

WORKFORCE NARRATIVE PROJECT

Employment Policy at the Crossroads

Anthony Patrick Carnevale, Research Professor
Georgetown University

EMPLOYMENT POLICY AT THE CROSSROADS

By
Anthony Patrick Carnevale
Research Professor
Georgetown University

For a brief time, in the United States, in the New Deal, employment policy, including industrial policy and direct public job creation, stood shoulder to shoulder with macro-economic policy.¹ Employment policy lost its' standing as micro-economic policy when it was banished from the demand side of economic policy, along with industry policy, especially after the political and constitutional failure of Roosevelt's National Industry Recovery Act of 1933. By 1937 Roosevelt's incursions into the real economy of industry and jobs had been tempered with a shift to Keynesian fiscal policy, by which the federal government varied overall taxing and spending to manage stable prices and growth. Fiscal policy was both a political and economic miracle. It allowed the government to balance growth and price stability, without ever laying public hands on the real jobs economy.²

For a time in WWII employment and training policy reached all the way down to the factory floor as part of wartime manpower planning and, even more significantly, womanpower planning, but was

¹ Employment policy, like its stalking horse industrial policy, is a species of micro-economic policy. Micro-economic policy focuses at the level of the real economy of industry and jobs. Macro-economic policy, essentially fiscal and monetary policy, is preferred in market economies because it allows the government to manage growth and price stability providing a stable and robust context for entrepreneurial growth and innovation. More aggressive government interventions are usually justified by policy narratives that claim market failures to satisfy public wants or needs.

² One reason employment policy is so volatile is because it operates along the hotly disputed boundaries at the nexus of government, markets and the American creed of striving individualism. The see-saw battle along those boundaries offers cautionary tales for both advocates of laissez faire markets and government expansion. Striving individualism is an end in itself in American culture. Markets and government are a means to striving individualism, not an alternative to it. Americans have a pragmatic and utilitarian view of market- based and governmental institutions as fallible human creations that are not to be trusted to do more than satisfy their innate urge to survive, prosper and grow. The labor movement, the counterculture, the progressive movement, the civil rights movement, the women's movement, the counterculture, and the classical economic liberalism and the libertarian strand in the conservative movement as well as much of our popular culture bespeaks a deep mistrust of institutions in general. In the Confidence Gap, Seymour Martin Lipset, argues that in the U. S. institutions are viewed collectively as a dynamic system of countervailing power. When one institution or one idea gets too big for its own britches, especially if it threatens striving individualism, we cut it down to size – and the right size usually approximates the individual human scale.

Educational institutions are the notable exception to this rule. The most persistent and substantial response to the relentless power of technological and economic change over individual lives ever since the late nineteenth century has been to provide individuals with more and more education. By investing in education, we intend to provide merit-based opportunity without surrendering individual responsibility for ultimate outcomes. Education has emerged as America's preferred "third way" between unencumbered runaway markets and the welfare state. The current populist notion of "college for all" is the new frontier in the growth in our reliance on education institutions – this time in response to globalization and the post-industrial knowledge economy.

With the exception of education, the power of particular institutions in the U. S. waxes and wanes, especially the power of government and industry. Over the long term institutional power ratchets upward in fits and starts, generally with the rise of social and economic complexity. Big business, big government and big labor were on the rise again until the seventies when the dynamic center of American life shifted back toward the private sphere and economic individualism seemed to reassert itself as the favored engine of personal and social transformation (Schulman, 2001). The big losers since the seventies have been Big Government and Big Labor.

The conservative movement has been the principle beneficiary of this cultural shift. Employment policy has been revived twice since the Nixon years, in both cases when Democrats controlled both the Administration and the Congress, but flat-lined after the Republican took the Congress.

The recent Democratic victory has renewed interest in employment policy in Congress, as well as among a growing group of governors and state legislatures. In states employment policy comes up as an element in education policy as education reform moves up the education pipeline towards high school, college and careers; in economic development policy as the state of the art shifts toward the cultivation of industry, occupation and education clusters; in healthcare policy as access and cost increase the need for good jobs with coverage and health cost issues raise question of healthcare job design, education and training; and in social policy as skill barriers emerge as primary impediments to middle class earnings in a wide variety of demographic groups – working poor families, out of school youth, unemployed adults, prisoners and released felons, the disabled, immigrants and other special populations. The renewed federal interest in employment policy includes all of the above and adds trade policy, competitiveness policy, as well as the human capital issues associated with homeland security and national defense, especially military recruitment .

quickly forgotten after 1946.³ Employment policy was officially reduced from a micro-economic program to a macro-economic fiscal policy goal in the Employment Act of 1946.

Since the new Deal era employment policy has developed as a set of policies made up of many strands. Each strand in employment policy has cultivated its own economic, cultural and political narrative.

One strand in employment policy that has persisted and grown steadily began as the New Deal initiatives for the disabled and has since become part of the bedrock of federal and state legislation on education, training, employment, civil rights and income security legislation

In the immediate postwar era, the GI Bill launched a strand in education, training and employment policy targeted on veterans who were deemed deserving because of their public service.⁴

Years later in the mid-sixties employment policy showed up again, hat in hand, as a corrective to market failure, targeted on the economically disadvantaged in the “war on poverty”.

During the “war on poverty” years President Johnson established the National Alliance on Business (NAB) a key piece of political infrastructure that provided strong business leadership on employment policy issues. The National Alliance of Business survived as a key player in employment policy for more than thirty years but was eventually disbanded in during the administration of Bush 2.

Also in the sixties the Kennedy Round of trade negotiations initiated the dislocated worker strain in employment policy. Dislocated worker programs persist as the strongest political strand in employment policy - and the most likely source of any resurgence over the next few years.

But, ever since the early seventies, the “war on poverty” narrative has steadily weakened as political leverage, although programs for the working poor have advanced and programs for workers dislocated by government policies like trade, defense downsizing and environmental policy. In general the public supports programs for the disabled, striving adults, soldiers and others who serve and innocent children. But waving the bloody shirt of poverty and racism has lost much of its leverage since the sixties.⁵

Since the seventies, when the impetus for anti-poverty programs began to wane, advocates for the poor and disadvantaged have shifted from the original moral arguments that drove the war on poverty to efficiency narratives that demonstrate the nation can do-good and do-well by helping the poor. Economic

³ The same kind of government interest is evident in labor markets and workplaces in national defense, homeland security and increasingly in healthcare and education. These are the public interest industries of the 21st Century.

⁴ Opinion polls consistently show that the public supports giving a preferences and hand-up to the disabled, veterans and strivers – those who have overcome disadvantaged beginnings.

⁵ Let me be clear: I do not mean to assert that either racism or economic class bias has disappeared. Class is still the common coin of the realm in the land of the disadvantaged; it cuts across gender, race and all other population distinctions. But race is still the worst. It is our homegrown version of original sin. Racism is a shape-shifter and a scavenger that lives off whatever scraps it can find in culture and politics. Overt racism is on the decline but racial isolation, especially among African Americans is making a strong comeback. In a sense we have become a society where racism persists as overt racism declines. Isolation encourages institutional racism. African Americans, for example, have less access to markets for automobiles, either on line or in the suburbs. As a result they have fewer choices and pay higher relative prices. The same is true for home sales and other goods and services as well as in access to schooling and ultimately jobs. This dimension in racial dynamics is mostly institutional. It stems from the way the world works to reproduce race and class differences and perpetuate advantages. But isolation also perpetuates more subtle forms of racism that have more to do with cognitive functioning than institutional or individual biases. Cognitive science tells us that racism is unavoidable because of its continuing salience in our society. Any salient object or subject is noticed and stored in memory, almost involuntarily. Because race is a salient distinction in American culture we notice race and our minds carry many files on race. Race is a cognitive filter we use to sort out observations, to an extent whether we want to or not. Stereotypes are always available in cognitive functioning. Consequently once we learn stereotypes, even if we reject them, our minds record stereotypical behaviors, involuntarily. We can control the use of stereotypes in social decision making because we know stereotyping is wrong and irrational. Bias tends to occur when information is ambiguous and social choices are not entirely clear. So, for instance, if two candidates present for a job that requires college and one is an African American from Harvard and the other is a White with no BA there’s no problem, but when qualifications are close there will be a consistent bias in favor of the white person. If challenged the particular social decision will look rational and defensible and the person who made it will be sure they were not being racist. But when we analyze the tendencies in large number of these close decisions, there will be a clear statistical bias in favor of the White candidates. These data largely derived from the literature on social cognition demonstrate the subtle but still powerful social and economic power of racism in America.

efficiency narratives that argue for helping the disadvantaged don't seem to get much more legislative traction than the traditional narratives about fairness and upward mobility.⁶

Voters want to help the disadvantaged when opportunity is demonstrably unequal and unfair or as a reward for service or striving - when the disadvantaged demonstrate effort in helping themselves. In part the efficiency arguments in favor of helping the disadvantaged may be too wonky for politics.⁷ People who want tax reductions want to cut government spending or get tax cuts. They don't want to reduce their taxes with convoluted schemes to reduce dependency among low income families. It's a lot easier to just cut welfare and reduce taxes.

