S. HRG. 116–194

CONNECTING MORE PEOPLE TO WORK

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

NOVEMBER 20, 2019

Printed for the use of the Joint Economic Committee

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
39–553 WASHINGTON : 2020

JOINT ECONOMIC COMMITTEE

[Created pursuant to Sec. 5(a) of Public Law 304, 79th Congress]

CONTENTS

OPENING STATEMENTS OF MEMBERS

WITNESSES

SUBMISSIONS FOR THE RECORD

CONNECTING MORE PEOPLE TO WORK

WEDNESDAY, NOVEMBER 20, 2019

UNITED STATES CONGRESS,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The Committee met, pursuant to notice, at 2:15 p.m., before the Joint Economic Committee, Mike Lee, Chairman, presiding.

Representatives present: Schweikert, Beatty, and Frankel.

Senators present: Lee, Hassan, Cruz, and Peters.

Staff present: Melanie Ackerman, Robert Bellafiore, Sol Espinoza, Harry Gural, Amalia Halikias, Sema Hasan, Colleen Healy, Ziyuan Huang, Christina King, Wells King, Kyle Moore, Hope Sheils, Kyle Treasure, Scott Winship, and Randy Woods.

OPENING STATEMENT OF HON. MIKE LEE, CHAIR, A U.S. SENATOR FROM UTAH

Chairman Lee. Good afternoon, and thank you for joining us for this hearing of the Joint Economic Committee.

The American labor market, which we will be discussing today, is strong. The current economic expansion is the longest that we have encountered in all of U.S. history. Our unemployment rate has remained low, at or below 4 percent, for the last 20 months and, staggeringly, encouragingly, it continues to fall.

Average wage growth has of course slowed down a bit, but it remains strongest for many workers who in the past have been paid less well than others. The gains have been broadly shared. African-American and Hispanic unemployment rates are today at all-time historic lows. Female labor force participation is approaching an all-time high, and analysts speculate that we still at this moment have yet to reach full employment.

Yet, behind these indicators of very significant, robust economic strength, there lies a worrisome long-term trend—what Nicholas Eberstadt at the American Enterprise Institute has called “an invisible crisis.” Many American men are leaving the workforce altogether. Though on the rise, the employment-to-population ratio for prime age men, those between the ages of 25 and 54, is near levels that we have not seen in this country for decades, since the Great Depression in fact.

Even in today’s really strong, unusually good labor market, we see that once top connections to the workplace have not only started to slacken, but they have also started to fray. The economic implications of such disconnection should be clear to all, and anecdotally many of us have observed this in one fashion or another. But the Joint Economic Committee’s Social Capital Project, as part of its mission to understand and explain what we refer to as "associational life in America," has studied the plight of these disconnected men and identified potentially greater, more severe consequences for the health of our families and our communities.

In its report, which bears the title "Inactive, Disconnected, and Ailing: A Portrait of Prime Age Men Out of The Labor Force," the Joint Economic Committee's Social Capital Project found that disconnected men are more socially isolated, and they are less happy. And, that this is a problem. They are more isolated and more disconnected than their employed peers.

At the community level, the disappearance of work can lead to the population brain drain and the decline of institutions of civil society.

If we are to expand opportunity by strengthening families, by strengthening communities and other institutions of civil society, then we have to devote our attention to work, a means of supporting ourselves and our families, a source of meaning and of purpose, and a site for affirming and satisfying and connecting relationships.

I hope our discussions this afternoon will give us something of a clearer sense of how to connect more Americans to this wellspring of opportunity and connectedness that we need so much in our society for it to thrive.

At this afternoon's hearing, we will seek to better understand the forces shaping the labor market and Americans' connections to that labor market.

A variety of reasons have been offered to explain why fewer Americans in their prime years are entering the workforce. Several interdependent themes emerge from most analyses. We have got declining economic dynamism, falling worker mobility, stagnating wages, trade exposure, employment polarization, skill-biased technological change, and an expanding safety net that sometimes has implications beyond those that were intended at the time of the creation of the program at issue.

Our next step will be to consider policy reforms consonant with the most plausible explanations for declining prime age labor force participation.

What barriers to opportunity can we identify first and then try to remove? How might incentives to join the workforce be strengthened? What might the government be doing to impair the removal of those barriers? How might we more smartly invest human and social capital to create new opportunities?

Possible solutions may involve reforming the safety net, modernizing labor regulations, and increasing wage growth. The Social Capital Project will cover a number of these topics in a forthcoming report, all of them in fact. And that report will in turn be informed by the insights of today's panelists.

I look forward to their testimonies, and am grateful to each of our panelists for joining us today for this productive conversation aimed at drawing disconnected Americans off the sidelines and into the workplace.

I now recognize Senator Hassan for her opening remarks.

[The prepared statement of Chairman Lee appears in the Submissions for the Record on page 32.]

OPENING STATEMENT OF MARGARET WOOD HASSAN, A U.S. SENATOR FROM NEW HAMPSHIRE

Senator Hassan. Well thank you, Chairman Lee. Thank you to our panelists for being here today.

Mr. Chairman, I appreciate today's focus, getting this Committee to focus on the important issue of getting more Americans to participate in our workforce. Members of both parties agree that we must increase labor force participation. While low unemployment rates in my home State of New Hampshire and across the country are welcome news, we know that a low unemployment rate can also present real challenges, from businesses not being able to find workers, to additional pressure being put on the productivity of our current workforce.

For a variety of reasons, too many Americans are falling out of the workforce, and a smaller percentage of Americans participating in the workforce can drag on economic growth.

It is critical that we address the root cause that results in people not seeking employment. And today's hearing presents an opportunity to address those factors and look toward bipartisan solutions.

To start, as our economy changes rapidly individuals may not have the skills and supports that they need to enter and remain in the workforce. And I have heard from businesses throughout New Hampshire that one of their top challenges is finding more qualified workers, even at entry level jobs. Addressing this challenge requires us to both strengthen job training efforts and remove the barriers that prevent too many people from participating or remaining in the workforce.

I have introduced bipartisan legislation, The Gateway To Careers Act, that would do just that. This bill would provide grants to support partnerships between community or technical colleges and workforce development partners such as State workforce development boards, industry associations, and community-based organizations.

These partnerships would help remove many of the barriers that prevent too many people from completing a two-year degree or credential by connecting them to support services, including housing, mental health, and substance use disorder treatment, assistance in obtaining health insurance coverage, offering career counseling, transportation, and other services.

By strengthening job training and support services, we can connect more people with the tools that they need to enter and succeed in our changing economy.

Another systemic barrier that many Americans face is a lack of access to paid leave and to child care. Frequently those who want to work are held back by pressing family responsibilities that make it impossible.

A recent report by the Hamilton Project showed that 9.6 million women who are not participating in our workforce list family and home responsibilities as their primary reason.

And, Mr. Chair, I request that the Hamilton Project report, which is called "Labor Force Nonparticipation: Trends, Causes, and Policy Solutions," be entered into the record.

Chairman Lee. Without objection.

[An excerpt from the report titled "Labor Force Nonparticipation: Trends, Causes, and Policy Solutions" appears in the Submissions for the Record on page 61.]

Senator Hassan. Thank you. By enacting more family friendly policies that enable people to balance their work and family responsibilities, we can help more people join or rejoin the labor market.

We also must break down employment barriers facing traditionally disadvantaged communities. In 2018, Brookings found that only 4 out of 10 working-age adults who experienced disabilities are employed. So we also need to address the challenges that those who experience disabilities encounter entering the workforce.

As governor, I signed legislation banning employers from paying workers with disabilities at a lower rate than the minimum wage, making New Hampshire the first State in the Nation to ban subminimum wages for people who experience disabilities.

We must make this a Federal priority, which is why I have cosponsored the Transformation To Competitive Employment Act, which would phase out the practice of paying a sub-minimum wage to workers who experience disabilities nationwide.

We should also make sure that workers who experience disabilities receive the support they need to succeed in the workplace and are less likely to fall out of the labor market.

Finally, no conversation about increasing participation in our workforce can exclude addressing the cost of higher education. Right now, students face far too many obstacles in getting the education that they need, particularly when it comes to affordability.

No one who is pursuing higher education so that they can build a better future for themselves and in turn for our economy should have to put that goal on hold because they cannot afford it. And they should not have to take out substantial debt to do so, either.

I will continue working on strategies to increase college affordability and to lower the burden of student debt so that more workers can get the education that they need to thrive. We can all agree that tackling our workforce challenges requires a multifaceted and comprehensive approach. There is not a single solution, and we have multiple opportunities to connect more people to work.

I look forward to hearing more from our witnesses today, and now I will turn it back to you, Chairman Lee.

[The prepared statement of Senator Hassan appears in the Submissions for the Record on page 32.]

Chairman Lee. Thank you, Senator Hassan.

I would now like to introduce our panel of distinguished witnesses. First we have Dr. Veronique De Rugy who is a Senior Research Fellow at the Mercatus Center at George Mason University. Her primary research interests include the U.S. economy, the Federal budget, homeland security, taxation, tax competition, elimination of the Export-Import Bank, and financial privacy. Just a few small issues that do not affect anything else [laughing].

Every one of them are issues of great importance. Previously Dr. De Rugy had been a Resident Fellow at the American Enterprise Institute. Also, a Policy Analyst at the Cato Institute. And a Research Fellow at the Atlas Economic Research Foundation.

So, Dr. De Rugy, welcome.

Oren Cass is a Senior Fellow at the Manhattan Institute, where his work focuses on strengthening the labor market, reforming the social safety net, and organized labor, and the costs of regulation. Mr. Cass wrote a widely discussed book in 2018 titled "The Wants and Wonder"—I am sorry, "The Once and Future Worker: A Vision for the Renewal of Work in America."

Before joining the Manhattan Institute, he was Domestic Policy Director for Mitt Romney's 2012 presidential campaign. Welcome, Mr. Cass.

We next have Jay Shambaugh, who is the Director of the Hamilton Project and a Senior Fellow in Economic Studies at the Brookings Institution. He is also a Professor of Economics in International Affairs at the Elliot School of International Affairs at the George Washington University. He served under the Obama administration as a member of the White House Council of Economic Advisers, where he was previously Chief Economist. So thank you for joining us today, Mr. Shambaugh.

And we have Jose Ortiz, who is Executive Director of the New York City Employment and Training Coalition. Mr. Ortiz has spent his career building and overseeing programs at organizations focused on education, leadership, innovation, and workforce development. He previously served as the Managing Director of External Affairs, Partnerships, and Business Development at Pursuit, a Long Island City-based nonprofit that prepares workers without college degrees for software development jobs at some of the world's most innovative companies. Welcome, Mr. Ortiz.

So thank you for joining us today. Dr. De Rugy, we will start with you.

STATEMENT OF DR. VERONIQUE DE RUGY, SENIOR RESEARCH FELLOW, MERCATUS CENTER, ARLINGTON, VA

Dr. De Rugy. Mr. Chairman, members of this Committee, thank you for having me today. I am a Senior Research Fellow at the Mercatus Center at George Mason University. So ensuring that American workers can stay attached to the workforce is a worthy goal, and in pursuit of this goal understanding what the problems with the labor markets are or are not, and understanding the reasons for the lack of attachment to the labor force by some workers is key to designing the right policy. And for that, to that effect, I will be making three points.

So first, the labor market and the state of the American workers are better than commonly suggested.

However, a small but sizeable segment of working-age Americans have not shared in that progress.

Third, some government policies at the Federal, State, and local levels today make it harder for some workers to tap into a particular market in which workers are paid higher wages.

So first, as, Mr. Chairman, you have said, the unemployment is at its lowest in 50 years, no matter how you measure it. So is poverty. And while some argue that the real wages have been stagnant over the past several decades, measured with the right deflator and after adjusting for taxes and transfer, real wages have unquestionably increased. The same is true of real median household income, especially after adjusting for household sizes.

Also, while millions of manufacturing and other middle-skill jobs have disappeared, that decline has been more than offset by the increase in high-skill jobs.

Second, despite this healthy employment number, some Americans, disproportionately working age men, have dropped out of the labor force entirely. This phenomenon has rightly received serious attention from scholars and policymakers.

One conclusion of this research is that American workers confronted with economic disruptions today face relatively new and more serious problems than they were facing before. In the past, economic shocks were followed by an increase in the unemployment rate. But as people moved away to find jobs, or change jobs in industry altogether, the unemployment rate would go down. Well, not in this case.

Instead, Americans, especially those who were not college educated, do not necessarily move away and remain in hard-hit areas even if it means staying unemployed.

So my third point is that some policies reduce interstate mobility, or they change incentives for workers on the margins who work less or not at all. And they are in desperate need of reform. So I will only cite three type of programs.

So the first one, which will not be a surprise to this Committee, is land and zoning regulations. They have played an oversized role in exacerbating work adjustment issues. These regulations increase the cost of housing in higher-wage areas and make it harder to move there.

Standard estimates are that even modest housing deregulation would lead to a large increase in the supply of housing in the most prosperous areas in the country, which would give lower income workers greater access to higher-wage labor markets.

Land and zoning regulations also create an incentive for a low-skilled worker to stay where housing is cheap, even though the job opportunities there are more limited.

Second, occupational licensing laws raise barriers between workers and better job markets. These requirements operate as barriers to interstate mobility as they vary between states and cannot be transferred.

Occupational licensing also increases the price of goods and services for consumers. In the case of services such as child care, this effect is an impediment to working parents wishing to stay attached to the workforce.

Third, in addition to the limits on access to better job markets, some government policies may reduce a worker's incentive to seek employment. Unfortunately, Social Security disability incentive is one of these programs. The program was created to support those struck with health conditions or injuries that make it difficult or impossible to work, and it continues, thankfully, to play that role.

But scholars have found that the program has also created an incentive not to work for a rising number of adults with limited earning potential who are physically able to work.

In conclusion, before policymakers rush to implement new Federal Government programs to address worker adjustment issues, we should acknowledge that some of the challenge in connecting workers to the workforce can be created by existing programs.

Removing these barriers would lead to more opportunities and better lives for those who have been frozen out of the gains enjoyed by most workers.

Finally, and I think this is important, while these reforms may not be the whole answer at all to this challenge, a failure to make these changes will make other reform efforts by the Federal Government ineffective.

Thank you, and I am looking forward to your questions.

[The prepared statement of Dr. Veronique De Rugy appears in the Submissions for the Record on page 34.]

Chairman Lee. Thank you, Dr. De Rugy. We will turn next to Mr. Cass. I may have to go vote in a moment, but I will be right back if I do. Thank you.

STATEMENT OF MR. OREN CASS, SENIOR FELLOW, MANHATTAN INSTITUTE, NEW YORK, NY

Mr. Cass. Thank you, Chairman, Madam Vice Chair, and members of the Committee. My written testimony focuses on three topics.

First, explaining why in my view connecting people to work is so important and not something the government benefits and transfers can replace.

Second, reviewing the data on the declining health of the labor market for men in particular, and the accompanying decline in labor force participation.

And third, outlining the kinds of policies we might pursue in response in areas ranging from regulatory reform, education reform, trade and immigration policy, organized labor, a safety net, and our programs of taxes and subsidies.

Here I would like to focus on two points in particular, because certainly a wide variety of factors influence the long-term slide in labor force participation for American men.

For instance, changes in cultural norms and home environments may both be discouraging men from working and reducing their capacity. The labor market, meanwhile, has failed to generate attractive opportunities that prospective workers are capable of seizing.

Attempts to allocate responsibility among these factors have set off two robust, but in my view ultimately irrelevant, debates. The first of these is, have wages technically risen or fallen?

Men's median weekly earnings have fallen by seven percent since 1979, if adjusted for inflation using the standard CPI from the Bureau of Labor Statistics; but an alternative measure from the Bureau of Economic Analysis suggests that earnings have increased over the period by 12 percent.

Even using the more optimistic estimate, it is important to recognize the gains hold only for men with college degrees—excuse me, only for women with college degrees. All other groups saw declines.

It is also worth noting that the problem is particularly pronounced with younger men, exactly those who in many cases we are most concerned with connecting to the workforce in the first place.

The U.S. Census Bureau reports that between 1975 and 2016 the share of men aged 25 to 34 earning less than $30,000 per year increased from 25 percent to 41 percent. And that of course is among those who are working, ignoring the higher share that are earning nothing.

I think it is also important to recognize when we discuss these data that, while my colleague, Dr. De Rugy, is correct that these data look different with respect to taxes and transfers and household income, neither of those metrics is relevant to how an individual worker would perceive the decision to enter the labor market. If anything, at the margin but increases in taxes and transfers are likely to have made entering the workforce less attractive.

But ultimately, whether wages are slightly lower or higher in real terms is beside the point. No one believes that a 5 percent wage decline over 40 years would produce a labor market exodus while a 5 percent wage increase would flood the market with new workers. The important fact, regardless, would be that men's median earnings have fallen woefully behind the trajectory of growth in the wider economy, and the rising costs associated with achieving a middle class lifestyle.

Our concern ultimately is not only about the absolute value of the wage, but also its relative value. The easiest way to see this is to recognize that the fact that men may have treaded water since 1970 is an arbitrary point of comparison. We might just as well ask whether or not men are doing better than they were in 1910. And if we truly believed in absolutely that wage was all that mattered, we might posit that as long as men were earning as much as they had been in 1910 there would be no problem.

Obviously I do not think anyone believes that, and so we should not necessarily believe that stagnation since 1970 is any more acceptable.

The second robust but relevant debate centers on attempts to allocate responsibility across the myriad factors that may be influencing men's behavior.

Stagnated wages may be one problem, but many people view the cultural problem to be even larger. And some worry that, if it is truly a cultural problem, then policymakers would be helpless.

In my view, that is not the right way of looking at it. Regardless of how wage is assigned the various factors, the question for policymakers today is not how we got into the situation but how to get out of it. Huge, immovable cultural and economic burdens may push toward harmful decisions, but so too a number of factors push more constructively: behaving responsibly, planning for the future, holding a job, sacrificing for a family.

People are aware that these things really do have benefits. And in the past in a world not unrecognizably different from the present, with many critical conditions resting in similar repose, men were more likely to work.

Whatever marginal shift changed outcomes for the worse, other marginal shifts, even different ones, can cause just as much change for the better. So whether major factors are cultural, or whether major factors are ones that policymakers cannot affect, the question for us for today is what factors, economic or cultural, can policymakers affect?

This is obviously most strongly the case when it comes to the labor market, the health of the economy, and the kinds of jobs that are created. If more and better jobs are more accessible to more people, I think most of us would agree, more people would be more likely to work. And in achieving that goal, I believe better public policy can help.

Thank you.

[The prepared statement of Mr. Oren Cass appears in the Submissions for the Record on page 41.]

Representative Schweikert [presiding]. Thank you, Doctor. And just a quick caveat for everyone else who has been staffing those things, do understand. I may be up here alone, which has always been one of my dreams——

[Laughter.]

Representative Schweikert. But you are on hundreds of televisions right now around the Capitol with staff and others watching you. So we cannot have as much fun as I would like to.

Doctor.

