Statement of William E. Spriggs

"Investments the U.S. needs to be Competitive"

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Thank you, Chair Elizabeth Warren and Ranking Member Bill Cassidy, for this invitation to give testimony before your committee today on the issue of our nation's competitiveness. I am happy to offer this testimony on behalf of the AFL-CIO, America's house of labor, representing the working people of the United States; and based on my expertise as a professor in Howard University's Department of Economics.

My testimony today will discuss gaps in U.S. infrastructure compared to our leading trading partners. Many of these gaps do not require federal fiscal resources but do require updating our institutions and legal structures to meet the challenges of the 21st Century. The current crisis of the COVID Pandemic highlight our needs to improve. While Congress has reacted swiftly and admirably with aid to support the economy, on many dimensions the U.S. was less resilient than our leading trading partners and is set to have major challenges ahead we can avoid.

Because of Congress, and now the leadership of President Biden, the American Rescue Plan (ARP) has been well received by those who compare global economic activity. The International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) revised their forecast upward for this year and next based on the passage of the ARP. And, given the importance of the U.S. economy to global economic growth, this changed their optimism for a faster global recovery. Yet, they both still see a full recovery more than a year away.

Thanks to the rapid deployment of vaccines in the U.S., American hospitalization and death rates from COVID plummeted, and after being far above the rest of our trading partners, we have finally now surpassed them in having lower rates of severe outcomes from COVID. That has allowed U.S. economic activity to accelerate, and buoyed by the ARP's support of American households, helped accelerate our job growth. But, even if we maintain this current record setting pace of hiring, it will still be more than a year to get employment back to normal levels.

So given we are still in the path of recovery, we should focus on lessons learned and make changes to sustain the recovery and make our economy more resilient. Several of the changes that Congress improvised to fix our labor market safety-net show key gaps the U.S. faces relative to our competitors. Our labor market regulations are clearly out-of-date. The scale at which we needed our labor institutions to work only highlight how on a regular basis the resiliency we need is not present.

Among our leading trading partners, we have a lower level of workers covered by collective bargaining agreements. Last year, during the pandemic, while we lost jobs across almost all industries, within industry, relatively more non-union than union jobs were lost, so the share of workers in unions rose. The presence of a collective bargaining agreement helped firms in two ways. One is that by having a partner with whom they could negotiate, firms could retain workers and share the responsibility of making decisions on how to adjust hours and pay and safety conditions. The other is that for some industries, like the airlines, it meant management and workers could present a consensus view to Congress and policy makers on the best way forward to maintain an orderly slowdown of business and keep maximum flexibility to allow for the fastest restart. Within the trade context itself, researchers have found that similarly, the response of industries with stronger collective bargaining structures led to fewer jobs lost in the face of the China trade shock of this century, than in industries with lower union density.[1] Union

[1] Robert Baldwin finds that during the Japanese import boom, 1977-1987, trade less-than-college educated union workers more than non-union workers, but from 1987 to 1997, trade had no different impact on jobs losses for union or non-union workers. Robert Baldwin, *The Decline of US Labor Unions and the Role of Trade* (Petersen Institute: Washington, 2003). Alhquist and Downey find that between industries, those with higher union density fared better than lower union density industries in the face of the China trade shock. Though within manufacturing, union workers suffered more losses. John S. Ahlquist and Mitch Downey, "Import Exposure and Unionization in the United States," https://ccd.ucsd.edu/_files/papers/AhlquistDowneyTradeUnionsApril2019.pdf

workers are, generally, more satisfied with their working conditions than non-union workers,[2] and this helps with worker retention; a problem firms are struggling with as the economy reopens. And when comparing labor market performance of OECD nations, the OECD's research shows that stronger central bargaining systems outperform weak systems in wages, employment and gender and younger workers labor outcomes, primarily because they are better at smoothing economic shocks and reducing inequality.[3] Updating our National Labor Relations Act to address changes in the workplace since the 1940s, such as by passing the PRO-Act, is key.

