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Ms. Chairwoman, members of the Committee, I am honored to be invited to testify before your Committee today on the subject of long-term unemployment. I have followed and written about this and related issues for many years. Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush.

Introduction

As America celebrates renewed economic growth, something is terribly wrong. Even as gross domestic product, retail sales, and consumer durables awake from their slumber, unemployment remains close to 10 percent,[1] with 44 percent of the unemployed out of work for six months or more,[2] a record since the Bureau of Labor Statistics started keeping track of the data in 1948. Low-skill workers are finding it increasingly difficult to get jobs.

It is most troubling that whereas jobs are the first priority of most Americans, the Administration's legislative agenda has reduced jobs rather than created them. Proposed energy and environmental legislation, financial regulation proposals, tax increases, and the Employee Free Choice Act would also serve to drive jobs abroad rather than attract them to the United States.

The Administration's emphasis is on creating union jobs and passing legislation to help unions recruit additional members using measures such as project labor agreements and "high road" contracting. This is vital to the union sector, because it needs more workers to bolster the finances of its underfunded pensions, both at the state and at the private multiemployer level. However, this raises the price of projects, increases federal and state budget deficits, and ensures that fewer people are employed for each dollar spent.

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[1] U.S. Department of Labor, Bureau of Labor Statistics. (2010). "The Employment Situation – March 2010." Table A-1. http://www.bls.gov/news.release/pdf/empsit.pdf
[2] Ibid. Table A-12

This testimony is divided into four sections. The first section reviews America's current employment situation. The second describes how the administration's legislation priorities result in fewer jobs. The third section shows how the administration is trying to regulate private-sector employers through regulations on federal contractors, resulting in a higher concentration of employment in the union sector, and fewer workers employed in low-skill jobs. The fourth section contains proposals for restructuring unemployment insurance to help the long-term unemployed. The final section presents conclusions.

The Employment Situation

Although the economy created 162,000 jobs in March, the first significant increase since the beginning of the recession, the unemployment rate remains unacceptably high at 9.7%. The number of unemployed rose in March to over 15 million, and the percentage of the unemployed out of work for 27 weeks or longer increased to 44%, up from 41% in February, a record since the Labor Department started keeping records in 1948. Although the civilian labor force participation rate increased for the third month in a row to 64.9%,[3] it is still at 1986 levels, meaning that many Americans are awaiting an improvement in job market conditions before moving back into the labor force. The Labor Department's broadest measure of unemployment, including discouraged workers and those at work part-time for economic reasons, rose to 16.9% from 16.8%.[4]

Furthermore, of the jobs created, 88,000 were short-term. Temporary help services added 40,200 jobs,[5] and 48,000 temporary workers were hired for 2010 Census operations.[6] Since the recession began in December 2007, 8.2 million jobs have been lost. At the rate of 162,000 new jobs per month it would take 51 months—until June 2014—to recoup the losses.

The 9.7% overall unemployment rate masks other groups within the economy that are doing far worse. The African American unemployment rate is 16.5%, and unemployment stands at 12.6% for Hispanics.[7] Teens' unemployment rates are even higher. The overall teen unemployment rate is 26%, while the African American teen unemployment rate is 41%.[8]

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[3] Ibid. Table A-1
[4] Ibid. Table A-15
[5] Ibid. Table B-1
[6] Ibid
[7] Ibid, Table A-1
[8] Ibid, Table A-1 and Table A-2

All groups face unemployment, especially the low-skilled. The unemployment rate for adults without a high school diploma stands at 14.5%, and that for those with a high school degree and no college is 10.8%. In contrast, Americans with a B.A. degree or higher have unemployment rates of 4.9%.[9]

One reason that low-skill Americans are having a harder time recovering from the recession is that the minimum wage has increased over the past three years from $5.15 to $7.25 an hour.[10] With the stubbornly-high unemployment rate and the large percentage of long-term unemployed, Congress should rethink the increase in the federal minimum wage.

