

A

FUTURE

OF

GOOD JOBS?



AMERICA'S CHALLENGE IN THE GLOBAL ECONOMY

Timothy J. Bartik
and Susan N. Houseman
Editors

IN HONOR OF THE 75TH ANNIVERSARY OF THE W.E. UPJOHN UNEMPLOYMENT TRUSTEE CORPORATION

Susan Houseman

**W.E. Upjohn Institute for
Employment Research**

**Presentation prepared for
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Washington, DC
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Background on Upjohn Institute & Future of Good Jobs Project

- **Upjohn Institute for Employment Research**
 - Trustee Corporation founded 1932 – developed innovative ways to help local unemployed in Great Depression
 - Evolved into research institute with focus on workforce issues at national, state, and local levels
 - Division that administers employment and training programs in Southwest Michigan
- **Future of Good Jobs Project**
 - Commissioned leading researchers to propose innovative solutions to current workforce challenges
 - Coincides with 75th anniversary

A Future of Good Jobs?

America's Challenge in the Global Economy

- ***Are Skills the Problem? Reforming the Education and Training System in the United States***
 - Robert Lerman, American University and Urban Institute
- ***Revising Employers' Role in Sponsoring and Financing Health Insurance***
 - Katherine Swartz, Harvard School of Public Health
- **Improving Job Quality: Policies Aimed at the Demand Side of the Low-Wage Labor Market**
 - Paul Osterman MIT Sloan School of Management
- ***Improving Labor Market Success and Economic Security for the Disadvantaged***
 - Steven Raphael, University of California, Berkeley
- ***Promoting Work among Older Americans***
 - Katharine Abraham, Univ. of Maryland & Susan Houseman, Upjohn Institute
- ***Trade and Immigration: Implications for the U.S. Labor Market***
 - Lori Kletzer, University of California, Santa Cruz

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Outline for Talk

- Forces Shaping the American Workplace
- Signs of Trouble for American Workers
- Highlights of book's analyses & policy recommendations