STATEMENT OF DR. JAY SHAMBAUGH, DIRECTOR, THE HAMILTON PROJECT, SENIOR FELLOW IN ECONOMIC STUDIES, THE BROOKINGS INSTITUTION, WASHINGTON, DC

Dr. Shambaugh. Thanks very much. Mr. Chairman, Madam Vice Chair, members of the Joint Economic Committee, thank you for inviting me to discuss this important topic. Getting more people into the labor market and into jobs is a central part of raising living standards.

The United States used to be a leader in labor force participation rates, or LFPR, for both men and women, but now substantially lags behind many other advanced economies.

Although overall U.S. LFPR has been stable since about 2015, it had been on a downward trend beginning around the year 2000. Much, but not all, of that decline is attributable to the aging of the population as more adults are retirement age. If we look across age groups, younger adults are participating less than they used to, largely because more of them are in school.

Adults over 55 are participating at higher rates than they used to. And for those aged 25 to 54, what economists often call prime-age workers, LFPR has been rebounding since about 2015 but is still below its 1999 peak. There is room in the labor market for participation to rise.

Prime-age men have seen a persistent downward trend in LFPR over the last half century, largely due to declining rates among men with less education. And research has shown that this group has seen a decline in demand for their labor. And prime-age men with less than a high school education make about three dollars less an hour than they did in 1980, adjusted for inflation.

In my work with the Hamilton Project, we have argued that a great deal can be learned about how to lift participation by looking at the gaps across groups and the specific barriers they face, and that is what I would like to focus on today.

For example, LFPR is 94 percent for prime-age men with a college degree or more, but 86 percent for those with a high school degree, and just 80 percent for those with less than a high school degree. Taking steps to increase training and education, along with steps to lift wages, could improve labor market outcomes and directly lift participation for that group.

Low-wage U.S. markets are very unstable. And we can over-estimate how many people are truly out of the labor force as opposed to struggling to stay in it. Of those out of the labor force in a given month who are not disabled, students, retired, or care givers, at least three-quarters are actually back in the labor force at some point in the next 16 months.

If we improve pay, schedules, bargaining power, and worker rights in these jobs, we can make them more stable and that could help participation. It is important to remember, though, that women represent the largest pool of untapped labor in today's labor market. Of the 22 million prime-age individuals out of the labor force, almost 11 million list, quote, "taking care of family member" as the reason. And 90 percent of those individuals are women.

While some are home by choice, 35 percent of women who say they want a job but are not working list family responsibilities as the barrier. And evidence shows that better availability of child care in particular for lower income households would allow more who want to work to be in the labor force, and that well-designed parental leave policies could keep more women attached to the labor force after having children.

There are also massive gaps in LFPR across places. In top-ranked counties, prime-age LFPR is 88 percent, compared to 70 percent in bottom-ranked counties. And this gap dwarfs the recent drop in nationwide LFPR. Place-based policies that try to spur labor demand in struggling regions could lift national participation.

There are also huge barriers to working for the formerly incarcerated. African-American men have lower rates of participation, likely due in part to disproportionate incarceration rates, as well as what studies show to be considerable discrimination in labor markets. Reducing the punitiveness of the criminal justice system in combating these barriers is important.

Finally, the second largest group out of the labor force after care givers are those listing health or disability as a barrier. We need better health care and treatment to keep people in the labor market. It is important to note that it is poor health, not the safety net, that is a major barrier to work. Not all of those listing health as a reason for being out of the labor force receive disability payments, and reported health measures for this group show sharply worse health relative to the overall population. Furthermore, there is no evidence that increasing work requirements in SNAP or introducing them into Medicaid lifts LFPR meaningfully.

Beyond removing barriers, creating jobs is also crucial. A strong economy can raise wages, force employers to cast a wider net to find workers, and draw people into the labor market.

Conversely, economic downturns lower LFPR and should be minimized by making more use of automatic fiscal stabilizers. Americans are trying to work, but they often face major barriers. And it is reducing those barriers and maintaining strong labor markets that should be a policy focus.

I look forward to any questions.

[The prepared statement of Dr. Jay Shambaugh appears in the Submissions for the Record on page 52.]

STATEMENT OF MR. JOSE ORTIZ, JR., EXECUTIVE DIRECTOR, NEW YORK CITY EMPLOYMENT AND TRAINING COALITION, NEW YORK, NY

Mr. Ortiz. Good afternoon, and thank you, Chairman Lee, Senator Hassan, and Members of the Joint Economic Committee.

My name is Jose Ortiz, Jr., and I am the Executive Director of the New York City Employment and Training Coalition. Every day the workforce development system, including our 160-member organizations that serve more than 500,000 under-served New Yorkers, demonstrates that given the appropriate tools to address specific individual and systemic challenges, people are resilient and capable of learning at any stage of their lives.

The country is experiencing unprecedented economic growth. And while we know that talent exists everywhere, in towns, cities large and small, a significant percentage of people across the Nation lack relevant work experience and professional skill that would make them viable candidates for employment across industries.

Research shows us that, while 53 percent of all jobs in today's labor market are middle-skill, only 43 percent of U.S. workers are trained at this level, which means that industries cannot grow to their full potential, and American workers face highly limited pathways into careers with good wages.

In addition to the moral imperative, there is an economic imperative to increasing investments in workforce development. Sixty-two percent of small- and mid-sized business leaders reported that it is difficult to find skilled workers. Seventy-nine percent of these business leaders also express their support for new public investments in workforce policies.

There are roughly 75 million people who are unemployed, underemployed, or not working but not counted in unemployment figures. This includes (1) adults with post-secondary credentials; (2) adults living in poverty; (3) individuals with some college but no credential; and (4) young people ages 16 to 24 not in school or working.

Effective workforce programs contain critical components that, when combined and structured to be reactive to each individual's needs, provide people with deep interventions and intensive services required to ensure successful entry and growth in a career.

Recent data suggest that taxpayers reap as much as four dollars for every one dollar spent on workforce programs.

Per Scholas, which provides tuition-free technology training to adults across the country, is a clear example of the impact of workforce programs. Per Scholas's track record includes a 400 percent increase in graduates' post-training income and an 80 percent placement rate into quality and stable careers in the growing tech field.

Deris of Cincinnati is a 41-year-old Black man that exemplifies the tenacity and potential that exists in all of our communities. Having to drop out of college due to family obligations, Deris spent years in "tech adjacent" jobs with limited career growth.

As valedictorian of his 14-week IT Support course, he found a job as a contractor with TEKSystems working on an internet security team. His new confidence, in-demand skills, and network of tech employers has enabled him to provide much more stability for his family, and even prompted him to start his own business.

In New York, there is a direct correlation with higher unemployment rates among individuals who identify as Black, Latinx, and/or female, making programs like Per Scholas—whose students are 87 percent people of color and 30 percent women—critical to closing that talent gap.

However, we know that this problem is also affecting non-educated Whites across the Nation, and especially individuals with additional challenges to employment such as criminal justice histories or substance abuse issues.

To tackle these challenges, national organizations like Seedco have targeted programs that combine in-demand skill development and behavioral and interpersonal growth. Jared, a 24-year-old White man born and raised in rural Arkansas with an early criminal history, sought out Seedco in Memphis, Tennessee, seeking to transform his life through work.

Participating in Seedco enabled him to think critically about his own choices, explore viable career pathways, and led him to the Kingdom Low Voltage Apprenticeship Program. Jared is currently earning $11.50 per hour with Torey Low Voltage Communications, while training to become a certified telecommunications technician. This is significantly higher than the Tennessee minimum wage of $7.25.

Employment training programs like SEEKO are not only critical to connecting more people to work, but are also pivotal to our Nation's ability to remain competitive in the face of automation.

Over the next 10 years, more than 10 percent of all occupations can be fully automated. The same study found that 40 percent of all work activities have the potential to be automated using current demonstrated technologies.

The largest occupational categories in the U.S. are also the ones with the greatest potential for automation-related displacement. Office support, construction, mining, agriculture, forestry, fishing, hunting, retail trade, accommodation, and food services, and manufacturing. The good news is that job growth will net positive over the next 10 years.

As the stories of Deris and Jared and the organizations that trained and supported them along the way show, we can equip people with 21st century skills needed to create sustainable futures for themselves and their families. This task is enormous.

However, the Federal Government must ensure that workforce development programs like the ones highlighted and the hundreds that are not currently funded receive the support that they need. Once successful, they will raise the standard of living for all who reside in our towns and cities across America. Thank you.

[The prepared statement of Mr. Jose Ortiz, Jr., appears in the Submissions for the Record on page 56.]

Representative Schweikert. That is amazing. You hit the time perfectly. In the spirit of love and bipartisanship, Congresswoman Beatty.

Representative Beatty. Thank you so much.

Let me say thank you to all the witnesses. Please excuse me for my lateness, but we have House Financial Services' Housing Committee at the same time. But I have had the opportunity to listen and to read your testimony and hear 50 percent, I guess, of the testimony.

So, Mr. Cass, let me start with you. In reading your testimony and words out of your book, "The Once and Future Worker," I find an interesting statement there. And let me quote it, in your hypotheses that "A labor market in which workers can support strong families and communities is the central detriment of long-term prosperity and should be the central focus of public policy."

And I think about, as we were walking over here we were talking about child care and the expense of things. So I am trying to figure out, is that statement saying that the detriments are things that we have to do to support our families that many people cannot afford?

For example, I just read something for child care. If you have one child here in Washington, D.C., it can be anywhere from $2,000 to $2,500 for that child. If you have two children, that is more than some of the folks who work on my staff make.

And so what is the answer to that statement in your book? What is it we should be doing in public policy? And then I am going to come to an opioid question for you, Mr. Ortiz, since you talked about drug addiction. And then, Mr. Shambaugh, I am going to come back with a question for you.

Mr. Cass. Well thank you, Congresswoman. My view would be that our goals should be an economy and a society in which self-sufficient households can support themselves and their families. And so——

Representative Beatty. But we know most people are not self-reliant or self-sufficient when we look at the number of people. I just left a hearing, talking about public housing, and talking about poverty. One in five children go to bed hungry at night. There are many disparities. When you think about women of color, they make 74 cents on the dollar compared to their White male counterparts.

So how do we get there?

Mr. Cass. Well, as I said, I think that should be the goal, which means that we need to create a labor market that has better paying jobs, and prepare people to work productively in those jobs.

I think the question of——

Representative Beatty. Child support? Would you say a public policy issue raising the minimum wage? We know for someone in my district to even afford a two-bedroom apartment, they need to make $18 an hour minimum wage. What do you think about that as a policy change?

Mr. Cass. Raising the minimum wage to $18 an hour?

Representative Beatty. Or, $15. Pick a number.

Mr. Cass. Well I think this exercise of picking a number underscores exactly why I do not think that is a sensible response. I think what we wish people earned is a different question from whether there are likely to be jobs available.

Representative Beatty. So let me ask it this way. Do you think the minimum wage that we have across the country in many of the communities like mine is sufficient to do what you are saying?

Mr. Cass. I think that minimum wages should be set at the local level based on local labor market conditions.

Representative Beatty. And I agree with you. So in our market we know it is far too low. It would need to be a minimum of somewhere between $15.

Mr. Cass. I am sorry if I as unclear. When I say "local labor market conditions," I do not mean with reference to what things cost for people. I mean with reference to what the labor market can support.

And so, while again we might wish that everybody were earning a wage that allowed them——

Representative Beatty. Oh, I think the labor market could support it.

Mr. Cass. Well do you know what the median wage in your market is?

Representative Beatty. Yes. When we look at that, we know that there are far too many people who are not making it. But yet on the other hand, we know because of discrimination and some of the disparities that you also have people who are not being hired in that. So, you know, if we lived in an equal and fair world, I would probably agree with you. But I am going to run——

Mr. Cass. Well if I could say one thing just briefly, just to clarify, when I asked what the median wage is, historically economists have looked to the median wage. So what the person, midway through the distribution, earns as a reference point for what the labor market can support as a minimum wage.

And so nationwide, for instance, the median wage is still only about $18 an hour. There are certainly local urban markets where it is much higher and a much higher minimum wage could be supported. But if you have a local market where the median wage is $18 an hour, raising the minimum to $15 or $18——

Representative Beatty. No, no, I understand that. And we are not into that, of course. I think I have 10 seconds, so I was going to ask you a question, and I will get it out and I will not be able to get the answer from you.

Representative Schweikert. I am hopeful you and I are going to have two or three rounds.

Representative Beatty. Oh? Okay. Then I will yield back.

Representative Schweikert. Thank you, Congresswoman. I am going to go off script a little bit because I actually, this is one of the areas I am actually fascinated with, and I have binder after binder. I have copies of some of your writings in those binders. I was not going to be particularly jerky and come in with some of my highlighted copies, saying many of the things we knew a year ago, data-wise, and I understand the last 12 months is a small snapshot, appear to be wrong.

Can I give you the first—and I would like your thoughts, and it is not a thought experiment because it has actually happened—a year ago, we would all sit around this room and look at the labor force participation numbers of millenials. And then, come December, all of a sudden the BLS data had this breakout, and it had continued, of millenial females. Walk me through it, because I see that as an example of many of the things we often talk about policywise, and this lever, and that lever. Something happened, and we saw suddenly a gender differential of movement into the labor force with millenial females a year ago December, and it continued.

Help me understand why. Help me understand why the differential. And is it an example of the debate we have had in these rooms for decades of the levers we have as policymakers turns out that maybe the ultimate lever is availability of work?

Doctor, what did I see in those numbers? Why the sudden separation a year ago in millenial males and females?

Dr. De Rugy. I actually really, although I am not a labor economist, but I think where you are right is to actually raise the possibility of some skepticism of what the Federal Government can do. I mean, I think very often we think that the Federal Government has the power to achieve a lot of goals. And if we do not know exactly why things are happening, and we also have a lot of evidence that projections often are not correct, it may actually put in jeopardy this belief that the Federal Government can do as much as it thinks.

Representative Schweikert. And my question was less wrapped around the normal skepticism many of us carry, but more if something was working how do we figure out what it was and do more of it.

Mr. Cass.

Mr. Cass. I am sorry, I do not know anything about the specific divergence in trends.

Representative Schweikert. Okay. Doctor, did you see it?

Dr. Shambaugh. Yes. I think there are a few things you can point at. So the first is, I think—my guess is you are referring to the 25- to 34-year-old group. So one thing that I do think when we look at that group relative to say not just a year ago, but relative to a few years ago, is—and this is not the positive side of it, which is the birth rate is down. And we do not have adequate child care for everyone who wants to work. And more women in the 25- to 34-year-olds do not have kids. It does not do it on a dime like you are talking about.

Representative Schweikert. I know that that is actually up in the models, but that does not fit what we saw in that, because it is a statistically significant number. And I am just—it bothered me, because I have not seen anyone dive into that.

Dr. Shambaugh. I think the other thing is, and I would say it is two sides to what you are saying, when the labor market is stronger it certainly brings more people into the labor market. And when you ask why is it divergent between men and women, I think a lot of it has to do with which parts of the U.S. labor market we are doing better at that time.

And so the manufacturing and energy sides of the U.S. labor market have been slowing, and those are not. And so those tend to be more male, and that has the whole side lifting——

Representative Schweikert. The model would not—look, I know you are freaky smart. I have you in my binders in lots of places. But that would not equate to suddenly slowing down, and then females suddenly exploding. It was not—the differential was growth in actual participation.

Dr. Shambaugh. I would say one last piece, and this I mean with all seriousness, which is: we always worry when we see, the women's one was actually coming down a little bit when we did not expect it to in the months before that, and then it surged a little. And so I think there is also some noise in the data.

Representative Schweikert. That is very possible. But the trend has continued now for almost, what, three-plus quarters. And it is statistically significant.

Mr. Ortiz—and I will do this with a quick anecdote, which I despise when there are bells in this Committee because I believe we have an obligation to do big-picture policy. Labor market, Phoenix, Arizona. We are stunningly blessed right now. But when we visit, when I visit like our homeless campus, they have a stack of jobs there with St. Joseph's the Worker, and the problem was not available labor, it was transportation. We just put together an experimental project with, I think it is the company Lyft, to actually cover that transportation gap.

If you were to think of outliers that are the barriers for the participation of so many of those you have worked with, how often is it actually transportation, and those types of attributes, and not some of the things we would often immediately move to?

Mr. Ortiz. So I appreciate the question. There are a number of barriers and transportation is included in that. Child care is one of the ones that came up. In New York City, and I cannot speak to obviously the specific experience that you are talking about in Arizona, but in New York City there are transit deserts, locations that require multiple subways and/or buses in order to get someone to work. So there is a statistical connection and correlation for someone who is further away from employment opportunities and higher poverty rates.

Representative Schweikert. Okay. And, forgive me, I know I am over, but, Congresswoman, you can take all the time you—well, within reason. But it is interesting that maybe in our pockets was actually one of the solutions. There is a little button for ride sharing that actually may actually be the way we cover parts of at least that gap.

Congresswoman, please.

Representative Beatty. Thank you. Mr. Ortiz, let me go to you. One of the things that I picked up in your testimony is the importance of partnerships. As you described, it is governments at all levels, business, educational institutions, organized labor and nonprofits have a role to play. Through those partnerships, we can identify the skills that will be in demand in the future, and then help people build up on those skills.

Can you discuss the importance of—how the importance of collaborative partner-centric approach is to boosting the labor market outcomes? Which models have been especially effective to you?

Mr. Ortiz. Well I would just emphasize in terms of just in general, in terms of partnerships to start, that no one organization has all of the assets and skills to be able to do everything that is required to make a labor market go.

And I think what we are experiencing in the workforce system is that we need to have strong partnerships not just with the businesses at the association level, but we need to understand real-time data coming from employers to better understand the implications on the type of training that is required.

When it comes to the workforce development partners themselves, those that are actually executing and providing the training, even them, some of them are more specifically focused on the skills development, while others are providing the supportive services, the wraparound services that are important for someone to be successful in a program.

And of course we need to work more closely with the government to better understand where they can—how we can better inform policy, where we can direct some of those investments to help boost the economy and the labor market.

But ultimately I think what we are trying—when we say "partnerships," what we are essentially saying is the most effective programs that are the ones that are working with multiple layers of organization. As the employers, they are—you know, the programs are being driven by employer-informed data in real time. They are working closely with government to scale their programs. They are funded in multiple ways, et cetera.

Representative Beatty. Thank you. And, Mr. Shambaugh, let me go to you. I read something in your testimony that says: Improving workers' pay, schedules, bargaining powers, workers rights, that in these jobs it makes it more—if they are more stable with those skills, it could help. Were you talking about unions? It sounds like some of the language. Because if so—and if not, you can answer it—do you think that has any effect on, we have seen somewhat of a decrease in participation with some of the unions?

Dr. Shambaugh. Thank you for the question. I think unions are certainly one way to get workers better bargaining power. I think there are—private-sector unions play a much smaller role than they used to. Their membership has declined as a share of private-sector workers, and that certainly reduces the bargaining power of regular workers.

I think there are other things, whether it is getting rid of non-compete contracts, getting rid of no-poach agreements within franchises, whether it is wage transparency, many things that are public policy rules we could take steps we could take that would really strengthen the bargaining power of workers and give them an opportunity to have somewhat more stable, better-paying jobs. And here is where I agree very much with Mr. Cass, that having better jobs here is one of the ways to keep more people in the labor market. Because right now what we see is them cycling in and out a lot, because the jobs are not very stable. They cannot hold on to them very long, and that is not a good environment to support a family or just to stay in the labor market.

