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**21ST CENTURY WORKFORCE: CHANGE,  
CHALLENGE & OPPORTUNITY**

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When it comes to generating growth and job creation, Americans can take great comfort in the fact that our country is among the leaders in the world. Over the past two and a half years, America has created more net new jobs than Europe and Japan combined.<sup>1</sup> Last year, our country grew at an average rate of 3.5%—better than any other nation in the G-7, which is the group of major industrialized nations.<sup>2</sup> And the majority of the new jobs being created are in occupations that pay above average wages.<sup>3</sup>

Our country's economic performance is all the more remarkable given the challenges of the past five years—a recession, the war on terrorism, corporate scandals, catastrophic natural disasters, and high energy prices. Yet despite our country's strong economic performance, there is still unease in the American workforce. What is behind this sense of unease? And how can policy makers help American workers have confidence in their future?

Much of the unease can be attributed to the fact that the world of work—and the conditions of economic security—have changed dramatically over the past fifty years. The era of workers staying with one company for thirty years and retiring is behind

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1. STAFF OF JOINT ECON. COMM., 109TH CONG., U.S. ECONOMY OUTPERFORMS PEER GROUP FROM 2001 TO 2005, at 2 (Comm. Print 2006).

2. See ORG. FOR ECON. CO-OPERATION & DEV., 78 OECD ECON. OUTLOOK, REAL GNP Annex tbl.1 (2005), available at <http://www.oecd.org/dataoecd/6/27/2483806.xls>. See also STAFF OF JOINT ECON. COMM., *supra* note 1, at 1.

3. See Bureau of Labor Statistics, U.S. Dep't of Labor, Current Population Survey, <http://www.bls.gov/cps> (last visited Apr. 28, 2006).

us. The average American worker today will have had about ten jobs by the time he or she is forty.<sup>4</sup> The type of establishment that most Americans work for has changed, as well. A recent survey by the Bureau of Labor Statistics found that since the recovery began in 2003, about sixty-four percent of the new jobs were created by firms with fewer than five hundred employees.<sup>5</sup> At the same time, the information revolution is impacting every type of work, requiring ever increasing levels of skills. In fact, our country is transforming itself into a knowledge-based economy, where every sector—including manufacturing—is undergoing rapid change. So change, rather than stability, is the watchword of the day. The rapidly changing worldwide economy has produced unprecedented opportunities for many. But with the upsides come challenges for our workers that must be addressed.

Chief among these challenges are understanding our nation's competitive advantage in the worldwide economy and devising strategies to help workers thrive in an environment of constant change.

That means appreciating that the economic strategies of the past, which have tended to emphasize building a competitive advantage in one specific area, are obsolete. A single, static advantage—such as cheap labor or competency in one sector—is no longer enough to help any country sustain long term growth. Successful economic strategies of the 21st century will focus on the labor market's ability to constantly evolve and adapt to change. And that is where our country has one of its strongest comparative advantages.

Throughout its history, labor market flexibility has been a singular strength of the American experience. Americans have always shown a willingness to adapt to change, even when it is very difficult.

When the United States was founded, for example, nearly the entire workforce was employed in agriculture. Today, only about two percent of American workers are in agriculture.<sup>6</sup> Yet America produces enough food to feed much of the world. This positive correlation between change and increased productivity

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4. Press Release, Bureau of Labor Statistics, U.S. Dep't of Labor, Number of Jobs Held, Labor Market Activity, and Earnings Growth Among Younger Baby Boomers: Recent Results from Longitudinal Survey 1 (Aug. 25, 2004), available at <http://www.bls.gov/news.release/pdf/nlsoy.pdf>.

5. See OFFICE OF ADVOCACY, SMALL BUS. ADMIN., FREQUENTLY ASKED QUESTIONS I (2005), available at <http://www.sba.gov/advo/stats/sbfaq.pdf>.

6. CHRISTOPHER CONTE & ALBERT R. KARR, U.S. DEP'T OF STATE, OUTLINE OF THE U.S. ECONOMY ch. 8 (2001), available at <http://usinfo.state.gov/products/pubs/oecon/chap8.htm>.

has been a powerful advantage, and it is critical to both the success of the United States as a nation and the higher incomes and standards of living that American workers enjoy today.

The dynamism and flexibility of the American economy is illustrated by the fact that in 2005, over fifty million Americans—about one-third of the labor force of approximately 147 million people—started new jobs.<sup>7</sup> The majority of this job turnover resulted from workers finding better opportunities. Total compensation—wages plus benefits—have increased 5.8% (adjusted for inflation) since the recession that began in March of 2001.<sup>8</sup> In fact, from 2001 to 2005, employment grew by more than 3.9 million in occupations with above-average compensation, while employment in occupations with less-than-average compensation increased by 858,000.<sup>9</sup> If the majority of new jobs created were low wage, then real compensation would be falling.

