

america's **dynamic workforce**

UNITED STATES DEPARTMENT OF LABOR



August **2004**



secretary's message

america's dynamic workforce



Introduction to America's Dynamic Workforce

by U.S. Secretary of Labor Elaine L. Chao

America's workers are the most dynamic and productive in the world. They are the backbone of the American economy, which is constantly evolving and producing new jobs and new opportunities. That's a tribute to the strength of our economy, the resiliency of our workforce, and an example of why the United States continues to be the envy of the world.

With this dynamism comes challenges. President George W. Bush and his Administration recognize that some industries are in transition and that workers must upgrade their skills or find new jobs to keep pace. That's why the President has asked Congress for \$23 billion to fund 34 different training and employment programs throughout the federal government. That is in addition to the generous, sophisticated and comprehensive safety net in place for transitioning workers. It includes income support, career counseling,

placement services and help with expenses including childcare and health care.

The President also recognizes that one of the critical challenges facing our nation today is ensuring that our workers are equipped with the right skills for the 21st Century economy. As the economy strengthens, new jobs are being created. But many of these require upgraded skills or some form of higher education. That doesn't necessarily mean a four-year degree. It can mean skills learned on the job or professional certification pursued through community colleges and apprenticeship programs in the skilled trades.

To respond to this urgent national need, the President announced several key initiatives:

- A Jobs for the 21st Century Initiative, which will expand the capacity of community colleges and other institutions to provide job training.
- A High-Growth Job Training Initiative, which tracks industries experiencing growth and helps workers access these new opportunities.
- The Skills to Build America program, designed to educate young people and workers about the great opportunities available in the skilled trades, which are needed for America's rapidly growing construction industry.

- An overhaul of the publicly funded job training program, so that more workers are trained with skills in demand in their communities.
- Comp Time and Flex Time initiatives, to provide private sector working parents, single mothers and other caregivers with the same options that federal government employees have to balance work and family needs.
- Building on No Child Left Behind educational reform, and improving high school education to ensure that our workers have the strong foundation needed to succeed in an increasingly knowledge-based economy.

I'm proud of the role that the U.S. Department of Labor plays in fulfilling the President's vision for a 21st Century workforce that is second to none. And I hope this book, which includes a snapshot of the major indicators of our economy and workforce, highlights why American workers continue to be the safest, most secure and most productive in the world.



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Acknowledgments

This report was produced under the direction of U.S. Secretary of Labor Elaine L. Chao. It was edited by Diana Furchtgott-Roth, Chief Economist, Department of Labor.

The report is the product of the efforts of many people at the Department of Labor. Assistant Secretary Ann Combs, Assistant Secretary Emily DeRocco, Kathleen Franks, Laura Genero, Assistant Secretary John Henshaw, Michael Horrigan, Deputy Assistant Secretary Charles E. James, Sr., Virginia Klein, Assistant Secretary David Lauritski, Deputy Under Secretary Arnold Levine, Assistant Secretary Victoria Lipnic, Andrew Nelson, Alison Pasternak, Joseph Piacentini, and Veronica Stidvent all contributed. Interns Jonathan Bond (now at the London School of Economics), Jonathan Horn (now at the Department of Education) and Henry Scott (now at Notre Dame University) also wrote sections of the report.

Xiuyue Zhu coordinated the production of the report, including the organization of tables and charts, and Lawrence Koziarz assisted with proofreading. Kate Krizan was responsible for design, graphics, and layout.

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List of Acronyms

| | | | |
|---------|---|--------|---|
| AHPs | Association Health Plans | MSHA | Mine Safety and Health Administration |
| BED | Business Employment Dynamics | MSPA | Migrant and Seasonal Agricultural Worker Protection Act |
| BLS | Bureau of Labor Statistics | NEG | National Emergency Grants |
| CBO | Congressional Budget Office | NFI | New Freedom Initiative |
| COBRA | Consolidated Omnibus Budget Reconciliation Act of 1985 | NIOSH | National Institute for Occupational Safety and Health |
| CPI | Consumer Price Index | NLSY | National Longitudinal Survey of Youth |
| CPI-U | Consumer Price Index for All Urban Consumers | NSSGA | National Stone, Sand and Gravel Association |
| CPS | Current Population Survey | OAA | Older Americans Act |
| DOE | Department of Energy | ODEP | Office of Disability Employment Policy |
| DOL | Department of Labor | OECD | Organization for Economic Cooperation and Development |
| DUA | Disaster Unemployment Assistance | OFCCP | Office of Federal Contract Compliance Programs |
| EBSA | Employee Benefits Security Administration | OMB | Office of Management and Budget |
| EEOICPA | The Energy Employees' Occupational Illness Compensation Program Act | OSH | Occupational Safety and Health (Act) |
| EGTRRA | Economic Growth and Tax Relief Reconciliation Act | OSHA | Occupational Safety and Health Administration |
| EPL | Employment Protection Legislation | OTI | OSHA Training Institute |
| ERISA | Employee Retirement Income Security Act | PPB | Policy Planning Board |
| ESA | Employment Standards Administration | PRA | Personal Reemployment Accounts |
| ETA | Employment and Training Administration | PSID | Panel Study of Income Dynamics |
| FCIC | Federal Citizen Information Center | PY | Program Year |
| FECA | Federal Employees' Compensation Act | SAVER | Savings Are Vital to Everyone's Retirement (Act) |
| FLSA | Fair Labor Standards Act | SCSEP | Senior Community Service Employment Program |
| FMLA | Family and Medical Leave Act | SIPP | Survey of Income and Program Participation |
| FY | Fiscal Year | SUTA | State Unemployment Tax Act |
| GAO | General Accounting Office | T-1 | Trust Annual Report |
| GDP | Gross Domestic Product | TAAC | Trade Adjustment Assistance |
| HCTC | Health Coverage Tax Credit | TEUC | Temporary Extended Unemployment Compensation |
| IRAs | Individual Retirement Accounts | TEUC-A | Temporary Extended Unemployment Compensation for Displaced Airline Industry and Related Workers |
| ISM | The Institution for Supply Management | UI | Unemployment Insurance |
| IST | Integrated Systems Technology | UTF | Unemployment Trust Funds |
| JGTRRA | Jobs and Growth Tax Relief Reconciliation Act | WARN | Worker Adjustment and Retraining Notification |
| JOLTS | Job Openings and Labor Turnover Survey | WIA | Workforce Investment Act |
| LM-2 | Labor Organization Annual Report | | |
| LMRDA | Labor-Management Reporting and Disclosure Act | | |



america's dynamic workforce

executive summary

America's workforce is one of our greatest assets. American workers are hard-working, productive, and innovative. We are a nation of bountiful natural resources, but our economy and our livelihood have always depended on our human resources. And because America invests in its workers and has built a workforce of unrivaled creativity and talent, this nation has built a commanding lead in the world economy. We have only 5 percent of the world's total population, but we produce roughly one-quarter of the world's economic output. Due to our superior workforce, when the rest of the world looks for expertise and skill and quality workmanship, they know to look for the label that says "Made in the U.S.A."

To millions of Americans, work is an essential part of our lives: We depend on our work not only for a livelihood, but for the chance to meet new friends and to learn new skills. America's factories, offices, and farms are places of great variety, with people coming from many levels of experience, skills and backgrounds. This diverse workforce is unit-

ed in a commitment to hard work and a desire to make America a more hopeful and prosperous place.

Our workforce is a place of remarkable opportunities. In other nations, where a person's career is often charted out from an early age, the idea of changing careers multiple times is practically impossible. But in America, it is normal. Few Americans stay in the same job their entire lives. And as Americans pursue many different jobs, they gradually increase their income. A robust labor market makes this possible.

Today, the U.S. economy boasts one of the lowest unemployment rates and one of the fastest job growth rates in the industrialized world. Innovation fuels this job creation as Americans continue to find new and better ways to produce goods and services. New industries replace old. New companies spring up as others fade away. Even if an American unfortunately loses a job, the flexibility and resilience of our economic system ensures that new opportunities quickly emerge for that worker.

America's Dynamic Workforce answers three important questions. How has the U.S. labor market helped America triumph over recent economic adversity? What challenges to our workforce are we confronting today? And how can we prepare, train, and equip our workers for tomorrow's opportunities?

How Has the U.S. Labor Market Triumphed Over Recent Adversity?

The Jobs Recovery.

Chapter One describes the economic recovery and job growth that followed a period of major shocks to the economy that occurred between 2000 and 2002. These shocks included a recession and a punishing bear market that began in 2000, the most destructive terrorist attack in history, and major corporate accounting scandals. The chapter reviews what we know about how the labor markets were affected by these events and the rebound in employment that began in the second half of 2003.

Changing Jobs and Moving Up the Income Ladder.

Chapter Two describes how the mobility and vibrancy of America's workforce brought America from recession to recovery. Increased job opportunities, income mobility, and worker productivity add new vitality to the economy and benefit workers and employers alike. As a consequence of the freedom and flexibility to change jobs, workers receive higher earnings, better jobs, and better working conditions, while employers benefit from a more skilled and efficient workforce.

Comparing the United States with Other Countries.

Chapter Three compares the United States' workforce to those of other countries and demonstrates how the spirit of innovation of individual Americans has enhanced the performance of the U.S. labor market in the world economy. By welcoming the jobs of the future, America has achieved low unemployment and record rates of economic

growth. By comparison, other industrialized nations do not enjoy the same resilience in their labor markets, leading to far higher rates of unemployment, long-term job loss, and income stagnation.

What Challenges Are We Confronting Today?

Our Compassionate Nation: Helping Workers Transition to New Jobs.

Chapter Four focuses on how we make it easier for workers to transition into new jobs. While higher rates of job turnover have long-term advantages for both workers and employers, in the short term, it can be a difficult process. As a compassionate nation, we provide temporary financial support and job training for those individuals looking to find new work.

Keeping Workers Safe and Secure.

Chapter Five highlights the continuing importance of workplace safety, a key feature of our labor rules and regulations. U.S. employers are required to keep workers safe. The Occupational Safety and Health Administration, the Mine Safety and Health Administration, the Employment Standards Administration, and the Employee Benefits Security Administration protect workers' safety, equal employment opportunities, and employee benefits. As a result, workplace safety and workers' health have improved, with dramatic reductions in work-related injuries, illnesses, and fatalities.

Creating the Environment for Job Growth.

Chapter Six describes the delicate balance we must maintain between regulating the workplace and ensuring that those regulations do not stunt job creation. Needless paperwork

and unnecessary and burdensome regulations harm the economy. By updating overtime rules for managerial and other white-collar jobs, bringing modern financial accounting methods and standards to labor unions, and introducing more competition to the contracting process, we have improved the regulatory process and eliminated economic inefficiencies.

How Can We Prepare, Train, and Equip Our Labor Force for Tomorrow's Economy?

Jobs for the 21st Century

Chapter Seven describes President Bush's proposals to make the U.S. workforce more competitive. These include reform of the workforce Investment Act of 1998 in order to provide a more flexible workforce investment system and better opportunities for training workers. The President's High Growth Job Training Initiative prepares workers to take advantage of jobs opportunities in high growth economic sectors. Innovation training accounts and personal re-employment accounts give workers the choices they need to select individual types of training.

The Jobs of the Future: 2002 to 2012.

Chapter Eight explores how we can best prepare the labor force for the changing economy of the 21st Century. We must work with the private sector to ensure that federal training programs keep pace with the opportunities the economy offers and give our workers the skills they need to succeed. There will be emerging opportunities in technology, education, health care, construction, manufacturing, and many other industries. Those opportunities will be available to all who have the right skills and a readiness to learn on the job.

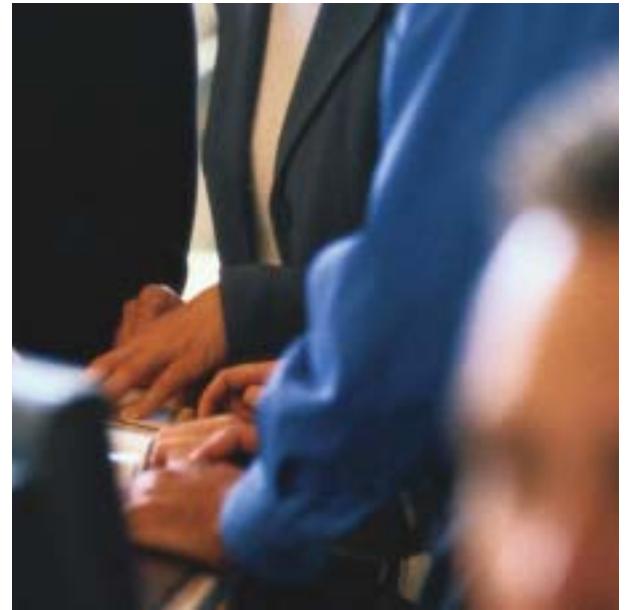
Saving for Our Future.

Chapter Nine explores the future challenges that come with an increasingly older workforce. By the year 2050, 21 percent of the U.S. population will be 65 or over. Many of these workers will continue to work past the traditional age of retirement. But many will exit the workforce, placing new stresses on our retirement and pension systems. Today's workers must begin to prepare for retirement, and the tax system must make retirement easier and more affordable.

Conclusion

In the 21st Century, America's workplace continues to change with new innovations and changes in international competitiveness in our economy, and it continues to adapt to new opportunities. This changing workplace makes our workers a great source of economic strength. Today's American workers enjoy substantial flexibility in the labor market with a wide array of jobs and low unemployment. With *America's Dynamic Workforce*, we are defining the strengths of our workforce, describing policies that are being pursued to make our workforce stronger, and promoting a vision for future actions that we must take to ensure America remains the best place in the world to work.





american workers benefit from our labor system





the jobs recovery

chapter one

Over the last year, the U.S. labor market has weathered the significant economic shocks of 2000-2002 surprisingly well. Forecasts for very high rates of unemployment never materialized. And while the recovery in the labor market did lag the overall pace of the economy's expansion, prospects for job creation remain bright.

Employment Growth is Steady

In the second half of 2003 payroll employment began to rebound from the 2001 recession. The workforce started to recover following the collapse of the stock market bubble, the 9/11 attacks, the corporate scandals, and the wars in Afghanistan and Iraq. According to payroll survey statistics from the Bureau of Labor Statistics (BLS), from August 2003 to July 2004, 1.5 million jobs were added, with over 1 million of these since the end of 2003. Household survey data from BLS showed a much larger gain of 2.3 million jobs added since August 2003.

Most sectors have gained jobs in recent months. The largest gains have occurred in professional and business services, which added 495,000 jobs from August 2003 to July 2004. Employment in education and health services added 320,000 jobs from August 2003 to July 2004 and 1.5 million jobs since January 2001. Construction and leisure and hospitality also had large job gains over the past year.

Manufacturing employment increased by 91,000 since January 2004. Before the recent gains, manufacturing employment had declined for 42 consecutive months, and the industry lost 3 million jobs from July 2000 to January 2004.

The top five (in terms of numbers) high-growth, high-paying occupations that usually require a college degree are expected to be postsecondary

Chart 1.1 2002-12 Employment Projections: Top Five High-Growth, High-Paying Occupations that Do Not Require a Bachelor's Degree

| | |
|---|---------|
| Registered nurses | 623,000 |
| Truck drivers, heavy and tractor-trailer | 337,000 |
| Sales representatives, wholesale and manufacturing | 279,000 |
| Maintenance and repair workers, general | 207,000 |
| First-line supervisors/ managers of retail sales workers | 163,000 |

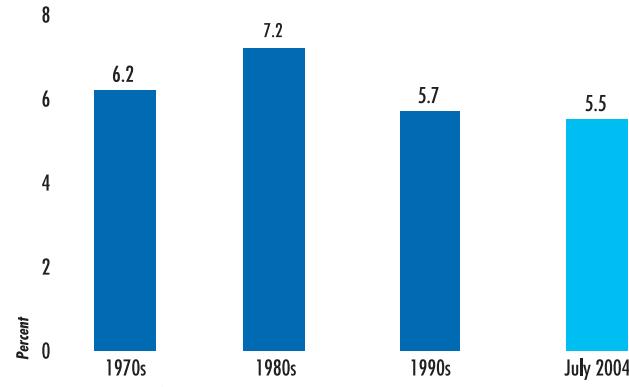
Source: Bureau of Labor Statistics, *Occupational Outlook Quarterly*, Winter 2003-04

Many of the new jobs that have been created are in industries that pay above-average wages. Although it is impossible to know the exact wage of a new job, we can observe increases in industry employment. Further, we know how the average wage for that industry relates to wages in the economy as a whole. New jobs in construction, manufacturing, education and health services, and professional and business services account for a substantial share of new employment, and these industries all pay above-average wages.

Looking forward, total employment is projected to increase by 21.3 million jobs (or 14.8 percent) over the 2002-2012 period, increasing to 165.3 million jobs. The “hottest jobs” — those with the greatest percentage increase from 2002 through 2012 — are projected to be medical assistants (+59 percent); network systems and data communications analysts (+57 percent); physician assistants (+49 percent); social and human service assistants (+49 percent); and home health aides (+48 percent).

Nurses, truck drivers, manufacturing sales representatives, maintenance workers, and managers of retail stores are the top five (in terms of numbers) fast-growing, high-paying occupations for workers who haven't completed college. (See Chart 1.1.) These jobs all receive above-average wages and are likely to be in demand in the coming years.

Chart 1.2 Average Unemployment Rates for Selected Decades Compared to July 2004



Source: Bureau of Labor Statistics, Current Population Survey

teachers (603,000 new jobs); general and operations managers (376,000 new jobs); elementary school teachers, except special education (223,000 new jobs); accountants and auditors (205,000 new jobs); and computer systems analysts (184,000 new jobs).ⁱ

Recent employment gains accompany substantial growth in the gross domestic product (GDP). Real GDP grew at an annual pace of 3.0 percent during the second quarter of 2004. The growth over the past four quarters was 4.7 percent, among the highest in the past 20 years. Real GDP growth for 2004 is expected to be above the historic average.

Business investment grew in 2003, as companies started to hire, build inventories, and increase shipments of nondefense capital goods. Remarkable productivity growth since 1995 has led to higher wages and lower prices, meaning a better standard of living for U.S. workers and their families.

Unemployment is Low by Historical Standards

The unemployment rate was at or near 5.6 percent during the first seven months of 2004, down from its most recent peak of 6.3 percent in June 2003. At 5.5 percent, the unemployment rate in July 2004 was lower than the average rates of the 1970s (6.2 percent), 1980s (7.2 percent), and 1990s (5.7 percent). From 2003 to 2004, unemployment rates declined in 49 states.

Unemployment Insurance

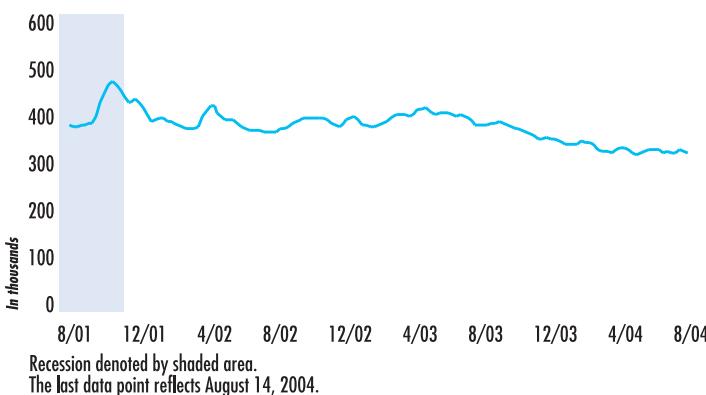
The federal-state Unemployment Insurance (UI) program, to be discussed in more detail in Chapter Four, helps workers who have fallen on hard times. The program was created in 1935 in response to the Great Depression,

when millions lost their jobs. Unemployed workers were unable to afford goods and services, which contributed to additional layoffs. The federal-state UI program provides unemployment benefits to workers who are unemployed and who meet other eligibility requirements of state law.

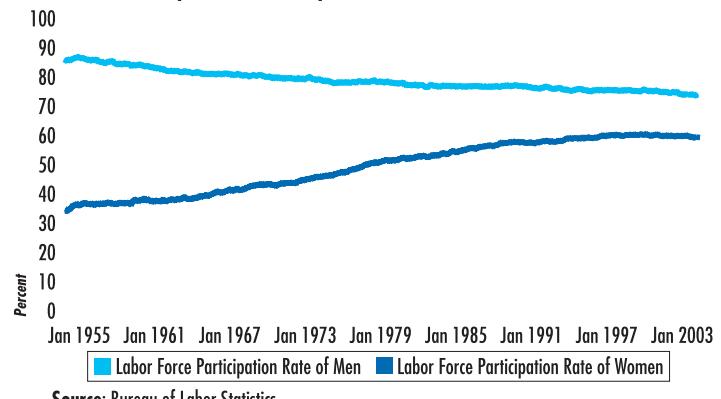
Initial UI claims peaked in late 2001 at the end of the recession as the unemployment rate was increasing. The number of claims hovered above the 400,000 mark for the following two years, and then fell markedly from the middle of 2003 to early 2004. The four-week moving average of initial claims has been below 350,000 for several months—a level consistent with further job growth. (See Chart 1.3.)



**Chart 1.3 Four-Week Average of Initial Claims for Unemployment Insurance,
August 2001 - August 2004**



**Chart 1.4 Labor Force Participation Rates of Men and Women,
January 1955 - January 2003**



Source: Bureau of Labor Statistics

The Demographics of the Labor Force are Changing

Male & Female Workers

The labor force participation rate of men has been gradually declining due in part to earlier retirement. Although men's labor force participation rates remain above that of women, the labor force participation rate of women increased significantly during the 20th century. The long-term growth in the female labor force largely reflects more mothers in the workforce. Indeed, 72 percent of mothers with children under 18 are in the labor force today, up from 47 percent in 1975.ⁱⁱ The labor force participation rates of women and men are considerably closer than they were in the 1960s, 1970s, or 1980s. (See Chart 1.4.)

The increase in the labor force participation rate of women and the decline among men means that the percent of workers that are women has increased. In 2003, nearly 47 percent of labor force participants were women, up from 43 percent in 1983, 39 percent in 1973, and 34 percent in 1963.

Not only are women a vital component of the labor market, but they make up a growing share of small business owners. As President Bush said, "When it comes to entrepreneurship and job creation, ours is an increasingly woman's world."ⁱⁱⁱ According to the Census Bureau, the number of women-owned firms grew almost three times as fast as all firms between 1992 and 1997.^{iv} Currently, America's 9.1 million women-owned businesses employ 27.5 million people and contribute \$3.6 trillion of revenue to the economy.^v

More women are in the labor force because they are achieving higher levels of education, and more women attend university because they intend to join the labor force. According to the Census Bureau, 56 percent of college students are women, and women have been the majority of college students since 1979. Whereas fewer than 4 percent of women 25 years old and over had completed four years or more of college in 1940, 26 percent of women had earned a bachelor's degree or more in 2003.

The labor force participation rate of women has declined slightly in the past few years. It peaked at 60.0 percent in 1999, and stood at 59.5 percent in 2003. The trends differ across age groups. Since 2000, there has been a sharp decline in labor force participation among women ages 16 to 24, with fewer declines for women ages 25 to 34 and 35 to 44. In contrast, rates for women ages 55 to 64 have continued to rise, moving from 51.9 percent in 2000 to 56.6 percent in 2003.

Participation rates of women also differ by motherhood status. In 2000, the labor force participation rate of mothers with infant children fell to 55 percent from a record-high 59 percent in 1998. This was the first significant decline since the Census Bureau developed the indicator in 1976. The participation rate remained at 55 percent in 2002.^{vi}

An emerging trend is the decline in labor force participation among highly educated mothers over 30. It is too soon to see if this is a permanent trend. Many women have made a choice to stay home with their children. While women of the Baby Boom generation pursued career opportunities that were unavailable to their mostly stay-at-home moms, many women of Generation X appears to be forgoing paychecks for time with their family.

Young Workers

The Fair Labor Standards Act allows the employment of 14- and 15-year-olds outside school hours, but prohibits them from working past 9 p.m. in the summer and 7 p.m. during the school year. The law also limits them to working three hours per day on a school day. Young persons 14 and 15 years of age can work in many non-manufacturing and non-hazardous jobs.

The Entrepreneurial Spirit of America: Providing Tax Relief to American Families and Small Businesses.

In 2001 President Bush acted promptly to help America's workers by providing tax relief to put more money in families' pockets and encourage businesses to grow and invest. Tax relief brought substantial savings to families and helped fight back the effects of the recession. America's families and small businesses have more money to spend, save, and invest because of the President's 2001 and 2003 tax cuts. This year, 111 million tax-payers will receive, on average, a tax cut of \$1,586 and 25 million small business owners will receive \$75 billion in total tax relief, enabling them to increase hiring.



The Jobs and Growth Tax Relief Reconciliation Act of 2003 accelerated the tax relief signed into law by the President in 2001, including marriage penalty relief, an increase in the child tax credit, and tax rate reductions for every family and small business that pays income taxes.

The President's 2001 and 2003 tax cuts also provided new incentives for businesses, especially small businesses, to invest in plants and equipment and create new jobs.

President Bush Has Called on Congress to Extend His Tax Relief Plan.

If Congress does not act, American families and businesses would see a tax increase starting next year, thereby hurting economic recovery and future job creation. Unless Congress takes action:

- **In 2006, the small business expensing limit will shrink from \$100,000 to just \$25,000, increasing the cost of capital investments for America's small businesses and making it more difficult for them to hire workers;**
- **In 2009, the top tax rate on dividends will increase from 15 to 35 percent, while the tax on capital gains will climb from 15 to 20 percent, raising the tax burden on retirees and families investing for their future; and**
- **In 2011, the tax rate relief, new 10-percent tax bracket, death tax repeal, marriage penalty relief, small business expensing, and all the remaining tax relief enacted over the past three years will sunset, resulting in tax increases for every individual American man or woman who pays income taxes and making it harder for businesses to hire workers.**



Data from the National Longitudinal Survey of Youth (NLSY) of 1997 show substantial work activity among 14- and 15-year-olds. More than half (57 percent) of all youths worked at age 14. Most working 14-year-olds held freelance jobs, such as babysitting or mowing lawns. At age 15, 64 percent of youths worked. Many young people worked in eating and drinking places, with 17 percent of working 14-year-olds and 29 percent of working 15-year-olds employed this sector.^{vii} The NLSY data of 1979 show that younger Baby Boomers (i.e., people born in the years 1957 to 1964) held an average of 4.4 jobs from age 18 to 22.^{viii}

Older Workers

While men today are retiring earlier than they did half a century ago, in the past three years labor force participation rates have actually increased for men age 55 and older. Participation rates are also up for women age 55 and older. First, people are living longer and healthier lives. Second, the removal of the Social Security earnings test via the Senior Citizens' Freedom to Work Act of 2000 eliminated work disincentives for seniors. No longer are Social Security benefits reduced for beneficiaries who retire at normal retirement age and earn wages.

Third, defined contribution retirement plans have become more popular. While workers covered by defined benefit plans typically face strong incentives to retire at the plan's early retirement age, workers covered by defined contribution plans know that they continue to save by working longer.

In addition, stock market fluctuations between 2000 and 2003 caused some seniors to postpone retirement due to diminished retirement

savings, while other seniors re-entered the labor force after previously retiring. Whatever the cause, more seniors are spending additional time in the labor force during their golden years.

Looking forward, labor force growth for the 2002-2012 period will be affected by the aging of the Baby Boom generation. The median age of the labor force was 34.6 years in 1982, 36.6 years in 1992, and 40.0 years in 2002, and is projected to reach 41.4 years in 2012. This increase is due in part to growth of the older population, as well as to continued increases in seniors' labor force participation rates.^{ix} The rising age also results from fewer young people in the labor force, both because of a smaller population of young people and a decline in their labor force participation rates.

African-Americans, Asians, and Hispanics in the Workforce

The labor force is becoming increasingly diverse. With faster population growth and increasing participation rates, the share of minorities in the workforce will grow substantially in the coming decades. The share of white non-Hispanics in the labor force is anticipated to decrease from 73 percent in 2000 to 53 percent in 2050. Over the same period, Hispanics are expected to more than double their share, from 11 percent in 2000 to 24 percent of the labor force in 2050. Blacks also are expected to increase their share, from 12 percent in 2000 to 14 percent in 2050. Asians, the fastest-growing group in the labor force, are projected to increase their share from 5 percent to 11 percent between 2000 and 2050.^x



As the table below shows, Hispanics and Asians are the fastest-growing racial and ethnic groups in the workforce. Immigration is a significant driver of this labor force growth, particularly since immigrants include many young adults of working age who have come to the United States in search of better job opportunities and higher wages. These factors contribute to the growing diversity of the U.S. population and labor force.^{xii}

People with Disabilities

More than a decade after passage of the Americans with Disabilities Act, the employment rate of people with disabilities remains low. According to the U.S. Census Bureau, about 50 million Americans of all ages have a disability. Among working age adults, only about 60 percent of men and 51 percent of women with disabilities were working in 2000.^{xiii}

Although people with disabilities have lower employment rates than those without disabilities, once on the job, the two groups do not differ fundamentally in the nature of their working conditions. One of the few ways in

which their working conditions differ is that people with disabilities are more likely to work at home exclusively.^{xiv} To enhance opportunities for more people with disabilities to enter the workforce and participate fully in their communities, President George W. Bush announced his New Freedom Initiative (NFI) for people with disabilities.

The President's NFI is a comprehensive program to promote the full integration of people with disabilities into all areas of society by increasing access to assistive and universally designed technologies, expanding educational and employment opportunities, and promoting enhanced access into daily community life. The Bush Administration is also committed to the full enforcement of the Americans with Disabilities Act.

In support of the NFI, the Office of Disability Employment Policy (ODEP) was created at DOL in 2001. The mission of ODEP is to provide leadership to increase employment opportunities for adults and youth with disabilities. ODEP was funded at approximately \$47 million in Fiscal Year 2004.

Table 7.1 Civilian Labor Force by Race and Hispanic Origin, 2000 and Projected 2050

| Group | Level (in thousands) | | Change 2000 - 50 | Percent Change 2000 - 50 | Percent Distribution | |
|----------------------------|-------------------------|---------|---------------------|-----------------------------|----------------------|-------|
| | 2000 | 2050 | | | 2000 | 2050 |
| Total, 16 years & older | 148,863 | 191,825 | 50,961 | 36.2 | 100.0 | 100.0 |
| White | 117,574 | 143,770 | 26,196 | 22.3 | 83.5 | 74.9 |
| Black | 16,603 | 27,094 | 10,491 | 63.2 | 11.8 | 14.1 |
| Asian and other* | 6,687 | 20,940 | 14,274 | 213.5 | 4.7 | 10.9 |
| Hispanic origin** | 15,368 | 45,426 | 30,058 | 195.6 | 10.9 | 23.7 |
| Other than Hispanic Origin | 125,495 | 146,399 | 20,903 | 16.7 | 89.1 | 76.3 |
| White, non-Hispanic | 102,963 | 102,506 | (457) | -0.4 | 73.1 | 53.4 |

*Asian and other includes (1) Asians and Pacific Islanders and (2) American Indians and Alaska Natives.

**Hispanics can be of any race; most report that they are white.

Source: Mitra Toossi, "A Century of Change: the U.S. Labor Force, 1950-2025," *Monthly Labor Review*, May 2002.

In addition, DOL's Employment and Training Administration provides \$20 million in incentive grants to assist workers with disabilities in accessing the full spectrum of re-employment services offered at One-Stop Career Centers across the nation.

Veterans

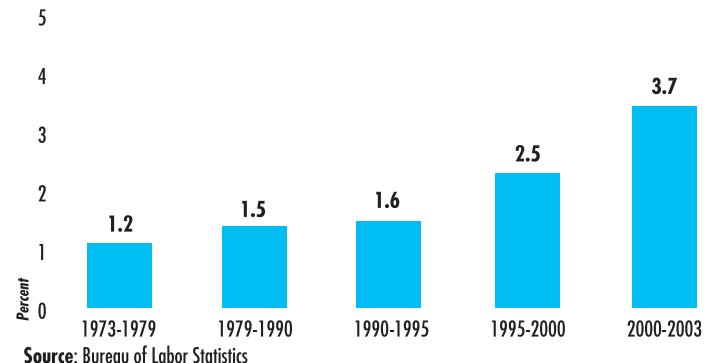
Approximately 23.7 million Americans, or nearly 11 percent of U.S. labor force, are veterans. The 2000 Census found that most veterans are employed. Among veterans serving in August 1990 or later, 81 percent were employed, while 83 percent of those who served from September 1980 to July 1990 were employed.^{xiv}

According to BLS, veterans discharged from active duty between January 2001 and August 2003 had a labor force participation rate of 89 percent and an unemployment rate of 6.9 percent in August 2003. As a whole, veterans had an unemployment rate of 4.5 percent, compared with 5.9 percent for nonveterans.^{xv} The mission of the Veterans' Employment and Training Service at DOL is to provide veterans with resources and services to succeed in the 21st Century workforce by maximizing their employment opportunities and protecting their employment rights.