Representative Beatty. To piggyback on my colleague's question about the women, maybe if we look at what the Bureau of Labor Statistics has reported with the surge of women who are Baby Boomers, it increased then. So it opened the door for what may have been very difficult for me coming along. I would not have thought of STEM. That did not exist. We would not have thought about leading a construction demolition, or even an engineer.

So when you look at what the Bureau of Labor Statistics is saying up to the year 2024, that there is going to be another surge. And many of them will be the millenial women because they do not know that they could not have those opportunities. Because I think we have done such a great job there. I think that is another reason I asked the question, because they come in wanting the same things that we have to wait to a certain age to get.

You know, they drive the same cars. They live in condos. They do not do rooming houses, and used cars that are 20 years old that was handed-me-down. So I think you are going to see a surge, because we have opened the door, thank goodness, for women to be able to be anything they want to be.

And I think that is in part why in 2024 it looks like there is going to be a surge, according to the Bureau of Labor Statistics, of 77 percent, giving us an overall of like almost 48 percent of millenials and young women in the labor market.

So, thank you.

Chairman Lee. We will turn next to Senator Hassan.

Senator Hassan. Well thank you, Mr. Chair, for the courtesy. And again thank you to the panelists for being here, and apologies for the interruptions of Senate votes.

So, Mr. Shambaugh, I wanted to start with a question to you. Families are often left making what is an impossible choice between earning a paycheck and spending time with a loved one in need, or taking care of their own personal health care crisis.

And we know that women are often the ones who meet these care-giving needs. As I mentioned earlier, the recent study that you did with the Hamilton Project reported that far more women say that they remain out of the labor force because of their family and home obligations than men do.

Eight states and Washington, D.C., have enacted paid family and medical leave policies to provide partial wages—partial wage replacement to workers who need to care for a newborn or a newly adopted child, provide care for a family member in need, or address their own health care crisis.

So, Mr. Shambaugh, based on your research, do policies like paid family and medical leave help improve labor participation rates? And could they help close the gender gap in labor participation?

Dr. Shambaugh. I think what we know about—thank you for the question. I think it is incredibly important. And as we mentioned, you know, a huge chunk of the people out of the labor force who are prime age are people taking care of family members.

And so trying to think about how to deal with that is important. As we said, and I think you know, some of them are choosing to do so by choice. It is a choice, right? And there are people who want to be home taking care of someone. But it is the case that roughly 35, or depending how you measure more percent of women who are not in the labor force but want a job. They say this is the problem.

And so I think on the one hand, yes, there is very good evidence that well-designed parental leave policies can help keep women engaged to the labor force. I think they also, frankly, have huge benefits to families and children, as well, and to infants. And so they are positive in their own right, but they also can have, if designed right, positive labor force impacts.

And then I think the child care side is the other very huge one, which is we do spend a lot of money as a government on child care. We just don't necessarily direct it towards the families who need the help the most for whom it really becomes the barrier to work. And I think that is a place we could do a lot more.

Senator Hassan. Well that makes a lot of sense. I just came from a subcommittee hearing looking at the challenges of the growing incidence of Alzheimers, and the care-giving population is often wives, daughters, and they are not in the labor pool because they cannot be, and we do not recognize it. And that is a whole other category, I think.

I wanted to follow up with another issue, which is housing. So, Mr. Shambaugh, I travel all around my State and I constantly hear from businesses about the challenges they have in recruiting workers. According to the National Low Income Housing Coalition, in New Hampshire a family would need to make $23.23 an hour to afford a two-bedroom rental. That is the equivalent of 3.2 minimum wage jobs. And the vacancy rate for rentals is far below the national average, making it harder for individuals to find and maintain housing in the communities where they work.

Unstable housing can be a significant barrier to finding stable employment and staying in the labor market. So in your view what are the most important things we should be doing to make it easier for workers to find and keep safe, stable, and affordable housing?

Dr. Shambaugh. Thank you for the question. I think it is hugely important that we now have a lot of trouble having enough housing near where there are jobs. And that is a serious constraint on people's ability to move, and it is a serious constraint on their ability to find work.

And so I think local land use restrictions, unfortunately they are not the purview of this Committee because they fall at the local level often, although I think there are Federal steps that could be taken, but they often prevent enough housing from being built in the places where there are jobs. And that is a real serious constraint.

I think there is also the fact that housing vouchers and aid for housing are drastically in excess demand relative to the supply, and people have to wait a long time to get help for housing. And so that can be a constraint, as well.

But I think the issue of making sure people can live near where there are jobs is a big part of why some people are not working.

Senator Hassan. Well I thank you for that. We have our overall housing vacancy rate in New Hampshire is less than one percent, and it is making it, at all levels, extraordinarily difficult to get people to move in and take jobs.

So thank you for your work. I am just about out of time, and I know, Mr. Ortiz, you had been addressing the importance of wraparound services as we help people pursue credentials or degrees. I will follow up with a question to the record just to make sure I get your full answer on that.

To all of the panel, I really appreciate your work and your willingness to be with us today. Thank you.

Thank you, Mr. Chairman.

Chairman Lee. Thanks, Senator Hassan.

I want to talk for a minute about restrictions on entry into the workforce. Dr. De Rugy, we will start with you.

Occupational licensing, as you have acknowledged, continues to be a significant impediment for a lot of people getting into the workforce. And it also tends, I think, to be something of a barrier to interstate mobility, which in turn keeps a lot of people out of the workforce, or at least in career paths that are perhaps less fulfilling or less remunerative than they would be otherwise.

Now a lot of states—and this is an interesting topic for us to discuss here, because we have almost no authority over occupational licensing here, just as we have almost no authority over residential zoning and things like that. We do have some authority at the margins. I have tried to highlight the problem and underscore the need for reform in this area by exercising what authority we have.

We have got plenary lawmaking authority under the so-called Enclave Clause, Clause 17 of Article I, Section 8, over the District of Columbia and other Federal enclaves. It is why in the last Congress I introduced something called "The Allow Act," which would use Congress' Federal jurisdiction over D.C. and Federal enclaves to bring out needed occupational reforms.

What other Federal changes, if any, would you suggest in helping us to try to address the burden of excessive occupational licensing? Any other ideas on that, as far as what Congress could do? Or are they all at the State level?

Dr. De Rugy. Thank you for this question. I am actually really reluctant of using the Federal Government to micro manage State and local affairs. As costly as it a problem, I think this may be a case, again apart from information, putting out reports, which is not without value, I do not know that the Federal Government, unfortunately, has a lot of things to do. That said, there have been very successful challenges for occupational licensing barriers before the Supreme Court. Hopefully there will be more of them.

There is some good news because it does look like some states are actually really seriously looking into the issue. Arizona, I mean passed the first step into actually opening the door to the transferability of licenses. It is not perfect, because my understanding is that, you know, you can come and work in Arizona, but then at some point you have to get the Arizona license. I am not sure about this, but I think there is some of this.

So, you know, it could be that the Federal Government could put out information about best practices in that regard. But again, unfortunately I come here and tell you these are like really big, big problems, but I do not know that you can really do very much about it.

Chairman Lee. I assume you would not disagree with me on our Enclave Clause authority, though. We have got authority over——

Dr. De Rugy. Yes, if you have authority——

Chairman Lee [continuing]. Federal property on military bases.

Dr. De Rugy. But I mean in D.C. with child care, for instance, we have been like talking about the cost of child care. The cost of child care is absolutely increased quite dramatically in D.C. because of the lack of supply of health care brought on by vocational licensing requirements that are quite stringent. And, that keep out low-income, low-education people.

Chairman Lee. Is Arizona, the State you have identified, at the cutting edge of this?

Dr. De Rugy. To my knowledge, this is the State that has actually taken the broader steps. And again, it is only a first step. There is way more to do. For instance, they need to reform their own licensing system within the State, which is still too burdensome. Because the problem is like the progression of vocational licensing since the 1950s has been quite dramatic, and as a result it has included a lot of low-income workers and low-paid jobs. And that is problematic for income mobility. It is problematic at many levels. And there is a new study that just came out that actually looked at the welfare effect of vocational licensing, and it showed that, while they increase the wages and the hours of the people within the industry who already have their license, it actually keeps employment down for those who do not.

Chairman Lee. So it is classic protectionist.

Dr. De Rugy. It is absolutely.

Chairman Lee. It is a government-sponsored welfare system, using the overwhelming force of the State in order to protect the wealthy and the well-connected at the expense of the poor and middle class.

Dr. De Rugy. And it may be a case, right, for a high-risk, higher-risk professions like the medical practice, though there is that question about whether actually occupational licensing requirements do increase the quality of the work.

But it is just hard to imagine that the State or the local government have, you know, to protect us against nonmatching pillows or something like this.

Chairman Lee. Right, right. I mean, that could be bad. If somebody recommends matching an unlicensed, unscrupulous interior decorator that gives you clashing pillows——

Dr. De Rugy. Yeah, well, I do not think it would actually come up like a very strong number on the national data, but, yeah.

Chairman Lee. That is a fair point. I had a constituent a few years ago make the following observation and I want to see if you agree with this. The observation was, in those professions where you can identify in the abstract the greatest need for occupational licensing, where there is the greatest potential health and public safety threat as a result of someone practicing outside of something they know how to do, in those same areas the occupational license seems to be the least significant factor.

The examples that were given to me by this constituent included the fact that, apparently if you get a pilot's license, once you are a pilot, in theory you could fly a 747. Whether or not you can fly a particular 747 is going to be up to the owner of that 747.

So, too, with a medical degree. In theory, you are licensed to practice medicine, which might include delivering a baby, doing heart surgery, or brain surgery, or removing a wart. But whether or not you know how to do any of those things may not be determined as much by your State-issued occupational license as by your particular credentialing and training that you have received from private organizations rather than a State.

Would you agree with that?

Dr. De Rugy. Agree.

Chairman Lee. Mr. Cass, let's talk about marriage for a minute, the marriage and family formation. It seems to me there might be kind of a chicken and egg problem, and I want you to help me unravel this.

Like you, I am concerned that if more men cannot find stable, steady work, the result is likely to be fewer marriages, in the first instance; more divorces in the second instance. But it is not also likely that to the extent that marriage is collapsing, that marriage rates are falling, men in general will tend to feel less pressure, less of a need to be bread winners, or to be involved in the lives of their children, and that in turn could translate into more unemployment, less stable family lives, and other societal and economic problems. Would you agree with that?

Mr. Cass. Yeah, I think that is certainly true.

Chairman Lee. One of the things I am always looking to do in this Committee, because, you know, it is my belief that institutions of civil society and free markets cannot be created by government. Certainly families are no exception to the principle that a government cannot create an institution of civil society.

Governments can, however, weaken those institutions. And once it weakens them, where it has weakened them, government is not necessarily very good at turning the switch back on.

Are there areas you would point to that you think represent the sort of lowest-hanging fruit of where we could identify that the Federal Government is impeding marriage or family formation?

Mr. Cass. Yeah, thank you for that question. I think the way you have put the problem is exactly right; that in a sense we have a vicious cycle where declining economic opportunities and outcomes harm family formation and, in turn, the culture that is devaluing and de-emphasizing family formation that potentially in turn harms economic engagement.

I think for policymakers the question, when you encounter a cycle like—well, the challenge when you encounter a cycle like that is to not just throw up your hands and say, well, that looks like a big mess.

And instead, the question is to say: Well, where in that cycle is there potentially an opportunity to intervene? It seems to me there is very little potential to intervene directly on the cultural side through simply reasserting through public policy the importance of family formation—though with respect to the bully pulpit it certainly helps to talk about it.

But conversely, the labor market side offers I think a very salient opportunity to intervene. I think to the extent that things have gotten worse, to the extent that we could imagine a world in which things got better, that is a world in which you would not immediately turn the cycle on its head and solve all the problems, but you would expect to slow the cycle, and you would expect to have better outcomes than we do today.

And so I think that is why, rather than getting hung up on exactly how much of the problem we can attribute to what, and how much of the causation runs in each direction, we should be asking where can policy help? Where do we think it would be likely to support stronger families? And I think a stronger labor market is that place.

Chairman Lee. Mr. Schweikert.

Representative Schweikert. Thank you, Mr. Chairman. Let's engage in a little bit of the speed round.

Mr. Ortiz, and then let's go across. If I came to you right now and said give me your three wish lists that you think would have the most impact on having our brothers and sisters who are not in the labor force enter stable work, what would those three be? And I am going to ask everyone the same thing.

Mr. Ortiz. I would certainly start by saying that we need to invest more in areas that are called bridge programs.

Representative Schweikert. Okay, bridge programs.

Mr. Ortiz. Bridge programs are certainly an area of high focus for our organization and the populations that we often serve.

Supportive services, of course, are of vital importance. So you referenced earlier transportation, child care, et cetera.

Representative Schweikert. Okay, so——

Mr. Ortiz. So supportive services are certainly going to take up a number of those issues that we say that that is two, three, and many more.

Representative Schweikert. Okay. Alright, Doctor?

Dr. Shambaugh. I would start with child care, just because it is the largest number of people. Spurring labor demand in struggling regions where there is just not enough demand for labor and labor force participation.

Representative Schweikert. Okay, so regional differentiation.

Dr. Shambaugh. And I would say, with programs that try to raise returns to work for people at the low end of the educational spectrum. So training and education that try to boost people and get them into better jobs.

Representative Schweikert. Okay, Mr. Cass.

Mr. Cass. I would say first realigning our education policies to emphasize non-college pathways over college pathways.

Second, reforming our approach to organized labor to create a system that people actually want to participate in, and that helps bring people into the work force.

And third, rethinking our approach to globalization in a way that actually constrains access to workers outside of this country and focuses firms on using the workers who are here.

Representative Schweikert. Interesting.

Doctor.

Dr. De Rugy. Dramatically increase the supply of housing.

I would say criminal justice reform is a big impediment to people entering the workforce.

And just lifting like work, labor requirements, or licensing requirements would be I guess my three. But there are many more.

Representative Schweikert. Just to be clear, you do not mean the reform is the impediment, just the——

Dr. De Rugy. No, no, the—I mean I could——

Representative Schweikert. I just did not want to get blamed for that one.

Dr. De Rugy [continuing]. Medical and legalize some of the drugs, just to stir the pot.

Representative Schweikert. You do stir. Okay, now actually something a little more specific. If we have an under-performance, predicting my fixation on millenial males in labor force participation, for that one population segment, what would be the number one thing you would do to encourage that population to participate?

Dr. De Rugy. So I do not know very much about that population, so——

Representative Schweikert. Okay.

Mr. Cass.

Mr. Cass. Non-college pathways.

Representative Schweikert. Non-college pathways.

Doctor.

Dr. Shambaugh. Increase wages for that demographic, for the people with less education.

Representative Schweikert. Okay. We need to talk, because I think there is noise in particularly in the last 12 months' data that wages have been going up. That is actually partially true of females, and I do not know why I have not seen the same thing in the male side, but that is more of a geeky conversation.

Mr. Ortiz.

Mr. Ortiz. I would agree with non-college pathways being of high importance.

Representative Schweikert. For anyone that is listening, we have actually sort of in our office fixated on this subject, and we have built a list of many things. But you do understand, when we talk about non-college pathways, it is everything from, you know, types of votech type training at the high school level, all the way to are we ready to have a real uncomfortable conversation on accreditation at the university level that the university is able to provide a degree at 20 months, but it is solely training you to be able to have productivity in society, and you may not, you know, have great understanding of great literature. And we have actually made proposals on that, and it is fascinating the incumbent class, which—I mean incumbent systems, and regulators, and those who come crashing down in here, defending the accreditation systems, or accrediting.

I will agree with all of you, there are ways to get there. It is shocking, though, how much of the bureaucracy around us is actually at war with you on all of your ideas.

And with that, I yield back, Mr. Chairman.

Chairman Lee. Senator Cruz.

Senator Cruz. Thank you, Mr. Chairman. Thank you to each of the witnesses for being here.

Dr. De Rugy, tomorrow the Export-Import Bank's authorization is set to expire. Unfortunately, when it comes to the Export-Import Bank, virtually all of my Democratic colleagues and an awful lot of my Republican colleagues have been eager to continue the Ex-Im Bank in operation.

Many of us had been quite critical of the Ex-Im Bank, that it serves as a vehicle for chronyism and for giving corporate welfare to giant companies on the backs of, and with the financial risk and exposure of the American taxpayers.

Can you give this Committee a breakdown of which types of benefits—businesses benefited from the Ex-Im when its Board of Directors had a quorum versus which types of businesses benefited when Ex-Im's board lacked a quorum?

Dr. De Rugy. So thank you for this question. So the last time we had a full year with a quorum for the Export-Import Bank was in 2014 with the whole year data, and by then roughly, on the domestic side, 65 percent of the benefit went to 10 large manufacturer, 40 percent went to Boeing, alone.

On the foreign side, it was as big companies, many foreign airlines. But what was more striking is that 30 percent of the bank's activity went to 10 state-owned enterprises. So foreign-owned companies. If you look at the period from 2007 to 2014, the main beneficiary overall was Pemex, the oil and gas state-owned enterprises. And in 2014 alone it was Air China.

So basically Air China was the top beneficiary of the Export-Import Bank on the foreign side.

During the time where the quorum did not allow the bank to extend loans above $10 million, what ended up happening is basically a lot of the big guys were excluded from the benefits, though not entirely. Their benefits fell by 93 percent. And the share of small business benefiting from the Small Business Administration—from Ex-Im went from 20 percent to roughly 40 percent, even though as a whole the amount they received went down.

And so Air China was, you know, not a beneficiary anymore. The share of state-owned, of the Ex-Im that went to the 10 top state-owned enterprise fell down, went from $6 billion to just a few millions. And Boeing was, you know, hardly a beneficiary.

And it is interesting to say that during that time there was a lot of innovation in the capital market that exports continued going up, and apparently there was, as predicted, no—the sky did not fall.

Senator Cruz. So there was a lot of substance in your answer. Let's see if we can break out a couple of pieces of it. One of the things, if I understood your testimony correctly, was that in 2014, right before Ex-Im lost its quorum, that support to Boeing, one company, comprised 40 percent of the total outlays? I guess that is one of the reasons it has been referred to before as "Boeing's Bank."

Dr. De Rugy. Yeah.

Senator Cruz. Although that raises questions why a giant corporation needs the U.S. taxpayers subsidizing its businesses.

If I understand you correctly, without a quorum a much higher percentage of Ex-Im's funds went to small businesses who were always put forward as the desired beneficiaries, except for the fact that when it is fully authorized and has a quorum that is not where the money goes.

Dr. De Rugy. No, the money goes roughly—it is roughly 20 percent goes to small businesses before 2014, and even the majority, something like 89 percent of transactions went to small businesses, when you actually follow the money it is really only 20 percent. And, yes, and it is worth saying that Boeing did really well during those four years where they did not have a quorum. They sold more planes. Their backlog increased.

