

The Road to Good Jobs

BY ROBERT KUTTNER

AMERICA NEEDS MORE GOOD JOBS AT GOOD WAGES. The combination of deregulation, global low-wage competition, and the attack on unions has reduced the supply of reliable jobs with decent wages, benefits, and career prospects. This shift comes at a time when other

social supports have been cut. Any serious student of this subject knows two things. First, there is no single silver bullet. Second, any good jobs strategy needs to be anchored in politics—and a very different politics than the dominant one.

With a different politics, we could have a national strategy of investment in new technologies, such as energy-sufficiency, promoting not just clean-energy security but good domestic jobs. We could restore the right of workers to bargain collectively, and unions could again lead the way to a society of decent breadwinner wages. We could decide that all human-service jobs financed with public funds would be not low-wage, high-turnover jobs, but professions that were part of career tracks with decent wages. We could use the leverage of public outlay to create good, permanent private-sector jobs.

We could change the rules of the trading system so that trade did not produce a race to the bottom for workers here and overseas. We could link education and training strategies to actual rather than hypothetical good jobs, with what our Scandinavian friends call an active labor market policy. We could run our economy at or near full employment. We could have comprehensive immigration reform, with immigrants on the road to full citizenship rather than being a reserve low-wage army with no labor or civic rights.

The recent structural changes in the global economy, reducing labor's bargaining power and lowering labor costs for

multinational corporations, are not some spontaneous result of technological changes or of foreign trade per se. Rather, they are the result of a specific brand of globalization that privileges property rights, while deliberately undercutting the social and labor rights that anchor the managed form of capitalism that has produced greater security and equality in most of the wealthy democracies.

Some of what America needs to promote development of good jobs is at odds with the current rules of the international trading system, most of them promoted by the U.S. government. For instance, if we embarked on an Apollo-scale program using public investment to create a new high-tech renewable energy industry that would produce exports as well as good domestic jobs, this strategy could well be challenged as illegal under the World Trade Organization.

At issue is not just the prevailing politics, but also the dominant paradigm of minimal government. A key question is how education and training interact with other necessary public policies. A better-educated, more highly skilled workforce is certainly part of the solution, but not the whole remedy. As all three authors of the following articles explain in different ways, simply commending more education

paints with too broad a brush. The practical question is: What kind of education and training will rendezvous with what kind of jobs? Otherwise, a better-educated workforce will still find itself in an economy that fails to adequately reward skills. America does need more people to get degrees in math and science, so that these good jobs and the industries they support go to Americans rather than moving overseas. And we do need to make sure that young people finish high school well prepared for further learning. But improved human capital, by itself, doesn't necessarily alter the kinds of jobs the economy offers workers. What else do we need to do?

THE THREE ARTICLES THAT FOLLOW illuminate this question, and begin an ongoing series on good jobs that will appear over the next year. Joan Fitzgerald, author of the recent book, *Moving Up in the New Economy*, begins by looking at paths to better jobs in human services, as well as the role of economic development. Harold Meyerson, our longtime senior writer on labor and the *Prospect's* acting executive editor, looks at the role of unions and community groups in promoting good jobs via community benefits agreements. Princeton economist and former

Vice Chairman of the Federal Reserve Alan Blinder examines the offshoring threat to service as well as manufacturing jobs, and strategies for keeping good jobs at home. Professor Blinder was one of the first economists to challenge the orthodox view that trade has a trivial effect on wages and employment.

Upcoming articles will include a roundtable on the role of education as well as pieces on new rules for the trading system, on immigrant workers, and on other economic development strategies. We thank the Ford Foundation for supporting our work on good jobs and economic development, and The Atlantic Philanthropies for supporting our work on immigration. **TAP**

*An ongoing
American Prospect
series of articles on
different strategies
to create more good
jobs for Americans*



Getting Serious About Good Jobs

We need to link training, job structuring, and economic development.

BY JOAN FITZGERALD

HOW TO GENERATE MORE GOOD jobs for Americans? Conventionally, policy-makers and economists give great weight to two strategies—education and economic development. Presumably, a better educated workforce will command higher pay. And economic development will generate more jobs, one hopes good jobs. But there are limits to what these two approaches can accomplish, given how they are practiced through flawed government policies in the face of new global conditions.

Education per se no longer guarantees good jobs. There is a glut of liberal arts graduates. Global trade has put tens of millions of American workers, however well-trained, into direct competition with low-paid Asian and other third-world workers. In many occupations, increased training makes sense only if we upgrade the character of the jobs. Otherwise, a nurse aide or day-care worker can study more about her craft, but still earn dismal wages. America in fact had a much more equal distribution of income half a century ago when only half of American adults had a high school diploma, and

fewer than 10 percent attended college.

As for economic development, we do need a dramatic new effort to promote new domestic technologies that offer good jobs. But currently, the main federal economic-development policy is tax breaks, many of them economically wasteful and inefficient. And at the state and local level, a huge amount of money is spent in a zero-sum game to lure employers to locate or relocate, but not to stimulate genuinely new technologies and well-paid jobs.

A lot of local development activity—building stadiums, financing casinos, attracting Wal-Marts—produces few good jobs other than the initial construction jobs. The roughly \$50 billion in public funds given away annually by cities and states to corporations in tax abatements and other subsidies often underwrites activity that would have taken place anyway. We do need to link economic development with a better trained and compensated workforce, but that will require a very different set of development policies.

In some cases the most efficient route to good jobs is simply to raise pay directly, with higher minimum wages and stronger

unions. The federal minimum wage has not been raised since 1997. Nineteen states have set or will set higher minimum wages; and since Baltimore's living wage law passed in 1994, 25 cities—including Boston, Chicago, Los Angeles, and San Francisco—have enacted similar laws. As we shall see, much of America's "good-jobs" strategy today is states, localities, foundations, and nonprofits heroically, and inadequately, trying to make up for nonexistent or negative national policy.

LINKING EDUCATION AND REWARD: THE STRANGE CASE OF NURSING

No job category better illustrates the complex relationship between education, job definition, and economic development better than nursing. With an average salary of \$56,888, registered nursing should be an attractive occupation. But the United States had about 126,000 nursing vacancies last year. And the U.S. Bureau of Labor Statistics predicts that the shortfall could go as high as 800,000 by 2020. Meanwhile, 500,000 RNs have left the profession and are working in other jobs. Why are these seemingly good jobs going unfilled?

There are two sides to the problem—more nurses are leaving the profession and fewer people are entering because of training bottlenecks. Both reflect massive failures of national policy. And instead of making it possible for more Americans to take these good jobs, policy is luring immigrant nurses from poor countries.

The main reason so many nurses have left the profession is deteriorating working conditions. Cost cutting and managed care have resulted in stagnant wages, short staffing, decline in mentoring of new nurses, higher patient loads, mandatory overtime, and use of "floating" nurses who aren't familiar with cases or protocols and may not specialize in the area in which they are placed. As Gordon Lafer points out in *Labor Studies Journal*, "The health care industry has created its own Catch-22: as working conditions worsen, more nurses opt out of the profession, creating shortages on hospital floors and resulting in even greater speedups, stress, safety worries, and similar conditions that drive additional

nurses out of the industry.” So, improving the work environment could go a long way toward bringing back nurses who left the field and retaining those still there.