Productivity

High labor productivity is one of America's strongest assets. Increased productivity benefits workers through higher compensation and lower prices. From 1990 to 1995, labor productivity grew at an average annual rate of 1.6 percent. (See Chart 1.5.) That rate increased to 2.5 percent between 1995 and 2000, and reached a 3.7 percent annual rate of growth between 2000 and 2003. This escalation in

Chart 1.5 Average Annual Rate of Change in Labor Productivity, NonFarm Business Sector



productivity growth is remarkable by historical standards. From the first quarter of 2001 to the first quarter of 2004, productivity increased by a total of 14.1 percent—the fastest three-year growth in 40 years.

Technology is a key contributor to this tremendous productivity growth. Not only has productivity grown within the information technology sector itself, but technological advances have increased productivity in many sectors of the economy. The use of modern technology has increased efficiency economy-wide, from manufacturing processes to inventory management. Technology is widespread in the workplace and computers have become an indispensable business tool. More than half of all Americans use a computer on the job.^{xvi}

High productivity makes U.S. workers attractive to foreign companies and is one reason why foreign companies do business in the United States. As Americans produce more goods and services per worker than anyone else in the world,^{xvii} our workforce becomes appealing to foreign companies. It is estimated that foreign-owned firms directly employ

about 6 million workers in the United States^{xviii} and indirectly employ millions of others.

Compensation

Job growth due to foreign investment is not the only benefit workers reap from high productivity. Productivity growth can also increase workers' earnings, particularly in tight labor markets. As workers produce more, employers may compensate them for their higher productivity. Accordingly, real average hourly earnings (i.e., earnings adjusted for inflation) have risen since the mid-1990s.

Earnings are only part of the compensation picture. Workers are receiving a growing portion of their compensation in the form of benefits rather than wages, with benefits now contributing 30 percent to total compensation costs. From 1979 to 2003, the cost of wages and salaries increased 17.2 percent, while the cost of benefits grew 55.1 percent over the same period. Since 2000, the over-the-year gains in benefit costs have strongly outpaced the gains for wages and salaries.

Promoting Flexibility for a Changing Workforce

“These are exciting times for our country. It's a time of amazing change. The economy is changing. The world is changing...We need to make sure government changes with the times, and to work for America's working families.”

- President George W. Bush, July 30, 2004

Today's workforce has changed dramatically over the last 50 years. More parents are working now than ever before. But many of the nation's labor laws were designed a generation ago. Provisions in these laws do not fit today's changing workplace, and do not give workers the flexibility to spend more time with their families.

President Bush has called on Congress to pass legislation giving American workers more options to help families better juggle the demands of work and home through comp-time and flex-time.

Comp-Time enables employees to choose paid time off as an alternative to overtime pay. Therefore, a worker who opts for comp-time and works 8 hours of overtime is entitled to 12 hours off (1.5 hours off per every hour of overtime).

Flex-Time gives an employee the option of "flexing" his or her schedule over a pay period, by scheduling more than 40 hours of work in one week, and then scheduling less than 40 hours in the following week. For example, an employee may request to work 48 hours one week in a two-week pay period to offset a paid day off during the following week to chaperone a child's school trip.

The President's plan would ensure employee protections by making the program voluntary and honoring collective bargaining agreements.

Prices

In addition to paying workers more, rising productivity also means that businesses can produce goods and services at a lower cost. This translates into lower prices for consumers. Consequently, inflation has remained low and stable. The Consumer Price Index (CPI) increased just 2.3 percent during 2003.^{xix} The core CPI (which excludes food and energy) rose only 1.4 percent during 2003, considerably below the 2.4 percent increase of the previous year.

When workers encounter both larger paychecks and lower price tags, they are able to afford more goods and services for their families. In this way, productivity growth gener-

May 2001, and increased 2.6 percentage points since July 2003. The Institution for Supply Management (ISM) manufacturing employment index indicated employment expansion for the ninth straight month in July 2004.

Household spending continues to be strong, pointing to a continued growth in employment necessary to fill consumers' shopping baskets. Housing has also been strong, which is increasing the demand for workers in construction and related sectors. Housing starts remained near their highest level in almost 20 years. New single-family home sales hit a new record high in May 2004. Americans' confidence about the future can

The jobs recovery that began in 2003 is expected to continue for the foreseeable future.

ates a higher standard of living for Americans.

The Outlook

The economy is showing many signs that the expansion in employment and the favorable labor market conditions will continue. In the manufacturing sector, new orders for manufactured durable goods during the first seven months of 2004 were 12.4 percent above the same period a year ago. Industrial production had its largest quarterly increase in nearly four years with a 6.7 percent increase during the first quarter of 2004. Manufacturing employment began to reverse a 42-month decline in employment, adding 91,000 jobs since January 2004.

In July 2004, capacity utilization — the amount of potential production capacity used by firms—remained near its highest level since

be seen in the results of two recent surveys, which confirm that Americans are confident about the economy's future. The Conference Board's survey of consumer confidence rose in July, and the University of Michigan's index of consumer sentiment remains above its average 2001, 2002, and 2003 levels. The jobs recovery that began in 2003 is expected to continue for the foreseeable future.

Conclusion

Despite a recession and the onset of a bear market in 2000, corporate accounting scandals and the most destructive terrorist attacks in history, the U.S. economy has persevered and again boasts of a strong labor market with low unemployment and vast opportunity for all American workers. These economic opportunities will only continue to grow in the future.

Notes

ⁱBLS, *Occupational Outlook Quarterly* (Winter 2003-04).

ⁱⁱBLS, Current Population Survey.

ⁱⁱⁱPresident Bush, Women Entrepreneurship in the 21st Century Conference (March 19, 2002).

^{iv}U.S. Census Bureau, "Women-Owned Businesses: 1997" (October 2001). The number of women-owned firms increased 16 percent from 1992 to 1997, compared to a 6 percent increase for U.S. firms in general, excluding publicly held corporations.

^vU.S. Small Business Administration, <http://www.sba.gov/financing/special/women.html>.

^{vi}U.S. Census Bureau, "Fertility of American Women: June 2002," October 2003.

^{vii}Donna S. Rothstein, "Youth Employment in the United States," *Monthly Labor Review* (August 2001).

^{viii}BLS, "Number of Jobs Held, Labor Market Activity, and Earnings Growth among Younger Baby Boomers: Recent Results from a Longitudinal Survey" (August 25, 2004).

^{ix}Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Work Force," *Monthly Labor Review* (February 2004).

^xMitra Toossi, "A Century of Change: the U.S. Labor Force, 1950-2050," *Monthly Labor Review* (May 2002).

^{xi}Mitra Toossi, "A Century of Change: the U.S. Labor Force, 1950-2050," *Monthly Labor Review* (May 2002).

^{xii}U.S. Census Bureau, "Disability Status: 2000" (March 2003). People were defined as having a disability if one or more of the following conditions were true: (1) they were aged 5 or older and responded "yes" to a sensory, physical, mental, or self-care disability; (2) they were aged 16 years or older and responded "yes" to a disability affecting going outside the home; or (3) they were between the ages of 16 and 64 and responded "yes" to an employment disability.

^{xiii}Edward H. Yelin and Laura Trupin, "Disability and the Characteristics of Employment," *Monthly Labor Review* (May 2003).

^{xiv}U.S. Census Bureau, "Veterans: 2000" (May 2003).

^{xv}BLS, "Employment Situation of Veterans: July 2004."

^{xvi}Steven Hipple and Karen Kosanovich, "Computer and Internet Use at Work in 2001," *Monthly Labor Review* (February 2003).

^{xvii}BLS, Office of Productivity and Technology, "Comparative Real Gross Domestic Product Per Capita and Per Employed Person, Fourteen Countries, 1960-2002" (July 29, 2003).

^{xviii}William J. Zeile, "U.S. Affiliates of Foreign Companies: Operations in 2001," *Survey of Current Business*, Bureau of Economic Analysis, August 2003, pg. 45. William J. Zeile, "Operations of U.S. Affiliates of Foreign Companies: Preliminary Results from the 2002 Benchmark Survey," *Survey of Current Business*, Bureau of Economic Analysis, August 2004, pg. 199

^{xix}The Consumer Price Index for All Urban Consumers (CPI-U), Seasonally Adjusted.



changing jobs and moving up the income ladder

chapter two

The United States enjoys a dynamic economy where workers have the ability to change jobs frequently. Nearly all participants in the labor force switch jobs at some point. Several decades ago, U.S. workers on average would spend their entire careers with one or two employers. In contrast, younger Baby Boomers (people born between 1957 and 1964) held an average of 10.2 jobs from ages 18 to 38. This trend is almost certainly here to stay.ⁱ

Job turnover allows workers to move up the income ladder as they find new and better paying jobs. Understanding labor force turnover requires an understanding of the forces that influence it: wages, employee benefits, working conditions, worker confidence, and reactions to business cycles.

One reason that many people wish to come to the United States is the high potential for income mobility. In America, the relative ease of finding a job makes it easier to move up the income ladder.

Dynamic economic opportunity is one of the many advantages of the U.S. economy. The mobility and vibrancy of America's workforce brought America from recession to recovery. And income mobility remains an important measure of an individual's prospect for improving his or her economic situation. In a labor market as vibrant as America's, individuals who start at lower income levels can look forward to working up to higher income levels.

Turnover and Income Mobility

Everyone wants to get paid more for the work that they do, and there are two ways to do so. Either workers can get raises in their existing jobs, or they can change jobs and earn more in a new position. Many workers move up the income ladder by changing from one job to another. There is substantial turnover and labor mobility in the labor force. The existence of both of these in the U.S. economy is not coincidental.

Opportunity, as signaled by income mobility, is one of the most important considerations in an economy. According to many studies, American workers continue to enjoy substantial wage and income mobility, especially upward mobility. Income gains typically occur over time for most groups.

Extensive research has been targeted at determining the income mobility of American work-

ers and families. Surveys track people's incomes (and other demographic information) across a given time span from 1 to 20 years. At the beginning, and at subsequent regular intervals within the survey's duration, each person's income is ranked (either in comparison to the rest of the study sample, or to the whole population) and the ranks are grouped into standard income groups entitled "quintiles." The result of the basic approach allows a researcher to trace the portion of each original group that moved up or down the income scale in later intervals.

These studies find that income mobility remains substantial in the United States. Different approaches have led to varying

General Income Mobility

Most research into the income mobility of American workers relies upon data panels that follow people over time. These panels are constructed from government records or surveys. The studies either examine matched tax return data, long-term panel survey databases, or short-term Census Bureau reports. Though nearly all approaches yield conclusions of high mobility in general, the disparity in data and methodology contributes to the observed difference in the degree and concentration of mobility.

Two major studies explored income mobility by studying official tax return records. First,

An economy that allows for labor market flexibility creates greater opportunities for its workers and contributes to more income mobility.

determinations of the degree, distribution, and meaning of observed mobility, to be sure. However, the consensus remains that American workers continue to experience significant relative movement throughout the income distribution.

The results and key findings of several empirical studies examining income mobility in the United States are presented here to demonstrate this consensus regarding American workers' individual economic potential. In addition to these general studies, we present several research efforts aimed specifically at low-wage earners' mobility.

the U.S. Treasury Department's Office of Tax Analysis measures individual income mobility using a panel of individual income tax return data.¹¹ Specifically, the tax returns of 14,351 individuals (who filed returns each year during the period examined) were tabulated over a ten-year period to determine each individual's income rank relative to the rest of the sample each year.

The Treasury study shows a clear picture of high inter-quintile mobility for the vast majority of workers. In particular, using a sample that includes a wide range of ages, mirroring the workforce as a whole, the Treasury study

found that nearly 86 percent of those in the lowest income quintile at the beginning of the period had moved to a higher quintile ten years later, and were more likely to move to the highest quintile than to stay in the lowest. Fewer than 65 percent of those in the highest bracket at the beginning of the period remained there at the end.

In the middle brackets, no more than 40 percent of individuals remained in the same quintile in ten years. The findings clearly affirmed the high level of income mobility extant across income brackets.

Income tax records are only one of several data sources available to track income mobility. A number of research efforts have analyzed income mobility by utilizing data from the University of Michigan's Panel Study of Income Dynamics (PSID) database. In one noted study, researchers tracked groups of people over two ten-year periods. On average, 60 percent moved income quintiles.ⁱⁱⁱ

The PSID research did reflect less movement from the lowest quintile to the fourth or fifth bracket. In particular, whereas two-fifths of those in the first quintile at the beginning of the Treasury study reached the highest two quintiles in nine years, between 8 and 11 percent did so in the PSID samples. However, the overall degree of movement from all brackets was slightly higher than in the Treasury study.^{iv}

Federal Reserve Bank of Dallas researchers tracked a sample of nearly 4,000 individuals in the PSID database for 17 years. In a notable improvement over studies using official tax data like the Treasury study, the



Federal Reserve researchers were able to include data on unemployed, laid off, and retired individuals, as well as students.^v

The results of the Dallas Fed study were even more remarkable than prior studies. Nearly 70 percent of all individuals moved one quintile or more, and 36 percent moved two or more brackets. Most strikingly, almost 95 percent of those in the lowest quintile in 1975 had moved upward by 1991, along with 72 percent from the second quintile. For every person who remained in the lowest quintile, six moved to the highest fifth.

Though the observed mobility was undoubtedly higher in the Federal Reserve study due to the length of the study, researchers also

discovered that over one-half of the first quintile at the beginning of the study had reached the highest three brackets in less than four years. The data also reflected much more upward mobility compared with downward movement: of those individuals who did move one or more quintiles, 72.9 percent moved up in the income distribution, while less than a third moved down.

Some say that including students and the unemployed, as did the researchers in the Federal Reserve study, exaggerate the degree of income mobility in the United States. However, given that commonly used data on income distribution include students and the unemployed, leaving out these individuals in a study of income mobility would be a serious omission.



No one suggests leaving the unemployed out of income distribution calculations—for the same reason, they should not be left out of income mobility studies.

Boston College Professor Peter Gottschalk reexamined the basic elements of the Dallas Federal Reserve study two years later.^{vi} Within the context of a broader discussion on inequality in the United States, Gottschalk revisited the same time window within the PSID dataset. The mobility figures

from both studies are “certainly high enough to make the point that people are not stuck at the bottom or the top of the earnings distribution.”^{vii} In particular, nearly 68 percent of the bottom quintile’s members moved up during the study, and more than a fifth of the bottom quintile reached the upper two quintiles. Barely half (53.9 percent) of the highest quintile’s members remained by the end in 1991.

Examining mobility from a different angle, the Census Bureau used the Survey of Income and Program Participation (SIPP) records to determine the degree of volatility in individuals’ economic well-being as measured by the change in the ratio of their income to the prevailing poverty standard.^{viii} The study indicated that between 1985 and 1994, at least three-fourths of the population saw their income-to-

poverty ratio increase or decrease by at least 5 percent. This shows that people do not remain in one income group, but move around. The Census report also examined correlations of positive and negative changes in income-to-poverty ratios with changes in income source, education, and family status. Additionally, the study indicated that of those with an income-to-poverty ratio of 1.00 or lower in 1993, more than half (52.7 percent) saw that ratio increase by 5 percent or more within a year.^{ix}

... even the lowest wage earners experience a high degree of mobility, though the extent of that mobility may depend upon individual choices. . . .

Mobility of Low-Income Workers

Though income mobility for the population at large is both important and sizable, the income mobility of low-wage workers is of greatest concern in domestic and international policy debates. Of particular interest is whether people who start close to the bottom of the income scale move up. Consequently, there have been many studies on minimum-wage-earner income mobility over the past ten years.

These show that even the lowest wage earners experience a high degree of mobility, though the extent of that mobility may depend upon individual choices, such as completion of high school. Economists Ralph Smith and Bruce Vavrichek examined SIPP data on mini-

mum wage workers from 1983 to 1987 and discovered that 63 percent of minimum wage workers increased their wage within a year, and 40 percent did so in four months of first receiving the minimum wage. Additionally, the data showed that both sexes were equally likely to receive wage increases.^x

Professor James Long of Auburn University used the same SIPP variables from an updated set of samples (1992-93 panels) to calculate the wage and employment transitions experienced by minimum wage workers.^{xi} Though fewer than 70 percent of minimum wage workers were still receiving hourly wages (voluntarily left employment or became salaried employees), more than four-fifths of those who

remained were receiving higher wages in two years. The average wage increase within a year was 30.6 percent, and 40.3 percent within two years. As well as examining geographic and demographic factors related to wage gains, Long discovered that those who completed high school were more likely to see wage gains than those who did not receive their diploma.^{xii}

Professors William Even of Miami University and David MacPherson of Florida State University employed a slightly different

approach in their research, using CPS Outgoing Rotation Group matched data panels from 1979 to 1998.^{xiii} Significantly, their research made clear that a majority of all workers aged 16 to 65 remain at the minimum wage for less than a year.

Even and MacPherson showed that for those in the lowest income quintile, the incidence of increasing one's wages was positively correlated with the number of hours worked each week.^{xiv} However, even those working fewer than nine hours per week benefited from a median wage increase of nearly 7 percent, while those without a high school diploma saw an 8 percent median increase. In further research, Even and MacPherson

determined that the minority of workers that did not enjoy significant wage growth within a year were often employees who had switched jobs or industries, frequently necessitating new training.^{xv}

American workers continue to experience significant income mobility, a circumstance that has not dramatically changed over several decades. Data controlling for different factors still demonstrate significant upward and downward income mobility for the United States.

**. . . American workers
continue to experience
significant income
mobility, a circumstance
that has not dramatically
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decades.**

Conclusions

The dynamism of our economy is reflected in a high degree of job turnover. Out of a labor force of 147 million, there were 47.1 million separations and 48.5 million new hires in 2003. Data show that the American labor economy is constantly changing and adapting to market conditions and new policies.

While some job turnover is involuntary, more often turnover is the result of people seeking and finding better jobs. Turnover is associated with the sustained level of mobility that has made the United States an attractive place to work.

Maintenance of income mobility over an extended time frame—nearly half a century by consensus—is an accomplishment of U.S. workers and institutions that create opportunities. Combined with evidence on job turnover, this shows that many American workers will better themselves by changing jobs.

Seeing our labor force as dynamic, rather than static, illustrates the opportunities that are provided by entering the workforce. An economy that allows for labor market flexibility creates greater opportunities for its workers and contributes to more income mobility.



Notes

ⁱ BLS, "Number of Jobs Held, Labor Market Activity, and Earnings Growth among Younger Baby Boomers: Recent Results from a Longitudinal Survey" (Aug. 25, 2004).

ⁱⁱ U.S. Department of the Treasury, Office of Tax Analysis, "Household income mobility during the 1980s: A statistical assessment based on tax return data," *Tax Notes* 55, no. 9, special supplement (June 1, 1992).

ⁱⁱⁱ Isabel V. Sawhill and Mark Condon, "Is U.S. income inequality really growing? Sorting out the fairness question," The Urban Institute, *Policy Bites* 13 (June 1992). The size of the Sawhill-Condon sample was not reported in available published versions of their research.

^{iv} Ibid.

^v W. Michael Cox and Richard Alm, "By our own bootstraps: Economic opportunity and the dynamics of income distribution," Annual Report, U.S. Federal Reserve Bank of Dallas (1995): 2-24.

^{vi} Peter Gottschalk, "Inequality, income growth, and mobility: Basic facts," *Journal of Economic Perspectives* 11, no. 2 (Spring 1997): 21-40.

^{vii} Ibid, 37.

^{viii} Wilfred T. Masumura, "Moving up and down the economic ladder." *Current Population Reports: Household Economic Studies: Dynamics of Economic Well-Being: Income*, 1993 to 1994, U.S. Census Bureau (July 1998).

^{ix} Ibid.

^x Ralph E. Smith and Bruce Vavrichek, "The wage mobility of minimum wage workers," *Industrial and Labor Relations Review* 46 (Oct. 1992): 82-88.

^{xi} James E. Long, "Updated estimates of the wage mobility of minimum wage workers," *Journal of Labor Research* 20, no. 4 (Fall 1999): 493-503.

^{xii} Ibid.

^{xiii} William E. Even and David A. Macpherson, "Rising above the minimum wage" Employment Policies Institute Study (Jan. 2000).

^{xiv} Ibid.

^{xv} William E. Even and David A. Macpherson, "The wage and employment dynamics of minimum wage workers." *Southern Economic Journal* 69, no. 3 (Jan. 2003): 676-690.



comparing the united states with other countries

chapter three

The global economy requires American workers to compete with those of other countries. It also requires a careful analysis of how our labor market competes with those of other countries. This chapter provides valuable comparative information that can be used to illustrate the economic and labor market performance of the United States relative to other G-7 countries: Canada, Japan, France, Germany, Italy, and the United Kingdom. By looking at all aspects of our workforce — employment levels, jobless rates, labor market flexibility measures, and hours worked — we see the many advantages of the U.S. economy.

Using data from the most current years for which internationally comparable data are available, we show that the United States performs well. America has achieved low unemployment, low taxes, and substantial labor and product market flexibility.

Percent of Population Working

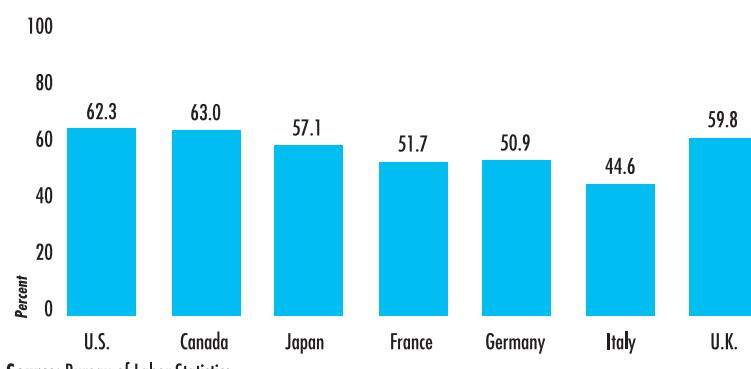
The question of how many people are working is vital to an economy's well-

being. Are there enough jobs so that those who choose to work can do so? Can unemployed people quickly find a job? Is the number of jobs increasing? Although there may be people who choose not to have paid employment, such as parents, retirees, or lottery winners, the availability of employment for those who want it is a tremendous advantage.

The employment-population ratio measures the proportion of the working-age population that is employed. It is particularly helpful in discerning whether job growth is keeping pace with population growth.

In 2003, 62.3 percent of the U.S. working-age population was employed. (See Chart 3.1.)

Chart 3.1 Employment as a Percent of the Working-Age Population, G-7 Countries, 2003



This was higher than Japan and especially countries in continental Europe. The ratio was 51.7 percent in France, 50.9 percent in Germany and 44.6 percent in Italy. The United States has had a higher employment-population ratio than Europe since 1967, and a higher ratio than Japan and Canada beginning in 1994. (See Chart 3.2.) In fact, the ratio in Japan has been falling throughout most of the 1990s.

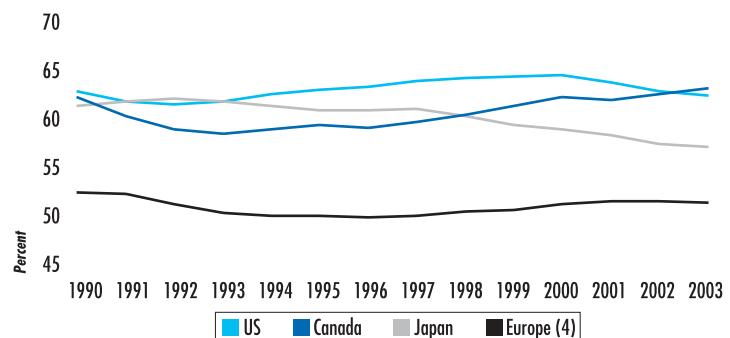
In general, employment growth is much stronger in the United States and Canada than in the other G-7 countries. (See Chart 3.3) It is very weak in Japan, where employment has diminished over the past five years, nearly returning to its 1990 level, with people moving out of the labor force.

Unemployment Rates

In the first quarter of 2004 the unemployment rate varied widely among the G-7 countries, from around 5 percent in the United Kingdom and Japan to 9.3 percent in France and Germany in first quarter of 2004. (See Chart 3.4.) The unemployment rate was 5.6 percent in the United States. Among the G-7 countries, only Japan and the United Kingdom had lower unemployment rates than the United States.

The more robust employment situation in these three countries is supported by the duration of unemployment figures in Chart 3.5. In 2003 long-term unemployment of six months or longer was lowest in Canada at 18.6 percent of total unemployment, followed by the United States at 22.0

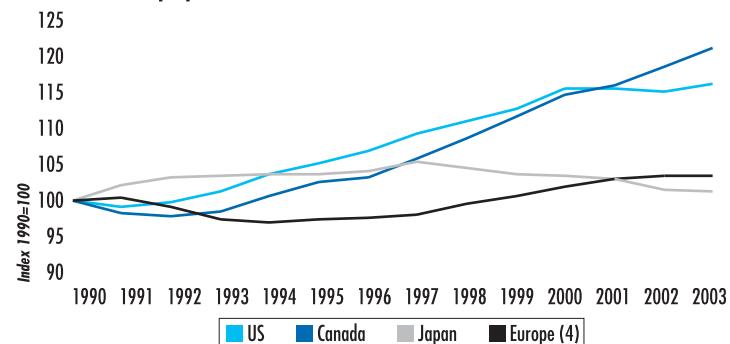
Chart 3.2 Employment as a Percent of the Working-Age Population, G-7 Countries, 1990-2003



Note: Europe (4) refers to France, Germany, Italy, and the United Kingdom.

Source: Bureau of Labor Statistics

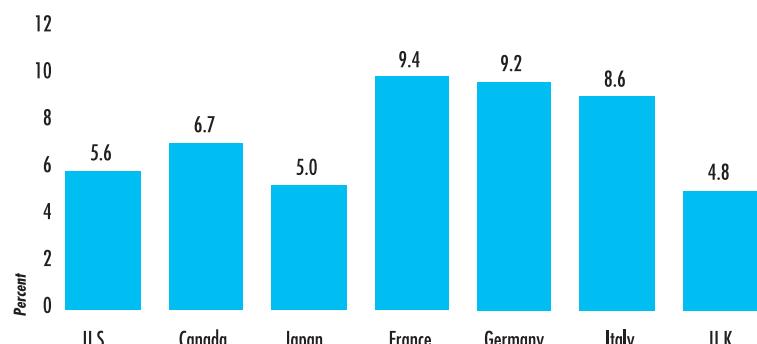
Chart 3.3 Employment Growth, G-7 Countries, 1990 - 2003



Note: Europe (4) refers to France, Germany, Italy, and the United Kingdom.

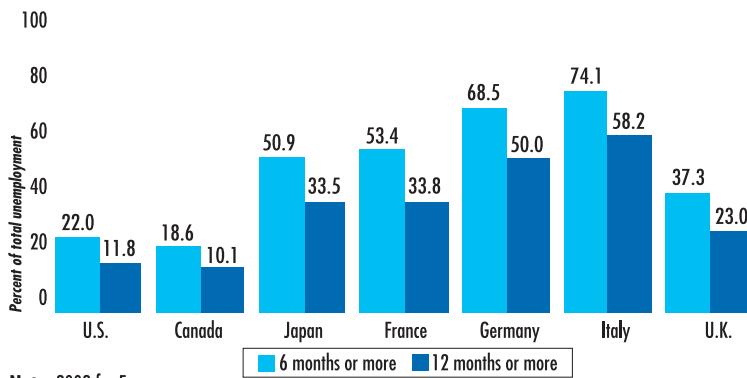
Source: Bureau of Labor Statistics

Chart 3.4 Unemployment Rates, G-7 Countries, First Quarter, 2004



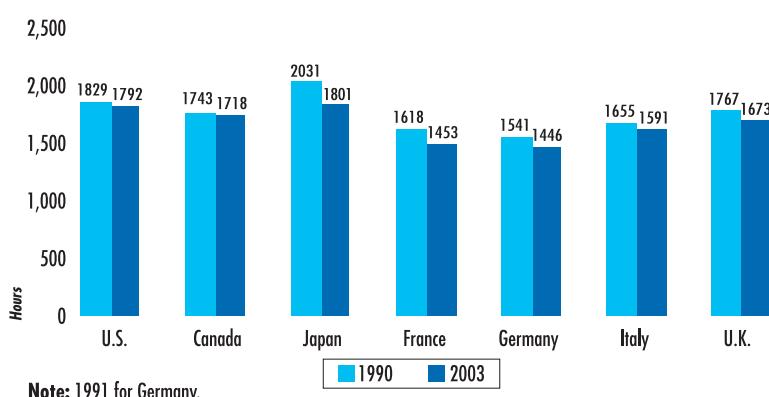
Note: Data for Italy is for the first month of the quarter.

Source: Bureau of Labor Statistics

Chart 3.5 Incidence of Long-Term Unemployment, G-7 Countries, 2003

Note: 2002 for France.

Source: Organization for Economic Cooperation and Development

Chart 3.6 Annual Hours Worked per Employed Person, G-7 Countries, 1990 and 2003

Note: 1991 for Germany.

Source: Organization for Economic Cooperation and Development

percent and the United Kingdom at 37.3 percent. At the other end of the spectrum, 74.1 percent of unemployed Italians were unemployed for six months or more.

When looking at those unemployed longer than a year, in 2003 only 11.8 percent of unemployed U.S. workers were unemployed for longer than a year, compared with 23.0 percent in the United Kingdom, and 58.2 percent in Italy.

Italy, followed by Germany, had the highest share of long-term unemployed under either measure. For example, nearly three-fourths of the unemployed in Italy, and more than two-thirds in Germany, were unemployed for six months or longer.

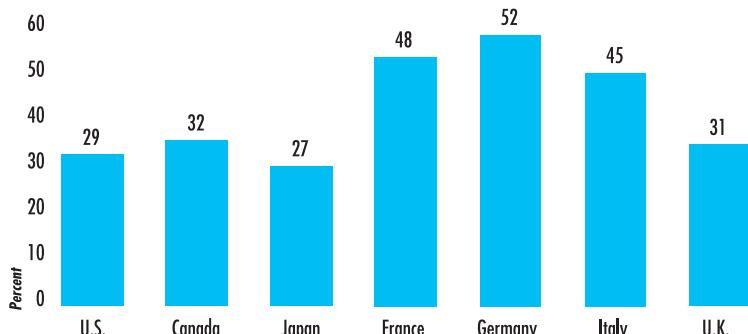
Taxes and Hours of Work

Americans work more. In 2003 annual hours worked were lowest in Europe, especially in Germany and France, and highest in Japan, followed by the United States. Annual hours of work in each of the G-7 industrialized countries declined between 1990 and 2003, but Japan and the United States were significantly ahead in terms of work hours. (See Chart 3.6.)

There are two possible reasons for the decline in annual hours worked. As people become better off, they may choose more free time to more income. Second, as taxes collected by the government increase, the incentive to work may be adversely affected.

