

# The Great Recession and the Next Generation of Workforce Development Strategies

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## Introduction

Good morning. I have known Rich Hobbie, NASWA's Director, for more than 35 years. I'm glad for his friendship and his leadership of this important organization. With leaders like Rich and Assistant Secretary Jane Oates and her colleagues at the Employment and Training Administration and in the Obama Administration, we are seeing the best people rise to the fore of the workforce development system.

All of us in the workforce system will need lots of energy, leadership, patience, and humility to get through the next decade.

I direct the John J. Heldrich Center for Workforce Development at Rutgers University. My colleagues and I are dedicated to providing workforce development professionals and policymakers with the best, independent research to help you meet today's challenges to our workforce, and workforce development professionals.

Today, I will offer for your consideration:

- My perspective and assessment on our nation's labor market, and workforce system **and** based on an interpretation of facts and trends and thousands of interviews with American workers over the last decade.
- Outline short- and long-term solutions that might help our workers out of the mess and leave our nation better off in the next decade. My observations are based on my research professional experiences over the past 35 years — and my opinions too.

It is imperative that the solutions we choose as a nation are the right ones and large enough to help what ails our economy and our workers.

## **The Worst Recession in 60 Years...and the Lost Decade**

Dr. Bill Rodgers, the Chief Economist at the Heldrich Center, has outlined for you the grim realities of the worst recession in 60 years.

By way of historical context, those of you who lived through the 1970s know that the nation's economy is breaking down like a 1974 Ford Pinto.

- This is no ordinary dip in business cycle — probably the worst recession in 60 years.
- Highest national unemployment rate in 30+ years.
- Over 15 million officials unemployed.
- Nearly all economic sectors and all regions of the country feeling the pain.
- Unemployment and job insecurity is hitting low-skilled job seekers with inadequate training and education, as well as highly educated workers with years of experience.
- Twenty years ago, blue-collar, manufacturing workers were at greatest risk of job loss. Now, they are being joined on the unemployment line by thousands of white-collar workers and college graduates who have been drowned in the backwash of corporate mergers, acquisitions, and “downsizing” schemes.

## **The Lost Decade**

- The nation has the same number of jobs as we began the 21 century, but millions more new workers.
- There has been no increase in median wages for a decade.
- Highest percentage of duration of unemployment ever and highest percentage unemployed for more than six months.

## **Job Seekers Facing Special Obstacles**

While unemployment hurts people at all income and education levels, some get hurt more than others:

- Younger workers and those with the least skills and education — often concentrated in urban communities.
- Older workers — Those who have jobs are postponing retirement as health and retirement benefits, for those lucky enough to have them, are diminished or eliminated.

- Workers who have spent entire careers in an industry, like manufacturing or finance, who must now find jobs in new industries.

In short, we have already experienced a lost decade in the labor market and it's tougher than ever for those who already had a tough time succeeding in today's economy.

## **What Happened to the Unemployed?**

Today I will report on the results of a study, entitled *The Anguish of Unemployment*, which was co-authored with my colleague Cliff Zukin, Professor at Rutgers and past-president of AAPOR. It is a comprehensive national survey conducted among 1,200 Americans nationwide. It is a scientific sample of people who have been unemployed and looking for a job in the last 12 months, including 894 who are still jobless.

The findings, available at [www.heldrich.rutgers.edu](http://www.heldrich.rutgers.edu), portray a shaken, traumatized people coping with serious financial and psychological effects from an economic downturn of epic proportion.

