ROOM TO GROW SERIES
WORK

Getting Back to Work
MICHAEL R. STRAIN
First Edition

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Printed in the USA
Dear Reader:

The Conservative Reform Network (CRN) recognizes that today’s challenges won’t be met by yesterday’s solutions. That’s why we are eager to deliver a new series of important policy papers that will offer fresh, innovative solutions to some of the biggest policy challenges facing America—practical solutions that are ready to be put into action.

Building on the tremendous success of our 2014 essay collection, *Room to Grow: Conservative Reforms for a Limited Government and a Thriving Middle Class*, we are pleased to bring you *Room to Grow: A Series*. Each briefing book in the series will tackle a specific set of domestic policy challenges and provide thoughtful analysis from a leading expert in the field. CRN commissioned this series of more than a dozen briefing books to show how a conservative agenda can empower individuals by replacing failed one-size-fits-all government programs with policies that foster opportunity, choice, and competition. It is our belief that the demonstrable failure of the liberal welfare state provides an opportunity to advance conservative reforms, firmly rooted in our constitutional order, that advance the aspirations of all Americans.

The books in this series were the subject of a conference that took place in Middleburg, Virginia, in April 2015. We are deeply grateful to the authors and the other talented policy experts who engaged in
The Conservative Reform Network (CRN), organized as a non-profit 501(c)(4), is the leading organization supporting the Conservative Reform Movement by producing, incubating, and promoting ideas, policies, and efforts to grow the American economy, expand the middle class, and create opportunity for all Americans. All section 501(c)(4) organizations must operate primarily to advance social welfare. The Conservative Reform Policy Center (CRPC) is organized and operated as a non-profit 501(c)(3) educational organization and is affiliated with CRN.

Sincerely,

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Microeconomic theory thinks of work as something you’d rather not be doing. You wake up every day and seek to make yourself as well off as possible by consuming stuff and enjoying leisure time. Work is unpleasant, but it is necessary because it provides the money you need to buy the stuff that you enjoy.

And work is, in fact, often unpleasant. It’s a little too easy for people sitting behind nice desks in comfortable chairs in climate-controlled offices to peck away at a keyboard, extolling the value of work. Even such people often complain about their jobs, wishing they were somewhere else. And people whose work is far less comfortable and safe have all the more reason to wish they were enjoying leisure.

Work is often unpleasant in our fallen world. But it contains within it the seeds of its own redemption, and ours. It often fails to make us happy, but happiness is a fleeting emotion. Work gives us something more lasting and sturdy than happiness: fulfillment.

If I asked you to tell me a little about yourself, you would likely start with your occupation. “I’m a nurse”; “I’m a teacher”; or, if you’re paying for the sins of your past life, “I’m an economist.” So much of our identity is determined by what we do. This fact is often criticized by our self-help culture, but at its core it reflects something noble: We want to contribute to society, and for many of us paid employment is among the primary ways we achieve this goal.

This is especially true in a market economy, wherein an individual searches for his comparative advantage and sets out to make use
of it. “I’m good with people, and I care about helping them in a direct way. I think I’ll be a nurse.”

Hayek writes of “the knowledge of the particular circumstances of time and place,” arguing that because of it nearly all individuals have a unique advantage over others — a unique opportunity to contribute a little more to their corner of the shop than anyone else can. And millions of people doing their particular jobs a little bit better than anyone else can create enormous wealth and, more important, improve the opportunity for individuals to lead truly flourishing lives. Work helps us to flourish by allowing us to provide for our children. (Not all of this work, of course, is paid.) And work is a cure for boredom, one of the worst parts of modern, comfortable life.

Work creates community, something all humans need for flourishing lives. Members of your work community often become lifelong friends. Work educates our passions, directing them to productive ends, emancipating us from them. Work allows us to express ourselves, and in its proper understanding is deeply spiritual: In the Abrahamic faiths, the Supreme Being works, creating the world out of nothing. Saint John Paul writes that we are “called to work,” arguing that we find “in the very first pages of the Book of Genesis” the “conviction that work is a fundamental dimension of human existence on earth.”