My own bias is that the context for policy is politics and the context for politics is a set of cultural narratives that resonate with voters' values and experiences. The core American narrative is individual striving and responsibility. The "war on poverty" narrative seems to have wandered too far from that core narrative and in its most assertive construction it was easily, if unfairly, attacked as the doctrinaire social science perspective that the disadvantaged are not responsible for their plight. This is often good and rigorous social science but it's lousy politics in an individualistic culture that is inherently insensitive to class or other group-based political, especially claims based solely on race or socio-economic status. There are exceptions. Notably the disabled who are regarded as truly needy and deserving if they're to be given a fair chance in the dominant culture of striving individualism. And there are those who are deemed deserving because of public service, veterans for example.

If we are to revive the employment policy narrative on the disadvantaged we will have to tie it to striving, individual responsibility and service. We will then need to customize those narratives to the particular needs of distinctive populations such as working families, displaced workers and communities, racial and ethnic minorities, English language learners, migrants, prisoners and released felons and so on.

As the "war on poverty" lost momentum employment policy was the beneficiary of a revived New Deal narrative with the stagflation in the seventies and its peak and denouement in the Carter/Volker recession in the late seventies and early eighties.

During this anti-inflationary era respectable micro-economic arguments emerged at the National Commission for Employment Policy (NCEP) that suggested employment and training policy could lower unemployment and underemployment without raising inflation.

By the Carter years employment policies had become a diverse set of programs that mixed the narratives of the sixties "war on poverty" and a seventies mini-version of the New Deal micro-economic policy narrative in response to stagflation. It was all held together by a common analytic focus and an

⁶ The American human capital development system wastes talent with brutal short term efficiency. The human capital investment structure is brutal because it accepts the sorting of human capital by race, class gender and other illegitimate categories. It's efficient because once it accepts these differences in opportunity it always invests the next dollar in the student or employee with the highest short term potential. Let me explain: We know that if we measure the ability of children in the early grades and then measure their developed abilities later on when they reach college age, the initial abilities of most low income children their initial abilities as children will not be a significant statistical predictor of their developed abilities as college age students. By way of comparison, the primary determinant of developed abilities of college age youth among affluent families is their initial ability measured when they are children. In other words as a group the affluent kids tend to become all they can be and the low income kids never realize their full potential. The education system exacerbates these differences because, at the margin, educational investments tend to flow toward the most successful students and the most affluent students, who tend to be the same people. In much the same way one invests in the stocks with the best prior performance and potential. Increasingly focusing investments in the best bets would be efficient if the best educational bets were derived from a sorting of innate abilities. But the K-12 system sorts by race and class as much as by innate ability. Hence marginal investment allocations are driven by race and class as well as by innate ability. If efficiency is measured by the capacity of the education system to develop the innate abilities of the population it fails the basic efficiency test as well as any equity test. The investment patterns that begin in schooling continue and compound in labor markets. Those with the most educational attainment, achievement and postsecondary selectivity get the jobs that provide the most learning on the job and access to technologies that complement rather than substitute for skill - the PC vs. the cash register at McDonalds with the pictures of the various hamburgers on the keys. Human capital advantages are cumulative in school and then at work. This is why differences in human capital development contribute to the runaway growth in earnings differences in the US. It is also why it is so difficult to play catch-up with short term job training programs. And why the most effective training programs for the most educationally disadvantaged adults need to be job specific training programs. In the final analysis those who don't get the education and training they need absorb the costs of their own human capital deficits. U.S. housing patterns isolate minorities and poor people as well as the social pathology that comes with geographic concentrations of low income people. Moreover, the US taxes are the lowest in the postindustrial world, suggesting that the costs of disadvantage are borne privately not publicly.

⁷ The economic efficiency arguments in favor of helping the disadvantaged also suffer from their own efficiency problems. As James Heckman and others point out the costs of moving the least advantaged into the middle class are very large and the expenditures per recipient and effects of the short term programs we tend to use are relatively small.

empirical framework provided by the Manpower Report of the President, first published in the mid sixties, renamed the Employment and Training Report of the President after 1976, and last, if memory serves, in 1979.

Over the same period the National Alliance of Business (NAB) provided strong business leadership on employment policy. National Commission for Employment Policy (NCEP) provided an institutional platform for employment policy as well as research, policy and program evaluation. In a sense the employment policy narrative was the product of the NCEP, the Employment and Training Report of the President and a constellation of public agencies revolving around the Labor Departments, Employment and Training Administration (ETA). The NCEP invented much of the empirical basis for employment policy in the sixties and seventies. The Commission's government agency status also allowed it to become a repository for statewide employer wage records, which provide direct evaluative measures of the employment and wage effects of federal programs.

The National Commission for Employment Policy (NCEP) was created by the Congress as a standing commission with agency status. The NCEP was charged with the development of an annual report, analysis, a recurrent statistical tracking and legislative recommendations. The Presidents Employment and Training Report, as well as the NCEP, ranged in the focus of their work across a wide array of federal agencies and legislative committees.

The last Employment and Training Report of the President was issued, if memory serves, in 1979. In the Reagan years the NCEP was neutered and turned over to lackluster appointees. By the Bush #1 era the two most prominent presidential appointees to the NCEP was the senior AMWAY lobbyist and the former drummer from the Buddy Holly band – who could always be coaxed to sing at Commission meetings.

With the demise of the Presidents Employment and Training Report and the evisceration of National Commission on Employment Policy, employment policy lost its last connection to Presidential leadership and economic policy. And with the loss of the National Commission for Employment policy it lost its' federal agency status as well as its generative empirical and conceptual center.

Since the stagflation of the seventies macro-economic policy had gradually been shifting toward monetary policy at the Federal Reserve Board, the lead institution in the fight for price stability. Attempts to reassert fiscal policy and employment policy were blunted with price stability constraints on full employment goals in the Humphrey Hawkins Act of 1978.⁸

After the Reagan victory in 1980 supply side economics and monetary policy trumped fiscal policy. All forms of micro-economic policy, including employment policy, fell by the wayside. With monetary policy at the helm after 1980, tax cuts for the affluent were all that was left of fiscal policy. And employment policy shifted even further into the shadows. Supply side tax cuts left working families with hand me down opportunities or the humiliations of noblesse oblige and a “thousand points of light”.

When monetary policy took hold, employment policy was inevitably replaced by supply side tax cuts and employment policy became implicit in trickle down. Trickle down is barnyard economics. You feed the whole grain supply to the biggest horses and the sparrows and other lesser critters pick what they can of the undigested grain the horses leave behind as they move on down the road. Ever since fiscal policy has been out bounds in serious policy debate; regarded as a populist loose cannon. With fiscal policy out of fashion, there wasn't much hope for employment policy in the eighties.

The Clinton administration began with a robust and coherent employment policy design but ended up with only a few boutique programs.

There was to be a fiscal stimulus package to create the jobs. A new Assistant Secretary to help employers create high-road high-performance work systems designed to use workers skills. There was to be a tax on employers who didn't spend enough money on training their own workers. There was the “school to work apprenticeship” program that mixed academic and applied learning in high schools and provided a

⁸ There may have been no Humphrey/Hawkins legislation in the Senate if Tim Barnacle, the rare combination of a public intellectual, instinctive politician and consummate deal-maker, hadn't threatened to put together a news conference where Coretta Scott King and Muriel Humphrey would have been brought forward to shame the Congress, especially the Democrats, refusing to honor their deceased husbands' mutual commitment to moving employment policy beyond the Employment Act of 1946.

new pathway to postsecondary education and training.⁹ There was a Skills Standards Commission that was actually going to set voluntary high performance hiring standards for private employers.¹⁰ And there was a grand attempt to build a mainstream re-employment system out of the unemployment system. The Bush NCEP Commissioners were dismissed and new Commissioners and staff were appointed in an attempt to revive cohesive leadership on employment policy across federal agencies.

