

POLICY FOCUS

Getting Americans Back to Work

RECIPES FOR RATIONAL GOVERNMENT FROM INDEPENDENT WOMEN'S FORUM

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WHAT YOU NEED TO KNOW

Today about 63 percent of Americans participate in the labor force, meaning they are working or looking for work. This is the lowest participation rate since the 1970s.

Of course, there are many reasons why people may choose not to work or seek work. They may be retired, pursuing educational opportunities, or doing the very important (but unpaid) work of caring for children or elderly family members. But much of the recent reduction in labor force participation is due to out-of-work Americans giving up on finding the right jobs. And long-term unemployment can have serious consequences.

Polling from the 2016 presidential election shows that “jobs and the economy” was the number one issue. Even other issues, like immigration and trade policy, were framed as jobs-related. It’s clear that Americans are not satisfied with the economic opportunities available, and want a change of direction. They want Americans to go back to work.

In order to undo this recent exodus from the labor force, policymakers should focus on a few key issue areas: fostering economic growth by reducing economic burdens on employers, reforming an entitlements system that discourages work, and closing the skills gap so that the workers seeking work are equipped for the jobs available.

WHY YOU SHOULD CARE

The lack of good job and career opportunities hurts American emotionally, physically and financially.

The good news is that there are many policy reforms to help people get back to work.

- **Economic Growth and Job Creation:**

Workers can't find jobs that aren't there, and complying with our arcane tax code and onerous regulations make it hard for employers to expand and create jobs. Policymakers should reform our tax code and roll back unnecessary regulation, including costly employment mandates, to encourage job creation.

- **Entitlement Reform:** Our entitlement system is riddled with disincentives to work and benefit cliffs that punish workers for earning more. This can leave many low- and middle-income workers feeling discouraged. The right reforms would keep a strong, anti-poverty safety net in place while also "making work pay."

- **Closing the Skills Gap:** To train a twenty-first century work force, our education system needs to put more focus on opportunities for non-college-bound students in trades and technical (middle-skill) education. Jobs-training opportunities should be available to students of all ages.

Getting Americans back to work should be a top priority for U.S. policymakers.

MORE INFORMATION

Recent Downturn in Labor Force Participation

If Americans only pay attention to the official unemployment rate, they may not know that our labor market has a problem. Our official unemployment rate today is a low **4.6 percent**.

But this measures only the percent of people in the labor force who can't find a job. When the Bureau of Labor Statistics also counts people involuntarily working part time jobs or those who have looked for work sometime in the last 12 months, but not in the last month, this unemployment measure (the U6 rate) is as high as **8.9 percent**.

Even this figure fails to include those who've left the labor force because they have lost hope of finding a job. That's why the labor force participation (LFP) rate is an important tool for assessing the health of our economy.

The average LFP rate grew from 59 percent in 1948 to a peak of 67.3 percent in 2000. During the Great Recession, the LFP rate decreased significantly. It hit 62.4 percent in September 2015, its lowest recent point. Today it hovers around 63 percent.

Some analysts have suggested that the recent drop in LFP has been driven by Baby Boomers' retirement, but the **Center for Economic and Policy Research** debunks this claim, explaining that the real story is a decrease in prime age workers (ages 25-54) from a peak of 82.8 percent in 2000 to 79.2 percent in September of 2015.

Surveys of unemployed people support this point: In a 2016 Harris Poll of unemployed people, **43 percent said** they had completely given up looking for a job.

The Crisis of Not Working

The absence of work opportunities take a toll not just on our economy, but also on the American spirit.

The **Urban Institute** details how households that experience job loss suffer financially through reduced income and consumption. This financial stress, along with other factors, can contribute to deteriorating health, depression, reduced longevity, divorce, and even poor academic performance in children. The effects are community-wide: When a geographic area experiences high levels of unemployment, the same area uses increased public assistance and sees increased crime.

Obviously, none of us wants to see our compatriots experience the ill effects of job loss or unemployment.

How to Get Americans Back to Work Creating More Jobs

It's obvious: To get Americans back to work, they need jobs. But in today's economy, many employers can't grow because their resources are consumed by other costs, such as taxes, regulatory compliance, and employee benefits.

Policymakers can alleviate this hurdle to job creation with tax reform that lowers both the corporate tax rate and the individual rate (many small businesses file taxes as individuals), and

by simplifying the tax code to make it easier to understand and follow. The Tax Foundation estimates that Americans spend almost **9 billion man-hours and over \$400 billion each year** *just to comply with the tax code*. That's a waste of resources that could create new jobs.

The cost of tax compliance, while great, is dwarfed by the cost of complying with thousands of state and federal regulations on businesses. While many Americans support regulations that ensure the health and safety of workers and consumers, today regulations have gone far beyond these simple protections.

According to the Competitive Enterprise Institute, Uncle Sam issued 30 binding regulations for every one law Congress passed in 2015, costing the American economy **more than \$1.8 trillion**.

Congress is taking action to roll back and limit the federal government's future promulgation of unnecessary regulations through legislation like the Regulatory Reform Act and the Regulations from the Executive in Need of Scrutiny (REINS) Act.