Nursing also suffers from a training bottleneck. In 2005, fully 150,000 qualified applicants were turned down at U.S. schools of nursing (both associate and baccalaureate degrees) due to insufficient faculty and classroom or lab space, or lack of clinical sites. The problem is mainly low pay for teachers of nursing, combined with the fact that nurse-training programs are often money losers for community colleges and universities, so too few slots are offered. Few nurses are attracted to teaching because the pay is much lower than that of practicing nurses. Master’s level

Instead of investing in training nurses and making this profession more attractive to Americans, we are outsourcing nurse education and importing immigrant nurses from poor countries like India and Nigeria that need them.

faculty average \$55,712 annually—about the same as an associate degree RN in clinical practice and substantially less than a nurse-practitioner with a master’s degree who makes \$72,480 a year.

But instead of investing in addressing these problems to make this profession more available to Americans, we are importing immigrant nurses from the Philippines, India, Nigeria, and elsewhere. Although there are no government statistics on the number of immigrant nurses working in the United States, in 2005 about 23,000 foreign-educated nurses took the nursing licensure exam. While investing token amounts for educating U.S. nurses, the Bush administration and the hospital lobby are promoting the Brownback Amendment, which would remove all caps on hiring foreign nurses. And the administration added 50,000 new green cards for immigrant nurses. Rather than investing in it, the policy response has been to outsource nursing education.

Ultimately, the solution to the nursing shortage requires federal regulation of working conditions and federal subsidy of nurse training. While every nurse union

and professional organization supports legislation to set nurse-patient staffing ratios and eliminate mandatory overtime, opposition by the American Hospital Association and the Republican Congress have blocked its enactment.

Meanwhile, federal programs to increase the supply of U.S.-trained nurses are feeble and underfunded. The Nurse Education Loan Repayment Program repays 60 percent to 85 percent of student loans for nurses who agree to practice two years in a facility experiencing a critical staff shortage. The Nursing Scholarship Program provides scholarships and stipends to students in exchange for the same two-year commitment. In fiscal year 2005, the programs provided just 599

loans and 210 scholarships for the whole country. The government rejected 82 percent of the applicants for loan repayment and 94 percent for scholarships due to insufficient funding.

A NUMBER OF STATES ARE TRYING TO fill this vacuum in national policy. Several, including California, now regulate patient-nurse ratios. New York funds community colleges, hospitals, unions, and other partners to help workers in lower-level health occupations to advance into RN and other health-care professions. Washington state is providing \$140,000 to two community colleges to raise nursing faculty salaries by \$10,000 for fiscal year 2007. Several local and state initiatives are attempting to attract students in inner-city middle and high schools to increase minority presence in the occupation and provide good jobs in urban neighborhoods near hospitals.

Oregon is trying to maximize resources through a comprehensive planning initiative. The Oregon Nursing Leadership Council, a consortium of state nursing and credentialing organizations, community

colleges, and university deans, developed a statewide strategic plan for addressing all aspects of the problem. This initiative has increased the state’s nursing graduation rate by 11 percent per year since 2001 by having nursing schools share some clinical facilities and maximizing use of faculty by developing a shared curriculum and simulation education. The Oregon Council for Nursing also created a software program to coordinate clinical placements regionally. Typically hospitals have affiliations with schools with an agreed upon number of clinical placements. Sometimes scheduling is such that a school can’t fill its allotted slots, so they go unused. Now, all hospitals and schools in the Portland region pool their unused slots so that none are wasted. Potential students, particularly minorities at the high school level, are being recruited into nursing through several creative programs. Hospitals are offering scholarships to nursing students who agree to work at the hospital for at least three years after graduation. Several universities are developing new graduate nursing programs and there is a statewide partnership between eight community colleges and the public university to create a shared, competency-based curriculum. Once in place schools will have the same prerequisites, with one application and dual enrollment so students and their financial aid can move between programs.

A related Oregon leadership initiative is attempting to change the workplace culture to give nurses more of a voice. The effort focuses on nurses exerting leadership and assuming the responsibility to practice to the full scope of their professional authority. These efforts will require changes in management practices, in doctor-nurse relations and among staff nurses. This foundation-funded initiative demonstrates that improving the work culture and coordinating state resources and strategies can reduce quit rates and attract new people to the profession, yet the problem of nurse overwork and underfunded nurse training cries out for national policy.

To drill down into this rich subject is to appreciate that the challenge goes far beyond merely educating more nurses. It has to do with how nurses are treated on the job, what career progressions exist, the pay

structure for nurses and nurse educators, as well as the role of immigration policy.

The health professions not only connect education to job definition, compensation, and career structure; they also raise the role of economic development. In many cities, hospitals and other health-care facilities are among the largest employers. Remarkably, *Business Week* recently reported that literally all of the net job growth in recent years has been in the health occupations. Public policy—or its absence—has a great deal to do with how these jobs are defined and structured, and whether scarce health dollars are spent rationally, or wastefully.

HUMAN SERVICES: TURNING BAD JOBS INTO BETTER ONES

Below the profession of registered nurse are literally millions of semi-skilled and routine human-service occupations in health care and in the care of children. They include everything from certified nurse assistants (CNAs) to lab technicians in health care as well as child-care worker to teacher in child care. The education

requirements of these occupations range from short-term training to associate degrees, and in some cases, bachelor's degrees. In the case of CNAs and child-care workers, where much of the cost of providing services is ultimately reimbursed by government, it is public policy that consigns these caring positions to the category of high-turnover, low-wage work.

But we could decide, as national policy, to professionalize home care and child care, which would be better for both workers and the people they serve. The initial cost might be more, however, studies demonstrate that most, if not all, of the cost could be recouped in lower turnover, and higher-quality patient care.

Here, unions often lead the way. Unionization campaigns in California, Illinois, and Iowa have increased the pay and benefits of home-care workers dramatically, although they have a ways to go. In each case, protracted campaigns won the right to collectively bargain and resulted in pay raises, benefits, and in some cases, a change in workers' status from independent contractor to either regular

employee or part of a recognized bargaining unit. In order for the funds to be there to upgrade earnings, these agreements also use political leverage to commit government to pay higher wages.

In Illinois, a 1984 campaign led by the Chicago Homecare Organizing Project (CHOP) initially unionized 250 home-care workers under SEIU Local 880. The union now represents more than 80,000 members (including more than 50,000 home child-care providers). Since then, Local 880 has fought for periodic wage increases for home care workers and home child-care providers. The collective bargaining agreement covering more than 21,000 personal assistants working through Illinois' Office of Rehabilitation Services/Department of Human Services will raise the hourly wage to \$9.35 by August 2007 (a 34 percent increase from the \$7 rate before unionization). Chicago private home-care agencies reimbursed by the city government receive an average of \$2 more per hour than their state-funded counterparts, thanks to the success of Local 880, ACORN, and the

65%

of the fastest-growing
occupations require
education or training
after high school.