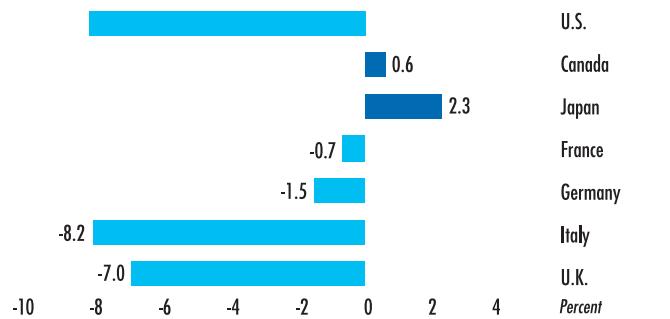
American businesses and workers pay less in taxes. The Organization for Economic Cooperation and Development (OECD) publishes annually a useful concept termed the "tax burden on labor." The tax burden on labor is the difference between what employers pay out in wages and social security charges and what employees take home after tax and social security deductions plus cash benefits. (Taxes on labor exclude

**Chart 3.7 Percent of Labor Costs Paid in Social Security and Income Taxes,
G-7 Countries, 2003**



Note: Single individual without children at the income level of the average production worker.
Source: Organization for Economic Cooperation and Development, *Taxing Wages*, 2004

**Chart 3.8 Change in the Tax Burden as a Percent of Labor Costs, G-7 Countries,
1996 - 2003**

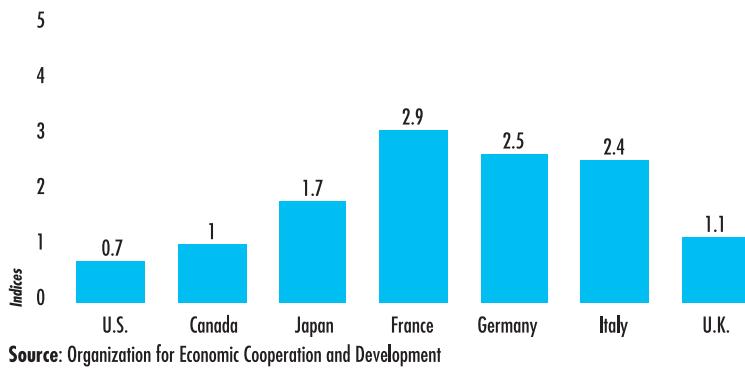
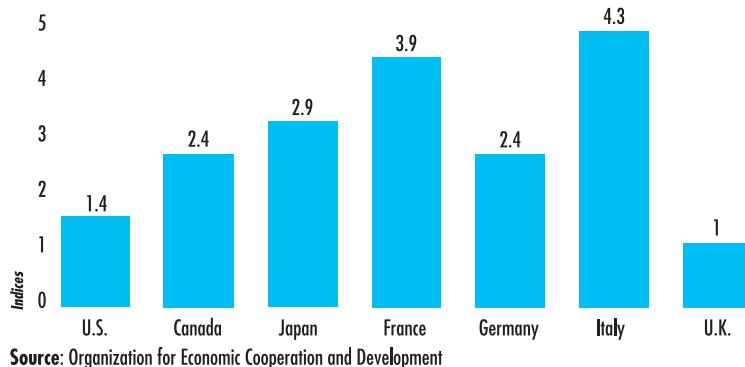


Note: Married, one-earner with two children; labor costs are equivalent to the average production worker
Source: Organization for Economic Cooperation and Development

value added taxes and other indirect taxes that are paid by workers in the price of the goods that they purchase.) The tax burden is a measure of how much an employer pays out in wages and taxes minus worker's take-home pay. It is equivalent to the sum of the taxes paid on labor by the employer and the worker.

Chart 3.7 shows that in 2003, the tax burden of the G-7 countries was lowest in Japan at 27 percent, followed by the United States at 29 percent. It was the highest in Germany at 52 percent. This was the case even though all of the G-7 European countries have been reducing taxes on labor.

Chart 3.8 shows changes in the tax burden in the G-7 countries between 1996 and 2003. All but two countries showed lower taxes. The United States posted the largest decline at 8.3 percent. Italy and the United Kingdom had declines of 8.2 and 7.0 percent respectively. In contrast, the relative tax on labor increased in Japan by 2.3 percent and in Canada by 0.6 percent.

Chart 3.9 Labor Market Flexibility Measures, G-7 Countries, 2003**Chart 3.10 Product Market Flexibility Measures, G-7 Countries, 1998**

Labor and Product Market Flexibility

Chart 3.9 shows an OECD index of labor market flexibility in the G-7 countries in 2003. In this index, labor market flexibility is measured by the extent of regulations governing the hiring and firing of workers. These rules are termed employment protection legislation (EPL). The following factors are considered: the extent of procedural requirements that employers must follow in dismissals; notice and severance pay requirements; and the degree of regulation of temporary forms of employment.

The index ranges from zero (no restrictions) to six (very restrictive). By these measures, the United States has the most flexible labor markets, followed by Canada and the United Kingdom. France and Germany have the most restrictive labor markets.

Chart 3.10 shows product flexibility measures on the same index for 1998. Product market flexibility is measured by the extent of industry regulation. It is based on a simple average of



indicators for seven industries in 1998, where each industry is rated from zero (no restrictions) to six (very restrictive). The industries are as follows: gas; electricity; postal and courier activities; telecommunications; air transportation; railroads; and road freight. These industries are not comprehensive in describing the economy, but they largely focus on infrastructure and thus indicate the bureaucratic ease of moving goods and resources from producers to consumers.

Depending on the industry, the following factors were considered: barriers to entry; public ownership; market structure; vertical integration; and price controls. Barriers to entry are essential since they affect job creation through the level of regulation surrounding entrepreneurship. The United Kingdom had the lowest index of product market flexibility, followed by the United States. Italy, France and Japan had the most restrictions on product markets.

Conclusion

There are considerable differences among G-7 labor markets. Continental European countries and at times, Japan are characterized by slower growth, higher taxes, and more regulation. In contrast, the United States, followed by Canada and the United Kingdom, leads a group that

can typically be characterized by stronger growth, less taxes, and fewer regulations on labor and industry. These differences help the U.S. economy, and others structured like it, react faster to economic cycles, provide greater opportunities to workers, and extend prosperity to a greater share of the population.

The Bush Administration seeks to open markets for the goods and services produced by American workers, to make sure that American workers are able to compete on a level playing field, and to ensure that American workers have the tools and training they need to compete.

- **Opening Markets:** President Bush has sought every opportunity to open new markets for American workers' goods and services. The Administration
 - Worked with Congress to pass Trade Promotion Authority, after an eight-year lapse.
 - Launched with 147 other economies the Doha negotiations to open markets worldwide through improved World Trade Organization commitments.
 - Signed or completed free trade agreement (FTA) negotiations with 10 countries and has launched or will soon begin FTA negotiations with 11 more countries.
- **Trade Enforcement:** The Bush Administration has worked to ensure a level playing field for American workers and farmers through these new trade agreements and has used every tool available to ensure that other countries live up to their commitments. For instance, in April, the Administration resolved eight trade disputes with China and Korea, clearing the way for American workers' goods and services.
- **Help for Trade-Affected Workers:** President Bush signed into law the new Trade Adjustment Assistance Act, which provides the most generous benefits ever to an expanded range of workers affected by trade. This assistance includes a 65 percent tax credit for health care and up to two years of training and income support.







helping the less fortunate





our compassionate nation: helping workers transition to new jobs

chapter four

One of the greatest strengths of the American economy has been its consistent ability to adapt and capitalize on new opportunities. Today, rapid technological changes are reshaping the economic landscape, and America's workforce is evolving to compete in this new environment. These transformations and new innovations, coupled with America's entrepreneurial spirit, will create a new and previously unimaginable world of jobs.

The short-term effect of economic change, particularly the loss of a job, however, can be hard on workers, families, and communities. Workers need help adjusting to these economic changes. Strong economic safety net programs give workers temporary financial support, and reemployment services help workers return to work as quickly as possible. Over the past several years, the Administration has worked on both these fronts to alleviate the difficulty associated with a lost job.

Compassionate Economic Development Programs

The Administration invests in training the workforce for the future. The workforce investment system is an essential economic development tool with social benefits.

Through a variety of programs, the Administration has proposed initiatives to speed up the delivery of unemployment assistance, which in many past cases used to come too late.

The Department of Labor administers three programs that provide vital support to workers and communities affected by unemployment: the Unemployment Insurance (UI) program; the Trade Adjustment Assistance (TAA) program; the Workforce Investment Act and related training programs, including National Emergency Grants. The Department of Labor spends \$10.5 billion per year on these programs. States also contribute by paying UI benefits. This chapter presents the UI and TAA programs. The Workforce Investment Act is described in Chapter Seven.

The Unemployment Insurance Program

The mainstay of federal aid to unemployed workers is the Unemployment Insurance program, which was established in the Social

Security Act in 1935. It is designed to provide temporary, partial wage replacement to individuals who are laid off. The UI program is the first line of defense in economic downturns and provides an economic stop-gap for laid-off workers. (See Chart 4.1.)

The depth and breadth of the UI program make it one of the most well known parts of our nation's safety net. Almost all wage and salary workers are covered by UI, and states generally provide up to 26 weeks of benefits.

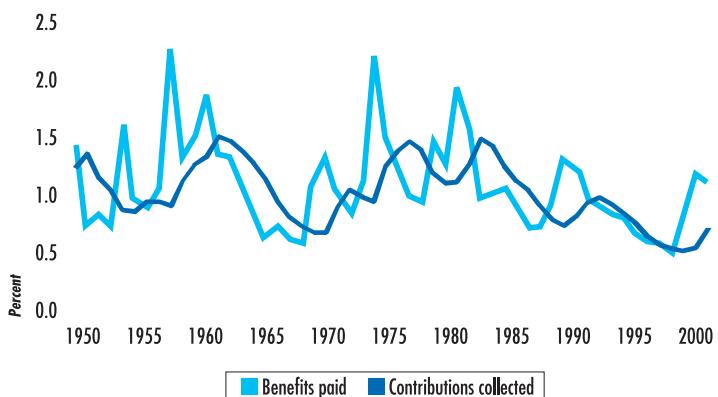
In 2003, 9.94 million unemployed workers collected benefits. The average weekly benefit amount was \$262, and the average duration was 16.4 weeks. In total, \$41.47 billion in regular benefits were paid. Additional benefits were provided under the Temporary Extended Unemployment Compensation program.

Special Unemployment Insurance Programs

Advances to States

When a state determines that it will have an insufficient balance to pay its unemployment benefits, the governor may request an advance from the Secretary of Labor. Following the recent economic downturn, eight states exhausted their unemployment fund balances and received federal advances. One additional state has requested and received authorization to borrow but has not done so yet.

Chart 4.1 Revenues Collected & Benefits Paid, as a Percent of Total Wages, 1950 - 2000



Extended Benefits

Since 1970, federal law has provided for the extension of the duration of UI benefits when states experience periods of high and rising unemployment. Upon reaching certain specified unemployment levels, states must extend benefit duration by 50 percent, up to 13 weeks of Extended Benefits, for a total of up to 39 weeks. In certain high unemployment states, unemployed workers can receive up to 7 more weeks of benefits for a total of 46 weeks. The cost of Extended Benefits is shared equally by the federal government and the states. During the last economic downturn, unemployed workers in five states received Extended Benefits. By mid-2004, state unemployment rates had fallen to levels such that no states were disbursing Extended Benefits.

Temporary Extended Unemployment Compensation

In periods of national recession, when many states are affected by high and sustained unemployment, special federally funded programs of supplemental benefits have often



been adopted. In March 2002, the Temporary Extended Unemployment Compensation (TEUC) program was established. Upon exhaustion of regular UI benefits, eligible unemployed workers in all states received up to 13 weeks of TEUC for a total of 39 weeks of benefits. Workers in high-unemployment states were eligible for an additional 13 weeks beyond the regular 39 weeks.

Temporary Extended Unemployment Compensation for Airline & Related Workers

Because of the particularly negative effect of the downturn in the airline industry, Temporary Extended Unemployment Compensation for Airline and related workers (TEUC-A) was established in April 2003. TEUC-A provided 26 additional weeks of TEUC benefits in all states to airline and related workers who were unemployed due to the terrorist attacks on September 11, 2001, a security measure taken as a result of the attack, or the war in Iraq.

Through March 31, 2004, \$23.1 billion in TEUC and TEUC-A benefits were paid to 7.8 million unemployed workers.

Reed Act Distribution

In addition to establishing TEUC in 2002, the Federal government distributed \$8 billion to state accounts in the Unemployment Trust Fund (UTF) via a special Reed Act distribution. The Reed Act provides that when three federal accounts in the UTF reach their ceilings, surpluses are distributed to the states. This special distribution provided funds without regard to the federal accounts' ceilings. States were given the flexibility to use these funds to pay benefits under current law,

expand benefits within certain limits, pay for UI administration, and enhance reemployment services.

According to a March 2003 report by the U.S. General Accounting Office (GAO), as a result of this distribution, nine states enacted benefit enhancements such as increasing the weekly benefit amount and modifying eligibility requirements so more recent entrants to the

Clara M. Nickerson is currently studying to become a nurse after losing her job due to a plant relocation. As a single parent, she states that it would not be possible to do this without the Trade Program to provide training and income support.

U.S. Department of Labor
Office of National Response

labor market would be eligible to receive UI benefits. The GAO report also indicates that without the Reed Act distribution, tax rates for 2003 would likely have been higher in 26 states. In addition, Department of Labor records show that five states established special programs for benefit exhausters. Finally, over \$1 billion has already been appropriated for administrative purposes, including automation upgrades.

Disaster Unemployment Assistance

The Robert T. Stafford Disaster Relief and Emergency Assistance Act authorizes the President to provide assistance to any individual unemployed as a result of a major disaster.

As a result of the terrorist attacks on September 11, 2001, \$13.6 million in DUA benefits were provided to about 3,300 eligible individuals in New York and \$310,000 was



provided to about 320 eligible individuals in Virginia. In addition, DUA benefits totaling \$2.9 million were provided to about 3,300 eligible individuals in North Carolina, Virginia, and Delaware because of the effects of Hurricane Isabel in September 2003.

After Hurricane Charley in August 2004, ETA administered DUA benefits in Florida. Approximately 42,000 people were expected to benefit.



Current Unemployment Insurance Initiatives

Unemployment Insurance Financial Integrity

For several years the Department of Labor has been examining ways to reform the UI program so that it reflects the 21st Century economy and workforce.

The Administration included in its 2005 budget request a three-pronged proposal that will strengthen the financial integrity of the UI program by:

- (1) Curtailing unscrupulous employer tax avoidance;
- (2) Improving prevention and quick detection of benefit overpayments; and
- (3) Collecting past overpayments by offsets from federal income tax returns.

The first two have been passed by Congress.

Reducing Tax Avoidance

On August 9, 2004, the President signed the SUTA Dumping Bill that closed a loophole in many state UI laws that allows some employers to pay less than their fair share of state unemployment taxes.

All states calculate employers' unemployment tax rates based on experience. If an employer has a stable workforce with few layoffs, the charges and tax rate are low. Employers with higher turnover generally pay higher taxes up to a maximum set by state law.

Over the past several years, some employers have found ways to manipulate their experience rating so that they pay lower state UI taxes than



they should based on their UI benefit experience. For example, some create a new "shell" company that establishes a lower UI tax rate, and then transfer some or all of their payroll to the new company. This abusive practice is commonly called "SUTA dumping" ("SUTA" refers to state unemployment tax acts).

SUTA dumping can deprive states of revenues they need to provide workers the unemployment benefits to which they are entitled under state law, and it shifts some benefit costs to other employers. Enactment of this proposal is projected to result in UI tax payments of

over \$200 million per year from employers who would otherwise engage in SUTA dumping.

National Directory of New Hires Database

On the other side, workers sometimes receive unemployment benefit overpayments. Detection and prevention of improper UI payments is a high priority for the Administration because these overpayments are a drain on the state UI trust funds, threatening benefits of needy unemployed workers. The Department's Employment and Training Administration reached an agreement with the Social Security Administration granting states access to the SSA database, and giving SSA access to UI wage records.



To further assist states to prevent or quickly detect UI benefit overpayments, the Administration proposed legislation allowing states access to data in the National Directory of New Hires—a database maintained for child support enforcement purposes.

Employers are required to swiftly provide information on all new hires for inclusion in the database. Many states are already using their State Directories of New Hires for quick detection of individuals who have gone back to work but continue to claim UI benefits.

However, state officials did not have access to new hires reported to other states. The Administration's proposal would remedy this problem by giving all states access to the National Directory of New Hires. The database also contains information from multi-state employers who choose to report new hires to a single state and wage/new hire information from federal agencies (civilian and military). This access would reduce improper payments by \$371 million over the next ten years.

Tax Offset for UI Overpayments

When UI beneficiaries receive benefits to which they were not entitled under state law, they drain state unemployment accounts of funds needed for eligible workers. For this reason, the Department of Labor wants to give states another tool to help them recover overpay-

ments and strengthen their funds. The Department of the Treasury already matches and deducts delinquent debts owed to various government agencies against federal income tax refunds. The Administration proposed adding UI benefit overpayments to the list of debts that can be recovered from federal income tax refunds.

Enactment of this proposal is estimated to result in recovery of approximately \$3 billion in UI overpayments over the next ten years.

Trade Adjustment Assistance (TAA) provides a variety of reemployment services and benefits to workers whose jobs have been adversely affected by foreign trade.

Trade Adjustment Assistance
Trade Adjustment Assistance (TAA) provides a variety of

reemployment services and benefits to workers whose jobs have been adversely affected by foreign trade. The TAA program helps laid-off workers obtain new employment with earnings comparable to their prior jobs. The program is critical to helping trade-affected workers adjust to changing market conditions and shifting skill requirements.

Eligible trade-affected workers may receive reemployment services, job search and relocation allowances, health insurance coverage assistance, wage insurance, job training, and up to 104 weeks of income support beyond unemployment insurance.



In 2002, the President signed the Trade Act which expanded TAA benefits to include the following: new subsidies for qualified health insurance (a 65 percent advanceable and refundable tax credit for health insurance coverage); a wage subsidy for certain older workers (50 percent of the difference between their new salary and old salary for two years up to \$10,000); longer periods of eligibility for income support benefits; and coverage of "secondary workers" who were employed by companies connected to firms adversely affected by trade and whose workers are eligible for TAA benefits.

In FY 2003, about 48,000 trade-affected workers received almost \$340 million in income support, and approximately 47,000 individuals entered training programs with \$220 million spent for their benefit. In 2004, management reforms were undertaken to reengineer and speed processes so that the review of petitions is completed within a 40-day time frame.

Conclusion

Department of Labor programs play a critical role in protecting America's workers from the temporary negative effects of economic change. Through more responsive delivery of aid and a vision aimed at identifying employers' needs for the 21st Century, the Department can help better prepare America's workers for new opportunities in our dynamic and competitive global economy. As we face new challenges, the Department of Labor will continue to help American businesses develop the workforce of the future and set the nation's workers on rewarding career paths that ensure economic self-sufficiency.



keeping workers safe and secure

chapter five

America's Workforce is Safe and Getting Safer

A dynamic economy and dynamic labor force require workplace rules that ensure the safety of American workers, and adapt to changing economic conditions. Protecting America's workers is of utmost concern to the Department of Labor. This chapter highlights recent Department successes in protecting workers' health, safety, employment rights, and benefit security.

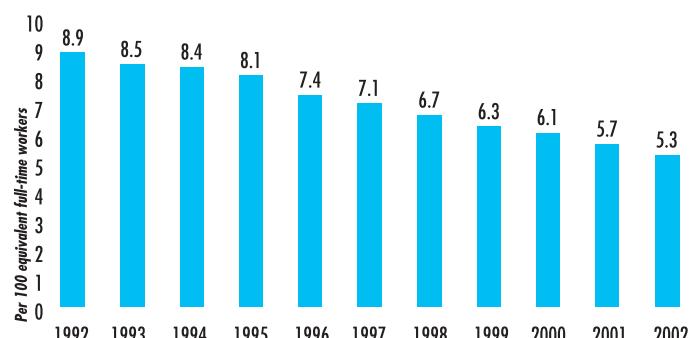
Four agencies provide examples of the Department's efforts. The Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA) have contributed to reductions in workplace injuries, illnesses, and fatalities. The Employment Standards Administration (ESA) ensures that federal contractors and other employers comply with wage and nondiscrimination laws. The Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health plans, and other employee benefits. Workplace

safety, standards for job conditions, and benefit security serve the interests of workers, businesses, and the U.S. economy as a whole.

Protecting Workers from Death and Injury

Workplace injury and illness rates have been declining. OSHA is proud that the overall workplace injury and illness rate in 2002 was only 5.3 cases per 100 workers—down from 8.9 in 1992. (See Chart 5.1.) This success is the result of hard work by federal and state OSHA offices and the employers and workers of the United States.

Chart 5.1 Workplace Injury and Illness Rate, 1992 - 2002



Note: 2002 data are consistent with prior years but not comparable

Data exclude fatal work-related injuries and illnesses

Source: Bureau of Labor Statistics, *Survey of Occupational Injuries and Illnesses*, 2002

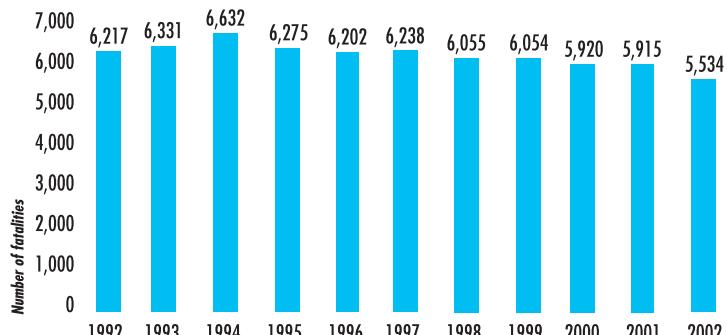
Safer, Healthier Workplaces

The number of workplace fatalities declined by 6.6 percent from 2001 to 2002 – to the lowest level ever recorded. There was an 8.6 percent reduction in fatalities in the construction industry alone in 2002.

- **More Safety Inspections:** Department of Labor (DOL) workplace safety inspections have increased 11 percent since 2001.
- **More Safety Partnerships with Unions:** DOL has formed more cooperative health and safety partnerships with labor unions than any other Administration.
- **Protecting Hispanic Workers:** Fatal injuries among Hispanic workers, which had been rising every year since 1995, fell by 6 percent in 2002, due in part to targeted programs designed to assist immigrant workers.
- **Best Mine Safety Record in History:** Mining fatalities dropped 22 percent between 2001 and 2003 to the lowest level since statistics were first compiled in 1910. The Mine Safety and Health Administration (MSHA) played a major role in the rescue of the miners at Quecreek Mine in Pennsylvania in July 2002.

However, there is still work to do. Although fatal injuries declined by 6.6 percent from 2001 to 2002— the single largest annual decline since records began in 1992—more than 5,500 workers died on the job. (See Chart 5.2.) OSHA's Strategic Management Plan, which sets forth aggressive goals for the

Chart 5.2 Fatal Work Injuries, 1992 - 2002



Note: Data from 2001 exclude fatalities resulting from September 11 terrorist attacks

Source: Bureau of Labor Statistics, *Census of Fatal Occupational Injuries*, 2002

agency, continues OSHA's efforts to reduce fatalities. The plan calls for OSHA to focus on the "Triple Bottom Line" of reducing workplace injuries, illnesses, and fatalities.

In addition to the crucial legal and moral imperatives to help save workers' lives, reducing injuries and illnesses is good for the U.S. economy. The National Institute for Occupational Safety and Health (NIOSH) estimates that the cost of fatal occupational injuries in the United States between 1992 and 2001 was \$48.7 billion.

OSHA has been very busy in the past year. Some highlights from the last 12 months are described in the following sections.

Strong, Fair and Effective Enforcement

Enforcement underpins all of OSHA's activities. Federal OSHA inspectors conducted 39,817 inspections in fiscal year (FY) 2003, an increase of about 2,000 inspections from FY 2002. OSHA's enforcement program is designed to produce change in the workplace.



As of January 2004, OSHA had 46 national alliances and 105 regional and area-office alliances. A sample of the working alliances, which are with a wide range of organizations, include Dow Chemical Company, the Society of the Plastics Industry, the MacDonough School of Business at Georgetown University, the American Industrial Hygiene Association, the Washington Group International, and the American Meat Institute.

OSHA utilizes its resources most effectively by focusing on the most dangerous workplaces through national emphasis programs, local emphasis programs, and site-specific targeting.

Inspections focusing on facilities with high injury and illness rates increased by almost 10 percent between FY 2002 and FY 2003. The number of citations issued by federal OSHA increased by more than 10 percent; citations of willful violations rose by 22 percent. Also, from January 2002 through June 2004, OSHA conducted over 1,700 inspections focusing on ergonomics issues, and has followed up with citations and hazard-alert letters informing employers of ergonomic hazards in their workplaces.

In addition, in 21 states and Puerto Rico, OSHA enforcement is provided through OSHA-approved state plans. These states, along with four additional states that cover only public employees, conducted an additional 59,290 inspections last year, extended full protection to state and local government employees, and provided extensive compliance assistance through voluntary protection programs, outreach initiatives, training and education, partnerships, and alliances—all tailored to states' unique needs.

Through its Enhanced Enforcement Program, OSHA focuses on employers who defy safety and health regulations. This newly implemented program emphasizes follow-up visits, additional inspections, and tougher settlements for enhanced enforcement cases—both fatality cases where OSHA finds serious violations related to worker death, and cases with multiple willful or repeat violations. In these circumstances, OSHA will inspect other worksites of an employer to determine whether compliance is a company-wide problem.

OSHA also works closely with the Solicitor of Labor to ensure that attorneys act quickly on all significant enforcement cases and to place special emphasis on cases involving discrimination or retaliation against workers who exercise their rights under the Occupational Safety and Health (OSH) Act.

OSHA is actively pursuing new and revised standards to improve workplace safety and health. The agency's new regulatory agenda moved from a "wish" list to a "to do" list by removing items that were either lower priority and would not be addressed in the upcoming

12-month period or that could be more effectively addressed by other means, such as guidance. The agenda now reflects what the agency is truly working on and identifies specific actions that can be accomplished in the next 12-month period.

Outreach, Education and Compliance Assistance

OSHA's efforts to reach out to employers and employees to improve workplace safety and health also continue to increase. In FY 2003, state consultation programs conducted more than 31,000 consultation visits, and assisted employers in recognizing and removing more



than 123,000 serious workplace hazards. These consultants provide additional assistance to small businesses by helping them develop safety and health management systems specifically for their workplaces.

In FY 2003, OSHA's training programs reached more than 300,000 employers and workers. The OSHA Training Institute (OTI) near Chicago and OTI Education Centers, located throughout the country, focus on training employers and employer representatives who work to ensure their worksites are in compliance with OSHA requirements and train their employees. Because many of the OSHA training programs use a Train-the-Trainer model, the programs create a multiplier effect, which allows a significantly larger number of students to be trained. Many programs are bilingual as well.

OSHA's web site, named one of the "Best of the Web" in 2003 by *Business Insurance* magazine for their usefulness and innovation, is one of the main avenues for communicating and providing compliance assistance to the public. Visits to OSHA's web pages increased 150 percent from 2002 to 2003. OSHA places information on its web pages immediately after a new hazard emerges to help employers protect their workers. For exam-

ple, as soon as the agency learned of possible ricin exposure in U.S. Senator Bill Frist's office, OSHA placed crucial information about the dangers of this substance on its web pages.

In 2003, 146,000 calls were made to OSHA's 1-800 number, which offers assistance in English as well as in Spanish, and the agency received nearly 12,000 emails. In response, the agency answers questions and directs the public to relevant sources of information.

OSHA has provided employers and workers numerous compliance assistance tools to enhance their awareness of workplace hazards.

OSHA has provided employers and workers numerous compliance assistance tools to enhance their awareness of workplace hazards. The tools include 8 new eTools and 11 new safety and health pages on OSHA's web pages, 16 Safety and Health Information Bulletins, and, for the maritime

industry, a Safety and Health Injury Prevention sheet and a video of a fatality investigation by OSHA. Two new tools on the OSHA web pages are *MyOSHA*, which creates individually-tailored links to OSHA online resources and *Quick Start*, a step-by-step guide to identify major OSHA requirements and guidance materials.

An example of OSHA's approach to outreach comes from Buffalo, New York, where OSHA's staff conducted 66 seminars for small business-



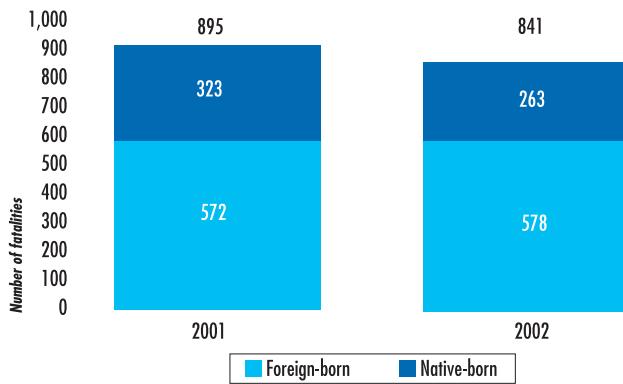
es in one year. Through the seminars, OSHA's local office assisted small-business owners in developing safety and health programs for their workplaces and made them aware of methods used by other firms to protect workers in their industries.

OSHA worked with the New York Consultation Program, local community colleges, Small Business Development Centers, local chapters of the National Safety Council, and various chambers of commerce in upstate New York to deliver the material. These organizations provided classroom space and publicity for the seminars. As employers learned of the seminars, participation grew and the feedback from the small-business owners who attended was very positive. Similar outreach efforts are being conducted in many other parts of the country, including many in Spanish to address Hispanic workers.

Partnerships and Cooperative Programs

Partnerships and cooperative programs expand OSHA's effect. Each of OSHA's alliances represents an opportunity for OSHA and trade organizations, professional societies, or unions to build a cooperative relationship, form networks with others committed to workplace safety and health, and leverage resources to produce products or services that maximize worker safety and health protection.

For instance, OSHA and 13 major airlines, including American Airlines, Delta Air Lines, Continental Airlines and JetBlue Airways, and the International Air Transport Section of the National Safety Council formed an alliance to address ergonomic issues associated with han-

Chart 5.3 Number of Fatal Work Injuries Involving Hispanics, 2001 and 2002

dling passenger-checked baggage. The alliance is helping to develop an ergonomics training manual for their workers who handle checked baggage. The manual will be made available without charge to all airlines. In addition, through the alliance, the airlines and OSHA worked cooperatively to review and provide ways to improve OSHA's eTool for baggage handling. Using both groups' input, this tool was updated and it is now available

partnerships since the program began in 1998. In the past three years, OSHA has increased the number of partnerships by an average of 54 new participants annually. Partnerships have measurable results, both in reducing injuries and illnesses and in saving direct and indirect costs.

A partnership between OSHA and the Idaho General Contractors reduced the fatality rate among members by 57 percent in six years. The number of workers' compensation claims among these firms in Idaho dropped by 30 percent during that period. Another partnership, with the Division of Marine Operations, Pension Horizon Lines of Puerto Rico, Inc. resulted in a drop in the total case rate during the first year of the partnership from 8.6 to 5.1, a 41 percent decrease.

OSHA realizes that death and injury among Hispanic workers is a significant problem. The results of OSHA's initial enforcement, outreach and compliance assistance efforts targeted to this worker population have been positive as fatalities among Hispanic workers fell by 6 percent from 2001 to 2002. (See Chart 5.3.) OSHA has over 180 bilingual staff and continues to make major improvements

The most effective way to reduce injuries and illnesses is to use all the tools available through the OSH Act.

on OSHA's web pages. OSHA currently maintains 212 strategic partnerships with employers, associations, and labor unions, and has participated in a total of 300

for Hispanic workers. The most effective way to reduce injuries and illnesses is to use all the tools available through the OSH Act. An example of the way

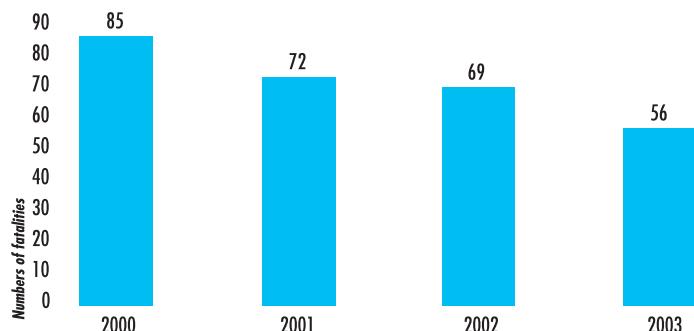
this can be accomplished occurred in the Atlanta Region last year. When regional officials learned that there were large numbers of workers electrocuted while working around power lines, they instructed OSHA's compliance officers to stop at worksites if they saw a crew working near a line. Compliance officers provided packets of information about power-line hazards to employers that described proper safety procedures. A training CD was produced for employers that included ready-made safety presentations and photos from OSHA's inspections.

OSHA also formed a regional alliance with the International Brotherhood of Electrical Workers, the Southeastern Line Constructors Chapter of the National Electrical Contractors Association, and the Southeastern Line Constructors Apprenticeship and Training Council to improve workers' ability to recognize and maintain a safe working distance from power sources, to use proper grounding techniques, and to wear proper protective equipment.

Protecting Miners

The Mine Safety and Health Administration (MSHA) is a single-focus worker protection agency, dedicated to protecting the health and safety of workers in and around the nation's mines. Since 1978, MSHA has worked steadily and successfully to reduce the number of injuries, illnesses, and fatalities suffered by mine workers. American miners are safer than ever before. In 2003, the agency reached a milestone: the number of fatalities in the industry fell to the lowest level recorded since the United States began collecting this data in 1910. MSHA continues to use every tool at its disposal to reduce

Chart 5.4 Mining Fatalities, 2000 - 2003



Source: MSHA, *MSHA Fatality Statistics, 2004*

the number of injuries, illnesses and fatalities to zero, to ensure that more workers return home to their families safe, whole and healthy at the end of every shift.

