

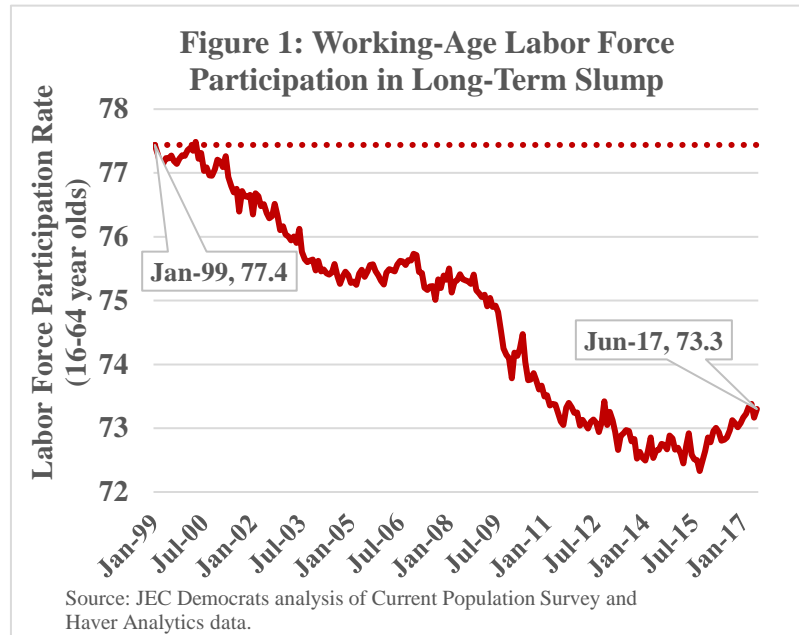


The American Workforce Deserves a Better Deal on Jobs

Democrats’ *A Better Deal* plan will open new opportunities for millions of Americans to get back into the labor force and connect with good-paying jobs. While the low headline unemployment rate in 2017 suggests that the U.S. economy is operating at full employment—the maximum rate thought not to spark inflation—a closer analysis of the labor market data reveals that millions of Americans have fallen to the wayside. Many are disconnected from work or are stuck in part-time jobs when they would prefer to work full time. In other words, America’s jobs picture is not as rosy as it may seem, particularly when one looks at wages for specific groups and regions of the country.

Millions of workers missing from the workforce

The problem of potential workers disconnecting from the labor force is not new in the U.S. economy. Following the economic expansion of the late 1990s, labor force participation of working-age people in the United States suffered a precipitous decline through the so-called “jobless recovery” in the economy of the early 2000s under George W. Bush, even before the Great Recession began (**Figure 1**). If working-age labor force participation were at the same rate as the late 1990s peak, another 8.5 million 16- to 64- year-olds would be in the workforce today in search of good jobs, making the unemployment rate notably higher.