Jobs for the Future connects economic and workforce development through projects across the country like:

Jobs to Careers, funded by the Robert Wood Johnson and Hitachi Foundations, supports nine partnerships to advance and reward the skill and career development of those who serve on the front lines of health care.

SkillWorks is creating a city-wide system that helps Boston's low-skill, low-income residents move to family-sustaining jobs and helps employers find and retain skilled employees. This collaboration of 14 local and national, public and private funders supports partnerships in industries that are key to Boston's future.

JFF's Career Advancement Portfolio highlights organizations like the Wisconsin Regional Training Partnership, which partners with BIG STEP to increase access to the building and construction trades for women and minorities.



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Chicago Jobs and Living Wage Campaign in passing a living wage ordinance. These workers receive \$9.63 an hour for clients they serve through the city contracts and get annual cost-of-living increases.

In 1997, an SEIU campaign in California also started with changing workers from independent contractors to county employees eligible for union representation. Since then, newly unionized workers have gone from the minimum wage to as much as \$11.50 an hour, averaging \$8.35. The political power of this movement was sufficient to rally bipartisan opposition in

emblematic successes are the campaign by the Hotel and Restaurant Employees International Union (HERE) to turn hotel jobs such as room cleaner into living-wage positions with career opportunities, and the Justice for Janitors campaign by the Service Employees International Union. In Las Vegas, where HERE made a showcase for its strategy, 48,000 unionized workers represent 90 percent of the city's hotel jobs. Today, their median wage is 40 percent higher than in nonunion Reno. And they have family health insurance, vacation, and defined-benefit pen-

In the 1930s and 1940s, government was benignly neutral toward unions; and after World War II, most large employers reluctantly concluded that they had to live with unions. In 2006, the federal government and nearly all employers are actively hostile to unions. Creative organizing at the state and local level can still make some inroads, however, national policy restoring the neutral role of government would make an enormous difference.

FOSTERING NEW INDUSTRIES THAT PROVIDE GOOD JOBS

In September 2004, Gamesa, the second largest wind energy company in the world, announced that it would build a \$40 million plant in Ebensburg, Pennsylvania, to produce lightweight blades for commercial-scale wind turbine generators. The plant is now up and running and Gamesa is building three other facilities and 18 wind farms in Pennsylvania that ultimately will create 1,000 manufacturing jobs over five years. The company is also locating its U.S. headquarters and a marketing office in Philadelphia. By the time Gamesa establishes a 200-person business for training engineers in these operations, the company's total investment will be \$84 million.

Pennsylvania wasn't just lucky. Gamesa and other new facilities have located there because Governor Ed Rendell's administration is linking energy efficiency to economic development and good jobs. Kathleen McGinty, environmental protection secretary, explains, "What makes us different from other states promoting clean energy and efficiency is that for us it is a means to revitalize manufacturing and be an engine of job creation rather than being first and foremost an environmental strategy. We only put state dollars in energy investments that create jobs."

One of Rendell's first initiatives after taking office in January 2003 was to establish the Pennsylvania Energy Harvest to allocate about \$5 million a year in grants to companies to encourage investment in renewable energy sources, energy-saving production processes, and alternative energy production. The success of the program—\$15.9 million leveraging \$43.7 million in private investment—enabled



High Energy: Gamesa CEO Iñaki López Gandásegui (center) announces the wind energy deal with Pennsylvania's Kathleen McGinty and Governor Ed Rendell.

2005 when Governor Arnold Schwarzenegger proposed cutting wages back to the minimum wage to balance the budget.

Most recently, in July 2005, Iowa Governor Tom Vilsack signed an executive order allowing home-care workers to organize. AFSCME led that campaign. Hourly wages for Iowa's home care workers now average \$9.98, but some earn as much as \$12.70 and contract negotiations are under way. These state efforts are encouraging as far as they go—they offer an employment model as well as a growing political coalition. But what's needed is a national commitment to turn human-service work serving children, shut-ins, and the elderly into paraprofessional or professional careers that pay good wages and offer career advancement.

TENS OF MILLIONS OF OTHER SERVICE jobs pay inadequate wages, but could likewise offer middle-class earnings. Two

sions. The high growth rate of the Las Vegas economy reveals that higher wages and strong unions are not a damper on economic growth. [See Harold Meyerson, "Las Vegas as a Workers Paradise," *TAP*, January 1, 2004.] The SEIU has unionized 250,000 janitors in at least 29 metropolitan areas, with unionized janitors representing the majority of office building janitors in 21 cities. The campaign has transformed these jobs from poverty wages to up to \$17 per hour, some with benefits.

These campaigns challenge the established belief that service-sector jobs are inherently low paying. There is no reason for semi-skilled service sector jobs to pay significantly less than manufacturing did in its heyday for semi-skilled industrial workers. These unions have begun to do just what the industrial unions accomplished starting in the 1930s—turn bad jobs into middle-class ones. Today, of course, this project is much more difficult.

the governor to persuade the Legislature to do something bigger. At Rendell's request, the Legislature reactivated a defunct state agency and energy program, the Pennsylvania Energy Development Authority (PEDA), to invest even more in the jobs-energy strategy.

PEDA can now float up to \$1 billion in tax-free bonds to finance construction of energy projects and provides grants and loans to support public-private ventures. In two years, PEDA has awarded \$15 million in grants and loans for 41 clean energy projects expected to leverage \$220 million in private investment and 1,558 permanent and construction jobs. PEDA will begin issuing bonds for large-scale clean power projects in 2007.

For example, one such grant, for \$1.3 million, went to Plextronics, a cutting-edge solar technology company spun off by Carnegie Mellon University. The grant will subsidize continued development of an organic conductive polymer technology. This will replace the more costly silicon wafers that make solar electricity prohibitively expensive. Plextronics already has added 12 jobs to its base of 19 and leased space for a facility to produce the product, Plexcore, which could employ as many as 327 full-time workers within the next five years.

Attracting energy companies requires policy changes as well as investment. Gamesa didn't demand the typical package of tax subsidies. Rather, it asked the state to create a market by becoming a major purchaser of alternative energy. The state legislature passed an advanced energy portfolio standard that requires that 18 percent of the state's electricity come from renewable sources by 2020. Already the largest producer of wind energy east of the Mississippi River, the Gamesa plant positioned the state as the largest producer of wind turbines as well.

Pennsylvania's energy portfolio standard also requires 10 percent of electricity to be generated from waste coal and byproducts from pulping and wood manufacturing. This will help eliminate mine-scarred landscapes and the acid mine drainage and other pollution associated with waste coal. PEDA provided \$400 million in bond financing toward a 272-megawatt waste coal electric generation

facility developed by Robinson Power Co. LLC in Washington County, southwest of Pittsburgh. The facility is scheduled to begin construction in October. It will create 350 permanent unionized jobs and eliminate 60 million tons of waste coal in 25 years. It will produce more than twice the electric power—with lower air emissions—than the plant it is replacing.