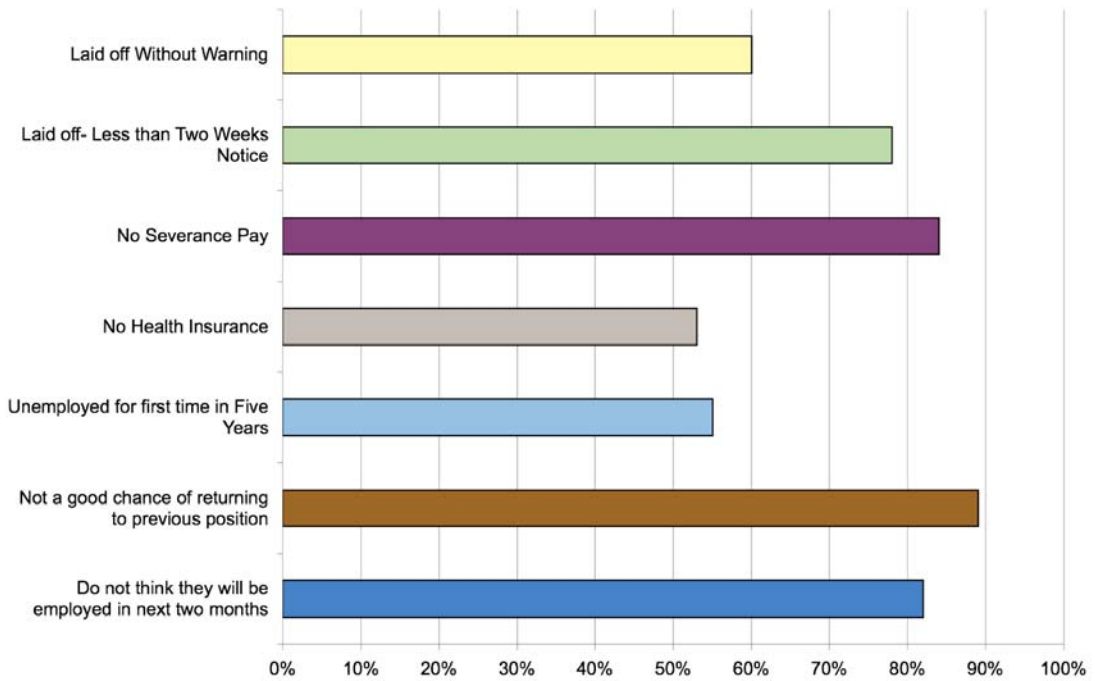
The survey — conducted and released by the John J. Heldrich Center for Workforce Development — is one of the first and most comprehensive national scientific samples of unemployed Americans during the present recession. It provides an in-depth portrait of the social and economic experiences of unemployed Americans as they are occurring now.

## **Key Findings**

### **The Loss of Jobs**

- Rapid layoffs without warning — 60% laid off with no notice
- 80+% less than two weeks notice — No time to prepare
- 84% with no severance pay
- 55% lost jobs for first time in at least five years
- 90% do not think they will have a job in next couple of months
- 86% do not think they will have a good change of getting their old jobs back (47% say they have no chance)
- 55% do not have health care insurance
- 60% do not have Unemployment Insurance — 83% worry they will lose all benefits before getting another job