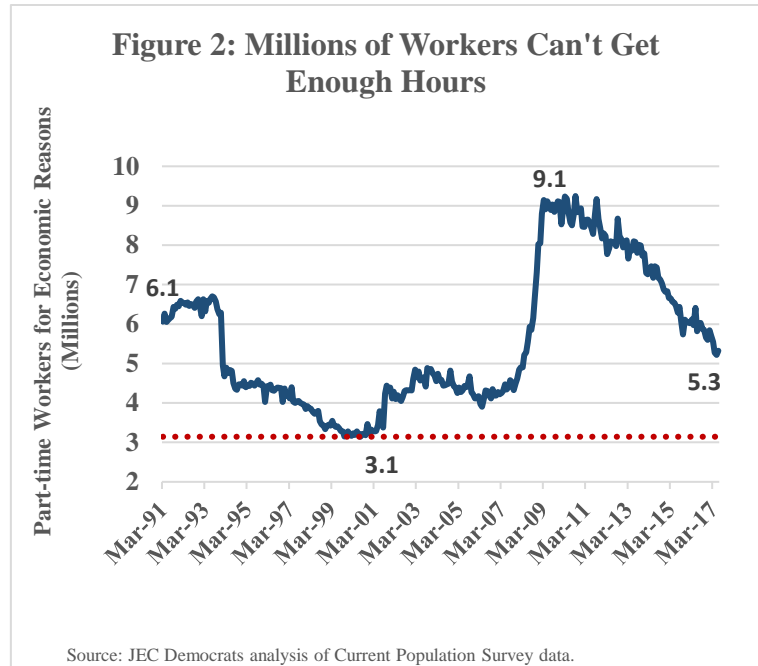


A number of factors contribute to this decline. Many working-age Americans have dropped out of the labor force due to diminishing earning prospects—where employers are not offering sufficient wages to draw them into the labor market.¹ People experiencing long spells of unemployment, past periods of incarceration, and older workers facing job separations after long careers can face stigmas and encounter discrimination in hiring, even when taking account of

individual skills.² Debilitating health conditions, often associated with extended spells of unemployment, have also resulted in numerous people leaving the labor force.³ Furthermore, job dislocations—from technological innovation and trade shocks—can rattle regional economies and leave entire communities with limited opportunities.⁴ This can result in many of the people in these communities giving up hope in finding a full-time job or taking employment opportunities that come with reduced pay or hours.

Slow demand leaves millions stuck in part-time work

Further evidence of slack in the labor market comes from the millions of workers wanting full-time work, but currently stuck in part-time jobs (Figure 2). This number spiked to 9.1 million with the onset of the Great Recession, and subsequently declined thanks to recovery efforts, but today still stands at more than 5.3 million people—2.2 million above the recent low of 3.1 million last seen in July 2000.



Taking the number of people working part time for economic reasons with the number of people who could be drawn back into the labor force under more conducive conditions suggests there are more than 10 million Americans that we can help move into full-time, good-paying jobs.

Left-behind rural communities demand attention

Rural communities face specific, yet similar obstacles in labor force participation. Job prospects border on dire in rural communities: year-on-year job growth in the third quarter of 2016 was zero in rural, nonmetropolitan areas, compared to 1 percent job growth in small cities and more than 2 percent growth in big cities.⁵ Similarly, annualized rural wage growth lagged behind metropolitan areas at 3.8 percent compared to 5.5 percent.

Declining populations, limited employment opportunities, the ongoing opioid crisis, and a lack of public investment have compounded the issue driving labor force participation lower than the national average.⁶ Rural economies are also more likely than urban ones to heavily rely on a single industry or employer, which leaves them vulnerable should the employer face hard times or threaten to leave town. Rural economies also face disproportionate infrastructure challenges relative to denser areas of the country, making it tough for many communities to connect to the broader economy.⁷

Connecting more people to better jobs

Creating paths to good jobs for these Americans will require a policy approach that tackles the problems from multiple angles:

- *Investing in job creation.* The best way to get more Americans into full-time jobs that pay well is to create more full-time jobs. Investing in repairing and upgrading the nation's infrastructure will create jobs and promote economic growth. Revitalizing antitrust laws and restoring competitiveness to markets will allow innovators and entrepreneurs to compete, bringing dynamism back to markets, leading to more jobs in the long run.
- *Upskilling the workforce.* Increasingly, the good jobs of the future will require American workers to develop an early foundation in schooling with opportunities for learning to foster ongoing development throughout their lives. Access to an affordable college degree must be a priority, but traditional four-year degrees cannot be the only option. New pathways must be created, through promoting the creation of apprenticeships in high-growth industries and accreditations in high-demand skills through partnerships between educators, nonprofits, and employers. America's employers need to get back into the business of investing in their workers' skills.
- *Rewarding hard work.* Part of getting Americans back to work must be ensuring that workers are treated fairly. Raising the minimum wage, promoting fair scheduling practices, and offering a national paid family leave program will bring workers back into the workforce, and help them succeed once there.
- *Targeting communities that have been left behind.* For regional and local economies that have yet to recover from the recession, targeted investments are needed to spur job creation and create opportunities for the people of those communities. Expanding broadband access to rural areas would connect them with new job and business opportunities and education and training resources. Supporting the growth of emerging sectors, like clean energy, health care, and technology, in rural America will ensure that all Americans prosper in the future economy.

