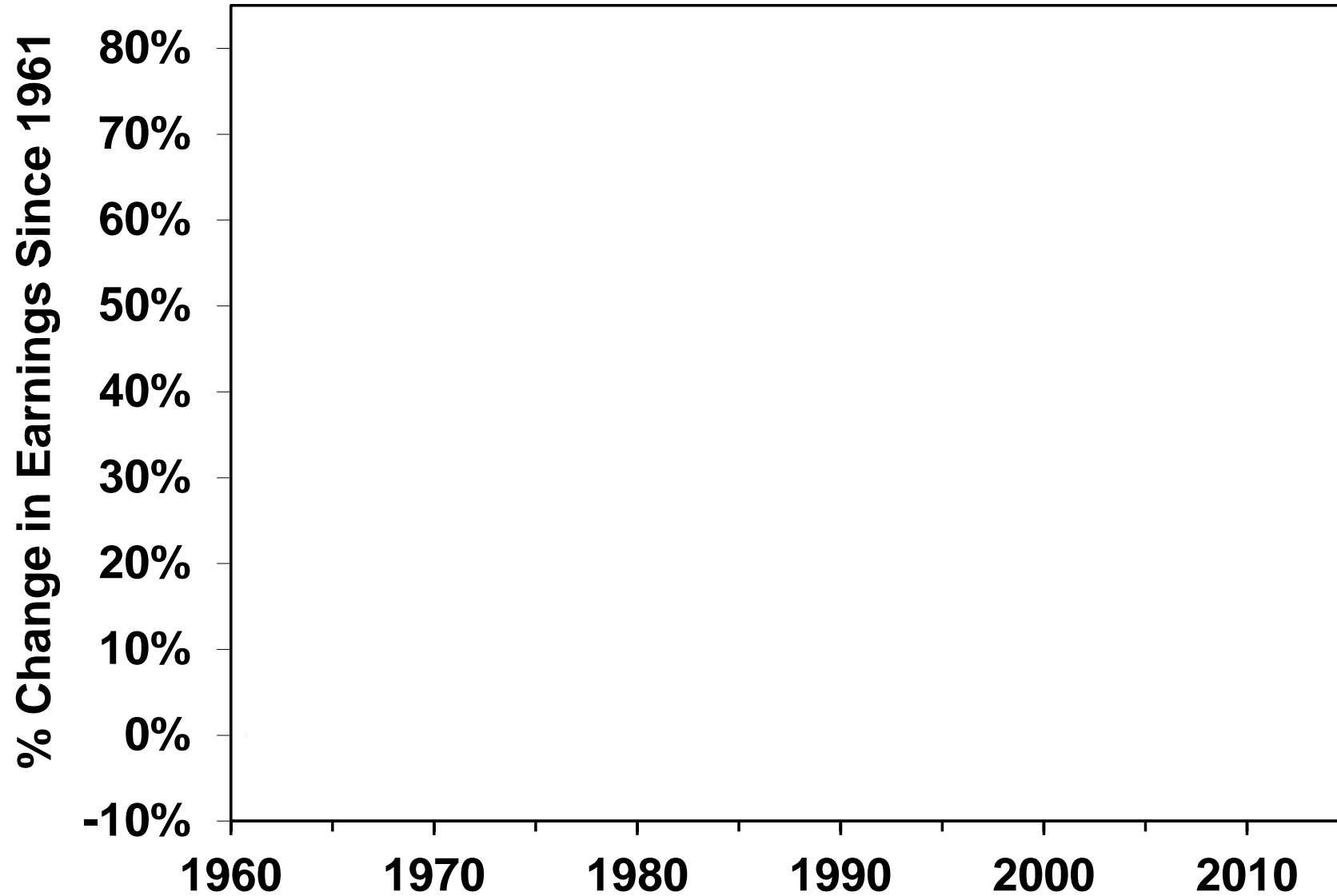


Making Work Work

Combating Inequality: Rethinking Policies to Reduce Inequality in Advanced Economies