The safety milestone reached in 2003 continues a dramatic record of improvement that has seen the number of fatalities fall from 85 in 2000 to 56 in 2003, a 34 percent drop. (See Chart 5.4.) Of course, fatalities are not the only benchmark. Total injuries at all mines have fallen by 26 percent since 2000. *These are not just numbers, but lives saved and tragedies averted.*

These record-setting improvements in health and safety have been achieved through an innovative and effective approach to reducing accidents—an approach that focuses on several priorities:

- Increasing the effectiveness of enforcement by targeting those with poor health and safety performance records;

- Investing in compliance assistance tools and programs to help employers protect workers; and
- Entering into new partnerships with businesses, unions, trade associations, and professional organizations that recognize that safety and health add value.

Overall, MSHA increased the number of enforcement site events by 7 percent between 2000 and 2003. At the same time, MSHA expanded its compliance assistance program so that mine operators can get answers to their questions and guidance on how to make mines safer.

The records set from 2001 to 2003 are clear evidence that MSHA is on the right track. But further reducing injuries and fatalities requires a renewed emphasis on hazards that have not yet been fully addressed, and on the behavioral aspects of accident prevention. For example, small mines (those employing five or fewer workers) historically have experienced a fatal incidence rate significantly higher than that of larger mines.

Five of the 56 fatalities in 2003 occurred at small mines. Although this is an improvement over previous years, MSHA will continue its efforts to reach zero fatalities. During 2003, MSHA's small mine office helped the operators of nearly 1,700 small mines by providing training, education and compliance assistance. In the coming years, MSHA will continue its efforts to help small mines develop and manage safety and health programs to better protect their miners.



MSHA is also moving forward with an abandoned mine mapping program. The rescue of nine miners in Quecreek, Pennsylvania, who were trapped when they breached the wall of an abandoned mine filled with water, was cause for celebration. Yet it highlighted a real danger to workers, and was an accident that must not be repeated. In 2003, MSHA awarded nearly \$4 million to the states to create digitized underground maps for abandoned mines, with another \$6 million devoted to developing new technologies to advance the process further.

MSHA's overall success can be traced to its new emphasis on communication. Toward this end, MSHA has developed a number of special initiatives, including:

MSHA is also moving forward with an abandoned mine mapping program. The rescue of nine miners in Quecreek, Pennsylvania, who were trapped when they breached the wall of an abandoned mine filled with water, was cause for celebration.

- *National Coal Mine Safety Awareness Day.* MSHA sent more than 600 enforcement, training and technical support personnel to 1,500 active coal mines over a two-week period to speak directly with mining companies and workers.
- *Spring Thaw Workshops.* For metal and nonmetal mines, these workshops are specially designed to increase awareness of mine safety hazards before the start of the high-production season.
- *National Webcasts.* With hundreds of mine operators online, MSHA analyzes fatalities for causation and methods of prevention, and discusses best practices.



- **Hispanic Outreach.** Portions of MSHA's web pages and a number of its publications are available in Spanish. MSHA also has bilingual employees and offers mine-site sessions in Spanish.
- **Holiday Safety Initiative.** The Assistant Secretary of Labor for MSHA wrote to every mine operator weekly during December 2003 to emphasize winter hazards and the need to stay alert and focused. The results were historic—not one fatal injury in the coal mining industry for that month.

MSHA has been strengthening its relationships with miners beyond on-site visits and webcasts. MSHA has also developed a number of special alliance agreements in order to foster closer coordination. Trade associations, labor unions, and others are recognizing the advantage of working directly with MSHA to reach health and safety goals. They are demonstrating their commitment by signing alliance agreements, which go further than simply putting pen to paper. Three examples follow:

- The CEOs of the member companies of the *National Stone, Sand and Gravel Association (NSSGA)* have formally pledged to adopt MSHA's safety and health performance goals as their own. This is a first for the industry.

- *The National Safety Council*, not traditionally associated with the mining industry, has mobilized its diverse membership to protect children from the hazards associated with abandoned mine sites through the "Stay Out—Stay Alive" partnership.
- The leadership of the *International Union of Operating Engineers* took the bold step of joining MSHA and undertaking joint emergency response training and exercises in order to bolster U.S. homeland security.

The Department of Labor protects workers' hours, wages, and other job conditions.

These partnerships, initiatives and outreach programs are part of MSHA's overall strategy to reduce injuries and illnesses in mines. The agency's "**Triangle of Success**" is a balanced approach to mine safety and

health. The three points of the triangle signify (1) **technical assistance** (e.g., exploration of new technologies for scaling highwalls, designing haul roads to help control runaway vehicles), (2) **education and training** (e.g., foreman certification, mine rescue training, annual refresher courses at the National Mine Health and Safety Academy in West Virginia), and (3) **enforcement**. Compliance assistance underpins all of MSHA's initiatives and programs.

MSHA understands that the vast majority of mine operators are concerned about their workers, so the agency seeks to assist them in keeping workplaces safe. MSHA believes that assisting employers in complying with the law

is every bit as important as enforcement. All mine visits are now "inspections with a purpose." Inspectors are there to help identify and determine the root causes of hazards that lead to both violations and incidents, but will continue to hold the mining industry to stringent standards.

Mining is an inherently dangerous occupation, and it is MSHA's responsibility to help mine operators eliminate the hazards that miners face on the job. Even with the remarkable improvements in mine safety, MSHA recognizes that one death, one injury, one occupational illness is still one too many. While MSHA takes pride in its recent accomplishments, it will not be satisfied until every miner returns home safe and

healthy at the end of every shift.

Protecting Workers' Job Conditions

The Department of Labor protects workers' hours, wages, pensions, and other job conditions. One of the DOL organizations dedicated to achieving this goal is the Employment Standards Administration (ESA). In furthering the economic security and welfare of workers and families, the Department uses compliance assistance, education, private/public partnerships and, should these approaches fail, a balanced, consistent enforcement program.

The Department involves all segments of business and industry—contractors, manufacturers, retailers, consumers, worker advocacy

Strengthening Overtime Protection

DOL finalized reforms to overtime regulations that will provide more overtime to more workers, reduce litigation, and free up resources for job creation. Workers receiving overtime through a collective bargaining agreement will continue to get overtime under the new rule.

- **More Overtime for More Workers:** The Department nearly tripled the salary level under which workers are guaranteed overtime, from \$8,060 to \$23,660, guaranteeing overtime protection to an additional 1.3 million workers. The rule also strengthens overtime protection for 5.4 million workers whose right to overtime protection was ambiguous.
- **Overtime Guaranteed:** For the first time ever, the regulations explicitly guarantee overtime protection to blue collar workers, police, firefighters, EMTs, factory workers, construction workers, and licensed practical nurses, among others.
- **Reforms Long Overdue:** Sections of the overtime regulations had not been updated since 1949, and these reforms had been on the DOL's regulatory agenda since the Carter Administration.
- **Reduced Litigation:** Overtime lawsuits are among the fastest growing areas of employment litigation today. The current regulations have invited wasteful class action lawsuits that cost the economy millions of dollars and require workers to wait years to be paid the overtime they deserve. The new overtime rules will reduce this needless burden on workers and the economy by clarifying the tests under which workers qualify for overtime.



groups, financial and health care communities, and unions—in advancing the economic well-being of the Nation's workers. ESA has developed programs that assist businesses and other organizations subject to DOL's regulations to comply with their provisions through public education and outreach, in support of traditional enforcement techniques that detect violations after workers have suffered harm.

ESA's Wage and Hour Division administers and enforces a number of federal statutes that establish minimum standards for wages and working conditions, including the Fair Labor Standards Act (FLSA), the Migrant and Seasonal Agricultural Worker Protection Act (MSPA), the Family and Medical Leave Act (FMLA), certain provisions under the Immigration and Nationality Act, and various government contract laws. ESA is trying to decrease the number of employers that fail to compensate workers according to the law, especially those that commit multiple violations. For example, ESA will offer a revised comprehensive education program, including technology-based compliance assistance.

ESA also provides compliance assistance on all applicable laws during the conduct of an investigation; secures commitments for future compliance following an intervention; and obtains commitments for corporate-wide compliance by multi-establishment employers following a history of interventions. ESA assesses penalties, pursues litigation and prosecution, and publicizes the consequences of non-compliant behavior for willful and repeat violators.

Through its administration and enforcement of the Labor-Management Reporting and Disclosure Act (LMRDA), ESA's Office of

DOL finalized regulations that will provide union members with better information on how their dues money is spent.

- **Union Financial Disclosures:** Last year, DOL finalized a rule that made changes to union financial disclosure forms. The new forms will offer union members more information about how their dues money is spent.
- **Notification of Employee Rights:** On February 17, 2001, President Bush issued an Executive Order to require Federal contractors to post a notice explaining that employees can be reimbursed for the portion of their dues not used for collective bargaining, contract negotiations, or grievances.

Labor-Management Standards safeguards union democracy and the financial integrity and transparency of union operations. The LMRDA requires reporting by unions and other covered entities for the purpose of public disclosure; establishes certain standards for union officer elections; and provides certain union financial integrity protections, including criminal provisions for the embezzlement of union funds.

In carrying out its responsibilities under the LMRDA, ESA performs four types of activities: civil and criminal investigations and enforcement actions; union compliance audits; reports/public disclosure administration; and compliance assistance.

The Department is committed to fostering fair

workplaces. To meet this objective, it is dedicated to increasing the representation, advancement, and promotion of women, people of color, veterans, and people with disabilities in the workplace. President Bush has said, "I will constantly speak for the values that unite our country: personal responsibility, equal justice, and equal opportunity for everybody. These are important common values."

ESA, through its Office of Federal Contract Compliance Programs (OFCCP), enforces laws and regulations protecting workers and applicants from discrimination regardless of their sex, race, national origin, color, religion, or status as a qualified individual with disabilities or protected veteran. The requirement that government contractors refrain from discriminating in employment has been an established part of federal contracting policy since 1941, when President Roosevelt signed Executive Order 8802, and it continues

today. ESA has the responsibility of ensuring that employers doing business with the federal government comply with the equal employment opportunity and affirmative action provisions of their contracts.

Procedures and policies for assuring equal opportunity workplaces must be adaptable, so they can reflect and accommodate change in federal contractor industries now and in the future. The Department must also pursue avenues of cooperation — through partnerships with employers, associations, and other federal agencies, as well as compliance assistance — to expand equal opportunity for workers and job applicants in those companies that have a contractual relationship with the federal government.

Finally, the Department is committed to minimizing the human, social, and financial effect of work-related injuries for workers and their

When, for example, workers are wrongfully denied pay (often overtime) or terminated because of a request for family or medical leave, DOL intervenes to help those workers collect back wages. In 2003, DOL recovered more than \$212 million in back wages – an 11-year high and a 21 percent increase over 2002. The number of workers receiving back wages increased 30 percent, to more than 342,000 workers.

- **Increase in Back Wage Recovery:** Back wages collected for violations of the Fair Labor Standards Act – which governs minimum wage and overtime protections –increased by 27 percent from 2002 to 2003.
- **Special Emphasis on Low-Wage Workers:** Since 2001, the collection of back wages is up 7.8 percent for garment workers and up 52 percent for agricultural workers, and DOL concluded an historic \$10 million settlement for poultry workers.
- **Quicker Results for Workers:** DOL has worked aggressively to resolve worker complaints more quickly. Since 2002, the average number of days needed to resolve wage and hour complaints has declined to a record low of 108 days.

families. ESA's Office of Worker Compensation Programs administers four disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of workers who die from job-related injury or disease.

- The Federal Employees' Compensation Act (FECA) program affords income and medical cost protection to civilian employees of the federal government and to certain other groups.
- The Longshore and Harbor Workers' Compensation Act program provides similar protection to private sector workers engaged in certain maritime and related employment.
- The Black Lung Benefits program provides protection to the nation's coal miners who are totally disabled by pneumoconiosis.
- The Energy Employees' Occupational Illness Compensation Program Act of 2000 (EOICPA) provides compensation and medical benefits to workers or survivors of workers of the Department of Energy (DOE) and of private companies under contract with DOE who suffer from a radiation-related cancer, beryllium-related disease, or chronic silicosis as a result of their work in producing or testing nuclear weapons.

Protecting Employee Benefits

We have seen that the Department of Labor protects workers from injury and abuse. In addition, the Employee Benefits Security Administration (EBSA) protects the integrity of pensions, health plans, and other employee benefits for more than 150 million people. These include approximately 7 million health and other welfare benefit plans and 738,000 pension plans



holding approximately \$4.2 trillion in assets.

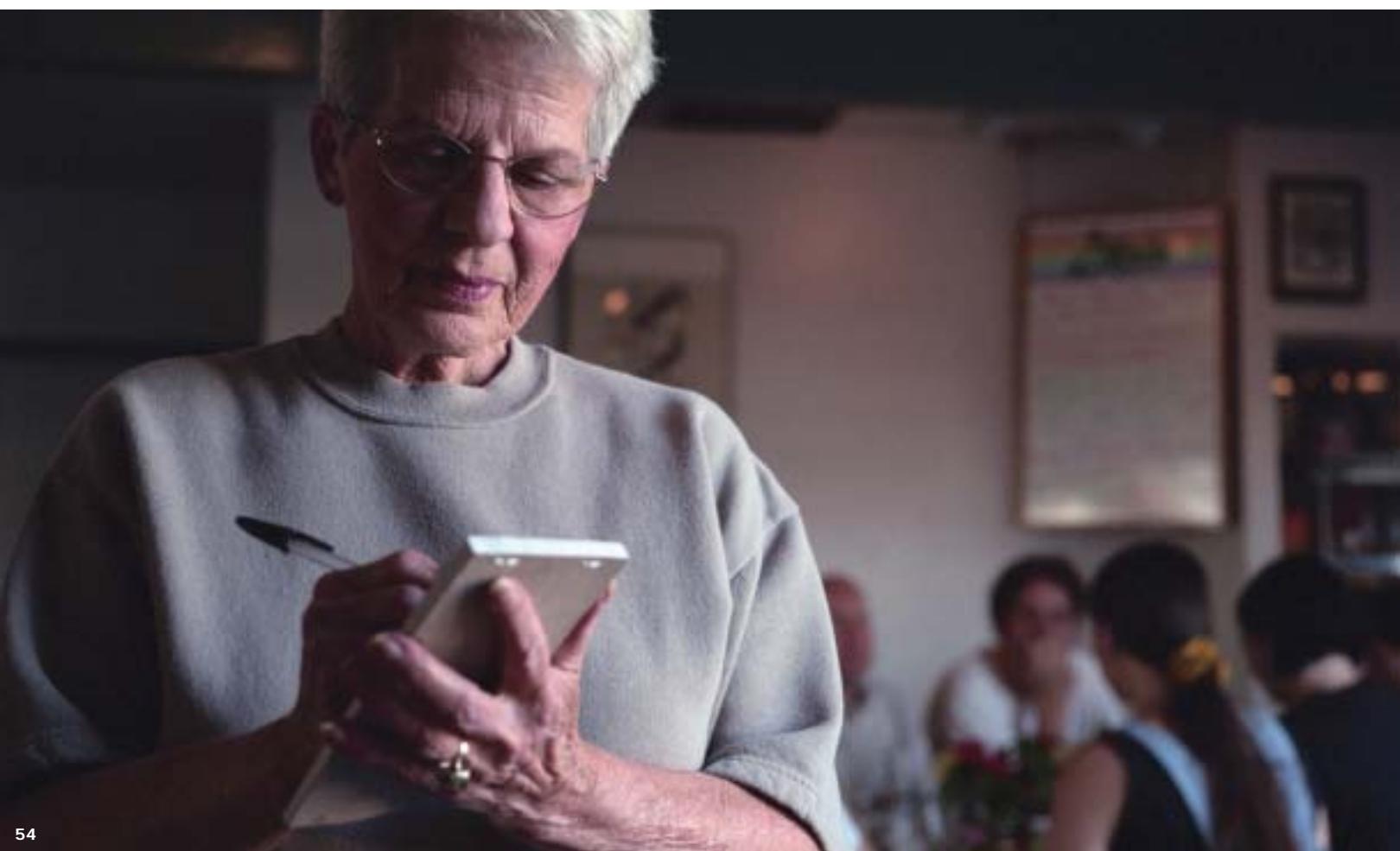
Enforcement of ERISA

EBSA enforces the Employee Retirement Income Security Act of 1974 (ERISA), which protects the pension, health and other employee benefits of workers and their families in private sector employee pension and welfare benefit plans. EBSA enforces those sections of the statute that prescribe minimum standards of fiduciary conduct as well as the reporting and disclosure requirements.

The law covers most private sector employee benefit plans that are voluntarily established and maintained by an employer, an employee

organization, or by some combination of these. Pension plans provide retirement income or defer income until the employee stops working or sometime later. Other employee benefit plans, which provide health, disability, and other similar benefits, are called welfare plans.

EBSA enforces standards and rules governing the conduct of plan fiduciaries. In general, people who exercise discretionary authority, manage a plan or have the authority to dispose of its assets are "fiduciaries" under Title I of ERISA. Fiduciaries are required, among other things, to discharge their duties both prudently and solely in the interest of plan participants



and beneficiaries. ERISA prohibits certain transactions between an employee benefit plan and “parties in interest.” Parties in interest include the employer and others who may be in a position to exercise improper influence over the plan.

EBSA also conducts investigations of criminal violations regarding employee benefit plans such as embezzlement, kickbacks, and false statements under Title 18 of the U.S. Code. U.S. Attorneys’ offices handle prosecutions of these criminal violations.

Targeted Enforcement

EBSA enforces ERISA by conducting investigations through its ten regional offices and five district offices located in major cities around the country. EBSA seeks to identify situations and apply its enforcement resources to protect those employee benefit plan participants and beneficiaries who are in the greatest danger of being harmed as a result of ERISA violations. Such methods focus on those situations where workers are most susceptible to losing their benefits, or where they are exposed to the greatest risk of falling victim to unlawful conduct.

Targeting is the process by which EBSA identifies investigative subjects who may have broken the law. Because there are nearly 7 million private employee benefit plans under EBSA’s jurisdiction, targeting is essential. EBSA strives to use its resources in areas that are most likely to uncover abuses.

The Department of Labor works hard to ensure that statutes and regulations protecting workers are both followed and enforced. As a result, America's workers enjoy a more secure workplace.

Once the type of conduct and the individual or firm is identified, the field office decides whether to open an investigation. EBSA’s field offices coordinate civil investigations and case referrals with their local Regional Solicitors’ Offices or with the Plan Benefits Security Division of the Solicitor’s Office in Washington, D.C., which are responsible for bringing civil lawsuits on behalf of the agency. Criminal investigations are conducted

under the direction of the United States Attorney in that jurisdiction.

Enforcement Actions

If an investigation reveals a violation of the civil provisions of ERISA, EBSA takes action to obtain correction of the violation. It is EBSA’s policy to promote voluntary compliance with ERISA whenever possible. Making corrections



includes paying amounts to restore losses, reversing prohibited transactions and paying penalty amounts (when applicable).

Labor Department attorneys work with field offices to provide every opportunity for fiduciaries to comply with ERISA. If the persons involved take the proper corrective action, the Department will not bring a civil lawsuit with regard to the issues under discussion. When voluntary compliance is not achieved, EBSA may refer a case to Labor Department attorneys for litigation. Criminal prosecutions are conducted by the Department of Justice. Employee Benefit plan related crimes are punishable by significant prison terms and fines.

Protecting Retirement and Health Security for Working Americans

The Bush Administration has proposed several significant reforms to enhance the retirement and health security of working Americans and their families.

For workers in defined contribution retirement plans, such as 401(k) plans, the President recommended five reforms to improve retirement security. The President has signed two of these into law as part of the Sarbanes/Oxley legislation. These laws would require plans to give 30 days notice to participants prior to a plan blackout, a period of time during which participants cannot make transactions in their plans, and would also prohibit corporate executives from trading stock in the company they hold outside of the plan during the plan blackout.

The House of Representatives has passed the three remaining Presidential recommendations, and they are pending in the Senate. These would allow employees to diversify their investments by selling matching company stock held in their plans after three years, require

Strengthening and Protecting Pension and Health Plans

- **Strengthened Union Pension Plans: As part of the President's 2001 economic growth and tax relief bill, workers' pension payments are now calculated on the basis of their best three years of earnings rather than their last three years. This is especially beneficial for construction workers because their earnings often decline with age.**



- **Prosecuted Abuse of Pension and Health Plans: Criminal prosecutions against employers and plan trustees abusing pension and health plans have increased by more than 50 percent since 2001.**

Since 2001, DOL secured \$3 billion through court judgments, settlements, and fines covering 150 million workers and their dependents by holding those who manage benefit plans accountable to their legal obligations to protect pension and health benefit plans.

plans to provide participants with quarterly benefit statements, and allow greater access by participants to professional investment advice.

For workers in traditional retirement plans, called defined benefit plans, the Administration has proposed a set of reforms designed to improve accuracy in measuring and reporting the funding status of pension plans. The Administration is also working on a comprehensive pension funding reform proposal that will ensure companies and labor unions provide the funds to keep the pension promises they make.

For workers and employers who are having difficulty finding affordable health insurance, President Bush proposed several key initiatives, including Association Health Plans (AHPs), which will be discussed further in Chapter 6. AHPs will allow small businesses and other employers to join together through their bona fide trade and professional associations to purchase health coverage across state lines. Doing so will allow these workers to benefit from the same economies of scale, administrative efficiencies and uniform regulation enjoyed by large employers and labor unions. According to the Congressional Budget Office, AHPs will allow as many as 2 million Americans who do not currently have health coverage through their employer to gain coverage, reducing premiums by as much as 25 percent. AHP legislation passed the House on a strong bipartisan basis and is pending in the Senate.

American workers and their families rely on the retirement and health plans provided by their employers, and the Employee Benefits Security Administration works hard to ensure

that those plans are managed properly and in the best interests of workers and their families.

Conclusions

The Department has made substantial gains in protecting workers' health, safety, employment rights, and benefit security. By making sure that workers have safe and healthy workplaces, OSHA has contributed to an overall workplace injury and illness rate of only 5.3 cases per 100 workers in 2002.

Working with mine operators to have the lowest injury and fatality rates possible, MSHA has made significant progress in protecting miners. During 2003, mine fatalities fell to the lowest level since the United States began collecting data in 1910, falling from 85 in 2000 to 56 in 2003 — a 34 percent decline. Additionally, total injuries in mines fell by 26 percent in the same period.

ESA works hard to make sure that workers are paid according to congressionally-mandated levels and that employees and applicants are protected from discrimination.

DOL has been successful in protecting employees' benefits such as pensions and health plans. In FY 2003, EBSA reported a record \$1.4 billion in monetary results, and 137 criminal indictments resulting from EBSA investigations. These results have dramatically increased from the \$637 million and 90 criminal indictments reported by EBSA in FY 2000.

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creating the environment for job growth

chapter six

President Bush frequently calls on governmental entities to streamline regulation. Good rules and regulations protect employees in the workplace. But sometimes regulations become unnecessarily burdensome and end up hurting businesses and the workers they were designed to protect. We must make sure that the costs of regulations do not outweigh their benefits.

The Department of Labor works to preserve a delicate balance. We need to protect workers' interests without stifling the ability of employers to expand their businesses and hire more employees. By eliminating unnecessary and burdensome regulations and creating smarter, more effective regulations, the Department has helped foster new job growth within a safe working environment.

This chapter describes the progress that the Department of Labor has made in streamlining regulations. It concludes with a discussion of the challenges of addressing the regulatory problems in the provision of health insurance.

Regulatory Agenda

The Department of Labor routinely issues regulations that implement new statutory requirements from Congress. It also revises regulations to reflect current economic realities and workplace conditions. Executive Order 12866 (1993) and the Regulatory Flexibility Act (1981) require semiannual publication in the *Federal Register* of an agenda of regulations, both regulations under active consideration for promulgation, proposal, or review during the coming one-year period, and those it expects to propose or promulgate that are likely to have a "significant economic effect on a substantial number of small entities."

Proposed regulations are recorded in the Department's Regulatory Agenda twice a year, with some items added as agencies start new rules and others removed due to long-term inaction. Over the years proposed regulations accumulated, and the agenda came to include many items on which no action had been taken for long periods and/or for which action was no longer necessary.

Therefore, in 2001 the Department began a systematic review of the Regulatory Agenda. Each

item was evaluated for retention or withdrawal based on the Administration's policy objectives, the Secretary's priorities, statutory requirements, the length of time the item had remained on the Agenda without action, and whether circumstances indicate the rule is no longer needed.

The Department has reduced the size of its Regulatory Agenda from about 145 to about 80 items in three years. These items accurately reflect the Department's Regulatory Agenda, allowing the public to participate more fully in the regulatory process. (See Chart 6.1.) Additionally, the Department has prioritized and issued new regulations that achieve the same results more efficiently, protecting workers and leaving businesses with more resources for hiring.

The Policy Planning Board

In August 2001, after a review of existing procedures, the Policy Planning Board (PPB) was established to provide a Department-wide mechanism for evaluating proposed policies,

particularly regulatory policies, with oversight by the Secretary.

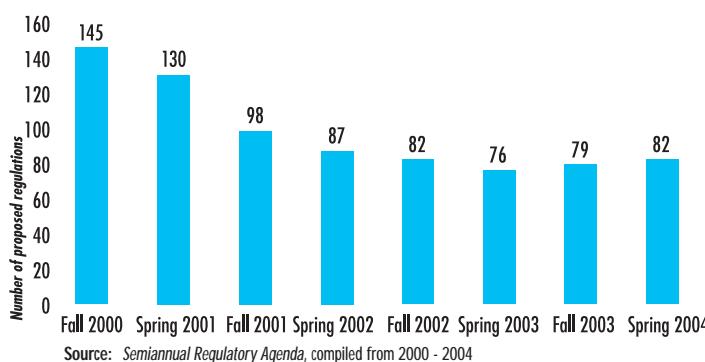
The PPB is responsible for reviewing, developing, and advancing all major policy initiatives planned by DOL and its agencies. The purpose of the PPB is to assure that such proposed actions have been fully considered by the appropriate agencies, and that such actions are consistent with Department and Administration policy priorities. Another key function of the Board is to manage policy initiatives that cross agency lines or require interdepartmental coordination. All actions reviewed by the PPB are ultimately forwarded to the Secretary for final approval prior to their implementation, transmittal to the Office of Management and Budget (OMB), or publication in the *Federal Register*.

Implementation of Regulatory Priorities

With a reduction in outdated items, the Department has been able to focus on completing its top regulatory priorities. These include transparency in union accounting, with a new Form LM-2 (Labor Organization Annual Report); regulations concerning the Senior Community Service Employment Program (SCSEP); and new overtime rules which strengthened and clarified overtime protection.

On October 9, 2003, the Department published the final rule containing changes to Form LM-2 used by large labor organizations to file annual financial reports. The American workforce and labor organizations have changed dramatically over the last 40 years, yet the form used by labor organizations to report financial information had not changed significantly in the same time period.

Chart 6.1 DOL Regulatory Agenda, 2000 - 2004



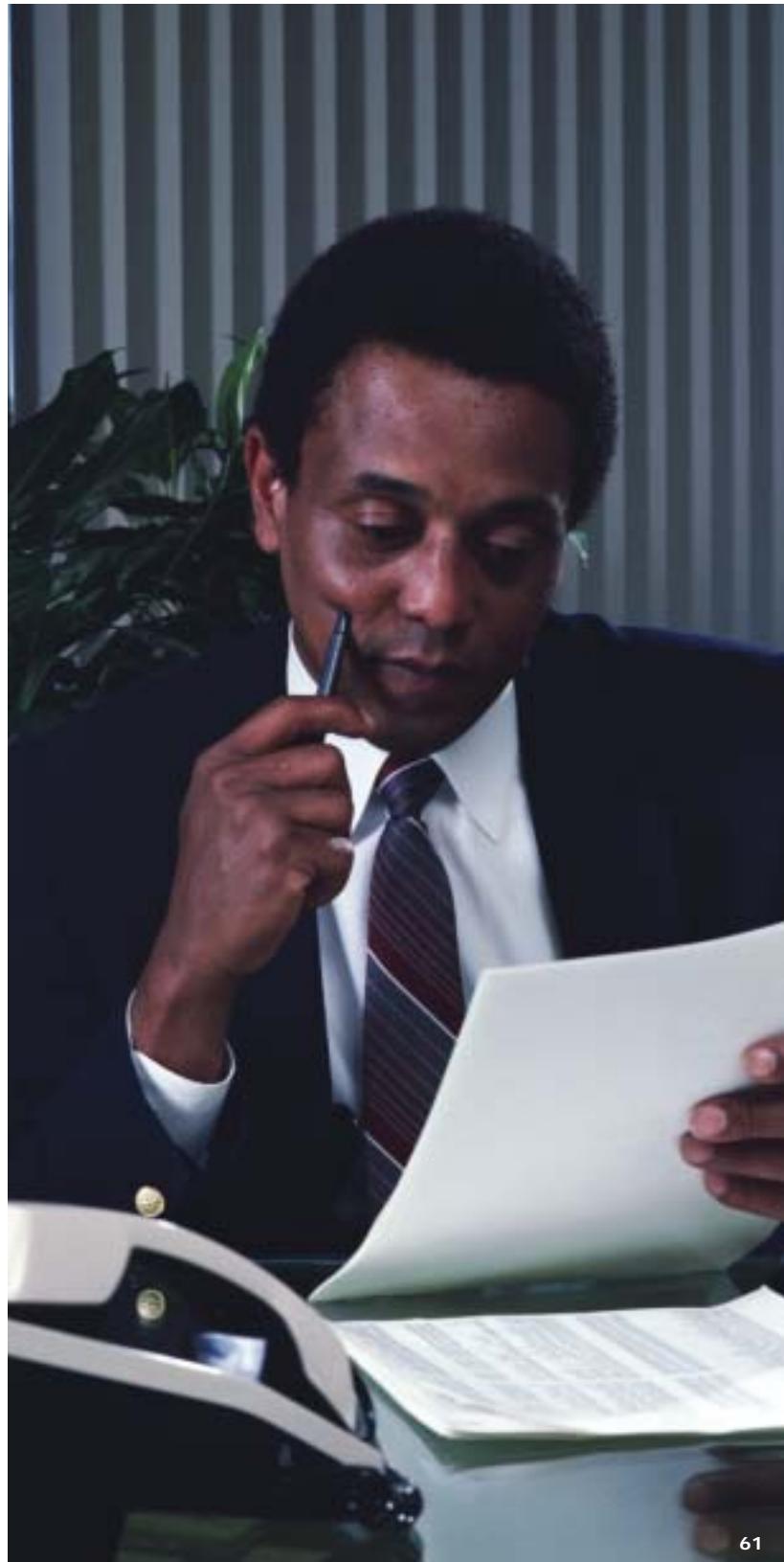


The recent changes to Form LM-2 reflect the Department's belief that more detailed and transparent reporting of labor organizations' financial information will be more useful to union members, more effectively deter fraud, and enable investigators to more easily discover fraud when it occurs. On March 26, 2004, fully tested versions of the software for the revised LM-2 and new Form T-1 (Trust Annual Report), user guides, and electronic instructions were made available for downloading from the web site of the Department's Office of Labor-Management Standards.

On April 9, 2004, new regulations for the SCSEP were issued in the *Federal Register*. The SCSEP fosters and promotes useful part-time opportunities in community service activities for persons with low incomes who are 55 years of age or older.

The new SCSEP regulations were occasioned by the Older Americans Act (OAA) Amendments of 2000. The OAA Amendments expanded the program's purpose to formally recognize unsubsidized employment as a program goal. Other major areas of change include stronger linkages with the One-Stop Delivery System; an annual State Senior Employment Services Coordination Plan; performance measures; and corrective actions for grantees that fail to meet the performance measures.

On April 23, 2004, the Department issued the New Overtime Security Rules, which strengthened and clarified overtime protections. The overtime protections intended by the FLSA had eroded over the decades. The salary test for classifying employees as exempt from



overtime requirements was last updated in 1975, and the job duties test had not been changed since 1949.

Under the New Overtime Security Rules, workers earning less than \$23,660 per year — or \$455 per week — are guaranteed overtime protection. As a result, 1.3 million low-wage workers will gain the right to overtime, and an additional 5.4 million workers will have their overtime rights strengthened. The FairPay regulations became effective August 23, 2004.

Each of these three regulatory initiatives was initiated and published as a final rule during Secretary Chao's administration. In addition, Table 6-1 enumerates other regulatory initiatives that were initiated and finalized during the same period.