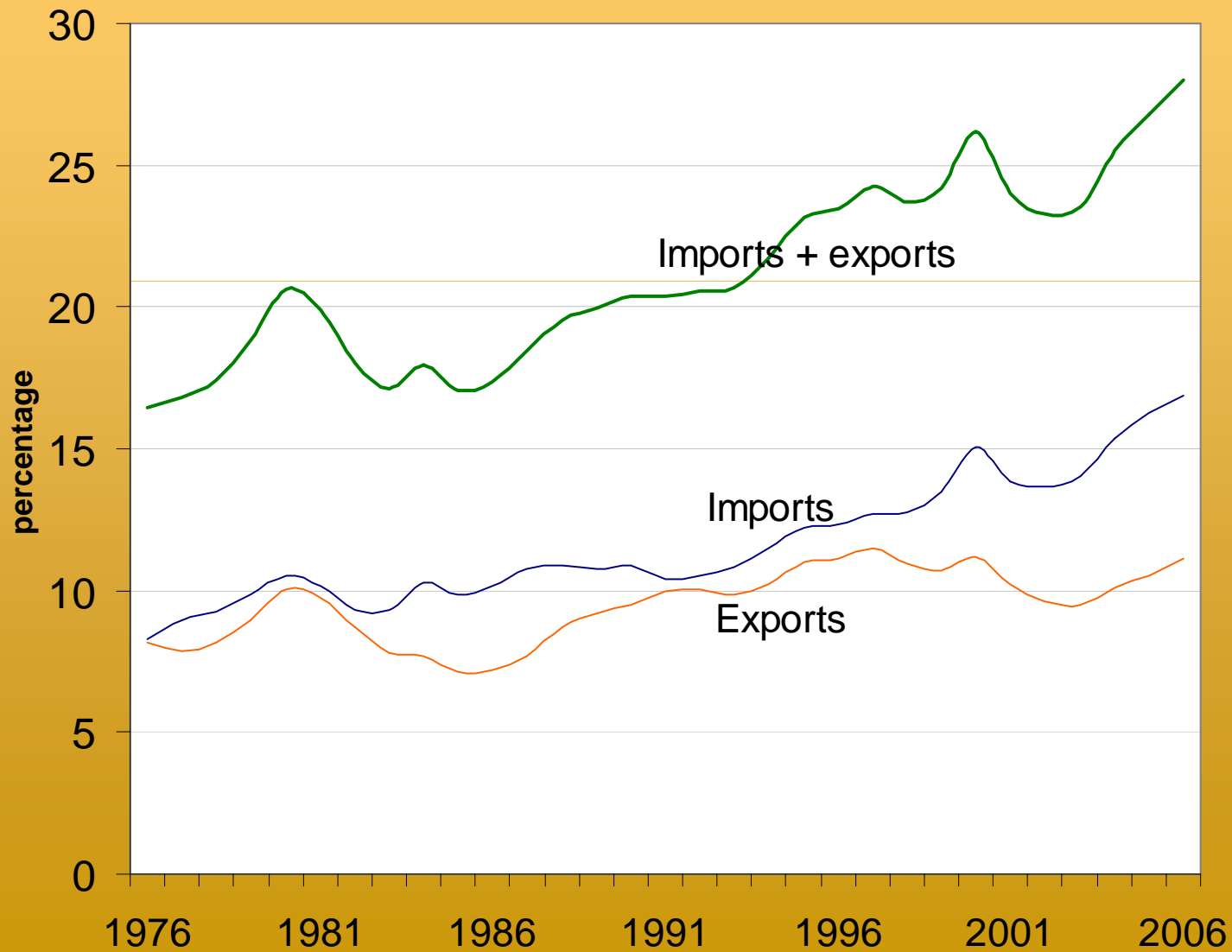
Forces Shaping the American Workplace

- **Demographics**
 - Aging Population
 - Growing Ethnic Diversity
- **Financial Markets**
 - Increased pressure to boost short-term earnings & stock prices
 - Cut costs, including labor costs
- **Technology**
 - Computerization → displaced workers, need to upgrade worker skills
 - Health care technology → accelerating health care costs
 - Reduced costs of transportation & communications → more trade
- **Global Trade and Competition**