Members of Congress assumed that if the minimum wage were raised, all workers would retain their jobs. But this is not the case. An increase to $7.25 an hour, plus the mandatory employer's share of Social Security, unemployment insurance, and workers' compensation taxes, brings the hourly employer cost close to $8, even without any benefits.

With the minimum wage increase, employers only hire workers who can produce $8.00 an hour of goods or services. That is fewer people than they employ today. As the recovery progresses, employers are changing technologies or hiring more skilled workers to keep their firms in business.

Denying work opportunities to those whose skills and output do not add up to $8.00 per hour is not compassionate, it is manifestly unfair. At a time of high unemployment, the federal government is dooming unskilled workers to the ranks of the unemployed by saying that they cannot even take the first step on the career ladder.

The Effects of the Democrats' Legislative Priorities on Employment

The Administration's legislative and regulatory agenda dampens overall job creation. President Obama's priorities, namely tax increases, health reform, green jobs, climate change legislation, and increased unionization discourage employers from hiring. With this agenda, the economy will not produce the jobs needed to reduce significantly unemployment, including long-term unemployment.

Naturally, these projects' supporters claim they create jobs. They may create some, but they displace others.

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[9] Ibid, Table A-4

[10] U.S. Department of Labor. "What is Minimum Wage?" http://www.dol.gov/elaws/faq/esa/flsa/001.htm

The American Clean Energy and Security Act, sometimes known as the cap-and-trade bill, would raise energy prices, impose strict new efficiency standards on automobiles and appliances, require firms to use nonexistent technology, and mandate greenhouse gas emissions per person back to 19th century levels by 2050.

Its cosponsor, Democrat Ed Markey of Massachusetts, said the bill would "create jobs by the millions," [11] and Speaker Nancy Pelosi said it was about "jobs, jobs, jobs, and jobs." [12]

The cap-and-trade bill would create jobs building more expensive energy, such as solar panels and windmills, and inventing the technology to comply with the government's new requirements. Many solar panels and wind turbines are being manufactured in China, hence creating jobs for the Chinese. But the bill's $800 billion plus price tag comes from new taxes, higher prices for cheaper energy such as oil and gas, and increased borrowing. [13] This reduces employment in the United States.

This problem is not new. In 1850 the French economist Frédéric Bastiat wrote an essay entitled That Which Is Seen, and That Which Is Not Seen.[14] That which is seen are the jobs directly created by the government, and that which is not seen are workers displaced by the effects of increased taxes, tariffs, and government regulation.

Bastiat wrote, "When an official spends for his own profit an extra hundred sous, it implies that a taxpayer spends for his profit a hundred sous less. But the expense of the official is seen, because the act is performed, while that of the tax-payer is not seen, because, alas! he is prevented from performing it."

With resonance today, he explains, "The State opens a road, builds a palace, straightens a street, cuts a canal; and so gives work to certain workmen - this is what is seen: but it deprives certain other workmen of work, and this is what is not seen."

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[11] Congressman Markey, Ed. (2009, June 26). "House Passes Historic Waxman-Markey Clean Energy Bill" [News Release]. http://markey.house.gov/index.php?option=content&task=view&id=3748&Itemid=125

[12] Speaker Pelosi, Nancy. (2009, June 26). "Pelosi: 'Remember These Four Words For What This Legislation Means: Jobs, Jobs, Jobs, and Jobs " [Press Release]. http://www.speaker.gov/newsroom/pressreleases?id=1254

[13] Congressional Budget Office. (2009). "Cost Estimate for H.R. 2454 : American Clean Energy and Security Act of 2009" http://www.cbo.gov/ftpdocs/102xx/doc10262/hr2454.pdf

[14] Bastiat, Frederic. (1850). "That Which is Seen, and That Which is Not Seen." http://bastiat.org/en/twisatwins.html

Health Reform

The health reform bill, which dominated Congress and the White House until its passage in March, will hurt rather than help employment. Companies across the industry spectrum such as AT&T, Verizon, Prudential, and Caterpiller are already taking write-downs of earnings because the new bill will raise their taxes. Higher insurance premiums and taxes on income and payrolls will leave individuals less to spend on goods and services and businesses less to spend on hiring workers.

