the 1980s estimated that the expenditures of America's voluntary organizations exceeded the gross national product of all but seven nations in the world. Although the Third Sector is half the size of government in total employment and half its size in total earnings, it has been growing twice as fast as both the government and private sector in recent years. The independent sector already contributes more than 6 percent of the GNP and is responsible for 10.5 percent of the total national employment. More people are employed in Third Sector organizations than work in the construction, electronics, transportation, or textile and apparel industries. The American people ought to consider making a direct investment in expanded job creation in the Third Sector or social economy as a means of providing meaningful employment for the

increasing number of job themselves locked out of the new high tech global marketplace. The state and federal governments could provide a "social wage" as an alternative to welfare payments and benefits for those permanently unemployed Americans willing to be retrained and placed in community jobs in the Third Sector. The government could also award grants to nonprofit organizations to help them recruit and train the poor for jobs in their organizations.

An adequate social wage would allow millions of unemployed Americans, working through thousands of neighborhood organizations, the opportunity to help themselves. Providing a social wage in return for community service work would also benefit both business and government. Reduced unemployment means more people could afford to buy goods and services, which would spur more businesses to open up in poor neighborhoods, creating additional jobs. Greater employment would also generate more taxes for the local, state and federal governments. What's more, a rise in employment would cut the crime rate and lower the cost of maintaining law and order.

It is often argued that simply providing income or job training is of little help if not accompanied by concrete programs to help educate the young, restore family life, and build a sense of shared confidence in the future. Extending a social wage to millions of needy Americans and providing funds for neighborhood based organizations to recruit, train, and place people in critical community building tasks that advance these broader social goals, would help create the framework for real change. Public works projects and menial work in the formal economy, even if they were available, would do little in the way of restoring local communities.

In addition to providing a social wage for the nation's poorest citizens, serious consideration should be given to an expanded concept of social income that would include social wages for skilled workers and even management and professional workers whose labor is no longer valued or needed in the marketplace. A viable Third Sector requires a full range of skills, from minimum entry level competence to sophisticated managerial experience. By providing a job classification scheme, grading system, and salary scale similar to the ones used in the public sector, Third Sector organizations could recruit from the broad ranks of the unemployed, staffing their organizations with the proper mix of unskilled, skilled, and professional labor that would insure success in the communities they serve.

Financing a Social Income

Paying for a social income and for re education and training programs to prepare men and women for a career of community service would require significant government funds. Some of the money could come from savings brought about by gradually replacing many of the current welfare programs with direct payments to persons performing community service work. Government funds could also be freed up by discontinuing costly subsidies to corporations that have outgrown their domestic commitments and now operate in countries around the world. The federal government provided transnational corporations with more than \$104 billion in subsidies in 1993 in the form of direct payments and tax breaks.

Additional moneys could be raised by cutting unnecessary defense programs. Even though the Cold War is over, the federal government continues to maintain a bloated defense budget. While Congress has scaled down defense appropriations in recent years, military expenditures are expected to run at about 89 percent of Cold War spending between 1994 and 1998. In a 1992 report, the Congressional Budget Office concluded that defense spending could be cut by a rate of 7 percent a year over a five year period without compromising the nation's military preparedness or undermining national security.

Perhaps the most equitable and far reaching approach to raising the needed funds would be to enact a value added tax (VAT) on all nonessential goods and services. While the VAT is a new and untried idea in the United States, it has been adopted by more than fifty nine countries, including virtually every major European nation.

The main disadvantage of a value added tax is its regressive nature. A sales tax falls disproportionately on lower income groups, especially if it is imposed on basic necessities like food, clothing, housing, and medical care. A VAT also places a greater burden on small businesses, which are less able to absorb and pass on the costs. Many countries have greatly reduced and even eliminated the regressive nature of value added taxes by exempting basic necessities and small businesses.

By enacting a value added tax of between five and seven percent on all non essential goods and services, the federal government could generate billions of dollars of additional revenue more than what would be required to finance a social wage and community service program for those willing to work in the Third Sector.

Powerful vested interests are likely to resist the idea of providing a social wage in return for community service. Yet, the alternative of leaving the problem of long term technological unemployment unattended is even more onerous. A growing underclass of permanently unemployable Americans could lead to widespread social unrest, increased violence, and the further disintegration of American society.

A Different Kind of Work

In the past, the government has often been accused of throwing large sums of money at the social economy with little of it getting to the people and communities in need. Much of the expense involved in government programs has been eaten up in the delivery of social services, with little left over to assist the impacted communities. Still, there have been notable exceptions. Volunteers in Service to America (VISTA), the Student Community Service Program, the National Senior Service Corps, the Peace Corps, the National Health Service Corps, and, more recently, AmeriCorps, are federal work programs established to promote individual service and support volunteer efforts in local communities in the United States and abroad.

Although the costs of these government-sponsored programs in community service are small, the economic returns to the community are enormous and often exceed the expenditures by many times. Dollar for dollar, government investment in work programs designed to complement and support the volunteer sector have proven to be among the most cost effective means of providing social services in local communities. Yet, despite scores of successful experiments and programs in recent years, the money given over to such programs is small compared with other governmental expenditures in the social economy.

Many Democrats have looked to government-sponsored programs to hire the unemployed and those who have slipped under the social safety net and into the permanent underclass. More recently, both Democrats and Republicans have championed the establishment of empowerment zones in the nation's inner city ghettos. These designated areas would receive special tax credits and other government benefits to help attract new business. Businesses that employ a resident of the Empowerment Zone would save up to \$3,000 a year in payroll taxes. Despite the political fanfare surrounding the notion of empowering poor inner city communities, few politicians are sanguine that many new businesses are

going to relocate in the urban ghettos of America, or that many new private sector jobs will be generated from the creation of empowerment zones.

The country might do better to redirect its efforts away from expensive government sponsored projects to aid the poor and quixotic attempts to stimulate economic development in inner cities and, instead, support the expansion of existing non profit service programs in impoverished communities. Recruiting, training, and placing millions of unemployed and poverty stricken Americans in jobs in nonprofit organizations in their own neighborhoods and communities is likely to have a far greater impact, per dollar spent, than more traditional public works-oriented programs and market directed initiatives.

In the debate over how best to divide up the benefits of productivity advances brought on by the new high tech global economy, each country must ultimately grapple with an elementary question of economic justice. Put simply, does every member of society, even the poorest among us, have a right to participate in and benefit from the productivity gains of the information and communication technology revolutions? If the answer is yes, then some form of compensation will have to be made to the increasing number of unemployed whose labor will no longer be needed in the new high tech automated world of the twenty first century. Since the advances in technology are going to mean fewer and fewer jobs in the market economy, the only effective way to ensure those permanently displaced by machinery the benefits of increased productivity is to provide some kind of social income. Tying the income to service in the community would aid the growth and development of the social economy and help strengthen it across the country.

Restoring hope and rebuilding the social economy ought to become the central theme of a new partnership between the government and volunteer organizations in local communities. Feeding the poor, providing basic health care services, educating the nation's youth, building affordable housing, and preserving the environment top the list of priorities in the years ahead. Providing a social wage to millions of Americans, in return for performing meaningful work in the social economy, will benefit both the market and public sectors by increasing purchasing power and taxable income as well as reducing the crime rate and the cost of maintaining law and order. Preparing for the decline of mass formal work in the market economy will require bold new public policy initiatives. By empowering the Third Sector, we can begin to address some of the many structural issues facing a society in transition to a high tech, automated future.