Our unemployment insurance system was clearly outdated and overwhelmed. It was designed primarily to deliver income support to manufacturing workers during business cycles prompted by inventory cycle busts. Yet, in February 2020 we had roughly the same number of restaurant workers as manufacturing workers and lost more restaurant jobs than the size of our nondurable manufacturing workforce in two months. But in a normal economy, fewer than 10 percent of restaurant workers receive unemployment benefits.[4] Going forward, losing the changes Congress enacted on this temporary basis, the system will be more fragile, exposing greater risk on the macroeconomy and reducing the resilience of individual households to economic shocks.[5] The low wages of too many workers made them too precarious, and additions to state benefits were necessary. Several studies show the extra benefits did not slow people returning to work,[6] but did help ensure cash balances for all households by income quintile and race.[7] Those steps are key to the economy having a speedy recovery. The U.S. stood out among our trading partners because they leveraged their stronger labor market

[2] Richard Freeman, David Blanchflower and Alex Bryson, "Unions Raise Worker Wellbeing," https://european.economicblogs.org/voxeu/2020/blanchflower-bryson-unions-wellbeing
[3] OECD, *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work* (OECD Publishing: Paris, 2019)
[4] US Bureau of Labor Statistics, *Characteristics of Unemployment Insurance Applicants and Benefit Recipients News Release*, November 7, 2019 https://www.bls.gov/news.release/archives/uisup_09252019.htm
[5] Josh Bivens, Melissa Boteach, Rachel Deutsch, Francisco Díez, Rebecca Dixon, Brian Galle, Aliz Gould-Werth, Nicole Marquez, Lily Roberts, Heidi Shierholz and William Spriggs, *Reforming unemployment insurance: Stabilizing a system in crisis and laying the foundation for equity* (Economic Policy Institute: Washington, June 2021) https://files.epi.org/uploads/Reforming-Unemployment-Insurance.pdf
[6] Arindrajit Dube, "Aggregate Employment Effects of Unemployment Benefits during Deep Downturns: Evidence from the Expiration of the Federal Pandemic Unemployment Compensation," NBER Working Paper 28470 (National Bureau of Economic Research: Cambridge, February 2021) https://www.nber.org/system/files/working_papers/w28470/w28470.pdf?orgid=197&utm_att1=moneyorgid=197&utm_att1=money
[7] JPMorgan Chase & Co. Institute, Financial outcomes by race during COVID-19, Research Brief (JPMorgan Chase Institute: Washington, June 2021) https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/financial-outcomes-by-race-during-COVID-19.pdf

institutions to implement job retention programs, keeping workers and employers attached.[8] A higher minimum wage, as most of our trading partners have, would make more families resilient.

Another shortcoming the U.S. labor market faced is our lack of paid leave, either paid sick days or paid family leave. With the recent resurgence of COVID in many states, dealing with lost pay from hospitalizations will continue to be a challenge for too many Americans. And our lack of paid family leave will continue to keep too many workers out of the labor market. Labor force participation for women fell to 54.6 percent in April 2020, its lowest level since late 1985, and has only rebounded to its levels of 1988. Coupled with our lack of a federal policy ensuring access to childcare, the U.S. sticks out among our trading partners for remaining to have labor regulations designed for a male dominated manufacturing world. In 2018, the U.S. ranked 10th among G20 economies for women's labor force participation, and 6th among the G7 economies, only ahead of Italy.[9] Given the aging of the American population, it is imperative that the U.S. adopt the leading recognized policies that support women's labor force participation, or our economic growth will stall faster.

These shortcomings were laid bare by the COVID crisis. They show on the macroeconomic level how destabilizing our labor market institutions are. To be competitive on a global level, we need to understand how, on a local labor market level, crises have been occurring throughout this century. In addition to updating our labor regulations, we need to expand our vision of what we need for trade adjustment assistance. A consensus has developed from research that trade in this century has had a devastating impact on those local labor markets that faced the greatest low wage and low labor standard competition from trade.[10] This was true of workers in those communities, and the destabilizing of sources of high wage jobs had a bigger impact on Black workers. Trade Adjustment Assistance needs to give additional focus to

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[8] OECD, *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery* (OECD Publishing: Paris, July 2021)

[9] OECD and ILO, Women at Work in G20 countries: Progress and Policy action [Paper prepared under Japan's G20 Presidency (2019)] https://www.oecd.org/g20/summits/osaka/G20-Women-at-Work.pdf

[10] See for example: David Autor, David Dorn and Gordon Hanson, "The China Syndrome: Local Labor market effects of import competition in the United States," *American Economic Review* 103, No. 6, (October 2013): 2121-2168; and William Spriggs, Nyana Browne and Bethel Cole-Smith, "China Import Penetration and U.S. Labor-Market Adjustments," (May 2021) https://economics.howard.edu/sites/economics.coas.howard.edu/files/2021-06/Impact_of_China_Trade_Shock_on_Black_Employment___May_2021.pdf

supporting communities that are impacted by trade with the tools to engage active labor market policies, especially adding youth job and training programs.

