New America Foundation

Decent Jobs Forum
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Yes We Can Create Decent Jobs

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The American economy can produce decent jobs. We know this to be true because it has happened before. Getting back to a decent-jobs economy will require a commitment on the part of policymakers to creating many more middle-skill, middle-wage jobs. While there are important reasons to support the incomes of those at the bottom of the wage distribution, we will not improve the lives of working families without improving and increasing job opportunities in the middle.

To create decent jobs we must, first and foremost, pull our economy out of its current economic malaise. Policymakers should do so with an eye to the long-term, however, and not sacrifice basic labor standards. New jobs should include access to benefits such as health insurance as well as paid sick days and family leave. How we develop policies around investment, both in physical and human capital and labor standards, including the role of unions, will be critical to whether our economy creates decent jobs.

Near-Term Job Creation

In the near-term, there are a variety of policies that could help boost job creation. The Center for American Progress laid out a jobs agenda in December 2009. The political challenge now, however, is that Congress is ready to pull back spending and dampen demand even as the economy suffers from a lack of customers and unemployment remains above 9 percent.[1]

It continues to be the case that today's high unemployment is caused by too little aggregate demand and focusing on deficit reduction in the near-term will only exacerbate this. If we want to help the unemployed then we need to address the output gap—the gap between what our economy is producing and what it could be producing at full employment. The shortfall in aggregate demand continues to equal almost 6 percent of U.S. gross domestic product, primarily due to lost investment and lost employment resulting from the burst of the real estate bubble and the ensuing Great Recession.[2]

To address unemployment in the short-term, policymakers should focus on three specific policy goals.[3] First, focus on policies that boost aggregate demand and investment in our economy. Investment—including investment in infrastructure—is the best way to ramp up employment now while building the foundation for a high-productivity future. Second, stop adding to the problem of unemployment. Once someone loses their job, they face historically low odds of finding a new one and policymakers should seek to ensure that those who are working can stay in their jobs. Finally, help the long-term unemployed beat the odds and find work. We know from decades of research that the displaced and long-term unemployed are more often at the bottom of the hiring queue, and as a result often suffer years of lowered earnings. Policies such as reinstating the TANF Emergency Funds that put people to work in public-private partnerships is only one of many ideas that could help accomplish this.

And, let's be clear: An overgrown financial sector, bloated on the real estate bubble it helped create, threw our economy into crisis and moved us away from creating decent jobs. Moving forward, policymakers must continue to ensure our financial markets are focused on making funds available to promote investment in America, not just speculation and dividends for those in the financial services industry. We need vibrant capital markets so innovative companies can access funds to invest. We do not need innovative financial products to allow Wall Street to siphon off these funds for its own gain.

The Hollowing Out of Middle-Skill, Middle-Wage Jobs

But, the high unemployment of the Great Recession is not the only reason for a paucity of decent jobs. In the decades after World War II, the U.S. economy created decent jobs that supported a large and growing middle class. Workers across the wage distribution saw their earnings rise in tandem with productivity and generally with one another, with those at the top and bottom seeing about the same wage growth. But, sometime in the 1970s, this pattern shifted. For decades, the U.S. economy has been creating low-skill, low-wage jobs at a faster pace than middle- or high-skill jobs. A growing body of empirical work has documented this "hollowing out" of middle-skill, middle-wage jobs since the 1970s.[4]

Over the past decade, the pace of job growth in high-skilled jobs also slowed. Economist David Autor has shown that over the 2000s economic recovery, workers at the top of the skills distribution also saw no job gains and for men, may even have seen a decline in their employment share.[5] As John Schmitt and I pointed out in a recent analysis, Autor's work shows that over the economic recovery of the 2000s:

> ... the only occupations in the economy where employment shares were on the rise were those in about the bottom fourth of the skills distribution. Occupations in the top three-fourths of the skills distribution – including those at the top of the distribution, which increased sharply in the 1980s and 1990s – either lost employment share or only held their own.[6]

This trend appears to be continuing into the post-Great Recession economic recovery. Over the Great Recession, from January 2008 to February 2010, 40 percent of job loss came from higher-wage industries. Yet, as the recovery began, from February 2010 to January 2011, those same industries only contributed 14 percent of the job growth. Low-wage industries accounted for 23 percent of the job losses during the recession, but half (49 percent) of the growth as the recovery has begun, while middle-wage industries accounted for about the same rate of job losses in the recession (36 percent) as the beginning of the recovery (37 percent).[7]

These trends beg the question of whether the problem of a lack of decent jobs is on the demand or supply side, that is, is the economy not creating sufficient numbers of middle- and high-skilled jobs or are workers insufficiently skilled to take higher-skilled jobs?

