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Creating Decent Jobs

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The turmoil of the current recession is deflecting attention from a longer-term challenge facing the U.S. economy: how to create decent jobs. Even before the recession, nearly two-thirds of U.S. jobs failed the “decent job” test—they paid too little to cover a small family’s basic needs. Between now and 2016, the strongest job growth will be largely in low-pay occupations, according to Department of Labor projections. So barring any structural changes, the U.S. economy will be no better at producing jobs that can support a worker and his or her family at a very basic living standard in 2016 than it was in 2006.

Collective bargaining through labor unions could brighten this forecast, raising the quality of future jobs even if the economy continues to produce the same types of jobs. Bringing the unionized share of the U.S. workforce back up to around its level in the 1970s—admittedly no easy task—would lift an estimated 2.5 million additional jobs over the decent-job threshold in 2016.

A reasonable definition of a decent job is one with the minimum pay and benefits necessary to provide a healthy and safe standard of living for a small family. This benchmark is substantially above the U.S. Census Bureau’s official poverty threshold, widely viewed as far too low. Based on very basic family budgets the Economic Policy Institute has developed, a decent job has to pay at least $17 an hour with health and retirement benefits, or $22 an hour without.

A recent Labor Department report examines trends through 2006 to predict the jobs picture in 2016. Here are the ten occupations slated to add the most jobs: orderlies and nursing/home-health aides; registered nurses; retail salespersons; customer service representatives; food preparation and serving workers; general office clerks; personal/home-care aides; postsecondary teachers; janitors; and accounting clerks. In only two—RNs and postsecondary teachers—do the majority of existing jobs meet the decent job standard. The other eight fall short.

It’s no surprise, then, that an analysis of the complete 2016 jobs projection shows little change in the overall proportion of decent jobs. By my estimates, in 2016 some 35.2% of all jobs will meet this standard, barely changed from the 2006 figure of 34.8%. These projections pre-date the current recession, and so reveal a long-term problem likely to persist well after the economy revives.
If we cannot count on a raft of novel, more lucrative occupations in the next several years, then expanding the number of decent jobs will require improving the compensation of jobs in existing occupations. Unions enable workers to do exactly that. Suppose union representation rose by a meaningful amount, say 10 percentage points to about 24%, by 2016. The proportion of decent jobs in 2016 would rise by an estimated 1.5 percentage points to 36.7%, representing an additional 2.5 million decent jobs. This is four times the projected increase if union representation levels remain the same.

But what about globalization? Forget about more decent jobs—how can U.S. workers stop decent jobs from disappearing in an increasingly integrated world economy with a large supply of labor that is cheaper than any in the United States, whether unionized or not?

One answer is to focus on jobs that are not off-shore-able and on sectors in which U.S.-based firms have a competitive edge. Clean energy initiatives fit the bill: they involve activities that can only be done locally such as retrofitting buildings, plus, renewable energy is an area where U.S.-based firms’ technological edge counts. This strategy has another potential benefit for workers: greater international solidarity. By reducing the pressure they face from the global "race to the bottom," robust clean-energy job growth would better position U.S. workers to focus on cross-border organizing that can raise the floor of the global labor market.

What would it take to bring an additional 10% of U.S. workers into unions? That is the subject of another article. But the fact that the Employee Free Choice Act, which would make it easier for workers to join unions, is under serious consideration in Congress gives reason for hope. Any policies that expand opportunities for workers to join unions would help ensure that employment growth in the coming years produces decent jobs.
The Blanche Lincoln Senate Agriculture Committee Derivatives Reform Act

The Wall Street Transparency and Accountability Act passed by the Senate Agriculture Committee is the strongest derivatives control legislation to come out of Committee during the current financial reform debate. And it is one that the largest banks, who do 85% or more of the derivatives trading, will fight to the death to kill. This bill would eliminate most of their opaque and therefore high profit margin, "customized to kill" OTC derivatives trading. In addition it would force most derivatives trading to be put on exchanges where they would have to be more transparent, less complex and therefore less dangerous. More significantly - and more distasteful to the banks - the bill requires that the banks that have access to funds from the Federal Reserve close down their derivatives (swaps) trading and put them in separate entities. The current Senate bill has some flaws: it appears to exempt foreign exchange swaps and does not force all derivatives onto exchanges, making it possible for banks to game the system.

Break the Vise

Much more must be done to truly make the financial system safe, accountable, fair and efficient: issuer-paid rating agencies have to be abolished or significantly reformed; hedge funds need to be subject to prudential regulation; new financial products have to be prohibited unless they can be shown to be safe and effective (rather than just tools for fraud, or tax and regulatory evasion); a consumer financial protection agency that is truly independent and powerful needs to be established; the Federal Reserve has to be made much more democratic; a financial transactions tax to shrink the bloated financial system has to be levied....the list could go on and on.

But there are pieces of financial reform legislation and likely amendments that are worth fighting for. They will not end Wall Street vice, which seems completely endemic to the culture of the system. But they could help break the choke hold that big finance has over the American people. And that is a vise worth smashing.