

# Commission on the Future of Work Final Report

Recommendations to sustain the cornerstone of the American Dream

## INTRODUCTION

Meaningful, sustaining, and valuable work is the cornerstone of the American Dream. As we move into the coming century, the American labor force confronts an ever-quicken pace of change within what exactly “work” means, how it is valued, and how we can ensure that all work—in every field and in every context—provides a stable basis for a meaningful life. We do not enter this challenge blindly, though. In our history, we have confronted similar periods of immense change in the nature and character of labor. This Commission has examined our nation’s history and doctrine, the current state of the American workforce, and the likely impacts of technological change on why and how Americans will work in the future.

The future of work will be fundamentally shaped by political and policy choices. How we define work, how we set baseline values for that work, and how we ensure that all labor market participants—workers and employers alike—receive fair and sustaining value from their work are all political questions and must be confronted with the understanding that their settlement will depend on smart policy choices that provide intelligent and workable rules for the marketplace.

Based on months of study by the members of the Millennial Policy Initiative Commission on the Future of Work (Commission), we make the following recommendations for short and long-term policy choices related to the future of work. All of these recommendations proceed from the understanding that our current model of workforce assistance and training is structured to address problems of the past. We therefore need to understand the shortcomings of that outmoded system, identify a new, equitable model for such assistance, and then establish new baselines for the minimum acceptable standard of living for American workers.

- 1. Re-examine and Re-invigorate Workforce Development Programs and current Federal Funding.**
- 2. Ensure all workers—regardless of classification—have access to Robust, Universal Benefits Programs.**
- 3. Plan for the Intersectional and Intergenerational Impacts of Coming Automation.**

## REINVIGORATING AND MODERNIZING WORKFORCE DEVELOPMENT PROGRAMS

Work is an essential characteristic of identity. The work that an individual engages in during their lives provides them with a livelihood and a means to create for themselves and their families new opportunity. For many, it also provides a sense of purpose, accomplishment, and satisfaction. Conversely, unemployment or underemployment undermines basic stability in life; without work, and strong wages, people cannot pay rent, utilities, or put enough food on the table for their families. In turn, this can lead to dramatic social ills, including depression, antisocial behavior, and decreasing economic opportunities.

Recognizing the critical role meaningful work plays in the social and individual health of Americans, the Federal and state governments in this country provide a myriad of workforce training programs. As of 2018, federal workforce development programming is generally administered pursuant to the Workforce Innovation and Opportunity

Act (WIOA).<sup>[1]</sup>

To reinvigorate and modernize our model of workforce development, WIOA needs to be evaluated based, not strictly on quantitative outcomes, but also with an eye towards the future of our workforce in an ever-changing economy. Under WIOA, federal workforce development dollars are distributed through a highly-decentralized network of more than 2,500 American Job Centers. WIOA is built on the idea of cross-sectoral cooperation and calls for its jobs centers to act as central coordinating entities to connect and train workers in a local area to in-demand work opportunities.<sup>[2]</sup> To attempt to tailor the training to the needs of local economies, WIOA requires states to establish workforce development boards. And to ensure these boards are responsive to local demands, these boards must be chaired by a business representative, at least 50% of the board be business community members, 20% must be workforce representatives, and the remaining slots are dedicated to public policy officials.<sup>[3]</sup> The idea being to encourage public resources to respond to private business demands in the relevant jurisdiction.<sup>[4]</sup>

Within the WIOA paradigm, the Federal government provides direct resources on workforce development. According to recent data, the Federal government invests about \$3 billion dollars per year to core WIOA programming,<sup>[5]</sup> with the clear majority (more than 80%) of that flowing through the state boards to local workforce development areas.<sup>[6]</sup> This amounts to just 0.07% of total projected Federal expenditures in fiscal year 2018.<sup>[7]</sup>