The Department has identified 19 high priority items for regulatory action. Seven of them address health and safety issues, which are central to the Department's mission and which represent a major focus of the Secretary. Two agencies, the Mine Safety and Health Administration (MSHA) and the Occupational Safety and Health Administration (OSHA) are responsible for these initiatives.

MSHA's priorities involve asbestos exposure limits, diesel particulate matter, and coal mine dust monitoring. Four of OSHA's priorities address health standards concerning respiratory protection, exposure to crystalline silica, hexavalent chromium, and streamlining and updating a number of other health standards in ways that enhance compliance. A fifth OSHA priority project – a fire protection standard for shipyards – will help prevent deaths and injuries.

Table 6.1 Regulations Initiated and Completed, 2001-2004

| |
|--|
| Disaster Unemployment Assistance An Interim Final Rule |
| Senior Community Service Employment Program |
| E-filing of Labor Condition Applications |
| Jobs For Veterans Act of 2002 |
| Overtime Regulations Under Part 541 of the Fair Labor Standards Act |
| Criteria and Procedures for Proposed Assessment of Civil Penalties |
| Diesel Particulate Exposure of Underground Metal and Nonmetal Miners |
| Emergency Evacuation |
| Alternate Locking Devices for Plug and Receptacle-Type Connectors on Mobile Battery-Powered Machines |
| Standards for Sanitary Toilets in Coal Mines |
| Seat Belts for Off-Road Work Machines and Wheeled Agricultural Tractors at Metal and Nonmetal Mines |
| Miscellaneous Technology Improvements (Methane Testing) |
| Commercial Diving Operations; |
| AIR21 Whistleblowers |
| Signs, Signals and Barricades |
| Changes to OSHA State Plans |
| Occupational Injury and Illness Recording and Reporting Requirements |
| Sarbanes-Oxley Whistleblower Protection Regulations |
| Pipeline Safety Whistleblower Protection Regulations |
| Exemption for Religious Activities from Affirmative Action and Nondiscrimination Obligations of Government Contractors |
| Unemployment Insurance Trust Fund Integrity |
| Audits of States, Local Governments and Non-Profits |
| Audit Requirements for Grants, Contracts, and Other Agreements |
| Debarment and Suspension and Requirements for Drug Free Workplace |
| DOL Acquisition Regulations |
| Claims for Compensation Under the Energy Employees' Compensation Act |
| Delinquent Filer Voluntary Correction Program |
| Notice of Blackout Periods to Pension Plan Participants and Beneficiaries |
| Civil Penalties Under ERISA Section 502 Subpart C(7) |

Source: Office of the Assistant Secretary for Policy, Department of Labor

Consistent with the Secretary's priority for ensuring pension and health benefit security, the Employee Benefits Security Administration (EBSA) will emphasize finalizing regulations that facilitate the payment of benefits from pension plans that have been abandoned by their sponsors and facilitate the rollover of missing participant distributions into individual retirement accounts in an effort to preserve retirement income.

Finally, the Secretary has prioritized protecting the employment rights of service members as they return to the civilian workforce.



Implementation of Statutory Responsibilities for Sarbanes-Oxley

The Sarbanes-Oxley Act of 2002 required the Department to issue regulations implementing the Act's whistleblower provisions and its provisions governing notices to employees of blackout periods, during which they would be unable to trade in employer stock held in their 401(k)-type plans. Final Blackout Period regulations were issued in January 2003, and whistleblower regulations were issued in May 2003. In addition, final whistleblower regulations required by the 2000 Wendell H. Ford Aviation Investment and Reform Act for the 21st Century were published in March 2003.

This year, the Department specifically addressed the goal of a more competitive workforce. This requires the promotion of job flexibility and the minimization of regulatory burden. DOL agencies are in the beginning stages of planning exactly how they will examine, and possibly adjust, the regulatory environment imposed on employers in ways that accommodate evolving non-traditional work arrangements and the need to reduce regulatory burden, while keeping necessary worker protections in place.

Rising Health Costs Harm Job Creation

After averaging less than 1 percent per year from 1994-1997, health benefit costs began to climb again in 1998, increasing at annual rates of 14.7 percent in 2002 and 10.1 percent in 2003. An earlier period of high health cost inflation during the late 1980s and early 1990s is often cited as causing the shift away from traditional insurance plans, where individuals pay a percent of the costs, to managed care, where people generally pay a lump sum as copayment. This period of inflation also led to

Addressing Regulatory Problems in the Provision of Health Insurance

For most Americans, health insurance is provided through the workplace.

Since World War II, this system of employer-provided coverage has been an integral part of a health care system that is among the best in the world, but the system today faces challenges in the form of rising costs and a corresponding declining level of plan sponsorship. Controlling costs and finding new, more efficient ways to provide coverage are the key challenges facing the American system of private health insurance.



higher cost sharing requirements for employees and a decline of group health plan sponsorship by employers.

Rising health insurance costs create competitive disadvantages for American companies in the global marketplace. Indeed, William Clay Ford Jr., the chairman of Ford Motor Co., last year said that the rising cost of health care puts U.S. companies at a competitive disadvantage. Not surprisingly, as costs have increased and employers have felt the pinch, the segment of the American population with employer-sponsored coverage has dropped from approximately 70 percent in 1987 to 61 percent today.

More Access and More Choices in Health Care

The President's goal is to ensure that Americans can choose and afford private health care coverage that best fits their needs. The U.S. health care system can provide the best care in the world, but rising costs and loss of control to government and health plan bureaucrats threaten to keep patients from getting state-of-the-art care.

The President's agenda includes:

- **Health Savings Accounts (HSAs), which combine low-cost, high-deductible health insurance with tax-free savings accounts to pay for health care expenses. The President has also proposed to make insurance premiums associated with HSAs tax deductible.**
- **Association Health Plans (AHPs) to give America's working families greater access to affordable health insurance. By allowing small businesses to band together and negotiate on behalf of their employees and their families, AHPs would help small businesses and employees obtain health insurance at an affordable price, much like large employers and unions.**
- **Strengthening Medicare. President Bush signed legislation in 2003 to establish a prescription drug benefit under Medicare. Under this plan, private health plans will provide seniors better coverage at affordable prices by using competition, not government price-setting. And seniors will be able to choose the health care plan that best fits their needs instead of having that choice made by the government.**

Given that the period of health cost inflation in the late 1980s led to some restructuring of employment-based health insurance, the current rise in costs can be expected to have an effect on insurance markets. What is unknown at this time is how employers and employees will respond to rising costs. Will "consumer driven" approaches and high deductibles become the norm? Will more employers get out of the benefits business altogether?

Employer Size Makes a Difference

For a variety of reasons, insurers typically charge small firms more per employee than large firms for comparable coverage. According to the General Accounting Office, insurers incur higher marketing, underwriting and administrative costs when providing health care coverage to small employers than to large employers – and they pass those costs on to small firms. Small company premiums are typically 20 percent to 30 percent higher than those of large, self-insured companies with similar claims experience. And, as noted above, the cost of coverage continues to rise.

The difficulties that small businesses face in trying to offer quality, affordable health insurance help to explain a significant part of America's uninsurance problem. Small firms employ 42 percent of all workers. Yet these workers and their families comprise 60 percent of the working uninsured.

The Solution: Empower Small Employers

The Bush Administration is pursuing a comprehensive health care agenda designed to improve health care accessibility and affordability for every American, consistent with the Pres-

ident's call for an ownership society. This agenda focuses on expanding coverage for small businesses through Association Health Plans (AHPs), as well as expanding coverage for individuals through new arrangements such as Health Savings Accounts, enacted as part of last year's comprehensive Medicare reform.

AHPs will improve the health insurance outlook for small employers by breaking down state-by-state market barriers that discourage small employers from offering coverage. Regulated by the Department of Labor, AHPs will utilize uniform regulation and market transparency to enhance national product uniformity and efficiency. The result will be high quality, lower cost health coverage that will make small employers more competitive.

How would they work? In an AHP, small businesses could join together across state lines through *bona fide* trade and professional associations to purchase health benefits. By pooling their resources, small businesses would enjoy greater bargaining power, economies of scale, administrative efficiencies, and more uniform regulation, all combining to make coverage more affordable.

By grouping small employers together to purchase coverage, AHPs will be able to act more like large employers and offer lower cost coverage to employers, employees and their families. If the AHP chooses to purchase insurance, it will be in a better position to negotiate with insurers regarding the terms and costs of coverage than small employers acting individually.



Health Savings Accounts (HSAs)

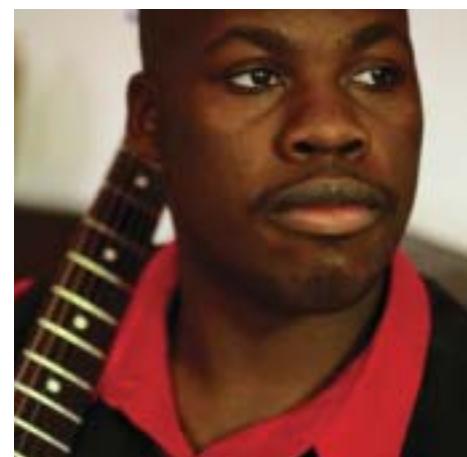
Millions of Americans will get help with their out-of-pocket medical expenses through President Bush's support of health savings accounts (HSAs). The Medicare bill that President Bush signed into law establishes new tax-free savings accounts for people and groups who purchase affordable high-deductible health plans. Those who take advantage of these accounts will save substantial sums on health insurance premiums and gain more control over health care spending. The tax-free, portable accounts will help families pay their routine medical expenses and provide a tax-preferred means of saving for future health care needs.

New health insurance deductions will make coverage more affordable to millions of Americans whose employers do not provide health benefits. The President's proposal will allow individuals who establish HSAs to deduct the premiums they pay for their low-premium, high-deductible health insurance policies. This new deduction will be available to taxpayers whether or not they itemize. It will reduce the net cost of these policies and encourage the use of HSAs for saving for health care needs and making wise, cost-effective health care choices.

Tens of thousands of people already are saving on their health care costs through HSAs. These accounts can save families thousands of dollars on their health insurance premiums.

Americans can deposit some or all of these savings into their tax-free accounts and use the money for current health care needs and to save for future medical expenses. Employers also can contribute to these accounts, which the employee controls.

Instead of sending more money off to insurance companies in the form of higher premiums, families can keep their savings in an account that belongs to them, not to their employer or to an insurance company.



AHPs will also enjoy economies of scale in the administration of plans. They will give insurers a vehicle to market and distribute policies to many small employers at once. By offering a well-selected and stable choice of policies to members, AHPs can help slow small employers' otherwise costly movements from one insurer to another.

In addition, AHPs will allow small businesses to enjoy a more uniform regulatory system. Just as large employers and unions are able to offer the same health plan to their workers and members regardless of which state they live in, AHPs will allow small businesses to join together across state lines to purchase uniform health



benefits under the protective umbrella of ERISA.

It is important to note, however, that the pending AHP legislation leaves in place major elements of state insurance regulation. Much as in the current group health marketplace, insurers selling policies to AHPs would be regulated by the states.

The AHP legislation passed by the United States House of Representatives preserves important state consumer protections for these insurers, including solvency standards and prompt pay laws. AHPs that offer self-insured coverage will be subject to a single, effective, national certification and oversight process administered by the Department of Labor. The legislation provides strict new solvency standards for these plans to protect consumers.

AHPs will help ensure that small employers will not be denied insurance coverage or be priced out of the market due to the health of their employees. An employer with high claims experience would be offered the same coverage options as other employers within the sponsoring association. Under the current legislative proposal, AHPs would explicitly be prohibited from setting premium rates based on health status, effectively restricting their ability to engage in favorable risk selection, or so-called "cherry-picking."

Small businesses obtaining insurance through AHPs could enjoy significant premium reductions. According to the Congressional Budget Office (CBO), the average savings would be 13 percent and could be as much as 25 percent per employer.



CBO further estimated that, because insurance will be more affordable, as many as *two million* Americans whose employers do not offer insurance today will be brought into the employment-based health insurance system.

AHPs will give small employers and other members of trade and professional associations real choices in health insurance options. By providing greater choice and greater efficiency, AHPs will make the market for health insurance more dynamic, which will be good for all Americans.

Conclusions

We need regulations to protect our workers, but at the same time, we must remember these regulations impose real administrative and monitoring costs on both businesses and enforcement agencies. Designing an ideal regulatory system requires that we ensure that the benefits of regulations are real and are greater than the costs of compliance.

The Department of Labor has successfully streamlined regulations over the past three years. We have made sure regulations make economic sense and considered their effects on small businesses. Both employers and workers have benefited. Employers have more resources for hiring employees, and workers have more opportunities to find jobs.



Notes

ⁱ Mercer National Survey of Employer-Sponsored Health Plans, 2004.

ⁱⁱ A “group health plan” is an ERISA-governed welfare benefit plan that provides health coverage. Employers and unions may finance such coverage through commercial insurance, or they may “self-insure,” that is, pay claims out of their own assets. This is an important distinction from a regulatory perspective because most “self-insured” plans are subject solely to Department of Labor oversight; states retain jurisdiction over commercial insurance products.

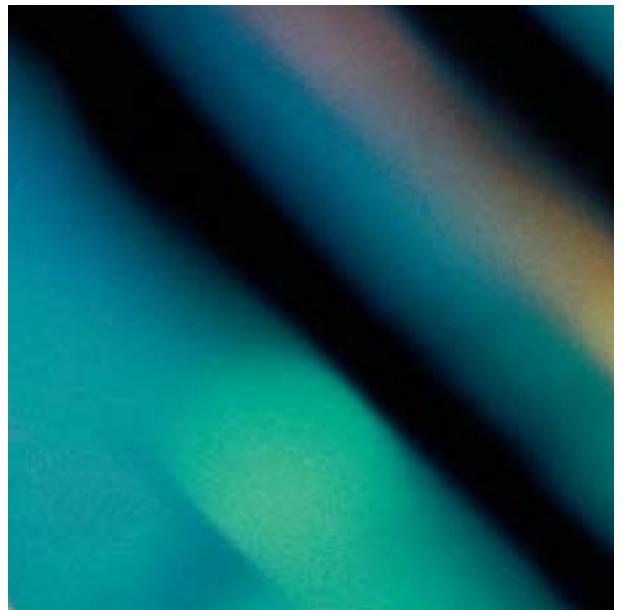
ⁱⁱⁱ U.S. General Accounting Office, “Private Health Insurance: Small Employers Continue to Face Challenges in Providing Coverage,” GAO-02-8; and “Private Health Insurance: Number and Market Share of Carriers in the Small Group Health Insurance Market,” GAO-02-536R. Insurers must market and distribute their policies to a very large number of unconnected employers. Insurers also must compensate agents for each small policy sold or renewed. Some costs, such as the cost of collecting detailed medical histories for purposes of medical underwriting, are layered on each time an employer changes insurers.

^{iv} Actuarial Research Corporation. Cost drivers include small businesses’ administrative overhead, insurance company marketing and underwriting expenses, adverse selection, and state regulatory burdens.

^v Department of Labor estimates of working families’ health insurance status, based on the Census Bureau’s annual March Current Population Survey.

^{vi} Congressional Budget Office, “Increasing Small-Firm Health Insurance Coverage through Association Health Plans and Healthmarts,” January 2000.





the challenges ahead





chapter seven

jobs for the 21st Century

Introduction

To compete as a nation in today's global economy requires each country to recognize and understand their natural competitive advantage. For the United States, our competitive advantage can be traced back over 100 years to a time when Bell Telephone, Ford Motor Company, and the Wright Brothers flying machines revolutionized communications and the way we interact with the world. One hundred years later, that process continues, only now it is software and micro-processors and mp-3 players that are on the cutting edge. At the turn of the last century, we called the pioneers of those technologies inventors. Today, we have an additional name for them—innovators.

It is the constant innovation created by the United States that has pushed us to the leadership of the world economy, and it is this continuing innovative spirit that will keep us on top through the next 100 years. Great innova-

tions do not happen though, without three key advantages already in place:

- Investment
- Infrastructure
- Talent

Conditions that foster investment and infrastructure can be brought about through a combination of market-friendly business conditions and wise community development practices. But the creation and fostering of talent, the most important of our three advantages, requires more.

During his Administration, President George W. Bush has recognized the vital role that talent plays in our economy and has set an agenda that will produce, attract and maintain the most talented workforce in the world. This agenda has three primary goals:

1. Help our workforce adapt to change, and for that, we need a more agile system of training, support and portable benefits;
2. Stimulate a next generation of Americans skilled in science, math, and engineering, as well as in writing and language skills; and
3. Become a magnet for the best global talent.

President Bush has set a goal to double the number of workers receiving job training through significant reforms to the major Federal worker training grant programs. The 2005 Budget provides \$23 billion for job training and employment assistance. This is \$500 million (2.3 percent) more than in 2004 and \$2.5 billion (12.5 percent) more than in 2001.

The Employment and Training Administration (ETA) focuses on the first agenda item: *Helping our workforce adapt to change.*

The federal government invests \$23 billion in employment and training programs to support workforce development. Of that, more than \$15 billion in services and programs are delivered through a nationwide network of more than 3,500 One-Stop Career Centers. And, of that, about \$11 billion is managed by ETA in the Department of Labor.

President Bush believes that these resources must be more effectively and efficiently used to ensure American workers have the skills needed to succeed in the 21st Century economy and American businesses can access the skilled workers they need in order to thrive and create new jobs.

To accomplish this, the Administration is seeking to:

1. Provide more flexibility in responding to local labor market needs for skilled workers;
2. Empower individuals to control their own careers; and
3. Expand alternatives for the post-secondary education and training necessary to succeed in virtually all of the jobs of the 21st Century.

The Workforce Investment Act of 1998

For those stung by sudden job loss or lacking proper education or skills, the Workforce Investment Act of 1998 (WIA) provides the framework for assistance. At the heart of the workforce investment system are One-Stop Career Centers. These locally based centers

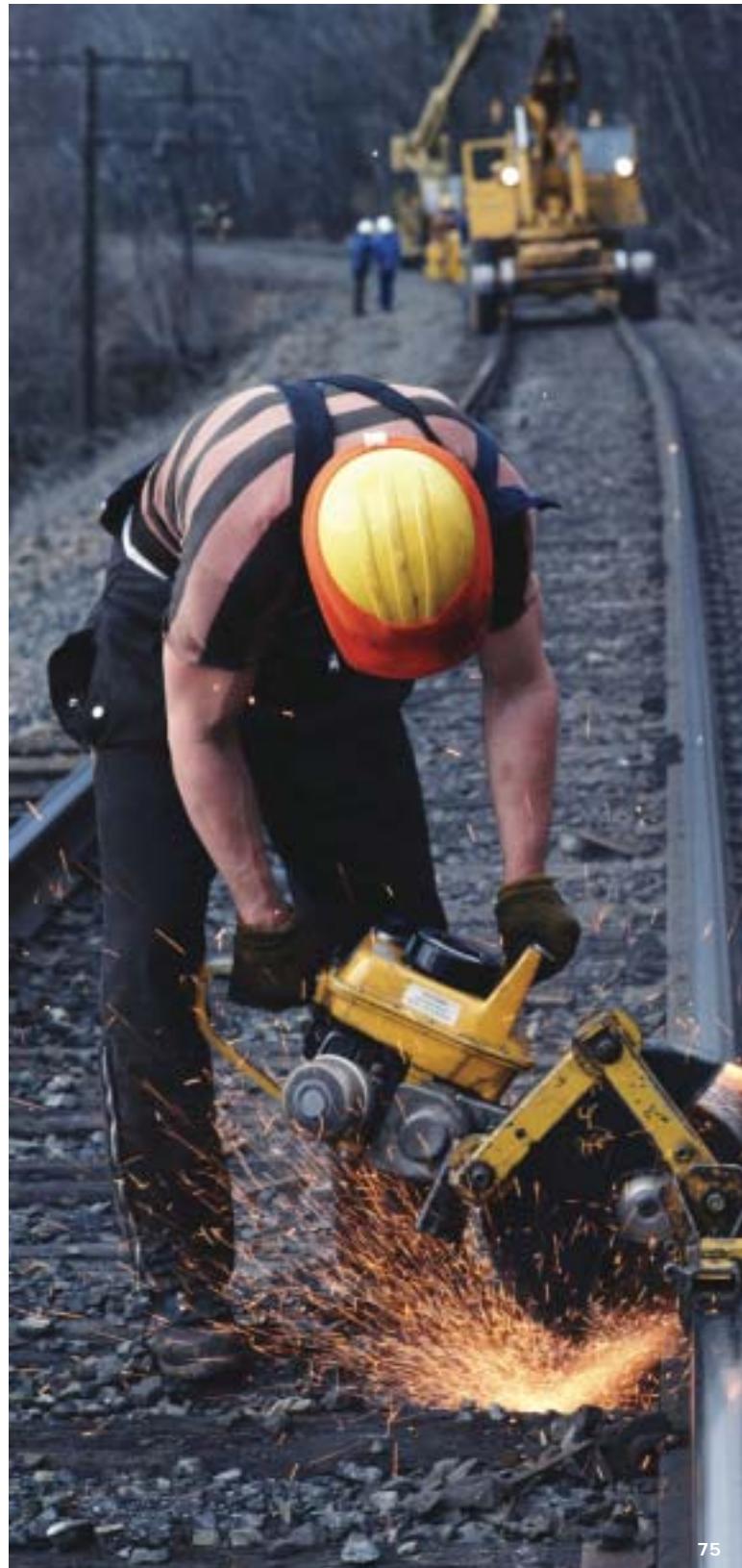
provide a comprehensive array of services so that workers, job seekers, and businesses can conveniently find the help they need under one roof in more than 3,500 comprehensive and affiliated easy-to-reach locations across the country.

At One-Stop Career Centers, individuals may receive:

- Core services, such as job search and placement assistance, labor market information, and skills assessments;
- Intensive services, such as counseling and specialized assessments; and
- Training services, usually provided through Individual Training Accounts that may be used with eligible training providers.

WIA also provides services to primarily low-income youth with barriers to employment. In addition, WIA requires cooperation between the federal-state vocational rehabilitation services program for people with disabilities and local Workforce Investment Boards, One-Stop Career Centers, and other WIA entities. WIA establishes a principle of universal access to WIA employment services for all individuals, including people with disabilities. WIA has, through its advocacy of standards of physical site and program accessibility, opened a wide variety of previously unavailable employment-related programs to people with disabilities.

Local business representatives oversee One-Stop Career Centers through community-based Workforce Investment Boards. These boards focus on strategic planning, policy development and oversight of the local workforce investment system, and determine service priorities for the community. These boards also



A Speedy Response Nets Benefits

In August 2003, Pan-American Life Insurance Company issued a WARN notice for layoffs that would affect 100 workers in the company's New Orleans, LA office. Following a downturn in the economy after the September 11th terrorist attacks, the company decided to close its pension operations department. The Louisiana Department of Labor's Rapid Response unit responded to the WARN notice by setting up an on-site Worker Transition Center. The Center's sessions spanned two days and included an orientation of the services, on-site completion of registration forms, a job search workshop and resume assistance. An impressive 73 of the 100 workers utilized the Center's services, and feedback from both the employer and applicants has been overwhelmingly positive.

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reach out to and welcome input from people with disabilities to ensure their participation in crucial local planning efforts.

Three programs under WIA help workers adjust to economic changes: the Adult Program, the Dislocated Worker Program, and National Emergency Grants (NEG). All of these pro-

grams are coordinated with the Unemployment Insurance program when applicable.

The WIA Adult and Dislocated Worker Programs

The Adult and Dislocated Worker Programs provide a similar array of services, but target different populations. The Adult Program provides workforce services that increase the employment, retention, earnings, and adult occupational skill attainment of adult workers. In Program Year (PY) 2002, approximately 475,209 individuals participated in the Adult Program.

The Dislocated Worker Program is tailored to assist experienced workers who have been laid off. In PY 2002, 379,798 individuals received services under the Dislocated Worker Program. These two programs together provided more than \$2.17 billion in funds to states and local areas in Fiscal Year (FY) 2002.

National Emergency Grants

National Emergency Grants (NEG) are distributed by the Secretary of Labor to temporarily expand state and local capacity to help dislocated workers by providing time-limited funding assistance in response to "significant dislocation events."

For example, not only did the terrorist attacks of September 11th claim nearly 3,000 lives, they also temporarily displaced thousands of workers. Upon receiving a request from the state of New York, the Department of Labor responded with a grant of \$25 million to run a temporary jobs program to assist in 9/11-related recovery efforts.

Other events, including major worker dislocations resulting from plant closures, mass layoffs, foreign imports, and those resulting from natural disasters, also create a need for rapid, targeted assistance. Employment-related assistance supported by NEG funds includes training, job development and placement, supportive services such as child care and transportation for individuals enrolled in training.

Timeliness, though, is the key to delivering assistance that is effective. A NEG application and approval process that a few years ago consumed several months now takes an average of 45 to 53 days. A goal to further reduce processing time to 30 working days has been set, and an electronic application process has been put into place.

One of the most significant plant closures where NEG funds have been used to assist workers occurred after the closure of Pillowtex plants in North Carolina and Virginia. The Secretary of Labor disbursed NEG totaling \$18,425,760 to serve 4,581 affected workers in North Carolina (\$16,273,909) and Virginia (\$2,151,851).

During the program year that ended June 30, 2004, the Department of Labor awarded NEG funding totaling \$242.9 million to 47 states and the territories of Guam and Puerto Rico. Of this amount, NEG funding totaling approximately \$47.8 million was approved for states affected by natural disasters. More than 2,800 dislocated workers were provided temporary jobs to assist in the clean-up and restoration activities subsequent to these disasters. Another approximately \$89 million was approved for 18 states to assist over 19,000 workers affected by trade policies.

With the enactment of the Trade Adjustment Assistance Reform Act of 2002 by President Bush, the use of NEG funds was expanded to support implementation of the Health Coverage Tax Credit (HCTC). This Act establishes mechanisms by which certain trade-certified individuals and other eligible groups can receive assistance in paying for qualified health insurance premiums. NEG funds are also authorized to assist eligible individuals with 65 percent of the cost of their qualified health insurance premiums until such time as they have been enrolled, processed and received their first payment by the IRS under the HCTC program. In addition, NEG funds are authorized to support the development of infrastructure needed by the states in carrying out their responsibilities related to the HCTC.

One Stop for Training and New Employment

Lois Harris was a dislocated worker from Century Tool Manufacturing. After visiting her local One-Stop Center to inquire about training programs, she enrolled in and completed a computer class. After finishing that class, she learned about the new DOL-funded advanced manufacturing Integrated Systems Technology (IST) training program offered at Rock Valley College in Rockford, Illinois. After completing the IST program in July 2003, with the help of the One-Stop Center, Lois found work at Rockford Toolcraft. She began working there on September 3, 2003.

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More Choices for Workers in Training Programs

President Bush has proposed significant reforms to federal worker training programs to double the number of workers receiving job training, to ensure those programs work better for America's workers, and to close the skills gap so we fill every high-growth job with a well-trained American worker. The President proposed:

- Providing \$4 billion in Federal job training funds to the nation's governors with less federal red tape and more flexibility;
- Putting strict limits on overhead in major federal job training programs by closing loopholes and enforcing limits to ensure tax dollars support training for workers who need it, thereby reducing overhead costs by an additional \$300 million;
- Giving workers more choices about their job training by increasing the use of personal job training accounts called Innovation Training Accounts (ITAs); and
- Training an additional 200,000 workers through programs run by community colleges, unions, and businesses.



WARN Notices

In our dynamic economy, many companies streamline their operations in order to maintain a competitive edge in the marketplace. While such actions help companies become more efficient, they also may result in the closing of facilities and the layoff of workers.

Under federal law, employers are required to provide written notice at least 60 days in advance of certain mass layoffs or plant closings. These so-called Worker Adjustment and Re-training Notification (WARN) notices assure that assistance can be provided to affected workers, their families, and their communities through Rapid Response and early intervention services.

Rapid Response

When employers inform affected states, Rapid Response helps dislocated workers find reemployment as quickly as possible by responding to major layoffs and plant closings.

Rapid Response teams work with employers and workers to minimize disruptions associated with job loss. Services may include information on the local labor market, education and training opportunities, job search and placement assistance, resume writing workshops, worker transition committees, layoff aversion strategies and incumbent worker strategies, among others.

Rapid Response and early intervention services play an important role in the successful reemployment of laid-off workers and help communities maintain their economic stability by rapidly adjusting to the effects of layoffs and plant closings.

Providing a More Flexible Workforce Investment System

The United States is a vast and diverse country that stretches from the deserts of the Southwest to the forests of Maine, from the sunshine and beaches of Florida to the glaciers and tundra of Alaska. No two states have the same geography. No two states have the same people. And no two states have the same economy.

But today, each of the 50 states must have the same workforce investment system to serve its people and provide for its economy. That is why President Bush is proposing to change the framework of the system, so that each state and local area has the flexibility to design services for its workers that meet the needs of its local economy.

Reauthorization of the Workforce Investment Act

The first step in creating the President's proposed framework is the reauthorization of the WIA. When WIA was originally passed in August of 1998, Congress set a five-year time limit so that the legislation could be reviewed

and changes made to make the system it created more effective and efficient. The five years came to an end on September 30, 2003.

President Bush has proposed reauthorizing legislation that builds on and improves what works under WIA, and changes or eliminates what does not work.

President Bush's proposal embodies the following six key principles that should be enshrined in the new legislation.

- 1. More customer-focused and effective One Stop Career Center services**

The One Stop system is an integrated delivery system for a host of federally funded employment and training services. It is an entry point intended to provide individuals and businesses with easy access to relevant labor market information and

services that are coherent and coordinated. Specific enhancements under the reauthorization should include:

- Improving access to a range of products and services, both in-person and electronically.
- Bolstering access to services through One-Stop Career Centers, including customers at risk in the labor market, such as dislo-

cated workers, individuals with disabilities, current and former welfare recipients, migrant and seasonal farmworkers, immigrants, older workers, and school dropouts.

- Establishing easier ways for partners to share One-Stop Career Center costs.
- Encouraging states and localities to design and operate common information systems.
- Providing increased opportunities for faith- and community-based organizations to participate as partners in the One-Stop Career Center system.
- Increasing availability of English as a Second Language training and other services for Limited English Proficiency individuals through One-Stop Career Centers.
- Creating opportunities to try new ideas and service approaches.

2. Greater responsiveness to employers

Business is a customer of workforce investment services, a provider of training, and a leader and policy setter in the management of local programs. Specific enhancements under reauthorization should include:

- Increasing business use of the public workforce investment system.
- Informing the workforce investment system about labor market changes and the skills that are in demand.
- Identifying training programs that help individuals acquire requisite skills and cer-



Regina Whitaker, Forsyth Tech Biotechnology Graduate, Winston-Salem, NC

Regina Whitaker, age 24, worked at Unifi, a textile company in Yadkinville, for four years. Unifi, like several manufacturing companies in the Triad, was laying off workers, so Regina enrolled at Forsyth Technical Community College in a program funded by a biotechnology grant in the High Growth Job Training Initiative.

Regina entered the biotech program in the spring of 2003 and graduated in the spring of 2004. During her education she served as a lab assistant in the chemistry department and a work-study student for one of the instructors in the chemistry department.

tifications used by business in hiring and promotion decisions.

- Simplifying means of developing financial partnerships with business.

3. Clarified roles for federal, state, and local levels

States should have a greater policy role and more flexibility; there should be more local focus on program design, staff capability, and monitoring of program quality. Specific enhancements under reauthorization should include:

- Simplifying the governance structure and empowering states to use workforce investment resources as an economic development tool.
- Expanding authority for states to build on existing reforms to improve performance.
- Providing incentives to encourage state and local innovation and risk-taking.
- Extending state flexibility to shift funds within states based on documented need.
- Increasing overall focus on grant integrity and the safeguarding of funds through an emphasis on programmatic and fiscal monitoring.

4. Improved program performance

The system should focus on outcomes and results and use information on outcomes, quality, and customer satisfaction to drive change, making sure that data are valid. Specific enhancements should include:

- Establishing a core set of common performance measures such as employment, retention, and earnings that would apply across partner programs.
- Creating common definitions and reporting formats that encourage common state and local reporting systems for One-Stop partner programs.
- Providing significant incentives for states and localities to help individuals and businesses get the services they need, leading to higher performance levels.

5. Individualized opportunities for training

The workforce investment system should provide customers more choice, control, and customization of services to develop the knowledge, skills, and abilities that are sought after in the new economy. Specific enhancements should include:

- Providing job training that leads to industry-standard certifications of skills.
- Simplifying ways for education and training providers to share information about their successes in preparing individuals for jobs or career advancement.
- Authorizing Career Change Scholarships, a form of Individual Training Account that would facilitate access to longer-term training consistent with needed skills and that would leverage other public and private training resources.
- Matching more ambitious program goals and outcomes with richer and more professional services.
- Encouraging co-enrollment among programs to maximize available training and related resources and avoid duplication of effort and expense.

