

A Citizens'
Solutions Guide

Jobs and the Economy

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Where Things Stand

Economists develop all kinds of formulas and theories to explain the economy, but for most Americans, the real point comes down to one thing: having a decent job.

And rightly so. Most Americans get their money from wages, and that means their standard of living, their insurance benefits, and even their social status all depend on their work. Unemployment – particularly the sustained unemployment we’re facing now – strikes at the foundations of daily life. And the longer it goes on, the weaker the unemployed, and the rest of us, become.

The financial crisis of 2008-9 was cataclysmic, so bad that the downturn that followed has been tagged “The Great Recession.” Between 2008 and 2010, the nation lost about 8.4 million jobs, and the unemployment rate soared from about 5 percent to nearly 10 percent. Even if you kept your job, you still felt the pain. Nearly one in 10 Americans report they’ve had to take unpaid furlough in the past few years, and one in three say their hours or pay have been cut. Plus, workers took hits on their retirement savings as the stock market plunged, and millions found themselves in the almost unprecedented situation of being “underwater” on their homes, now worth less than what they originally paid.

But recovering from the recession, as bad as it is, is only part of the problem. There are long-term trends in advancing technology and globalization that are changing the nature of the economy and the workplace. Businesses can do more work with fewer people, or with people who can be anywhere in the world. And if that’s the trend, what does it mean for the American worker, and all the things that depend on American jobs?

The Big Picture

The overall unemployment rate in July 2012 was 8.3 percent. But the overall rate doesn’t tell the whole story. Being unemployed has a lot to do with *who* you are and *where* you are.

If you’re college educated and white, for example, you’re less likely to be unemployed. In 2011, the overall unemployment rate was about 9 percent; but if you were a college graduate it was only 4.3 percent. If you didn’t have a high school diploma, it was more than 14 percent. Overall, the unemployment rate for African Americans is double what it is for whites, and young African-American men had a staggering 43.1 percent unemployment rate.

Geography matters, too. That 9 percent rate translated into more than 10 percent in states like California and Florida, while Nevada posted a rate of 13.5 percent.

Another problem is that people are staying out of work for longer periods of time. As of August 2012, more than two-fifths of the estimated 12.5 million unemployed had been out of work 27 weeks or more. Research from the United States and around the world shows that the longer someone is unemployed, the harder it is for them to get a job, until they’ll likely just give up and drop out of the workforce altogether. Studies show that people who are unemployed for long periods of time, or young people who start out their careers during a downturn, often end up permanently losing ground. One Yale study that looked at white men who graduated college between 1979 and 1989 found that those who graduated during the 1981-82 recession made 25 percent less their first year than those who graduated in more prosperous times.

That’s not so surprising. What’s more striking is how much a rocky start can influence future wages. People who leave school during a recession may have to take what they can get, and if they try later to enter their chosen field, they’ll find themselves competing with younger workers with newer skills. The Yale study found that those graduates from 1981-82 were making 10 percent less on average even 17 years later.

Climbing Out of the Hole

Despite the lingering misery for many Americans, the Great Recession is in fact over. The economy is growing and jobs are being created. But getting back to where we were may take some time. The nonpartisan [Congressional Budget Office](#) projects that unemployment won't return to pre-recession levels of around 5 percent until 2017. Other projections are more pessimistic.

The question isn't whether the economy is growing; it is. It's whether it's growing fast enough. We don't just have to make up for the 8.4 million jobs that were lost, we also need to accommodate new people entering the workforce as the population grows. Economists disagree on how many jobs we really need to create, with estimates ranging from 90,000 a month to 125,000 or more. But, as an example, the Hamilton Project at the Brookings Institution says our total "jobs gap" –what's needed to replace lost jobs and also have enough for

new people entering the workforce –comes to 11.3 million jobs. Even if we add jobs at the pace we did in the 1990s, we'll take four years to catch up.

Unfortunately, even before the financial crisis hit, the nation's job creation engine was sputtering. If you look at the numbers by decade, in the 1980s and 1990s (where there were a couple of sharp recessions) the number of paid jobs in the United States grew by about 20 percent. During the 2000s, however, the country only broke even: we lost as many jobs as we created.