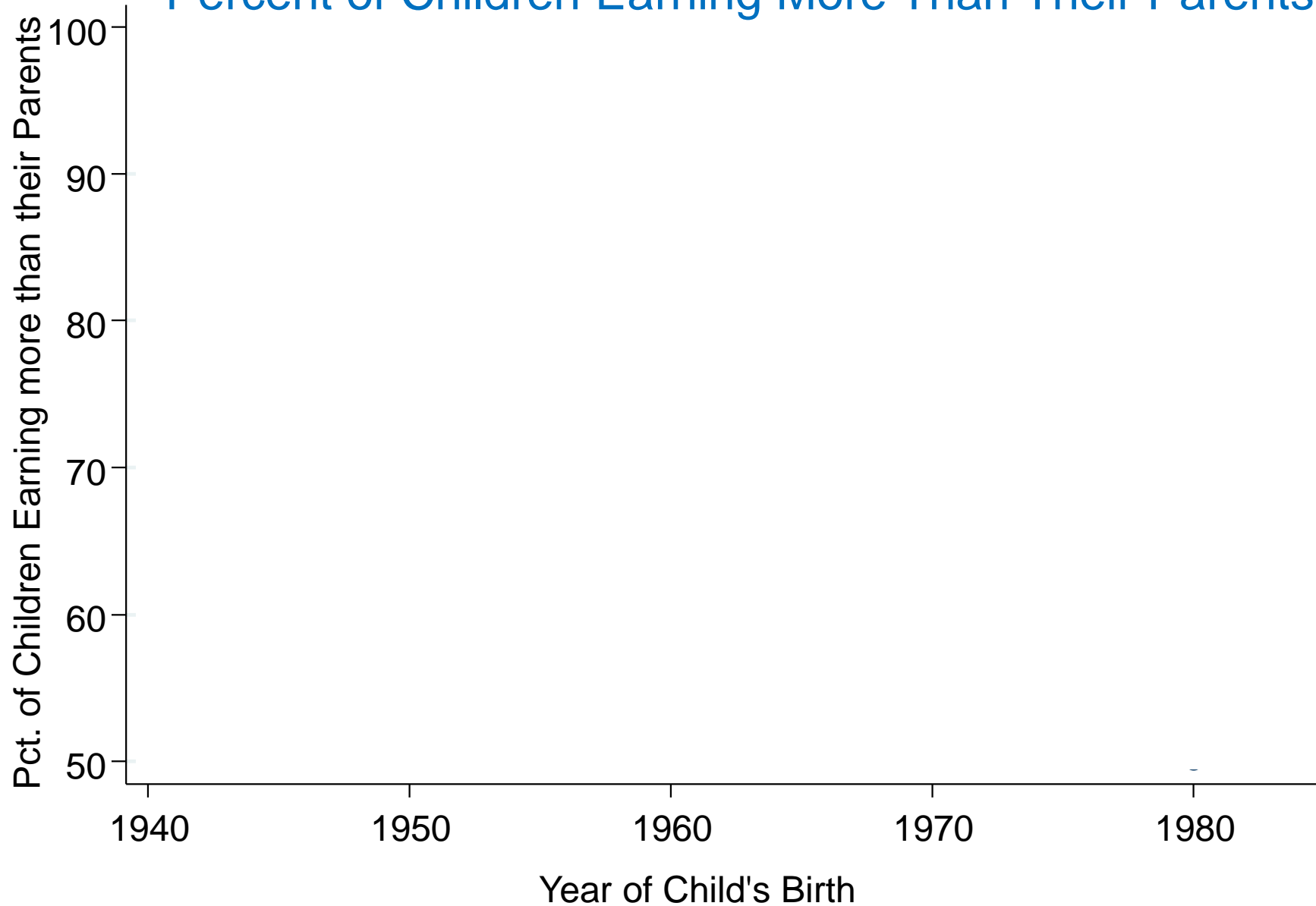
David T. Ellwood
Harvard University

Distribution of Real Wage and Salary Earnings for Full-Time Male Workers Aged 18-64 Compared to 1961