While WIOA was recently passed, the core of the program and new legislation is still grounded in a philosophy and practice from the 1960's. A full history of these programs is far outside the scope of this report, but it is critical to note that—based on the Commission's review—the WIOA is limited in critical ways by its need to coordinate legacy programs.<sup>[8]</sup> These programs were designed in the early to mid 1900's and generally were premised on a conceptual division that is untenable in the modern economy. They viewed workforce development as a distinct area of management separated from overall economic policy. That is, the remedial programs for workforce development were not inherently connected, and not conceptually planned, in a coherent way with overall economic strategy.<sup>[9]</sup> Moreover, the economic system that predominated when these legacy programs were created generally assumed a firm-centric approach rather than a sectoral approach. That is, the workforce development programs conceived of unemployment stemming from large firm layoffs or changes rather than sectoral or cross-sectoral disruptions.<sup>[10]</sup> Finally, these programs assumed that the type of work a participant would engage in after the program would be a similar employee position as before they entered. For instance, the current WIOA does not support independent work and does not credit post-WIOA programming entrepreneurship as a beneficial outcome.

To ensure a modern, responsive workforce development program, this division must be rejected. To do this, at least three approaches must be sustained. The Commission recommends that Millennial leaders expect at least the following three reform paradigms.<sup>[11]</sup>

First, the overall workforce development strategy is in need of structural reform: The WIOA should be amended to abolish these legacy issues, focusing job training efforts on sectoral training, with a particular emphasis on a human-centered approach to service delivery. In part, this means equalizing labor and business representation on WIOA boards and program implementation. While the WIOA maintains a cross-sectoral representation, it still disadvantages labor representation. Also, this will require a cooperative approach between the newly-balanced employer and labor representatives on the boards. To ensure a cooperative approach, the governmental representatives must step forward to ensure a productive dialogue that is responsive to the needs of the local economy and workforce.

Second, WIOA and other federal and state workforce development programs are chronically underfunded. And, worse, what funding is provided often is not targeted effectively and thus results in waste and underproductive programs. While there is room in a modernized workforce development strategy for consolidating or eliminating legacy programs, this must not be an excuse for decreasing funding. As noted above, the federal government will spend a mere 0.07% of its total expenditures in 2018 on WIOA programs. This is well below the investments of

other similarly developed nations.<sup>[12]</sup> And it is far short of the need for training to allow currently displaced workers to enter new sectors. Moreover, increases in funding should be tied to needed reforms, such as living stipends for those who enter the programs to ensure that those who enter are able to complete the training. Additionally, the funding allocation methods should be reformed. Currently, funding is tied to unemployment rates. But this results in a penalty for success, whereby successful programs are starved of funding due to their success in decreasing the local unemployment rate. A new, equitable model that encourages successful outcomes for participants is needed.

And third, these programs should be reformed to broaden their understanding of successful outcomes. While the traditional outcome—where a worker who has lost one employment relationship enters into another employment relationship—is likely to continue as the most common outcome, it is unlikely to be the only outcome in the modern economy. It is likely, and should be accepted, that some WIOA participants will take a path of entrepreneurship. This type of outcome should be encouraged, particularly by Millennial leaders who stem from a generation that—despite the common wisdom—suffers from a lower entrepreneurship rate than prior generations.<sup>[13]</sup>

Taken together, these three reforms would help to reorient workforce development to the modern economy, ensure that enough resources are committed to the program of development, and ensure that modern outcomes are encouraged results of that program. In so doing, these reforms would ensure that local employers are able to find qualified and productive employees, and individuals who enter these programs are provided training and opportunities that respect their inherent dignity and the value of work in their lives.

## **ENSURING UNIVERSAL BENEFITS**

Like the current system for workforce development, the current system for worker benefits sits on a foundation of history. The current model whereby the most significant benefits programs are provided by workers by their employers is a remnant of the economy of the 1900's, particularly World War II and the immediately post-war economy.

Prior to the war years, most employees in the United States did not receive robust benefits packages. Instead, they paid their own way for medical care and other necessities. During the war, however, the Federal government was concerned about the risk of inflation domestically as a weakness in the war effort. To prevent employers from adding inflationary pressure by increasing salary offers to poach scarce workers, Congress passed the Stabilization Act of 1942, also known as the Inflation Control Act.<sup>[14]</sup> Because wages were now set by the federal government, employers offered health insurance as a non-controlled wage-supplement. Combined with later tax advantages that ensured that the benefits were not taxable to the receiving employee in general, this rule began the current hybrid public-private system of expecting employers to provide benefits to employees.