6. Improved youth programs

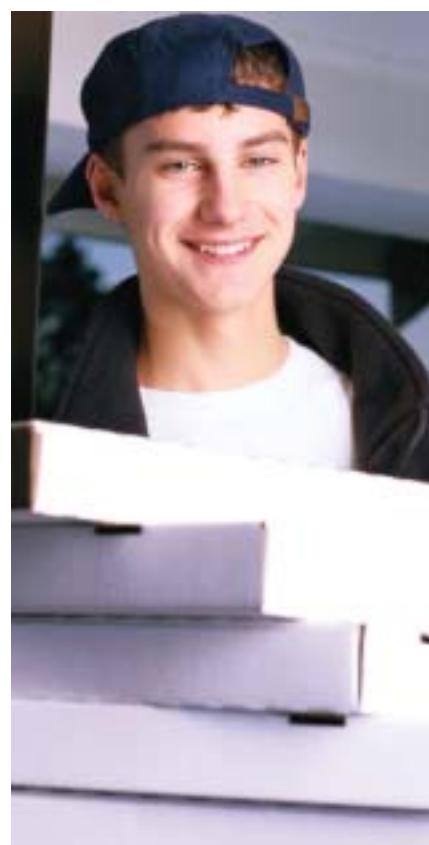
Youth workforce investment programs should include a strong education component leading to a credential and to long-term attachment to the labor market and life-long learning. Connections between academic and occupational learning should be encouraged. Specific enhancements under reauthorization should include:

- Improving access to youth program services through One-Stop Career Centers, either through existing centers or special centers serving youth.
- Improving links to the local job market and other community youth services, including activities that promote youth development and citizenship, mentoring, and follow-up.
- Improving opportunities for out-of-school youth.

Strengthening and Modernizing Support for Vocational Education

President Bush proposed to modernize the major federal program for vocational education, the Perkins Vocational Education program, to better serve the needs of the 21st Century worker. The President's proposal redirects \$1 billion in annual funding

from the Perkins Vocational Education program into a new Secondary and Technical Education program (Sec Tech) and requires that high schools participating in the program offer four years of English, three years



of math and science, and three years of social studies, in addition to their vocational education curriculum. The program would continue to support the work of community and technical colleges to prepare youth and adults for tomorrow's jobs.

Both the House of Representatives and the Senate have passed bills reauthorizing the Workforce Investment Act. The Administration hopes that both Houses of Congress will meet to reconcile the differences between the bills and pass final legislation that promotes the key principles described above.

President Bush's High Growth Job Training Initiative

A workforce development strategy that helps workers when they are down is too late. The Bush Administration instead sees workforce development through the forward-looking eyes of economic development. We believe a better strategy gets ahead of unemployed workers' plight by first identifying and then training them in the skills that employers and our innovative economy will demand of them. Our approach explains why we have been focused on bringing educators and employers to the table with workforce professionals so that they can collaborate to prepare workers for 21st Century careers.

The President's High Growth Job Training Initiative is a strategic effort to prepare workers to take advantage of new and increasing job opportunities in high-growth/high-demand and economically vital industries and sectors of the American economy. The initiative is designed to ensure that worker training and career development resources in the public workforce system are targeted to helping workers gain the skills and competencies they need to obtain jobs and build successful careers in these industries.

The foundation of this initiative is partnerships that include the public workforce system, business and industry, education and training

providers, and economic development working collaboratively to develop solutions to the workforce challenges facing these industries. Through the following roles, each of the partners will help to develop maximum access for American workers to gain the competencies they need to get good jobs in these industries:

- Industry representatives define the workforce challenges, e.g., getting career and skill information to young people who are charting their education and career courses; accessing new labor pools; defining core competencies for success on the job; training workers; building the capacity of educational institutions to train workers.
- Community colleges and other education and training providers assist in developing competency models and curricula to build core competencies, and train workers.
- The public workforce system accesses human capital (youth, unemployed and

Kennikqua Thompson, Licensed Vocational Nurse,
West Houston Medical Center, Houston, TX

Kennikqua worked as a medical assistant for two years when the medical group she worked for closed down. She had always wanted to be a nurse but never had the time or money needed to pursue a nursing career. Through the HCA Cares Scholarship Program, part of the Health Care High Growth Job Training Initiative, she was able to achieve her goals of becoming a nurse and gaining job security. Kennikqua expects to gain advanced nursing skills, medication knowledge and techniques to help provide excellent patient care.

dislocated workers) and places trained workers in jobs.

To model this approach, the High Growth Job Training Initiative has initially identified twelve sectors at the national level that: (1) are projected to add substantial numbers of new jobs to the economy; (2) have a significant effect on the economy overall; (3) affect the growth of other industries, (4) are being transformed by technology and innovation requiring new skills sets for workers; or (5) are new and emerging businesses that are projected to grow.

- Health Care
- Information Technology
- Biotechnology
- Geospatial Technology
- Automotive
- Retail
- Advanced Manufacturing
- Construction
- Transportation
- Hospitality
- Financial Services
- Energy

“ America’s growing economy is also a changing economy. As technology transforms the way almost every job is done, America becomes more productive, and workers need new skills. Much of our job growth can be found in high-skilled fields like health care and biotechnology. So we must respond by helping more Americans gain the skills to find good jobs in our new economy. ”

-President George W. Bush,
January 20, 2004



The High Growth Job Training Initiative is investing in national models and demonstrations of workforce solutions in these sectors designed to achieve the following outcomes:

- Targeted investment of workforce development resources and support for private and public sector partnerships to ensure the development of workers' skills in demand occupations based on industry need.
- Increased integration of community and technical college efforts with business and the public workforce system activities to meet the skills training needs of high-growth industries.
- Increased opportunities for employers to use apprenticeship training as skills development methodology, combining on-the-job training and academics, to ensure a pipeline of skilled workers.
- Providing workers with paths to career enhancing opportunities in high growth occupations. By expanding the local workforce system's capacity to be market-driven, responsive to local economic needs, and a contributor to the economic well-being of the community, the Employment and Training Administration is promoting workforce quality, enhanced productivity, and economic competitiveness.

By expanding the local workforce system's capacity to be market-driven, responsive to local economic needs, and a contributor to the economic well-being of the community, the Bush Administration is promoting workforce quality, enhanced productivity, and economic competitiveness.

The first action that was taken to understand and implement industry-identified strategies to

confront critical workforce shortages was in the health care sector. For the past nine months, the Department of Labor has taken part in forums conducted by associations representing thousands of health care institutions, and considered viewpoints expressed in-person by over 300 health care leaders. Solutions that were adopted as a result of eight forums now act as national models through the President's High Growth Job Training Initiative.

This set of solutions cuts across the national labor needs of the health care industry in acute care, long term care, and allied health care professions. It also addresses the unique challenges facing rural areas. On the whole, 22 healthcare grants totaling more than \$34 million are being funded across the nation. They are intended to provide genuine solutions, leadership, and models for partnerships that can be replicated in different parts of the country.

The second action that was taken to address employers' workforce needs occurred in the biotechnology industry. DOL hosted forums over the past year with biotechnology industry leaders, educators, and the public workforce system to learn about this new and exciting industry, understand the workforce challenges

that such a young industry faces and develop solutions to those challenges.

The challenges they face, however, are far too complex for one institution or industry sector to solve alone. DOL is supporting comprehensive business, education, and workforce development partnerships. These

have developed innovative approaches that address the workforce needs of business while effectively helping workers find good jobs and promising career pathways in the biotechnology industry.

Overall, ten biotech grants totaling more than \$18 million are

being funded across the nation. They are intended to provide genuine solutions, leadership and models for partnerships that can be replicated in different parts of the country.

For both industries, the solutions to their workforce challenges can be broadly categorized under the following areas:

- Expanding the pipeline of youth entering the professions;
- Identifying alternative labor pools such as immigrants, veterans, and older workers that can be tapped and trained;

- Developing alternative training strategies for educating and training professionals, such as apprenticeship, distance learning, and accelerated training;
- Developing tools and curriculum for enhancing the skills of professionals for nationwide distribution;
- Enhancing the capacity of educational institutions through increased numbers of qualified faculty and new models for training;
- Developing strategies to retain and help current health care workers move into higher level positions in shortage areas;
- Helping workers in declining industries build on existing skills and train for health care professions.

The President's Job Training Reform Proposal

As the world becomes a true global economy where labor from one country must compete against the labor available in every other

country, the importance of education and training becomes magnified. Recognizing this and building on the experiences of the High Growth Job Training Initiative and the proposal to reauthorize the Workforce Investment Act, President Bush announced on April 5, 2004, an over-arching reform and redesign proposal for the workforce investment system.

The President's Job Training Reform Proposal is a vision for how the workforce investment system needs to operate to remain effective in this global economy. It builds on the flexibility proposed under the Workforce Investment Act reauthorization proposal and challenges the workforce investment system to double the number of individuals trained by reducing administrative and infrastructure costs and expanding access to Innovation Training Accounts.

These proposed Innovation Training Accounts would provide workers with more flexible and



Better Education for Better Jobs

The President's initiatives will result in more students graduating from high schools and colleges with the skills they need to compete for the jobs of the 21st Century. Encouraging more students to pursue math and science will also help the United States continue to lead the world in innovation and will result in better jobs and a brighter economic future for young Americans. With a better trained and better educated workforce, America will continue to be the best place in the world to do business. The President's plan strengthens and modernizes vocational and technical education, expands math and science education for all students, enables more low-income students to pursue degrees in math and science, and enables educators to determine whether high schools are graduating students with the skills they need to succeed.



responsive assistance. Workers would have more job training choices — they would be able to use community colleges, private-sector training providers, local businesses, or community organizations — to get the help they need in the most effective and efficient way possible. These ITAs would allow workers considerable flexibility to tailor training programs to meet their needs.

The Workforce Investment Act reauthorization proposal, the President's High Growth Job Training Initiative, and the President's Job Training Reform Proposal all seek to change the workforce investment system so that it is best positioned to serve our nation's businesses and our nation's workers as they compete in this global economy. As the next section highlights, serving America's workers does not mean that the workforce system makes all the decisions. Instead it provides individuals with the tools and information so that they can make the decisions that are best for themselves.

Empowering Individuals to Control Their Own Careers

Americans are better off when they make the decisions that affect their lives rather than having government make those decisions.

Reforming the Workforce Investment Act would maximize the available Federal dollars going to workers and eliminate unnecessary overhead costs by \$300 million.



They can weigh the options before them and make whatever decision is best given individual circumstances. Citizens need material to make informed decisions and tools to carry out their plans.

Personal Reemployment Accounts

To empower people to take control of their own careers, the Administration has proposed a new way to serve vulnerable jobless Americans: Personal Reemployment Accounts (PRA). This proposal would make resources available to unemployed persons most at risk of exhausting their benefits. Such accounts would provide them the flexibility and means to get the training or assistance they most need to advance their careers. Getting people back to work, as opposed to increasing funding reflexively for ineffective programs, has been and remains this Administration's chief goal.

The FY 2005 Budget requested \$50 million to fund a PRA pilot project which would distribute up to \$3,000 to selected unemployment insurance claimants who are most likely to exhaust their benefits or have already exhausted those benefits. The project would demonstrate the value of providing flexible, self-managed financial assistance for unemployed workers attempting to return to the workforce as quickly as possible. For example, people would have the flexibility to use part of these funds for child care as they spend several weeks interviewing for jobs, while others may need to purchase a bus pass to get to the community college for training. In each instance, it is the individual who makes the decision on how best to spend that money.

Based on prior research as well as experience with the use of Individual Training Accounts

President Bush has proposed a \$50 million Personal Reemployment Account pilot program to help unemployed workers who have the hardest time finding jobs choose the services they need to return to work, including assistance with training, child care, and transportation costs.



under the Workforce Investment Act, the pilot is expected to demonstrate several outcomes:

- An increase in the number of workers served;
- A reduction in the amount and duration of unemployment insurance; and
- A faster return to the workforce.

These results will be accomplished through empowering individuals with the resources they need to secure employment and through incentives that promote finding and retaining a job.

Funds for the PRA project, which supports the guiding principle that resources and decision-making should lie with the individual, will be awarded to states through a competitive grant process.

Launching the PRA project as a pilot allows the system to demonstrate the value of the accounts based on outcomes achieved before deciding to take it to a larger scale. It also provides the flexibility to test varied designs and identify which models work best.

Improving High School Education

The President's plan will improve the quality of education at our nation's high schools and better prepare students for success in higher education and the job market. The plan includes the following initiatives:

- Creation of a Striving Readers Initiative to provide extra help to middle and high school students who fall behind in reading. The President's FY 2005 budget provides \$100 million for the Striving Readers Initiative.
- Increased funding for the Mathematics and Science Partnership Program to provide extra help to middle and high school students who fall behind in math. The President's FY 2005 budget provides an additional \$120 million for the Program.
- Expansion of Advanced Placement (AP) programs in low-income schools. The President's FY 2005 budget provides an increase of \$28 million for the expansion of AP programs.
- Incentives to invite math and science professionals from the private sector to teach part-time in our high schools. The President's FY 2005 budget also includes \$227 million in loan forgiveness for math, science, and special education teachers in low-income schools.
- Funding to make the State Scholars program, which requires four years of English, three years of math and science, and three years of social studies, available nationwide. State Scholars encourages high school students to take more rigorous courses to prepare them for college and the workplace.

The President's Jobs for the 21st Century Initiative: Expand Alternatives for Post-Secondary Education and Training

With education and training becoming critical components for success in today's economy, the United States must improve the quality of education at our nation's high schools to better prepare students for success both in higher education and in the job market. Options for post-secondary education must be expanded beyond traditional four-year colleges so that alternatives such as community colleges are widely available.

President Bush's plan to accomplish this is the Jobs for the 21st Century Initiative. At the middle

school and high school levels, the Initiative includes an increased emphasis on math and science classes, expanded opportunities for Advanced Placement courses, and greater comprehensive reading instruction to help struggling students catch up to their peers in reading.

To build on this stronger education base and provide young adults with the skills needed to begin a career, the President has two higher education proposals that will strengthen the access to post-secondary education and training opportunities. The first is an enhanced Pell Grant program that will reward low-income students who participate in a rigorous high school curriculum. The second proposal is to establish Community-based Job Training Grants to build the capacity of community colleges to

become key workforce development training providers in communities all across the nation.

Community colleges possess certain strategic advantages that make them ideal as primary workforce training options. They have over 1,100 campuses nationwide and are easy to get to for the majority of the population. There are night and weekend classes, making them accessible to parents and working Americans who are available only certain hours for class. Finally, they have a flexible academic structure that allows them adapt curricula to meet the demands of our changing economy.

These advantages are extremely important. But they do not guarantee the training of a skilled workforce. It is only through the partnerships with employers that these advantages are fully realized. Partnerships among industry, community colleges and the public workforce system will be a critical economic development tool in every labor market.

And finally, to see that every worker has the opportunity to access these services, more funding will be devoted to Innovation Training

Accounts so more workers can access the education and training they need to access good jobs and career opportunities. Together, the President's Jobs for the 21st Century Initiative will better prepare students and workers for the global economy by improving high school in the core areas of reading, math, and science and strengthening the opportunities for post-secondary job training.

CareerVoyages.Gov

To empower individuals to take control of their own careers, the Administration has provided more and better career information to young people, their parents, guidance counselors and transitioning workers through a new web site, www.careervoyages.gov, produced in partnership with the Department of Education. The web site takes new and transitioning workers on a "roadtrip" to discover the career opportunities of today and tomorrow, with the education and skills required to travel successfully.

Career Voyages provides career information and choices for varying levels of education or training background. Career information on the site includes:

The President's Jobs for the 21st Century Initiative includes a \$250 million proposal to help America's community colleges train 100,000 additional workers for the industries that are creating the most new jobs.

- Occupations that are growing fastest nationally and within each state, as well as emerging and evolving industries;
- Career ladders within each high growth industry;
- Skills, education, and training required for these positions;
- Detailed occupational reports including wages, growth rates, and licensing requirements;
- Career videos, as well as links to actual job descriptions and jobs in their local community; and
- Specialized resources for youth, career changers, adults, and career advisors.

Although some career paths described on the web site require a four-year degree, Career Voyages has something for everyone, whether they have a high school diploma, on-the-job training, apprenticeship certification, vocational certificates, or two-year professional degree programs at community colleges. These can all lead to promising careers.

Conclusion

For over two centuries, the United States has overcome all the obstacles placed in its path and matured to become the world's leading economy. We accomplished this through the strength of our people and the commitment of our nation to freedom and opportunity. It is these traits that will carry us through this transition and make us a stronger, more vibrant nation; one that continues to drive the world's economy for the next century.





the jobs of the future: 2002 - 2012

chapter eight

The greatest constant in U.S. economic history has been change. Americans are constantly adjusting to meet new demands and utilize new technologies. New jobs require new skills. By analyzing trends in the economy, we can make projections for the future and help prepare the American workforce for tomorrow's economy.

Predicting the Future

The nation's predominant industries and occupations have drastically changed over the course of the last century and even the last decade.

- At the turn of the last century, 40 percent of all U.S. workers were employed in agriculture. Today, fewer than 2 percent work in that industry.
- At its height during World War II, manufacturing employed nearly four of every ten workers in this country. By 2002, the figure had fallen to one of every nine workers.

- In 1994, there were a reported 916,000 computer systems analysts and scientists. By the end of the decade, that number had nearly doubled, rising to 1.8 million workers.
- Over the 2002-12 decade, BLS projects that employment in healthcare occupations will grow by 2.9 million, an increase of more than 28 percent.

The pace of employment change is not always so dramatic, especially in the shorter term. Because of the dynamic nature of the U.S. economy, the speed of technological innovation, and the changing demands by employers for skilled employees, it is essential that the best and latest information is available to individuals who are making decisions about education, training, and careers.

This chapter examines the ten-year projections of the labor force, industry output and employment, and occupational employment. What will be the trends in labor force growth for the population, for men and women, and for minority groups? What industries will be the source of job growth? What will be the high-paying, in-demand occupations that will provide employment opportunities for U.S. workers? And what levels of education and training are generally required to enter these occupations?

A Note of Caution

It is important to remember that long-term employment projections of occupations and industries are speculative, and actual employment trends may differ from the projections. BLS regularly compares its employment projections with actual employment trends to evaluate the accuracy of the models, assumptions, and analytical judgments that underlie the projections.

The objective of these evaluations is to improve future projections. The most recent evaluation examined projections made in the late 1980s of occupational employment trends during the period from 1988 to 2000.

Of the 338 occupational employment projections evaluated for the 1988-2000 period, BLS projected the direction of the employment change correctly for about 70 percent of the occupations. For each occupation, BLS classified the direction and rate of the employment change into the following 6 categories:

- Declining (decrease of 4 percent or more)
- Little or no change (increase or decrease of 3 percent or less)
- Slower than average (increase of 4 to 10 percent)
- Average (increase of 11 to 19 percent)
- Faster than average (increase of 20 to 30 percent)
- Much faster than average (increase of 31 percent or more)

Overall, the actual growth for 87 of the 338 occupations (26 percent of the total) fell into the category that was projected. Another 100 occupations (30 percent of the total) were 1 category higher or lower than projected. The 1988-2000 projections were more accurate for occupations that were predicted to have much faster than average employment growth or declining employment. Of the occupations predicted to have much faster than average employment growth, 66 percent of them actually had much faster than average growth. Of the occupations predicted to experience declining employment, 50 percent of them actually experienced declining employment. By comparison, of the occupations predicted to have average growth, only one-fifth experienced average growth, with roughly the same proportions experiencing much faster than average growth, little or no change, and declining employment.

Even with the information learned from these evaluations, employment projections will remain inherently speculative and sometimes significantly wrong. Occasionally, unforeseen changes in technology, business practices, and government regulations affect occupational and industry employment patterns significantly, frequently resulting in projection error. Likewise, events such as the timing of business cycles, the onset of international conflicts, and the occurrences of natural disasters are difficult to predict and often affect the accuracy of projections.

In February of 2004, BLS published ten-year long-term projections of employment growth for 725 occupations covering the period from 2002 to 2012. These projections are based on a model of the U.S. economy which assumes relatively strong long-term growth in output and productivity and relatively low unemployment rates. In particular, it is assumed there will be annual growth rates of 3 percent for real Gross Domestic Product and 2.1 percent for labor productivity. The BLS projections are also based on an economy with an unemployment rate of 5.2 percent in 2012. (See Chart 8.1.)

Using these general macroeconomic assumptions, BLS estimates how much output will be produced by industries and the total number of jobs needed to produce this output. Based on both expert analysis of occupations and a rich data base on the occupational staffing patterns of detailed industries (the biannual Occupational Employment Statistics survey of 400,000 establishments), the BLS also projects the employment levels in 725 occupations and the education and training levels of those jobs.

Labor Force Projections

BLS projects that the labor force will grow by 1.1 percent per year between 2002 and 2012, similar to the 1.1 percent annual growth rate during the prior ten years. The growth rate of the population and the labor force has slowed considerably after the arrival of the Baby Boom generation into the labor force in the 1970s. (See Chart 8.2.)

Over the last 50 years the labor force participation rates of women have increased remarkably, rising from 34 percent in 1950 to 60 percent in 2002. As Chart 8.3 indicates, this

Chart 8.1 A Healthy Economy is Projected Through 2012

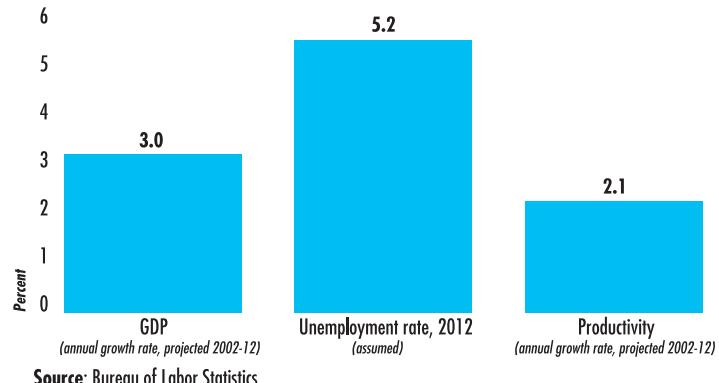


Chart 8.2 The Civilian Labor Force, Ages 16 and Older, Will Grow by 1.1 Percent Annually between 2002 and 2012

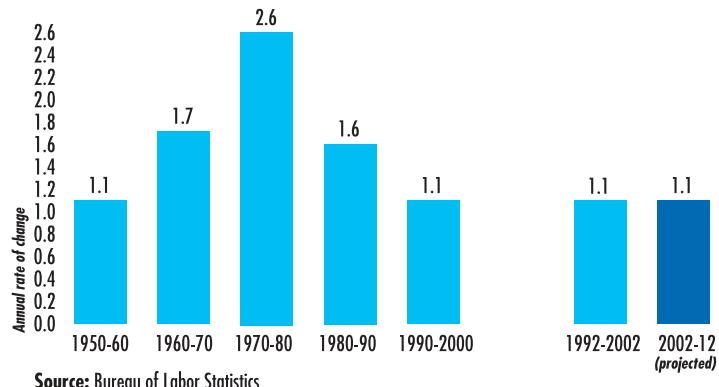
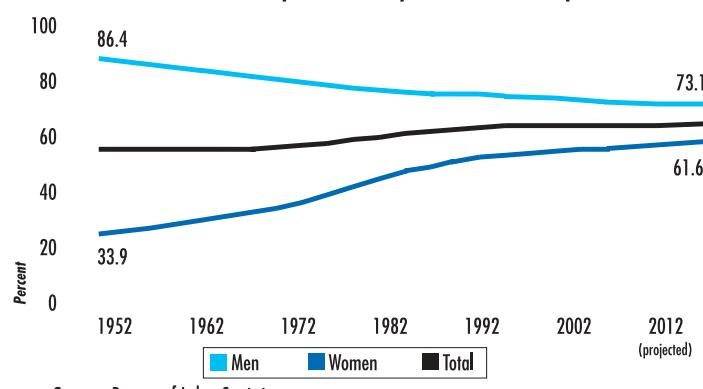


Chart 8.3 Labor Force Participation Rate by Sex, 1952 to Projected 2012



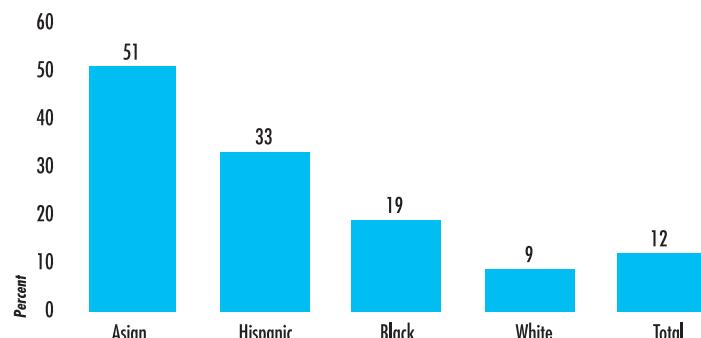
increase has slowed substantially in the last 20 years, but still exceeds those of men. For men, the pattern has been one of declining participation rates, although the pace of decline has also slowed in the last two decades. BLS projects a continuation of this pattern between 2002 and 2012. (See Chart 8.3.) As a result, the share of the labor force made up of women is projected to be 48 percent by 2012.

The labor force growth rates of minority populations are projected to continue their rapid pace and exceed those of whites over the projections period. (See Chart 8.4.) Whites will continue to be the dominant demographic group in the labor force, although their shares are gradually declining due to their relatively slower growth rates.

High Growth Employment: A Focus on Industries

BLS develops projections for 284 detailed industries that fall under the 22 major industry sectors described above. Which of these detailed industries will grow faster than average, and what will be the net employment increase in these industries over the projections period? Which of these fast growing industries will contribute the greatest increase in employment? And, despite the overall declining levels of employment in manufacturing, are there detailed manufacturing industries that will experience strong employment growth?

Chart 8.4 Labor Force Growth Rates of Minorities Outpaces Whites, 2002 to Projected 2012



Source: Bureau of Labor Statistics

Table 8.1 Employment by Industry and Percent Distribution, 2002 and Projected 2012

| Detailed industry | 2002 number | 2012 number | Percent change | Numeric change |
|---|-------------|-------------|----------------|----------------|
| Software publishers | 256,000 | 429,700 | 67.9 | 173,700 |
| Internet service providers and web search portals | 142,100 | 233,300 | 64.2 | 91,200 |
| Other residential care facilities | 165,200 | 262,300 | 58.8 | 97,100 |
| Home health care services | 675,100 | 1,051,700 | 55.8 | 376,600 |
| Management, scientific, and technical consulting services | 731,800 | 1,137,400 | 55.4 | 405,600 |
| Computer systems design and related services | 1,162,700 | 1,797,700 | 54.6 | 635,000 |
| Employment services | 3,248,800 | 5,012,300 | 54.3 | 1,763,500 |
| Community care facilities for the elderly | 530,100 | 815,300 | 53.8 | 285,200 |
| Wireless telecommunications carriers (except satellite) | 195,900 | 294,800 | 50.5 | 98,900 |
| Vocational rehabilitation services | 376,300 | 562,500 | 49.5 | 186,200 |

Table 8.1 provides a list of the top ten detailed industries expected to experience faster than average employment growth. Three of the top ten are in the information sector, four of the top ten are in the health care and social assistance industry, and two of the top ten are in the professional, scientific, and technical services sector.

Table 8.2 provides a list of all of the fast-employment-growing detailed industries. These industries are presented under their

major industry group, and are in order of their projected change in employment levels. Four detailed construction industries are projected to grow faster than average, including the building equipment contractors industry with a projected employment increase of over 430,000 jobs. There are a number of fast growing manufacturing industries, including the plastics product manufacturing industry that is projected to grow by more than 128,000 jobs.



Table 8.2 Employment by Industry and Percent Distribution, 2002 and Projected 2012

| Industry | Percent change | Numeric change | Industry | Percent change | Numeric change |
|---|----------------|----------------|--|----------------|----------------|
| Total employment, all workers ¹ | 14.8 | 21,305,070 | | | |
| Wage and salary workers ² | 16.3 | 21,603,400 | | | |
| Agriculture, forestry, fishing and hunting | | | Finance and insurance | | |
| Support activities for agriculture and forestry | 18.4 | 17,800 | Activities related to credit intermediation | 26.3 | 66,900 |
| Construction | | | Other financial investment activities | 22.6 | 59,200 |
| Building equipment contractors | 23.5 | 432,500 | Other investment pools and funds | 16.6 | 6,400 |
| Foundation, structure, and building exterior contractors | 17.8 | 162,900 | Nondepository credit intermediation | 16.3 | 112,300 |
| Other specialty trade contractors | 17.7 | 102,800 | | | |
| Building finishing contractors | 14.9 | 131,300 | Real estate and rental and leasing | | |
| Manufacturing | | | Commercial & industrial machinery & equipment rental & leasing | 39.7 | 40,600 |
| Pharmaceutical and medicine manufacturing | 23.2 | 68,000 | Consumer goods rental | 37.4 | 108,500 |
| Cement and concrete product manufacturing | 20.9 | 48,000 | General rental centers | 36.3 | 22,800 |
| Other wood product manufacturing | 20.9 | 66,700 | Lessors of nonfinancial intangible assets (except copyrighted works) | 33.1 | 9,200 |
| Architectural and structural metals manufacturing | 19.3 | 77,300 | Activities related to real estate | 18.9 | 83,600 |
| Plastics product manufacturing | 19.2 | 128,100 | Offices of real estate agents and brokers | 15.7 | 47,000 |
| Veneer, plywood, and engineered wood product manufacturing | 18.4 | 21,400 | | | |
| Other general purpose machinery manufacturing | 17.7 | 51,000 | Professional, scientific, and technical services | | |
| Forging and stamping | 16.2 | 18,400 | Management, scientific, & technical consulting services | 55.4 | 405,600 |
| Metalworking machinery manufacturing | 15.5 | 33,700 | Computer systems design & related services | 54.6 | 635,000 |
| Animal slaughtering and processing | 15.4 | 80,300 | Other professional, scientific, & technical services | 36.7 | 179,200 |
| Wholesale trade | | | Specialized design services | 30.8 | 37,900 |
| Electrical and electronic goods merchant wholesalers | 22.6 | 83,000 | Accounting, tax preparation, bookkeeping, & payroll services | 24.8 | 214,700 |
| Lumber and other construction materials merchant wholesalers | 19.8 | 44,600 | Legal services | 19.6 | 218,100 |
| Professional and commercial equipment and supplies merchant wholesalers | 19.8 | 130,300 | Advertising & related services | 18.9 | 83,500 |
| Drugs and druggists' sundries merchant wholesalers | 18.3 | 38,900 | | | |
| Furniture and home furnishing merchant wholesalers | 17.0 | 18,300 | Administrative & support & waste management & remediation services | | |
| Metal and mineral (except petroleum) merchant wholesalers | 16.4 | 20,700 | Employment services | 54.3 | 1,763,500 |
| Retail trade | | | Investigation & security services | 46.7 | 338,800 |
| Used merchandise stores | 47.5 | 51,300 | Facilities support services | 40.6 | 42,100 |
| Electronic shopping and mail-order houses | 45.3 | 101,600 | Remediation & other waste management services | 33.3 | 32,100 |
| Electronics and appliance stores | 38.2 | 202,100 | Waste treatment & disposal | 28.4 | 34,000 |
| Other miscellaneous store retailers | 37.3 | 110,700 | Office administrative services | 26.2 | 75,200 |
| Book, periodical, and music stores | 34.5 | 77,700 | Other support services | 25.0 | 72,400 |
| Office supplies, stationery, and gift stores | 29.3 | 127,500 | Services to buildings & dwellings | 24.0 | 382,900 |
| Home furnishings stores | 27.2 | 70,400 | Waste collection | 21.0 | 21,200 |
| Building material and supplies dealers | 22.6 | 232,200 | | | |
| Sporting goods, hobby, and musical instrument stores | 18.9 | 82,300 | Educational services, private | | |
| Furniture stores | 18.4 | 51,700 | Educational services, private | 28.6 | 759,200 |
| Other motor vehicle dealers | 18.3 | 25,900 | | | |
| Department stores | 18.1 | 309,400 | Health care & social assistance | | |
| Specialty food stores | 17.7 | 44,800 | Other residential care facilities | 58.8 | 97,100 |
| Lawn and garden equipment and supplies stores | 15.4 | 23,500 | Home health care services | 55.8 | 376,600 |
| Transportation and warehousing | | | Community care facilities for the elderly | 53.8 | 285,200 |
| Urban transit systems | 47.9 | 18,400 | Vocational rehabilitation services | 49.5 | 186,200 |
| Other transit and ground passenger transportation | 47.8 | 26,600 | Community food & housing, & emergency & other relief services | 49.0 | 61,500 |
| Local messengers and local delivery | 46.4 | 25,300 | Offices of other health practitioners | 48.8 | 234,900 |
| Nonscheduled air transportation | 43.5 | 18,900 | Other ambulatory health care services | 47.5 | 87,500 |
| Couriers | 41.1 | 207,100 | Individual & family services | 45.6 | 349,600 |
| Support activities for rail transportation | 36.2 | 7,500 | Residential mental retardation, mental health & substance abuse facilities | 43.9 | 208,000 |
| Scenic and sightseeing transportation, other | 34.8 | 800 | Child day care services | 43.1 | 316,100 |
| Other support activities for transportation | 33.6 | 10,900 | Offices of physicians | 38.8 | 770,100 |
| Charter bus industry | 31.4 | 11,000 | Medical & diagnostic laboratories | 37.6 | 65,500 |
| School and employee bus transportation | 30.2 | 46,400 | Outpatient care centers | 34.2 | 140,200 |
| Warehousing and storage | 28.6 | 146,700 | Offices of dentists | 30.9 | 223,900 |
| Support activities for road transportation | 28.4 | 20,000 | Nursing care facilities | 22.3 | 351,300 |
| Freight transportation arrangement | 27.5 | 45,900 | | | |
| General freight trucking | 20.8 | 199,300 | Arts, entertainment, & recreation | | |
| Specialized freight trucking | 19.7 | 75,500 | Other amusement & recreation industries | 31.9 | 324,100 |
| Scenic and sightseeing transportation, land | 19.6 | 1,800 | Gambling industries | 30.8 | 42,100 |
| Taxi and limousine service | 16.8 | 11,100 | Amusement parks & arcades | 28.3 | 43,500 |
| Utilities | | | Independent artists, writers, & performers | 26.9 | 10,800 |
| Water, sewage and other systems | 46.4 | 22,500 | Spectator sports | 22.3 | 26,300 |
| Information | | | Museums, historical sites, & similar institutions | 21.2 | 23,900 |
| Software publishers | 67.9 | 173,700 | Agents & managers for artists, athletes, entertainers, & other public figures | 19.2 | 2,800 |
| Internet service providers and web search portals | 64.2 | 91,200 | | | |
| Wireless telecommunications carriers (except satellite) | 50.5 | 98,900 | Accommodation & food services | | |
| Internet publishing and broadcasting | 41.1 | 14,300 | Special food services | 25.0 | 126,700 |
| Data processing, hosting, and related services | 40.8 | 124,500 | RV (recreational vehicle) parks & recreational camps | 18.8 | 7,800 |
| Cable and other subscription programming | 36.5 | 33,900 | Traveler accommodation | 17.0 | 292,600 |
| Cable and other program distribution | 35.2 | 45,000 | Full-service restaurants | 16.1 | 640,900 |
| Motion picture and video industries | 31.1 | 111,900 | | | |
| Other information services | 30.7 | 14,300 | Other services (except government) | | |
| Sound recording industries | 15.0 | 4,100 | Personal care services | 27.6 | 144,100 |
| | | | Religious organizations | 24.4 | 400,800 |
| | | | Business, professional, labor, political, & similar organizations | 23.4 | 117,900 |
| | | | Other personal services | 23.2 | 50,700 |
| | | | Social advocacy organizations | 19.5 | 33,600 |
| | | | Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance | 18.7 | 29,200 |
| | | | Automotive repair & maintenance | 16.7 | 149,400 |
| | | | Government | | |
| | | | Local government educational services | 17.5 | 1,341,700 |
| | | | State government educational services | 17.5 | 388,300 |

Nine of the ten detailed industries in the information sector are projected to have employment increases of more than 30 percent. Five of these are projected to have employment growth exceeding 40 percent: software publishers; internet service providers and web search portals; wireless telecommunications carriers (except satellite); internet publishing and broadcasting; and data processing, hosting, and related services.