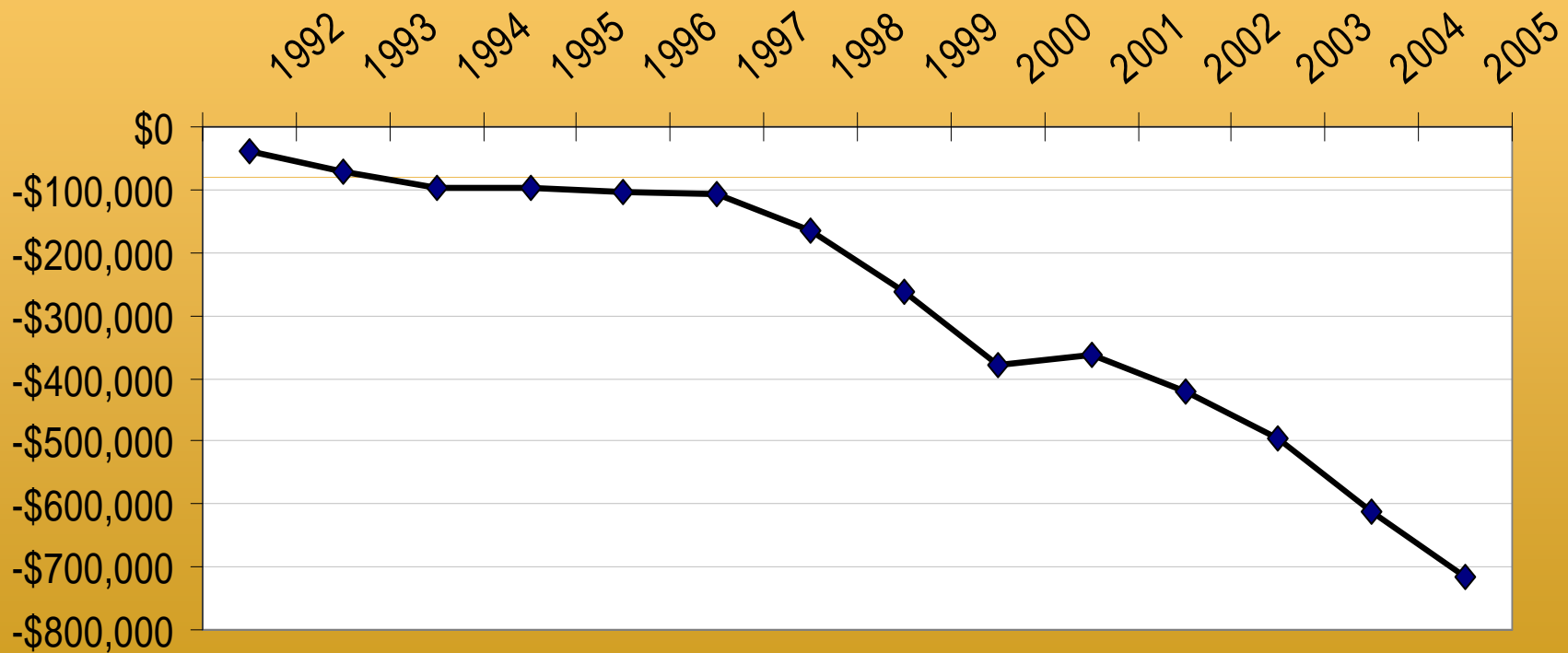
Global Trade and Competition

- **Tremendous expansion of trade in 1990s & 2000s resulted from**
 - **Political and economic reform** in Eastern Europe & Asia in 1990s and 2000s
 - **Liberalization of trade agreements** – NAFTA, WTO, GATT
 - **Technology:** Lower transportation & communication costs
 - **Financial markets:** pressures to reduce costs through offshore outsourcing & offshoring

Trends in Exports & Imports as Percent of GDP



Trends in Trade Balance for Goods & Services



Signs of Trouble for U.S. Workers

- **Unemployment at moderate levels, but figures depressed by**
 - Low employment rates among low-educated men
 - High incarceration rates
 - Rapid growth in SSDI
- **Growing inequality – real wages increasing only for those at the very top**
- **Decline in Generosity and Coverage of Health Insurance & Retirement Plans**

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Reforming the Education and Training System in the United States, Robert Lerman

- **Implications of Globalization for Education & Training, Common arguments:**
 - Low-skilled jobs go overseas, high skilled jobs stay here
 - Need to ↑ number with college degrees
 - Increase academic standards in high schools – usually standards based on a vision of “college for all”
- **Problems with this Approach**
 - Some of these standards *irrelevant to most productive careers* but can result in more dropouts
 - High school drop out rates already high – 25% overall, 38% for black students
 - Setting standards to help transitions directly to work have not been properly developed

Recommendations for Reforming the Education and Training System, Robert Lerman

- Recognize diversity of learning styles by incorporating more *contextualized learning and learning by doing*
- Build on *existing apprenticeship structure-- Triple the current \$20 million budget*
- *Redefine goals and standards* to allow for more diversity at high school level:
 - encourage more work-based learning
 - meet qualifications for real careers

Revising Employers' Role in Health Insurance, Katharine Swartz

- Employer-sponsored health insurance backbone of our system of private health insurance
- Current crisis in employer-sponsored insurance
 - Avg. health insurance premiums increased 73% between 2000 and 2005; more for small firms
 - Since 2000, % of firms offering health benefits ↓ from 69% to 61%
 - % of non-elderly pop with ESI dropped from 67% to 62% -- decline esp. large among young adults → less cross subsidization of baby boomers
 - Increased use of contract workers

Recommendations for Universal Health Insurance, Katherine Swartz

- **Companies rapidly moving to reduce exposure to risks from health insurance**
 - Need to act quickly before market forces create a fait accompli
 - Opportunity to rationalize system, improve efficiency
- **Sharing of Costs**
 - Individuals
 - Businesses
 - Government
- **Systems in Germany, Switzerland & Netherlands offer models for U.S.**
 - Retain private insurance

Improving Job Quality, Paul Osterman

- **Advocates a two-pronged approach to improving quality of jobs in U.S.**
- **Customized Training Programs (the carrot)**
 - Government-subsidized, employer-run training programs
 - If improve skills, ↑ job quality & compensation
 - Evidence that approach works – but difficult to operate on large scale
- **Improve Workplace Standards (the stick)**
 - Minimum wage
 - Removing barriers to unionization