A job is about more than a paycheck. It is about more than productivity and adding to the national income. Working is central to the flourishing life. One of the things sound public policy does is to help provide the conditions under which our fellow citizens can flourish, realize their whole human potential, and lead lives of dignity. Public policy, then, is properly interested in helping to create a vibrant labor market.
Unfortunately, our labor market faces some serious challenges. To begin discussing them, let’s take a look at the overall workforce participation rate during the postwar period.

The participation rate — the share of the population over the age of fifteen which is either working or actively looking for work — is a vital macroeconomic indicator, and changes in the participation rate have a large impact on economic growth and living standards. The overall rate began increasing in the mid-1960s, continued to increase until the mid-1990s, and began to fall in the 2000s.

The rate peaked in early 2000, at 67.3 percent: So the financial crisis and Great Recession did not cause all of the decline in workforce participation. It is clear from the chart, however, that the decline accelerated when the crisis began.
Much of this decline was predictable, and predicted. The Great Recession started in December 2007. The oldest members of the Baby Boom generation turned 62 in 2008, becoming eligible for Social Security. This is a striking coincidence, and a very important fact to keep in mind when discussing both workforce participation and the effects of the Great Recession. Estimates vary, but it’s reasonable to argue that roughly half of the decline in workforce participation since the onset of the Great Recession occurred as a result of the aging of the population.

To dig in deeper, consider Figure 2, which plots postwar labor force participation for men only.

![Figure Two](image)

There is much to learn from this figure. First, women drove the decades-long increase in overall workforce participation illustrated in Figure 1: Male workforce participation declined over the period of overall increase. Second, while the emerging retirement of the Baby Boom generation may explain much of the fall in overall workforce participation since the beginning of the
Great Recession, clearly something else is happening with men — the decline for men begins in the mid-1950s, not in 2008. Third, periods of overall economic expansion have not been enough to significantly increase the rate at which men participate in the workforce.

Figure 3 presents the information in Figure 2, illustrating workforce participation for men only, but restricts the age range of the population to 25 to 54 years.

Here, we see a very large decline, nearly ten percentage points. Though smaller in magnitude than the decline of overall male workforce participation (which fell by more than fifteen percentage points), this age group is especially important and informative because it includes men in their prime working years, when they are usually too old to be in school and too young to have retired. This graph strongly suggests that men are struggling in the labor market — and that the struggle is growing more difficult over time.
The nature of that struggle matters. If fewer men are participating in the workforce because relatively more men would rather spend their time on other activities than in the past, then the nature of our concern will be different than if fewer men are participating because firms don’t want to hire as many. In the first case, we are witnessing a decline in labor supply; in the second, falling labor demand.

How to tell? A decline in the number of workers accompanied by an increase in wages implies that we are seeing a reduction in labor supply. A decline of workers accompanied by a decline in wages implies that the demand for workers has fallen.

And inflation-adjusted wages for men without a college degree have stagnated or declined relative to the late 1970s. The decline is more pronounced for high-school dropouts than for any other education class. It is very likely the case that the falling workforce participation rate of prime-age men since the late 1970s is driven in large part by changes in the skills firms want workers to possess and in the tasks firms want workers to perform. The two major reasons for this shift are likely the changing nature of technology and its ability, through machines and software, to replace certain types of workers, along with the impact of globalization on the U.S. labor market.  

Of course, these changes are not the only factors at play. Barriers to work, including unnecessary regulation, have grown stronger over time. Institutions for workers to acquire and develop skills have not kept pace with the needs of the workforce. Many public programs contain harmful work disincentives. Moreover, public policy could do more to directly encourage work.

Declining earnings and employment for prime-aged men have significant implications for those individuals, as discussed earlier. They also have a significant impact on the economy as a whole. It
is reasonable to argue that a ten percent increase in the numbers of hours worked in aggregate would increase the amount of goods and services the economy could produce by, say, seven percentage points. In an eighteen-trillion-dollar economy, that’s a massive increase in national income that would translate into a higher average standard of living. And it has social consequences. Men without jobs are less “marriageable” and more likely to be incarcerated. The children of jobless men likely suffer. And the fabric of society as a whole is less vibrant — the institutions of civil society, diminished.
So the stakes are high for individuals, for the economy, and for society as a whole. What policies can be employed to increase workforce participation and employment, helping more Americans to enter and remain in the middle class?