Clinton's petite but elegant employment policy design unraveled fast, and essentially disappeared after the Republicans took the Congress. The job stimulus package got traded in for deficit reduction, long before the Republicans took over the Congress.¹¹ The employer training tax got dumped by Bob Reich in a seminar in Boston well before the inauguration. The Congress refused to approve the new position of an Assistant Secretary for High Performance Work. The National Skills Standards Board intended to set hiring standards by occupation but never garnered any significant employer or union support.

“School to work apprenticeship” was the beginning of a good idea that came and went in the Clinton era. It will come back in other forms as the need to move beyond the one dimensional academic content and pedagogy in American high schools proves too narrow and as labor markets continue to develop jobs with qualifications that require a hybrid of academic and applied preparation for qualification and upgrading. The “school to work apprenticeship” concept is still a good idea in search of a robust empirical and policy narrative. But the particular story of the Clinton “School to Work Apprenticeship” proposal is a cautionary tale worth telling, as a guide to future employment policy development.

The “school to work apprenticeship” program fizzled one word at a time. The word “apprenticeship” got dropped with one call from organized labor that feared, quite rightly, that if government took over apprenticeship programs that government would soon hand them off to business. Thereafter the policy became a truncated predicate without an object: “*School to Work Apprenticeship*” became “*School to Work ?????*”

But even “*School to work ?????*” wouldn't fly. Without postsecondary apprenticeship and jobs “*School to Work ?????*” ran afoul of race and class-based “tracking”. Advocates for the poor, working class and minorities already knew that America had at least two education tracks, one that sent youth to college and then into middle class suburbs; and a couple of other school tracks that sent youth to dead end jobs after high school and neighborhoods at some remove from the Brady Bunch, the Cassidy's and Ozzie and Harriet. Advocates reasoned that if we built two education tracks that worked, then minorities and poor youth would be tracked into the second best system. As a result, two education tracks that worked would be the worst possible outcome for striving minorities, women, low income youth and working class families. School to work, like economic adjustment policies, may be what people need but it is not what people want. Selling school to work is the political equivalent of selling coffins for the American dream. Ultimately we all need coffins but we always buy hope.

School to work was running against the economic and political tide. What the Clinton Administration didn't see coming with “*School to ?????*” was the gradual shift toward a policy world in which “high school for college”¹² and “college for all” would become the reigning policy narrative. What they also didn't see was that the number of good jobs that could be had with high school or less were disappearing rapidly in the real economy. For most of the twentieth century, high school was enough for a shot at middle-class status and wages. Nowadays, no one goes anywhere in the American job market unless they get some kind of postsecondary education and training first. The notion of “high school for college” and “college for all” is a controversial idea among elites but not among American families. Nowadays more

⁹ The “school to work apprenticeship” program was one result of a report entitled the “Other Half”, by Sam Halperin, a public intellectual and key education leader since the Kennedy era. The “Other Half” is a classic example of the power of a spot on policy narrative put together by someone with the kind of tacit competencies in politics and policy that comes to people with the lifelong knack to learn from experience. In the terminology of modern cognitive psychologists, Halperin demonstrated a unique combination of competencies that were necessarily an amalgam of knowledge, skill, ability, interests and values. The same kind of learning and competencies implicit in the “school to work apprenticeship” vision itself.

¹⁰ The Skills Standards Board survived with remarkable pluck throughout Clinton and Bush the son, term 1 but eventually expired.

¹¹ The Clinton stimulus package was non-inflationary. The economy had not reached the full employment deficit. As a result the Clinton stimulus package could have been a lot bigger and could have created a lot more jobs and driven wages up for low wage workers. Deficit reduction in the Clinton administration was a political choice, not an economic choice.

¹² By “college” I mean to put the best face on a narrative that includes all forms of postsecondary education and training.

than two thirds of us go on to postsecondary education or training after high school. Consequently, access to college has become the essential goal for K-12 education. And middle-class employability is now the penultimate standard for K-16 educational adequacy.

There's more than money involved in the American love affair with college. "*School to Work????*" is sound economic s and responsible government, just like worker adjustment policy, but its lousy politics. Like worker adjustment policy, school to work programs is what lots of American youth eventually need when they either don't go or don't finish a postsecondary program. But voters don't vote for what they need they vote for what they and they want college.

"College for all" is good politics, in part because all the alternatives are widely regarded as second best, at least through high school.¹³ Polls show that people want their own kids to go to college, although they will support alternative vocational tracks in high school for other people's children. But the notion of a high school vocational track as an alternative to college is the policy wonks' version of fool's gold. Ultimately, there are no "other people's children." All children have parents, and all parents want their kids go to college.

Eventually, Paul Simon (D-Ill.) stepped in and updated "*School to Work??????*" to make it consistent with "college for all" by rechristening the program "*School to Career*" – Essentially school to work became an alternative pedagogical route to postsecondary education and training. Eventually by the second Clinton term "*School to Work????*" as well as employment policy was a dead letter and had been displaced by policies, especially tax policies, targeted on college aid for middle income and affluent families. In the meantime, after languishing for years, the NCEP was summarily dismissed with the passage of the Republican Contract with America.¹⁴

Eventually the Clinton school to work program disappeared but the stream of applied education programs in secondary that preceded and succeeded school to work have grown enormously in their sophistication. Career clusters, career academies, magnet high schools, secondary and postsecondary dual enrollment programs, cooperative education, high schools that work¹⁵ and many other programs continue the concept at the heart of "school to work apprenticeship". They tend to operate more as alternative pedagogies along the way to some form of postsecondary education and training. They also tend to reflect the growing number and share of hybrid occupations that mix academic preparation and applied learning in educational institutions and on the job. They need to be repackaged in a new narrative.

The emergence of globalization and the post-industrial knowledge economy is a transformational economic divide that introduces fundamental employment policy needs and the need for fresh narratives for employment policy.

Globalization requires an employment policy narrative in two parts (1) a narrative and a mix of policies and programs that will get the U.S. through the transition to a global labor market as wages converge and (2) a narrative that provides a vision of a fully integrated global economy where human capital shortages will be endemic on a global scale. In the short term, over the next thirty years or so, global wage differences for skilled labor will add a unique historical dimension to the churning in American labor markets. Over time global wages will converge, occupation by occupation and industry by industry, and the grand global narrative will eventually turn toward skill shortages on an unprecedented global scale.

The initial effects of post-industrial globalization have been a widening earnings distribution. As the two Americas grow apart, there is a growing concern that the budding new post-industrial economy

¹³ Americans seem to be OK with vocational, occupational and professional tracking if it occurs after high school. With the disappearance of the blue collar economy that provided good jobs fro people with high school or less, postsecondary education and training has essentially become not just the preferred but the primary workforce development system. This emerging reality is reflected in the distribution of postsecondary education degrees. Of the 1,399,542 Bachelor's degrees conferred in 2004, 42,106 were conferred in the liberal arts and sciences, general studies, and humanities. In 2004, there were 13,327 Bachelor's degrees awarded in math but 307,149 in business; 22,164 in parks, recreation, leisure, and fitness studies; 70,968 in communications; and 77,181 in the visual and performing arts. The same pattern is reinforced in the expansion in applied ~~sub-baccalaureate~~ Associate's degrees, certificates, certifications, and customized training. Of the 665,301 Associate's degrees conferred in 2004, 227,650 were conferred in the liberal arts and sciences, general studies, and humanities, and only 801 were conferred in mathematics.

¹⁴ I became the Clinton appointee to Chair the Commission. We dismissed the existing Commissioners and appointed new ones but were ourselves dismissed by the Congress with the passage of the Contract with America.