The portfolio standard will also increase capacity in solar energy. By 2021 utilities will be required to purchase 700 megawatts of solar-produced electricity, the second largest solar requirement in the nation. Since 2003, the commonwealth has helped to fund over half of the solar photovoltaic installations in Pennsylvania—about 505 kilowatts. The nearly \$3 million in state funding was matched by more than \$10 million from other sources. To encourage continued technological innovation Pennsylvania has invested more than \$2 million in solar research, including \$500,000 in direct funding to Pennsylvania's only solar manufacturer, Solar Power Industries, to enhance its manufacturing capabilities. Talks are under way with a leading German solar energy company about locating a facility in the state. If successful, the commonwealth will gain still more manufacturing jobs and millions in state-of-the-art equipment.

Pennsylvania can attract these high-tech facilities because manufacturing has not been written off. Tom Croft is executive director of the Steel Valley Authority, an economic development agency focused on manufacturing. He explains that building next-generation manufacturing required the commonwealth to fully reassess which of its manufacturers could be suppliers to, and customers for, these new technologies. After an unprecedented accord between labor, business, and community stakeholders, Pennsylvania gave new priorities to retaining and modernizing manufacturing, providing new capital and pension fund investments in the field, investing in incumbent workers, and even addressing the unfair trade crisis. Without a manufacturing infrastructure and skilled workers, we can't build the industries of the future.

CAN THESE POLICIES GO NATIONAL?

As these examples show, states can be both laboratories for creative good-jobs policies and incubators of political coalitions on their behalf. For the moment, a national good-jobs policy is precluded by the Bush administration and the Republican Congress. In the meantime, the Apollo Alliance, a coalition of labor unions, environmentalists, and some business leaders is attempting to push the green jobs agenda forward on the national level.

The Alliance was created after September 11 to promote a national commitment of the magnitude of the Apollo space mission to move the nation toward energy independence and in the process create good jobs in manufacturing and other sectors. The Alliance proposes a \$300 billion national investment over 10 years, which would add more than 3.3 million jobs to the economy and stimulate \$1.4 trillion in new GDP, with the cost being repaid through increased federal tax revenues and earnings.

Pending a more congenial national administration, organizers focused on giving visibility to the notion that clean energy creates good jobs and building a base of state and local coalitions supporting the agenda. These state and local groups have achieved clean energy and green projects and policies, although Apollo may never come up as a player. In Pennsylvania, Apollo represented the United Steelworkers on the Governor's Energy Task Force and were critical in gaining United Mine Workers support for the energy portfolio standard. In Washington state, Apollo helped get the machinists union, which represents woodcutters in the lumber industry, to back the state's green building standard.

All of this is prologue to what needs to be a massive shift in national policy, to put good jobs in both manufacturing and services at the heart of America's economic agenda. **TAP**

Joan Fitzgerald, author of Moving Up in the New Economy, directs the graduate program on law policy and society at Northeastern University.

No Justice, No Growth

How Los Angeles is making big-time developers create decent jobs.

BY HAROLD MEYERSON

ON THE MORNING OF JUNE 22, 1995, to the total astonishment of the people working and walking on Hollywood Boulevard—the sales clerks of a hundred shlock emporiums, the stoners, the runaways, and the crowds of ever-bewildered tourists who had trekked to the heart of Hollywood in search of glamour only to find one of Los Angeles' most depressing neighborhoods—a sinkhole fully 80 feet wide suddenly opened in the middle of the street. Construction workers building the city's Red Line subway beneath the street scrambled to avoid the descending pavement. Miraculously, no one was seriously hurt, but traffic, street life, and the commercial activity at the center of L.A.'s (if not the world's) most famous neighborhood ground to a near-total and months-long halt.

For a city that had experienced both a cataclysmic riot and a terrifying earthquake over the preceding three years; for a city whose single largest industry, aerospace, had collapsed over the preceding half-decade with the end of the Cold War; for a city that was hemorrhaging middle-class jobs and middle-class residents, then in full flight to Nevada and Arizona and Colorado; the hole in the middle of Hollywood was an apt metaphor for L.A.'s plight. The middle was falling out of the Los Angeles economy, too—a hole that virtually nobody had the faintest idea how to plug.

As hundreds of thousands of largely native-born and unionized defense workers left town for good, hundreds of thousands of immigrants from Mexico and Central America flooded into the city. During the 1980s and 1990s, according to a new report from the California Budget Project (CBP), the number of foreign-born workers in Los Angeles County increased by 900,000. With amazing rapidity, the economy began to boom at the bottom. Some industries—the sweatshop

sector of garment manufacturing, for one—were reborn. Other industries—construction, trucking, building maintenance—saw their employers fire their unionized employees and hire new ones at half the wage levels of their predecessors. In just the two years between 1994 and 1996, according to a California State Assembly report on the L.A. economy, the number of residents in households with annual incomes under \$20,000 in-



Jackie Goldberg: Community benefits thinker-upper

creased by 13.5 percent, to 41 percent of the county's population (which was then roughly 9.5 million people). Residents in households with annual incomes between \$20,000 and \$40,000 increased by 7 percent, to 25 percent of the county's population. But the middle class—Angelenos in households making between \$40,000 and \$100,000 annually—decreased by 7.7 percent, to just 26 percent of L.A. County. And this was during a time when unemployment had started to drop.

Early into Bill Clinton's second term, it was clear that these changes were no

cyclical aberration, but simply the shape of the new Los Angeles. The more unemployment declined, the more bipolar the economy became. Developers were beginning to build again, the entertainment industry grew, gentrification was transforming neighborhoods, and the number of truly prosperous Angelenos, like the number of truly prosperous Manhattanites, greatly increased. And yet, the percentage of middle-income jobs and the percentage of L.A. residents leading middle-class lives remained stubbornly low—and falling. Between 1979 and 2005, according to the CBP report, the inflation-adjusted median hourly wage of a Los Angeles worker actually declined by 6.4 percent, and the share of L.A. workers with job-based health coverage plummeted from 71.1 percent to 50.5 percent. A new Los Angeles, preponderantly grimmer and poorer (if also more opulent and glitzy) than its predecessor, had arisen on the ashes of the old. And hardly anybody had a plausible notion about how the city could recapture the mass prosperity it had taken for granted in the decades after World War II.

AS IT HAPPENED, ONE PERSON WHO did have such a notion—two notions, in fact—was the city council member from Hollywood, Jackie Goldberg. An activist in Berkeley's Free Speech Movement during her undergraduate days, Goldberg had been a famously innovative public school teacher, then a member of L.A.'s school board, and had won election to the council in 1993 when L.A. and Hollywood were both at their nadir. But as the economy began to come back, Goldberg pushed two new mechanisms through that which L.A.'s new working class to secure a greater, and fairer, share of the region's wealth. The first of these was a living-wage ordinance, which required firms under contract to the city to pay an hourly wage several dollars higher than the federal minimum and to provide health insurance coverage as well—or an hourly wage roughly a dollar higher than that if the contractor didn't offer the health coverage. After lobbying her city council colleagues for the better part of a

year, and backed by the L.A. County Federation of Labor, which had only recently become an election-day powerhouse, Goldberg got the council to enact the ordinance by unanimous vote in 1997.