Clearly, there is evidence that policymakers must focus on skills. At the very least, workers with higher skills tend to earn more and are more likely to be in good jobs: For example, Dave Marcotte, Thomas Bailey, and Carey Borkoski estimate that for each year of community college completed, students saw between a five and ten percent annual increase in earnings.[8] Even so, in 2010, only about third of the U.S. workforce have a college degree and among younger cohorts of workers – those aged 25 to 34 – only 38 percent have a college degree and 67 percent have any education beyond high-school.[9] Further, there is ample evidence that U.S. students are falling behind their peers internationally in math and science education. According to the Department of Education, out of 30 peer countries, students in the United States were ranked 30th for math and 23rd for science.[10]

But, there is also clear evidence that the problem of a lack of decent jobs can be solved by education alone. In recent decades, U.S. workers have increased their educational attainment significantly. Since the early 1990s, the number of workers over the age of 25 with a bachelor's degree has grown by 67 percent while the number with any post-secondary education rose by 52 percent. That's a substantial increase in skills, especially when compared to the hollowing out of middle waged jobs.

Increasingly, higher-educated workers are taking jobs in low- and medium skilled occupations. Between 1979 and 2007, the share of men with a college degree or more who took jobs in low- and medium-skilled occupations increased while their share in high-skilled occupations fell.[11] A full 19.4 percent of men and 14 percent of women with college degrees earn less than the typical high-school graduate.[12]

Short-Sighted Budget Cuts

The budget-cutting fervor in Washington and statehouses around the nation poses real challenges to creating decent jobs in a variety of ways and will harm our ability to create quality jobs over the long-term. The American Recovery and Reinvestment Act of 2009 provided funds to states that helped them address their budgets gaps and kept teachers in schools, even as state and local tax revenues fell. As those dollars fade, however, states are cutting back – at times sharply – on funding for education. This is a short-sighted policy: We need to invest in education, from primary school through post-secondary, to prepare for the jobs of the future.

The budget cuts have other impacts on job quality as well. Many of the jobs on the chopping block in the public sector are decent jobs. They are jobs at livable wages with decent benefits and paid time off. They also happen to be disproportionately jobs for women.

Many of the public services that governments are cutting support working families. Child care and after-school programs or health care programs often make it possible for parents and caregivers to hold down jobs. Having a middle-schooler in an afterschool program or a home health aid that checks in on Grandpa most afternoons are the kinds of services that make it possible for caregivers to be breadwinners, too.

Today's budget cuts mean that we aren't investing in our future productivity at the rate we should. Investment – including in infrastructure – is the key to creating jobs now and building the foundation for a high-productivity future. The American Society of Civil Engineers estimates that we need to spend at least $2.2 trillion over the next five years just to repair our crumbling infrastructure.[13] This doesn't even include things like high-speed rail, mass transit, and renewable energy investments we need to free ourselves from foreign oil and climate change.

Yet, even once we have worked our way through the current budget debates and have solved the unemployment problems of the Great Recession, we still have a long-term problem of decent jobs.

Beyond Tax and Transfer Policies

We need a plan to revitalize jobs that focuses on the middle and includes those at the top and the bottom. While boosting incomes for those at the bottom is a piece of the puzzle, it is not enough. The minimum wage and Earned Income Tax Credit are important policy tools and they boost wages and incomes of low-income families. In 2009, the increase in the minimum wage gave 4.5 million workers a raise and the EITC lifted 6.6 million people out of poverty.[14] But, a decent jobs agenda must recognize that the hollowing out of middle skill jobs means that low-wage workers have fewer decent jobs to work their way into.

We need to go beyond tax and transfer policies and policies that boost the wages of the least-paid. Encouraging decent jobs and a strong middle class requires that we go further, much further, than policies that marginally increase incomes at the very bottom. We need to create jobs for workers at the bottom to move up in to. We need to create jobs in the middle.

First, we should make a plan and that plan should include revitalizing U.S. manufacturing and developing green energy.[15] There are many ways to approach this and the American Recovery and Reinvestment Act took some steps in this direction. A clear path is to invest in policies that will encourage innovation and push the United States to be a leader in green energy. The Recovery Act invested more than $80 billion for the development and deployment of clean energy and saved or created at least 63,000 green energy jobs. These were not all short-term investments and thus jobs should continue to be created in high numbers through 2012.[16] We should build on this success and continue these investments in the years to come.

One idea that the administration could do now would be to start laying out the plan. My colleagues at CAP have recommended a Quadrennial Competitiveness Assessment to be performed by an independent expert panel convened by the National Academies, an independent advisory body to the government and public on scientific and technical policy issues.[17] The panel would focus on identifying challenges and opportunities for long-term competitiveness in the United States. This would include both domestic and international levels of production and projected production; the identification of emerging and evolving markets and manufacturing sectors; and other metrics of factors affecting U.S. competitiveness.

We also need to recognize that the how we finance investment affects what our nation invests in and thus what kinds of jobs we create. The purpose of Wall Street is to funnel funds from people with money to profitable, but also hopefully socially beneficial, endeavors, ideally ones that improve the productive capacity of the United States. But, in recent years firms have focused more on shareholder value and less on building long-term capacity. A decent jobs plan should make sure to recognize that creating jobs means supporting the growth of businesses that innovate and invest and that capital needs to flow towards the kinds of investments that create good jobs in communities all across America.