Senator Cruz. So the American taxpayers are on the hook giving Boeing a subsidy that it does not need.

Let me take the second piece of your question, which I think is really important for people to hear. You said a major beneficiary of Ex-Im's funds and benefits when it has a quorum are state-owned enterprises, including state-owned enterprises for countries like China.

So the American taxpayers are subsidizing companies owned by the Chinese Government? Is that right?

Dr. De Rugy. Yes.

Senator Cruz. Does that make any sense?

Dr. De Rugy. I do not think it does, but I—I do not think it does, especially in the context of a lot of people now making the claim that the renewed support for the Export-Import Bank comes from the fact that it can be used as a tool to fight China. Considering that what really the Export-Import Bank does is basically to compete with the other export credit agencies in high-income nations where China is. So I do not think it makes any sense.

Senator Cruz. Well in the Senate, every single Democrat supports continuing the Ex-Im Bank, and about half of the Republicans do. And I certainly hope some of the Members in this body will listen to your testimony and the evidence you have given. Thank you.

Dr. De Rugy. Thank you.

Chairman Lee. I want to follow up on the point made by Senator Cruz about the Export-Import Bank, and particularly with regard to Pemex, the state-owned energy company owned by Mexico.

It is an interesting dynamic there. There is a term used exclusively in Mexico. The term is Huachicolero. I do not know whether you have ever heard of this term. It is a term used specifically to describe one who steals fuel from a pipeline. And in Mexico, it is always a Pemex pipeline, because Pemex is the fuel company in Mexico.

They steal fuel from a pipeline owned by Pemex, and then they sell it back onto the black market, often at a discounted price relative to what they would pay retail.

The origin of the term, including the "c-o-l" portion of Huachicolero, refers to alcohol. Originally this came from people adding distilled alcohol, ethanol, to fuel in order to dilute it. I find it rich with ironies or coincidences, or whatever you want to call it, that our own Government is now involved in the process of being a gigantic Huachicolero on one side of the border through its awful, absurd policies with regard to ethanol.

And on the other side of the border, it is fueling, it is subsidizing Huachicoleros through the Export-Import Bank, through Pemex which you have identified as the number one beneficiary of the Export-Import Bank.

So you are an economist and a good one, one of the very best in the country. I am just a politician and a poor country lawyer from Utah. Can you tell me if I would be incorrect to state that I think there is a logical connection between our fueling of Pemex and Pemex's fueling of Huachicoleros and the elicit drug cartel activity that surrounds that?

Could we be perpetuating that, and perhaps helping Pemex to avoid dealing with these corruption problems and the theft from its pipelines?

Dr. De Rugy. Well certainly, I mean just the fact that it is a state-owned company and it is apparently a monopoly, means that it is not subjected to market forces as much as it should.

And it is also true that lowering their borrowing costs, whether—I mean, I assume that it is because they are buying GE products, or they are not buying Boeing planes, they are buying GE products, or Caterpillar, or what have you, that money is fungible. So those lower costs mean basically we are helping this company that has had massive amount of problems with corruption stay in place.

I mean I know the original intent of using Ex-Im to fund Pemex was that they were hoping it would help them move toward privatization, but that obviously is——

Chairman Lee. Yeah, how has that worked out for us?

Dr. De Rugy. It has not worked out.

Chairman Lee. In fact——

Dr. De Rugy. Which I do not also think it is the role of the Federal Government to actually pursue such roles.

Chairman Lee. Sure, sure. In fact, when President Lopez Obrador was sworn into office almost exactly a year ago, a substantial portion of his seemingly six-hour speech was devoted to his desire to preserve Pemex and maintain it as a state-owned enterprise.

I found that surprising. I did not know that this was that big of a political issue there. Apparently, it is. But one has to wonder why. And one has to wonder what we are doing to perpetuate this ring of illicit activity. What we might be doing to make it more possible.

If a private company here, let's say if Chevron, or Exxon-Mobil, or some other company that sells gasoline and diesel fuel, had that big of a problem as they have with Huachicoleros in Mexico, they would adopt different security protocols. They would figure out a way to stop the theft. That is not to say that fuel theft does not occur in the United States, it does, but not so much so that we have coined a noun and a verb and an adjective after it.

And it appears to me that we are fueling a very significant problem on the south of our border, and one with impacts here.

Mr. Cass, Yuval Levin wrote in his outstanding book "Fractured Republic" that, quote, "Worker protections in the coming decades will need to take the form of portable, individualized benefits and rights that are not attached to work places in ways that assume long-term employment relationships. They will need to help make a diffuse labor market more secure, rather than trying to reverse its diffusion." Close quote.

Would you agree with that statement?

Mr. Cass. I would. And I would emphasize that the U.S. system of organized labor is really quite odd by international standards.

Chairman Lee. What would you do to address that issue?

Mr. Cass. So if you step back and look at how, for instance, labor unions typically work in Europe, I think the general impression is that in Europe it is a much more sort of left-leaning environment. All of Europe is right-to-work. The idea that you would vote in your single factory whether or not to have a union, and then if you do everybody is in the union, does not exist.

Instead, they have what I would say is a much more effective system that is both much more local and much more national. At the broader more national end, what they have are effectively national unions that are more like membership organizations that people join voluntarily because they receive benefits from them, training, in some cases social support. And then down at the local level, they have what are, for instance, in Germany called Works Councils, which is a much more collaborative, less adversarial relationship between the firm management and workers within the firm.

And so you essentially at the local level collaborate to try to make the company work better for everyone's benefit, and at the national level you have what is typically called "sectoral bargaining" where you have negotiation over terms and conditions for let's say janitors in the entire region. And so the sides get together and agree on that. And it is not a contentious firm-by-firm fight.

And so there are a lot of models. There are a lot of variations to think about. I think the important thing to recognize is that I think most would say it works a lot better than what we have. And unfortunately there is an intractable obstacle here in the United States, which is a single provision in the National Labor Relations Act called "Section 882" which prohibits any sort of organized labor activity outside of the confines of these standard American unions.

And so you could just get rid of that. Anyone who wanted the kind of union we have now could still have one. But if you got rid of that, you would also begin to open up the choice to do other things. And I think that that would be an important first step in moving toward a better system.

Chairman Lee. Why do we have 882? And what would be the disadvantage of getting rid of it?

Mr. Cass. So 882 was put in as part of the—the NLRA was passed in 1935 at the height of the Great Depression, at a time of incredible labor conflict, and there was great concern about what was called at the time "company unions," which was the idea that essentially firms would subvert genuine efforts to organize by instead kind of locking employees into something controlled by the management, and thereby foreclose the other kinds of organizing activity that wanted to be facilitated.

I think that is much less of a concern today. As I said, especially if you do it in the context of other reforms, you can bring in other substitutes that are better. And I think just as a concrete example, it is fascinating to look at what happened in Tennessee where Volkswagen's plant is not unionized. Volkswagen is so desperately wanting to bring in this European style works council structure that they actually tried to persuade and support—they supported the union and tried to persuade the workers to vote in the union so they could do the works council. And the workers voted it down twice anyway.

That is how toxic our existing system has become, and how relatively more attractive our alternatives are that could be out there.

Chairman Lee. We are unfortunately going to have to wrap up here in a moment.

Congressman Schweikert and I were talking a minute ago, and I promised him that I would ask each of you to opine on whether you think we could bump up the labor force participation rate, and if so how high? Is, for example, 65 percent plausible? Why don't you just weigh in each briefly on that.

Mr. Ortiz.

Mr. Ortiz. We can—I would not, you know, I am not a trained economist so I cannot speak to a specific percentage in that sense, but I would certainly say that we can certainly bump it up with pointed investments in specific populations.

Chairman Lee. What would we consider a success? At what level? We are at 63.3 percent right now. Is that right?

Mr. Ortiz. Like I said, I do not think I can speak to a specific percentage there with any accuracy.

Chairman Lee. Dr. Shambaugh.

Dr. Shambaugh. I would say I think there is room for the labor force participation rate to rise. I think demographics are pushing it down. We know that as the population ages we do not expect the 85-year-olds to work, and there are more of them. So the number comes down.

But I think demographics are putting maybe a quarter point a year downward pressure. And so when we are treading water, we are kind of winning—we are at least fighting demographics to a draw. And when it is rising a little, we are doing even better.

So I think it could rise. I think it would be hard to get to 65 really fast. But I think if you look at, you know, frankly, if you look at certain cohorts of, as we talked about, younger women are working a lot more than women of previous generations. There is no reason over time that you could not see the labor force participation rate rise overall, especially if we did some of the things we talked about here today that would help some of the people who have become disconnected from work back into the labor force, and help people who are cycling in and out stay in more permanently so they are not kind of occasionally counted as out.

So I do not think there is any reason you could not get it that high.

Chairman Lee. Mr. Cass.

Mr. Cass. I do not think of it in terms of the overall labor force participation rate because obviously you have the demographic pressure. Even within prime age workers, I think it is very important to separate men from women. Because as we have talked about, there are some women who would really like to enter the labor force. But polls consistently show that an overwhelming majority of Americans, of women and of women with children, prefer an arrangement where, particularly when women have young children, they are not working full-time.

And so setting some arbitrary 100 percent is the idea for women in the workforce is not necessarily right. In fact, you could say the ideal is lower than it is now.

For men's prime-age labor force participation, I think that is exactly where policymakers should be focused. And I think Dr. Shambaugh offered a really good way of thinking about it earlier when he pointed out that for men with a college degree, that number is up 94, 95 percent.

There is no logical reason in a healthy labor market why that number should not be as high as higher for people with lower levels of education. And so I would say trying to bring that up toward 95 percent, you know, in the 1950s and 1960s it was 98 percent, I believe——

Chairman Lee. Meaning men with a college degree?

Mr. Cass. For all men.

Chairman Lee. For all men.

Mr. Cass. So bringing prime age men back up above 95 percent and doing it regardless of education level I think is the right place to focus.

Dr. De Rugy. So I do think that there is space to improve. I also think that it is—I am less worried—I think women are going to—I mean I know it has slowed down but I think there is a chance it is going to pick up. And so it is interesting to look at the men, the working age men, but it is also important, and your Committee actually put out a really interesting report on this issue, when trying to actually understand what kind of policies can be put in place to understand the motives of people who actually have dropped out of the labor force, and whether there are reasons to worry or not.

So obviously the fact that some people have retired, I think it is roughly 7 percent of people who have dropped out of the labor force, that people who are at school I think is 18 percent. There is close to, I think it is 44 or 45 percent who are disabled.

I mean these are like it seems a good reason to not be there. There are 23 percent "other" reasons for being inactive. But one of the numbers from that report that I thought was really striking in actually trying to think about what kind of policy to put in place is actually when asked who wanted a job, right, when you looked at the able-bodied, only 12 percent of those said they wanted a job.

And when you looked at the entire population, only 23 percent said. So when you have 75 percent of that population that has dropped out of the labor force and says they do not want a job, you have to actually think about why that is.

So if they are retired, if they are in school, there is nothing to worry about. If for instance like some studies have shown, the disability and kind of the not differentiating between being disabled and being completely incapacitated create a detachment from the workforce, that could be a reason to worry about. But then again, how do you go about doing this? You do not want to actually kick out disability rolls. People actually really cannot work.

So there are things to do. But I think if we are going to be doing something, we need to really—not all policy would work, depending on why people have actually dropped out. And I do not think that all of the drop is actually real for concern. I mean, so——

Chairman Lee. Excellent. And you would not recommend an expansion of the Export-Import Bank as a means of increasing that?

Dr. De Rugy. No.

Chairman Lee. Thank you very much. I really appreciate each of you coming. This has been an interesting and informative hearing and we are grateful to you being here.

The record will remain open for two weeks. We stand adjourned.

[Whereupon, at 3:57 p.m., Wednesday, November 20, 2019, the hearing in the above-entitled matter was adjourned.]

SUBMISSIONS FOR THE RECORD

OPENING STATEMENT OF MIKE LEE, CHAIRMAN, JOINT ECONOMIC COMMITTEE

Good afternoon, and thank you for joining us for this hearing of the Joint Economic Committee.

The American labor market is strong. The current economic expansion is the longest in U.S. history. Our unemployment rate has remained at or below 4 percent for the last 20 months and continues to fall. Average wage growth has slowed down a bit, but remains strongest for lower-paid workers. The gains have been broadly shared: African-American and Hispanic unemployment rates are at all-time lows. Female labor force participation is approaching an all-time high. And analysts speculate that we still have yet to reach "full employment."

Yet, behind these indicators of recent strength, there lies a worrisome, long-term trend—what Nicholas Eberstadt of the American Enterprise Institute has called an "invisible crisis." Many American men are leaving the workforce altogether. Though on the rise, the employment-to-population ratio for prime-age men—those between the ages of 25 and 54—is near levels not seen since the Great Depression. Even in today's strong labor market, we see that once taut connections to the workplace have not only slackened, but frayed.

The economic implications of such disconnection should be clear to all. But the Joint Economic Committee's Social Capital Project, as part of its mission to understand "associational life" in America today, has studied the plight of these disconnected men and identified potentially greater consequences for the health of our families and communities. In its report, "Inactive, Disconnected, and Ailing: A Portrait of Prime-Age Men Out of the Labor Force," the Project found that disconnected men are more socially isolated and less happy than their employed peers. At the community level, the disappearance of work can lead to depopulation, brain drain, and the decline of other institutions of civil society.

If we are to expand opportunity by strengthening families, communities, and civil society, we must devote our attention to work—a means of supporting ourselves and our families, a source of meaning and purpose, and a site for affirming and satisfying relationships. I hope that our discussions this afternoon give us a clearer sense of how to connect more Americans to this wellspring of opportunity and social capital.

At this afternoon's hearing, we will seek to better understand the forces shaping the labor market and Americans' connections to it. A variety of reasons have been offered to explain why fewer Americans in their prime earning years are joining the workforce. Several interdependent themes emerge from most analyses: declining economic dynamism, falling worker mobility, stagnating wages, trade exposure, employment polarization, skill-biased technological change, and an expanding safety net.

Our next step will be to consider policy reforms consonant with the most plausible explanations for declining prime-age labor force participation. What barriers to opportunity can we identify and try to remove? How might incentives to join the workforce be strengthened? How might we more smartly invest in human and social capital to create new opportunities? Possible solutions may involve reforming the safety net, modernizing labor regulations, and increasing wage growth.

The Social Capital Project will cover all of these topics in a forthcoming report, to be informed by the insights of today's panelists. I look forward to their testimonies and to a productive conversation aimed at drawing disconnected Americans off the sidelines and into the workplace.

I now recognize Senator Hassan for opening remarks.

PREPARED STATEMENT OF SENATOR MAGGIE HASSAN

Thank you Chairman Lee for focusing this committee's attention on the important issue of getting more Americans to participate in our workforce.

And thank you to our witnesses for being here today.

Members of both parties agree that we must increase labor force participation.

While low unemployment rates in my home State of New Hampshire and across the country are welcome news, we know that a low unemployment rate can also present real challenges—from businesses not being able to find workers, to additional pressure being put on the productivity of our current workforce.

For a variety of reasons, too many Americans are falling out of the workforce. And a smaller percentage of Americans participating in the workforce can drag on economic growth.

It is critical that we address the root causes that result in people not seeking employment. And today's hearing presents an opportunity to address those factors and look toward bipartisan solutions.

To start, as our economy changes rapidly, individuals may not have the skills and supports that they need to enter—and remain—in the workforce. And I have heard from businesses throughout New Hampshire that one of their top challenges is finding more qualified workers, even at entry level jobs.

Addressing this challenge requires us to both strengthen job training efforts and remove the barriers that prevent too many people from participating or remaining in the workforce.

I have introduced bipartisan legislation—the Gateway to Careers Act—that would do just that.

This bill would provide grants to support partnerships between community or technical colleges and workforce development partners such as State workforce development boards, industry associations, and community-based organizations.

These partnerships would help remove many of the barriers that prevent too many people from completing a 2-year degree or credential by connecting them to support services, including housing, mental health and substance use disorder treatment, assistance in obtaining health insurance coverage, offering career counseling, transportation, and other services.

By strengthening job training and support services we can connect more people with the tools that they need to enter and succeed in our changing economy.

Another systemic barrier that many Americans face is a lack of access to paid leave and child care.

Frequently, those who want to work are held back by pressing family responsibilities that make it impossible. A recent report by the Hamilton Project showed that 9.6 million women who are not participating in our workforce list family and home responsibilities as their primary reason.

Mr. Chair, I request that the Hamilton Project Report: “Labor Force Nonparticipation: Trends, Causes, and Policy Solutions” be entered in the record.

By enacting more family-friendly policies that enable people to balance their work and family responsibilities we can help more people join or rejoin the labor market.

We also must break down employment barriers facing traditionally disadvantaged communities.

In 2018, Brookings found that only four out of 10 working-age adults who experience disabilities are employed. So we also need to address the challenges that those who experience disabilities encounter in entering our workforce.

As Governor, I signed legislation banning employers from paying workers with disabilities at a lower rate than the minimum wage, making New Hampshire the first State in the Nation to ban sub-minimum wages. We must make this a Federal priority—which is why I have cosponsored the Transformation to Competitive Employment Act, which would phase out the practice of paying a sub-minimum wage to workers with disabilities nationwide.

We should also make sure that workers who experience disabilities receive the support they need to succeed in the workplace and are less likely to fall out of the labor market.

Finally, no conversation about increasing participation in our workforce can exclude addressing the costs of higher education.

Right now, students face far too many obstacles in getting the education that they need—particularly when it comes to affordability.

No one who is pursuing higher education so that they can build a better future for themselves—and in turn our economy—should have to put that goal on hold because they can’t afford it. And they should not have to take on substantial debt to do so either.

I’ll continue working on strategies to increase college affordability and to lower the burden of student debt, so that more workers can get the education that they need to thrive.

We can all agree that tackling our workforce challenges requires a multi-faceted and comprehensive approach.

There’s not a single solution. And we have multiple opportunities to connect more people to work.

I look forward to hearing more from our witnesses today.

And now, I’ll turn it back over to Chairman Lee.

Policy Disincentives in Maintaining Labor Force Attachment

Veronique De Rugy
Senior Research Fellow, Mercatus Center at George Mason University

Connecting More People to Work
Joint Economic Committee

November 20, 2019

Mr. Chairman and members of the committee, thank you for inviting me to testify today. I am a senior research fellow at the Mercatus Center at George Mason, where I study the US economy, the federal budget, and tax policy.

Ensuring that American workers can stay attached to the labor market is an uncontroversial public policy objective. Yet government policies at the federal, state, and local levels today make it harder for some workers to tap into particular markets in which workers are paid higher wages and are most productive. As a result, some workers stay idle. The following are the main points of my testimony today:

1. The labor market and the state of American workers are better than commonly suggested.
2. A small but sizeable segment of working-age Americans have not shared in that progress as they have been permanently disconnected from the labor force.
3. Government policies, such as land use regulation, occupational licensing, and Social Security disability insurance (SSDI) are some of the government barriers that are changing incentives for some workers to work less or not at all.