The law will discourage recruitment and result in lower take-home wages. Small business tax increases will take effect on January 1, 2011, and regulations on health insurance and the employer penalties and mandates will become fully effective on January 1, 2014.

The job-killing provisions of the law are numerous, especially among low-skill workers.

First, employers will be required to offer health care for workers or pay a $2,000 fine. This requirement will cover employers with at least $500,000 in annual payroll costs, and it will add to employment costs for workplaces that do not now have the prescribed set of health benefits. Workers who were not laid off would receive lower wages to compensate for the higher benefits.

The law also prescribes what constitutes a qualified benefit plan. Such coverage will be expensive, because the law prohibits copayments for routine visits, such as annual check-ups and mammograms, and requires coverage for mental health and substance abuse, and dental care for children. Insurance companies will be required to cover everyone, regardless of preexisting conditions, with relatively low penalties for those who do not participate, which will lead many to purchase health insurance only when they get sick.

Income taxes on the most productive small businesses will increase, making them less willing to expand productions and employment. The top tax rate on business owners who pay taxes as individuals, not corporations, now is 35%. It is already scheduled to go up to 39.6% on January 1, 2011, and under the new health care bill it will rise even higher, with the inclusion of an additional 0.9% Medicare tax on wage and salary income and a new 3.8% Medicare tax on investment income for singles and couples earning over $200,000 and $250,000 respectively. With state taxes, some combined rates will exceed 55%. That will discourage hiring and encourage retrenchment and use of contractors.

The proposed taxes on expensive policies, scheduled to take effect in 2018, are meant to discourage employers from providing a large tax-free benefit to workers. While that is a worthy purpose, the law prevents individuals from switching to lower-cost plans by forbidding high-deductible low cost plans. Since the mandated qualified plans are overly-generous, middle-class Americans will be sitting ducks for the tax collector, just as they are now paying an increasing share of the alternative minimum tax.

The increases in premiums would gradually raise the amount everyone would have to pay for health insurance, leaving less disposable income to buy other goods and services. Rather than bending down the health cost curve, the economy would be stifled by rising health insurance premiums.

Energy and Environmental Regulation

No one has properly defined a "green" job, the kind that Mr. Obama wants to encourage, but many believe such jobs include installers of insulation and energy-efficient windows, and producers of renewable energy, as from sunshine and wind. Tax revenues used to subsidize the manufacture of these products create jobs in those sectors, but leave less to be spent on other activities.

In Spain, economics professor Gabriel Calzada Alvarez of the Universidad Rey Juan Carlos has calculated that his country has spent €571,138 ($763,383 at today's exchange rates) per green job.[15] Higher energy costs have driven away jobs in metallurgy, mining, and food processing, so over two jobs have been destroyed for every one created. Even in Spain, solar power did not account for even one percent of 2008 electrical production.

In a section of his 2011 Budget entitled "Creating the Clean Energy Economy of Tomorrow," President Obama asks Congress to enact policies that would reduce greenhouse gases by 17% by 2020 and more than 80% by 2050.[16] This is breathtaking regulatory ambition—and dangerous for the American economy and workforce.

Mr. Obama believes that increases in greenhouse gases contribute to global warming, which purportedly hurts plants and animals by damaging their environments and harms humans by flooding. Even if true, unilateral emissions reduction by America, without similar action by China and India, would have a negligible effect on global warming. And with the revelation that scientists at the

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[15] Alvarez, Gabriel Calzada. (2009). "Study of the effects on employment of public aid to renewable energy sources." http://www.juandemariana.org/pdf/090327-employment-public-aid-renewable.pdf

[16] Office of Management and Budget. " Budget of the United States Government, Fiscal Year 2011." http://www.whitehouse.gov/omb/factsheet_key_clean_energy/

University of East Anglia in Britain destroyed original temperature data, the science of global warming is far from settled.[17]

At a time of fragile employment growth, President Obama's proposals would worsen unemployment, both long- and short-term. American greenhouse gas emissions, chiefly carbon dioxide, would decline on a per person basis to late 19th century levels. Businesses would be required to invest in energy efficiency and low-carbon or zero-carbon fuels, to offset emissions through investments in agriculture and trees, and to pour money into emission-offset activities abroad.