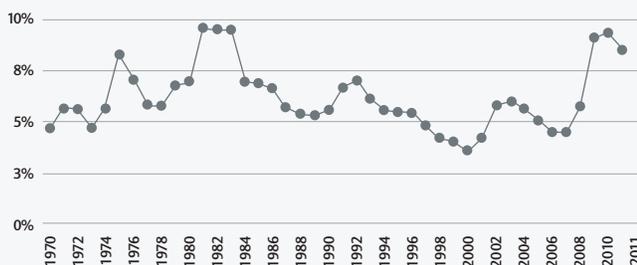
This is partly because businesses are wary about rehiring workers until they're sure the economy is coming back. But it may also be because the workplace has shifted in a way that fewer jobs are needed. Some economists are questioning whether we're going through a period that's as economically significant as the Industrial Revolution, when millions

left farms and went to work in factories. Consider:

- Improved technology has made business more productive, getting more done with fewer workers.
- Better communications means that workers in many jobs don't need to be on-site anymore – they can do the work from anywhere. In a global economy, "anywhere" really means everywhere.
- Education and skill levels are rising in developing nations like China and India. That means there are more workers with the ability to take on "outsourced" jobs, usually for much less money.
- And it isn't just lower-skilled jobs, either. Costa Rican accountants prepare tax returns for American corporations, and Australian radiologists can review MRI images of American patients.

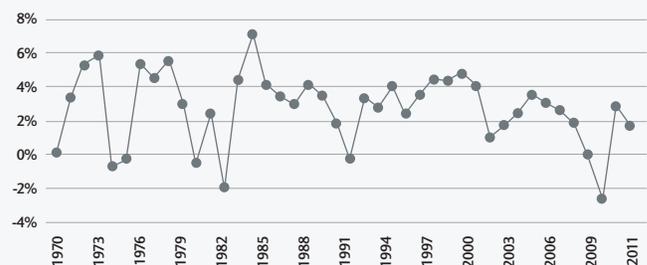
Unemployment Rate

Annual average unemployment rate of the civilian labor force population, age 16 years and over, 1970–2011. Source: "Labor Force Statistics from the Current Population Survey," April 2012, Bureau of Labor Statistics



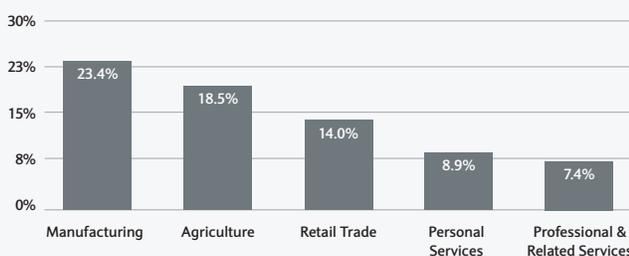
U.S. Economic Growth

Annual percentage change in the gross domestic product, in constant 2005 dollars, 1970–2011. Source: "National Economic Accounts," March 2012, U.S. Bureau of Economic Analysis



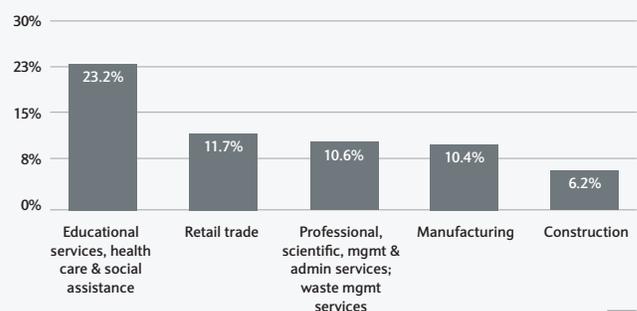
Top Industries: 1940

Note: There were 46.2 million employees in the workforce in 1940. Source: "1940-2010: How Has America Changed?" [Infographic], US Census Bureau



Top Industries: 2010

Note: There were 139.0 million employees in the workforce in 2010. Source: "1940-2010: How Has America Changed?" [Infographic], US Census Bureau



It's important to keep in mind that these trends aren't all bad. Another word for doing more with fewer people is "productivity," and the rising productivity of the American worker helps keep the nation competitive. Technology destroys jobs, but it also creates new ones. If, for example, people are renting fewer DVDs and watching more movies using streaming media, that's bad for video store clerks, but should create new jobs at streaming media firms.