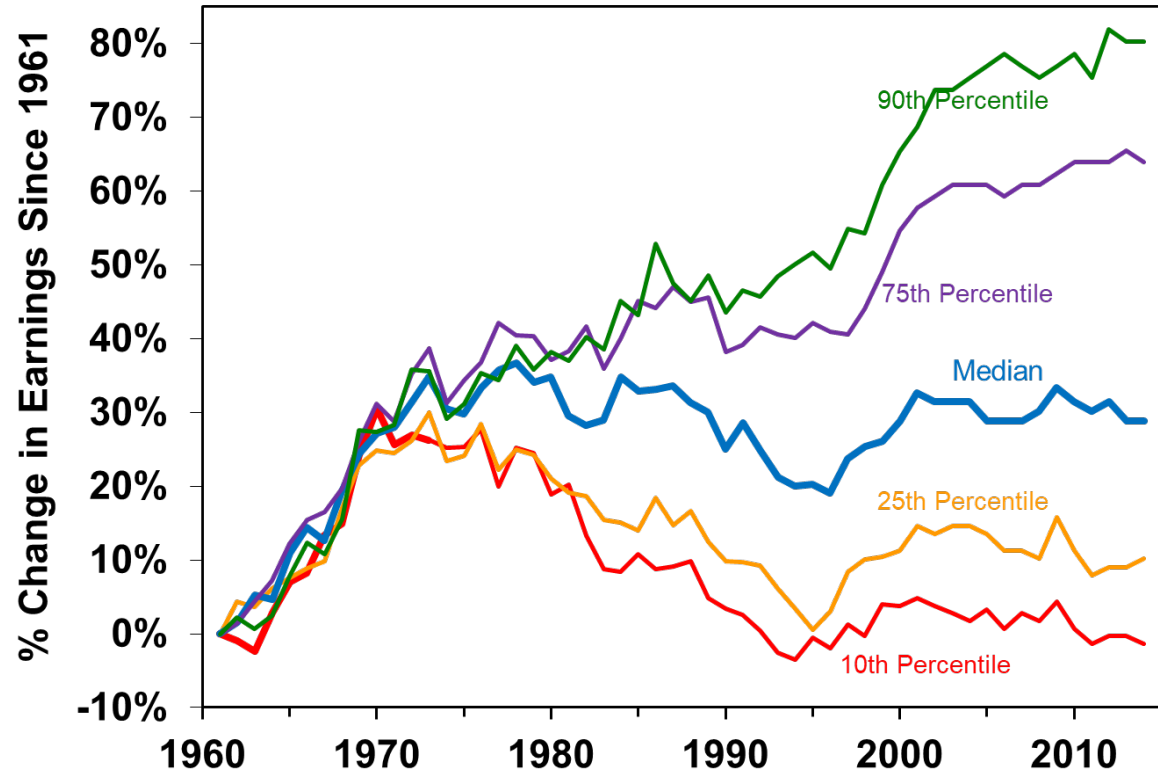
What Happened to the American Dream?