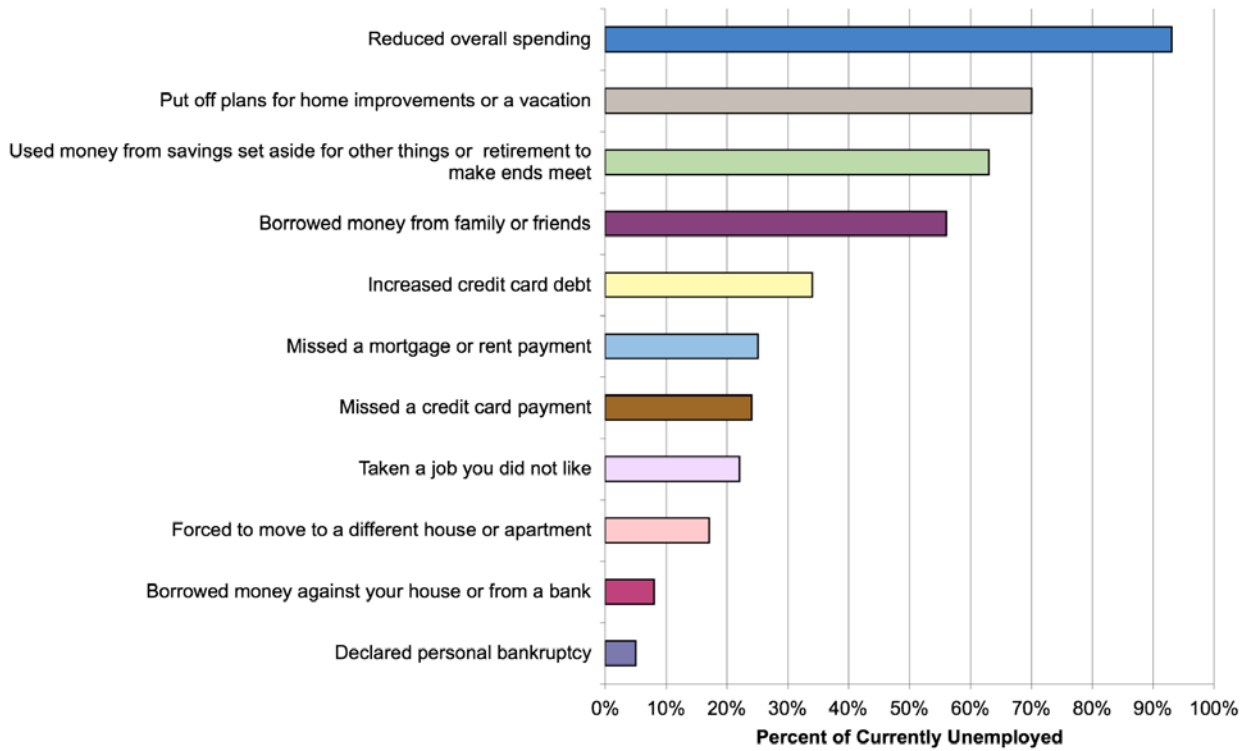
### The Unemployment Experience



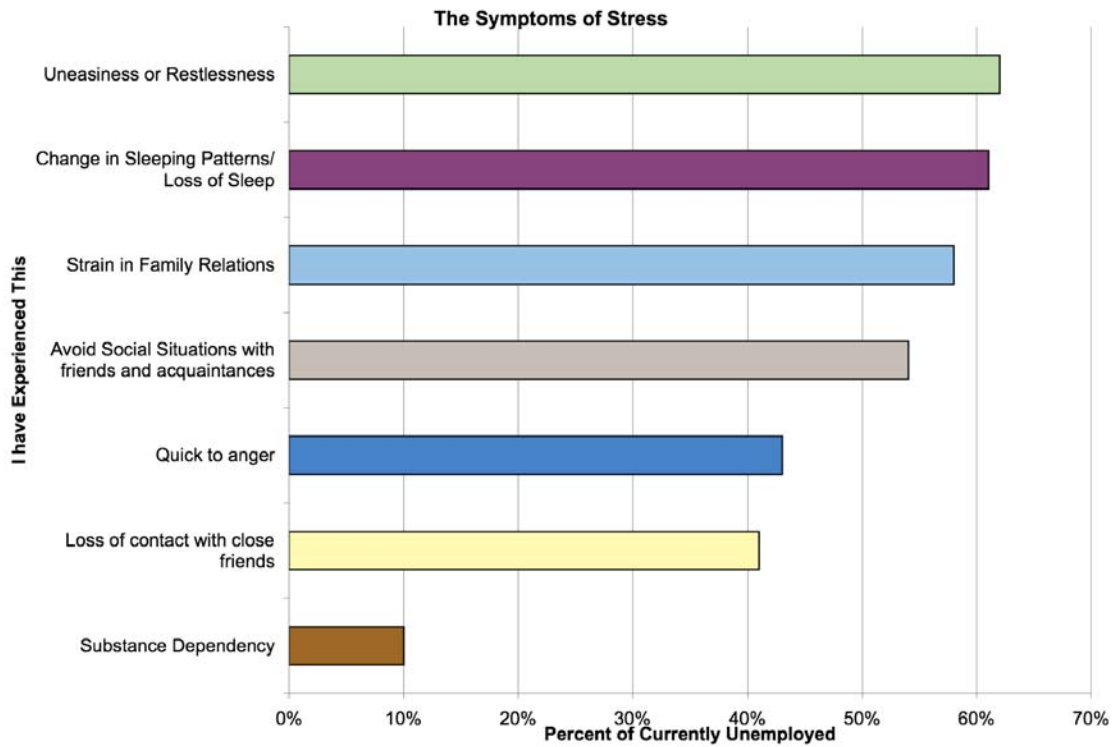
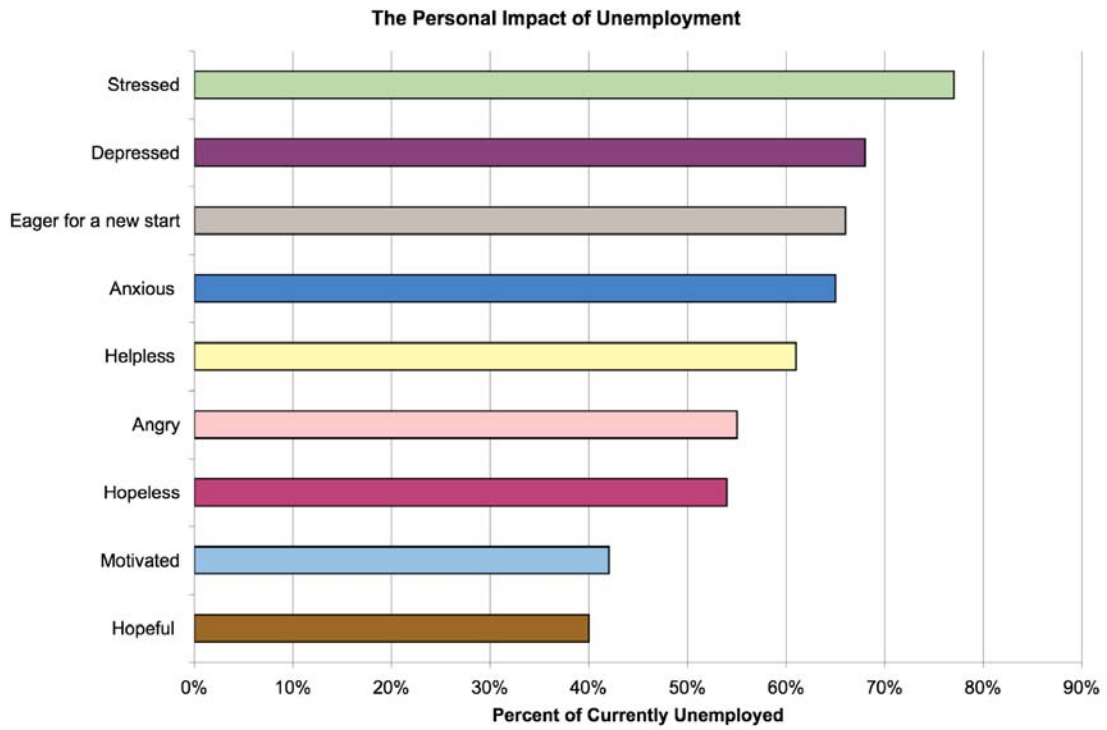
### Financial Impact