¹⁵ This is the program associated with the Southern Regional education Board (SREB) and the brilliant intellectual and political leadership of Gene Bottoms.

may threaten economic individualism and economic mobility and thereby foment class warfare. As job security and benefits decline individuals and families are assuming more economic risk and losing a measure of control over their own economic fate. And, as in the Gilded Age that brought on the progressive labor market reforms of the thirties, Americans are learning that wealth could be distributed in haphazard ways, which strained our faith in hard work as the key to material success. CEO salaries, business scandals and vulgar displays of wealth violate our middle-class sense of proportion. The idea that middle Americans are autonomous individuals in a purposeful and moral universe where work pays seems threatened by what we are discovering about the grand scheme of things.

In response to those new circumstances, Americans are not likely to repudiate their faith in talent hard work as the legitimate arbiter of success. Instead, if history is any guide, we will turn to education and employment policy to correct the perceived imbalance between the strivings of individuals and the powerful new economic, technological, and institutional forces beyond their control.

The wild card in the next thirty to forty years of employment policy is the global economy. Ultimately wages will converge and the grand global narrative will turn toward skill shortages on an unprecedented global scale. But in the meantime

The addition of Brazil, Russia, India, and China, the size of the earth's capitalist workforce doubles, reducing our share of the world's skilled workers from about 30 percent to 15 percent. And foreign skilled workers will be a lot cheaper than American workers for decades to come. Globalization does suggest the need for a new vigilance in employment policy: scanning ahead to the next set of skilled jobs and looking over our shoulders in the global competition. So far off shoring has been a trickle. A few hundred thousand jobs a year, at most. That's relatively small in an economy that includes almost 150 million jobs and creates and destroys tens of million of jobs every year. But more than 70% of off shored jobs in the new millennium have required at least some skilled. Presently there are only 3 million offshore skilled workers with English speaking abilities sufficient to compete with current American skilled workers. But not withstanding language difficulties and domestic needs for skilled labor in countries like Brazil, Russia, India and China, as many as 40 million American jobs are theoretically vulnerable to off-shoring.¹⁶

We also need to better understand and monitor the invisible off shoring of skilled jobs that follows along behind the flows in financial capital. Financial capital tends to follow the path of least resistance, merging downhill toward the lowest cost. No one will miss the skilled jobs we never had and the raises we never got. Nonetheless, our ability to attract and retain financial capital and focus investments on new skilled jobs is just as important as keeping the skilled jobs we already have.

The real American jobs future most likely lies somewhere between the sunny shortage narrative and the dark side of globalization and off shoring. The nation will most likely be a constantly changing crazy quilt of surpluses and scarcity of skilled labor. Wage growth among those with postsecondary education and training may slow or even decline in some cases, although the relative wage advantages of postsecondary educated and trained workers over those with high school or less will remain high and probably grow.

At some juncture along the way we may come to a critical crossroads where we will need to fashion a new grand bargain between American workers and employers or face new barriers to trade and economic change.

What is most likely, however, is that the grand policy bargain between employers and employees in response to the demands of globalization and the post-industrial knowledge economy will be crafted piecemeal.

In that more likely scenario, employment policy will evolve not as a separate policy sphere unto itself but as a constituent element in a variety of policy domains, including trade policy, economic development policy, education and training policy, competitiveness policy, criminal justice policy, immigration policy, pension policy and labor law reform.

¹⁶ To be a bit more precise: Jeff Strohl and I found that 8 million jobs are highly vulnerable. 23 million jobs are moderately vulnerable and 40 million are vulnerable, altogether.

A customized approach to employment policy also creates more effective and politically popular programs because it attaches programs to coherent constituencies and a transparent set of broader policy goals.¹⁷

The prospects for employment policy are robust in particular policy domains including unionization, industry policy, competitiveness policy, education policy and trade policy and in a host of other policy arenas focused on urban and rural areas and special populations.

Employment policy can be a robust policy arena once again. After all, the D's have always been the best bet on making employment policy connections and they have traction in the Congress and good prospects for the White House job. The political shift has brought business back to the bargaining table ready to deal on key issues like trade and healthcare. With business, government and organized labor once again at the table, there is a possibility for a grand bargain between labor and capital with employment policy at its core.

The challenge for those who care about labor market policies that benefit and empower working families is to make sure we don't leave employment and training money or collective bargaining rights on the table in the whole range of policy dialogues where government interventions in labor markets are relevant or imminent.

Trade policy is the immediate venue with the greatest potential traction for a sea change in employment policy. A grand bargain on trade and domestic policy is possible because Wall Street and the business community is willing to support almost any conceivable expansion in the domestic welfare state to keep the global economy going.

Employment policies are only sweeteners in a trade deal but mega-bucks in fiscally starved labor market policy budgets. Relatively small change in a trillion dollar trade bill can provide a solid fiscal and political foundation for employment policy. A big expansion in domestic employment policy is easy side-business in a trade deal. Also, policies for dislocated workers, the low hanging fruit in any trade deal, has always been the union powered engine that pulled the rest of employment and training policy along behind. The model for an adjustment package is the notion of taking the current Trade Adjustment assistance program to scale, by extending adjustment to service industries and to domestic dislocation. So far the ante for a trade bill looks like a substantial expansion in unemployment insurance coverage, wage insurance, occupational education and training as well as extended healthcare coverage, a package that could easily cost \$10 billion – three times the current spending in Labor Department employment and training budget.

An expansion in union organizing and collective bargaining protections is clearly at the top of the Democrats agenda. And unionization creates and an alternative starting point and venue for employment policy, distinct from government policy or actions by private employers. For most of

¹⁷ Arguably, the recent surges in employment policy that emerged with the “war on poverty”, the stagflation of the seventies and culminated in the Volker recession reflects the historical pattern of categorical growth, consolidation (MDTA, CETA, JTPA, WIA) and then decline. Following the bouncing ball of employment policy is no small feat because of their diversity. Social policy has vacillated between employment, training and income security programs culminating in with “work first” and the EITC. But there have also been programs for empowerment of low income and minority communities (Economic Opportunity Act of 1964). Education and training policy has followed a path that has featured need based K-16 aid, minimum proficiency standards and the expansion of the community college and proprietary training system. The war on poverty began with direct job creation (NAB/JOBS in 1968) and youth policy (Neighborhood Youth Corps and Job Corps in 1964). Economic development policy also emerged in the “war on poverty” (the Area Redevelopment Act of 1961, the Housing and Community Redevelopment Act of 1974). The most consistent thread has been the use of employment policy to ease economic adjustment in trade policy (the Trade Expansion Act of 1962); environmental and conservation policy (The National Parks Employee Protections Act of 1978); domestic adjustment policy (The Manpower Development and Training Act of 1960). Employment policy has also had a brief and stormy career in the use of direct job creation as a countercyclical tool (The Public Works Acceleration Act of 1964, the Emergency Employment Act of 1971, CETA Title VI). Employment policy has had a toe hold in tax policy for a long time (The Revenue Act of 1971, New Jobs Tax Credit in 1977 and the Targeted Jobs Tax Credit in 1978 and HUDs’ various takes on tax incentives for Urban Opportunity Zones).

Throughout its history employment policy has also been characterized by fragmentation and basic tensions over eligibility between the poor, incumbent workers and a long list of “special populations” like migrants and displaced homemakers. Another consistent thread has been the persistent difference between countercyclical and structural programs: a gradual recognition that Americas’ income and employment problems are fundamentally tied to structural economic change as well as economic cycles.

the 20th Century unions were America's third way between government economic interventions in employment relationships and runaway markets.

The possibility for expanding unionization seems possible with the introduction of legislative proposals for new organizing protections economy-wide, and an expansion in collective bargaining rights in particular industries like homeland security.

A generic expansion in organizing rights is already in the legislative pipeline as is a more customized approach to allow collective bargaining rights for homeland security workers. An industry specific deal is also possible on healthcare if the current urge to reform goes anywhere.

An expansion in union organizing would have profound structural effects, not only on wages and benefits for low wage workers but also on the power relationships in workplaces and in national politics. Unionization is the only strategy that gives low wages workers a voice of their own in workplaces and in national politics.

As a core competitiveness policy idea, national industrial policy is dormant but post-industrial policy is on the rise driven by an expansion in the public interest based on a more diverse set of narratives. The grudging expansion of national policies in post-industrial sectors like healthcare and homeland security will provide new opportunities for deep employment policy interventions at the level of job design, career ladders and curriculum development. Environmental concerns may have powerful effects on technology and job designs. Teacher quality in K-12 education and cost in the postsecondary system are also fertile ground. And of course the big gorilla in the room – the defense sector.