It has been clearly demonstrated that reducing over-taxation, excessive regulation, and abusive litigation, which hamper growth, innovation, and job creation, leads to job growth. Today's unemployment rate of 4.7% is lower than the average of the 1990s (5.7%).<sup>10</sup> More Americans are working than ever before. In 2005, the United States had the highest growth rate of any of the G-7 major industrialized nations, averaging more than 3.5 percent.<sup>11</sup> But the most telling facts are the long-term trends: population growth is declining in old Europe at the same time that unemployment is rising.<sup>12</sup> Indeed, unemployment rates in France and Germany are nearly twice that of the United States, where employment continues to outpace a growing population.<sup>13</sup>

A major factor is the favorable balance the United States has achieved between worker protections and labor market flexibil-

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7. Press Release, Bureau of Labor Statistics, U.S. Dep't of Labor, Job Openings and Labor Turnover: January 2006 (Mar. 14, 2006), available at <http://www.bls.gov/news.release/pdf/jolts.pdf>.

8. Bureau of Labor Statistics, U.S. Dep't of Labor, Compensation Cost Trends, <http://www.bls.gov/ncs/ect/home.htm> (last visited Apr. 28, 2006).

9. Bureau of Labor Statistics, *supra* note 3.

10. Press Release, White House, Fact Sheet: Economic Growth Continues—Unemployment Rate Falls to 4.7 Percent (Feb. 3, 2006), available at <http://www.whitehouse.gov/news/releases/2006/02/print/20060203-3.html>.

11. Press Release, Bureau of Econ. Analysis, U.S. Dep't of Commerce, Gross Domestic Product: Fourth Quarter 2005 (Final) Tbl.1 (Mar. 30, 2006), available at <http://www.bea.gov/bea/newsrelarchive/2006/gdp405f.pdf>. For international data from corresponding national statistical agencies, see the Haver Analytics, "International Macroeconomic Data" database, located at <http://www.haver.com>.

12. See ORG. FOR ECON. CO-OPERATION & DEV., OECD IN FIGURES (2005), available at <http://213.253.134.29/oecd/pdfs/browseit/0105061E.pdf>.

13. *Id.*

ity. Preserving this balance is critical to America's long-term future. The longer a worker remains out of the workforce, the more difficult it is for that worker to be reconnected with the workforce. That is especially true today, given the rapid changes in technology and information flow. The balance and flexibility our country has achieved means that displaced American workers can find new jobs faster. Unemployed workers in France and Germany remain out of work three times longer than American workers.<sup>14</sup>

There is no question that change is unsettling. This understandably gives rise to the unease in some sectors of the U.S. economy and the workforce—especially for older workers in transitioning industries. But most people are surprised to learn that independent studies have estimated the number of U.S. jobs outsourced to foreign countries at approximately three-hundred thousand annually.<sup>15</sup> In addition, the number of jobs created by foreign-owned companies in the United States, or jobs that depend upon trade and “insourcing,” far exceeds that number.<sup>16</sup> If our country isolates itself from the worldwide economy, we will put at risk the jobs of the twenty-two to twenty-seven million Americans who work for foreign companies in the United States or have jobs that depend upon foreign trade.<sup>17</sup>

The heart of the outsourcing debate, however, is not about numbers. It is about people and their legitimate concerns. America is a compassionate nation. And nowhere is this more apparent than in the generous assistance offered to workers whose jobs have been displaced by trade. The federal government provides the following benefits for dislocated workers impacted by trade: 104 weeks of income support; 104 weeks of

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14. *Id.*

15. See Pete Engardio et al., *The New Global Job Shift*, BUS. WK., Feb. 3, 2003, at 50 (citing Forrester Research Inc. analyst John C. McCarthy, who predicts that “at least 3.3 million white-collar jobs and \$136 billion in wages will shift from the United States to low-cost countries by 2015”); *Tech Hiring: No Longer an Oxymoron*, BUS. WK. ONLINE, Feb. 4, 2004, [http://www.businessweek.com/technology/content/feb2004/tc2004024\\_4516\\_tc044.htm](http://www.businessweek.com/technology/content/feb2004/tc2004024_4516_tc044.htm) (“Some 200,000 to 300,000 jobs could end up being shipped offshore this year . . .”).

16. See Raymond J. Mataloni Jr., *U.S. Multinational Companies: Operations in 2003*, SURVEY OF CURRENT BUS., Aug. 2005, at 9, available at [http://www.bea.gov/bea/ARTICLES/2005/07July/0705\\_MNCs.pdf](http://www.bea.gov/bea/ARTICLES/2005/07July/0705_MNCs.pdf); William J. Zeile, *U.S. Affiliates of Foreign Companies: Operations in 2003*, SURVEY OF CURRENT BUS., Aug. 2005, at 198, available at [http://www.bea.gov/bea/Articles/2005/08August/0805\\_Foreign\\_WEB.pdf](http://www.bea.gov/bea/Articles/2005/08August/0805_Foreign_WEB.pdf).