Her other idea was more Hollywood-specific. As the economy rebounded, Goldberg looked for a major company to commit to a mega-development that might begin to turn Hollywood around. Eventually, she interested Trizec-Hahn, one of the nation's leading commercial property developers and owners, in a site at the corner of Hollywood Boulevard and Highland Avenue, just a few blocks west of where the sinkhole had sunk. Trizec-Hahn proposed a major project that in-

employees would be treated well. We wanted development, [but] we basically decided that all boats should rise."

Goldberg and her development aide, Roxana Tynan, with the assistance of the Los Angeles Alliance for a New Economy (LAANE), the progressive policy and organizing group that had helped Goldberg formulate and build support for the living-wage ordinance, then initiated negotiations with the developer. When they were done, in 1998, Trizec-Hahn had agreed that the employees of the new hotel would work under the same contract that the city's unionized hotel workers had won. (When the hotel opened, the workers joined and the management

les have expanded and refined over the years on subsequent major projects around town, including the Staples Center and the surrounding development downtown, and the expansion of LAX, the city's notoriously congested airport. Under the dynamic leadership of Madeline Janis (formerly Madeline Janis-Aparicio), LAANE has steadily enlarged the scope both of the CBAs and the living-wage ordinances within Southern California. Its successes have inspired unions and community organizations across the nation to their own campaigns linking growth to justice. Living wage ordinances have now been enacted in more than 120 municipalities across the country, while CBAs—which now may require developers not merely to provide decent jobs to local residents, but to build affordable housing, parks, health clinics, and other social amenities—have been implemented on at least 48 major projects from Seattle to Miami.

This is, of course, justice by increments, but in the absence of a federal government interested in raising the minimum wage, providing health coverage for all, or enabling workers to join unions, incremental justice is as good as it gets. So it falls to the states to hike the minimum wage, and to more liberal cities to enact living wage ordinances covering employees of city contractors. And even in a city as liberal as Los Angeles, passing an ordinance mandating CBAs for projects that aren't recipients of city funding or redevelopment district tax abatements is impossible. There are still vast swaths of Los Angeles, in South Central L.A. most particularly, where developers fear to tread. The progressive leaders and groups that require developer concessions on major projects in neighborhoods that are trending upward have shown no desire to ask anything of a developer who ventures into a depressed part of town to build a store or two.

CBAs, says Cecilia Estolano, the new executive director of L.A.'s Community Redevelopment Agency, "work best when there is substantial agency money invested, when they're big projects, and when they're in hot markets or emerging markets." In much of Los Angeles—in

Community benefit agreements are a narrow attempt to create broadly shared prosperity, at a moment when broad attempts are beyond the horizon of the possible.

cluded a theater that would host the Oscar ceremonies, a high-end hotel, and some upscale retail outlets. It was the kind of development that Hollywood had not seen since before World War II. Goldberg was understandably elated. But she wanted more.

Goldberg had two sources of leverage over Trizec-Hahn. First, in L.A.'s bizarrely balkanized city government, it's chiefly the city council member whose approval is decisive for the construction of any major project in the member's district. Second, Hollywood had been run down for so long that it qualified as a redevelopment district, enabling a developer to qualify for tax abatements on its properties and other public subsidies from the city's Community Redevelopment Agency (CRA). And if Trizec-Hahn wanted Goldberg's blessing and those abatements (the city's total investment in the project eventually totaled \$90 million), there were conditions she wanted it to meet.

"Prior to my coming on to the city council," Goldberg recalls, "the CRA had put a fortune into the New Otani Hotel downtown, which has had continuously terrible relations with its employees. I was determined that if we were going to put money into Hollywood-Highland, the

recognized the union.) The employees of the Kodak Theater were unionized as well. ("Nobody wanted a strike before an awards show," Goldberg notes dryly.) Trizec-Hahn's direct employees—the parking attendants, janitors, security guards, and gardeners—would be covered under the city's living-wage ordinance. The developer also agreed to favor the lease applications of prospective retail tenants who pledged to provide their sales clerks and other employees with health insurance and a living wage. And the company also agreed to recruit its direct employees initially from the immediately surrounding ZIP codes, which entailed a financial commitment on its part to provide training for many of the local hires. In the end, 20 percent of the construction workers who built the project and 68 percent of the permanent employees at the hotel were hired from the surrounding ZIP code. Working-class Hollywood would have a direct share in Hollywood's revival.

AND SO WAS BORN THE FIRST Community benefits agreement (CBA). Hatched straight "from Jackie's ideology," as Tynan recalls, the Hollywood-Highland CBA set a template that LAANE and various progressive officials in Los Ange-

much of urban America—none of those conditions pertain. Which compels LAANE, now the primary architect of CBAs across Los Angeles, to go project by project, creating an archipelago of decent living standards in a sea of working-class stagnation.

EVEN THOUGH THEY ARE NEGOTIATED on a project-by-project basis, CBAs have become, in less than a decade, the way that major developments get built in Los Angeles. For one thing, while CBAs clearly impose additional costs on the developer, they also help ensure that his project will get green-lighted. “The best way to get our project approved is to join with the community,” says Cliff Goldstein, a partner in J.H. Snyder, one of Southern California’s largest commercial developers. “Once we’ve crafted an agreement, we walk hand in hand downtown to the council. We become a formidable foe if someone wants to make us their foe.”

Since Hollywood-Highland first established the CBA, a distinct process has emerged on subsequent projects. One

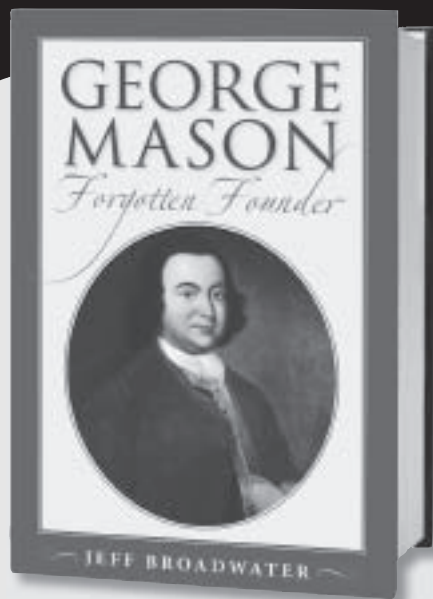
group—often but not always LAANE—organizes residents in the vicinity of the proposed project, and links pre-existing community organizations and institutions with other affected parties: the building trades unions that want to construct it, the building maintenance unions (usually, the SEIU) and hotel union (UNITE HERE) that may staff the facilities that the project will contain, environmental organizations concerned with the effect the project will have on the area. The local council member may serve as a liaison to local institutions—community colleges, for instance—that will be called on to offer job training to local residents hired by the project.