Percent of Children Earning More Than Their Parents

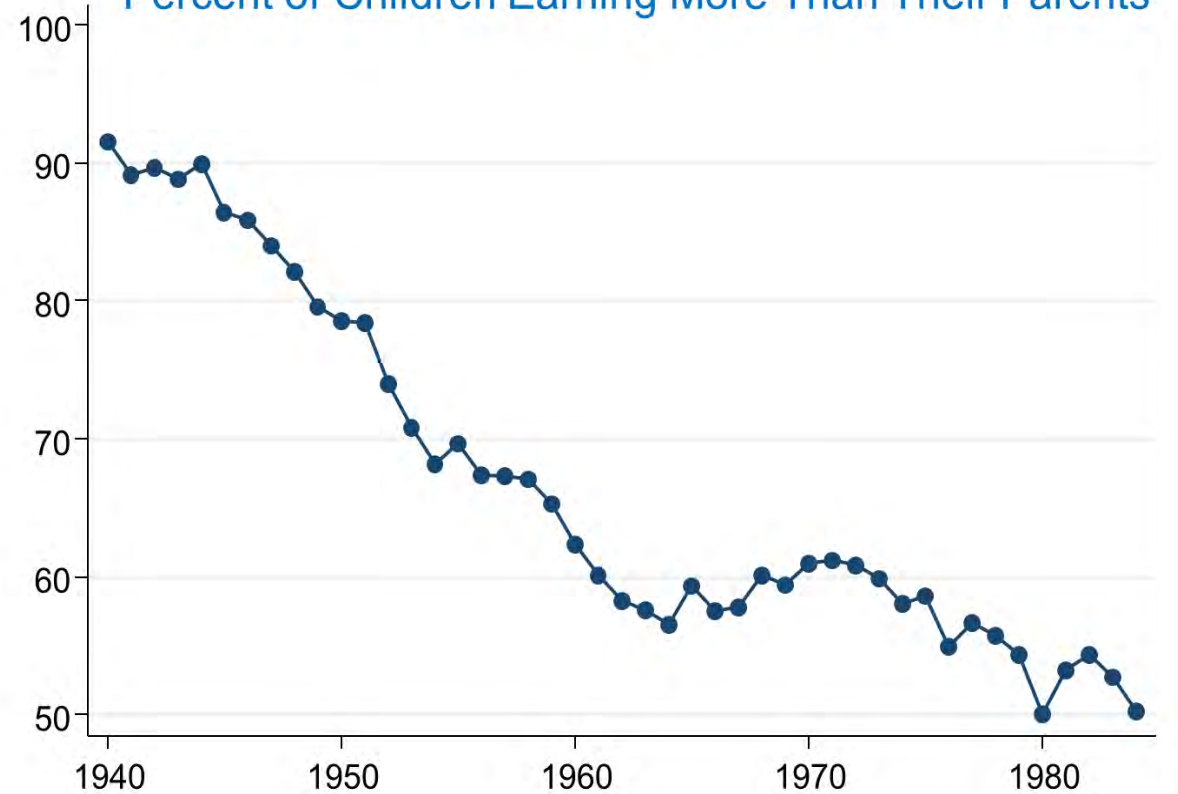


Source: Chetty et al. "The Fading American Dream: Trends in Absolute Income Mobility Since 1940"

Distribution of Real Wage and Salary Earnings for Full-Time Male Workers Aged 18-64 Compared to 1961



What Happened to the American Dream? Percent of Children Earning More Than Their Parents



- Making Work Pay is Essential Strategy
- Low Wage/Low Skill Labor Market Functions Poorly
- Need to turn “Bad Jobs” into “Good Jobs”

Making Work Pay is an Essential Strategy

- Practical Economics – impact, scale, speed
 - Earned Income Tax Credit (EITC)—40% pay increase, pro-worker, pro-market
 - Minimum Wage – monopsony power?, constrains firms, weak targeting, unemployment
 - Portable benefits (pro rated?), maternity leave, sick leave, etc.
- Politics
 - Supporting work is popular
 - In-kind benefits credible
 - Unrestricted cash benefits view with skepticism
- Values
 - Work is seen as conferring dignity
 - Can build community because it is valued