American Workers in a Dynamic Economy

A common view across the political spectrum is that most American workers are falling behind or are barely getting by. Thankfully, in reality, the state of American workers is more positive.[1]

It is true that, according to conventional measurement, real wages have been stagnant over the past several decades. This measurement, however, deflates nominal wages using the Consumer Price Index for All Urban Consumers (CPI-U). It overstates inflation and, hence, understates real gains in purchasing power.[2] Using the more accurate Personal Consumption Expenditures (PCE) deflator, the average real wage has grown by 24 percent from 1975 to 2015. According to the Federal Reserve Bank of St. Louis, real worker compensation per hour, which combines wages and benefits, climbed by 51 percent between 1973 and 2018.[3]

The same is true of real median household income. Measured properly, in 2018 the real median household income was significantly higher than it was in 1973. In addition, smaller household size means fewer potential earners and lower household expenses per member. After adjusting using the more accurate inflation deflator, and after normalizing household size, real median household income has risen by 50 percent during the past 50 years, rather than by the 21 percent reported in US Census data.[4]

Unemployment today is near a 50-year low, no matter how one measures it. The labor force participation rate (LPR) has been trending down over the past two decades, but it remains higher than it was in the 1950s, 1960s, and 1970s. Furthermore, the drop in the LPR among prime-age males began decades before 1990. What *has* changed significantly since 1990 is the slowdown in the rise of the LPR of working-age females. In addition, a large majority of men who dropped out of the labor force report exiting to pursue education, to retire, or be on disability. None of these reasons signal a dysfunctional economy.

Meanwhile, over the past three decades, the private service sector has created over 41 million net new jobs, many of which are in high-paying service sectors such as business and professional services, financial activities, management, healthcare, and education. While millions of manufacturing and other "middle skill" jobs have been eliminated, that decline has been more than offset by the increase in high-skilled jobs. What's more, economist David Autor finds that "there is essentially no aggregate change in the share of workers employed in traditionally low-skilled jobs over the course of 45 years," which led him to conclude, "Thus, in aggregate, occupational polarization appears to be a case of the middle-class joining the upper-class, which is not something that economists should worry about."[5]

Adjustment and Attachment Issues

Despite the current low unemployment rate and an economy that is widely considered to be at full employment, data show that a small but sizeable segment of working-age Americans, disproportionately working-age men, have dropped out of the labor force entirely. This phenomenon has rightfully received serious attention from scholars and policymakers.

Some of the most commonly cited reason behind the decline are skills biased technological change, an increase in incarceration rates, rising levels of addiction to opioids, or trade competition.[6] For instance, a widely discussed paper, "The China Shock," Autor, David Dorn, and Gordon Hanson highlighted the fact that trade competition with China between 1999 and 2011 could have displaced as many as 2.4 million lost jobs, with 1 million of those jobs in manufacturing.[7] The authors also show that the effect of the shock could be persistent, and that it produced far more disruption than benefits for *some* workers.[8]

However, contrary to the way the findings of "The China Shock" have been presented not only in the press but even in the broader academic and policy worlds, "The China Shock" does *not* highlight an issue with trade competition per se. First, the paper ignores the large and documented benefits of increased trade with China over the past two decades.[9] It also does not account for offsetting job creation elsewhere in the US economy. Since then, many economic studies have found that the net aggregate effect on jobs of increased US trade with China is *zero*.[10]

The ultimate conclusion from all these studies, however, isn't that the sudden increase of trade with China didn't cause any serious disruption in the US labor market or in local labor markets.

Because it did. The most important lesson is that American workers confronted with economic disruptions today face relatively new, more serious problems than they were facing before. In the past, economic shocks like the one caused by Chinese import competition were followed by a increase in the unemployment rate. But as people moved away to find jobs, or changed jobs, unemployment returned to a lower level.[11] "The China Shock" exposed that, in *this* case, Americans, especially those who are not college educated, didn't move away and instead remained in hard-hit locales and stayed unemployed.

The Role of Policy

The reasons behind the phenomenon of a growing group of working-age Americans detached from the labor market are complex and not open to simple or easy policy responses. That said, before rushing to adopt new or expanded federal interventions in labor markets, policymakers should first look at *government* policies that cause or exacerbate the issue. These policies reduce interstate mobility, or they change incentives for workers on the margin to work less or not at all, and they are in desperate need of reform. Without changes, other federal attempts to address the challenge of disconnection from the labor force could be moot.

I will highlight a few of them here.

Land Use

A large body of research by economists strongly suggests that land and zoning regulations have played a crucial role in exacerbating adjustment issues. These regulations increase the cost of housing in higher wage areas and make it harder to move there.[12] Standard estimates say that even *modest* housing deregulation would lead to a large increase in the supply of housing in the most prosperous areas of the country, which would soon be followed by economic migration to these areas. That would raise US GDP by between 2 percent and 9 percent,[13] reducing poverty and inequality in the process by giving lower-income workers greater access to higher-wage labor markets.[14]

Land and zoning regulations *also* create an incentive for low-skilled workers to stay where housing is cheap, even though the job opportunities there are more limited.[15]

Occupational Licensing

Studies also find that occupational licensing laws raise barriers between workers and better job markets. Under these rules, individuals often must pay high fees, undergo many days in training or experience, or earn arbitrary certifications before being allowed to work in a particular state or city.

Today, one-third of US workers are required to comply with occupational licensing requirements, an increase from one-twentieth of US workers in the 1950s.[16] Unlike in the past, when the license requirements mostly targeted high-risk and often high-income professions such as surgeon and dentist, the poor now face a large number of these requirements too. They are arguably a more meaningful barrier for the poor than the rich.[17] Many of these occupations, such as hairdresser, transit driver, or skilled technician, traditionally provided low-income Americans with upward mobility and a ladder to self-sufficiency.[18] By effectively restricting access to some jobs, these requirements drive down employment in the licensed industries and make it more difficult for low-income Americans to reach the first rung of that economic ladder, making their climb out of poverty that much more difficult.[19]

Licensing requirements also operate as a barrier to interstate mobility, as they vary between states and, with rare exceptions, licenses can't be transferred. For workers in a licensed industry, moving from one state to another requires costly courses, tests, and training.[20] Even when the tests are the same between states, states often require different scores to pass, making it difficult to transfer licenses.[21] The cost of renewing one's license in a different state creates substantial barriers to entry for many classes of workers, hence limiting interstate mobility.[22]

Occupational licensing also increases the prices of goods and services for consumers. In the case of services such as childcare, this effect is an impediment for working parents wishing to stay attached to the work force.[23]

Social Security Disability Insurance

In recent years economists have been debating why inactivity in the labor force among prime-age men has grown so steadily for so long. The data suggest that the rising inactivity rates may not reflect a worsening of the job market (lower demand), but actually reflect patterns of reduced job seeking (lower supply).[24]

Research by Scott Winship finds that most prime-age men not in the labor force, or inactive, report that they are disabled.[25] The portion of those reportedly disabled men has fluctuated between 56 percent and 65 percent since the early 1990s. Another third of inactive men are retired, enrolled in school or training, or taking care of a family member. Just 1 in 10 men not in the labor force fall outside of these categories. The same study finds that around one-quarter of prime-age inactive men say they want a job, while the remaining three-quarters do not.

Similarly, a report by the Joint Economic Committee finds that almost half of inactive prime-age men are disabled, with poor physical health, poor mental health or both.[26] The report finds that 25–35 percent of inactive men are retired, in school, or homemakers; and among able-bodied inactive men, only 12 percent say that they want a job when asked. What's more, those who have proactively looked for work in the past year make up 23 percent of inactive men, meaning that three-fourths of inactive prime-age men are not looking for work—many of them because they can't and some of them because they won't. Understanding whether inactive men would prefer to work or not is important to design policies to stop or reverse the rise in inactivity.

Also, since the increase in the number of prime-age men reporting a disability accounts for roughly half the rise in total inactivity in recent decades, it is useful to look at the possible incentives created by disability programs.

Legislation in 1984 created major reforms to the SSDI program. One of the most consequential changes was to liberalize screening and eligibility for mental health conditions.[27] Over the past 30 years, a growing number of SSDI beneficiaries have qualified for the program not on the basis of having a specific identifiable qualifying condition, but on the basis of their employability given their physical or mental complaint, age, education, and work experience.[28]

This has led many scholars to conclude that these changes in SSDI eligibility have increased the number of men claiming disability.[29]

This increase took place even though health improved and most jobs are less physically exerting and dangerous than in the past, with more service jobs and fewer jobs in manufacturing, agriculture, and mining.[30] Thanks to medical advances, occupational injury rates have declined, and worker impairments are less severe.[31] All these factors should have reduced the ranks of prime-age men claiming disability.

Winship concludes his study by observing, "The rise in labor force inactivity is primarily a supply-side issue, a reflection of changed incentives for workers on the margin to work less or not at all. But a cause for concern ought to be the rising receipt of disability benefits at a time when a variety of trends point to improved health and greater access to employment among the disabled."

Other Programs

In addition to the limits on access to better job markets, government policies reduce workers' willingness to exit depressed economic regions in the first place. These policies keep people in stagnant labor markets, limiting output and increasing inequality.[32] Such programs include federal incentives of homeownership.[33] Some studies also find that homeownership rates correlate with substantially higher unemployment and result in substantially lower labor mobility.[34]

Other programs slow the adjustment process. For instance, the Trade Adjustment Assistance program, intended to subsidize US workers affected by import competition, creates disincentives to return to work.[35] Other federal job training programs create similarly negative incentives to return to work. In addition, increases in the real value of state minimum wages can contribute to a decline in aggregate employment rates; as do increases in the share of individuals with prison records.[36]

Conclusion

Before policymakers rush to implement new federal government programs to address worker attachment issues, they should acknowledge that some of the challenge in connecting some workers to the workforce are created by existing government programs. These barriers should be eliminated.

These reforms would lead to more opportunities and better lives for those who have been frozen out of the gains enjoyed by most workers. Unfortunately, in some cases, it isn't clear what the federal government can do to help move these reforms along as the issues are caused by state and local government rules. Finally, while these reforms may not be the whole answer to the challenge of connecting more workers to the workforce, a failure to make these changes will make other reform efforts by the federal government less effective or even ineffective.

[1] Daniel Griswold, Helping American Workers Thrive in a Dynamic U.S. Labor Market, Forthcoming Paper, Mercatus Center.

[2] Brent R. Moulton, *The Measurement of Output, Prices, and Productivity: What's Changed since the Boskin Commission?* (Washington, DC: Brookings Institution, July 2018).
[3] Federal Reserve Bank of St. Louis, "Nonfarm Business Sector: Real Compensation Per Hour," November 6, 2019, https://fred.stlouisfed.org/series/COMPRNFB#0.
[4] William R. Cline, "U.S. Median Household Income Has Risen More Than You Think," *Cato Journal* 39, no. 1 (Winter 2019): 221–22.
[5] David H. Autor, "Work of the Past, Work of the Future" (NBER Working Paper No. 25588, National Bureau of Economic Research, Cambridge, MA, February 2019), 5.
[6] Daniel Griswold, Helping American Workers Thrive in a Dynamic U.S. Labor Market, Forthcoming Paper, Mercatus Center.
[7] David H. Autor, David Dorn, and Gordon H. Hanson, "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade" (NBER Working Paper No. 21906, National Bureau of Economic Research, Cambridge, MA, January 2016), 25.
[8] Autor, Dorn, and Hanson, "The China Shock," 29.
[9] Xavier Jaravel and Erick Sager, "What are the Price Effects of Trade? Evidence from the U.S. and Implications for Quantitative Trade Models" (CEP Discussion Paper No. 1642, London, August 2019); Mary Amiti et al., "How Did China's WTO Entry Benefit U.S. Consumers?" (NBER Working Paper No. 23487, National Bureau of Economic Research, Cambridge, MA, December 2018); Christian Broda, "China and Wal-Mart: Champions of Equality," Vox (Centre for Economic Policy Research), July 3, 2008; Pablo D. Fajgelbaum, Amit K. Khandelwal, "Measuring the Unequal Gains from Trade" (NBER Working Paper No. 20331, National Bureau of Economic Research, Cambridge, MA, August 2015).
[10] Robert C. Feenstra and Akira Sasahara, "The 'China Shock,' Exports and U.S. Employment: A Global Input-Output Analysis" (NBER Working Paper No. 24022, National Bureau of Economic Research, Cambridge, MA, November 2017), 35; Alex Tabarok, "The China Shock was Matched by a China Boom," *Marginal Revolution*, January 22, 2018; Phil Levy, "Did China Trade Cost the United States 2.4 Million Jobs?," *Foreign Policy*, May 8, 2016; Scott Sumner, "Autor, Dorn, and Hanson on the China Shock," *Library of Economics and Liberty*, February 26, 2016; Brad DeLong, "Globalization: What Did Paul Krugman Miss?," *DeLong's Grasping Reality*, March 23, 2018; Douglas A. Irwin, *Clashing over Commerce. A History of US Trade Policy* (Chicago: University of Chicago Press, 2017); Douglas Clement, "Interview with David Autor," *The Region* (Federal Reserve Bank of Minneapolis), September 7, 2016; Stephen J. Dubner, "Did China Eat America's Jobs?," January 25, 2017, in *Freakonomics Radio*, produced by Greg Rosalsky, podcast, MP3 audio, http://freakonomics.com/podcast/china-eat-americas-jobs/.
[11] David Schleicher, "Stuck! The Law and Economics of Residential Stagnation," *Yale Law Journal* 127, no. 1 (2017): 78–154.
[12] Kevin Erdmann, Salim Furth and Emily Hamilton, "The Link Between Local Zoning Policy and Housing Affordability in America's Cities" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, March 2019).
[13] Edward Glaeser and Joseph Gyourko, "The Economic Implications of Housing Supply," *Journal of Economic Perspectives* 32, no. 1, (Winter 2018): 3–30; Chang-Tai Hseih and Enrico Moretti, "Housing Constraints and Spatial Misallocation" (NBER Working Paper No. 21154, National Bureau of Economic Research, Cambridge, MA, May 18, 2017).
[14] Sanford Ikeda and Emily Washington, "How Land Use Regulation Undermines Affordable Housing" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, November 2015); Hseih and Moretti, "Housing Constraints and Spatial Misallocation"; Jason Furman, "Barriers to Shared Growth: The Case of Land Use Regulation and Economic Rents" (lecture, Urban Institute, Washington, DC, November 20, 2015).
[15] Glaeser and Gyourko, "The Economic Implications of Housing Supply"; Peter Ganong and Daniel Shoag, "Why Has Regional Income Convergence in the U.S. Declined?," *Journal of Urban Economics* 102 (2017): 76–90.
[16] Morris M. Kleiner and Alan B. Krueger, "The Prevalence and Effects of Occupational Licensing" (NBER Working Paper No. 14308, National Bureau of Economic Research, Cambridge, MA, September 2008).
[17] About two-thirds of this increase is the result of states adding licensing requirements for a variety of professions. The rest is owing to increased participation in regulated industries. David Schleicher, "The City as a Law and Economic Subject," *University of Illinois Law Review* 2010, no. 5 (September 2010): 1511–12.
[18] Paul J. Larkin Jr., "Public Choice Theory and Occupational Licensing," *Harvard Journal of Law & Public Policy* 38 (January 2015): 209, 212, 216–18, 230.
[19] US Department of the Treasury, Council of Economic Advisers, and Department of Labor, *Occupational Licensing: A Framework for Policymakers*, July, 2015.

[20] Morris M. Kleiner, *Guild-Ridden Labor Markets: The Curious Case of Occupational Licensing* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, January 2015); Dick M. Carpenter II et al., *License To Work. A National Study of Burdens from Occupational Licensing*, 2nd ed. (Arlington, VA: Institute for Justice, November 14, 2017); Morris M. Kleiner, "Border Battles: The Influence of Occupational Licensing on Interstate Migration," *Employment Research* 22, no. 4 (October 2015): 4–6; Morris M. Kleiner, "Reforming Occupational Licensing Policies" (Discussion Paper No. 2015-01, Hamilton Project, Washington, DC, March 2015); Morris M. Kleiner and Alan B. Krueger, "Analyzing the Extent and Influence of Occupational Licensing on the Labor Market" (NBER Working Paper No. 14979, National Bureau of Economic Research, Cambridge, MA, May 2009).
[21] Carolyn Cox and Susan Foster, *The Costs and Benefits of Occupational Licensing* (Washington, DC: Federal Trade Commission, 1990); Morris M. Kleiner, *Licensing Occupations Ensuring Quality or Restricting Competition?* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, February 2006).
[22] Janna E. Johnson and Morris M. Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?" (NBER Working Paper No. 24107, National Bureau of Economic Research, Cambridge, MA, December 2017).
[23] Making It More Affordable to Raise a Family, Hearing before the Joint Economic Committee 116th Cong. (2019) (statement of Ryan Bourne, R. Evan Scharf Chair for the Public Understanding of Economics, Cato Institute).
[24] Katharine G. Abraham and Melissa S. Kearney, "Explaining the Decline in the U.S. Employment-to-Population Ratio: A Review of the Evidence" (NBER Working Paper No. 24333, National Bureau of Economic Research, Cambridge, MA, August 2019); Scott Winship, "What's behind Declining Male Labor Force Participation: Fewer Good Jobs or Fewer Men Seeking Them?" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, 2017).
[25] Winship, "What's Behind Declining Male Labor Force Participation."
[26] "Inactive, Disconnected, and Ailing: A Portrait of Prime-Age Men Out of the Labor Force" (SCP Report No. 2-18, Joint Economic Committee, Washington, DC, September 2018).
[27] David H. Autor and Mark G. Duggan, "The Rise in the Disability Rolls and the Decline in Unemployment," *Quarterly Journal of Economics* 118, no. 1 (2003): 157–206; David H. Autor and Mark Duggan, "The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding" (NBER Working Paper No. 12436, National Bureau of Economic Research, Cambridge, MA, August 2006); Richard V. Burkhauser and Mary C. Daly, *Declining Work and Welfare of People with Disabilities* (Washington, DC: AEI Press, 2011); Mark Duggan, "The Urgency of Reforming Entitlement Programs: The Case of Social Security Disability Insurance," *Issue Brief* 1, no. 8 (August 2013): 1–6.
[28] Burkhauser and Daly, *Declining Work and Welfare*.
[29] "Inactive, Disconnected, and Ailing: A Portrait of Prime-Age Men Out of the Labor Force" (SCP Report No. 2-18, Joint Economic Committee, Washington, DC, September 2018).
[30] Richard W. Johnson, Gordon B. T. Mermin, and Matthew Resseger, "Employment at Older Ages and the Changing Nature of Work" (Report No. 2007-20, AARP, Washington, DC, November 2007); C. Eugene Steuerle, Christopher Spiro, and Richard W. Johnson, "Can Americans Work Longer?" *Straight Talk on Social Security and Retirement Policy*, no. 5 (August 1999): 1–2.
[31] Jagadeesh Gokhale, "SSDI Reform: Promoting Gainful Employment while Preserving Economic Security" (Policy Analysis No. 762, Cato Institute, Washington, DC, October 2014); William J. Wiatrowski, "Occupational Injury and Illness: New Recordkeeping Requirements," *Monthly Labor Review* (December 2004): 10–24.
[32] Schleicher, "Stuck!"
[33] David Schleicher lists a few of them, such as "the mortgage interest deduction, preferred capital gains tax treatment for housing, mortgage insurance through the Federal Housing Administration and other agencies, the failure to tax imputed rent on owner-occupied housing, secondary market support for mortgages through Fannie Mae and Freddie Mac." Schleicher, "Stuck!," 127.
[34] David G. Blanchflower and Andrew J. Oswald, "Does High Home-Ownership Impair the Labor Market?" (NBER Working Paper No. 19079, National Bureau of Economic Research, Cambridge, MA, May 2013).
[35] Paul T. Decker and Walter Corson, "International Trade and Worker Displacement: Evaluation of the Trade Adjustment Assistance Program," *Industrial and Labor Relations Review* 48, no. 4 (1995): 758–74; Leah H. Marcal, "Does Trade Adjustment Assistance Help Trade-Displaced Workers?," *Contemporary Economic Policy* 19, no. 1 (2001): 59–72; Sarah Dolfin and Peter Z. Schochet, *The Benefits and Costs of the Trade Adjustment Assistance (TAA) Program under the 2002 Amendments* (Princeton, NJ: Mathematica Policy Research, December 2012), 57.
[36] Abraham and Kearney, "Explaining the Decline in the U.S. Employment-to-Population Ratio."