### Expand the Earned Income Tax Credit (EITC) for childless adults.

The EITC is a federal earnings subsidy for low-income households. The basic idea is very simple: If you work, and if your household doesn’t bring in a lot of money, then the government will give you a subsidy to supplement your earnings. Unlike some other programs for low-income households, the EITC actually reinforces, rather than undermines, the role of work as a means to generate income.

The EITC has a complicated structure that depends on family size. In 2014, the maximum subsidy a household with three or more children could receive was about $6,100. A household with one child maxed out at $3,300. The maximum subsidy a childless worker could receive was an order of magnitude less: about $500.

Previous expansions of the EITC have been shown to significantly increase workforce participation among targeted populations. It is reasonable to forecast that an expansion of the EITC for childless adults would do the same.

We should give more support to households with children than without. But $500 is not enough support for childless workers. To bring more childless adults into the workforce — with an eye towards less-educated men — we should expand the childless EITC, with the goal that many of these men, after having their feet
on the employment ladder, will continue to climb, entering and remaining in the middle class.

**Expand work-based learning programs.**

Apprenticeship programs seem to be an especially promising work-based learning program. Such a program would marry on-the-job training with an academic course of study, often based at a community college. Students benefit because they receive an academic credential; actual, real-world work experience; and a paycheck. They build skills, soft and hard, get their feet on the first rung of an occupational ladder, and develop a professional network and a resume, all at the same time. Such programs should be made available to older workers as well, particularly those switching occupations after having been displaced by technology or globalization.

Apprenticeship opportunities should be determined by firms, not by bureaucrats. If the skills firms demand change, then firms will simply post vacancies for different types of apprenticeships. There’s no need for bureaucrats to determine what skills the market will and won’t want — under apprenticeship programs, firms, responding to market forces, will train workers in the skills the market rewards.

And we should have confidence that such programs can work because they are as old as history. Currently, many countries use them heavily — Austria, Germany, Switzerland — and a few U.S. states use them as well, providing program models that can be studied. These programs likely raise wages.4

The funding for apprenticeship programs should come from existing job-training funds, as well as from college aid. The college-for-all model needs to be shelved; the marginal dollar of college aid would be better spent here in many cases.
Apprentices should be exempt from minimum-wage laws. By design, apprentices will be relatively unproductive while they are learning their new trade. Expecting firms to pay them more per hour than their productivity allows them to contribute is unrealistic—firms likely will not want to lose money on every hour of an apprentice’s work, especially if an expanded apprenticeship program doesn’t build in guarantees that apprentices will remain with their training firm once they become more productive. But policymakers could couple a lower minimum wage with an earnings subsidy.

Federal job-training programs have shown mixed results, at best. Apprenticeships are superior because firms rather than bureaucrats are in the driver’s seat. After all, who knows better what skills local firms want workers to possess than firms themselves? And a worker who has those skills is much more likely to earn middle-class wages.

Modify the safety net so that it better encourages work.

In the twenty years between 1989 and 2009, the share of working-age adults receiving Social Security Disability Insurance (SSDI) benefits doubled. Over the same time period, workplace safety increased, and the quality of health care improved. It seems clear that for too many SSDI has turned what could have been temporary spells of unemployment into a permanent off-ramp from the workforce.

SSDI was designed for an economy in which working was a heavily physical activity. Consequently, you either could work, or you couldn’t. But in today’s services economy, disability is often more a continuum than a binary state—a person may be disabled in the sense that he can’t stock shelves, but not disabled in the sense that he can’t sit behind a desk for twenty-five hours.
per week. SSDI should be modified to reflect this, covering individuals who truly cannot work, as a just society should, while encouraging others to do what work they can.

Likewise, work requirements (broadly understood, including work, training, work search, volunteering, etc.) should be strengthened for food stamps and other benefit programs to ensure that able-bodied adults without dependent children increase their participation in the workforce.