Mr. Obama is proposing the same "cap-and-trade" mechanism that he suggested a year ago in his initial budget. A cap-and-trade bill increasing federal spending by $846 billion and raising direct spending by $821 billion passed the House of Representatives in June in legislation sponsored by Democrats Henry Waxman of California and Ed Markey of Massachusetts.[18]

Allowances to emit greenhouse gases within the United States would be issued by the Environmental Protection Agency at a steadily declining rate through 2050. If emissions exceed a firm's allowance, or cap, the company would have to buy allowances from the government or other firms. Such mandatory purchases would be a tax under another name, and like any tax would drive up costs, which would be passed on to consumers, reducing spending and employment.

Not only do such proposals penalize American firms through higher costs, they give firms a financial incentive to move abroad to acquire "offsets," credits from activities that supposedly lower carbon emissions elsewhere. The offset provisions encourage firms to shift economic activity to countries with laxer emissions standards, further damaging U.S. job creation. A plant's emissions might exceed its U.S. allowances, yet its technology might produce lower emissions than the norm in a developing country, allowing relocation abroad to count as an offset.

If global warming is indeed a problem—and it currently polls low on Americans' list of concerns, far behind jobs[19]—it could be addressed in less expensive ways, such as injecting fine sulfur particles into the upper atmosphere to slow down the sun's warming, or spraying clouds with salt water to make them reflect radiation away from earth. These approaches could be successful without other

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[17] Leake, Jonathan. (2009, November 29). "Climate Change Data Dumped." *Times Online*. http://www.timesonline.co.uk/tol/news/environment/article6936328.ece
[18] Congressional Budget Office. (2009).
[19] The Pew Research Center for the People & the Press. (2010) "Public's Priorities for 2010: Economy, Jobs, Terrorism." http://people-press.org/report/584/policy-priorities-2010

countries' cooperation.

At the same time as the administration moves to lower greenhouse gas emissions, it also proposes getting rid of incentives for American workers to produce oil, natural gas, and coal in the United States. Over the next decade, oil, gas, and coal companies would lose almost $39 billion in exploration and production incentives if Congress adopts the Obama budget policy, including favorable treatment of new drilling techniques and write-offs for equipment.[20] Less development of carbon energy in America translates into fewer American jobs. And the jobs generated by domestic exploration would necessarily remain in the United States, unlike jobs in alternative energy.

Employee Free Choice Act

The Employee Free Choice Act attempts to raise union membership by making it easier for unions to organize. The bill would take away the secret ballot in elections for union representation, as required for almost 75 years by the 1935 National Labor Relations Act, and impose mandatory two-year contracts through political arbitrators on newly-unionized firms if they and their union could not reach an agreement. Increased unionization discourages U.S. job creation, raises unemployment, and encourages businesses to move offshore. Michigan, one of the most highly-unionized states, had one of the highest state unemployment rates, 14.1%.[21]

An arbitration provision would require the Federal Mediation and Conciliation Service to appoint arbitration panels to write contracts between newly-unionized workers and firms, if their negotiators fail to agree on an initial collective bargaining contract within 120 days. The arbitrators' contracts would, by law, hold for two years.

If the arbitrators are political appointees, chosen by the director of the mediation service, himself a presidential appointee, neutrality may be compromised. Unions will know that the arbitrators are more likely to take their side in a Democratic administration, and employers will know that their offer will more likely be picked in a Republican administration. Neither case encourages true compromise.