Testimony

Connecting More People to Work

Oren M. Cass
Senior Fellow, Manhattan Institute for Policy Research

Before the
Joint Economic Committee
United States Congress

November 20, 2019

Chairman Lee, Vice Chair Maloney, and Members of the Committee, thank you for inviting me to participate in today's hearing.[1]

"Connecting more people to work" is a critically important topic—perhaps even the most important one for American policymakers at this moment. Properly diagnosing the challenge and developing effective responses must begin, however, with a discussion of *why* the topic matters.

If the issue were merely of material living standards or poverty reduction, no crisis would exist. Thanks to government benefit programs, household consumption has been rising at every point on the socioeconomic spectrum[2] and a vanishingly low share of the population remains unable to meet basic needs.[3] Where progress is slow or need unmet, more and larger government transfers might well be an easier remedy than finding ways to connect more people to better work.

Nor is the issue merely one of economic growth, with any aggregate increase in output equally worthwhile. Many of those struggling to find and maintain steady work are among the least productive participants in the labor market; boosting the hours worked or productivity of those already thriving, or accelerating the rate of immigration, might lift GDP further, faster.

Rather, we are concerned about *work* because connection to the labor force, the ability to support a household, and the opportunity to contribute productively to a community are fundamental to the flourishing of American citizens, the strength of their families, and the long-term trajectory of our economy.

I. What Work Is Worth

Without work—the quintessential productive activity—self-esteem declines and a sense of helplessness increases.[4] People become depressed—unemployed Americans are twice as likely as full-time workers to receive treatment for depression; the long-term

---

[1] Portions of this testimony are adapted from Oren Cass, *The Once and Future Worker: A Vision for the Renewal of Work in America* (New York Encounter Books, 2018); Oren Cass, "Interpreting Economic Stagnation," National Review ("The Corner" blog), December 4, 2018; Oren Cass, "Issues 2020: The Trump Economy—Solid but Not the GOAT," Manhattan Institute for Policy Research, October 30, 2019.

[2] Bruce Sacerdote, "Fifty Years Of Growth In American Consumption, Income, And Wages" (Working Paper 23292, National Bureau of Economic Research, Cambridge, Mass., May 2017).

[3] Scott Winship, "Poverty After Welfare Reform," Manhattan Institute for Policy Research, August 22, 2016; "Poverty has Declined in the United States, and Work Requirements in Welfare Programs are Not a Punishment," White House Council of Economic Advisers (CEA), August 7, 2018.

[4] Arthur Goldsmith and Timothy Diette, "Exploring the Link between Unemployment and Mental Health Outcomes," American Psychological Association ("SES Indicator"), April 2012.

unemployed are three times as likely.[5] In empirical "happiness" studies, life satisfaction drops ten times more from unemployment than from a substantial loss of income.[6] And while people return to their previously self-reported levels of happiness several years after marrying, divorcing, becoming widowed, or welcoming a first child into the world, they never get used to joblessness.[7]

Contrary to the typical commencement address, however, what makes work meaningful doesn't depend on its inspirational nature or on it having a transformative effect on the world. Work is meaningful because of what it means to the person performing it, what it allows him to provide to his family, and what role it establishes for him in his community. In *The Dream and the Nightmare,* Myron Magnet drives home this distinction at the expense of Felix Rohatyn, a prominent New York liberal who lamented the "dead-end lives" of "the man and his wife slogging away in menial jobs that are dead-end jobs, with three kids, trying to deal with an environment that is very depressing."[8]

If the man is a short-order cook and his wife cleans hotel rooms, observed Magnet in the early 1990s, their income would support a "threadbare but adequate" lifestyle. (Though note that, based on New York City's median wages for his hypothetical couple's occupations, their income in 2016 would have been 15 to 20 percent lower than when he wrote.[9]) He continued:

> *But you do not judge people's lives only from the material point of view. Suppose that these two have brought up their children to respect the parents' hard work, to be curious about the world, to study in school, to take pleasure in family and community life, to consider themselves worthwhile people, to work hard and think about the future, to become skilled tradesmen or even professional as adults, and to bring grandchildren to visit. If this is*

[5] Steve Crabtree, "In U.S., Depression Rates Higher for Long-Term Unemployed," Gallup, June 9, 2014. Gallup is careful to note that its survey identifies only a correlation and does not prove causation, but both intuition and other research suggest that the relationship is at least in part causal, e.g., Margaret W. Linn, R. Sandifer, and S. Stein, "Effects of Unemployment on Mental and Physical Health," *American Journal of Public Health* 75, no. 5 (1985): 502–6.

[6] Andrew E. Clark and Andrew J. Oswald, "A Simple Statistical Model for Measuring How Life Events Affect Happiness," *International Journal of Epidemiology* 31, no. 6 (2002): 1139–1144; Edward L. Glaeser, "The War on Work—and How to End It," *City Journal*, 2017.

[7] Andrew E. Clark, Ed Diener, Yannis Georgellis, and Richard E. Lucas, "Lags and Leads in Life Satisfaction: A Test of the Baseline Hypothesis," *Economic Journal* 118, no. 529 (2008): F222–43.

[8] Myron Magnet, *The Dream and the Nightmare: The Sixties' Legacy to the Underclass* (New York: William Morrow, 1993).

[9] Magnet estimates the couple's income in the early 1990s at $31,000 to $40,000 ($53,000 to $68,000 in 2016 dollars). In 2016, median wages in the New York metropolitan area for a short-order cook and a housekeeping cleaner were $9.58 and $15.30 per hour, respectively, equivalent to $50,000 in annual income from two full-time jobs. "May 2016 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates: New York–Jersey City–White Plains, NY–NJ Metropolitan Division," U.S. Bureau of Labor Statistics (BLS).

> *a dead end rather than a human accomplishment worthy of honor and admiration, then it is hard to know what human life is about.*

A job may appear to be a "dead end" on a company's organizational chart, but that's not how it looks to a family. That doesn't describe its value to the community members who benefit from the product or service. Nor does it even begin to capture the role that the job plays in the worker's life.

For the individual, work imposes structure on each day and on life in general. It offers the mundane but essential disciplines of timeliness and reliability and hygiene as well as the more complex socialization of collaboration and paying attention to others. It requires people to interact and forges shared experiences and bonds. It promotes goal setting and long-term planning. True, other pursuits can provide these kinds of benefits—for example, raising children, keeping a home, or volunteering in the community. But sleeping, couch surfing, or playing video games does not. And for out-of-work men in particular, such idle activities tend to fill up their time.[10]

Work (again, especially for men) helps establish and preserve families. Where fewer men work, fewer marriages form.[11] Unemployment doubles the risk of divorce, and male joblessness appears the primary culprit.[12] These outcomes likely result from the damage to both economic prospects and individual well-being associated with being out of work, which strain existing marriages and make men less attractive as marriage partners. The so-called marriageable-men hypothesis associated with sociologist William Julius Wilson, which suggests that a lack of job opportunities contributed to the collapse of two-parent families in the African American community, remains controversial.[13] But that debate is largely about whether lack of economic opportunity was the underlying cause of male idleness. Few would question that such idleness would tend to reduce the likelihood and the stability of marriage.

---

[10] Josh Katz, "How Nonemployed Americans Spend Their Weekdays: Men vs. Women," *New York Times*, January 6, 2015; Mark Aguiar, Mark Bils, Kerwin Kofi Charles, and Erik Hurst, "Leisure Luxuries and the Labor Supply of Young Men" (Working Paper 23552, National Bureau of Economic Research, Cambridge, Mass., June 2017).

[11] Claudia Geist, "Marriage Formation in Context: Four Decades in Comparative Perspective," *Social Sciences* 6, no. 1 (2017): 9–24; David Autor, David Dorn, and Gordon Hanson, "When Work Disappears: Manufacturing Decline and the Falling Marriage-Market Value of Young Men" (Working Paper 23173, National Bureau of Economic Research, Cambridge, Mass., February 2017).

[12] Stephan Lindner and H. Elizabeth Peters, "How Does Unemployment Affect Family Arrangements for Children?" (Low-Income Working Families Paper 29, Urban Institute, Washington, D.C., August 2014), 9, table 3; Liana C. Sayer, Paula England, Paul Allison, and Nicole Kangas, "She Left, He Left: How Employment and Satisfaction Affect Men's and Women's Decisions to Leave Marriages," *American Journal of Sociology* 116, no. 6 (2011): 1982–2018.

[13] William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987). For a contemporary discussion of Wilson's hypothesis, see Isabel Sawhill and Joanna Venator, "Is There a Shortage of Marriageable Men?", Center on Children and Families Brief 56, Brookings Institution, September 2015.

Current economic conditions do appear to play a role in harming marriage formation. MIT professor David Autor and his colleagues found that U.S. regions facing greater competition from China experience lower rates of marriage and higher shares of children born to single mothers and that this effect appeared only when the economic disruption affected male employment.[14] Johns Hopkins professor Andrew Cherlin and his colleagues sought to study the "relationship between economic inequality and sociodemographic outcomes such as family formation," for which they noted a lack of "satisfactory evidence on the mechanisms by which inequality may have an effect."[15] When they accounted for a region's availability of "middle-skilled jobs," accessible to high school graduates and paying above-poverty wages, they found that the labor market, not the inequality, was influencing family formation. The issue was less who earns how much more than whom and more who has a chance to earn a living at all.

Work is both a nexus of community and a prerequisite for it. Work relationships represent a crucial source of social capital, establishing a base from which people can engage in the broader community—whether it's playing on a softball team, organizing a fund-raising drive, or hosting a field trip for the local preschool. This dimension of employment is especially relevant outside of urban centers; in such settings, the workplace can become a central meeting point. Communities that lack work, by contrast, suffer maladies that degrade social capital and lead to persistent poverty. Crime and addiction increase, their participants in turn becoming ever less employable;[16] investments in housing and communal assets decline; a downward spiral is set in motion.

The role of family and community in transmitting opportunity to the next generation also depends on work. When parents lose their jobs, their children tend to do worse in school, graduate at lower rates, and have less success as adults.[17] Recall that, while productive activity provides direct benefits to workers, its worth also derives from the dignity and respect that society confers on self-reliance and productive contributions. In a community where dependency is widespread, illegality a viable career path, and idleness an acceptable lifestyle, the full-time worker begins to look less admirable—and more like a chump.

---

[14] Autor, "When Work Disappears."

[15] Andrew J. Cherlin, David C. Ribar, and Suzumi Yasutake, "Nonmarital First Births, Marriage, and Income Inequality," *American Sociological Review* 81, no. 4 (2016): 749–70, 763.

[16] Steven Raphael and Rudolf Winter-Ebmer, "Identifying the Effect of Unemployment on Crime," *Journal of Law and Economics* 44, no. 1 (2001): 259–83; Alex Hollingsworth, Christopher J. Ruhm, and Kosali Simon, "Macroeconomic Conditions and Opioid Abuse" (Working Paper 23192, National Bureau of Economic Research, Cambridge, Mass , February 2017).

[17] Austin Nichols, Josh Mitchell, and Stephan Lindner, "Consequences of Long-Term Unemployment," Urban Institute, 2013; Joanna Venator and Richard V. Reeves, "Parental Unemployment Hurts Kids' Futures and Social Mobility," Brookings Institution (Social Mobility Memos), November 25, 2013.

II. What Happened to Work?

By now, the problem of declining labor-force participation is well known. Here I'll emphasize just one statistic. A critical reference point for understanding the nation's economic condition is the employment-to-population ratio — that is, what share of adults has a job and what share does not. Of particular concern is the share of prime-age men (25–54 years old) not working full-time. In September 2019, at what appears to be the peak of an economic boom, that figure was above 18%.[18] This represents substantial improvement over the Great Recession's aftermath, when the figure reached as high as 27%. But it is higher than the average for the 2001-07 economic expansion[19] and well above that expansion's strongest period, when fewer than 16% of prime-age men lacked full-time work. In the strongest period of the 1991-2001 expansion, the figure was below 14%; during 1982–90, it dipped even lower.

Far from booming, in a pre-2007 frame of reference the 2019 economy looks like one in the throes of a recession. The current 18% of prime-age men lacking full-time work is larger than the share at any time during the recessions of 1990–91 and 2001. Over the full period from when the Bureau of Labor Statistics data begin in 1986 to the start of the Great Recession in 2007, fewer than one in every 10 months experienced as bleak a picture. If the share of prime-age men working full-time in 2000 had persisted to the present, 2.3 million additional men would be working.

This long-term decline in work for men appears unique to the American economy, rather than reflective of shifting demographics or a global megatrend. The analysis considers only prime-age workers, so the general aging of the population plays no role. Nor has a skew toward older men within the prime-age demographic led to lower labor-force participation.[20] Perhaps most strikingly, the American experience is not materializing in other developed economies. During 1990–2018, the U.S. experienced the third-largest decline among OECD countries in its prime-age male labor-force participation rate (behind only Italy and Denmark) and now ranks 33rd out of 36 countries.[21] The U.S. decline of 4.4 percentage points over the period was roughly

[18] BLS, "(Unadj) Population Level—25–54 Yrs., Men"; BLS, "(Unadj) Employed, Usually Work Full Time, 25–54 Yrs., Men." These figures are not seasonally adjusted because BLS does not provide adjusted data on full-time employment for specific demographic groups.

[19] Business-cycle definitions are taken from "U.S. Business Cycle Expansions and Contractions," Business Cycle Dating Committee, National Bureau of Economic Research. It defines the most recent recessions as extending from July 1990 to March 1991, March 2001 to November 2001, and December 2007 to June 2009.

[20] "The Long-Term Decline in Prime-Age Male Labor Force Participation," CEA, June 2016, fig. 7.

[21] OECD Employment and Labour Market Statistics, "Labour Force Statistics by Sex and Age: Indicators." Calculations for Germany are from 1991, to exclude adjustments for reunification. See also CEA, "Long-Term Decline"; Maximiliano Dvorkin and Hannah Shell, "Labor Force Participation: The U.S. and Its Peers," Federal Reserve Bank of St. Louis, ("On the Economy" blog), June 22, 2015.

double that of its peers: the United Kingdom (2.8 percentage points), France (2.7), Canada (2.3), Japan (1.9), Germany (1.9), and Sweden (0.9).

Certainly, a wide variety of factors influence the long-term slide in labor-force participation for American men. For instance, changes in cultural norms and home environments may both be discouraging men from working and reducing their capacity. The labor market, meanwhile, has failed to generate attractive opportunities that prospective workers are capable of seizing.

Attempts to allocate responsibility among these factors have set off two robust, but ultimately irrelevant debates. First, have wages technically risen or fallen? Men's median weekly earnings have fallen by 7% since 1979, if adjusted for inflation using the Consumer Price Index relied upon by the U.S. Bureau of Labor Statistics,[22] but an alternative measure of inflation produced by the U.S. Bureau of Economic Analysis suggests instead that earnings have increased over the period by 12%.[23] Still, even using the more optimistic estimate, the gains hold only for men with college degrees; all other groups saw declines.

Whether wages are slightly lower or higher in real terms is beside the point. No one believes that a 5% wage decline over 40 years would produce a labor market exodus while a 5% wage increase would flood the market with new workers. Regardless, the important fact would remain that men's median earnings have fallen woefully behind the trajectory of growth in the wider economy and the rising costs associated with achieving a middle-class lifestyle. Technically, then, concern over the trend in wages is focused on their *relative* value.

But, of course, the relative value of a wage is always what matters. This becomes obvious upon recognizing that the point at which wages began stagnating in the 1970s is actually an arbitrary one to use in the analysis. It may seem coherent to ask why, if people were happy with a 1970 wage in 1970, they cannot be happy with that wage in 2019. But it seems coherent only because we take for granted that people can and do live on 1970s wages today. If *absolute* wages are what matter, why look to 1970? We could just as well look back to 1910 and ask whether we think it would work to have men today earning 1910 wages, which were fine in 1910.

A tempting response might be that the problem is not the 1910 wage per se but rather the decline from the 1970 to 1910 level. But that is precisely the point. Taking the "absolute" view seriously, declines cannot be important either. What is a decline, after all, but a shift from one absolute level to a different absolute level, both of which proved

[22] BLS, "Quartiles and selected deciles of usual weekly earnings of full-time wage and salary workers by selected characteristics, not seasonally adjusted"; BLS, "CPI for All Urban Consumers (CPI-U)."

[23] Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index."

perfectly adequate at various times in the past. A concern for "decline" is already a concession that the relative trajectory, not any absolute level, is what matters. If that's the case, then stagnation—while better than decline—can still trigger all manner of ills.

The second robust but irrelevant debate centers on attempts to allocate responsibility across the myriad factors that may be influencing men's behavior. Maybe stagnant wages are a problem, but isn't the "cultural problem" even larger? And if that's the case, aren't policymakers helpless? No.

Regardless of how weight is assigned amongst the various factors, the question for policymakers is how to *improve* the situation. Huge, immovable cultural and economic burdens may push toward harmful decisions. But so too, a number of such factors push more constructively: behaving responsibly, planning for the future, holding a job, sacrificing for a family—people are aware that these things really do have benefits. In the past, in a world not unrecognizably different from the present, with many critical conditions resting in similar repose, men were more likely to work. Whatever marginal shifts changed outcomes for the worse, some—even different ones—can cause just as much change for the better.

Thus, the observation that many major factors are cultural, and policymakers cannot affect them, has no bearing on the importance of identifying those factors, economic or cultural, that might help tip the scales and where public policy exerts a powerful influence. This is most obviously the case when it comes to the labor market—if more and better jobs were more accessible to more people, they would be more likely to work. Better public policy can help.