Globalization also keeps prices down for consumers. In any case, the fact is many jobs can probably never move overseas. Economists say the key factors in whether a job can be outsourced are whether it has to be done in a certain place and whether it requires face-to-face contact. By that standard, [Princeton economists calculated](#) that three-quarters of U.S. jobs are here to stay – but of course, that means one-quarter could be at risk.

There's a similar calculation about technology. [Studies show](#) that jobs that require repetitive work (like factory assembly jobs and bank tellers) could be automated. Creative or management jobs could not.

Products can still create jobs here even if they're actually made overseas. Consider, for example, the case of Apple and its iPhone, iPad and other products. They're designed and developed in the United States, manufactured in Asia, then sold here. Apple is creating jobs in the U.S. (the company claims [more than 500,000](#)) but they're either high-skilled development jobs or retail positions. The manufacturing and engineering jobs are overseas, and Apple claims it isn't viable to do that work here.

All this raises the possibility of whether we're seeing what economists call a "hollowing out" of the U.S. workforce. High-skill, creative work is mostly safe. So is low-skill work, like retail and food service. It's the middle-skill jobs that are most at risk – and those are the jobs that have helped support the American middle class.

Over the long run, that may also contribute to another jobs problem: whether or not the jobs we have can support a middle-class lifestyle. [Census Bureau statistics](#) show that wages for the average American worker, adjusted for inflation, have stayed relatively flat for the past 20 years, while the gap between rich and poor [has widened](#). The slow decline in earning power has an impact on the economy as well, since it weakens the ability of most Americans to buy what they need (and keep the economy running).

Where Do We Go From Here?

The combination of short-term recovery and long-term change makes our jobs challenge more complex, and harder to discuss. Steps that spur the economy to grow faster may or may not produce jobs in proportion. And moves to address the long-term trends won't pay off anytime soon.

During elections, we often act like the economy is completely in the hands of political leaders, but of course that's not true. Government policy sets a context for job creation, and can help or hinder it. But the economy is the sum total of the choices of businesses, banks and politicians, as well as the work and shopping habits of over 300 million Americans. We can't simply order Washington to make the economy better.

But we're not helpless, either. We can make the political choices on trade, tax policy, education and health care. Eventually, the economy will recover, whatever we do. But our choices will shape how fast that will happen, and what the economy will look like when we're done.

Approach One

Spend money to make money

The government can't sit on the sidelines. We need to address this jobs crisis the same way we addressed the Great Depression: with major government investment. Spending on new infrastructure and a better-educated workforce will not only spur the economy in the short run, but lay the groundwork for a stronger economy in the future.

To meet global competition, we need to ramp up our game by developing a better-educated workforce, putting money into research that will lead to technological breakthroughs, and modernizing our transportation, communications and energy systems. Even though this might make our federal deficit worse, not investing in these areas would be short-sighted and undercut our economy in the long run.

Arguments for:

- This will not only create short-term jobs in construction and other troubled industries, it will also lay the groundwork for future prosperity.
- Our international competitors, particularly rising nations like China and India, are building massive new infrastructure systems to support their economies. Nations like South Korea already have much faster Internet service than we do. If we don't invest, our aging support systems will become just another reason to ship jobs overseas.
- We need to invest in education, particularly in math and science, to stay competitive. Most new jobs are being created by new technology, and we need to have the skilled workers who can take advantage of that.
- During a recession, government budget deficits can actually be helpful. When the private sector is too weak and lays off workers, it's up to the government to help people get by until the economy turns around.

This should be done by:

- Investing in repairing our infrastructure: the roads, bridges, electricity grid and high-speed Internet connections that we'll need. We can do this through both direct government spending and low-interest loans to utilities and Internet providers.
- Increasing spending on education, especially vocational training and postsecondary education, so we'll have the educated workers we need.
- Extending unemployment benefits, health care, job training and other services that unemployed workers need until the economy turns around.
- Putting more federal money into research and development in areas like energy, technology and health care. Government science grants often underwrite the early research that eventually ends up producing new products and services.
- Putting off tax increases or government budget cuts until a later date. We'll have to deal with the deficit and national debt eventually, but now is not the time.