Most important, free choice as a result of free collective bargaining would be lost. Neither the union nor the employer would have the option of walking away from a contract imposed by the arbitrators. This, a crucial flaw in the original

[20] Office of Management and Budget. " Budget of the United States Government, Fiscal Year 2011." Summary Table S-8.
[21] U.S. Department of Labor, Bureau of Labor Statistics.

EFCA bill, has not changed. Congress would revoke for newly-organized firms the traditional principle, in law, of free collective bargaining, namely that employers and unions may refuse to sign a contract they find unsatisfactory.

Pittsburgh was once a great industrial city, emblematic of hard-working American manufacturing. No more. Today, Pittsburgh is enjoying a sparkling renaissance as a city of service workers, no thanks to union organizers. Manufacturing has been driven away in part by excessive union demands. If passed, EFCA would drive manufacturing away from other parts of America also, increasing unemployment.

Regulating Private-Sector Employment

Whereas laws relating to private-sector employment generally have to go through Congress, the administration uses its power over firms that do business with the federal government to push additional regulations on federal contractors. The Davis-Bacon and Service Contract Acts and their associated regulations have always required contractors to pay "prevailing wage rates." Now, in addition, "project labor agreements" ensure that workers in the construction sector are being paid rates even higher than Davis-Bacon rates, and the administration is discussing giving preference to "high road" contractors.

These regulations will worsen unemployment by raising the price of labor, causing fewer workers to be hired.

Under project labor agreements, all employees have to receive union-approved wages and benefits, even if they do not belong to unions. This drives out small businesses from competing for these projects; raises their cost to the taxpayers; and funnels a larger stream of union dues from taxpayers' pockets to union treasuries.

On April 13, the administration issued final regulations for an executive order issued by Mr. Obama on project labor agreements.[22] The executive order favors union labor over nonunion shops on large federal construction projects—those worth over $25 million each. The order will take effect on May 13.

According to the new rule, "every contractor and subcontractor engaged in construction on a construction project agrees, for that project, to negotiate or become a party to a project labor agreement with one or more labor organizations."

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[22] "FAR Case 2009–005, Use of Project Labor Agreements for Federal Construction Projects (Rules and Regulations)." Federal Register 75 :70 (2010, April 13) pp. 19168-19179. http://edocket.access.gpo.gov/2010/pdf/2010-8118.pdf

This executive order makes job growth in the private sector harder to achieve. Taxpayer dollars do not go as far because projects are more expensive, and small businesses, the engine of job creation, hire fewer workers.

In addition to project labor agreements, the administration is discussing an additional method of regulating federal contractors, the "high road" procurement process. It was given new voice on February 26 with publication of the first annual report of the White House Middle Class Task Force.[23]

The term "high road" refers to contractors that pay their workers high wages and benefits. It was used by the AFL-CIO in recommendations to Mr. Obama's transition team. The AFL-CIO proposed that "a new administration should strengthen the existing responsible contractor requirements to ensure that government contracts go to high-road, law-abiding employers that provide good jobs and respect workers' rights." (Italics added.)[24]

This means firms that pay a "living wage"—defined by the Merriam-Webster dictionary as "a wage sufficient to provide the necessities and comforts essential to an acceptable standard of living" [25]—be given preference for government contracts, now worth approximately $500 billion a year and covering tens of millions of workers.[26]

Just as with project labor agreements, the government would award contracts to the high bidder, not the low bidder. That upside-down logic smacks of waste and corruption.

Some Democrats in Congress are in favor. Some Republicans ask whether premium wages would drive up federal spending, disadvantage small business, reduce employment of low-skill workers, and abrogate to the president authority to regulate wages that traditionally has been exercised by Congress.