- 75% say their job loss has had a **major impact** on them and their family

### Financial Impacts of Unemployment



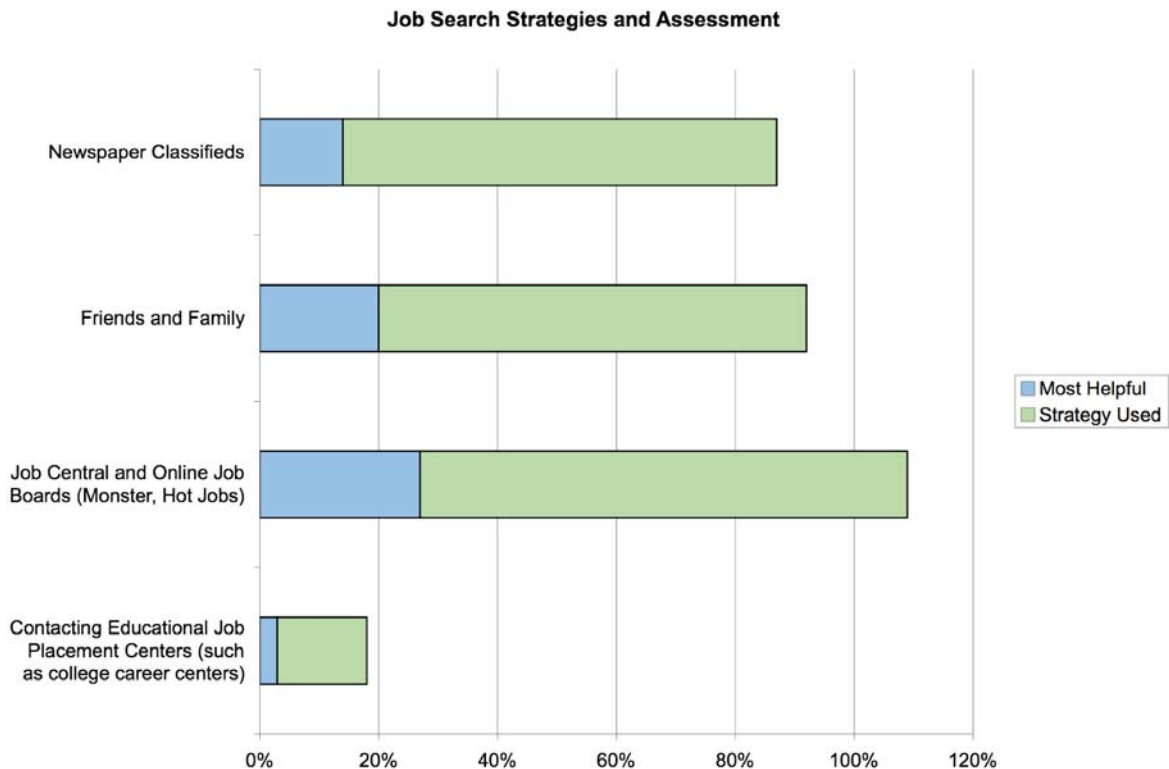
# Psychological Impact



## What Are They Doing?

### Job Search Strategies and Assessment

- 82% - Job Central and Online Job Boards (27% Most Helpful)
- 73% - Newspaper Classifieds (14% Most Helpful)
- 72% - Friends and Family (20% Most Helpful)
- 71% - Word of Mouth (14% Most Helpful)
- 36% - One-Stop Center (8% Most Helpful)
- 35% - Online Bulletin Boards like Craigslist (27% Most Helpful)
- 30% - Former Employers (2% Most Helpful)
- 29% - Attended a Job Fair (3% Most Helpful)
- 23% - Took/Enrolled in Education Course for New Skills (55% say they can't afford to take a course; 19% say they don't know how to find one)
- 19% - Took a Training Session on Job Search Techniques (47% say they paid for these services themselves)
- 5% or less - Facebook, MySpace, Twitter, LinkedIn