Fourteen of the 15 fast growing detailed industries in the health care and social assistance

sector are projected to have employment increases of more than 30 percent. These health-care related industries reflect a diverse mix of delivery systems for health care ranging from home-based care, ambulatory and outpatient care facilities, offices of physicians, vocational rehabilitation services, and nursing care facilities.

The professional, scientific, and technical services industry has a number of fast growing detailed industries, especially the management, scientific, and technical consulting industry and the computer systems design and related services industry, both with project-

ed employment changes exceeding 50 percent.

High Growth Employment: A Focus on Occupations

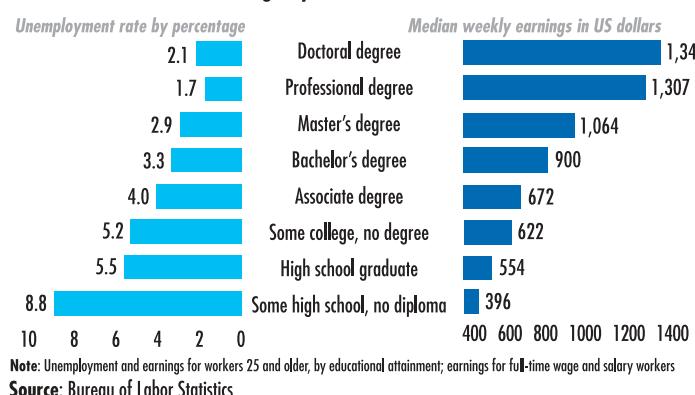
...earnings rise and unemployment rates fall with higher levels of education.

The growth in industry output and employment has a significant effect on both the number of jobs and the types of occupations that will be in demand by employers. Which occupations will grow the fastest and how many jobs will these occupations produce? Which occupations will

provide the best earnings opportunities? And what are the educational and training requirements of these jobs? What share of jobs will be available for individuals with education and training beyond high school but without a four-year college degree? Are there good jobs for those with only a high school degree?

One of the most consistent findings in studies of labor markets is the increasing return to educational attainment. As Chart 8.5 demonstrates, earnings rise and unemployment rates fall with higher levels of education. These are average levels of earnings for each education group. What the chart does not reflect is that with-

Chart 8.5 Education and Training Pays, 2003





in each group there can be substantial variation in earnings depending on what kind of occupation an individual is in.

Focusing on high-growth, high-wage occupations and the education and training requirements of those occupations provides a richer and more detailed picture of employment opportunities than just looking at the returns to education alone. Of course, the analysis depends critically on how high-growth and high-wage occupations are defined. The approach taken here is to define a high-growth occupation as one with an employment change between 2002 and 2012 that is projected to be greater than the overall average of 14.8 percent. A high-wage occupation is one that had average earnings in 2002 that are in the top half of the overall distribution of earnings (based on data from the 2002 Occupational Employment Statistics survey).

BLS has derived 11 education and training categories that describes for each occupation the most significant education or training pathway to employment. For some occupations, the education and training preparation may be very straightforward because government laws and regulations establish it, as it is for physicians and lawyers. In other occupations, such as computer programmers or industrial machinery repairers, jobs may vary considerably in their educational and training requirements. When an occupation has more than one path of entry, BLS identifies the one that research suggests is most preferred by employers and likely to lead to the best advancement prospects.

The 11 categories of education and training are:



1. First professional degree
2. Doctoral degree
3. Master's degree
4. Bachelor's or higher degree, plus work experience
5. Bachelor's degree
6. Associate degree
7. Postsecondary vocational award
8. Work experience in a related occupation
9. Long-term on-the-job training
10. Moderate-term on-the-job training
11. Short-term on-the-job training

The grouping of occupations into the six educational clusters along with information on the most significant source of postsecondary education and training provides a natural hierarchical sorting of occupations based on the training and skill requirements found within each cluster. It is not surprising that high school occupations all have short, moderate or long-term on-the-job training as their most significant source of education and training.

Further, it is not surprising that college occupations all have bachelor's degree or higher as their most significant source of education or training. It is the mixture occupations that reflect a substantial diversity in the pathways to entry into occupations. In general, the "high school / some college" occupations have a greater concentration of the short, moderate, and long-term training categories as their single descriptor while the "some college / college" occupations have a greater concentration of higher education awards as their single most significant source of education or training.

The widest range of training and education categories is found in the full mixture occupa-

tion, "high school / some college / college" occupations. An occupation such as flight attendant is classified as requiring long-term on-the-job training as its most significant source of education or training, but the hiring pattern of employers results in a diverse mix of those with high school, some college and bachelor's degree or higher backgrounds. This reflects the interplay between training requirements and employer preferences for characteristics such as so-called "people" skills that can result in substantial diversity in the educational attainment of those hired into this occupation.

The list of high-growth, high-wage occupations in Table 8.3 provides a wide range of career options and opportunities for U.S. workers at all levels of educational attainment. The high-school occupations listed contain several construction-related occupations, including 3 that are projected to add at least 25,000 jobs over the projections period: drywall and ceiling tile installers, cement masons and concrete finishers, and roofers.

The high-school/some-college occupations include a large number of fields requiring the acquisition of technical knowledge related to repair, installation, and the operation of various types of equipment. These include, among others: maintenance and repair workers; first-line supervisors of mechanics, installers, and repairers; heating, air conditioning and refrigerator mechanics and installers; telecommunications line installers and repairers; truck drivers (heavy and tractor-trailer); and bus drivers (transit and intercity).

There are also a number of construction-related occupations, including: electricians;

plumbers, pipefitters, and steamfitters; sheet metal workers; and structural iron and steel workers. There are also a number of production-related occupations including: welders, cutters, solderers, and brazers; and water and liquid waste treatment plant and systems operators.

The high-school/some-college/college occupations reflect a more diverse mix of skill requirements including a large number of service-providing fields, especially sales

health-related fields include registered nurses; physicians assistants; dental hygienists; medical and clinical laboratory technologists and technicians; respiratory therapists; radiologic technologists and technicians; cardiovascular technologists and technicians; and physical therapist assistants.

The computer-related occupations include: computer systems analysts; database administrators; network and computer systems administrators; and computer support specialists.

The grouping of occupations into the six educational clusters . . . provides a natural hierarchical sorting of occupations based on the training and skill requirements found within each cluster.

related including sales representatives for wholesale and manufacturing and technical and related products. This list also includes a number of management-related occupations such as general and operations managers; administrative service managers; and transportation, storage and distribution managers. There are a number of fields requiring highly technical levels of skills such biological technicians; health practitioners and technical workers; and life, physical and social science technicians.

The some-college/college occupations include a significant number of health and computer-related fields requiring more extensive academic preparation. Some of the

There is a broad mix of other occupational fields represented in the list including adult literacy, remedial education and GED teachers and instructors; self-enrichment education teachers; police and sheriff patrol officers; private detectives and investigators; graphic designers; multi-media artists and animators; and interior designers.

The college occupations naturally reflect a broad mix of professional occupations that generally require at least a bachelor's degree or higher. Again, there are a large number of health-related and computer-related fields. Other general fields with a substantial number of occupations include education, science, engineering, and counseling-related occupations.

Table 8.3 Employment in High-Wage, High-Growth Occupations, 2002 and 2012, Projected

| Occupation | Most significant source of postsecondary education & training | 2002 employment level | 2002 median usual earnings | Employment change, 2002-2012 | |
|--|---|-----------------------|----------------------------|------------------------------|---------|
| | | | | Nominal | Percent |
| High School Occupations | | | | | |
| Tapers | Moderate-term on-the-job training | 40,763 | \$19,000 | 8,482 | 20.8 |
| Reinforcing iron & rebar workers | Long-term on-the-job training | 28,670 | \$36,740 | 4,775 | 16.7 |
| Tile & marble setters | Long-term on-the-job training | 33,171 | \$35,770 | 8,798 | 26.5 |
| Drywall & ceiling tile installers | Moderate-term on-the-job training | 135,361 | \$33,710 | 29,012 | 21.4 |
| Copper installers | Moderate-term on-the-job training | 82,218 | \$32,590 | 13,795 | 16.8 |
| Precast materials removal workers | Moderate-term on-the-job training | 37,559 | \$32,480 | 7,601 | 20.1 |
| Conduit installers & concrete finishers | Moderate-term on-the-job training | 181,493 | \$30,660 | 47,355 | 26.1 |
| Roofers | Moderate-term on-the-job training | 166,235 | \$30,180 | 30,859 | 18.6 |
| Terrazzo workers & finishers | Long-term on-the-job training | 6,351 | \$27,910 | 967 | 15.2 |
| High School/Some College Occupations | | | | | |
| Bricklayers & tile setters | Long-term on-the-job training | 21,012 | \$54,870 | 3,581 | 17.1 |
| First-line supervisors/managers of mechanics, installers, & repairers | Work experience in a related occupation | 443,985 | \$47,580 | 68,290 | 15.4 |
| Bartenders | Long-term on-the-job training | 659,441 | \$41,370 | 154,487 | 23.4 |
| Structural iron & steel workers | Long-term on-the-job training | 78,040 | \$40,660 | 12,383 | 15.9 |
| Plumbers, pipefitters, & steamfitters | Long-term on-the-job training | 492,156 | \$40,170 | 91,942 | 18.7 |
| Telecommunications line installers & repairers | Long-term on-the-job training | 167,389 | \$39,640 | 31,456 | 18.8 |
| Aircraft cargo handling supervisors | Work experience in a related occupation | 8,916 | \$37,220 | 1,289 | 15.6 |
| Environmental engineering technicians | Associate degree | 19,085 | \$36,850 | 5,411 | 28.4 |
| Fire fighters | Long-term on-the-job training | 281,948 | \$36,230 | 58,454 | 20.7 |
| All other vehicle & mobile equipment mechanics, installers, & repairers | Moderate-term on-the-job training | 35,818 | \$35,840 | 5,589 | 15.4 |
| All other electrical & electronic equipment mechanics, installers, & repairers | Postsecondary vocational award | 21,928 | \$35,160 | 4,301 | 19.6 |
| Legal secretaries | Postsecondary vocational award | 263,712 | \$35,020 | 49,681 | 18.8 |
| Heating, air conditioning, & refrigeration mechanics & installers | Long-term on-the-job training | 248,669 | \$34,900 | 79,062 | 31.8 |
| Sheet metal workers | Moderate-term on-the-job training | 395,016 | \$34,560 | 40,588 | 19.8 |
| Respiratory therapy technicians | Postsecondary vocational award | 26,421 | \$34,130 | 9,048 | 34.2 |
| Pointers, transportation equipment | Moderate-term on-the-job training | 49,999 | \$33,550 | 8,292 | 17.5 |
| Water & liquid waste treatment plant & system operators | Long-term on-the-job training | 99,300 | \$33,370 | 15,881 | 16.0 |
| Truck drivers, heavy & tractor-trailers | Moderate-term on-the-job training | 1,767,093 | \$33,210 | 336,574 | 19.0 |
| First-line supervisors/managers of landscaping, lawn service, & groundkeeping workers | Work experience in a related occupation | 149,727 | \$33,050 | 32,415 | 21.6 |
| Correctional officers & jailers | Moderate-term on-the-job training | 427,147 | \$32,670 | 103,375 | 24.2 |
| Security & fire alarm systems installers | Postsecondary vocational award | 46,303 | \$32,370 | 13,974 | 30.2 |
| Desktop publishers | Postsecondary vocational award | 34,994 | \$31,620 | 10,217 | 29.2 |
| Cleaners | Long-term on-the-job training | 48,519 | \$31,620 | 8,343 | 17.2 |
| Licensed practical & licensed vocational nurses | Postsecondary vocational award | 701,879 | \$31,440 | 141,779 | 20.2 |
| Cargo & freight agents | Moderate-term on-the-job training | 59,128 | \$31,410 | 9,157 | 15.5 |
| Surgical technologists | Postsecondary vocational award | 72,248 | \$31,210 | 20,175 | 27.9 |
| Layout workers, metal & plastic | Moderate-term on-the-job training | 12,802 | \$30,760 | 1,991 | 15.6 |
| Bus drivers, transit & intercity | Moderate-term on-the-job training | 201,921 | \$29,580 | 30,602 | 15.2 |
| Choreographers | Work experience in a related occupation | 17,313 | \$29,470 | 2,744 | 15.8 |
| Maintenance & repair workers, general | Moderate-term on-the-job training | 1,355,505 | \$29,370 | 206,787 | 16.3 |
| Surveying & mapping technicians | Moderate-term on-the-job training | 60,139 | \$29,230 | 12,999 | 23.1 |
| Mechanical door repairers | Moderate-term on-the-job training | 10,746 | \$29,190 | 2,251 | 21.8 |
| Welders, cutters, solderers, & brazers | Long-term on-the-job training | 390,524 | \$29,160 | 66,396 | 17.0 |
| Motorboat mechanics | Long-term on-the-job training | 21,640 | \$29,050 | 3,966 | 18.3 |
| Insulation workers | Moderate-term on-the-job training | 53,066 | \$28,930 | 8,472 | 15.8 |
| Locksmiths & safe repairers | Moderate-term on-the-job training | 22,929 | \$28,430 | 4,819 | 21.0 |
| First-line supervisors/managers of housekeeping & janitorial workers | Work experience in a related occupation | 229,910 | \$28,140 | 37,333 | 16.2 |
| Chefs & head cooks | Work experience in a related occupation | 131,857 | \$27,940 | 20,896 | 15.8 |
| Septic tank servicers & sewer pipe cleaners | Moderate-term on-the-job training | 17,973 | \$27,540 | 3,801 | 21.2 |
| Medical appliance technicians | Long-term on-the-job training | 13,806 | \$27,680 | 2,225 | 16.1 |
| Some College Occupations | | | | | |
| Occupational therapist assistants | Associate degree | 18,484 | \$26,660 | 7,241 | 39.2 |
| High School/Some College/College Occupations | | | | | |
| General supervision managers | Bachelor's or higher degree, plus work exp. | 2,048,913 | \$26,210 | 376,003 | 18.4 |
| Transportation, storage, & distribution managers | Work experience in a related occupation | 110,929 | \$26,660 | 21,880 | 19.7 |
| Sales representatives, wholesale & manufacturing, technical & scientific products | Moderate-term on-the-job training | 398,259 | \$25,740 | 76,993 | 19.2 |
| Administrative services managers | Bachelor's or higher degree, plus work exp. | 320,509 | \$25,500 | 63,464 | 19.8 |
| Cost estimators | Work experience in a related occupation | 188,044 | \$25,530 | 34,963 | 18.6 |
| Dentalists & prosthetists | Bachelor's degree | 4,631 | \$25,260 | 874 | 18.9 |
| First-line supervisors/managers of correctional officers | Work experience in a related occupation | 33,417 | \$24,940 | 6,336 | 19.0 |
| All other financial specialists | Bachelor's degree | 161,978 | \$24,140 | 28,498 | 17.8 |
| Transit & railroad police | Long-term on-the-job training | 6,153 | \$23,710 | 981 | 15.9 |
| Flight attendants | Long-term on-the-job training | 104,008 | \$23,140 | 16,588 | 15.9 |
| Sales representatives, wholesale & manufacturing, except technical & scientific products | Moderate-term on-the-job training | 1,458,000 | \$22,730 | 279,345 | 19.1 |
| Dietitians & nutritionists | Bachelor's degree | 48,071 | \$21,170 | 8,679 | 17.8 |
| Forensic science technicians | Associate degree | 8,390 | \$21,040 | 1,587 | 18.9 |
| Kindergarten teachers, except special education | Bachelor's degree | 168,461 | \$20,810 | 45,861 | 27.2 |
| Gaming supervisors | Work experience in a related occupation | 38,942 | \$20,290 | 6,103 | 15.7 |
| Sound engineering technicians | Postsecondary vocational award | 12,830 | \$20,170 | 3,266 | 25.5 |
| Musicians & singers | Long-term on-the-job training | 161,154 | \$20,170 | 27,495 | 17.1 |
| Environmental science & protection technicians, including health | Associate degree | 27,391 | \$20,120 | 10,147 | 36.8 |
| All other sales & related workers | Moderate-term on-the-job training | 576,778 | \$20,170 | 146,298 | 24.3 |

Table 8.3 Employment in High-Wage, High-Growth Occupations, 2002 and 2012, Projected

| Occupation | Next significant source of postsecondary education & training | 2002 employment level | 2002 median annual earnings | Employment change, 2002-2012 | |
|--|---|-----------------------|-----------------------------|------------------------------|---------|
| | | | | Basic | Percent |
| College Occupations | | | | | |
| Physicians & surgeons | First professional degree | 583,014 | \$14,800 | 113,516 | 19.5 |
| Airline pilots, copilots, & flight engineers | Bachelor's degree | 79,158 | \$19,580 | 14,677 | 18.5 |
| Pediatricians | First professional degree | 13,263 | \$44,870 | 1,994 | 15.8 |
| Lawyers | First professional degree | 495,248 | \$32,290 | 117,872 | 17.0 |
| Osteopaths | First professional degree | 32,051 | \$66,990 | 5,478 | 17.1 |
| Pharmacists | First professional degree | 230,200 | \$77,950 | 49,187 | 20.1 |
| Computer software engineers, systems software | Bachelor's degree | 281,183 | \$74,940 | 127,803 | 45.3 |
| Executive administrators, elementary & secondary school | Bachelor's or higher degree, plus work experience | 216,713 | \$11,490 | 44,878 | 20.7 |
| Computer software engineers, applications | Bachelor's degree | 394,076 | \$79,900 | 179,361 | 45.5 |
| Actuaries | Bachelor's or higher degree, plus work experience | 15,398 | \$69,970 | 2,277 | 14.9 |
| Osteopaths | First professional degree | 48,936 | \$55,330 | 11,396 | 23.3 |
| Educational administrators, postsecondary | Bachelor's or higher degree, plus work experience | 125,037 | \$44,640 | 32,513 | 25.9 |
| Industrial organizational psychologists | Master's degree | 1,865 | \$33,710 | 299 | 16.8 |
| Sales engineers | Bachelor's degree | 81,682 | \$33,640 | 16,254 | 19.9 |
| Telecommunications | First professional degree | 57,537 | \$33,090 | 14,647 | 25.1 |
| Environmental engineers | Bachelor's degree | 47,114 | \$61,410 | 10,016 | 38.2 |
| Public relations managers | Bachelor's or higher degree, plus work experience | 69,185 | \$60,640 | 16,223 | 23.4 |
| Biomedical engineers | Bachelor's degree | 2,587 | \$62,410 | 1,398 | 26.1 |
| Biophysicists & biophysicists | Doctoral degree | 16,733 | \$60,390 | 3,827 | 22.9 |
| Management analysts | Bachelor's or higher degree, plus work experience | 577,421 | \$60,340 | 175,695 | 30.4 |
| Atmospheric & space scientists | Bachelor's degree | 7,788 | \$60,200 | 1,244 | 16.2 |
| Educational administrator, all other | Bachelor's or higher degree, plus work experience | 26,840 | \$57,840 | 5,117 | 19.1 |
| Physical therapists | Master's degree | 126,854 | \$57,330 | 48,301 | 35.3 |
| Financial analysts | Bachelor's degree | 173,182 | \$57,100 | 32,144 | 18.7 |
| Medical scientists, except epidemiologists | Doctoral degree | 57,807 | \$56,980 | 13,557 | 26.9 |
| Personal financial advisors | Bachelor's degree | 126,208 | \$56,680 | 43,648 | 34.6 |
| Architects, except landscape & naval | Bachelor's degree | 113,243 | \$56,620 | 19,538 | 17.3 |
| Hydrologists | Master's degree | 7,957 | \$56,530 | 1,671 | 21.8 |
| Agents & business managers of artists, performers, & athletes | Bachelor's or higher degree, plus work experience | 13,171 | \$55,730 | 4,221 | 27.8 |
| Epidemiologists | Master's degree | 3,936 | \$53,840 | 1,279 | 32.5 |
| Market research analysts | Master's degree | 134,474 | \$53,810 | 31,453 | 23.4 |
| Geographers | Master's degree | 817 | \$53,420 | 160 | 19.5 |
| Biological scientists, all other | Bachelor's degree | 27,299 | \$53,300 | 6,088 | 22.3 |
| All other health diagnosing & treating practitioners | Bachelor's degree | 107,336 | \$52,430 | 26,293 | 24.5 |
| Occupational therapists | Bachelor's degree | 81,624 | \$51,990 | 20,742 | 35.2 |
| Counsel, counseling, & school psychologists | Doctoral degree | 137,248 | \$51,170 | 33,534 | 26.4 |
| Microbiologists | Doctoral degree | 16,454 | \$51,020 | 3,283 | 20.8 |
| Speech-language pathologists | Master's degree | 94,319 | \$49,450 | 23,645 | 27.2 |
| Postsecondary teachers | Doctoral degree | 1,581,247 | \$49,090 | 802,738 | 38.1 |
| Audiologists | Master's degree | 10,929 | \$48,400 | 3,148 | 29.8 |
| Commercial pilots | Postsecondary vocational award | 21,073 | \$47,970 | 3,145 | 14.9 |
| Environmental scientists & specialists, including health | Master's degree | 65,089 | \$47,800 | 15,467 | 23.7 |
| Landscape architects | Bachelor's degree | 23,135 | \$47,400 | 5,136 | 22.2 |
| Instructional coordinators | Master's degree | 98,454 | \$47,350 | 25,018 | 25.4 |
| Accountants & auditors | Bachelor's degree | 1,055,217 | \$47,000 | 395,459 | 19.5 |
| All other life scientists | Bachelor's degree | 25,965 | \$46,140 | 4,745 | 18.1 |
| Educational, vocational, & school counselors | Master's degree | 228,159 | \$44,100 | 34,136 | 15.8 |
| Secondary school teachers, except special & vocational education | Bachelor's degree | 987,583 | \$43,950 | 179,718 | 18.2 |
| Special education teachers | Bachelor's degree | 432,935 | \$43,450 | 129,772 | 30.8 |
| Social & community service managers | Bachelor's degree | 128,719 | \$43,080 | 35,654 | 27.7 |
| Cartographers & photogrammetrists | Bachelor's degree | 8,554 | \$42,870 | 1,292 | 15.1 |
| Writers & authors | Bachelor's degree | 136,980 | \$42,790 | 27,236 | 16.1 |
| Elementary school teachers, except special education | Bachelor's degree | 1,467,155 | \$41,780 | 223,203 | 15.2 |
| Public relations specialists | Bachelor's degree | 158,079 | \$41,710 | 52,054 | 32.9 |
| Medical & public health social workers | Bachelor's degree | 107,194 | \$37,380 | 30,709 | 28.6 |
| Marriage & family therapists | Master's degree | 23,495 | \$35,580 | 5,286 | 22.4 |
| Arbiters, conciliators, & mediators technicians | Master's degree | 22,258 | \$35,270 | 3,782 | 17.8 |
| Athletic trainers | Bachelor's degree | 14,283 | \$33,820 | 4,285 | 29.8 |
| Education administrators, preschool & child care center/program | Bachelor's or higher degree, plus work experience | 57,991 | \$33,340 | 18,553 | 32.8 |
| Child, family, & school social workers | Bachelor's degree | 274,455 | \$33,150 | 63,594 | 23.2 |
| Clergy | First professional degree | 400,485 | \$33,110 | 42,114 | 15.5 |
| Mental health & substance abuse social workers | Master's degree | 94,946 | \$32,850 | 32,763 | 34.5 |
| Audio-visual equipment specialists | Moderately term-on-the-job training | 9,771 | \$22,360 | 1,390 | 16.3 |
| All other counselors, social, & religious workers | Bachelor's degree | 347,803 | \$21,150 | 70,028 | 28.3 |
| Scholarship abuse & behavioral disorder counselors | Master's degree | 67,148 | \$20,180 | 15,612 | 23.3 |
| Mental health counselors | Master's degree | 84,818 | \$20,940 | 22,404 | 26.7 |

Table 8.3 Employment in High-Wage, High-Growth Occupations, 2002 and 2012, Projected

| Occupation | Most significant source of postsecondary education/knowledge | 2002 employment level | 2002 median annual earnings | Employment change, 2000–2012 | Nominal | Percent |
|--|--|-----------------------|-----------------------------|------------------------------|---------|---------|
| First-line supervisors/managers of protective service workers, except police, fire & correctional officers | Work experience in a related occupation | 56,314 | \$4,320 | 13,443 | 23.9 | |
| All other life, physical, & social science technicians | Associate degree | 137,443 | \$4,030 | 24,057 | 17.5 | |
| All other entertainers & performers, sports & recreation workers | Long-term on-the-job training | 56,054 | \$3,740 | 9,166 | 16.4 | |
| Computer, electronic, medical, & office machine repairers | Postsecondary vocational award | 156,396 | \$3,250 | 23,329 | 15.1 | |
| Biological technicians | Associate degree | 47,903 | \$2,710 | 9,279 | 19.4 | |
| All other health practitioners & technical workers | Postsecondary vocational award | 188,594 | \$2,680 | 31,538 | 37.2 | |
| Audio & video equipment technicians | Long-term on-the-job training | 41,759 | \$1,110 | 11,169 | 26.7 | |
| Human resources assistants, except payroll & timekeeping | Short-term on-the-job training | 173,844 | \$3,410 | 33,467 | 19.3 | |
| Some College/College Occupations | | | | | | |
| Chief executives | Bachelor's or higher degree, plus work experience | 532,761 | \$16,260 | 92,579 | 16.7 | |
| Computer & information systems managers | Bachelor's or higher degree, plus work experience | 284,415 | \$5,340 | 103,608 | 36.1 | |
| Marketing managers | Bachelor's or higher degree, plus work experience | 202,628 | \$11,250 | 43,252 | 21.3 | |
| Computer & information systems analysts, research | Bachelor's degree | 33,243 | \$7,740 | 6,961 | 20.9 | |
| Sales managers | Bachelor's or higher degree, plus work experience | 343,046 | \$15,240 | 104,562 | 30.5 | |
| Financial managers | Bachelor's or higher degree, plus work experience | 399,055 | \$13,340 | 109,456 | 18.3 | |
| Human resources managers | Bachelor's or higher degree, plus work experience | 202,245 | \$14,710 | 39,323 | 19.4 | |
| Physician assistants | Bachelor's degree | 63,033 | \$48,670 | 36,794 | 48.9 | |
| Computer systems analysts | Bachelor's degree | 468,345 | \$12,890 | 184,346 | 39.4 | |
| Medical & health services managers | Bachelor's or higher degree, plus work experience | 243,574 | \$11,370 | 71,336 | 29.3 | |
| First-line supervisors/managers of police & detectives | Work experience in a related occupation | 113,828 | \$11,810 | 17,363 | 15.3 | |
| Network systems & data communications analysts | Bachelor's degree | 185,971 | \$18,420 | 106,073 | 37.8 | |
| Advertising & promotion managers | Bachelor's or higher degree, plus work experience | 85,345 | \$17,120 | 21,291 | 25.0 | |
| Database administrators | Bachelor's degree | 108,954 | \$15,480 | 48,613 | 44.2 | |
| First-line supervisors/managers of fire fighting & prevention workers | Work experience in a related occupation | 42,602 | \$15,450 | 11,698 | 18.7 | |
| Dental hygienists | Associate degree | 147,961 | \$35,320 | 63,740 | 43.1 | |
| Network & computer systems administrators | Bachelor's degree | 251,375 | \$14,810 | 93,899 | 37.4 | |
| All other computer specialists | Associate degree | 199,639 | \$14,670 | 70,009 | 36.5 | |
| Detectives & criminal investigators | Work experience in a related occupation | 92,867 | \$11,410 | 21,086 | 22.4 | |
| All other business operation specialists | Bachelor's degree | 1,055,663 | \$10,480 | 290,383 | 37.5 | |
| Radiologic therapists | Associate degree | 12,505 | \$9,640 | 4,289 | 31.6 | |
| Technical writers | Bachelor's degree | 49,588 | \$10,380 | 13,446 | 27.1 | |
| Health medicine technicians | Associate degree | 17,142 | \$8,750 | 4,051 | 23.6 | |
| Diagnostic medical sonographers | Associate degree | 36,508 | \$18,660 | 8,774 | 34.0 | |
| Registered nurses | Associate degree | 2,284,459 | \$28,090 | 422,156 | 27.3 | |
| Producers & directors | Bachelor's or higher degree, plus work experience | 76,125 | \$16,240 | 13,894 | 18.3 | |
| Athletes & sports competitors | Long-term on-the-job training | 15,114 | \$15,320 | 3,901 | 19.2 | |
| Compensation, benefits, & job analysis specialists | Bachelor's degree | 98,669 | \$15,100 | 25,485 | 28.0 | |
| Loan officers | Bachelor's degree | 233,469 | \$12,980 | 42,071 | 18.8 | |
| Multi-media artists & animators | Bachelor's degree | 74,826 | \$13,880 | 11,821 | 15.8 | |
| Emergency management specialists | Work experience in a related occupation | 10,948 | \$13,560 | 3,042 | 28.2 | |
| Credit analysts | Bachelor's degree | 65,934 | \$12,910 | 12,349 | 18.7 | |
| Medical & clinical laboratory technicians | Bachelor's degree | 149,952 | \$12,910 | 28,936 | 19.3 | |
| Training & development specialists | Bachelor's degree | 208,952 | \$12,800 | 38,295 | 27.9 | |
| Police & sheriff's patrol officers | Long-term on-the-job training | 618,786 | \$12,370 | 152,795 | 34.7 | |
| Appraisers & assessors of real estate | Postsecondary vocational award | 88,345 | \$11,780 | 15,551 | 17.6 | |
| Respiratory therapists | Associate degree | 85,270 | \$10,220 | 29,829 | 34.8 | |
| Employment, recruitment, & placement specialists | Bachelor's degree | 174,819 | \$9,410 | 47,738 | 27.3 | |
| Interior designers | Bachelor's degree | 60,050 | \$19,180 | 13,023 | 21.7 | |
| Computer support specialists | Associate degree | 306,877 | \$19,100 | 153,422 | 30.2 | |
| Radiologic technologists & technicians | Associate degree | 174,112 | \$18,570 | 38,958 | 22.9 | |
| All other media & communication workers | Long-term on-the-job training | 57,717 | \$18,480 | 9,803 | 17.2 | |
| Film & video editors | Bachelor's degree | 19,290 | \$18,270 | 5,117 | 26.4 | |
| Paralegals & legal assistants | Associate degree | 199,836 | \$17,950 | 52,281 | 38.7 | |
| Meeting & convention planners | Bachelor's degree | 36,867 | \$17,420 | 7,846 | 21.3 | |
| Graphic designers | Bachelor's degree | 211,071 | \$16,680 | 46,379 | 31.9 | |
| Cordless/tool technicians & technicians | Associate degree | 43,380 | \$16,430 | 14,554 | 33.5 | |
| Adult literacy, remedial education, & GED teachers/instructors | Bachelor's degree | 80,076 | \$16,400 | 16,299 | 20.4 | |
| Health educators | Master's degree | 44,536 | \$16,240 | 6,743 | 21.9 | |
| Physical therapist assistants | Associate degree | 58,188 | \$16,080 | 22,282 | 44.6 | |
| Airfield operations specialists | Long-term on-the-job training | 6,081 | \$16,010 | 1,046 | 17.2 | |
| Fine artists, including painters, sculptors, & illustrators | Long-term on-the-job training | 23,182 | \$15,260 | 3,836 | 16.5 | |
| All other media & communication equipment workers | Moderately long-term on-the-job training | 24,342 | \$14,880 | 4,993 | 20.1 | |
| Set & exhibit designers | Bachelor's degree | 12,119 | \$13,870 | 3,534 | 28.9 | |
| Interpreters & translators | Long-term on-the-job training | 24,111 | \$12,590 | 5,317 | 22.3 | |
| Loan counselors | Bachelor's degree | 31,106 | \$12,160 | 5,539 | 17.8 | |
| Self-enrichment education teachers | Work experience in a related occupation | 200,565 | \$11,320 | 60,418 | 40.1 | |
| Private detectives & investigators | Work experience in a related occupation | 48,009 | \$10,300 | 12,131 | 25.1 | |
| All other teachers, primary, secondary, & adult | Bachelor's degree | 679,385 | \$10,250 | 228,731 | 33.7 | |
| Medical & clinical laboratory technicians | Associate degree | 147,462 | \$9,640 | 28,665 | 19.4 | |
| Massage therapists | Postsecondary vocational award | 92,086 | \$9,610 | 24,912 | 27.1 | |
| Directors, religious activities & education | Bachelor's degree | 105,311 | \$9,020 | 25,246 | 24.1 | |
| Coaches & scouts | Long-term on-the-job training | 139,715 | \$7,880 | 29,777 | 18.3 | |

The Skilled Trades

Throughout history, we have turned to the men and women of the skilled trades to keep America's foundation strong. Skilled trades workers have built homes for our families and the roads and factories that keep our economy moving forward. While the tools and technology used for these trades have changed – with nail guns now accompanying hammers and laser guides accompanying plumb lines – the important role played by the skilled trades has not.