And, perhaps most importantly, we need to make sure that as we grow, workers actually see the fruits of this growth. The United States continues to be one of the richest nations on the planet.[18] Productivity gains, however, have outstripped wage growth for decades. Half a century ago, during his Senate confirmation hearing, Charles Wilson, then CEO of General Motors said that "what was good for the country was good for General Motors, and vice versa." We need to reconnect the future of businesses and workers. Historically, unions have been the way we did this and unions built our middle class.[19] Supporting the growth of unions is clearly a route to decent jobs and Employee Free Choice Act is one way to do that.

But, the political climate is often rather hostile to unions these days and we should also explore alternatives. Richard Freeman, Joseph Blasi, and Douglas Kruse have proposed that one way to restore the link between economic growth and the earnings of workers is to encourage firms to link employee earnings to the performance of the firm for all workers, not just those at the top.[20]

We can create decent jobs in the United States. The ideas are there, but we need the political will. We must continue to remember, however, that the United States continues to a very wealthy nation, one where workers create enormous value. The challenge is not only to encourage the kind of economic growth that creates jobs, but to ensure that the productivity gains are shared.

Notes

[1] David M. Abromowitz, Heather Boushey, Michael Ettlinger, Kate Gordon, Bracken Hendricks, Andrew Jakabovics, Michael Linden, David Madland, and Sarah Rosen Wartell, "Meeting the Jobs Challenge: How to Avoid Another Jobless—or Job-Loss—Economic Recovery." (Washington, DC: Center for American Progress, 2009)

[2] Author's analysis of Congressional Budget Office and Bureau of Economic Analysis data; See also Adam S. Hersh and Isha Vij, "Economic Growth Continues, but Too Slowly to Secure Recovery: Policy Consistency Targeting Jobs is Necessary." (Washington, DC: Center for American Progress, 2011).

[3] Heather Boushey, "Government Policies and Actions that Are Impediments to Job Creation, Testimony Before the House Committee on Ways and Means." (Washington, DC: Center for American Progress, 2011).

[4] See, for example, David H. Autor and David Dorn, "The Growth of Low Skill Service Jobs and the Polarization of the U.S. Labor Market," unpublished manuscript. (Cambridge, MA: Massachusetts Institute of Technology, August 2010); David Autor, "The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings." (Washington, DC: Center for American Progress and The Hamilton Project, April 2010).

[5] John Schmitt and Heather Boushey, "The College Conundrum: Why the Benefits of a College Education May Not Be So Clear, Especially to Men" (Washington, DC: Center for American Progress, 2010).

[6] See David Autor, "The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings," Center for American Progress and The Hamilton Project, April 2010, Figure 1.

[7] Annette Bernhardt and Christine Riordan. "A Year of Unbalanced Growth: Industries, Wages, and the First 12 Months of Job Growth After the Great Recession." (New York: National Employment Law Project, 2011).

[8] Dave E. Marcotte and others. "The Returns of Community College Education: Evidence from the National Education Longitudinal Survey." Educational Evaluation and Policy Analysis 27 (2 2005): 157-75.

[9] Author's analysis of Center for Economic and Policy Research extracts of the Current Population Survey Outgoing Rotation Group Files.

[10] Howard L. Fleischman and others, "Highlights from PISA 2009: Performance of U.S. 15-Year-Old Students in Reading, Mathematics, and Science Literacy in an International Context" (Washington: National Center for Education Statistics, 2010), available at http://nces.ed.gov/pubs2011/2011004.pdf.

[11] See David Autor, "The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings," Center for American Progress and The Hamilton Project, April 2010 , Figure 4. Separately, the college-high school wage premium also appears to have flattened in the 2000s.

[12] Schmitt and Boushey, "The College Conundrum: Why the Benefits of a College Education May Not Be So Clear, Especially to Men".

[13] "America's Infrastructure Report Card." (Washington DC: American Society of Civil Engineers, 2009)

[14] "Policy Basics: The Earned Income Tax Credit." (Washington DC: Center for Budget and Policy Priorities, 2009)

[15] Michael Ettlinger and Kate Gordon, "The Importance and Promise of American Manufacturing." (Washington DC: Center for American Progress, 2011)

[16] Bracken Hendricks and Jorge Madrid, "ARRA—The Most Important Energy Bill in American History: Reflections on Clean Energy in the Recovery Act, Two Years On." (Washington, DC: Center for American Progress, 2011)

[17] Adam S. Hersh and Christian E. Weller. "Measuring Future U.S. Competitiveness: U.S. Productivity and Innovation Snapshot." (Washington, DC: Center for American Progress, 2011)

[18] Organization for Economic Co-operation and Development. 2009. "OECD Social Indicators - Key Findings: United States." (http://www.oecd.org/dataoecd/27/22/42672498.pdf [June 17, 2011]).

[19] David Madland, Karla Walter, and Nick Bunker, "Unions Make the Middle Class: Without Unions, the Middle Class Withers. (Washington, DC: Center for American Progress, 2011)

[20] Richard Freeman, Joseph Blasi, and Douglas Kruse. "Inclusive Capitalism for the American Workforce." (Washington DC: Center for American Progress, 2011), available at http://www.americanprogress.org/issues/2011/03/worker_productivity.html.

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