



Joint Economic Committee
Senator Charles E. Schumer
Chairman



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SCHUMER URGES NEW POLICIES TO GIVE MIDDLE CLASS FAMILIES A CUSHION IN THE ROLLER COASTER ECONOMY

*Recent Downturns in Manufacturing, Stock Market, and Greenspan
Recession Prediction Highlight Need for Policies to Address Family Income
Volatility, as JEC Hearing Testimony Illuminates*

*Schumer, McDermott to Offer Wage Insurance Bill to Give Working
Families Additional Stability in Light of Technological and Trade Hurdles
Their Jobs Face*

Washington, D.C.: U.S. Senator Charles E. Schumer, Chairman of the Joint Economic Committee, held a hearing on wage and income instability today with experts testifying that many middle class families are experiencing ups and downs in their year-to-year earnings and income, and their economic instability may be greater than in the past due to the consequences of globalization and technology. The hearing examined new policies like wage insurance and income averaging to empower workers to manage both temporary earnings losses and more permanent declines.

Sen. Schumer is working with Rep. Jim McDermott (D-WA), Chairman of the Ways and Means Income Security and Family Support Subcommittee, on a wage insurance proposal to be introduced next month.

Below is Sen. Schumer opening statement as prepared for delivery:

Good morning. I would like to thank our witnesses and guests for attending today, and I want to welcome the new Vice Chair, my colleague from New York, Mrs. Maloney. I look forward to working closely with her to use this Committee as an engine for generating economic policies that will work to deliver the benefits of economic growth to all Americans.

Today, we are at a critical juncture in U.S. economic policy. We know that the upheavals caused by technological change and international competition most acutely affect those who are gaining the least economically—the middle-class and those who aspire to get there. Yet in order for us to expand trade and make significant technological investments to help grow the economy, the middle-class must feel that they will benefit. Right now, too many of them don't.

Working at a large corporation for thirty or forty years that takes care of you and your family for a lifetime is becoming a thing of the past. Employers are now shifting the high costs of health care and the burden of saving for retirement onto families. And increasingly, jobs are being automated away by technological advancements or moved overseas -- leaving many displaced workers and their families behind.

Meanwhile, official numbers on the economy have been positive – at least until very recently. But we must face the reality lurking behind the official numbers in order to address anxiety on Main Street.

Not only have wages significantly lagged behind productivity over the past two decades, but they are increasingly more volatile as workers bounce in and out of jobs. Between 2003 and 2005, nearly 4 million workers were laid off from jobs they held for more than 3 years. About half of these workers and their families took a pay cut, and nearly one-third lost 20 percent or more of their prior earnings. And if the recession in the manufacturing sector that hit our radar screens this week spreads through our economy-- the economic rollercoaster for families will only get worse.

Income volatility can cause major upheavals for families, on top of the changes they are facing in the workplace — they could be forced to sell their homes, or to discontinue health care coverage. Income volatility also leaves families feeling unsettled about their family's and their country's economic future.

We need a new policy direction to meet the challenge of income instability. We must start by strengthening the safety net that helps displaced workers rebound from job losses that occur through no fault of their own.

We have asked our witnesses on the second panel to share their recommendations for doing just that. This morning, our experts will explore new policies like wage insurance and income-averaging, as well as ways to strengthen our existing unemployment insurance and Trade Adjustment Assistance programs.

We also need to do everything we can at the federal level to spur the development of high-quality, high-paying jobs to replace the jobs lost in declining segments of the economy or through advancements in technology. We need to make serious investments in our most promising industries for future growth, like renewable energy and life sciences.

And we need to help our displaced workers acquire the skills and experience they will need to succeed in the new jobs created. We will investigate opportunities for creating good jobs in more detail in a series of JEC hearings in the coming months.

But right now, middle-class families need help dealing with the tectonic shifts that technology is causing; they need help dealing with the forces beyond their control that are changing their lives. They don't want handouts, but they need a hand.

I know we will have some disagreements over particular solutions to this problem of income instability, but I hope that we will all prioritize the need to help our families mitigate the new risks they face and achieve their aspirations. And I look forward to working closely with all of you to do just that.

I've said before that the JEC would seek insight and advice from the best and that's what we have to offer here again today. I will now introduce today's panelists.

Panelists at today's hearing were:

First Panel:

Peter Orszag, Director, Congressional Budget Office

Second Panel:

Lael Brainard, Vice President and Director, Global Economy and Development,
The Brookings Institution

Maurice Emsellem, Public Policy Director, National Employment Law Project

Lily Batchelder, Assistant Professor of Law & Public Policy, New York
University School of Law

Bradley R. Schiller, Professor, School of Public Affairs, American University

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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