On November 2, 2009, Democratic representative Rosa DeLauro of Connecticut wrote to her House colleagues asking them to support such procurement "reforms." Reforms would, she wrote, "ensure that taxpayer dollars go to high-

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[23] Middle Class Task Force. (2010). "Annual Report of the White House Task Force on the Middle Class." http://www.whitehouse.gov/strongmiddleclass/about

[24] "Turn Around American : AFL-CIO Recommendations for the Obama Administration." http://otrans.3cdn.net/360ed1682ee79e81f0_9lm6b8pjy.pdf

[25] Merriam-Webster's Online Dictionary

[26] "Memorandum for the Heads of Executive Departments and Agencies." (2010, March 4). http://www.whitehouse.gov/the_press_office/Memorandum-for-the-Heads-of-Executive-Departments-and-Agencies-Subject-Government/

road employers that obey the law and respect workers' rights and help expand the middle class."[27] According to her staff, six other representatives co-signed her letter.

On February 1, five Republican senators—Susan Collins of Maine, Robert Bennett of Utah, Lindsey Graham of South Carolina, Tom Coburn of Oklahoma, and Olympia Snowe of Maine—wrote to the president's budget director, Peter Orszag, expressing concern that the new "high road" preference would increase the cost of government and disadvantage small business.[28] Three days later, two Republican representatives, Darrell Issa of California and John Kline of Minnesota, wrote to Jared Bernstein, staff director of the Task Force, arguing that it was inappropriate to use an executive order to circumvent Congress's authority to regulate wages.[29]

The Task Force report asserts that "substandard wages and benefits can have negative impacts on employees' productivity and stability, which in turn can reduce the quality of performance on Federal contracts."[30] It states that "contracts should not be awarded to irresponsible sources with unsatisfactory records," and that "we expect to produce shortly some new recommendations to bring these ideas into practice."

Presumably, the administration would simply require firms that do business with it to pay higher wages than required by the law now, and deliver non-wage employee benefits such as sick leave, health insurance, and retirement income.

Such a requirement, raising employment costs for contractors, would conflict with the president's own professed goals, to lower the deficit and raise employment throughout the economy. It would be particularly detrimental to low-skill workers, because the gap between their wages and the "living wage" is the highest. Employers would have an incentive to lay off these workers and hire those with more skills.

The higher cost of government contractors would be passed on to the public through higher taxes. But raising wages for everyone is like playing Russian roulette: someone takes a bullet and loses a job. All of the firm's workforce must

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[27] Represemtative DeLaur, Rosa L. (2009, November 2) "Support Common Sense Federal Procurement Reforms." [Letter to House Colleagues.] http://www.govexec.com/pdfs/040110rb1c.pdf

[28] Senators Collins, Susan, Robert Bennett, Lindsey Graham, Tom Coburn & Olympia Snowe. (2010, February 1). [Letter to Honorable Peter R. Orszag.] http://www.govexec.com/pdfs/022610rb1.pdf

[29] Schoeff, Mark. (2010, February 26). "Government Mulls Contractor Rules on Wages, Benefits". *Workforce Management*.

[30] Middle Class Task Force. (2010).

be paid higher wages for the firm to qualify as a federal contractor, and some would necessarily lose their jobs.

While the American tradition is that a vibrant private sector supported a limited public sector—with the latter offering lower-paying jobs with more security—that tradition is being overturned. To a large degree, the federal government's focus is now on creating high-paying public sector jobs, with generous pension and other benefits, at the expense of a dynamic and vital private sector.

Recommendations

It is not surprising that employment is still stagnant. The latest Job Openings and Labor Turnover Survey for February, published earlier this month by the Labor Department, shows job openings and hiring at near-lows. There are over 5 unemployed persons per job opening, compared to 1.5 three years ago. And in February there were 2.7 million job openings, compared to 4.5 million three years earlier. Additionally, this February saw 4 million hires, compared with almost 5.3 million three years ago.[31]

What is needed is a whole new approach to job creation. Approximately $358 billion of the $787 billion stimulus has been spent, leaving $429 billion more.[32] There's still time to reallocate the remainder.

Lower taxes encourage firms to expand and hire workers. Rather than allowing taxes to rise on January 1, 2011, Congress should keep taxes at current levels and cut spending, as proposed by Congressman Paul Ryan in his Roadmap for America's Future.