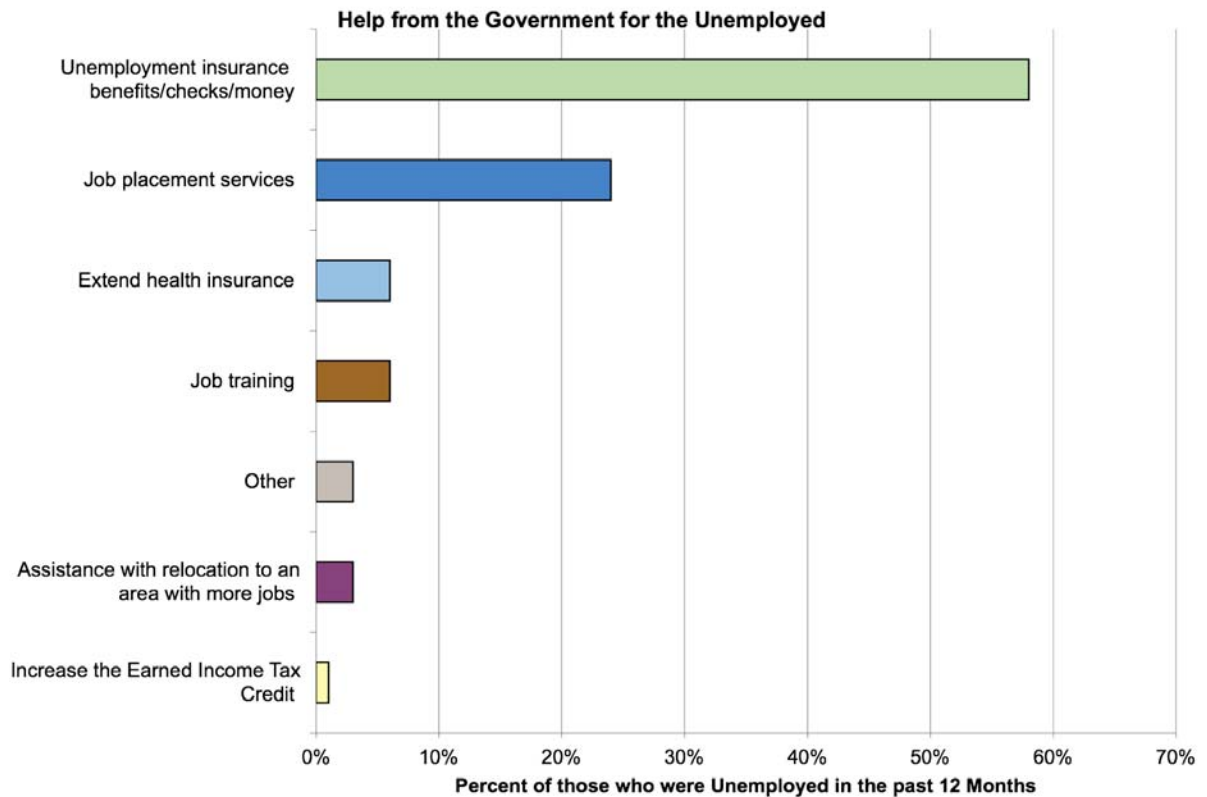
## Progress Toward Getting a Job

- 49% got job interview
- Only 15% got job offer
- 15% have a part-time job

## What Are They Willing to Do?

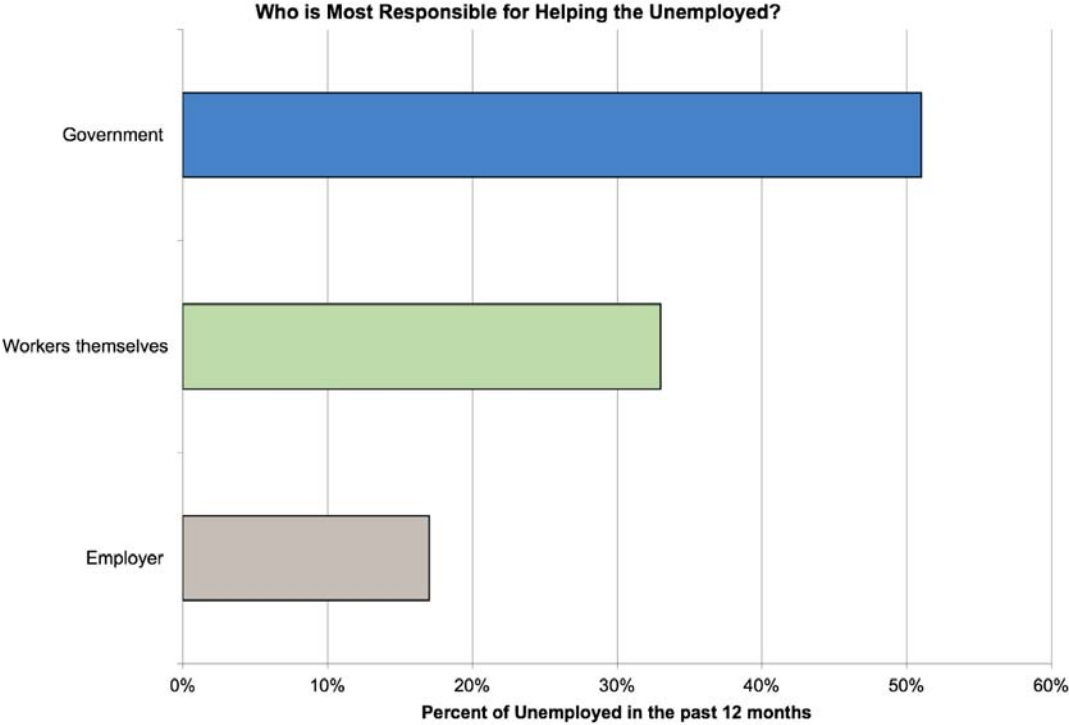
- 76% have thought about changing field or career
- 73% are willing to take a cut in pay
- 34% are willing to move

## What Do They Want from Government?

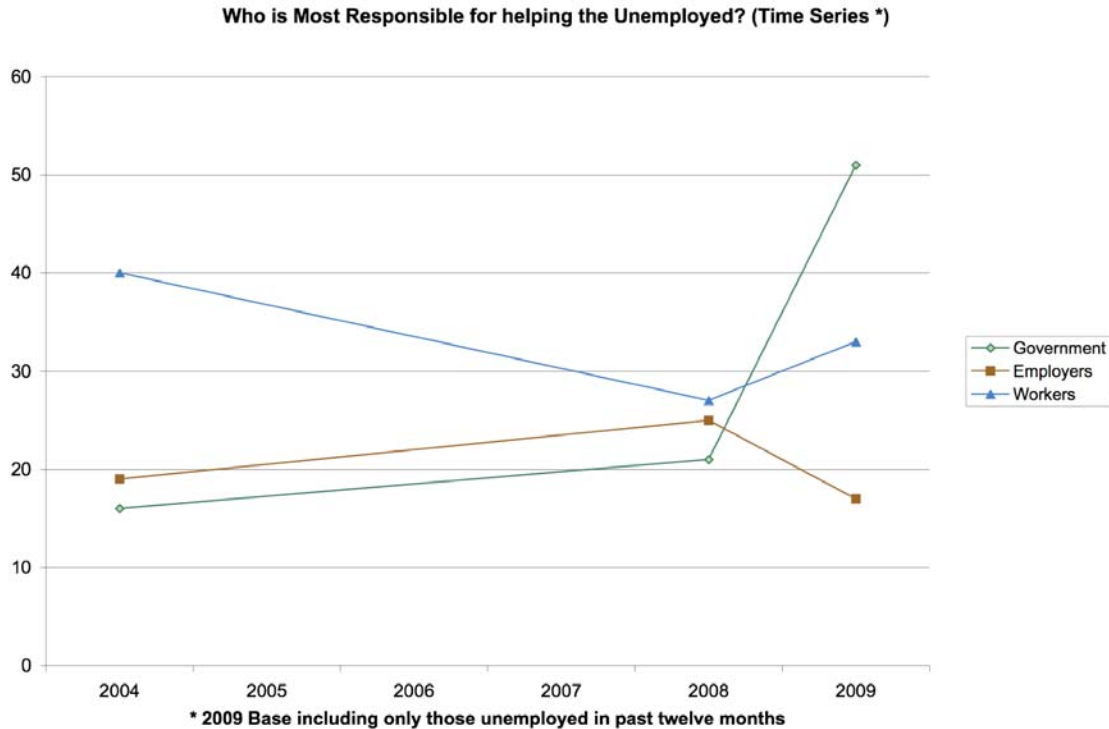


# Who is Responsible?

The unemployed greater expectations about what government should do to help than 10 years ago.







## A Rescue Plan for American Workers

### Short- and Longer-Term Responses

The Great Recession, when combined with the **lost decade**, and long-term structural change, create huge challenges for the workforce development system and exposes serious weaknesses. These inadequacies were there before, but now they are a lot **worse**.