The Trump Administration, too, is pursuing helpful regulatory reforms and repealing some unnecessary Obama-era rules. The President, along with Congress, can use the 1996 **Congressional Review Act** to undo regulations within a 60-day window after they are reported to Congress. These are important and worthy efforts that all Americans should applaud.

Policymakers can also spur job creation by minimizing the burden on employers when it comes to providing costly benefits. Business owners

frequently cite the ever-increasing cost of health insurance as a top concern. By repealing the badly-named Affordable Care Act (ACA), lawmakers can remove the employer mandate (the requirement that employers of 50 or more workers provide government-approved health insurance to those who work 30 or more hours per week).

Many employers provided health insurance before the ACA, and many will continue to do so if it is repealed, and repeal of the ACA would allow greater competition among insurance plans, lowering premiums for employers and workers alike. In fact, by driving up costs, the ACA created a **perverse incentive for some employers to cut workers' hours** below the 30-hour threshold so that they could stop providing insurance altogether and avoid the penalty associated with the law's mandate.

Health insurance isn't the only benefit required of employers: There are efforts at the state and federal level to mandate employers to provide paid family leave and paid sick leave. While these benefits are helpful to workers, mandates are not. Mandates raise business costs and take away from employers' ability to use their resources to create more jobs.

Making Work Pay by Reforming Entitlements

Americans generally support an anti-poverty safety net. We don't want to see out-of-work families fall into poverty, and we certainly don't want to see anyone in a nation as wealthy as ours want for food, housing, clothing, or other necessities.

However, our safety net often fails in two ways: First, sadly, sometimes Americans may fall through because they are unaware of the benefits available to them or lack access. Secondly, the safety net can discourage able-bodied adults (who are capable of being self-sufficiency) from productive work, harming their long-term prospects and overall wellbeing.

Entitlement reform can ameliorate both problems by focusing long-term government assistance on those who need it most. For others, policymakers should ensure that programs include time limits and work requirements to encourage recipients to seek independence.

Policymakers should also address the high marginal tax rates (and so-called "benefit cliffs") that so many low-income households face. Imagine: Diana, a single mother, has an opportunity to take a promotion at work, but her raise would mean she will make too much money for childcare assistance. She's better off turning the promotion down. Or another example: Jason and his family qualify for Medicaid. But because he worked one too many overtime shifts, his annual income is \$10 too high for eligibility this year, meaning for \$10 in earnings, his family has lost thousands of dollars in government health assistance.

This is terrible public policy. Benefits should phase out as income increases, and programs should be evaluated together, not in a vacuum, to ensure that families have every incentive to climb the socioeconomic ladder and achieve the American Dream of earning and seizing new opportunities.

Closing the Skills Gap

Finally, we can get more Americans back to work by making sure that out-of-work workers have the skills needed to find opportunities in today's economy. According to McKinsey and Co., **40 percent of employers say** they cannot find people with the skills they need to be hired, representing a mismatch in available workers and jobs.

The well-intentioned but misguided focus on college for all is leaving non-college-bound students behind. In the U.S., **about 88 percent of adults** have at least a high school diploma or GED, while 33 percent have a bachelor's or higher degree. Our education system would do well to acknowledge this. Often, European countries do a better job providing high-school-aged students with opportunities for learning trades, technical skills, information technology, nursing and other middle-skill professions. In Switzerland, for example, about **70 percent of students** complete an apprenticeship. We need to offer similar paths in the United States.

As our economy develops and advances, industries rise and fall. This means that the skills gap affects not only new workers, but also midcareer workers who may find themselves out of work in industries with diminishing job opportunities.

Governments, educational institutions, and the private sector can work together to fund and organize on-the-job learning opportunities for both new students and midcareer workers, and there are **foundations** and **organizations** dedicated to doing just this.

The Wrong Way to Create Jobs

Many Americans are acutely aware of our employment problems, and some of them supported President Trump in the 2016 election. The President has promised to take many steps to improve the jobs situation, including deregulation, tax reform, and repealing the inaccurately named "Affordable Care Act."

But some of the other steps the President has promised to take represent the wrong approach to putting Americans back to work. We have to keep in mind that jobs are a means, not an end, and our economic policy should focus on growth first. Jobs follow.

Trade protectionism and restrictive immigration policies will have mixed effects on our economy, including higher prices for consumer goods. Immigration, while often a scapegoat for America's jobs problems, can fill important gaps where our native labor force is lacking.

More so than immigration, it is automation that is displacing some American workers. ATMs, kiosks, and computers now do many jobs that humans once did. Even so, automation is good for the American economy; it reduces costs and makes our consumption dollars go further. The economy can grow and continue to create jobs alongside advances in automation. In fact, automation leads to faster growth and ultimately more jobs, not fewer.

WHAT YOU CAN DO

● **Get Informed:** Learn more about policies that can get Americans back to work. Visit:

■ **Independent Women's Forum**

■ **Bureau of Labor Statistics**

■ **Mike Rowe Works Foundation**

● **Talk to Your Friends:** Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

● **Become a Leader in the Community:** Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

● **Remain Engaged Politically:** Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

ABOUT INDEPENDENT WOMEN'S FORUM

Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

We rely on the support of people like you! Please visit us on our website www.iwf.org to get more information and consider making a donation to IWF.

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