Because significant value, both monetary and in terms of well-being, depend on whether an employer will provide a worker with benefits, the past several decades have seen ongoing disputes over whether an individual worker is an employee or a contractor. This distinction determines whether a worker has access to retirement, health, and wellness benefits; whether they are responsible for additional self-employment taxes instead of traditional, and generally employee-beneficial withholding of taxes due, and other critical employment law questions. These fights are of ever increasing salience as the so-called “gig economy” begins to grow.

The Commission believes that Millennial leaders should not be hidebound in their policy visions by such an overworn, legacy policy choice. Further, the Commission notes that the Millennial generation is an active participant in the “gig” economy, as both consumers and workers. The critical question, then, is not to take a position on the proper classification of workers as employees or as contractors; instead, it is to ensure that all workers—regardless of classification—have access to universal and portable benefit structures that ensure that no member of society falls beneath an equitable standard of living.<sup>[15]</sup>

Thus, the Commission endorses the concept of robust, universal, and portable benefits packages administered

by the state or federal government for all workers within its jurisdiction. Several states and localities are considering proposals that are in line with this goal. These efforts are gaining steam in states such as California, New York, New Jersey, and Washington. Additionally, states have considered retirement plans that are held by the state for the benefit of citizens that otherwise do not have access to retirement benefits.

The Commission generally endorses efforts to ensure portable benefits. It notes that these efforts should at least ensure that the benefit account is owned fully by the worker, allow the company for which that worker works to provide a defined contribution amount for each hour the worker provides work, and be required regardless of the individual's classification status for employment law purposes.

This paradigm largely draws on the proposals in Washington state. There, pending legislation would require companies who use contractors to provide services to end-consumers to make contributions to private, nonprofit “benefit providers.” These contributions would include traditional worker's compensation insurance payments as well as the lesser of 15% of the fee collected from a consumer per transaction with the worker, or \$2 per hour the worker worked to cover other benefits. The nonprofit benefit provider would use the collected funds to purchase the benefits the covered workers desired. And finally, the bill would bar companies from willfully misclassifying employees as contractors.<sup>[16]</sup>

The Washington bill would cover only contractors of gig economy companies, presumably. The Commission believes this is a strong start as these are the workers most likely to lack a benefits structure today. However, as the economy grows and changes in coming decades, it may be necessary for Millennial leaders to consider making portable benefits programs universal, regardless of employment law status. Critically, this shift would be in addition to –and not in lieu of – the current structure of universally available benefits, like Social Security, Medicare, Medicaid, and like programs. In combination with those programs, a true portable benefits system represent a paradigmatic shift in the American benefits systems. If done with an eye toward equitable provision of robust benefits, with a commitment that all workers regardless of industry and classification be entitled to substantial and sustainable benefits, it may be a successful model for future Americans.

## PLANNING FOR COMING AUTOMATION

As has been noted above, the core principles of work in America are largely the result of policies developed during and in the wake of World War II. What this report has not addressed yet, is the source of these reforms. That is, what problem were these reforms meant to address? The easy answer to that question is the problems of the Great Depression and the now primed post-war economy.

But, that is only half the story. At a deeper level, those policies were an attempt to deal with the dramatic dislocations caused by the rapid transformation of the American economy beginning in the 1870's as the impact of electrification, first-order globalization, and rapid communications and transit began to show themselves in the American economy. Those factors together created a fundamental change in the character of American life, and American work, in ways that had never been seen before.<sup>[17]</sup>

The challenges created by that fundamental transformation of American life—beginning 150 years ago and rippling over the past century—have defined our understanding of the economy, labor, and the history and nature of work. The Commission notes, however, that perhaps more than at any point in recent memory, we now sit a moment that will likely spur another, equally momentous shift in economic history.

The rise of substantial automation of labor and tasks in the coming decades is likely to have effects far beyond our current power to predict. Therefore, the Commission does not deign to predict the future by recommending specific policy plans for the short term, other than those noted already.

Instead, the Commission highlights for Millennial leaders the key fissures and values that it sees as critical as we begin to tackle the problem of automation in the decades to come.