And, to remain competitive in the 21st Century, the U.S. needs to go back to finds its future. In the middle of the 20th Century, the U.S. made massive investments in supporting American students getting broader access to, and completing, higher education. It propelled us to be number one among OECD nations, and yielded American dominance of computer technology innovations at the end of the 20th Century. In the 20th Century, America pioneered in free college education or highly subsidized financing of higher education loans, including substantial loan forgiveness, to achieve that competitive advantage.[11] But, in the 21st Century we reversed course, raised the cost of student borrowing, and dramatically cut public support of higher education transferring the bulk of financing higher education from state provided funds to instead burden student tuition revenue. The result is a crisis of student debt for Black and Latino students and low-income students that are now most of America's potential college students.[12] To maintain U.S. leadership we must increase our college graduates among the groups with the lower the college attainment.

I have emphasized American workers in my testimony. Clearly, to be competitive America must have 21st century physical infrastructure: safe roads, bridges, reliable clean energy public transportation and clean drinking water, up-to-date school and university buildings and laboratories. But, as we look to the 21st Century, we cannot forget America's true competitiveness lies in its people and our ideals as a nation. This century sees old challenges of American democracy on the rise: fascism and the state-controlled economy of China. Our previous leadership was attained by having a government that bet on the American people and

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[11] John Bound and S. Turner, "Going to War and Going to College: Did World War II and the GI Bill Increase Educational Attainment for Returning Veterans?" Journal of Labor Economics 20 No. 4 (October 2002): 784-815; K.W. Olson, "G.I. Bill and Higher Education: Success and Surprise," *American Quarterly*, 25 No. 5 (December 1973): 596-610; P.E. Flattau, J. Bracken, R. Van Atta, A. Bandeh-Ahmadi, R. de la Cruz and K. Sullivan, *The National Defense Education Act of 1958: Selected Outcomes* (Science & Technology Policy Institute, Institute for Defense Analysis: Washington, 2006) https://d1wqtxts1xzle7.cloudfront.net/8411877/NDEA%20D3306-FINAL.pdf?1328607798=&response-content-disposition=inline%3B+filename%3DThe_National_Defense_Education_Act_of_19.pdf&Expires=1624918411&Signature=QcoluWInYlBJNsSytaaindfPmeNyLVNkIv~0-M92kzq2wO~jQn

[12] M. Mitchell, M. Leachman and M. Saenz, *State Higher Education Funding Cuts have Pushed Costs to Students, Worsened Inequality* (Center on Budget and Policy Priorities: Washington, 2019); J. Bound, B. Barga, G. Khanna and S. Turner, "A Passage to America: University Funding and International Students," *American Economic Journal: Economic Policy* 12 No. 1 (February 2020): 97-126.

invested heavily in Americans. Unfortunately, not always all Americans and not all Americans equally. But this century we must strive to do better, and this time invest in all Americans.

And we must lead by being the beacon on human and labor rights, as the global champion of democracy. To be competitive in this century we must advance and broaden the right to vote: those states that have started attacking the right to vote are the states that are not investing in K-12 public education or reversing course to invest in higher education or in this Pandemic crisis ensure expanding access to health insurance. Here at home democracy is important to economic growth, as it is globally.

And we must protect and lead in labor rights, to show other nations that is the way to more sustainable economic growth. That means paying those incarcerated the federal minimum wage, at least; and adopting far more ILO conventions so we can pull other countries forward in our trade agreements to raise the global floor instead of getting us all in a race to the bottom. And that means, again raising the global floor, by insisting there is level playing field between nations and corporations when it comes to paying a fair share of taxes. Without that revenue, we cannot have all nations make the investments in health, education and labor standards we need so the rules of global competition are rules that raise the world, instead of lowering American standards.

So, to be competitive, let us build our roads, but let us not lose focus on strengthening Americans. Let us lead by example as a nation, to define the rules of global competition.