The notion of industry or sectoral policies has always been controversial in American politics. It raises the basic political divide over the efficiency of markets vs. government intervention. Nonetheless, as economic historians never tire of pointing out, industrial policies are very much a part of our history. In recent times, proposals to expand industrial policies fell out of favor when it became apparent that they would be used to protect declining industries and not to promote new industry growth.

In the postindustrial service economy sectoral policies are on the rise in service industries. The low hanging fruit among these sectoral policies with implications for employment policy are the slow motion nationalization of the healthcare industry and the rise of the civilian homeland security services. Unlike classic industrial policies, federal interventions in the healthcare and homeland security industries aren't driven by a desire for global competitive advantage in either industry but by a concern for the general welfare, national security and concern cost control.

There seems to be fresh agreement among the powers that be, if not the public, on the need to try and thread the needle on universal healthcare coverage and cost control. When you don't have it, healthcare is employment policy. Healthcare coverage is probably the most urgent need among working families. Getting covered is as good as a double digit raise and brings lots of priceless peace of mind.

Healthcare and homeland security are the low hanging fruit in the grudging and stealthy expansion in federal post-industrial policy, and the interventions in internal labor markets that naturally come with it. Both of these industries are driven by public money and regulations. And where public money and regulation goes, employment and training policies in the interest of greater efficiency and social equity in the use of public resources should follow.

Service occupations in industries like healthcare and homeland security are good examples of occupational clusters that can be designed to offer flexible job designs and career ladders based on formal learning and experience. These are employment policies from the bottom up not the top down. Using new constructs like those provided in the O*Net data base we can develop highly textured understandings of detailed competencies in individual occupations and occupational clusters.¹⁸ The O* Net construct divides occupational competencies into knowledge, skills, abilities, work values and workers interests that qualify individuals for particular occupations and occupational clusters. The O*Net occupational constructs also

¹⁸ Since the nineties both the federal labor and education and training departments as well as virtually all states have established occupational clusters as priority targets for secondary and postsecondary "career, technical and vocational programs. Yet these have not extended to four year and graduate programs nor have they been based on any solid empirical history or projections of occupational growth and educational requirements.

provide key contexts, tasks and activities in individual occupations and occupational clusters that can be used to develop teaching, learning and assessments for various key competencies.

Once we begin to track and understand the mix of these competencies we can manipulate them in order to design jobs and career ladders as well as to develop formal and informal curriculums, in school and on the job, to prepare people for work or to retrain them.

The current focus of competitiveness policy on technology and innovation focuses at one remove from industry policy and two removes from employment policy. National competitiveness policy needs to be expanded beyond its current narrow focus on the hi-tech economy toward a much broader array of industries and occupations.

An expansion in industrial policy was rejected as a core strategy in the eighties because of doctrinaire arguments over whether or into the government could pick economic winners as effectively as private markets. There was also a concern that politics would interfere and the most powerful and well organized industries would be favored. In the seventies and eighties the Congress, bent on “reindustrializing” America, probably would have decided that steel, auto, rubber, cotton, and sugar were the industries of the future.

In the eighties an expanded industrial policy also got a bad name because of its’ center-left association. It became identified with industrial unions and the backward looking old industrial economy.

With the arrival of John Young the CEO of Hewlett Packard at the helm of the Council on Competitiveness, industrial policy was superseded by the forward looking center-right “new economy” focus on technology and innovation. The new economy focus dramatically narrowed the focus of competitiveness policy to technology innovation and hi-tech industries and essentially took employment issues out of the competitiveness dialogue.

The new economy perspective was initially embraced by the “Atari Democrats” and the DLC as well as hi-tech industry CEO’s and Presidents of research universities. The business press shifted from coverage on thick necked middle aged CEO’s and labor leaders in Brooks Brother suits and ties to hi-tech entrepreneurs in jeans and sweatshirts who made billions with weird science in their suburban garages.

The economy seemed to validate the shift with the miraculous technology led growth in the nineties and the consensus view that “skill biased technology change” had reorganized U. S wage structures around the complementarities between the new technology and high skills - meanwhile on Wall Street investors cringed, frozen in morbid fascination, waiting for the dot.com bubble to burst.

The new economy vision and policy narrative is still very much with us. It has evolved from technology policy, to competitiveness policy and the new and improved version: innovation policy. All of these mutations have been associated with the Council on Competitiveness over the years. In all its versions, the new economy vision brings an important but relatively narrow employment policy perspective limited to hi-tech industry and the technical workforce. Both represent small and elite shares of occupations and industries in the postindustrial service economy – far less than ten percent. And because they are technology intensive sectors they tend automate existing jobs almost as fast as they create new ones. As a result the new economy certainly offers good jobs but their share doesn’t seem to grow much over time.

In order to get competitiveness policy back on track, the narrative needs to be expanded beyond hi-tech innovation and refocused on the employment dimensions of industry growth. The best way to jumpstart the employment policy dimension to competitiveness policy is with a dual strategy that emphasizes information and engagement. The essential foundation for the effort is the development of a capability to map, monitor and project employment changes by industry and occupation.

While industrial policy has narrowed in the national policy dialogue, it has found a new home in state and regional economic development policy. The connection between state and regional economic development and employment policy remains implicit but weak and underdeveloped. Making the occupational dimension underneath industry-based economic development strategies explicit at the national state and regional level represents a major opportunity for advancing employment policy.

Economic Development is a core function for all political executives below the federal level of government. Governors, mayors and county executives run for office based on their ability to create and

attract jobs. Yet, for the most part the competition for jobs is organized around an industry perspective industry, with relatively little attention paid to the quality of employment associated with industry development.

Employment policy has become the missing dimension to state and regional development strategies. The state of the economic development art has advanced considerably in the last decade. Economic development strategies are now organized around core industry clusters that include of supportive public and private capabilities.

The first step in integrating employment policy and economic policy is the building of an information capability that can map the relationships between economic development strategies and employment policy. In particular, a capability that matches occupational clusters and detailed occupational competencies with industry clusters. This can be done by connecting national, state and local levels of the Census, BLS, O*Net and BEA data systems. These data sets are derived from common national economic models and joined by common coding on occupation, area and industry. Once established the relationships between educational qualifications, occupations, and O*Net occupational competencies and industry clusters can be monitored, projected and tested for sensitivity to alternative economic and demographic scenarios.

Middle class employment has become the implicit standard for educational adequacy. Consequently education and training policy in secondary and postsecondary institutions offers whole new vistas for employment policy.

As the education and training reform movement moves up the education and training pipeline toward high school and postsecondary education, the need to align education and training more closely with job opportunities becomes more apparent. The education and training reform movement has been driven by the rhetoric of economic competitiveness and individual economic opportunity since a “Nation at Risk” in 1983.

“Our nation is at risk. Our once unchallenged preeminence in commerce, industry, science, and technological innovation is being overtaken by competitors throughout the world...(W)hat is at risk is the promise first made on this continent ...that all children... can hope to attain... gainful employment”.

The 2005 National Education and training Summit on High Schools recognizes this reality when it states:

“It is no longer enough to ensure that all students are proficient at each grade level. It is time for every student to graduate both proficient and prepared for the real demands of work and postsecondary learning”.

The 2006 U.S. Secretary of Education’s Commission on the Future of Higher Education, finally arrived at the inevitable end game of k-16 reform by endorsing “postsecondary education and training for all”:

“(E)veryone needs a postsecondary education. Indeed we have seen ample evidence that access to postsecondary education and training is increasingly vital to an individual’s economic security”

In the OECD nations, but especially in the U.S., we increasingly rely on education, especially post-secondary education, as the threshold requirement for middle class careers and the legitimate arbiter of differences in individual economic opportunity. Our growing reliance on education, especially post-secondary education, is powered by a mutually reinforcing mix of economic, cultural and political factors:

The economic sources of the dramatic increase in demand for postsecondary education and training are hardly news: The blue collar industrial economy that provided good jobs for high school graduates is disappearing. In the new postindustrial “knowledge economy” access to postsecondary education and training has become the threshold requirement for middle class careers.