The Commission notes that automation is, perhaps, the most intersectional problem in modern economics. It will precipitate policy choices that will have impacts across generations, across races, across economic sectors, across levels of government. And, with that, it will require an integrated approach based on the values of equity and human dignity.

As an initial matter, the Commission notes that the Millennial generation is less likely to see significant direct negative impacts than other generations. This is because the Millennial and subsequent generations have time to adjust to the coming realities, and are equipped with the skills as a digitally-native generation to adapt to automation. Instead, coming automation will require of Millennial leaders empathetic policy making that specifically can provide support and dignity to those that are not able to make the structural adaptations that automation will require.

A starting point for this type of policy making is the workforce development reforms noted above. Particularly, reforming those workforce development programs to include reintegration trainings for older worker to interface with automatic technologies. These training programs should take into account the labor force data to target those who may benefit from user-centric, evidence-based workforce development interventions. And they should be structured to encourage lifelong learning and upskilling, as these skills are required for success in an automated future. These should not necessarily be degree-based programs; but instead focused on developing concrete skills needed for then-current needs.

Similarly, automation will require policy makers to actively seek out and remediate class and racial barriers that may be exacerbated by the potential for automation to funnel vast economic gains to already privileged groups.

And fundamentally, automation represents a magnification. It will magnify the challenges already inherent in our economy, and it will simultaneously magnify the potential opportunity we face as a society to ensure the equitable distribution of wealth in our society. To meet the challenge of automation – the risks it presents in terms of vast unemployment, sectoral disruption, and increasing wealth and income inequality—we must make large public investments in social trust. Be that through workforce development, universal benefits, or other, non-economic policies, investments in social trust are essential to ensuring that the worst potential outcomes of automation are prevented.

Conversely Automation presents an opportunity to Millennial leaders to fundamentally alter the shape and values of the modern economy. It is the type of epochal shift in economic activities that can also occasion an epochal shift in the political choices that determine economic distributions of resources. If we can embrace the values called for here, there is an opportunity to more-equitably reshape the current distribution of wealth, work, and opportunity. Yet, it also presents a danger for current problems to be exponentially exacerbated. The Commission believes that as these challenges present themselves, a government and nation led by Millennial voices, and committed to the principles and values discussed here, will ensure that automation will be harnessed to provide a more equitable world.

## CONCLUSION

More than a century ago, Russian author Fyodor Dostoevsky noted that “Deprived of meaningful work, men and women lose their reason for existence; they go stark, raving mad.” We agree that work is a critical feature of identity. It allows workers to have the means to build a life – to pay for rent, food, and the welfare of their families. And we believe that as a society we are obligated to protect the value of work. Yet, the state and nature of work in America – and the world – are in fundamental flux. The economic and legal paradigm that has governed work over the past century is, finally, showing its age. As the economy grows and changes in coming years, the fissures that now show in the foundations of this system will only grow. In an era of growing inequality, our economy has reached a tipping point whereby these fissures are more and more a part of the daily life of workers. This must be addressed.



To ensure that the trendline of the future of work is an upward one, some critical reforms should be undertaken. As has been developed in this report, our workforce development programs should be expanded and modernized, and our employee benefits system must be decoupled from antiquated conceptions of work relationships. At the same time, this moment of reform must not be allowed to degenerate into a moment of regression. All efforts to reform the superstructure governing the future of work should be suffused with, and stem from, the values of equity, justice, and economic security for all workers.