Improving Labor Market Success and Economic Security for the Disadvantaged, Steven Raphael

- Rapid rise incarceration rates & precipitous drop in employment among low-educated men special concern:

Percentage of Men Institutionalized at Time of Census Survey		
	1990	2000
Less than High School Education		
Black	15	27
White	5	7
Hispanic	5	5
High School Degree		
Black	8	12
White	2	3
Hispanic	4	5

Special policies needed to help integrate those with criminal records into workforce, Steven Raphael

- **Remove summary disqualifications of former inmates from financial assistance for education or other public assistance**
- **Base publicly mandated employment bans of former felons on specific offenses – do away with blanket bans**
- **Expunge selected criminal records after a period of time**
- **Fund intermediaries to train and prepare ex-inmates for employment**

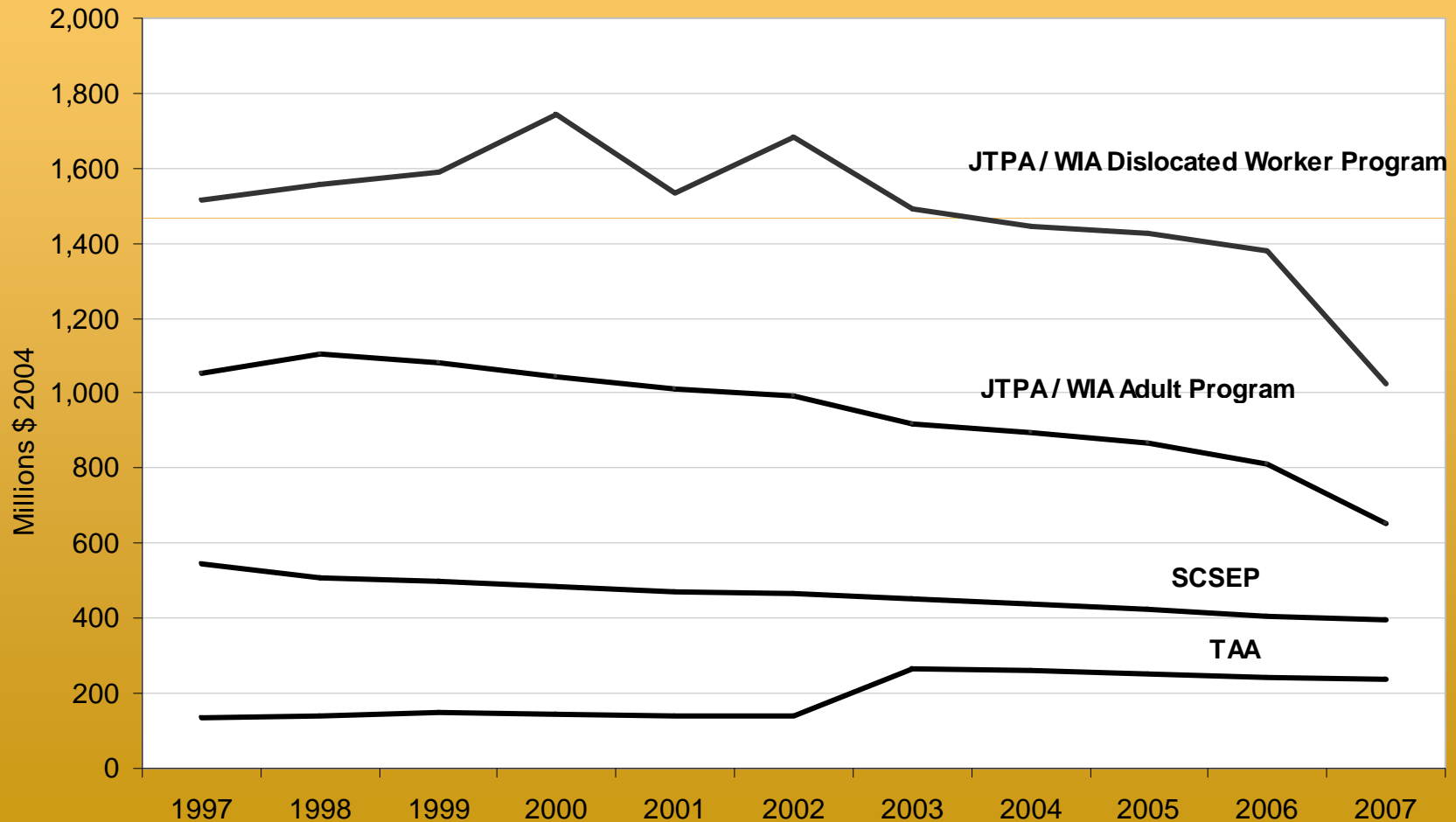
Promoting Work among Older Americans,

Katharine Abraham and Susan Houseman

- Population aging & growing number of older Americans are going to need or want to work
- Americans healthier, living longer, better able to work
- **Financial Pressures:**
 - Changes to Social Security rules will encourage more work
 - Switch from Defined Benefit to Defined Contribution Retirement Plans—DC Plans typically less generous
 - Employers reducing retiree health insurance
 - Savings generally low—people will need to work later in life to maintain standard of living
- **The Problem:**
 - Many older workers must transition to new jobs
 - Older workers have especially difficult time transitioning

Budgets for employment and training programs have been falling in real terms

Real Spending on Employment and Training Programs, 1997-2007
(\$ 2004)



Promoting Work among Older Americans, Katharine Abraham and Susan Houseman

- Within WIA Adult programs, % older workers serviced declined over time
- Need for Older Worker Services growing, but availability declining—need especially great for low-skilled workers, whose rates on SSDI high
- Recommendations include
 - Increase funding for employment and training programs to help smooth employment transitions for older workers.
 - Tailor programs to meet needs of older workers
 - Evaluate older worker initiatives—many taken by states—to identify model for national program

Trade and Worker Dislocation, Lori Kletzer

- **Worker dislocation from imports most contentious aspect of growth in trade**
- **Programs to help workers dislocated from imports:**
