



What Is Really Holding American Workers' Back?

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May 14, 2016

Even though the official unemployment rate fell below 5%, most of us who live in the real world know better: there are still an estimated 30 million Americans who have either given up looking for work or are underemployed. According to the latest Pew Research, the American middle class has shrunk for the first time in decades and is no longer the economic majority. In the meantime, the number of low-income Americans is rising. Who should we blame for this economic reality? Many point their fingers at immigrants. Maybe you have heard this saying, “When you point one finger, there are three fingers pointing back at you.” We as a nation need to honestly examine inner factors that hold American workers back: education, culture, and welfare.

First, our education system fails to produce a sufficiently educated workforce. Today the U.S. spends on average \$12,000 per pupil per year in K-12, one of the highest amounts in the world. Yet U.S. students score only “average,” according to the Program for International Student Assessment (PISA) report. According to a Cato Institute study, between 1970 and 2010, the total cost of a K-12 education on a per-pupil basis increased 188% after adjusting for inflation. Reading scores on the national NEAP test have increased less than 1% between 1970 and 2012. Math scores on the same exam increased 2%.

Our higher education system doesn’t fare any better. A Federal Reserve Bank of New York analysis shows that since 2001, underemployment among recent college graduates has increased. About 45% of recent college graduates are “underemployed,” holding jobs that typically do not require a bachelor’s degree. Part of this can be attributed to the economic recession in 2008, but the long-term trend shows a mismatch between what students learn in school and the skills and knowledge businesses need. Colleges and universities need to better prepare our young people by closely linking future employment opportunities with their current fields of study. In addition, we need to have more vocational schools that can teach young people employable skills. Not everyone needs to go to college. An experienced welding technician can easily command \$70,000 or higher, more than many college graduates.

We all know that a good education makes a huge difference to someone’s future happiness and prosperity. Anyone who is serious about helping American workers ought to support effective education reform to provide young people with more choices and real knowledge.

The second factor holding America back is our culture. We as a nation have experienced a cultural shift to one that doesn’t appreciate physical work. Low-paying, labor-intensive jobs such

as picking fruit, slaughtering chickens, and housekeeping are not desirable to even many of the poorest Americans. In the summer of 2015, *The Wall Street Journal* reported a persistent farm labor shortage due to the decline of illegal immigrants. Despite farmers raising some wages more than 20% and the youth unemployment rate being 12.2% in July 2015—few Americans flock to farms. At \$11.20 an hour, back-breaking work is not attractive to even the least-skilled American workers. Consequently, “a years-long decline in farmhands is reducing annual fruit and vegetable production by 9.5%, or \$3.1 billion, in the U.S.”

Mike Rowe, host of the popular TV show *Dirty Jobs*, criticized this cultural phenomenon of looking down on physical or labor-intensive work. He said, “Dirt used to be a badge of honor. Dirt used to look like work. But we’ve scrubbed the dirt off the face of work, and consequently we’ve created this suspicion of anything that’s too dirty.” By doing so, according to Rowe, “we waged a war on work,” and the American working-age population suffers the most. I can’t tell you how many times I’ve driven by the Denver Rescue Mission and seen able-bodied young men congregating in front of the building in the middle of the day with nothing to do. It’s a heart-breaking scene. Research shows that only 3% of Americans who work full time, year round, are in poverty. So no weapon is more powerful to fight the war on poverty than work—any kind of work. As a nation, we need to re-emphasize the honor and dignity of work.

The third factor that holds American workers back is our welfare system. Our generous welfare benefits are disincentives to work. A study by the Cato Institute shows that “in nine states—Hawaii, Massachusetts, Connecticut, New Jersey, Rhode Island, New York, Vermont, New Hampshire, and Maryland—as well as Washington, D.C., annual benefits were worth more than \$35,000 a year.” Keep in mind that these welfare benefits are not taxed. So the study shows that \$35,000 worth of annual benefits for a welfare recipient is equivalent to earning \$60,590 in pretax income. This study concludes that,

"In fact, welfare currently pays more than a minimum-wage job in 34 states and the District of Columbia. In Hawaii, Massachusetts, Connecticut, New York, New Jersey, Rhode Island, Vermont, and Washington, D.C., welfare pays more than a \$20-an-hour job, and in five additional states it yields more than a \$15-per-hour job."

Since the 2008 economic recession, the U.S. government has made it even easier for Americans to sign up for welfare benefits. For example, eligibility rules for getting food stamps were relaxed and work requirements were waived. University of Chicago economist Casey Mulligan concluded in his research that “the American stimulus reduced average incentives to be employed.” In 2013, there were 48 million Americans on food stamps, representing a 16-million increase since 2008.

Our generous welfare system and its accessibility not only have incentivized workers not to work, but also have created an unofficial minimum wage. Why? Because when anti-immigration advocates demand American businesses hire American workers only, especially for entry-level positions, they’re essentially imposing a drastic minimum wage hike—to at least \$20 an hour—for American businesses, because welfare recipients have no incentive to take any job that pays less than their welfare benefits.

Had American businesses been forced to raise minimum wage to \$20 an hour, the cost of doing business would have skyrocketed, which in turn would have forced businesses to choose between

passing the higher cost on to consumers (which businesses have limited power to do) and reducing hiring. Most conservatives as well as many economists know that a minimum wage hike of this magnitude would end up hurting the employment of the most vulnerable American workers. It's Economics 101: when you raise the price of something (labor), demand for it will decrease (fewer people will be hired). When one can't find a job, a mandatory wage increase is meaningless. Some firms might have been forced out of business if they couldn't find a financially viable way to survive the higher cost.

Education, culture, and welfare are not the only three factors holding American workers back. Other factors—including ruinous regulations, such as the occupational licensing requirements—harm employment opportunities of American workers too. These factors have nothing to do with immigration, but they contribute to our nation's low labor participation rate and the bleak employment picture in America. No matter who is in the White House, to help American workers, we as a nation need to focus on addressing issues such as education reform, culture change, welfare reform, and getting rid of ruinous anti-work regulations.