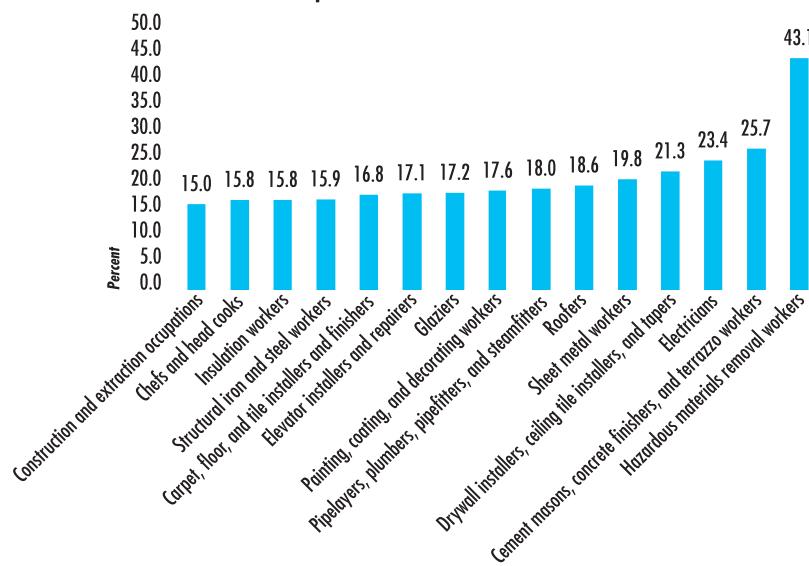
As America grows, we need a new generation of skilled trades workers. By the year 2012, there is projected to be 8.4 million people in construction and extraction occupations. In addition to the projected 1.1 million new jobs to be created, opportunities will exist to

replace experienced construction workers as they leave their jobs. Some firms in the construction industry are today reporting shortages of skilled labor. In order to keep America strong, we must not discourage young people from entering the skilled trades.

The skilled trades offer opportunities across a broad set of occupations. Most of the workers in construction occupations are skilled craftworkers or laborers, helpers, and apprentices who assist the more skilled workers. Construction workers generally are classified as one of the following: structural, finishing, or mechanical workers.

Skilled trades and crafts jobs are heavily concentrated in the construction industry. While these workers may be employed in any indus-

Chart 8.6 Percent Change in Employment for Selected Skilled Trade Occupations, 2002 - Projected 2012



Source: Bureau of Labor Statistics, Office of Occupational Statistics and Employment Projections

try, half of construction industry employment is comprised of these skilled trades and crafts workers. Other industries in which they may be employed include manufacturing, real estate, and wholesale and retail trade. In addition, self-employment is very common.

Labor force growth for the 2002-2012 period will be affected by the aging of the Baby Boom generation.

The aging workforce will stimulate demand for new workers to sustain growth in the skilled trades. The median age of the labor force was 34.6 years in 1982; it is expected to rise to 41.4 years in 2012, exceeding the highest level ever recorded, which was 40.5 years in 1962.

Not only will the aging population generate job openings due to retirements, but the aging population will also increase demand for various construction activities. Construction of nursing homes and convalescent homes will multiply. And as the children of the Baby Boomers become young adults, the demand for manufactured housing, starter homes, and rental apartments is expected to increase.

Job opportunities are expected to be excellent in the construction industry. Construction employment is expected to increase by 15.1 percent (from 6.7 million to 7.7 million) during the 2002-2012 period. Demand for new housing and an increase in road, bridge, and tunnel construction will account for the bulk of job growth in this supersector. Skilled trades workers are likely to be in demand for the foreseeable future.

Skilled trades occupations are a diverse group . . .

Skilled trades occupations are a diverse group, and the projected ten-year increase for each specific occupation ranges from 1.7 to 43.1 percent. For instance, from 2002 to 2012 boilermakers are projected to grow by 1.7 percent, carpenters by 10.1 percent, insulation workers by 15.8 percent, electricians by 23.4 percent, and hazardous materials removal workers by 43.1 percent. Chart 8.6 shows projected employment

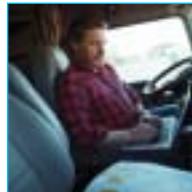
changes for selected skilled trades occupations. Overall, construction and extraction occupations are projected to increase by 1.1 million jobs during the 2002-2012 period.

Conclusion

The Department of Labor has committed itself to preparing the workforce of today for tomorrow's economy. Health, education, and computer-related fields will continue to serve as the source of many good jobs for those with at least some college education. Jobs in maintenance, production, repair, and construction and installation will provide a good source of jobs for high school graduates, especially those who have received additional vocational training. In the dynamic U.S. economy, the technological advances in production and the changing demand for goods and services will determine what industries will provide good jobs for U.S. workers. The American workforce has met the challenges of every new economic era and the next one will be no exception.

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chapter nine

saving for our future

Introduction

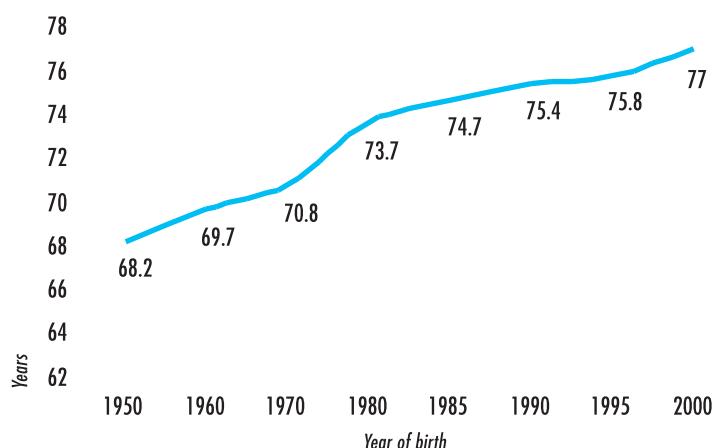
As Secretary Elaine L. Chao noted at the 2002 National Summit on Retirement Savings, the retirement landscape has been transformed by an “earthquake of change.”ⁱ For Americans born today, average life expectancy is 77 years — more than a decade longer than the life expectancy for their grandparents’ generation. (See Chart 9.1.) Of particular note is the rise in life expectancy for those over age 65. By 2000, the life expectancy of someone at age 65 had risen to 83.ⁱⁱ An aging and retiring workforce pose a number of demographic challenges.

The demographics are revealing. Between today and the year 2050, the U.S. population is expected to grow from 282 million today to 420 million. The percentage of the U.S. population that will be 65 and older will grow from 12 percent in 2000 to 21 percent in 2050. The percentage of Americans 85 and older will also increase substantially—from 1.5 percent of the population to 5 percent.ⁱⁱⁱ

Because it is rare for someone to work their entire lifetime for a single employer, it is more critical than ever to assure that workers can take ownership over their pension and other retirement savings accounts. Workers have more control over their own retirement accounts, through Individual Retirement Accounts (IRAs) and 401(k) plans, and they are less likely to expect a fixed pension from a single employer upon retirement.

Retirement security must be a national priority. Because we have the advantage of living

Chart 9.1 Average Life Expectancy at Birth, 1950 - 2000



Source: Centers for Disease Control and Prevention

Expanding Ownership of Retirement Assets

The tax relief legislation signed into law by the President provided almost \$50 billion dollars of tax relief over the next ten years to strengthen retirement security. This landmark legislation raised the contribution limits for IRA and 401(k) accounts, allowed for additional "catch up" contributions for workers aged 50 and over, and speeded up the vesting process for employer contributions to 401(k) accounts.



New Savings Opportunities: The President has proposed to expand savings opportunities through the creation of Retirement Savings Accounts (RSAs) and

Lifetime Savings Accounts (LSAs). RSAs would provide all Americans with an easy, tax-preferred way to prepare for retirement. LSAs would give all Americans the opportunity to save tax free to pay for job training, college tuition, the down-payment on a first home, a car to drive to work, or their retirement.

Ensuring Freedom of Choice: The President's proposal would ensure that workers who have participated in 401(k) plans for three years are given the freedom to choose where to invest their retirement savings. The President has also proposed that choice be a feature of Social Security itself, allowing individuals to voluntarily invest a portion of their Social Security taxes in personal retirement accounts.

longer after retirement – often 15, 25, even 30 years in retirement – successful and active retirement requires better planning. Today individuals are bearing increasing responsibility for their retirement savings as employers turn from the traditional defined benefit pension plan to 401(k) and other defined contribution plans.

While some Americans still believe that Social Security will pay for all or most of their retirement needs, a comfortable retirement requires a combination of savings accounts, including Social Security, retirement plan benefits, and personal savings and investments. However, Social Security is not expected to meet its planned obligations after 2042. Often, retirees wish to continue to spend at high levels, requiring between 74 percent and 83 percent of their pre-retirement income in order to maintain their standard of living. Studies indicate, however, that only 56 percent of households are adequately prepared for such a lifestyle.ⁱ

The landscape of retirement is also changing as workers no longer view retirement as a complete end to work and a transition to leisure but rather as a new phase of life. According to the *2003 Retirement Study* conducted by Towers Perrin, almost four out of five workers plan to continue working after reaching retirement age. More than half of these individuals plan on working in order to stay involved and active, while the remainder cite financial reasons for staying on the job.^{iv} (See Chart 9.2.)

Similar results were reported by AARP in their *The AARP Working into Retirement Study* (2003).^v A number of factors will influence future retirees' decisions to continue working. The Social Security earnings test has been

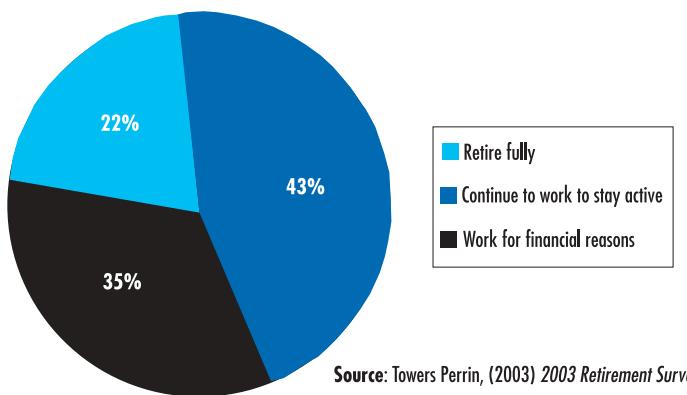
eliminated for those who retire at normal retirement age, and the eligibility for full benefits is increasing to 67; people are living longer; and they want to maintain their employment-based health care coverage.

Today consensus is emerging among Congress, the Executive Branch, and private sector organizations on two major policy goals — first, we need to educate American workers on the importance of saving for a secure retirement; and second, we need to educate American employers about the advantages of a workplace savings plan.

Employment-Based Retirement Plans

Half of private full-time workers and 14 percent of private part-time workers participate in employment-based retirement plans. Sixty-four percent of private and public employees worked for employers that sponsored a retirement plan in 1999. This represents 90 percent of public workers but only 58 percent of private workers. Out of covered private sector workers, 51 percent of full-time workers and 14 percent of part-time workers participated in a retirement plan.

Chart 9.2 Expectation of Continued Employment after Retirement, 2003



A greater percentage of public-sector than private-sector workers participate in employment-based retirement plans. In a similar breakdown of public sector worker coverage, 85 percent of full-time workers and 32 percent of part-time workers participated in a retirement plan. These coverage rates have not changed substantially over the past 30 years.

Many workers who do not have a workplace retirement plan work for small employers, who often do not sponsor a plan. In 2003, just 35 percent of workers at private establishments with fewer than 100 employees participated in a retirement plan, compared with 65 percent of workers at larger establishments.^{vi}

A defined benefit plan – the traditional pension plan – promises a specified monthly benefit at retirement. The plan may state this promised benefit as an exact dollar amount or calculate the benefit through a formula that considers such factors as salary and service (for example, 1 percent of your average salary for the last five years of employment for every year of service with your employer).

A defined contribution plan, on the other hand, does not promise a specified benefit at retirement. In these plans, employees and/or the employer contribute to an employee's individual account in the plan, sometimes at a set rate, such as 5 percent of annual earnings. The contributions are invested, with most participants making the investment decisions for their own accounts. The participants will receive their account balance as their retirement benefit. The value of the account will fluctuate due to changes in the investments. Examples of defined contribution plans include 401(k) plans, 403(b) plans,

employee stock ownership plans, and profit-sharing plans.

Defined contribution plans, such as 401(k) plans and profit-sharing plans, have proliferated over the past 20 years. They have more than doubled in number from 1978 to 1999, from 315,000 to 683,000 plans. (See Chart 9.3.) At the same time, the number of traditional defined benefit pension plans decreased by more than 60 percent, from 128,000 to 50,000 plans. Some companies offer both types of plans.

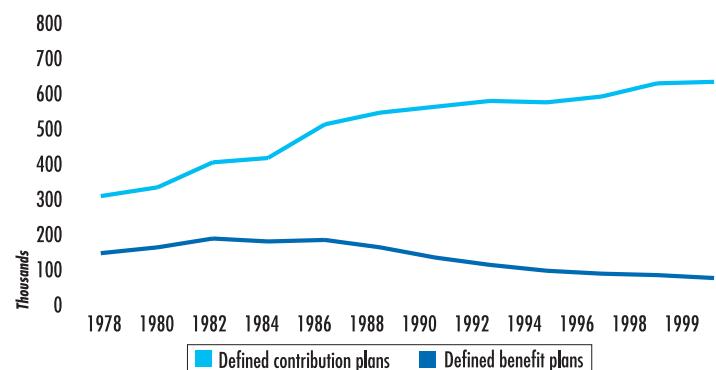
In terms of individuals covered by the plans, the number of people covered by defined contribution plans rose from 16 million in 1978 to 60 million in 1999. (See Chart 9.4.) Over the same period the number of people covered by defined benefit plans rose from 36 to 41 million.

The popularity of 401(k) plans has been largely responsible for the shift from traditional defined benefit pension plans to defined contribution plans. Of 730,000 total retirement plans, 93 percent are defined contribution plans covering 69 percent of total active participants.^{vii}

The shift toward defined contribution plans has major implications for retirement. Unlike traditional defined benefit pension plans, which employers solely fund and manage, employees contribute to defined contribution plans and generally direct where and how their account balances are invested and allocated. Employees can also tap into their vested accounts before retirement, for example, by taking a loan or leaving an employer.

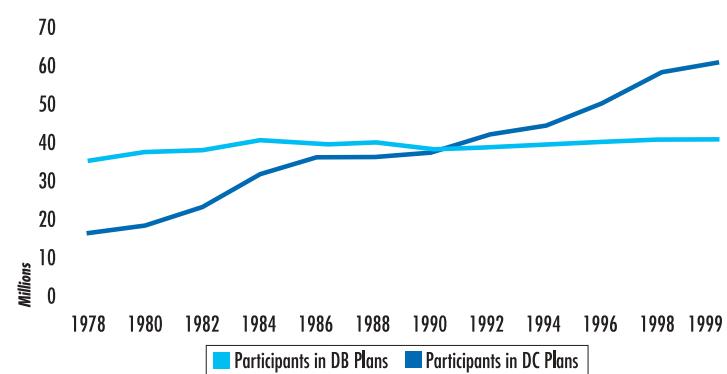
The popularity of self-directed defined contribution plans has brought with it a need for

Chart 9.3 Number of Plans, 1978 - 1999



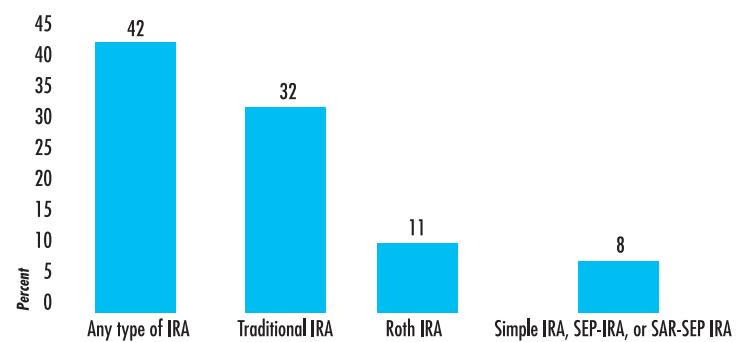
Source: EBSA, *Private Pension Plan Bulletin*, Number 12

Chart 9.4 Number of Participants in DB and DC Plans, 1978 - 1999



Source: EBSA, *Private Pension Plan Bulletin*, Number 12

Chart 9.5 Ownership of IRA, Percent of All U.S. Households, 2001



Source: *Fundamentals*, Investment Company Institute Research in Brief, September 2001



financial literacy to help employees understand the specifics of their plan, the importance of participating and contributing, and how to choose appropriate investments and diversify those investments.

Individual Retirement Accounts

Two-fifths (42 percent) of the U.S. households tracked by the Investment Company Institute in 2001 own IRAs. (See Chart 9.5.) Further, IRA assets are growing substantially. In 1999, for the first time, EBRI found assets in IRAs (\$2.47 trillion) exceeded those in defined contribution plans (\$2.45 trillion) and defined benefit plans (\$2.21 trillion).^{viii}

Most IRA growth, though, is not from new contributions but from rollovers of employment-based plan distributions and investment gains. Today IRAs are used primarily as a vehicle to store retirement wealth that has been accumulated elsewhere in the retirement system, and not as a vehicle through which current retirement savings occur.

Misperceptions about retirement and investments may be discouraging people from contributing more to IRAs. Common mistakes include overestimating investment returns, and consequently running out of funds in retirement; underestimating the needed income to preserve an active lifestyle; expecting too much from Social Security; depending on an inheritance or a spouse's pension; and underestimating longevity.

Social Security

Social Security is the mainstay of most people's retirement income. Nine in ten households aged 65 and older receive Social Security benefits.^{ix} Thirty-eight percent of the

Strengthening America's Retirement Future and Strengthening Social Security

Social Security was designed in 1935 for an America that was very different in many ways. In order for Social Security to withstand the conditions of the 21st Century, retirees in 2035 must have a system that reflects the realities of the nation in which they live.

Fifty years ago, there were 16 workers paying into Social Security for every 1 collecting benefits from it. Today, there are 3.3 workers paying into Social Security for every 1 collecting benefits. By the time today's young workers retire, there will be only 2 workers paying into Social Security for every 1 collecting benefits.

The current Social Security system is effectively a "pay as you go" system. The benefits of today's seniors are not paid from personally-owned Social Security accounts, but from the payroll taxes of today's workers. Under current Social Security law, even surplus payroll taxes paid by workers are not saved in personal accounts, but finance the current operations of the federal government.

Because Social Security is a "pay as you go" system rather than a savings system, a sharp drop in the worker-collector ratio must mean a sharp increase in the tax burdens borne by workers.

President Bush favors allowing younger workers the opportunity to save a portion of their payroll taxes in a personal account. These accounts would enable the worker to build a nest egg for retirement, which could eventually be passed on to the worker's heirs.



In May 2001, the President convened a bipartisan Commission to Strengthen Social Security, co-chaired by the late Senator Daniel Patrick Moynihan and Richard Parsons. That Commission was charged with making recommendations to make Social Security fiscally sustainable, subject to reform principles prescribed by the President. The President's reform principles, in addition to creating voluntary personal accounts, also include making no changes to the benefits of those now in or near retirement, and opposing any increases in the Social Security payroll tax.

The President's Social Security Commission issued a unanimous report of options to permanently strengthen Social Security, while protecting the benefits of current and near-term retirees, and establishing voluntary personal accounts for younger workers. With its report, the Commission invited others to discuss and to expand upon their proposals. Many Members of Congress have answered the call, and stepped forward with plans. Since the Commission report, six fully detailed, comprehensive proposals have been introduced by Members of Congress.

Fixing Social Security will require choices, bipartisanship, and public education. The President wants to work with Congress to produce a consensus on the best elements of the many proposals that have been put forward. Working together, we can build a Social Security system that improves the lives of Americans in the 21st Century, in the same way that the original Social Security system improved the lives of 20th century Americans.

total income of retirees comes from Social Security. Social Security supplies 50 percent or more of the income for two-thirds of households aged 65 and older; it is the only source of income for 18 percent of beneficiary households.

The eligibility age for unreduced Social Security benefits is increasing from 65 to 67. Over a period of 22 years, beginning in 2000, the normal retirement age increases gradually from age 65 to age 67 for people born in 1938 and after. For those born in 1960 and after, normal retirement age is 67.

The later normal retirement age of 67 may accelerate a reversal of the decline in the average age at retirement experienced up to the 1990s. Some workers may even choose to work beyond normal retirement age because delayed retirement increases Social Security benefits for each year after normal retirement age, reaching 8 percent per year of delay in 2010.

Earnings

People are increasingly transitioning to retirement through bridge jobs or phased retirement. A 1999 AARP survey confirmed that most Baby Boomers (80 percent) plan to work at least part time in retirement.^{iv}

Continuing to work after retirement makes sense in light of increasing lifespans. On average a child born in 1998 can expect to live to almost 77. As mentioned above, a 65-year-old female retiree in 1998 can expect to live until 84. With people living longer and retiring earlier, earnings could become a more significant source of retirement income. Also, as the workforce ages and there are fewer younger people in the workforce, labor shortages may encourage people to retire later.

Another reason people transition to or delay retirement is to maintain or pay for health care coverage. Not only do retirees have to bridge gaps between early retirement and the Medicare eligibility age of 65, but most want to supplement Medicare coverage. The percentage of employers with retiree health benefits, once a more common benefit, is declining.

Helping Americans to Save

There is plenty of evidence of the need for Americans to save – and, as noted above, there is consensus among those leading efforts to help Americans take on this important responsibility for a secure future. The Retirement Savings Education Campaign implements a statutory mandate under the Savings Are Vital to Everyone's Retirement (SAVER) Act of 1997. It advances the public's understanding of the importance of saving for retirement, often working with many public and private sector partners.

Further, pursuant to this Act, Secretary Chao convened the 2002 National Summit on Retirement Savings. Under the theme "Savings for Lifetime: Advancing Generational Prosperity," Secretary Chao welcomed the President, members of Congress, and 200 other leaders in this field as they spoke to the importance of understanding the differences between generations – focusing on their attitudes toward finances and saving for retirement. The Summit produced a report, recommendations, and action steps specific to each generation of savers.

Adding new and expanded incentives to motivate Americans to save, President Bush signed into law the Economic Growth and Tax Relief and Reconciliation Act of 2001 (EGTRRA) and

the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). Both bills encouraged saving by reducing taxes on income from capital, thereby increasing returns to savers.

EGTRRA is particularly important to many of the Baby Boom generation approaching retirement with the addition of catch-up contributions to retirement savings plans for those over 50. In addition, EGTRRA encourages higher salary deferrals by increasing the limits for retirement plan contributions. It also encourages Americans to keep savings and not spend them by facilitating rollovers opportunities from retirement plan accounts into IRAs when employees change jobs.

The Department's work to help small businesses consider the various retirement plan options available was also expanded to work with the Internal Revenue Service and highlight the new incentives added as part of EGTRRA. By encouraging more small businesses to set up plans, more workers can be covered by plans and save for the future.

In May 2004, the U.S. Department of Labor launched a new education campaign designed to assist plan officials, especially small businesses, in meeting their fiduciary responsibilities. The campaign is part of a retirement plan compliance assistance program that includes a number of new publications, live outreach



“The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country.”

-President George W. Bush,
June 17, 2004

seminars conducted with the IRS and many other partners including the Small Business Administration, the U.S. Chamber of Commerce, the Society for Human Resource Management, the National Federation of Independent Businesses, and the American Institute of Certified Public Accountants.

Wise Up is a Women's Bureau e-mentoring financial security and retirement savings demonstration project that is accessible via the web and at institutions in six regions. The project is designed to teach Generation X women ages 22 to 35 the basics of managing money, saving, investing, using credit wisely, buying insurance and retirement planning. The curriculum is available online and in participating institutions.

As part of its continuing e-gov educational efforts, this campaign also features a dedicated web page. The Department continues to expand its compliance assistance efforts to assist retirement plan officials in operating their plans and keeping the plans secure to provide promised benefits to their workers.

e-gov

Efforts to educate workers and employers about the importance of saving for a secure retirement include a number of e-gov initiatives. In 2003, EBSA worked with its partners, the U.S. Chamber of Commerce and the Small Business Administration, to update an interactive web site developed by the three organizations, selecta-retirementplan.org, for small businesses. The site now draws more than 50,000 visitors per month.

Four additional web sites provide information to motivate employees and employers and help them make wise decisions about retirement. One such site, www.dol.gov/ebsa, features publications and web-only information to help all of the agency's target audiences. The interactive elaws Small Business Retirement Savings Advisor (at www.dol.gov) links small business owners with timely information and the requirements and benefits of the various types of retirement plans. And the Retirement Savings Education Campaign and the National Summit on Retirement Savings both have web sites with helpful and interesting information for workers and employers.

Partnerships

Partnerships are an important component of the Retirement Savings Education Campaign's efforts to educate workers and employers about retirement savings and retirement plans. EBSA has multiplied its outreach by working with many private- and public-sector partners. From the IRS to the Consumer Federation of America, these partnerships have resulted in greater exposure for the retirement savings message.

As one example, the EBSA's partnership with the IRS has resulted in information on the tax advantages of saving for retirement being added to several publications for employers. A partnership with the Consumer Federation of America gives consumers at the grass-roots level basic information and tools to increase their savings rate.

EBSA's partnership with the Federal Citizen Information Center (FCIC) has resulted in increased exposure for the agency's publications. Through the efforts of the FCIC, *Savings Fitness, Top 10 Ways to Prepare for Retirement, and Women and Retirement Savings* have been promoted in the pages of *Parade* magazine, through the syndicated column "Hints from Heloise," and highlighted on information accompanying federal income tax refunds.

The Retirement Savings Education Campaign has worked with a wide range of partners to draw from varied expertise and to reach a wide range of the American public. These partners, in addition to those noted above, include the Small Business Administration, the U.S. Chamber of Commerce, the Certified Financial Planner Board of Standards, the



Social Security Administration, the National Association of Women Business Owners, and many others. The Campaign continues to expand its partnerships and looks forward to working on future collaborative efforts.

Reaching Non-English Speaking Americans

During 2002, EBSA increased the number of publications available to Spanish-speaking populations. *Pension and Health Care Coverage...Questions and Answers for Dislocated Workers*, was translated and disseminated. The publication answers questions about the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and other health and retirement benefits after job loss.

Las Mujeres y el Dinero (Women and Money) is a series of financial education conferences held across the country. The Women's Bureau initiated these events with partners from the Hispanic business community especially for Hispanic women who face unique challenges when it comes to financial security. The web site address is <http://www.dol.gov/wb/hisp.htm>.

Conclusions

Retirement security has become a national priority. Today, people are bearing more responsibility for their retirement savings as more employers turn from traditionally defined benefit pension plans to 401(k) and other defined contribution plans.

By preparing for retirement and taking advantage of tax benefits, Americans will be ready for the future.

Changing Jobs, a poster offering regional office assistance with retirement and health questions, was also translated into Spanish and distributed by EBSA's 15 field offices. This builds upon EBSA's continuing efforts to expand its retirement and health benefits educational materials available to non-English speaking Americans. EBSA, working with a translation service, can also assist callers speaking over 140 languages.

The Department of Labor assists Americans as they plan for an active retirement. Through programs and partnerships, the Department of Labor encourages Americans to take advantage of the tax-favored opportunities proposed by President Bush and passed by Congress. By preparing for retirement and taking advantage of tax benefits, Americans will be ready for the future.

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| Detailed industry | 2002 number | 2012 number | Percent change | Numeric change |
|---|-------------|-------------|----------------|----------------|
| Software publishers | | | | |
| Internet service providers and web search portals | | | | |
| Other residential care facilities | | | | |
| Home health care services | | | | |
| Management, scientific, and technical consulting serv | | | | |
| Computer systems design and related services | | | | |
| Employment services | | | | |
| Community care facilities for the elderly | 530,100 | 815,300 | 53.8 | 285,200 |
| Wireless telecommunications carriers (except satellite) | 195,900 | 294,800 | 50.5 | 98,900 |
| Vocational rehabilitation services | 376,300 | 562,500 | 49.5 | 186,200 |



america's dynamic workforce