The expanding scope of CBAs is apparent in looking at the agreements crafted for three major projects over the past half-decade. In the late 1990s, two right-wing billionaires—Rupert Murdoch and Denver’s Phil Anschutz—announced that they wished to develop the area surrounding the Staples Center, home to the Lakers, with luxury hotels, condos, stores, office buildings, and theaters. A coalition of 25

community groups from the area—a neighborhood consisting largely of desperately poor immigrants—already had come together to deal with problems of housing relocation, increased traffic and the like. Separately, Miguel Contreras, head of the L.A. County Federation of Labor, entered into negotiations with the developers on behalf of five unions that sought to represent the parking attendants and the hotel, theater, and maintenance workers who’d get permanent jobs once the project was completed, and the building trades unions that would construct it. The unions reached an accord with the developer first, but refused to sign it until the community groups reached their own accord, which included a commitment to hire half the permanent employees from the neighborhood, the set-aside of one-fifth of the new housing units for low-income residents, and the creation of neighborhood parks. Once these accords were reached, the city council gave the go-ahead for the project, which is under construction today.

LAANE crafted an even larger and

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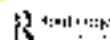


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more diverse coalition in dealing with the proposed expansion of LAX, which had been stymied for more than a decade when Mayor James Hahn finally sought council approval for the proposal shortly after he took office in 2001. In deference to labor's political clout, Hahn had given Contreras a seat on the Airport Commission, which helped ensure local hiring, living wages and union contracts for workers at the airport's many concessions and retail outlets. As well, the city committed \$500 million over the next decade to noise abatement improvements in the schools near the airport and to air-quality improvements throughout the area. "The muscle of the labor movement was the linchpin" in broadening the coalition, says LAANE's Janis, since it was apparent that Contreras' commitment to a far-reaching CBA ensured that a deal would be struck. "It convinced the environmental movement—the Environmental Defense Fund, the Coalition for Clean Air, the NRDC—to switch its approach from suing at the back end to helping come up with solutions at the front end."

Back in Hollywood, meanwhile, a CBA has just been finalized for a project at the storied but otherwise unremarkable corner of Hollywood and Vine, which will include a W Hotel, luxury and low-income condos and apartments, and a number of retail establishments. In addition to the usual local hiring and living-wage stipulations for the hotel workers and other developer employees, the pact calls for the developer to set aside funds for a culinary academy, so hotel workers can move up to better hotel and restaurant jobs, and funding for nearby Hollywood High School to expand its performing arts magnet program.

ON THE ONE HAND, THEN, THE RANGE of community benefits continues to grow with the varied needs of the impacted communities. On the other hand, both in Los Angeles and in cities around the country, the vast majority of CBAs contain no genuinely enforceable language covering the wages and benefits of workers in the retail establishments that the project owners lease. Only where the city itself has owned the development—that is, at the airport and at a new mixed-use proj-

ect slated for development across the street from Frank Gehry's Disney Concert Hall—have retailers been required to set pay rates in accord with the city's living wage ordinance. "The problem is, unionized supermarkets and Costco are the only retailers to pay a living wage," says Roxana Tynan, who is now LAANE's chief negotiator of CBAs. Most CBAs require the developer to seek out retailers who will pay such wages; the agreement at one North Hollywood project even imposes some manageable financial penalties on the developer, J. H. Snyder, if it fails to have its retailers pay a living wage to a specified percentage of their employees.

But if CBAs have often failed to raise the pay levels of non-supermarket retail workers, they have plainly boosted the wages of the construction workers who build the developments, the janitors who clean them, and the workers who staff the markets, hotels and theaters (if not clothing stores) therein. Between 2000 and 2006, 104,000 construction jobs and 113,000 permanent jobs were covered under CBAs, according to an estimate from the Partnership for Working Families, the national coalition of local CBA advocacy groups.

Surprisingly, perhaps, in cities where the NIMBY (Not In My Back Yard) mentality has routinely blocked development, many in the business community welcome the emergence of this growth-with-justice political constellation. Economist Jack Kyser, who as vice president of the private Los Angeles County Economic Development Corp. is the closest thing the city has to a business community spokesperson, is no fan of living-wage ordinances or, more generally, increased regulations on business. He has kind words, though, for CBAs, which, he believes, often "defuse the opposition to very high-profile projects. Purists may say this is not the best way to go. But if you want to get something built, especially in an area as contentious as L.A. can be, it's a good way to go. You get your project, and everybody benefits."

The success of CBAs in Los Angeles, and the willingness of LAANE to commit its resources to the development of kindred campaigns in other cities, means that

CBAs and the coalitions demanding them have now sprung up in roughly 20 cities across the nation. In Denver, a boomtown with a generally liberal city government but not much of a progressive political infrastructure, the Front Range Economic Strategy Center has been able to win some affordable housing commitments and prevailing wage standards for construction workers on certain major projects. But, says Front UC Range President Leslie Moody, "trying to get a living wage for retail workers has been a huge frustration." In San Jose, the labor and economic justice movements decided to eschew specific project agreements and, in light of the city's affluence and progressivism, to push for a city ordinance mandating specified community benefits on all projects exceeding a certain value. San Jose business, however, has fiercely opposed the proposal, and how the city council will resolve the question is as yet undetermined.

To some degree, of course, the scope of a CBA is a function of the power of the forces demanding it. It is hardly an accident that these local strategies first appeared in cities with strong unions, organized neighborhoods, and progressive city councils. CBAs are inherently a second-choice strategy, a narrow attempt to create broadly shared prosperity at a moment when broad attempts that rely on state policy or large-scale unionization are beyond the horizon of the possible. Their limited scope notwithstanding, they represent a considerable achievement—intellectual, organizational, and political—at a time when working-class America is otherwise losing ground. And if more of America were organized, there would be more such local achievements, as well as more complementary national policies.

One place where that achievement is apparent today is Hollywood, where new development is rampant, where the nightlife is both safer and livelier than it's been in years, and where the ubiquitous tourists don't look quite as crestfallen as they did a decade ago when the entire neighborhood seemed to sag. Hollywood has always believed in comebacks, but who would have thought its own would in part be the consequence of a movement for economic justice? **TAP**