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## CITATIONS

- [1] Public Law 128, 113th Cong., 2d sess. (July 22, 2014). Notably, the Commission understands that WIOA is a only one source (albeit the most substantial) of workforce training funding in the U.S. For clarity and brevity, we strategically chose to focus on it given the number of Americans (defined in the broadest sense) that it serves and its reach across the U.S. in urban, suburban, and rural communities
- [2] See Hanks, Angela & David Madland, Better Training and Better Jobs: A New Partnership for Sectoral Training, CENTER FOR AMERICAN PROGRESS, February 2018, at 8, <https://cdn.americanprogress.org/content/uploads/2018/02/21132110/SectoralTraining-report-1.pdf>.
- [3] Workforce Innovation and Opportunity Act, Public Law 128, 113th Cong., 2d sess. (July 22, 2014), 1456, available at <https://www.gpo.gov/fdsys/pkg/PLAW113publ128/pdf/PLAW-113publ128.pdf>.
- [4] Additionally, local boards are more granular aspects of WIOA that generally reflect a similar structure but with additional seats for educational and training providers.
- [5] U.S. Department of Labor, FY 2018 Department of Labor Budget Summary Tables (2018), available at <https://www.dol.gov/sites/default/files/CBJ-2018-V1-02.pdf>. Notably, this does not account for funding delivered through the education budget for community colleges.
- [6] Hanks & Madland, 11 ("WIOA funding is disbursed by the federal government to the states. Eighty-five percent of the state funding then flows to local workforce development areas, while 15 percent is reserved for statewide activities.")
- [7] Congressional Budget Office, Budget Projections for Fiscal Year 2018 (As of April 1, 2018), available at <https://www.cbo.gov/topics/budget/outlook-budget-and-economy>.
- [8] See Jacobs, Elisabeth, Principles for Reforming Workforce Development and Human Capital Policies in the United States, BROOKINGS INSTITUTE GOVERNANCE STUDIES INSTITUTE, December 2013, available at <https://www.brookings.edu/wp-content/uploads/2016/06/FedRoleWorkforceDev.pdf>. While the report came before the full implementation of WIOA, it identifies the key history of workforce development programs and the impact of legacy strategies.
- [9] Id.
- [10] Hanks & Madland at 4 ("Recent research has found that sectoral programs in particular—those that provide worker training in targeted, in-demand industry sectors—are effective in raising participants' wages and improving employment opportunities.")
- [11] Notably, this Report uses the WIOA as a case study for the larger issues in workforce development. The same concerns and recommendations hold for state and local training programs, with perhaps more force the closer to the local economic dynamics the programming moves.
- [12] Carolyn J. Heinrich, "Workforce Development in the United States: Changing Public and Private Roles and Program Effectiveness," in Labor Activation in a Time of High Unemployment: Encouraging Work while Preserving the Social Safety-Net, pp. 4, June 2016, available at [https://my.vanderbilt.edu/carolynheinrich/files/2016/06/Workforce-Development\\_Heinrich-June-2016.pdf](https://my.vanderbilt.edu/carolynheinrich/files/2016/06/Workforce-Development_Heinrich-June-2016.pdf) ("U.S. government spending on workforce development has averaged less than 0.5 percent of Gross Domestic Product (GDP) in recent decades (and closer to 0.2 percent in recent years), shares that are well below most western European countries, such as Denmark, Belgium, the Netherlands and Finland that have devoted up to 10 times greater shares of GDP to labor market policy expenditures.")
- [13] See Wilmoth, Daniel. "The Missing Millennial Entrepreneurs," UNITED STATES SMALL BUSINESS ADMINISTRATION OFFICE OF ADVOCACY (2016), (finding significant gaps in entrepreneurship rates in Millennials compared to prior generations, available at [https://www.sba.gov/sites/default/files/advocacy/Millennial\\_IB.pdf](https://www.sba.gov/sites/default/files/advocacy/Millennial_IB.pdf); see also Kaufman Foundation Index of Entrepreneurial Activity (2013) (finding falling rates of entrepreneurship among individuals ages 20-34 from 1996 to 2013), available at <http://cf.datawrapper.de/BrfQu/5/>.
- [14] Public Law 729, 77th Cong., 2d sess. (Oct. 2, 1942).
- [15] This will also require, we believe, a higher minimum wage than currently exists. That reform does necessitate a discussion of proper classification of workers as employee or contractors. This is outside of the scope of this Report. The Commission notes, however, that the same principles of equity and universal benefits apply to a minimum wage and endorses efforts to ensure a robust living wage for all workers. Additionally, the Commission does not believe that a proposal to establish universal benefits programs should define workers within various sectors as definitively employees or contractors for employment law purposes.
- [16] See Washington H.B. 2812 (2017-18) available at <http://lawfilesext.leg.wa.gov/biennium/2017-18/Pdf/Bills/House%20Bills/2812.pdf>.
- [17] See generally Gordon, Robert. The Rise and Fall of American Growth: The U.S. Standard of Living Since the Civil War. Princeton University Press. 2016.