Trends in the economy have been reinforced by America’s individualistic cultural biases. We

Americans welcome our increasing reliance on education and training as the arbiter of merit-based economic opportunity because, in theory, education and training allows us to expand opportunity without surrendering individual responsibility. After all, we each have to do our own homework to make the grades and ace the tests that get us into skilled, and in line for the good jobs.

As a result of the synergy between these economic and cultural forces, education and training has become the common ground at the center of American politics. Support for public investment in education and training is the preferred “third way” in our politics. It is the only polite conversation left between the reds and blues. It is the middle ground between those who favor an expansion in the welfare state and those who advocate laissez faire government. It allows us to avoid hard choices between the relentless disruption of free markets and the clumsiness of labor market regulation and the welfare state. Education, especially post-secondary education, is widely endorsed as the best way to keep up and get ahead in the runaway global economy.

Yet, in spite of its growing importance, our understanding of the relationships between education and training and economic opportunity is woefully underdeveloped. The crucial nexus between education and training and the economy remains a black box because these interactions extend beyond the operational and intellectual horizons of our existing institutional silos – in business, government, in academe and in the foundation world. Leaving the relationships between education and training and the economic opportunity unexamined squanders precious common ground at the center of the American public dialogue. At a more pragmatic level, our ignorance also risks costly educational and economic failure as the United States transitions to a global knowledge economy.

Employment policy needs to help fill the current vacuum of support for education and training policies for out of school youth and adults – a.k.a. nontraditional students. American education and training is front-loaded in the individual life cycle. Lifelong learning is a line in everybody’s speech but never gets a line in anybody’s budget. With increasing demand for postsecondary education in the traditional college going 18-24 year old population, nontraditional students are likely to get squeezed in the scramble for postsecondary seats. If adult education and training needs are to be met, a strong economic and social policy narrative and voice needs to be interjected into the secondary and postsecondary education dialogues.

As money gets tighter, the traditional upper-middle-class 18- to 24-year-old student becomes the preferred client. These students arrive with tuition in hand, are assembled on campus, sit in large classes scheduled during normal working hours, and are taught standardized academic curricula. Non-traditional students, especially adults with families, tend to need more financial aid and are more expensive because they need to integrate their studies with work and family needs seamlessly. They require more expensive courses that mix applied and academic learning; flexible scheduling that increases personnel and facilities costs; and family services, such as child care and counseling, to hold it all together and plan for future transitions. Nontraditional students also may require remedial or refresher courses that no one wants to pay for, along with customized work-oriented courses that oftentimes need to be offered in bite-sized, non-degree chunks that are not eligible for federal subsidies and are only funded, in part, by a minority of states.

America’s postsecondary education and training system has been responsive to nontraditional students in the past. As the baby boom moved beyond their prime college years in the 1970s the postsecondary system opened its doors to nontraditional youth and adult students. In addition, the recognition that underemployment and unemployment derived from education and skill deficiencies resulted in “educate and train first” policies for underemployed and unemployed adults and disadvantaged youth. As a result, partnerships began to grow between postsecondary education policy, employment and training policy, economic development policy, income maintenance policy, and criminal justice policy. In order to meet expanding demands, both private and public postsecondary institutions began to diversify and rely less on traditional formats.

But in the mid-1990s, “work first” policies were enacted across a wide range of public programs, willfully ignoring the fact that access to postsecondary education or training is increasingly required to access jobs that pay enough to guarantee full social inclusion. Employment and training program funding has since declined from its 1979 peak of \$27 billion to less than \$3 billion.

The accountability movement continues to be bad news for nontraditional students. Accountability measures tend to focus on increasing degree attainment rates and reducing time to graduation, reducing dropouts and loan defaults, and funding only non-remedial degreed courses and higher standards for student learning outcomes. The problem for nontraditional students is that the combined effect of reduced financial support and higher performance standards encourages colleges to admit only the most well-heeled and well-prepared 18- to 24-year-old students who are least likely to be distracted by work and family.

Demographic changes already underway reinforce rising funding barriers for nontraditional adult students. By the year 2015, there will be 3.5 million more 18- to 24-year-olds than there were in the year 2000. K-12 assessments are telling us that more and more of these students will be ready for college. Even with no increase in participation rates, this surge in new 18- to 24-year-old students will require \$10 to \$20 billion in new revenues. And if K-12 reforms should succeed, there will be even more high school graduates ready for college than there will be available seats or money to pay for them.

As money gets tighter, the traditional upper-middle-class 18- to 24-year-old student becomes the preferred client. These students arrive with tuition in hand, are assembled on campus, sit in large classes scheduled during normal working hours, and are taught standardized academic curricula.

There are lots of nontraditional students who could benefit from access to postsecondary institutions. For example, there are 11 million low-income, dislocated, or imprisoned adults who appear to be qualified for postsecondary programs. These are the low-hanging fruit in adult education and training. If we could find the will to afford them real access to postsecondary education or training, they would benefit enormously but so would the rest of us. With their new skills, they could add more than \$120 billion to the national wealth. And in the case of prisoners, recidivism could be reduced by as much as 29 percent.

Our current information systems grossly understate the demand for education and training among youth and adults.

The first step in any agenda to leverage education and training as an employment policy strategy is the development of a nuanced and sound empirical foundation for measuring current and future demand for skilled workers. At present no such empirical foundation has been established, although the necessary data exists, and the available published data is hopelessly misleading because of gaps and flaws in its use. These are the flawed data that suggest that only 30% of current and future jobs will require any postsecondary education or that the demand for postsecondary graduates will only grow by 15% over the next ten years.

The problem originates at BLS. Due to inadequacies in its quantitative modeling the U. S Bureau of Labor Statistics (BLS) dramatically understates the number of jobs that currently require postsecondary education and training by at least 30% and the number of jobs that will require postsecondary education an training in the future by at least tens of millions of positions. Because the states use the BLS model, errors in projecting the number of jobs that require postsecondary education and training cascade all the way done to the state and local levels in the federal system.

We need to open up the black box at the interface between education, training and the economy in order to (1) create alignment and transparency between the K-16 system and labor markets; to (2) understand the current roles of k-16 education, job training, work experience and adult education in providing qualification and upgrading; to (3) build education, training and employment policy and adult education curriculums and assessments; and to (3) to make the connection between education curriculums and pedagogy and occupational competencies.

O*Net can also be used for specifying occupational qualifications, retraining for job transitions and the development of competency-based career ladders. O*Net provides detailed knowledge on 21st Century occupational competencies in the form of detailed data on occupational knowledge, skills, abilities, values, interests and key tasks and activities.

For a very long time employers have asserted that jobs actually require a complex set of competencies that ~~are~~ are not completely reflected in academic credentials. Until very recently our ability to observe and measure these occupational competencies and their relationship to education programs and earnings has been largely anecdotal. All that changed with the completion of the O*Net data base, which allows us to measure the value of these competencies and at least begin a dialogue over the appropriate roles of educational institutions and employers in providing these core 21st Century competencies.

The recently completed O*Net data-base specifies the full set of occupational competencies required for success in particular occupations and interrelated clusters of similar careers. O*Net includes occupational knowledge, skill, abilities, work values, work contexts, and work interests, as well as key performances (tasks and activities) ~~for more than 1,000 occupations~~. The National O*Net Consortium is a U. S. Department of Labor funded information system.