OCCUPATIONS WITH THE LARGEST PROJECTED JOB GROWTH, 2004-2014

TITLE	■ Low Wage		■ Medium Wage		■ High Wage	EDUCATION OR TRAINING NEEDED*
	NUMBER OF JOBS (THOUSANDS)		PREDICTED GROWTH		EDUCATION OR TRAINING NEEDED*	
	2004	2014	NUMBER	PERCENT		
■ Retail salespersons	4,256	4,992	736	17.3	Short-term on-the-job training	
■ Registered nurses	2,394	3,096	703	29.4	Associate degree	
■ Postsecondary teachers	1,628	2,153	524	32.2	Doctoral degree	
■ Customer service representatives	2,063	2,534	471	22.8	Moderate-term on-the-job training	
■ Janitors	2,374	2,813	440	18.5	Short-term on-the-job training	
■ Waiters and waitresses	2,252	2,627	376	16.7	Short-term on-the-job training	
■ Food preparation and serving workers	2,150	2,516	367	17.1	Short-term on-the-job training	
■ Home health aides	624	974	350	56.0	Short-term on-the-job training	
■ Nursing aides, orderlies, and attendants	1,455	1,781	325	22.3	Postsecondary vocational award	
■ Managers	1,807	2,115	308	17.0	Bachelor's or higher degree, plus work experience	
■ Personal and home care aides	701	988	287	41.0	Short-term on-the-job training	
■ School teachers	1,457	1,722	265	18.2	Bachelor's degree	
■ Accountants and auditors	1,176	1,440	264	22.4	Bachelor's degree	
■ Office clerks	3,138	3,401	263	8.4	Short-term on-the-job training	
■ Laborers	2,430	2,678	248	10.2	Short-term on-the-job training	
■ Receptionists	1,133	1,379	246	21.7	Short-term on-the-job training	
■ Landscaping and groundskeeping workers	1,177	1,407	230	19.5	Short-term on-the-job training	
■ Truck drivers, heavy and tractor-trailer	1,738	1,962	223	12.9	Moderate-term on-the-job training	
■ Computer software engineers	460	682	222	48.4	Bachelor's degree	
■ Repair workers	1,332	1,533	202	15.2	Moderate-term on-the-job training	
■ Medical assistants	387	589	202	52.1	Moderate-term on-the-job training	
■ Executive secretaries and administrative assistants	1,547	1,739	192	12.4	Moderate-term on-the-job training	
■ Sales representatives	1,454	1,641	187	12.9	Moderate-term on-the-job training	
■ Carpenters	1,349	1,535	186	13.8	Long-term on-the-job training	
■ Teacher assistants	1,296	1,478	183	14.1	Short-term on-the-job training	
■ Child care workers	1,280	1,456	176	13.8	Short-term on-the-job training	
■ Food preparation workers	889	1,064	175	19.7	Short-term on-the-job training	
■ Maids and housekeeping cleaners	1,422	1,587	165	11.6	Short-term on-the-job training	
■ Truck drivers, light or delivery services	1,042	1,206	164	15.7	Short-term on-the-job training	
■ Computer systems analysts	487	640	153	31.4	Bachelor's degree	

*An occupation is placed into one of 11 categories that best describes the postsecondary education or training needed by most workers to become fully qualified. For more information about the categories, see Occupational Projections and Training Data, 2004-05 edition, Bulletin 2572 (Bureau of Labor Statistics, March 2004) and Occupational Projections and Training Data, 2006-07 edition, Bulletin 2602 (Bureau of Labor Statistics, forthcoming).

— Source: U.S. Department of Labor, Bureau of Labor Statistics (<http://www.bls.gov/emp/emptab3.htm>)

Outsourcing: Bigger Than You Thought

The outsourcing wave is about to hit the service sector. To keep good service jobs, we need to prepare the workforce and understand the jobs.

BY ALAN S. BLINDER

THE GREAT CONSERVATIVE POLITICAL philosopher Edmund Burke, who probably would not have been a reader of *The American Prospect*, once observed, “You can never plan the future by the past.” But when it comes to preparing the American workforce for the jobs of the future, we may be doing just that.

For about a quarter-century, demand for labor appears to have shifted toward the college-educated and away from high-school graduates and dropouts. This shift, most economists believe, is the primary (though not the sole) reason for rising income inequality, and there is no end in sight. Economists refer to this phenomenon by an antiseptic name: skill-biased technical progress. In plain English, it means that the labor market has turned ferociously against the low skilled and the uneducated.

In a progressive society, such a worrisome social phenomenon might elicit some strong policy responses, such as more compensatory education, stepped-up efforts at retraining, reinforcement (rather than shredding) of the social safety net, and so on. You don’t fight the market’s valuation of skills; you try to mitigate its more deleterious effects. We did a bit of this in the United States in the 1990s, by raising the minimum wage and expanding the Earned Income Tax Credit. Combined with tight labor markets, these measures improved things for the average worker. But in this decade, little or no mitigation has been attempted. Social Darwinism has come roaring back.

With one big exception: We have expended considerable efforts to keep more young people in school longer (e.g., reducing high-school dropouts and sending more kids to college) and to improve the quality of schooling (e.g., via charter schools and No Child Left Behind). Success in these domains may have been

modest, but not for lack of trying. You don’t have to remind Americans that education is important; the need for educational reform is etched into the public consciousness. Indeed, many people view education as the silver bullet. On hearing the question “How do we best prepare the American workforce of the future?” many Americans react reflexively with: “Get more kids to study science and math, and send more of them to college.”

Which brings me to the future. As I argued in a recent article in *Foreign Affairs* magazine, the greatest problem for the next generation of American workers may not be lack of education, but rather “offshoring”—the movement of jobs overseas, especially to countries with much lower wages, such as India and China. Manufacturing jobs have been migrating overseas for decades. But the new wave of offshoring, of service jobs, is something different.

Traditionally, we think of service jobs as being largely immune to foreign competition. After all, you can’t get your hair cut by a barber or your broken arm set by a doctor in a distant land. But stunning advances in communication technology, plus the emergence of a vast new labor pool in Asia and Eastern Europe, are changing that picture radically, subjecting millions of presumed-safe domestic service jobs to foreign competition. And it is not necessary actually to move jobs to low-wage countries in order to restrain wage increases; the mere threat of offshoring can put a damper on wages.

Service-sector offshoring is a minor phenomenon so far, Lou Dobbs notwithstanding; probably well under 1 percent of U.S. service jobs have been outsourced. But I believe that service-sector offshoring will eventually exceed manufacturing-sector offshoring by a hefty margin—for three main reasons. The first is simple arithmetic: There are vastly

more service jobs than manufacturing jobs in the United States (and in other rich countries). Second, the technological advances that have made service-sector offshoring possible will continue and accelerate, so the range of services that can be moved offshore will increase ineluctably. Third, the number of (e.g., Indian and Chinese) workers capable of performing service jobs offshore seems certain to grow, perhaps exponentially.

I do not mean to paint a bleak picture here. Ever since Adam Smith and David Ricardo, economists have explained and extolled the gains in living standards that derive from international trade. Those arguments are just as valid for trade in services as for trade in goods. There really *are* net gains to the United States from expanding service-sector trade with India, China, and the rest. The offshoring problem is not about the adverse nature of what economists call the economy’s eventual equilibrium. Rather, it is about the so-called *transition*—the ride from here to there. That ride, which could take a generation or more, may be bumpy. And during the long adjustment period, many U.S. wages could face downward pressure.

Thus far, only American manufacturing workers and a few low-end service workers (e.g., call-center operators) have been competing, at least potentially, with millions of people in faraway lands eager to work for what seems a pittance by U.S. standards. But offshoring is no longer limited to low-end service jobs. Computer code can be written overseas and e-mailed back to the United States. So can your tax return and lots of legal work, provided you do not insist on face-to-face contact with the accountant or lawyer. In writing and editing this article, I communicated with the editors and staff of *The American Prospect* only by telephone and e-mail. Why couldn’t they (or I, for that matter) have been in India? The possibilities are, if not endless, at least vast.