Arguments against:

- The government's own auditors say the national debt is on an unsustainable path. We can't put off dealing with this problem much longer.
- Most jobs in America are created by private businesses, and we need to let businesses do what they do best: create new products and open up new markets. Governments can start new programs, but they can't create new products.
- We already spend more per pupil than most other countries, and our performance, especially in math and science, is average compared to those same countries. Increasing spending on education may not be the answer to increasing job skills.
- What's more, education alone isn't enough to compete with workers in developing countries, who make a fraction of what Americans earn. Plus, thanks to globalization and technology, even high-skill jobs can be done overseas, or by machines.

Approach Two

Unleash the private sector

The vast majority of jobs are in the private sector, and the reason why the private sector isn't creating enough jobs is because too many obstacles are in the way: too many rules, too many taxes, too much red tape.

If we want to start creating jobs, we need to let businesses make their own choices and encourage them to hire more people and be more competitive. In particular, we need to encourage startups, because new businesses create most of the new jobs. Government needs to cut back and get out of the way.

This should be done by:

- Reducing taxes, particularly on investments, which provide the capital that businesses need to expand and create new products.
- Reviewing and cutting back on the environmental, financial and other regulations that raise the costs and aggravation involved in expanding businesses and hiring workers. We should make it as simple as possible for entrepreneurs to build businesses.
- Targetting tax breaks to startup businesses and to corporate research and development.
- Getting serious about the deficit by cutting government spending and reducing government jobs.
- Continuing to embrace free trade, which benefits American businesses by opening up foreign markets.

Arguments for:

- Eleven out of 12 jobs in America come from private businesses, and most new jobs come from startups. If we want to create and sustain more jobs, we need to make it worth employers' while to start businesses and hire more workers.
- We can't put off dealing with the federal budget forever. The problems that governments in countries like Greece and Spain are going through show that governments can't let their finances get out of control.
- The government produces volumes of regulations and a Byzantine tax code. Armies of lawyers and accountants do nothing else but help businesses deal with them. We need to make this process simpler and more fair.
- Free trade makes products cheaper for everyone, and while some jobs may move overseas, new ones will be created here as we export more goods.

Arguments against:

- This approach would leave the environment and average workers with much less protection against business misconduct. The 2008 financial crisis that started this mess was a result of too little government regulation, not too much. Left unchecked, private business can and will get into trouble, and all of us end up paying the price (as the mortgage bubble and Wall Street bailout show).
- Cutting taxes may not provide that much of a boost to the economy. Taxes are already at historically low rates, and job creation has stalled.
- Crucial public services, like education and public safety, will suffer as we cut back government spending.
- Even if this approach works, it will take time for it to start creating more jobs in the private sector. Meanwhile, we'll be shedding government jobs to cut the deficit. Unemployment will get worse before it gets better.

Approach Three

Strengthen middle-class workers

When the middle class has money to spend, the economy prospers. But there are long-term trends making it harder to be middle class, and we need to address them if we want to create jobs and get the economy moving. Stagnating wages, the widening income gap between the rich and everyone else, global competition and changing technology, are attacking the foundation of our economy.

The best way of creating new jobs is by strengthening the workers we have. We should provide American workers with an easier pathway to higher-level skills and a better education, while also raising wages and keeping taxes down. This increase in consumer power will stimulate the economy and, ultimately, lead to more jobs.

This should be done by:

- Cutting taxes on wages, which is how most Americans make their living, but raising them on investments and estates that provide income for the wealthy.
- Strengthening the rights of unions and raising the minimum wage, tying it to inflation so it doesn't fall behind.
- Providing affordable government benefits, like health care, for the growing number of freelance workers who don't get support from an employer or union. Make alternatives like job sharing among multiple workers or part-time work practical.
- Controlling college tuition and reducing the crushing weight of student debt. Write off student loans for college graduates who go into public service work, like "first responders" and teachers.
- Insisting on "fair trade" agreements that ensure workers overseas are paid and treated fairly if they want to sell products here. That removes the incentive to move U.S. jobs to countries where labor is cheaper.

Arguments for:

- Average American families are the ones who both produce and consume the goods and services in this country. When they have money to spend, there are more jobs for everyone.
- Most Americans live on wages, and the way our tax system is set up now, their income is taxed at a higher rate than wealthy people who live off interest and inheritances.
- Globalization isn't going away, but we can make it fairer for both American workers and those abroad.
- Too many college students are leaving school with too much debt and too few opportunities. Education is supposed to be an investment, not an anchor.

