When Work Doesn't Pay

A Report on the Republican Job Record

A Report by the
Democratic Staff, Committee on Education and the Workforce
Hon. George Miller, Senior Democratic Member
June 3, 2004

WHEN WORK DOESN'T PAY:
A REVIEW OF THE REPUBLICAN JOB RECORD

Today, 8.2 million Americans looking for work, and the unemployment rate is 30 percent higher than when George Bush entered the White House. Over 2 million private sector jobs, and 2.7 million manufacturing jobs, have been lost. Jobs are being shipped overseas in unprecedented numbers and the average length of unemployment remains at a 20 year high. The Republicans managed to turn a $236 billion budget surplus into a $5.6 trillion deficit. Now, the government spends $900,000 more a minute than it takes in and borrows $1.1 billion daily.

And although the economy has finally begun to create jobs, the jobs it is creating pay 21 percent less than the jobs people have lost. Many of the new jobs are part time and offer fewer benefits (including health insurance and pensions) if they offer benefits at all. Thanks to rising costs – especially gas prices which are at a 23 year high -- household income has decreased by almost $1,500.

Given this perilous economic situation, Congress and the Administration must act soon if the modest job gains of the last few months are to continue. Democrats want to make sure that people can move quickly to new jobs, higher incomes, and successful futures, and have suggested bipartisan strategies such as passing a robust highway and mass transit bill, and creating tax incentives to keep good-paying manufacturing jobs in the U.S.

Democrats have been fighting for over a year to have Congress consider an aggressive job creation package that would have produced over a million jobs at good wages and with a promising future. Republicans could have joined with Democrats to pass a fair, fast acting, and fiscally responsible tax cut for working families, a tax cut to protect manufacturing jobs and to prevent companies from sending jobs overseas. Instead, the Republican Congress created record deficits with yet another round of tax cuts for those who need them least and left everyone else behind.

This report examines national economic data; the cost of healthcare, food and gasoline; and the status of job training programs, to provide a background for policy discussions in Congress and it state capitols.

STATES ARE STILL STRUGGLING TO CREATE NEW JOBS

Almost two and a half years into the official economic recovery, <u>thirty-five states have fewer jobs than when the recession started</u>. The shortfall is widespread, from Michigan (down 206,100 jobs) to Washington (-21,300), from Arkansas (-13,000) to Maine (-2,400).

Although the recent job gains are welcome, they have failed even to keep up with the growth in the working-age population in almost every state.

To develop a comprehensive picture of the local job market, this report focuses on four varied states from different regions of the country: California, Colorado, Connecticut and Georgia.

NEW JOBS PAY LESS THAN JOBS RECENTLY LOST

The new jobs being created are not as good as the jobs we are losing. According to EPI, in nearly every state, higher paying jobs have been replaced by jobs in lower paying industries since the recession officially ended in November 2001. On average, industries that are adding jobs pay 21 percent less per year then industries that are shedding jobs. In fact, in nearly every state that has shown job gains, those gains have been in industries that pay less then the jobs lost.

In addition, all across the country, job creation since the end of the recession has been in industries that are less likely to provide health care coverage for employees. Across the country, industries adding jobs since the recession provide coverage to only 55 percent of their workers, compared to industries that have shed jobs, which provide insurance to 68 percent of their workers.

Through the end of April 2004, 35 states still have fewer jobs then when the recession first began, and in 49 states, job creation simply has not kept pace with the increase in working age population. In 42 states, unemployment rates were higher at the end of April 2004 then they were before the recession began.

WORKING FAMILIES BATTLE THE MIDDLE CLASS SQUEEZE

Middle-class families are increasingly being squeezed by the rising cost of health care, groceries, gasoline and college tuition – at the same time that wages and incomes are stagnating and personal bankruptcies are at record highs.

Consumer debt is at an all-time high. According to the Federal Reserve, in 2003 U.S. consumer debt topped $2 trillion for the first time. At the same time, personal savings has dropped 40 percent over the last decade. Household bankruptcies set a record in 2003 at 1.6 million and experts believe the number will be even higher in 2004. In addition, an estimated 11 million families are carrying enough debt that they are at high risk of bankruptcy. Ninety percent of these families are in the middle class.

Health care. Out-of-pocket health care costs for workers have risen 50 percent under the Bush Administration. Annual out-of-pocket expenses for workers are up $174 (52 percent) for individuals and $793 (49 percent) for families.

Food prices. Food prices are increasing at grocery stores, due to the increased cost of basic commodities. According to the Bureau of Labor and Statistics, the index for food prices hit a peak in December 2003, increasing by more then 4 percent over the past year, compared to a less than 1 percent increase the previous year. The price of milk alone jumped 23 percent in April.