The O*Net occupational data is anchored in a tripartite set of cognitive competencies: knowledge, skill and ability:

- **Knowledge** classifications are content domains familiar to educators from math and the sciences to the humanities and knowledge in more applied disciplines like accounting.
- **Skills** are competencies that promote further learning. Skills are divided into content, processing, and problem solving skills. Content skills are general skills needed to acquire more specific skills in an occupation. These include reading comprehension, active listening, speaking, writing, math, and science. Processing skills are procedures that contribute to the more rapid acquisition of knowledge and skill. These include critical thinking, active learning, learning strategies, and monitoring. Problem solving skills involve the identification of complex problems and related information required to develop and evaluate options and implement solutions.
- **Abilities** are defined as enduring and developed attributes of the individual that influence performance at work. In the parlance of education psychology these closely approximate “aptitudes”. O*Net divides abilities broadly into creativity, innovation, mathematical reasoning, and oral and written expression. Each of these broad abilities is subdivided into their component elements. For example, innovative abilities include fluency of ideas, problem sensitivity, deductive reasoning, and inductive reasoning.
- In addition to the cognitive competencies, knowledge, skills and abilities, O*Net classifies competencies that are tied to individual personality traits that are markers for success in individual occupations. These key competencies are interest, work style, and work values.
- **Work Style** is a personal characteristic that can affect how well someone does a job. Some of these characteristics are creativity, leadership, analytical thinking, attention to detail, integrity, social orientation, stress tolerance, teamwork, independence, and adaptability.
- **Work Values** are individual preferences for work outcomes. Important outcomes for individuals include recognition, achievement, working conditions, security, advancement, authority, social status, responsibility, and compensation.
- **Interest** is defined as individual preferences for work environment. Interests are classified as realistic, artistic, investigative, social, enterprising, and conventional.
- The O*Net data also measures particular contexts in which occupational work and learning occurs. **Work context** is defined as the physical and social factors that influence the nature of a job. These factors are interpersonal relationships, physical work conditions, and structural job characteristics. Interpersonal relationships refers to contact and interaction with others and ability for group work. The level and intensity of interpersonal relations is high in jobs like doctors and surgeons, dentist, firefighters, teachers, barbers, and policemen. The physical working condition refers to ones physical environment. Structural job characteristics refer to the responsibility and level of independence one has on the job.
- The O*Net database includes **tasks and activities** associated with individual occupations and occupational clusters. These tasks and activities represent **key**

performances that combine occupational knowledge, skills, abilities, values, and interests. As such, they point toward authentic teaching opportunities and key opportunities for assessment.

Once specified, these broad competencies can be identified, taught and assessed more self consciously and, hence, more equitably. In addition they can be used to facilitate career transitions by matching competency requirements between occupations and industries.

Resurrecting employment policy in a piecemeal fashion shouldn't be too difficult, the votes are already there on issues like trade, but an employment policy renaissance will only arrive when employment policy shifts back to the demand side with competitiveness and "smart growth" strategies that focus on creating high wage high skill jobs.

It won't happen overnight. Fiscal policy needs to be resuscitated and reunited with employment policy goals; and the Federal Reserve Board needs to put jobs on its agenda. In addition, monetary policy will need to be moved back towards the public domain – or at least spend more time on the shuttle between New York and Washington. There are also new challenges to the preeminence of macro-economic policy in general. It has become apparent in the last two, and perhaps three, recessions and jobless recoveries that the transmission mechanisms between both fiscal and monetary policy and the creation of good jobs have weakened. Microeconomic policies that bias growth in favor of the creation of good jobs seem to be required, although there is little consensus on what these strategies might look like. .

One piece of good news is that wage inflation seems to have been banished by global wage pressures, except for the indirect and weak wage effects of scarce commodities like healthcare and oil. But if wage inflation has been pushed out of sight by globalization, it is never out of mind. The economic generals and Wall Street, with our pensions in their pockets and their own PACs at their sides, are still fighting the last war against inflation.¹⁹

Is a resurgence of micro-economic policy, including employment policy, possible? It all depends on what happens with the global knowledge economy. Probably the best bet for employment policy is that Bob Reich's still simmering "anxious class" will eventually come to a boil. In the global economy risk is spreading across economic groups as well as among both skilled and unskilled workers. The scope of economic change may well provide sufficient popular solidarity to resurrect micro-economic policy in general, and spawn sea changes in industrial policy and employment policy. But those changes await a grand narrative that is empirically sound and resonates with individual experience.

The keystone in jumpstarting employment policy, in both the wholesale and retail sense, is capacity building: the development of a core information capability and institutional presence dedicated to the development of employment policy narratives; the provision of an employment policy voice and an opportunistic engagement in a broad array of policy making dialogues.

The best way to jumpstart employment policy is to create a 21st Century version of the Presidents annual Employment and Training Report, the National Alliance of Business (NAB) and the NCEP, all key leadership capabilities that have been defunct since employment policy's last hurrah in 1979.

A move to the demand side is the mark of a true renaissance in employment policy. A proactive economic strategy targeted focused on creating good jobs trumps the dark view of globalization. A demand-side strategy for employment policy would bring employment policy full circle standing shoulder to shoulder with economic policy.

There is a way to reconcile the sunny shortage vision and the darker view of the runaway train of skilled-wage and job decline associated with globalization. The keystone for connecting these alternative narratives is the addition of growth strategies targeted on the creation of good jobs.

¹⁹ The Clinton Administration tried to bring employment policy perspective onto the Reserve Board with the appointment of Alan Blinder, the highly regarded Princeton economist. Blinder's maiden speech was awaited with nervous anticipation at the Reserve Boards annual gathering at the Grand Tetons. Blinder dutifully reminded all assembled that employment goals and monetary stability were not a zero sum game. The words were spoken and received with tolerant forbearance and then the bankers got back to the grievous but necessary utilitarian business of running the universe.

In the ideal case, effective, skilled-led growth strategies maintain strong and growing demand for postsecondary skill at home and allow American employers to compete for postsecondary talent through immigration and off shoring. In addition, growth in labor demand, especially in demand for skilled labor, reduces the negative pressure on immigration, in general, and on skill-based immigration, in particular. With strong demand for skilled workers, policies that emphasize inclusion also become viable, as do family services like child care, because they encourage female labor force participation.

The jobless recoveries after the 1980-81, 1990-91 and 2000 recessions signaled an accelerated restructuring of the economy, creating new barriers to the creation of the most productive, high wage and high education and training jobs. While the economy slows during recessions, the underlying restructuring process now appears to accelerate. Restructuring ensures that jobs lost in the recession don't come back, and new job creation occurs elsewhere in higher skill sectors and occupations. These higher productivity, education-intensive jobs require more infrastructure and technology per job as well as relatively high wage and benefit costs. General stimulus in the form of tax cuts or spending increases are not sufficiently targeted to overcome these market failures that result in low levels of education and training intensive job creation. (And in the knowledge economy, differences in the creation of education-intensive jobs are an appropriate litmus test for economic growth strategies.) Overcoming these new structural economic barriers to middle class status requires economic growth strategies focused on skill intensive occupations on the demand side and growth-oriented education and training policies on the supply side.

We know we need targeted growth strategies because the last two recessions ended with "jobless recoveries" that brought disappointing job growth and even more disappointing growth in skilled jobs. There were two reasons that the old-time religion of tax cuts and printing money does not create more skilled jobs: A lot of the new spending leaks overseas, and, even if the demand is there, from an employer's point of view, creating new skilled jobs is a lot more expensive and risky than creating low-wage service jobs. By adding targeted strategies that promise to create good jobs, the skilled-worker-shortage narrative becomes less naive and the globalization narrative becomes more positive. If protecting and growing the American middle class is our goal, then skilled-level job creation becomes the proper measure of success in judging our economic strategies, and employability in middle-class jobs becomes the accountability standard for measuring educational adequacy.

There will be no effective employment policy narratives without the development of a sound empirical foundation housed in a standing institutional platform with an employment policy perspective.

Mapping, monitoring and projecting the relationships between economic change, skill and earnings is the core information strategy that can provide the empirical underpinning for revitalizing employment policy in the global economic transition. What is missing and sorely needed to serve both public and private decision-makers is national information nested in a global context; cut by industry, occupation, education and training and demographic groupings; and customized for individual states, metropolitan and rural areas and congressional districts.

In general economic and technological forces unleashed by globalization bias economic growth and job creation in favor of growing demand for skilled workers. Eventually at current rates of global growth the world faces dramatic long term shortages in skilled workers, especially as wages converge and home country demand for skilled labor rises inexorably in nations like in Brazil, Russia, India and China. But until wages converge, wage differences will only add another dimension to volatility in American labor markets.

Since the 1970s, the wage advantages of workers with postsecondary education and training and training over a high-school diploma increased from 36 percent to 76 percent. And the wage gap between high school and workers with postsecondary education and training or training workers has grown even as the supply of postsecondary workers has increased dramatically.

If the past is any guide, the future promises more of the same. Projections that my colleague Jeff Strohl and I prepared for the U.S. Senate show that altogether between 2002 and 2012 there will be 24,000,000 brand new jobs for workers with AA, BA, and graduate degrees, a 30 percent increase[--]almost 10,000,000 new jobs for BA's alone, a 37 percent increase.