A safety net for the truly needy is something conservatives should champion. But its goal should be to help individuals to lead flourishing lives, not merely to meet their material needs. For those who are able, work is part of flourishing.

**Cut payroll taxes.**

Payroll taxes likely lower the wages that firms pay. Although firms and workers share the statutory incidence of the payroll tax, economists believe that firms pass on much of their share of the payroll tax to their employees by paying lower wages than they would pay in the absence of the payroll tax.⁵

At a time when wages are falling or stagnant for lesser-skilled men, suppressing workforce participation, the case for payroll tax relief is strong — especially since payroll taxes are a larger financial burden than income taxes for lower- and middle-class households. And older workers who have already earned their Social Security and Medicare benefits should be exempt from payroll taxes as a way to encourage them to continue participating in the workforce.

Payroll taxes are linked to Social Security and Medicare; consequently, any reduction in payroll-tax revenue should be offset by changes in these programs to reduce projected spending.
Many cities characterized by sprawl and socioeconomic segregation also have low workforce-participation and economic-mobility rates. One explanation for this is simple: It takes a long time to get to work in these places. A three-hour round-trip commute could be enough to tip the marginal low-income American into non-participation. Shortening commute times reduces the cost of work, and so will likely increase workforce participation. And a shorter commute means a higher quality of life for current workers.

An obvious approach for governments to consider is to expand bus fleets. Extra buses could pick up workers in far-away, low-income neighborhoods, and run express straight into commercial centers — not stopping along the way in higher-income neighborhoods. This would considerably decrease the commute times faced by many low-income Americans.

Buses are a good transportation option because they are relatively cheap and can change routes quickly as the composition of cities change. They also use existing roads. But a more ambitious option would be to build dedicated bus lanes, decreasing commute times even further.

A criminal record — especially one that includes a period of incarceration — is a barrier to employment. Society must preserve law and order through tough policing, and those who commit crimes should be punished. But once a person has served his time he should be able to re-enter society, and contribute to it. Public policy should attempt to make it easier for former prisoners convicted of non-violent crimes to secure employment, perhaps
through “ban the box” policies, or other programs with similar aims.  

### Reduce occupational licensing.

Six decades ago, fewer than one in twenty workers were required to have a state-issued license to do their jobs. Today, nearly one in three workers needs an occupational license. Many of these licenses are necessary — I’m sure you want your heart surgeon to be licensed — but today’s occupational-licensing requirements are, in too many cases, prima facie absurd. According to the Institute for Justice the licensing requirement for an emergency medical technician requires, on average, 33 days of education and experience, a cosmetology license requires an order of magnitude more training (372 days), and an interior designer requires an order of magnitude more than that (2,190 days). This, on top of exams and fees. Clearly many of these requirements are nothing more than barriers to entry by established firms — and often barriers to entry into the middle class as well. State governments should prune this tree — dramatically. And the federal government should encourage them to do so, perhaps by linking inflows of job-training money to reductions in licensing requirements.

### Culture.

Culture shapes politics, and politics shapes policy. But it is hard for policy to shape culture to a large degree. And the fact is that many of the problems with employment facing our country have cultural origins. Recovering a culture wherein more Americans feel an obligation to build a career, even from a low starting point, is of paramount importance. Policy can help. But this is a heavy lift for policy alone. What is needed is public leadership.
Some Common Questions

Is EITC ridden with fraud?

No. It is true that the EITC has an unacceptably high rate of improper payments. But improper payments are not just a euphemism for fraud. The EITC is a very complicated program. For example, the amount of EITC dollars a person receives depends on qualifying child eligibility requirements related to where children live and their relationship with the adult who claims them. If children move from home to home during the year, it is very easy for tax filers or the IRS to make an honest mistake resulting in an EITC overpayment.

Is the minimum wage an effective anti-poverty tool?

No. Under existing law, most hourly wage workers must receive at least the minimum wage for every hour of work they do. This applies to all covered workers, regardless of the income of the household in which those workers live. Some minimum-wage workers live in low-income households, of course. But others don’t—say, the teenage children of high-income parents. The Congressional Budget Office estimated that raising the minimum wage to $10.10 would significantly increase the earnings of low-wage workers, but that less than one dollar in every five of increased earnings would accrue to families living in poverty.