WHAT DISTINGUISHES THE JOBS that cannot be offshored from the ones that can? The crucial distinction is *not*—and this is the central point of this essay—the required levels of skill and education. These attributes have been crit-

ical to labor-market success in the past, but may be less so in the future. Instead, the new critical distinction may be that some services either require personal delivery (e.g., driving a taxi and brain surgery) or are seriously degraded when delivered electronically (e.g., college teaching—at least, I hope!), while other jobs (e.g., call centers and keyboard data entry) are not. Call the first category personal services and the second category impersonal services. With this terminology, I have three main points to make about preparing our workforce for the brave, new world of the future.

First, we need to think about, plan, and redesign our educational system with the crucial distinction between personal service jobs and impersonal service jobs in mind. Many of the impersonal service jobs will migrate offshore, but the personal service jobs will stay here.

Second, the line that divides personal services from impersonal services will move in only one direction over time, as technological progress makes it possible to deliver an ever-increasing array of services electronically.

Third, the novel distinction between personal and impersonal jobs is quite different from, and appears essentially unrelated to, the traditional distinction between jobs that do and do not require high levels of education.

For example, it is easy to offshore working in a call center, typing transcripts, writing computer code, and reading X-rays. The first two require little education; the last two require quite a lot. On the other hand, it is either impossible or very difficult to offshore janitorial services, fast-food restaurant service, college teaching, and open-heart surgery. Again, the first two occupations require little or no education, while the last two require a great deal. There seems to be little or no correlation between educational requirements (the old concern) and how “offshorable” jobs are (the new one).

If so, the implications could be startling. A generation from now, civil engineers (who must be physically present) may be in greater demand in the United States than computer engineers (who don’t). Similarly, there might be more di-

voice lawyers (not offshorable) than tax lawyers (partly offshorable). More imaginatively, electricians might earn more than computer programmers. I am not predicting any of this; lots of things influence relative demands and supplies for different types of labor. But it all seems within the realm of the possible as technology continues to enhance the offshorability of even highly skilled occupations. What does seem highly likely is that the relative demand for labor in the United States will shift away from impersonal services and toward personal services, and this shift will look quite different from the familiar story of skill-biased technical progress. So Burke’s warning is worth heeding.

I am *not* suggesting that education will become a handicap in the job market of the future. On the contrary, to the

The greatest problem for American workers may not be lack of education but the movement of jobs overseas.

extent that education raises productivity and that better-educated workers are more adaptable and/or more creative, a wage premium for higher education should remain. Thus, it still makes sense to send more of America’s youth to college. But, over the next generation, *the kind of education* our young people receive may prove to be more important than *how much education* they receive. In that sense, a college degree may lose its exalted “silver bullet” status.

Looking back over the past 25 years, “stay in school longer” was excellent advice for success in the labor market. But looking forward over the next 25 years, more subtle occupational advice may be needed. “Prepare yourself for a high-end personal service occupation that is not offshorable” is a more nuanced message than “stay in school.” But it may prove to be more useful. And many non-offshorable jobs—such as carpenters, electricians, and plumbers—do not require college education.

The hard question is how to make this more subtle advice concrete and actionable. The children entering America’s educational system today, at age 5, will emerge into a very different labor market when they leave it. Given gestation peri-

ods of 13 to 17 years and more, educators and policy-makers need to be thinking now about the kinds of training and skills that will best prepare these children for their future working lives. Specifically, it is essential to educate America’s youth for the jobs that will actually be available in America 20 to 30 years from now, not for the jobs that will have moved offshore.

Some of the personal service jobs that will remain in the United States will be very high-end (doctors), others will be less glamorous though well paid (plumbers), and some will be “dead end” (janitor). We need to think long and hard about the types of skills that best prepare people to deliver high-end personal services, and how to teach those skills in our elementary and high schools. I am not an education specialist, but it strikes me that, for example, the

central thrust of No Child Left Behind is pushing the nation in exactly the wrong direction. I am all for accountability. But the nation’s school system will not build the creative, flexible, people-oriented workforce we will need in the future by drilling kids incessantly with rote preparation for standardized tests in the vain hope that they will perform as well as memory chips.

Starting in the elementary schools, we need to develop our youngsters’ imaginations and people skills as well as their “reading, writing, and ‘rithmetic.” Remember that kindergarten grade for “works and plays well with others”? It may become increasingly important in a world of personally delivered services. Such training probably needs to be continued and made more sophisticated in the secondary schools, where, for example, good communications skills need to be developed.

More vocational education is probably also in order. After all, nurses, carpenters, and plumbers are already scarce, and we’ll likely need more of them in the future. Much vocational training now takes place in community colleges; and they, too, need to adapt their curricula to the job market of the future.

While it is probably still true that we

should send more kids to college and increase the number who study science, math, and engineering, we need to focus on training more college students for the high-end jobs that are unlikely to move offshore, and on developing a creative workforce that will keep America incubating and developing new processes, new products, and entirely new industries. Offshoring is, after all, mostly about following and copying. American needs to lead and innovate instead, just as we have in the past.

Educational reform is not the whole story, of course. I suggested at the outset, for example, that we needed to repair our tattered social safety net and turn it into a retraining trampoline that bounces displaced workers back into productive employment. But many low-end personal service jobs cannot be turned into more attractive jobs simply by more training—think about janitors, fast-food workers, and nurse’s aides, for example. Running a tight labor market would help such workers, as would a higher minimum wage, an expanded Earned Income

Tax Credit, universal health insurance, and the like.

Moving up the skill ladder, employment is concentrated in the public or quasi-public sector in a number of service occupations. Teachers and health-care workers are two prominent examples. In such cases, government policy can influence wages and working conditions directly by upgrading the structure and pay of such jobs—developing more professional early-childhood teachers and fewer casual day-care workers for example—as long as the taxpayer is willing to foot the bill. Similarly, some service jobs such as registered nurses are in short supply mainly because we are not training enough qualified personnel. Here, too, public policy can help by widening the pipeline to allow more workers through. So there are a variety of policy levers that might do some good—if we are willing to pull them.

But all that said, education is still the right place to start. Indeed, it is much more than that because the educational system affects the entire population and because no other institution is nearly as

important when it comes to preparing our youth for the world of work. As the first industrial revolution took hold, America radically transformed (and democratized) its educational system to meet the new demands of an industrial society. We may need to do something like that again. There is a great deal at stake here. If we get this one wrong, the next generation will pay dearly. But if we get it (close to) right, the gains from trade promise coming generations a prosperous future.

The somewhat inchoate challenge posed here—preparing more young Americans for personal service jobs—brings to mind one of my favorite Churchill quotations: “You can always count on Americans to do the right thing—after they’ve tried everything else.” It is time to start trying. **TAP**

Alan S. Blinder is the Gordon S. Rentschler Memorial Professor of Economics at Princeton University. He has served as vice chairman of the Federal Reserve Board and was a member of President Clinton’s original Council of Economic Advisers.



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