 - Unemployment Insurance (UI);
 - Advance notice for major layoffs, Worker Adjustment and Retraining Notification (WARN) Act;
 - Training and job search assistance under WIA
 - Trade Adjustment Assistance (TAA), created in 1962, provides adjustment assistance to workers laid off as a result of international trade

Trade Adjustment Assistance, Lori Kletzer

- U.S. unique in having program providing special assistance to workers losing jobs due to increased imports – seen as a *quid pro quo* for trade liberalizing legislation
- Kletzer argues TAA not working well
 - Statute requires workers to prove that they lost their job from a firm that makes a product that is “similar to or like an imported good.”
 - Interpretation of the word “good” has resulted in many denials of eligibility
 - Doesn’t cover workers displaced from services offshoring.

Policy Recommendations, Worker Dislocation from Trade, Lori Kletzer

- **TAA – should move away from special program targeting workers displaced from trade**
 - A broad program of assistance to all displaced workers is more justifiable on the economic costs of job loss and is likely to more broadly address public anxieties about job insecurity
 - A general program of adjustment assistance avoids politicizing any one particular “cause” of job loss, such as free trade

Trade & Worker Dislocation, Policy Recommendations, Kletzer

- **Unemployment Insurance – should be overhauled to reflect new realities of job loss:**
 - Less temporary & more permanent displacement,
 - More part-time & contingent employment
 - Increase UI eligibility (contingent; seasonal; part-time)
- **Recommendations for UI**
 - Revise extended UI programs
 - Increase benefit levels
 - Increase taxable wage base
 - Personalized accounts for self-employed; job leavers
 - Enhance federal leadership role in UI

Summary

- **Education & Training**

- Improving standards important – but “college for all” approach misguided
- Revitalize and fund apprenticeship programs, contextualized learning in high schools

- **Health Insurance**

- Employers moving rapidly to reduce exposure to rising costs
- Need to act now before ESI reaches “tipping point”

- **Reemployment & Workforce Training Programs**

- Customized training can be effective – balanced with standards
- Tailor programs to needs of displaced, older workers, disadvantaged – as in education, one size may not fit all
- Increase funding – declines in real spending on workforce programs have costs