III. Strengthening the Labor Market

The path to strengthening the labor market can start with the observation of Harvard professor Edward Glaeser: "Every underemployed American represents a failure of entrepreneurial imagination. . . . Joblessness is not foreordained, because entrepreneurs can always dream up new ways of making labor productive."[24] Yet saying that entrepreneurs can always dream up new ways of making labor productive does not mean that they will. Only so many entrepreneurs put their time—and investors their capital—into so many businesses each year. If their most attractive opportunities involve the deployment of American workers, they will pursue that course. If investing in continual improvement of each American worker's productivity is critical to their success, they will do that too. But if other workers are more profitable to employ than Americans are, or if business models that rely less on labor present them with lower risks and higher rewards, then those entrepreneurs—and the economy—will respond accordingly.

[24] Glaeser, "The War on Work."

The answer is not to blame the labor market for acting like a market. A market is a tool that translates underlying conditions into the most efficient outcome. Even when conditions bring a bad outcome, the market mechanism itself remains hugely valuable. It preserves liberty and fosters choice for individuals, creates incentives via competition for innovation and investment, and helps resources flow toward the most productive uses. To observe an inadequate result at the macro level, that is, is not to imply that we know the correct result at the micro level—who should work for whom or at what wage—and trying to outperform a free market in answering such questions would be foolhardy. Instead, public policy should focus on those underlying conditions: why is the market settling where it does, and under what circumstances would it settle somewhere better?

The labor market's conditions dictate its behavior along five dimensions—and it can be improved along all five, depending on the trade-offs that society chooses to make. Here, I provide a brief overview of each.

Demand

What work does the economy need done? Consumer preferences and industry economics dictate much of the answer, but, at the margin, the rules that government puts in place can alter the balance. For instance, heavily regulating industrial activity and imposing stringent environmental regulation on physical infrastructure, while leaving the digital economy mostly free from regulation, will tend to constrict the demand for manufacturing workers, while expanding it for software engineers. Targeting taxes at energy-intensive activities, while aggressively subsidizing health care and higher education, will have profound effects on which industries stall and which thrive.

Over time, these kinds of choices can begin to affect consumer preferences and industry economics. Innovation will start to shift to those areas where entrepreneurs anticipate building the most successful businesses—whether that's in manufactured goods or high-end services, housing renovations or artistic performances. And where greater investment accumulates, the efficiencies of scale and expertise and supply chains develop too. A country consistently seen as the second-best location for a new factory will watch as factories get built in other places, and the researchers and suppliers and distributors follow—and soon it won't even be the fifth best location.

Supply

What work are people prepared to do? The employer bears significant responsibility for training workers to meet its needs and improving their productivity over time. But for this investment to make sense, the worker must demonstrate basic capabilities at the outset. The better prepared the prospective workforce, the faster an employer can bring workers on board and the higher their wages will be.

The students to whom the education system tailors its efforts will experience the greatest boost in their work prospects. This emphasis will also influence demand, as entrepreneurs build businesses where they expect to find well-prepared workers. If public schools offer a wide range of programs and lavish attention on those connected to the weakest segments of the labor market, they can push outcomes in a positive direction. If they adopt an attitude of "college or bust," we shouldn't be surprised to find a workforce consisting primarily of college graduates and busts.

Boundaries

Who gets to perform work and who gets to purchase it? When trade and immigration policies expand the pool of employers and consumers demanding various types of work, the workers able to provide it will likely see more opportunities—and higher wages. But when policies dramatically expand the supply of workers able to meet existing demand, domestic workers will suffer. In establishing a labor market's boundaries, balance is therefore crucial.

Unfortunately, in a wealthy country like the United States, balance will rarely be achieved for less-skilled workers if residents of poorer countries can participate without limit in the same labor market. Entrepreneurs gain access to a vastly larger and cheaper supply of labor, while imperatives vanish to build businesses that use the existing domestic labor supply or make investments in improving domestic workers' capabilities. This effect swamps the smaller uptick in demand for less-skilled American labor that those workers might expect to see from the poorer countries' consumers.

Transactions

How do workers and employers establish and manage their relationships? The set of negotiable terms and conditions and the rules of negotiation have a significant influence on the nature of transactions in any market. This is triply true in the labor market, where overlapping regimes of contract law, employment law, and labor law govern the efforts of workers and employers to reach mutually beneficial agreements. Any contract they wish to sign must grapple with the myriad rules that government imposes about hours, wages, conditions, benefits, and much more. On top of those rules, the presence of a union may introduce an additional layer of collective bargaining, itself controlled by government rules.

In principle, allowing workers to bargain collectively should give them an opportunity to secure better terms than they might each achieve individually. Furthermore, by placing workers and employers on equal footing, concerns of unequal power and unfair agreements fall by the wayside, reducing the need for government dictates. Why does the Department of Labor need to set the standard for overtime pay when the parties can be reasonably expected to work out this issue for themselves? But done poorly, a system of organized labor can have the opposite effect, creating industry-wide cartels that negotiate agreements in the long-term interest of no one.

Taxes

How do the employer's total cost and the worker's take-home pay differ from the agreed-upon wage? The term tax is meant here in the broadest sense. Obviously, the direct taxes imposed on both employers and workers represent a large wedge inserted between the bargain that the parties might like to strike and the costs and benefits that they ultimately experience. But many other factors play a similar role, adding to the cost of becoming a worker or hiring one.

Conversely, government can offer subsidies that offset tax burdens or even raise the transaction's value to one or both parties beyond what the market offers. If society wants more from the labor market, it must consider paying for it. This can take forms ranging from tax credits for the employer or worker to direct subsidies that boost wages to better infrastructure that lowers transportation costs.

***

On each of these dimensions, America's choices have been misguided. We overtax and underinvest in less-skilled workers, make them costly and risky to employers, and discourage investment in the industries where they could work most productively. At the same time, we free employers from the constraints of using the existing domestic workforce, offering them instead an option of using much cheaper foreign workers overseas or bringing the cheaper workers here. The immediate effects of these policy choices have often appeared beneficial, even to the workers who now find themselves disadvantaged. But those policies have, over time, reshaped the economy's contours in ways that have left too many people out.

Thank you again for the opportunity to testify on this important topic.

Testimony of
Dr. Jay C. Shambaugh
Director, The Hamilton Project
Senior Fellow in Economic Studies The Brookings Institution
and
Professor of Economics, The George Washington University
on the subject of
"Connecting More People to Work"

November 20, 2019

Mr. Chairman, Madame Vice Chair, Members of the Joint Economic Committee, thank you for inviting me to discuss this important topic today. Getting more people into the labor market and into jobs is a central part of generating broadly shared growth and raising living standards.

The United States—which used to be a world leader in labor force participation for both men and women—now substantially lags many other advanced economies.

Although the overall U.S. labor force participation rate has been stable since approximately 2015, it had been on a downward trend beginning in the year 2000. Much, but not all, of that decline is attributable to the aging of the population as more adults are retirement age. Looking across age groups: younger adults are participating less than in the last century, largely because more of them are in school;[1] adults over 55 are participating at higher rates than in the late 1990s;[2] participation for those aged 25–54 has been rebounding since 2015, but is still below its 1999 peak.[3] There is room in the labor market for participation to rise.

Economists often focus on those of "prime" working age, between 25 and 54, as they are usually neither in school nor retired in large numbers. Prime-age men have seen a persistent downward trend in participation over the last half century, largely due to declining rates among men with less education. Research has shown that this group has seen a decline in demand for their labor, and prime-age men with less than a high school education actually make $3.40 less an hour (adjusted for inflation) than they did in 1980.[4]

Reducing gaps in labor force participation

In my work with The Hamilton Project, we have argued that a great deal can be learned about how to lift participation from looking at the gaps across groups and the specific barriers some face. For example, while prime-age men with a bachelor's degree or more participate at a rate of 94 percent, those with a

---

[1] Bauer, Lauren, Emily Moss, Ryan Nunn, and Jay Shambaugh, 2019, "Employment, Education and the Time Use of American Youth."
[2] Bureau of Labor Statistics 2019. For more details on labor force participation trends of older workers, see Bauer, Lauren, Patrick Liu, and Jay Shambaugh, 2019, "Is the Continued Rise of Older Americans in the Workforce Necessary for Future Growth?"
[3] Bureau of Labor Statistics, 2019.
[4] Author's calculations using Current Population Survey Outgoing Rotation Group data for 1980 and 2018. Data adjusted for inflation using the CPI-U-RS.

high school degree only participate at 86 percent, and those with less than a high school education participate at just 80 percent.[5] For those with less education, taking steps to increase training and education along with other steps to lift wages could improve their labor market outcomes and directly lift participation.[6]

Low-wage U.S. labor markets are unstable, and the data show that low-wage workers are more likely to have irregular schedules and to cycle in and out of the labor force. Relying on a one-month snapshot can overestimate how many are truly out of the labor force as opposed to struggling to stay in it. In fact, of those out of the labor force in a given month who are not disabled, students, retirees, or caregivers, at least 76 percent are actually in the labor force at some point in the next 16 months.[7] Improving worker pay, schedules, bargaining power, and worker rights in these jobs to make them more stable could help.[8]

Women represent the largest pool of untapped labor in today's labor market. U.S. women used to lead the world in participation rates; today they are in the middle of the pack of advanced economies. Of the 22 million prime-age individuals out of the labor force, almost 11 million list "taking care of family member" as the reason they are not in the labor force—and 90 percent of those individuals are women.[9]

While some are home by choice, 35 percent of women who say they want a job but are not working list family responsibilities as the barrier.[10] Evidence shows that better availability of childcare (and eldercare)—in particular for lower income households—would allow more who want to work to be in the labor force and that well-designed parental leave policies could keep more women attached to the labor force after having children.[11]

There are also massive gaps in labor force participation across places. In top-ranked counties, 88 percent of prime-age adults are in the labor force compared to 70 percent in bottom-ranked counties.[12] This gap dwarfs the drop in overall participation from 1999 to 2014. Place-based policies that try to spur labor demand in struggling regions could lift national participation. They are also important in their own right as a way to provide better economic opportunity and outcomes to a wider swath of Americans.[13]

---

[5] Nunn, Ryan, Jana Parsons, and Jay Shambaugh, 2019, "Labor Force Nonparticipation: Trends, Causes, and Policy Solutions."
[6] See Hoynes, Hilary, Jesse Rothstein, and Krista Ruffini, 2017, "Making Work Pay Better Through an Expanded Earned Income Tax Credit"; and Holzer, Harry, 2011, "Raising Job Quality and Skills for American Workers: Creating More-Effective Education and Workforce Development Systems in the States."
[7] Author's calculations based on the Current Population Survey, 2018–19. Refers to the prime-age civilian population.
[8] Shambaugh, Jay, and Ryan Nunn, eds, 2018, *Revitalizing Wage Growth Policies to Get American Workers a Raise.*
[9] Author's calculations based on the 2018 Current Population Survey.
[10] Nunn, Ryan, Jana Parsons, and Jay Shambaugh, 2019, "Labor Force Nonparticipation: Trends, Causes, and Policy Solutions."
[11] See Ruhm, Christopher J., 2017, "A National Paid Parental Leave Policy for the United States"; Maestas, Nicole, 2017, "Expanding Access to Earned Sick Leave to Support Caregiving"; and Cascio, Elizabeth U, 2017, "Public Investments in Child Care."
[12] This contrasts the top 20 percent of counties (ranked by participation rates) with the bottom 20 percent of counties. Author's calculations based on 2013–17 American Community Survey.
[13] Shambaugh, Jay, and Ryan Nunn, eds. 2018, *Place-Based Policies for Shared Economic Growth*

There are also huge barriers to labor force participation of the formerly incarcerated. Removing those barriers and reducing the punitiveness of the criminal justice system is imperative.[14] African American men have lower rates of participation, likely due in part to disproportionate incarceration rates as well as what studies show to be considerable discrimination in labor markets. [15] Combatting these barriers is important.

Finally, the second largest group out of the labor force—after caregivers—are those listing health or disability as a barrier. This includes physical health, mental health, and addiction. We need better healthcare and treatment to keep people in the labor market.

It is important to note that it is poor health, not the safety net, that is a major barrier to work. Not all of those listing health or disability as a reason for being out of the labor force receive disability payments,[16] and reported health measures for this group show sharply worse health relative to the overall population.[17]

Furthermore, there is no evidence that increasing work requirements in SNAP or introducing them in Medicaid lifts labor force participation meaningfully. Reforms to the disability system making it easier for those with health limitations to work could help;[18] however, this would still not address the combined barriers this population faces of chronic health challenges coupled with low market wages.

Creating jobs is also crucial. A strong economy can raise wages, force employers to cast a wider net to find workers, and draw people into the labor market. Conversely, economic downturns damage labor force participation and should be minimized by making more use of automatic fiscal stabilizers.[19]

---

[14] Piehl, Anne Morrison, 2016, "Putting Time Limits on the Punitiveness of the Criminal Justice System."

[15] Schanzenbach, Diane Whitmore et al., 2016, "Twelve Facts about Incarceration and Prisoner Reentry." Regarding discrimination, see Bertrand and Mullainathan (2004) and Goldin and Rouse (2000) among many others.

[16] Of those prime-age individuals citing poor health as the reason they did not work in the prior year, 64 percent actually receive disability income based on author's calculations using data from the 2018 Current Population Survey Annual Social and Economic Supplement. Disability income includes income from Disability Insurance; workers compensation; veterans benefits; disability related income from Social Security or Supplemental Security Income; and disability benefits from a company, union, state or local government, U.S. railroad retirement, or private accident or disability insurance. This is an underestimate due to the known problem of the CPS undercounting receipt of disability income. Joint Economic Committee Republican Staff (2018) states that 75 percent of those listing disability as a reason for nonparticipation received SSDI or SSI based on a different data set.

[17] See Joint Economic Committee Republican Staff (2018) who report lower overall reported mental and physical health for this group, Bauer and Shambaugh (2018) who show that SNAP recipients who are labor force nonparticipants due to health are highly likely to have disabilities and take daily prescription medication, and Coile and Duggan (2019) who show worsening health status for prime-age men from 2000 to today—especially for those with less education—consistent with rising numbers of individuals out of the labor force due to health. Schanzenbach et al. (2016) shows deteriorating health for 25–49 year-olds and sharply lower health for those with low incomes.

[18] See Autor, David, and Mark Duggan, 2010, "Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System"; and Liebman, Jeffrey B., and Jack A. Smalligan, 2013, "An Evidence-Based Path to Disability Insurance Reform."

[19] Boushey, Heather, Ryan Nunn, and Jay Shambaugh, eds, 2019, *Recession Ready Fiscal Policies to Stabilize the American Economy*.

Americans are trying to work, but they often face major barriers. Ninety-four percent of prime-age adults out of the labor force are either disabled, taking care of relatives, students, or retired.[20] It is removing barriers and maintaining strong labor markets that should be a policy focus.

I look forward to any questions.

[20] Author's calculations based on the Current Population Survey basic monthly files for 2018. Reasons for not in the labor force categorization are based on IPUMS employment status (EMPSTAT), activity while not in the labor force (NILFACT), and reasons not looking for work (WNLOOK) variables.

Testimony of Jose Ortiz, Jr.

Executive Director, NYC Employment and Training Coalition

As delivered to the Joint Economic Committee

Hearing on "Connecting More People to Work"

November 20, 2019

Good afternoon and thank you Chairman Lee, Chairwoman Maloney and members of the Joint Economic Committee for holding this hearing and for the invitation to speak before you today. I'll be speaking to the need to more effectively address labor force participation gaps amongst marginalized populations, especially those without college degrees, due to barriers to workforce development, training and employment.

My name is Jose Ortiz, Jr. and I am the Executive Director of the New York City Employment and Training Coalition. NYCETC supports the workforce development community to ensure that every New Yorker has access to the skills, training and education needed to thrive in the local economy, and that every business is able to maintain a highly skilled workforce. Our 160 member organizations provide job training and employment services annually to more than 500,000 underserved New Yorkers. Everyday, the workforce development system demonstrates that, given the appropriate tools to address specific individual and systemic challenges, people are resilient and capable of learning at any stage of their lives.

The country is experiencing unprecedented economic growth, and while we know that talent exists everywhere -- in towns and cities large and small -- a significant percentage of people across the nation lack relevant work experience and professional skill that would make them viable candidates for employment across industries. Research shows us that while 53 percent of all jobs in today's labor market are middle skill, only 43 percent of U.S. workers are trained at this level, which means that industries cannot grow to their full potential and American workers face highly limited pathways into careers with good wages.[1]

In addition to the moral imperative, there is an economic imperative to increasing investments in workforce development. Sixty-two percent of small and mid-sized business leaders reported that it is difficult to find skilled workers.[2] Seventy-nine percent of these business leaders also expressed their support for new, public investments in workforce policies.[3] Additionally, 64% of business leaders say increased government funding for support services to help people finish skills training programs will help their business.[4]

To maximize national economic growth, meet employers' talent needs, and eliminate the widening wage gap, we must do better at helping Americans gain the competencies and credentials required for in-demand careers. Roughly 75 million people who are unemployed, underemployed, or not working but not counted in unemployment figures:[5]

---

[1] Skills for Good Jobs Agenda (National Skills Coalition)
[2] Business leaders need investments in work-based learning to train the 21st century workforce (Business Leaders United for Workforce Partnerships)
[3] Ibid
[4] Ibid
[5] "The Employment Situation—January 2019," U.S. Bureau of Labor Statistics.

- 6.5 million unemployed (including 1.3 million long-term unemployed [6]
- 1.6 million not working but not counted in unemployment figures [7]
- ~ 68 million earning less than $15 per hour [8]

Included in these numbers are:
- Adults without a postsecondary credential
- Adults living in poverty
- Individuals with some college but no credential
- Young people ages 16-24 not in school or working

Effective workforce programs contain the following critical components that, when combined and structured to be reactive to each individual's needs, provide people with the deep intervention and intensive services required to ensure successful entry and growth in a career:

- Employers inform workforce development providers and educational institutions on the skills needed for jobs
  - Build in-demand skills rooted in labor market data
  - Employer and community partnerships (ex. curriculum development, internship opportunities, funding)
  - Access to internship or on-the-job learning
  - Industry-recognized credentials: industry certifications, occupational licenses, and apprenticeship certificates
- Intensive and immersive programs engage participants and provide them with skills development in areas required for each profession
  - Trainings are specialized, integrating technical, behavioral and mindset skills
  - Professional development, communication skills, time management, resume prep and support with online job tools, interview skills, teamwork and leadership training, and strategies to address imposter syndrome
- Instruction is provided in a variety of ways including in conventional classroom experiences, online, and video including new tools like mobile
- Regular assessments to identify and address problems so that students can display a mastery of skills
- Wraparound services: transportation, childcare, mental health supports, and other services
- Retention and advancement services

The efficacy of these programs is backed up by the on-the-ground experience of our members working hand in hand with local employers to taylor programs to their needs and those of individuals, our discussions with employers large and small, and long standing research. These programs also have unquestionable results. Recent data suggests that taxpayers reap as much as $4 for every $1 spent on workforce programs.[9]

---

[6] The "long-term unemployed" are individuals who have been unemployed for 27 or more weeks.
[7] The U.S. Bureau of Labor Statistics does not count these people as unemployed because they had not searched for work in the four weeks preceding the survey. However, they are individuals who are not in the labor force, who wanted and were available for work, and who had looked for a job sometime in the prior 12 months.
[8] The total labor force figure used in the calculation is the seasonally adjusted civilian labor force from "The Employment Situation—January 2019. Household Data Table A-1. Employment status of the civilian population by sex and age." U.S. Bureau of Labor Statistics, U.S. Department of Labor.
[9] Workforce programs yield big ROI

Per Scholas, which provides tuition-free technology training to adults across the country for careers as IT professionals, and the hundreds of people it trains is a clear example of the impact of workforce programs. Per Scholas' track record includes a 400% increase in graduates' post-training income and an 80% placement rate into quality and stable careers in the growing tech field. Deris of Cinncinati is a 38-year old man that exemplifies the tenacity and potential that exists in all of our communities. Having to drop out of college due to family obligations, Deris spent years in "tech adjacent" jobs with limited career growth. As valedictorian of his 14 week IT Support course[10] equipped with CompTIA A+ and Network+ certifications, he found a job as a contractor with TEKSystems, a Per Scholas Signature Partner insurance group, working on an Internet Security team. His new confidence, in-demand skills and network of tech employers has enabled him to provide much more stability and health to his children, and even prompted him to start a business around work with high school students and computer troubleshooting skills called Youth Tech Café.