The basic policy framework we rely upon today was established in the 1930s, modified in the 1970s, and is inadequate to handle today's challenges. The system is strained in normal periods and stressed or broken in deep recession

### Short-Term Responses

- 1. Bolster the capacity of our One-Stop Career Center system, which have been called the emergency rooms of a sick economy. This is underway, with ARRA and the potential reauthorization of WIA.**

Today, these centers are overwhelmed doing their job — registering people for assistance, helping them find a job, and arranging education and training.

It is estimated that more than 20 million unemployed job seekers poured into these One-Stop Centers in 2008 — an increase of 40% over 2007. Even more job seekers have done so in 2009.

## Short-Term Responses for the Workforce Development System

Bolster the Capacity of the One-Stop Career Center System

Extend Unemployment Insurance

Better Link Workforce Development Programs to Education and Economic Development

Create Public Service Employment Jobs

Between 2000 and 2008, funding for these frontline agencies was cut by 14%. The President and Congress have reversed this in the American Renewal and Recovery Act and this funding needs to continue for the foreseeable future.

### 2. Extend Unemployment Insurance

**Expansion and broadening of UI to part-time workers** should be made permanent. Progress is already being made here.

### 3. Better Link Workforce Development Programs to Education and Economic Development

### 4. Create Public Service Employment Jobs

It's also time to revive an effective strategy that has not received much attention from policymakers: creating direct public service employment jobs for hundreds of thousands of unemployed Americans.

Thousands of short-term community projects could be quickly mounted in cities and towns around the country — cleaning up parks, highways, and public housing projects; weatherizing homes and apartments; fixing potholes; and helping teachers in schools and day care centers.

Workers employed by local governments or non-profit agencies could help the homeless and the poor with counseling services, shelters, and emergency food pantries. There might even be needs for “community organizers.”

In the mid to late 1970s, when the U.S. economy was in a deep recession, the federal government, under both Presidents Nixon and Carter, supported large-scale emergency employment programs. Modeled after the successful Works Progress Administration of the New Deal, by 1978-79, the Carter-era Public Service Employment program employed over 730,000 Americans at a cost of \$10 billion.

Compared to infrastructure construction projects, which is also essential to stimulate the economy, public service employment programs are a very efficient way to get people back to work. Each public service job can be capped at \$25,000 to \$30,000 per person and set aside for people who have been out of work for more than six months.

Public service jobs also can be deployed rapidly and generate immediate benefits for unemployed workers and the economy. And, these community-based, small-scale projects are more likely than large construction projects to employ those who are being hit hardest by the recession — people with limited education and skills who live in cities and isolated rural communities.

In the 1970s, public service employment programs earned an unfair negative reputation as a boondoggle for greedy politicians and/or incompetent bureaucrats.

But, independent researchers, including me, found that for the most part, public service jobs programs provided valuable benefits to communities and individuals facing economic hardship.

Using the lessons learned from the late 1970s, a public service jobs program can be designed in such a way as to avoid the excessive regulations and abuses that sullied its reputation as a policy remedy.

## **Longer-Term Solutions**

Even before the collapse of the stock market and house prices, the volatile global economy of the 21st Century had transformed the structure of work in the United States as rapid changes in technology and finance swept aside small and giant corporations and upended whole industries.

Even before the Great Recession, workers at all education and skill levels lost jobs and searched frantically for new opportunities.

Even before the Recession, millions of job seekers were seeking help and millions more need help now and will need help in the months and years ahead.

Even before the collapse of the economy in 2008, it was clear that there were serious weaknesses in our public policies that required systemic reform.

As we cope with the immediate crisis, we also need to begin to address several long-term standing problems that undermine our workforce and our economy.

We must also recognize that while decline in a local or regional economy may be very rapid, the recovery may also take decades. In Pittsburgh, where I worked in the Homestead Steel Mill in the late 1960s, the near disappearance of the steel industry was sudden. It has taken 40 years to recover and now President Obama, when he meets there with the G-20 leaders, can rightly point to Pittsburgh as a successful example of reinvention as a high-tech, health care research and education beacon for the nation and the world. Patience and persistence will be required if we are to generate the next Pittsburgh success story.

The basic realities of today's workforce today are radically different from the workforce in the later part of the 20<sup>th</sup> Century.

### The Structural Changes



## The Changing Realities of Work in the 21st Century Economy

### Mid 20th Century

- Permanent
- Stable
- Advancement
- Loyalty
- One and Done Education
- Health Care from Employer
- Defined Benefit Pension
- "Early" Retirement
- Safety Net for Most

### Early 21st Century

- Temporary/Contingent
- Volatile
- Stagnation
- Disaffection
- Lifelong Learning
- Shared HC Responsibility
- Defined Contribution
- "Never" Retire
- Safety Net for Few

In the later 20th Century, most jobs were permanent and labor markets were stable. Now jobs are more likely to be temporary or contingent. The labor market is volatile.