Arguments against:

- Increasing taxes on investment would hurt everyone because it reduces the capital available to start new businesses and create jobs.
- If we raise trade barriers, other countries may shut American products out of their markets, which will cost jobs. Fair trade sounds good, but other countries generally don't like us telling them how to treat their workers.
- Yes, many young Americans are carrying too much debt, but that's the result of their individual choices, not the system in general.
- Whether a job stays in America or goes overseas isn't just a matter of different wages. It's also about technological prowess, investment, regulatory structures, productivity, education and national infrastructure. This approach wouldn't address the real reasons we're slipping in competitiveness.

Resources to learn (and do!) more:

Government Websites:

United States Department of Labor: The Labor Department's website has tools, info and stats for job seekers, employers and workers on topics including wages, health care, inflation and retirement.
<http://www.dol.gov/>

Bureau of Economic Analysis: An agency of the U.S. Department of Commerce. At the BEA website you can view the latest reports and figures on different economic statistics and indicators on the regional, national and international economy.
<http://bea.gov/>

Understanding Jobs and the Economy:

Center on Budget and Policy Priorities: Think tank that conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and middle-income people.
<http://www.cbpp.org>

Committee for Economic Development (CED): Independent, nonprofit organization of business and higher education leaders dedicated to policy research and engagement of the business community on major economic and social issues.
<http://ced.org/>

Economic Policy Institute: Nonprofit think tank that seeks to broaden public debate about ways to achieve a prosperous and fair economy.
<http://www.epinet.org/>

The Hamilton Project: Launched in 2006 by the Brookings Institute, the Hamilton Project website provides multimedia, publications, policy recommendations and commentary regarding their vision for American prosperity and economic growth.
<http://www.hamiltonproject.org/>

Where Did The Jobs Go And How Do We Get Them Back?
Written by Scott Bittle and Jean Johnson and published by Harper Collins in 2012, this book is a guided tour for everyday citizens to America's unemployment crisis.
<http://wheredidthejobs.com/>

"Preparing Today's Kids for Tomorrow's Jobs: What Should Our Community Do?," National Issues Forums (NIF):
Like this Guide, this resource from NIF stimulates productive dialogue on our workforce challenges, with a focus on the role of education.
http://www.nifi.org/issue_books/detail.aspx?catID=9&itemID=11009

Tools to Act and Interact:

U.S. Census Bureau, Interactive Map:
With navigation tools for quick facts and a calendar of upcoming statistical releases, this website has something for those looking for specifics or merely to browse. Check out the interactive map that shows county business patterns.
<http://www.census.gov/cbdmap/>

The Hamilton Project Jobs Calculator: See what it will take to fill the jobs gap. Enter a number of jobs created per month and the calculator will show you how long it will take to return to pre-recession unemployment levels
http://hamiltonproject.org/jobs_gap/

About the Citizen's Solutions Guides:

Public Agenda's Citizens' Solutions Guides are nonpartisan, unbiased resources to help you think through a difficult issue in alternative ways, weighing and evaluating values, priorities, pros, cons and tradeoffs. The Guides can also be used as discussion starters for community and group conversations and in classes. Note that the Citizens' Solutions Guides are meant to help people start thinking and talking about an issue in productive ways — they are not meant to rigidly restrict thinking or dialogue. The perspectives described are not the only ways of dealing with the problem, nor are the viewpoints mutually exclusive in every respect. You can mix and match from different perspectives, or add additional related ideas.

"Jobs and the Economy: A Citizens' Solutions Guide" was written by [Scott Bittle](#), coauthor of *Where Did the Jobs Go—And How Do We Get Them Back?* For more information on the sources for this material, please refer to the Citizens' Solutions Guides online at <http://www.publicagenda.org/pages/citizens-solutions-guides>

About Public Agenda:

Public Agenda is a national, nonprofit, nonpartisan organization dedicated to strengthening democracy and improving people's lives. Through research and public engagement, we help leaders, citizens and stakeholders build common ground on solutions to tough public problems like education reform, the environment and healthcare. Public Agenda was founded in 1975 by the social scientist and public opinion expert Dan Yankelovich and former Secretary of State Cyrus Vance, and is based in New York City.

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