Is the most important factor hurting middle-class workers the decline of unions and collective bargaining power?

No. Many prominent liberals have taken to arguing this. For example, the president of the Economic Policy Institute recently
wrote that “the erosion of collective bargaining is the single largest factor suppressing wage growth for middle-wage workers over the last few decades.” In reality, the changing nature and capabilities of technology are significantly more important than the decline of unions.¹⁰

**Are low-wage employers subsidized by the federal government?**

**No.** Many on the Left argue that the federal government subsidizes firms in low-wage industries — e.g., fast food and retail — because many workers in those industries are paid low wages, and therefore qualify for public assistance programs. This misunderstands how wages work, and it suggests — incorrectly — that the responsibility for keeping households out of poverty rests exclusively with the firms in which low-wage workers work.

**Is skill acquisition a necessary component to attaining middle-class wages?**

**Yes.** Increasing educational attainment and skills will pull up the wages of workers at the bottom of the earnings distribution, will increase the share of the population with jobs, and will increase the earnings of large swaths of the population. It will have much less of an effect on the relationship between the incomes of the top one percent and the bottom 99 percent. But 99 percent of the population lives in the bottom 99 percent, and that’s where public policy should focus.
Polls

Earned Income Tax Credit Expansion

2014 study sponsored by the Half in Ten Campaign and the Center for American Progress

77% of respondents support expanding tax credits targeting to families with low-wage jobs

75% support expanding tax credits for low-income families with children

May 2014 Public Policy Polling/Together NC Poll of North Carolina voters

61% support extending the state EITC program

Commute Times

June/July 2010 Gallup Poll

- American workers with lengthy commutes are more likely to report a range of adverse physical and emotional conditions, leading to lower overall scores on the Gallup-Healthways Well-Being Index.

- For workers who face 91-120 minutes of commuting time, 33% report experiencing neck or back pain, 27% have ever been diagnosed with high cholesterol, and 30% are obese. For workers who face 0-10 minutes of commuting time, 24% report experiencing neck or back pain, 20% have ever been diagnosed with high cholesterol, 24% are obese.

- For workers who face 91-120 minutes of commuting time, 40% report experiencing worry, 80% report experiencing enjoyment, and 61% felt well rested. For workers who face 0-10 minutes of commuting time, 28% report experiencing neck or back pain, 28% report experiencing worry, 88% report experiencing enjoyment, and 71% felt well rested.

April 2011 Harris Interactive Poll

- More than 5,000,000 employed American adults have called into work sick because they couldn’t face their commute.

- For many adults who commute to work – 48 percent – commuting has a significant impact on job satisfaction, and 32 percent said they took the commute into consideration when they chose their current job. Fifteen percent said they would change jobs to shorten their commute, and 11 percent feel their commute negatively impacts their work-life balance.

- If they didn’t have to spend time commuting, the vast majority of adults who commute to work would be in bed. Fifty percent said they would sleep later; 42 percent said they would relax; 33 percent said they would spend time with family; and 28 percent said they would exercise.
of respondents support expanding tax credits targeting to families with low-wage jobs

support expanding tax credits for low-income families with children

March 2012 American Psychological Association and Harris Interactive Poll\textsuperscript{15}

\textbf{27\%} of employees feel commuting affects their stress level at work

Internships/Apprenticeships

\textit{2011 City&Guilds survey, Pearson Professional and Vocational Training}\textsuperscript{16}

\textbf{52\% of employers}
say apprentices offer better value than university graduates

Increase in university tuition has made

\textbf{46\% of adults}
more likely to consider or recommend an apprenticeship

\textit{November 2014 Gallup Poll}\textsuperscript{17}

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& \textbf{71\%} \\ 
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of recent graduates who strongly agreed they had these types of jobs or internship opportunities as undergrads, have full-time jobs. & \\
\hline
\textbf{56\%} & \\
\hline
of those who strongly disagreed have full-time jobs. & \\
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