In the later decades of the 20th Century, "one and done" education — getting a high school or college degree — was sufficient to get a good, middle-class job.

Today, people must update their skills on a regular basis and engage in lifelong learning.

Twenty or so years ago, most workers had defined benefit pensions and employer-provided health care.

Today, few workers have defined benefit pensions and fewer have employer provided health care and must contribute more to it.

And in the later part of the 20th Century, people had an expectation that they could retire at age 65 or sooner.

Now many Americans believe they will never be able to afford to quit working.

Addressing these new realities will require a new paradigm — a new way of thinking.

It will also require returning to old values — such as honoring the importance and dignity of **all** work and adhering to the principle that everyone who wants to work ought to be able to find a job and help when they need it — not a handout, but a hand up.

We must ground our new workforce policy in today's realities — understanding that today's economy is radically different from the industrial one that existed in the mid-1930s, when much of our nation's workforce development policy framework was formed.

RUTGERS

The Anguish of Unemployment

## **Longer-Term Responses for the Workforce Development System**

Enhanced and Expanded Unemployment Insurance

Better Labor Market Information and Consumer Protection

More Advance Warning for Workers who Face Layoffs

Better Alignment Between Education and Employer Needs

Great Opportunities for Lifelong Learning

Portable Health Care for All

### ***Enhanced Unemployment Insurance***

Our Unemployment Insurance system, geared to addressing short-term job loss among 20th Century manufacturers, does not adequately serve workers who live in a 21st Century world of independent contractors, virtual corporations, flextime, consultants, alternative workweeks, and home-based businesses.

Our nation's workforce development system is reactive and under-funded. Modest — often inadequate — assistance to individuals is provided only after someone loses their job.

Getting help is unnecessarily complex and provides different levels of assistance to workers based on whether they lose a manufacturing job due to foreign trade or one in the service or public sectors.

While it is welcome news that Unemployment Insurance may be extended again for those who are eligible for it, the bad news is that only around 35% are eligible for Unemployment Insurance, compared to 50% who were covered 20 years ago.

Unemployment Insurance programs should permanently be expanded to cover more low-income and part-time workers, and self-employed workers.

Unemployment Insurance must also be connected with effective reemployment services and access to retraining to help unemployed workers obtain new jobs with appropriate salaries and benefits. Making Unemployment Insurance recipients eligible for Pell Grants is a very positive step.

### ***Better Labor Market Information and Consumer Protection***

A revitalized workforce development system must provide workers with better information about the job market and better-coordinated government, educational, and non-profit services.

Services should aim to prevent unemployment when possible and ease the transition to new jobs when it is not.

### ***More Advance Warning for Workers About to be Laid Off***

Workers also deserve more advance warning of job cuts from their employers. Seventeen states have improved their laws; it is time to revise national standards and enforce what we already have.

Employers should be fined when they refuse to comply with state and federal notice rules because their failure to notify their workers drives up costs for families, communities, and society.

### ***Better Alignment of Education and Training with Employer Needs***

In order to have a more productive and competitive workforce and to compete globally, our nation's vast array of education and training programs must do a much better job of understanding and responding to the changing dynamics of the labor market and the needs of employers. Educators must be more responsive to the needs of employers.

### ***More Lifelong Learning Opportunities***

There must also be increased opportunities for lifelong learning. Significant tax incentives should be made available to employers and individuals to establish flexible lifelong learning accounts and other opportunities for continuing education and training.

In the knowledge economy, training should not be the emergency response to a job loss, but part of an individual's ongoing workforce development and career advancement.

### ***Portable Health Care for All***

Finally, we must provide workers with a portable health insurance benefits. Our new health care system should build on the employer-based system for those who have it and add basic benefit options for those whose employers do not provide it.

Reforming our health care system is not just a matter of fairness, but also an urgent priority to make our economy and our business more competitive internationally.

## **Conclusions**

Taken together, the short and long-term **Rescue Plan for American Workers** is very ambitious, but we need to move quickly to get it underway.

Washington policymakers have shown they can assist the nation's troubled financial sector.

Washington policymakers must demonstrate the same degree of urgency in helping the construction worker, retail clerk, bank teller, and others scrambling for a fresh start and new opportunities.

The current economic crisis and our nation's competitiveness require bold, quick actions! We cannot afford another lost decade of no job growth, no wage gains, and deep recessions.

In our efforts to cope with a serious economic crisis, let us urge our policymakers to find the wisdom and foresight to undertake the long overdue reform of the American workforce development system.

Thank you.