In addition, Congress could cut the minimum wage to $5.15 per hour, and abolish it entirely for teenagers. It could leave further environmental regulation and the Employee Free Choice Act until the unemployment rate has declined, roll back the executive order on Project Labor Agreements, and put aside discussion of "high road" contracting.

As well as stimulating hiring, Congress needs to explore new ways to reorient the delivery of unemployment benefits to encourage employment and get the long-term unemployed back to work. Protracted periods out of work cause deterioration in job skills and networks, and the development of poor habits. Rather than a series of checks spread over a six-month period, I suggest

[31] U.S. Department of Labor, Bureau of Labor Statistics. (2010). "Job Openings and Labor Turnover – February 2010." http://www.bls.gov/news.release/pdf/jolts.pdf.
[32] CNNMoney.com. "CNNMoney.com's bailout traxker." http://money.cnn.com/news/storysupplement/economy/bailouttracker/.

providing unemployed workers with a lump sum that they can use for training, relocation, or the purchase of a car to get to another job. If they found employment before the funds were used up, they could keep the remainder as an incentive to return to work early.

Community colleges offer a vast resource nationwide that can be used for training the long-term unemployed. In a study that I coauthored with Louis Jacobson and Christine Mokher on the use of community colleges to promote economic mobility, we suggest providing career counseling and assessment to ensure that the unemployed understand the full range of course and employment options open to them.[33] In addition, it is important to provide job placement services to help students completing programs find suitable careers, using the skills they have developed.

Many community colleges do not have the resources to offer enough slots in high-cost, high-return courses, such as nursing. They are turning away candidates, even though there are vacancies in local hospitals. Funding mechanisms for community colleges need to be altered to remove perverse incentives to enroll the unemployed in low-return courses, or other courses they are unlikely to complete.

It would be a useful investment to adopt accountability systems capable of identifying benefits and costs that could provide the guidance needed by community colleges to raise their return on educational investments.

In addition, Congress should consider some forms of wage insurance, to encourage unemployed to take lower-paying jobs, with the government paying part of the wage difference.

Wage insurance goes beyond unemployment insurance. It pays a worker who has a job. The most often-cited version of the proposal was developed by Brookings Institutions scholars Lael Brainard, Robert Litan, and Nicholas Warren. Full-time workers would receive half the difference between the wages of a lost higher-paying job and a new lower-paying job, with benefits capped at $10,000 a year for two years.[34]

One version of wage insurance can be obtained under Alternative Trade Adjustment Assistance. It compensates manufacturing workers age 50 and older

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[33] Furchtgott-Roth, Diana, Louis Jacobson & Christine Mohker. (2009). "Strengthening Community Colleges' Influence on Economic Mobility." Economic Mobility Project, The Pew Charitable Trusts.

[34] Brainard, Lael, Robert E. Litan & Nicholas Warren. (2005). "Insuring America's Workers in a New Era of Offshoring." *The Brookings Institution Policy Brief*, No. 143.

who lose jobs to imports. Benefits are capped at $5,000 annually, for 2 years. Wage insurance might expand ATAA to the entire workforce, or it could be limited to those who work full-time, have been in their jobs for at least two years, and are above a certain age, perhaps 40 or 50. This may encourage workers to return to work sooner than they would otherwise, arresting the decay of skills and reducing payments of unemployment benefits.

Because unemployment varies widely by locality and industry, the challenge is to encourage workers either to get retrained for skills with expanding demand or to relocate to where the new jobs are. Will wage insurance motivate unemployed workers in Rochester to move to Tuscaloosa to take six-figure jobs that don't require a college degree, or will it encourage them to stay where they are?

With over 15 million Americans unemployed, 44% for six months or more, Congress and the Administration need to move on multiple fronts both to removing obstacles to job creation and helping those who are out of work. These approaches need to be tackled simultaneously, and the time to start is now.

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