Gas prices. Gas prices are at a 23 year high and experts fear that if oil prices remain at record highs, it could gradually erode the economic recovery. A recent National Retail Federation survey found that nearly 20 percent of families with annual incomes below $50,000 reported that they had to cut back on grocery spending due to higher gas prices. Among families earning over $50,000 a year, more than one quarter reported that they had cut back on travel, and 15 percent spent less on clothing for their families. Rising gas prices translate into higher prices on consumer goods and services across the board, further squeezing family budgets by ratcheting up the cost of groceries, travel, and countless other manufactured goods.

College costs. Rising college tuition costs also have been hurting middle class families and pricing hundreds of thousands of students out of college. In just the last year alone, tuition at 4 year public colleges has risen 14 percent, while at private colleges, the increase has been 6 percent.

REPUBLICAN JOB TRAINING PROPOSAL IS COLD COMFORT TO AMERICAN FAMILIES

Democrats support fully funding key job training programs to put Americans back to work. But Republicans have proposed slashing job training funding by 7 percent over the past two years in the midst of an economic downturn with prolonged high unemployment rates. This year alone, the President's latest budget proposed cuts of nearly $300 million in job training programs and $316 million in vocational education.

Now, Republicans have put forth a new job training proposal: Personal Re-employment Accounts (PRAs) – also known as job training vouchers. This proposal, which will come to the House floor for a vote this week, is nothing more than a cynical attempt to de-fund the federal job training and unemployment insurance systems. The PRA voucher is worth less than half (and maybe *much* less) than existing job training services, and PRA users would be barred from using the services of one-stop training centers – unless they pay for them – for a year!

The Workforce Investment Act (WIA) and the one-stop delivery system it created represent the nation's primary investment in workforce development. Through the one-stop delivery system, job-seekers have access to labor market information, job counseling, and job training to help them get back on their feet. In addition, they have access to numerous other federal programs that provide services for job seekers. The

Republican effort to downsize these programs is ill-advised given the great needs of millions of Americans still suffering the effects of the bad Bush economy.

CONCLUSION

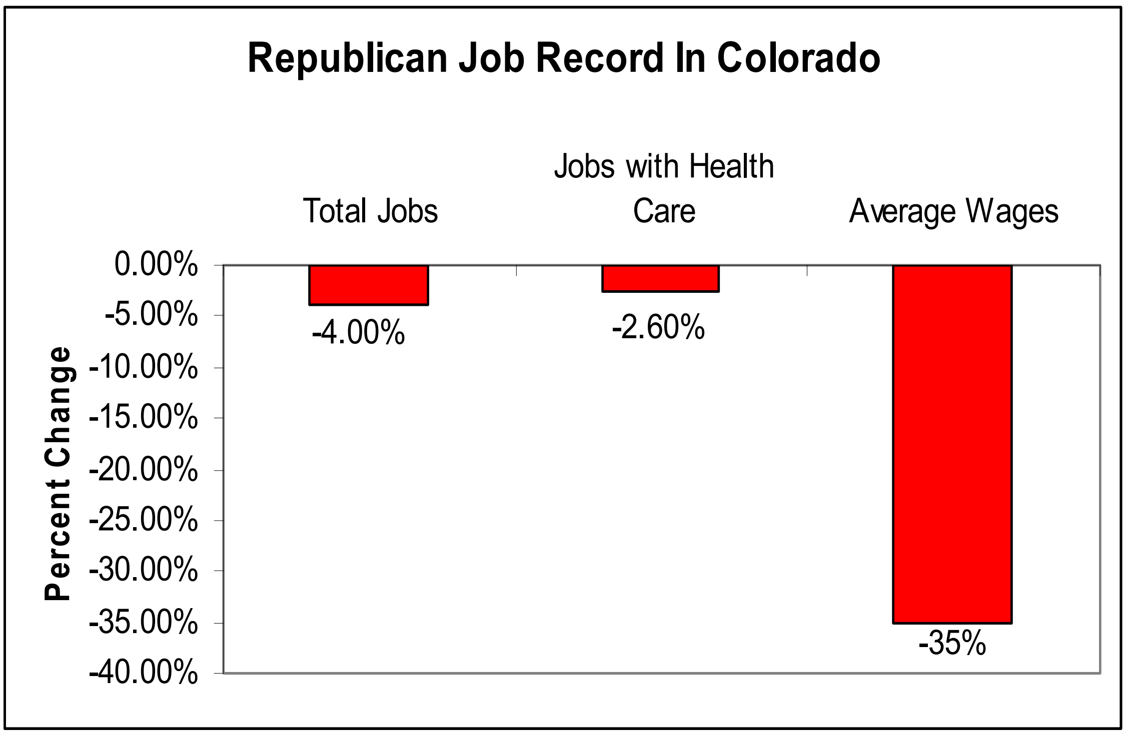
Job training is useful, but only if jobs exist for our newly trained workers. Democrats are fighting to help states struggling to replace the millions of jobs lost under the Bush economy. Unfortunately, President Bush and the Republicans in Congress have only one economic policy: tax cuts for the richest Americans. Despite the loss of millions of jobs, record deficits, and record debt, that is <u>still</u> the only Republican policy – and working families are paying the price.