Will we be able to meet the future demand for skilled workers, if we rely on America's own skilled workforce? Not easily. Baby-boom retirements should create a steady stream of replacement

openings for skilled-educated workers. By 2020, for example, there will be forty million skilled educated baby boomers between the ages of 55 and 75. Census data shows that at current enrollment, persistence and graduation rates we aren't producing skilled-educated workers fast enough to replace retiring baby boomers. Between 1980 and 2000, we increased the share of workers with skilled by a hefty 20 percent. At current rates of postsecondary enrollment and persistence to graduation, the share of workers with at least some postsecondary will only increase by 3 percent between 2000 and 2020. That's a big part of the reason why, as early as 2012, our projections show a surplus of more than three million workers with high school or less and a shortage of about seven million workers with at least some postsecondary education and training or training.²⁰

If we are to revitalize employment policy in the global economic transition capacity building of two kinds are required: (1) the development of an information capability and (2) the restoration of a broadly based institutional presence for employment policy of the sort that existed with the National Alliance of Business (NAB), The National Commission for Employment Policy (NCEP) and the Employment and Training Report of the President.

Employment policy does best when it rides the policy trains that are running. In the immediate political environment those are the narratives on industry policies, like healthcare policy and homeland security policy; competitiveness policy; labor law reform; economic development policy; trade policy and education and training policy.

Each of these policy domains presents unique opportunities for employment policy. Yet, in each case the employment policy dimension at the core policy narrative is woefully underdeveloped. Our inability to make the connections between these separate policy dialogues and employment policy is disappointing but not surprising. Regimes of policy and practice tend to organize narratives and supporting information capabilities around particular interests and normative perspectives. In addition, interests tend to be divided into public and private domains. In most cases this reflects a further normative divide between efficiency and equity values.

The connection with employment policy is rarely made because the scope of narrative required extends just beyond the immediate horizons of the isolated policy silos with the most relevance to employment policy. In addition, in spite of the availability of powerful new data that can establish the empirical basis for more robust narratives, work at the nexus between these policies domains and employment policy has no natural intellectual or institutional home. Nor do these relationships get much attention in the disciplinary fiefdoms of academe, where these kinds of crosscutting questions increasingly fall into the netherworld of interdisciplinary studies.

Leaving the relationships between economic change and employment opportunity unexamined squanders precious common ground and opportunities for progress at the center of the American public dialogue. At a more pragmatic level, our ignoring these relationships also risks costly failure as the United States transitions to a global knowledge economy.

Already the absence of a more informed dialogue on economic change and employment is playing out as a set of false choices between globalization, trade protection and an expanded welfare state. Employment policy options are essentially disappeared in the larger economic debate. Similarly in secondary and postsecondary education and training reform false choices are emerging between vocational and academic curriculums and the needs of nontraditional students and adults are not being considered.

The first step in enriching these current public with employment policy options and perspectives is the development of informational and institutional platforms for employment policy. At present the pieces of the information puzzle on economic change and employment are all there but no one has ever put them together and used them to shape policy narratives and practice.

The development of core information capability is the first priority keystone in developing a persistent focus on employment policy questions. In each case the empirical basis of the narrative could be drawn from a common core of data that can be used flexibly to develop employment policy narratives in an opportunistic fashion. The common core begins with careful alignment of national and state labor market

²⁰ Will these shortages actually occur? I don't know. It all depends. Lots of other factors could affect supply and demand for skilled labor. Economic performance is primary. These data assume the middle BLS growth path and conventional estimates of labor force participation. Policy could also change. We could increase skill based immigration and reduce baby boom retirement among skilled workers, but neither of these policy changes are politically viable at a scale that would affect the aggregate data.

information. The empirical capability needs to connect industry, occupation and competency data in detail and in clusters that are transparent and aligned. In order to get below the surface of occupation and industry, the O*Net data can provide detail on 21st Century Competencies: occupational knowledge, skills, abilities, interests and values.²¹ The combination of BLS and O*Net data allows deep analysis of occupational and industry career ladders. It can also show the relationships between learning in school and on the job. In combination these data sets can provide a robust empirical foundation for cohesive policy narratives by industry, occupation or other organizing narrative. With additional modeling information can be nested in a global context, and customized for individual states, metropolitan and rural areas and Congressional Districts.

In addition to the development of a core capability for mapping, monitoring and projecting employment, there is an obvious need to develop an information system that can link employer wage records both to education and training and employment policy programs. The use of wage records remains the unrealized gold standard in education and training and employment policy program evaluation.

And the new information capability needs an institutional home developed along the lines of the National Commission on Employment Policy (NCEP) which served as a hub for research, evaluation and engagement on employment policy through the seventies but was neutered and eventually deauthorized with the advent of Republican leadership.

The keystone investment in resurrecting and creating a renaissance in employment policy is to jumpstart a 21st Century version of the Presidents Employment and Training Report and the National Commission on Employment Policy (NCEP).

Successful employment policies await empirically sound and compelling policy narratives. All policy derives from narratives that are a mix of facts and values. All those narratives need to emphasize *positive employment policies* that are tied to individual striving and responsibility; that make work pay; that emphasize positive adjustment to economic change; and that anticipate, and create new opportunities in jobs that pay middle class wages.²²

In the U. S., the employment policy narrative is defined by the larger narrative on work and opportunity. The narrative on work and opportunity is the grand narrative in American society because ours is a society based on work. In the United States work provides more than a paycheck. It provides healthcare, pensions and dignity.

A “good” job is the price of admission in the American middle class culture and political system. Good jobs make good citizens and good neighbors. Those who cannot get and keep good jobs fall out of the mainstream middle class culture and economy and stop participating in the political system. In the worst cases, after generations of underemployment those who can’t get and keep good jobs tend to create alternative cultures, political movements and underground economies that are a threat to the mainstream.

Unlike the European welfare states, Americans work without a substantial safety net.²³ As a result, when work disappears it threatens our basic social arrangements. Sometimes jobs are available and people need to be given access to them or prepared for them. Sometimes a job is not enough. In those cases an expansion in the welfare state is required to “make work pay” or to provide access to benefits like healthcare or pensions.

²¹ For a very long time employers have asserted that jobs require a complex set of competencies that are not completely reflected in academic credentials. Until very recently our ability to observe and measure these occupational competencies, their economic value, their distribution by industry and area and their relationship to learning in school and on the job has been largely anecdotal. All that changed with the completion of the O*Net data base.

The recently completed O*Net database specifies the full set of occupational competencies required for success in particular occupations and interrelated clusters of similar careers. O*Net includes occupational knowledge, skill, abilities, work values, work contexts, and work interests, as well as key performances (tasks and activities). These data are easily matched to industry and can be reported nationally, by state and for local areas.

²² On balance positive employment policies favor increasing human capital and creating new job opportunities as well as provisions that make work pay over an expansion in a permanent system of income transfers that are not conditioned tied to work or retraining.

²³ All OECD nations face the same economic imperatives from globalization and the post-industrial knowledge economy. The European welfare states, for example, have become too expensive. Consequently the Europeans, notably the Germans, are shifting away from income transfers to employment education and training policy. Our own employment, education and training policies would benefit from more contact with our post-industrial peers.

In our work-based society a job is the preferred public policy. Expansion in the welfare state is always grudging and only legitimate when jobs disappear or when a job is not enough to guarantee middle class inclusion. Education policy is the first choice in responding to economic change and employment policy is the second best alternative to an expanding welfare state. In the current context, these two classic responses to economic change and inequality come up in the dialogue on “off shoring” and economic globalization as well as in the dialogue on the two Americas.

Positive employment policy narratives are those that connect with the larger American narrative on individual responsibility and striving.

American folklore is replete with stories of people who work hard and succeed despite tough odds. The celebration of these stories in our families, popular culture and national history are all variations on the grand American narrative that if you work hard and take advantage of opportunities, you can succeed.

Cultural narratives develop in a material context. The American opportunity narrative would not have been possible elsewhere. There has been a powerful synergy between our individualist biases and our material abundance in loading the dice in favor of economic individualism at critical junctures in our history.

But while the symbols of work-based success are material, they represent fundamental moral meanings. Prior to the 19th century, success was indicative of righteousness. In the early industrial era, it reflected the kind of character traits typical of Horatio Alger’s hero’s—industriousness, frugality, loyalty, and humility. In modern times, they are evidence of “can do” attitudes and the “right stuff.”