17. For information on the Trade Act programs, see Employment & Training Admin., U.S. Dep’t of Labor, TAA and ATAA for Workers—Who We Serve, <http://www.doleta.gov/tradeact/taa/WhoWeServe.cfm> (last visited Apr. 28, 2006).

job training; 104 weeks of assistance in paying for child care and other support services, including transportation, training-related tools, and moving expenses; help in paying sixty-five percent of qualified health insurance premiums; and if a worker is over the age of fifty-five and gets a new job that pays less than the old one, the government will pay fifty percent of the difference, up to ten thousand dollars.<sup>18</sup>

As compassionate as these assistance programs are, the most important assistance a displaced worker can receive is a solid pathway to a new career. That is why education and skills training are centerpieces of pro-growth policies. And that is why the Labor Department has proposed reforming the fifteen billion dollar public workforce investment system.<sup>19</sup>

Employers often lament that they cannot find workers with the right skills for the jobs they have available. The strategy behind the proposed reforms to the workforce training reform, therefore, is to link employers, education institutions, community organizations, and workers together in a powerful partnership. The goal is to help workers gain the skills that are in demand by employers right now.

This is part of a long-term strategy designed to ensure that America remains competitive and that our country is the best place in which to invest, innovate, and create new jobs in the world. In a worldwide economy, a trained, skilled workforce is more important than ever before. Many of the more than 4.1 million U.S. jobs that were unfilled at the outset of 2006 require higher education and upgraded skills.<sup>20</sup> Advanced manufacturing is a good example. Although U.S. manufacturing employment has been steadily declining since the 1950s, U.S. manufacturing output has increased due to productivity gains.<sup>21</sup> It is critical, therefore, to build a pipeline of talent to access these and other good paying, value-added jobs. In the 21st century,

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18. U.S. DEP'T OF LABOR, AMERICA'S DYNAMIC WORKFORCE 31-38 (2004), available at <http://www.dol.gov/asp/media/reports/workforce/dynamicworkforce.pdf>.

19. See generally EMPLOYMENT & TRAINING ADMIN., U.S. DEP'T OF LABOR, FY 2007 BUDGET REQUEST OVERVIEW (2006), available at [http://www.doleta.gov/budget/FY07\\_Budget\\_Request\\_Overview.pdf](http://www.doleta.gov/budget/FY07_Budget_Request_Overview.pdf).

20. The Bureau of Labor Statistics Job Openings and Labor Turnover Survey (JOLTS) reported 4.1 million unfilled job openings on the last business day of December 2005. Press Release, Bureau of Labor Statistics, U.S. Dep't of Labor, Job Openings and Labor Turnover: December 2005 (Feb. 7, 2006), available at [http://www.bls.gov/news.release/archives/jolts\\_02072006.pdf](http://www.bls.gov/news.release/archives/jolts_02072006.pdf).

21. See Press Release, Bureau of Labor Statistics, U.S. Dep't of Labor, Multifactor Productivity Trends in Manufacturing, 2001 (Feb. 10, 2004), available at <http://www.bls.gov/news.release/pdf/prod5.pdf>.

education will continue to be one of the critical drivers of competitiveness. It is vital that every child receives a strong foundation of basic knowledge and that we close the achievement gap that exists in our country.

The key to a competitive workforce in the 21st century lies in successfully meeting all these challenges: maintaining a skilled and flexible workforce, ensuring a strong education system, and reducing the regulatory and economic barriers to risk taking and innovation, including tort reform.

In leveraging the global talent pool, economics is not the only force at work. Culture and political factors are also important. Open societies that reward individual initiative, foster transparency and accountability, and protect individual rights will continue to have an advantage over those that do not. That is the most important competitive advantage of the United States. America's cultural bias in favor of individual achievement, freedom, transparent institutions, and the rule of law is a powerful magnet for the world's talent.

As the challenges of the 21st century are addressed, the old paradigms about the workforce should be discarded. For the last two centuries, the world was viewed as a zero-sum universe, in which some prospered at the expense of others. The world of the 21st century, however, is a place where revolutionary advances in technology have empowered more people than ever before. They can reach beyond the confines of their birthplace and realize their dreams. This is not a threat. It is an opportunity for more people to share in the prosperity that was once available to only a few. And the best way to make this a reality is to promote the elements necessary for this powerful expansion in human progress. Those elements are freedom (including free markets,) the rule of law, and values that affirm the dignity of the individual human person.