COLORADO

With an unemployment rate of 5.1 percent, Colorado is still feeling the impact of the Republican recession. Over the past year, the Bureau of Labor Statistics (BLS) reported that the Colorado economy has shed manufacturing, information, and construction jobs. [Colorado Economy at a Glance]

Since the recession officially ended in November 2001 through November 2003, industries adding jobs in Colorado pay 35 percent less than industries losing jobs in the state. In fact, average wages in contracting industries are $50,914 a year compared to average wages in growing industries, which are $33,223 a year. Furthermore, industries gaining jobs are 2.6 percent less likely to offer health care. [job shift, healthcare, job shift, wages]

Since the beginning of the recession, there are four percent fewer jobs in Colorado. [total payroll]

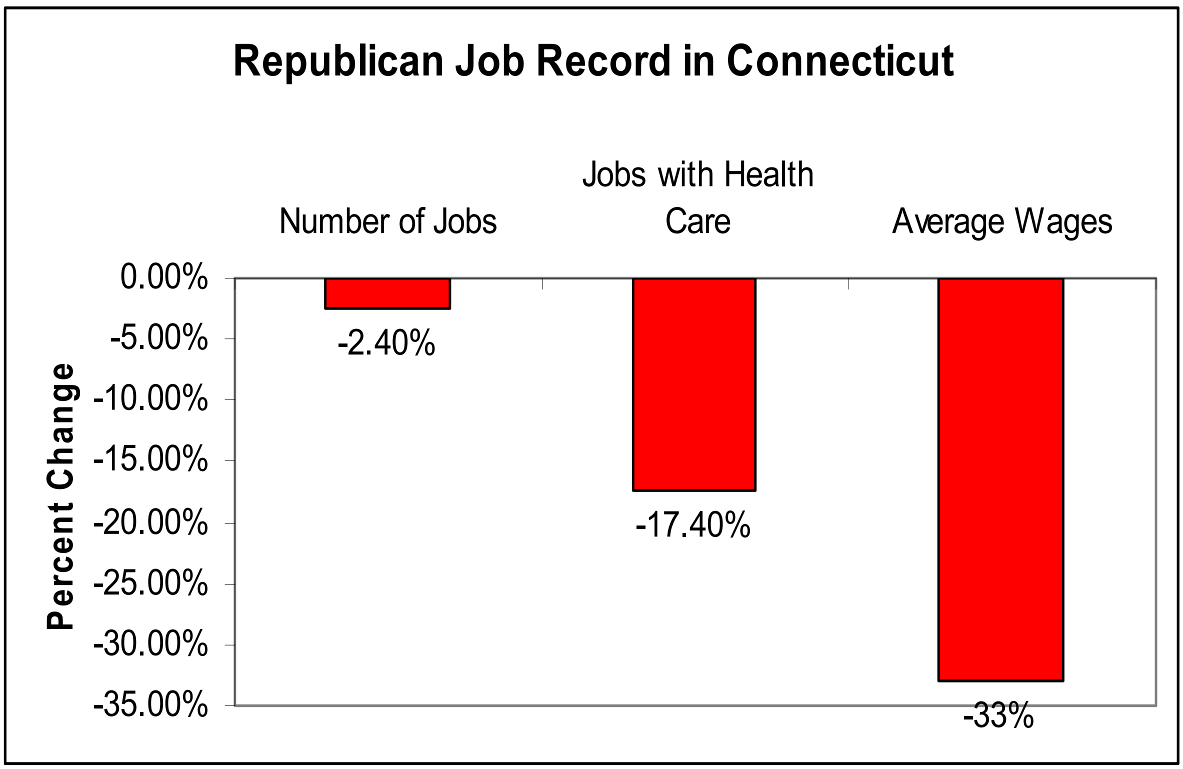


CONNECTICUT

Measuring from the start of the recession in November 2001, Connecticut has a jobs deficit of 70,000, which constitutes a negative 2.4 percent change in overall job growth. And, according to the Bureau of Labor and Statistics, Connecticut has lost 3.6 percent of its manufacturing jobs in the last twelve months, alone. [job growth, Connecticut Economy at a Glance]

