

## Employment and America's future

*A Future of Good Jobs? America's Challenge in the Global Economy.* By Timothy J. Bartik and Susan N. Houseman, Kalamazoo, MI, Upjohn Institute for Employment Research, 2008, 327 pp., \$20.00/paperback; \$40.00/cloth.

The papers in this volume were prepared by editors Timothy J. Bartik and Susan N. Houseman for a conference held in June 2007, in honor of the 75th anniversary of the W.E. Upjohn Unemployment Trustee Corporation. In the 15 months between the conference and the writing of this review, the state of the U.S. economy has worsened. Although the need to address the labor market and related problems identified in this excellent collection of papers is even greater now than when they were written, macroeconomic conditions make it more difficult to do so. It is as if able diagnosticians supplied the prognosis for a patient with several interacting chronic conditions, only to have the patient come down with the flu. The suggested treatment plan may have to be postponed or modified until the temporary ailment is over.

Chapter 1 provides a clear synthesis of the topics discussed by the authors of the remaining six chapters: Robert J. Lerman on education and training; Katherine Swartz on health care financing; Lori G. Kletzer on trade and immigration; Katharine G. Abraham and Susan N. Houseman on labor market issues for older workers; Paul Osterman on demand-side policies aiding lower-skill workers; and Steven Raphael

on problems and policies relating to disadvantaged workers in general and former convicts in particular. The analysis and policy proposals focus on problems facing workers in the lower 4/5 of the income distribution. The net impact of economic change in recent decades is manifested in growing income inequality, but the way in which inequality has grown has intensified the problem. Over the quarter century from 1980 to the mid-2000s, real wages have declined for the bottom 10th percentile of the wage distribution, and increased by less than 20 percent for the group between the 10th and 80th percentiles.

Presumably coincidentally, the chapters divide into two groups by authors' gender. The three by the male authors concentrate on problems faced by workers with lower levels of skill and education, whereas those written by the female authors are about issues that affect most of the population and workforce. This is not to imply that the former group is dealing with less important problems; rather, that those issues with broader impact may receive greater policy attention and political support than those affecting a smaller segment of the population.

Nearly 20 years ago, Gary Burtless edited a collection of papers on the plight of the unskilled, especially unskilled men, titled *A Future of Lousy Jobs?* (See Burtless, Gary, ed. *A Future of Lousy Jobs? The Changing Structure of U.S. Wages*, The Brookings Institution, Washington, DC 1990.) According to Burtless:

"If the demand for unskilled labor has dropped, the obvious policy response is to improve the qualifications of less skilled workers to match the developing requirements of the job market. If

the [N]ation has too many unskilled workers, rather than too many bad jobs, both efficiency and equity will be served by improving the skills of workers now lodged at the bottom."

In addition to the play on that title, the current book's most direct link with the earlier work is in the chapters by Lerman, Osterman and Raphael. The "Lousy Jobs" analysis attributed the declining economic fortunes of less skilled men to their excess supply, combined with greater demand for more skilled workers, when firms and industries changed the skill mix of their labor inputs to meet the needs of the new technologies. There are simply not enough jobs for the less skilled, and, according to Burtless, the remedy is to upgrade the education and training of those at the bottom of the economic ladder.

The three authors just mentioned are generally in accord with this diagnosis for the less skilled worker in the contemporary labor market. Rapid technological change and increased globalization, plus the declining impact of institutional protections such as unions, make the outlook for less-skilled workers even bleaker today than it was in the early 1990s. Lerman's prescription includes developing educational approaches that raise and better reward noncognitive and occupational skills that are in short supply. This will require changes in emphasis within the educational sector, favoring work-based learning, which means a need for further investment by employers in the skills of workers. Osterman also calls for enhanced programs to encourage job upgrading in skills and pay; he sees the need as well for workers to have restored institutional safeguards,

such as increased minimum wages and acceptance of unions, which will complement the incentives provided to employers to promote upgrading. Raphael recommends helping low-wage workers directly by expanding the Earned Income Tax Credit (EITC) to bring in childless adults, especially low-income married couples. He also points to the often neglected subsector of the low-wage, low-skill population and the growing number of individuals with prison records, and advocates specific policies to reduce the barriers they face to obtaining productive, legal jobs.

Katherine Swartz is concerned with reforming how the United States finances health insurance in the face of declining percentages of workers (and retirees) presently covered by employer-based plans. The three principles of her proposed strategy are:

1. Everyone should be enrolled in a health insurance plan for which they pay some minimum amount;
2. Additional premiums paid by individuals and families should be in proportion to their income; and
3. Contributions (taxes) should be collected from employers.

Swartz argues that such a comprehensive cost-sharing plan should not be more expensive than the present system of spotty coverage that emphasizes cost-shifting and contains

perverse incentives for both workers and employers.

The remaining two chapters focus on the problems facing workers who are dislocated or need to find new jobs for other reasons. Two of the initiating factors analyzed by Lori Kletzer are increasing trade and immigration. Jobs may disappear due to import competition or outsourcing, while increased inflows of foreign-born workers augment the labor supply at both the low skill and high skill ends of the labor market. The consensus among economists is that, although there is a net social gain from trade and immigration, those who experience losses are concentrated among the less skilled native-born population, worsening their income and employment prospects. Kletzer notes, however, that the largest and most comprehensive adjustment assistance program (Unemployment Insurance or UI), needs to be changed to reflect the new economic realities. Other programs are neither large enough nor appropriately targeted to offset the gaps in the present UI system.

Katharine G. Abraham and Susan N. Houseman address a problem that is caused by a major social success; more of us are living longer, healthier lives. The challenge is how to maintain living standards during these “golden years.” One response to this need to make savings and income last longer is for older workers to stay in, or return to, the labor market for more years than they perhaps had hoped.

Less certain pension and health care coverage from employers, and changes to Social Security and Medicare, both favor a trend by Americans to work more hours and retire later. However, this pressure runs up against the existence of impediments to older worker employment, on both the supply and demand sides. Funding for employment and training programs targeted on older workers is substantially below levels of a decade ago in real terms, without taking into account the increased universe of eligibility. Program implementation can be sharpened to better meet the needs of older workers but issues such as health insurance, which may act as a disincentive to employers for hiring older workers, also have to be addressed in a broader context.

As these authors individually and collectively realize, there is no one-size-fits-all solution to lowering the barriers to good jobs faced by people in various situations. The policy proposals they suggest range from incremental changes in program performance standards to a comprehensive reworking of our health care financing system. But they do all have the common goal of working toward a more equitable society, for which the authors should be applauded. □

—Stephen E. Baldwin  
Economist  
Bethesda, MD