Additionally, labor market data points to the fact that the needs of industry and their respective businesses are changing more rapidly than ever before. Technological shifts require that workers are trained to meet the needs of not only today, but also tomorrow. These changes are not only affecting those individuals from lower socioeconomic backgrounds with less educational attainment, this is also affecting individuals who have some college experience or a degree like Deris, making it more difficult to gain access to and compete for jobs in today's labor market.

In New York, there is a direct correlation with higher unemployment rates amongst individuals who identify as Black, Latinx, and female,[11] making programs like Per Scholas - whose students are 87 percent people of color and 30 percent women - and STRIVE critical to closing this talent gap.[12]

DeAsia, a young black woman who found herself on her own at the age of 16 bouncing from state to state looking for work opportunities, is a prime example of the specific barriers to employment that many black women face and the spectacular impacts that a job training program equipped with soft skills training and wraparound support has been proven to have. She had been through personal trauma, was struggling to earn a living, suffered from depression. When she became pregnant with her son Jeramiah she found herself living in a domestic violence shelter, seeking a career to ensure a better life for them both. At STRIVE - a 35 year old organization whose programs facilitate the personal and professional growth needed for people who face the biggest obstacles to employment to find and retain employment in several states across the US - DeAsia got the training she needed to thrive and found the support system she'd been missing. Her participation in the 12 week Career Pathways program, which included attitudinal training, professional skills, work readiness and sector-based occupational skills training in Health & Office Operations led to her earning a Medical Billing and Coding certification and opened doors to a multitude of jobs with opportunity for career advancement at STRIVE's healthcare employer partners. She was first hired at Northwell Health in New York City in an entry-level position with a starting salary of $13 per hour, and has since advanced to earn a double Master's in Healthcare Administration and Business Management and is an Insurance Authorization Specialist at Northwell with a middle-class salary of over $52,000 per year.

---

[10] Per Scholas IT Support
[11] America's Untapped Workforce. Federal Programs to Develop a Critical Talent Pipeline.
[12] Per Scholas and TEKsystems Launch Training Partnership to Support Diverse Talent Pipeline for Growing U.S. Tech Hubs

However, we know that this is a problem that is not isolated to these populations, and is also affecting non-college educated whites across the nation, and especially individuals with additional challenges to employment such as criminal justice histories or substance abuse issues. To tackle these challenges, organizations like Seedco, a national nonprofit dedicated to advancing economic opportunity for people, businesses, and communities in need, have targeted programs that combine in-demand skill development with behavioral and interpersonal development.

Jared, a 24 year old white man born and raised in rural Arkansas and an early criminal history, sought out Seedco in Memphis, Tennessee seeking to transform his life and travel down a positive pathway through work. Participating in the "Turning Point Young Adult Re-Entry Program" enabled him to think critically about how own choices, explore viable career pathways, and led him to the Kingdom Low-Voltage Apprenticeship Program. Jared is currently earning $11.50/per hour with Torry Low-Voltage Communications, LLC while training to become a certified Telecommunications Technician. This is significantly higher than the Tennessee minimum wage of $7.25/hour. Telecommunications is a field that continues to provide extensive career opportunities as the Mid-South region is experiencing significant expansion in the construction industry via hotels, business expansions, and additional projects over the next 10 years. Due to this growth, there will be a need for trained installers of cabling like Jared in the buildings as they are erected. Being employed has also allowed Jared to overcome additional barriers. He was able to pay multiple outstanding fines in Arkansas, complete the Alcohol and Drug Safety Education Program and secure a room in a group housing facility.

Employment training programs like Seedco are not only critical to connecting more people to work, but are also pivotal to our nation's ability to remain competitive in the face of automation and the radical impact it will have on all facets of our economy. Over the next 10 years, more than 10% of all occupations can be fully automated.[13] Automation will affect occupations that include bus drivers and nurse assistants, stock clerks and travel agents, dental lab technicians, sewing machine operators and assembly-line workers.[14] The same study found that 40% of all work activities have the potential to be automated using current demonstrated technologies.[15] The largest occupational categories in the US economy are also the ones with the greatest potential for automation-related displacement - office support; construction; mining; agriculture, forestry, fishing, and hunting; retail trade; accommodation and food services; and manufacturing.[16] This will affect individuals and economies across all states that we represent, in cities and towns that we all call home and love.

Across the U.S.[17]

- Workers with a high school diploma or less are four times more likely to lose their jobs;
- 11.9 million Blacks and Latinx are projected to be displaced; and
- 14.7 million young workers between the ages of 18 and 34, as well as 11.5 millions workers who are 50 years of age or older will lose their jobs

Couple these challenges with the likelihood of another economic downturn in the foreseeable future, significant labor market challenges will continue to persist for both workers and employers.

[13] The Future of Work in America (McKinsey Global Institute)
[14] Ibid
[15] Ibid
[16] Ibid
[17] Ibid

The good news is that job growth will be net positive over the next 10 years. Specifically, jobs are projected to grow in occupations including solar installers, wind turbine technicians, health professions (health aides, technicians, occupational therapy assistants, physician assistants, nurse practitioners, and wellness), personal care aides, information security analysts, statisticians, speech language pathologists.[18] Jobs that are projected to grow in occupations and/or be transformed include including health professions, STEM, creatives and arts, business and legal professions, management, education and workforce training, and customer service and sales.[19]

And as these jobs are created and/or are transformed, workers must develop new in-demand skills to meet employer needs. Therefore, these complex challenges require complex interventions and investments, and the collective action of all stakeholders across the system, to ensure more workers have career pathways into these new roles and businesses have viable talent. As the stories of Deris, DeAsia, Jared and the organizations that trained and supported them along the way show - we can equip people with the 21st century skills needed to change the impact of automation from "elimination" to "transformation" by focusing investments and policies in the following ways:

- Government agencies can partner with educational institutions, providers, and intermediaries at earliest stages of economic development and re-zoning initiatives to ensure local workers are trained for and have access to employment opportunities;
- Workforce Investment Boards can help direct investments for programs that train people for in-demand roles in the local economy;
- NGOs and Foundations can fund and assist in the designing of innovative solutions for hard to solve problems;
- Companies can internally design programs for retraining incumbent workers; and work with external partners to develop target programs to develop new talent pipelines;
- Educational institutions and job training providers can form partnerships to train incumbent workers and develop new pipelines that provide access for new talent. Describe clear ROI for investors and employers; and
- Industry and Labor Organizations can support workers in identifying training for, and transitioning to, in-demand roles

There are many more examples of individuals that, with their hard work and dedication, have overcome their personal and institutional barriers to employment. However, each of these success stories includes a deep investment capital and other resources in order to ensure that each worker not only finds, but also retains employment for many years to come. In many instances, individuals may still require certain public benefits as they regain their footing. In the long-term, these significant investments will lead to individuals and families that are more likely to be self-sufficient.

This task is enormous. However, the federal government must ensure that workforce development programs like the ones highlighted and the hundreds that are not, are funded. All Americans, especially those in the untapped workforce, need increased access and supportive services to succeed in job training programs and industry-recognized credentials, and corresponding careers. Once successful, we will raise the standards of living for all who reside in our towns and cities across America.

Thank you.

---

[18] Bureau of Labor Statistics, U.S. Department of Labor - Employment Projections (2018-2028).
[19] The Future of Work in America (McKinsey Global Institute)

THE HAMILTON PROJECT

Labor Force Nonparticipation: Trends, Causes, and Policy Solutions

The Evolution of Labor Force Participation

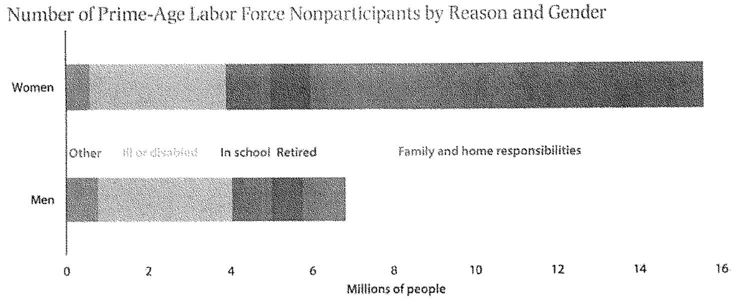
Over the last two decades the U.S. labor force participation rate has fallen. While the relatively strong job market since 2014 has led to rising participation for some groups, the overall participation rate remains well below its peak even after adjusting for aging. These changes in the United States have not been mirrored around the world. In 1990, the United States had participation rates near the OECD average for prime-age (25–54) men and well above the average for prime-age women. By 2016, the U.S. male participation rate was well below the OECD average, and U.S. women were only slightly above the OECD average.

There are sizable gaps in prime-age participation across groups in the United States: women participate at a lower rate than men (13.7 percentage points) and Black men participate at a lower rate than White men (7.4 percentage points). Adults 25 and older without high school degrees participate at lower rates (and work for much less pay) than adults with at least a college degree (27.6 percentage points). Those with family caregiving responsibilities, those facing health and disability challenges, and those with a history of incarceration are all far less likely to work than other adults. Some of these factors are evident in the figure below, which shows the stated reasons for nonparticipation among those aged 25 to 54.

For more than a decade, The Hamilton Project has offered evidence-based policy proposals on a variety of topics that often have important implications for labor force participation. We discuss these proposals as they relate to the goal of increasing participation, with a special focus on the barriers to increased participation, including weak aggregate demand, low demand for non-college-educated workers, geographic gaps in participation, caregiving responsibilities, health and disability, and criminal justice.

FIGURE 1.

Number of Prime-Age Labor Force Nonparticipants by Reason and Gender



Source: BLS 2018 (CPS); authors' calculations.
Note: Data are for 2018.

THE HAMILTON PROJECT
BROOKINGS

Impediments to Labor Force Participation and Potential Policy Solutions

Weak Aggregate Demand

Recessions, economic slowdowns, or more broadly shortfalls in aggregate demand—the total spending by individuals, firms, and governments—depress labor force participation, with longer-run impacts if workers become permanently discouraged, either leaving the labor force or remaining on a less-rewarding career track.

- **Automatic stabilizers**—defined as fiscal policies that automatically inject money into the economy during a downturn and remove it during a boom—can help minimize the damage caused by recessions. (To learn more, read the book *Recession Ready* by The Hamilton Project [THP] and the Washington Center for Equitable Growth, and also Jared Bernstein's 2018 THP proposal.)

Weak Demand for Non-College-Educated Workers

Falling labor demand for non-college-educated workers has weakened the returns to work and lowered labor force participation for many workers.

- **After-tax policies** supplement market wages through the tax and transfer system. Expanding after-tax policies such as the Earned Income Tax Credit (EITC) would raise the return to work for low-wage workers and could increase participation. (To learn more, read a 2017 THP proposal by Hilary Hoynes, Jesse Rothstein, and Krista Ruffini on the EITC.)
- **Before-tax policies** raise the wages that employers are willing to pay either by increasing skills or by making markets more competitive and dynamic. Policies that promote worker training, increased access to education, and more dynamic markets could all increase participation. (To learn more, read Harry Holzer's 2011 THP proposal.)

Geographic Gaps in Participation

Labor force participation varies dramatically across the country. Places with low participation rates may suffer from weakness in both labor demand and labor supply.

- **Place-based policies**, such as geographically targeted job subsidies, closer links between struggling places and research universities, or intergovernmental grants to places with the most need, can help people in struggling places. (To learn more, read the THP book *Place-Based Policies for Shared Economic Growth* including a 2018 proposal by David Neumark.)
- **Policies that encourage mobility** can help people move to places with greater labor market opportunity.

Family Caregiving

Caregiving, both for children and aging relatives, is often extremely expensive. For mothers of young children in particular this expense is enough to deter labor force participation.

- **Policies that make it easier to balance employment and caregiving**, such as paid parental leave, intermittent leave for caregiving, or affordable child care, could help caregivers to stay in the labor force. (To learn more, read Elizabeth Cascio's 2017 THP proposal.) Policies that address the penalty faced by secondary earners within families can help as well (see Melissa Kearney and Lesley Turner's 2013 THP proposal.)

Health, Disability, and Drug and Alcohol Abuse

Illness and disability account for nearly 30 percent of prime-age nonparticipation. Improving health and making disability less of a barrier to employment would increase participation.

- **Disability insurance reform** can incentivize employers to accommodate workers with disabilities and make it easier for workers to participate in the labor force. (To learn more, read David Autor and Mark Duggan's 2010 THP proposal.)

Incarceration and Collateral Consequences

Incarceration and interactions with the criminal justice system come with long-term labor market consequences including forgone human capital accumulation, hiring restrictions, higher likelihood of recidivism, and discrimination.

- **Reducing the punitiveness of the U.S. criminal justice system**—including by eliminating some collateral consequences of conviction—would increase labor force participation. (To learn more, read Anne Piehl's 2016 THP proposal.)

The complete report is available at *https://www.brookings.edu/wp-content/uploads/2019/10/ES—THP—labor-force-nonparticipation—final.pdf*

RESPONSE FROM JAY SHAMBAUGH TO QUESTION FOR THE RECORD SUBMITTED BY SENATOR KLOBUCHAR

Men and women of color suffer disproportionately during economic downturns. The unemployment rate for African Americans now stands at 5.4 percent—nearly two percentage points higher than the overall rate of 3.6 percent.

- **What can Congress do now to help minimize the expected rise in the unemployment rate for people of color during the next recession—whenever it may hit?**

Thank you for this question. You are exactly correct that men and women of color suffer disproportionately during recessions. In general any group that is marginalized in the labor market tends to do worse in recessions. In the Great Recession, unemployment rates doubled for nearly every group. Since the African-American unemployment rate was higher to begin with, a doubling meant a much larger increase.

In addition, it is important to consider another labor market challenge disproportionately impacting African-American workers: the dramatic racial disparities in the rates of underemployment (including those who are part-time but would rather work full-time and those who are marginally attached to the labor force). At all points of the business cycle, white workers have lower underemployment rates than African-American (or Hispanic) workers.

For example, in 2018 the underemployment rate for white workers was approximately 6 percent in 2018, compared to a rate of approximately 12 percent for African Americans.

When we look at underemployment rate disparities during the Great Recession an even more grim picture can be painted. In April 2011, underemployment among African-American workers reached 24.9 percent, over one year after the African-American unemployment rate peaked at 16.8 (in March 2010). This stands in sharp contrast with the peak white underemployment rate in the wake of the Great Recession, which was only slightly higher than the pre-recession low for African-American underemployment.

There are two main ways one could minimize the damage done to men and women of color during recessions. The first is to minimize the damages of recessions overall. Better use of automatic fiscal stabilizers could try to limit the impact of a downturn on the labor market. For example, one could strengthen the safety net and make it more responsive to downturns (including: waive work requirements faster in a downturn in the Supplemental Nutrition Assistance Program SNAP, formerly the Food Stamp Program], increase unemployment insurance and SNAP payments during a recession, reintroduce some countercyclicality to Temporary Assistance for Needy Families [TANF]). One could also use triggers based on the increase in the unemployment rate to increase infrastructure spending automatically, increase Federal support to states for Medicaid and the Children's Health Insurance Program (CHIP), and mail direct checks to individuals. The Hamilton Project recently put out a book (along with the Washington Center for Equitable Growth) called "Recession Ready" that discusses many of these ideas. These policies would not directly target the labor market experience of men and women of color, but given that men and women of color are more exposed to recessions, by limiting a recession's impact, these policies would help.

Another set of options is to try to make these groups less marginalized in the labor market overall. For example, robust enforcement of anti-discrimination policies would help. In addition, though, because of a range of barriers men and women of color face in labor markets and in general, they often face other disadvantages in the labor market. Men of color are more likely to have been incarcerated, and criminal records are a hindrance in the labor market. Both reducing unnecessary incarceration and unequal application of law enforcement along with policies to create pathways for the formerly incarcerated to rejoin the labor market would both help. Similarly, individuals with less education tend to have worse labor market outcomes. Policies to improve educational outcomes for young men and women of color along with policies that create better pathways to employment for those without a college degree could both help the labor market outcomes of men and women of color.

Finally, one could try to take specific actions that safeguard men and women of color in the labor market in a downturn. For example, making sure that cities do not substantially cut back employment opportunities due to budget problems and making sure that poor rural areas—which often have large populations of men and women of color—also feel the impact of fiscal stimulus is important. Policies like the emergency TANF support that was included in the American Recovery and Reinvestment Act helped stimulate employment in poorer communities. Making that an ongoing program that could scale up during recessions and making sure that it is applied in a way that benefits communities of color would be an important step.

The negative labor market experience of vulnerable populations during recessions is one of the main motivations for robust countercyclical macroeconomic policy. Along with policies that try to reduce discrimination and help communities of color more broadly, strong countercyclical policy could help minimize these damages.

QUESTION FOR THE RECORD FOR JOSE ORTIZ, JR., SUBMITTED BY SENATOR KLOBUCHAR

To help both our workers and our businesses that struggle to find workers with the necessary technical skills, we need a strong training and education agenda. I have introduced legislation to improve apprenticeship and workforce training programs and to expand the "529" tax advantaged education savings program to include training and credential programs that help workers develop the skills needed for 21st century jobs.

- **In your view, what measures should we take to ensure workers are prepared to transition to jobs for which employers are hiring?**

QUESTION FOR THE RECORD FOR JOSE ORTIZ, JR., SUBMITTED BY SENATOR HASSAN

Mr. Ortiz, as Governor of New Hampshire, and in the U.S. Senate, I have tried to identify workforce training strategies that would help pull individuals into the labor marker who were chronically unemployed or underemployed.

Too often, these individuals are not able to get the training they need for existing job openings because they face barriers like access to transportation and child care.

To help address this, I introduced the bipartisan Gateway to Careers Act to strengthen career pathway opportunities and help individuals navigate barriers that keep too many people from participating or staying in the workforce like transportation and child care.

What more do you think we should be doing to help families access the services they may already be eligible for and strengthen career training programs to be responsive to issues individuals face outside of the workplace?

Can you describe programs and strategies that have worked for participants in your programs?

○