Of the jobs created in Connecticut, only a little more then half (51.4 percent) of industries creating jobs are providing health care to their employees, compared to 68.8 percent of those industries that lost jobs. [health insurance]

And, in Connecticut, there has been a 33 percent wage discrepancy in growing industries compared to contracting industries between November 2001 and November 2003, with growing industries paying an average wage of $36,000 compared to contracting industries, which pay an average of $54,136 per year. [average wage growth]

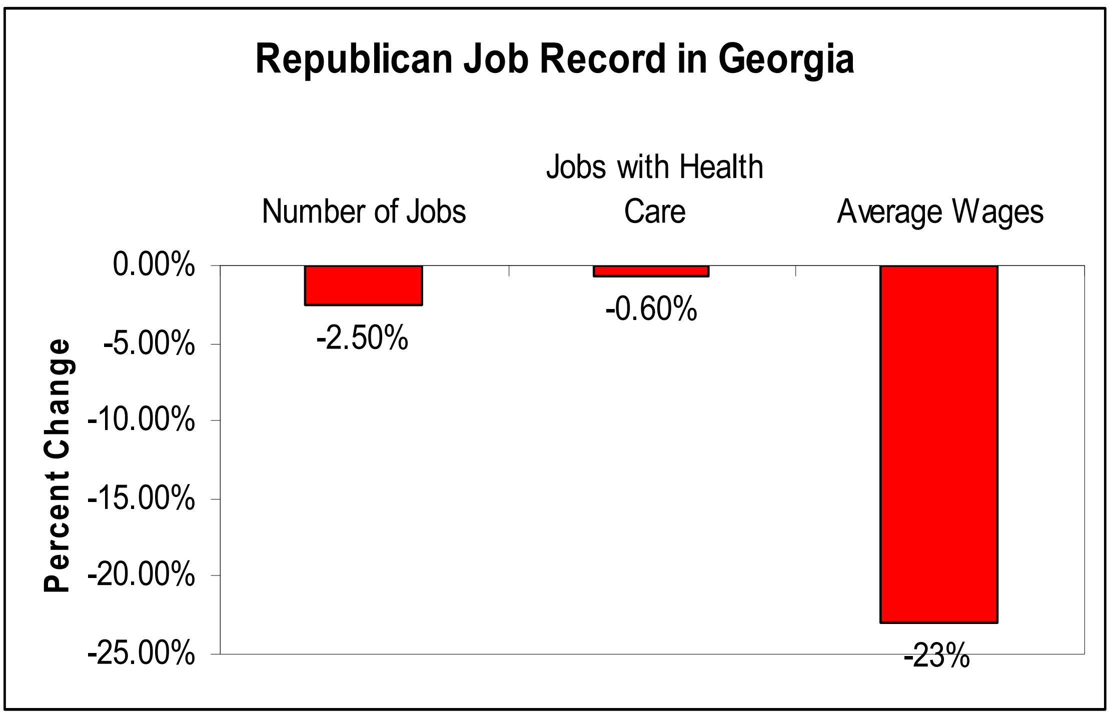


GEORGIA

Despite the end of the recession, Georgia is still showing a jobs deficit. There are 2.5 percent fewer jobs in Georgia as of the end of April 2004 compared to the start of the recession in November 2001. The number of manufacturing, trade, transportation and utilities, and information jobs has all declined in Georgia over the last year. [Georgia Economy at a Glance, job growth]

Since the end of the recession to November 2003, average wages in Georgia's expanding industries have been $34,418 a year, compared to $44,481 in contracting industries – a drop of 23 percentage points. [wage growth]

There has also been a percent decrease in jobs that on average offer health care to workers, albeit a small one: 57.4 percent of growing industries in Georgia since the end of the recession offer health care to their workers, compared to 58.1 percent of contracting industries. [health care]



CALIFORNIA

Thirty-eight months after the start of the recession, the unemployment rate in California is still 6.2 percent, with the total change in non-farm payroll employment just .5 percent over the past twelve months. Over the past year, California has continued to lose manufacturing, information, and service jobs. [California Economy at a Glance]

Overall, in California, total payroll employment since the start of the recession has declined by 1.7 percent. Beginning with the end of the recession through March 2004, only 54.1 percent of growing industries in California offer health care to their employees, compared to 67.5 percent of contracting industries – a drop of 13.4 percent. [job growth]

Average wages in growing industries in California since the end of the recession through November 2003 were 40 percent lower then average wages in contracting industries: The average wage in contracting industries was $57,800 a year compared to $34,742 a year in growing industries. [wage growth]