¹ Krause, Elanor and Isabel Sawhill. 2017. "What We Know And Don't Know About Declining Labor Force Participation: A Review," *Brookings Institution*, available at https://www.brookings.edu/wp-content/uploads/2017/05/ccf_20170517_declining_labor_force_participation_sawhill1.pdf.

² Kory Kroft, Fabian Lange, and Matthew J. Notowidigdo. 2013. "Duration Dependence and Labor Market Conditions: Evidence from a Field Experiment," *Quarterly Journal of Economics*, Vol. 128, no. 3, pp. 1123-67; Shoag D, Veuger S. 2016. "Banning the Box: The Labor Market Consequences of Bans on Criminal Record Screening in Employment Applications." Working Paper. <https://scholar.harvard.edu/shoag/publications/no-woman-no-crime-ban-box-employment-and-upskilling>; Schmitt, John, and Kris Warner. 2010. *Ex-offenders and the labor market*. Center for Economic and Policy Research. <http://cepr.net/documents/publications/ex-offenders-2010-11.pdf>; David Neumark, Ian Burn, and Patrick Button. 2017. "Age Discrimination and Hiring of Older Workers," *Federal Reserve Bank of San Francisco Economic Letter No. 2017-06*. <http://www.frbsf.org/economic-research/publications/economic-letter/2017/february/age-discrimination-and-hiring-older-workers/>.

³ Krause, Elanor and Isabel Sawhill. 2017. "What We Know And Don't Know About Declining Labor Force Participation: A Review," *Brookings Institution*, available at https://www.brookings.edu/wp-content/uploads/2017/05/ccf_20170517_declining_labor_force_participation_sawhill1.pdf; Case, Anne and Angus

Deaton. 2017. "Mortality and Morbidity in the 21st Century," *Brookings Papers on Economic Activity*. Vol. 2017, no. 1, available at https://www.brookings.edu/wp-content/uploads/2017/03/6_casedeaton.pdf; Alan B. Krueger. "Where have all the workers gone?" Prepared for the Boston Federal Reserve Bank 60th Economic Conference, October 15, 2016.

⁴ Autor, David, David Dorn, and Gordon Hanson. 2013. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review*, Vol. 103, no. 6, pp. 2121-68; Acemoglu, Daron, and Pascual Restrepo. 2017. "Robots and Jobs: Evidence from US Labor Markets." *NBER Working Paper No. 23285*. <http://www.nber.org/papers/w23285>.

⁵ The terms "nonmetro" and "rural" are used here interchangeably. JEC Democratic Staff Calculations based on the Quarterly Census of Employment and Wages, Bureau of Labor Statistics. Joint Economic Committee Democrats. 2017. *Understanding Economic Challenges in Rural America*. https://www.jec.senate.gov/public/_cache/files/fe1f3a2f-f89c-4628-ac6a-0e3b5fb8fafc/rural-economy-report-final.pdf.

⁶ Joint Economic Committee Democrats. 2017. *Understanding Economic Challenges in Rural America*. https://www.jec.senate.gov/public/_cache/files/fe1f3a2f-f89c-4628-ac6a-0e3b5fb8fafc/rural-economy-report-final.pdf. USDA. 2017. "Rural employment and unemployment," available at <https://www.ers.usda.gov/topics/rural-economy-population/employment-education/rural-employment-and-unemployment/>. Jeanna Smialek. 2017. "Yellen says opioid use is tied to declining labor participation." *Bloomberg*, July 13, 2017. Available at <https://www.bloomberg.com/news/articles/2017-07-13/yellen-says-opioid-use-is-tied-to-declining-labor-participation>.

⁷ Joint Economic Committee Democrats. 2017. *Understanding Economic Challenges in Rural America*. https://www.jec.senate.gov/public/_cache/files/fe1f3a2f-f89c-4628-ac6a-0e3b5fb8fafc/rural-economy-report-final.pdf.