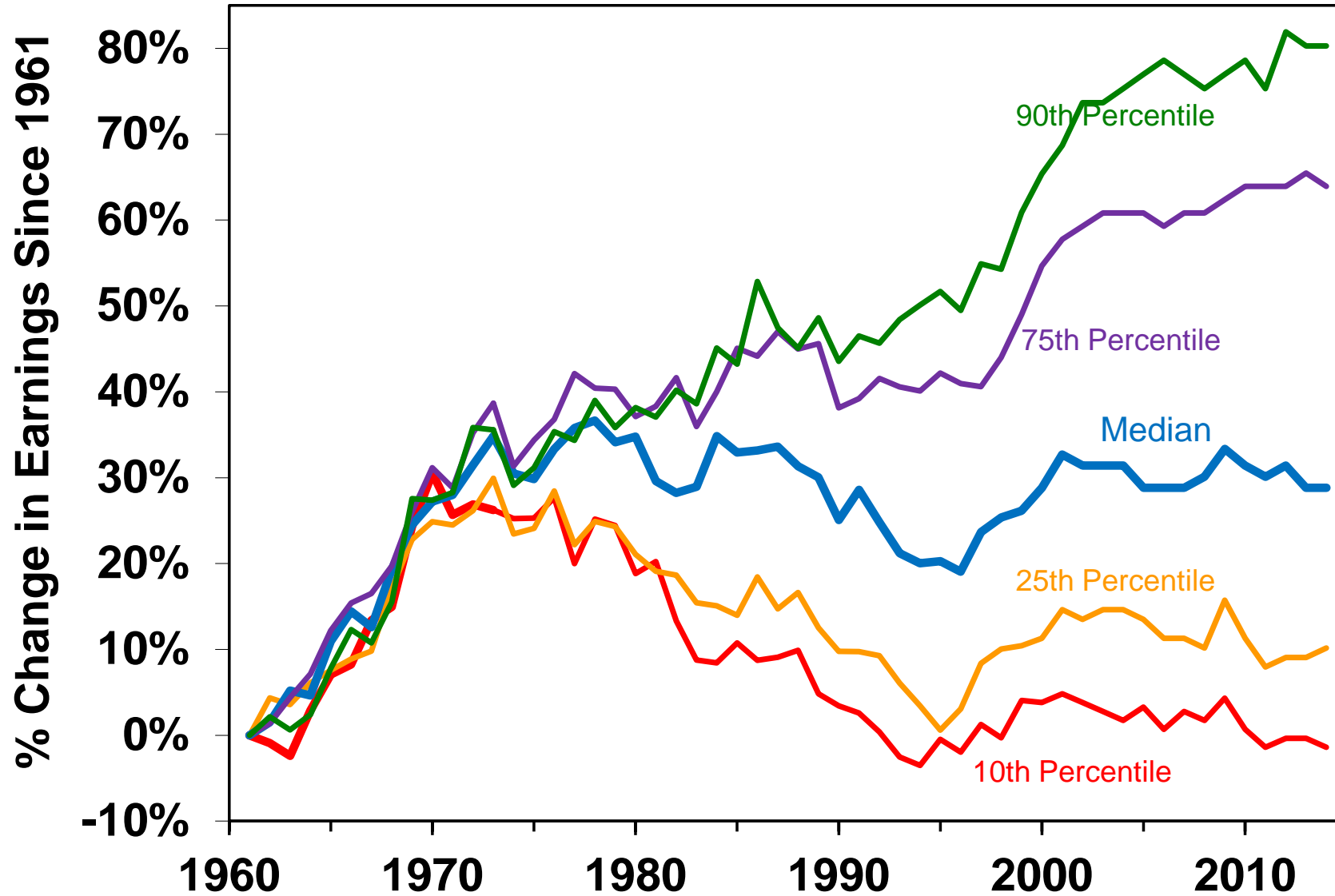
Low Wage/Low Skill Labor Market Works Poorly

- Information Failure
 - Individual worker “quality”
 - Specific job “quality”
 - Training and institutional “quality”
- May be getting worse: outsourcing, alternative work arrangements, polarization of job
- Potential Solutions
 - Institutions (community colleges, government employment services, training)
 - Data and Technology
 - Information Sharing

Turning “Bad Jobs” Into “Good Jobs”

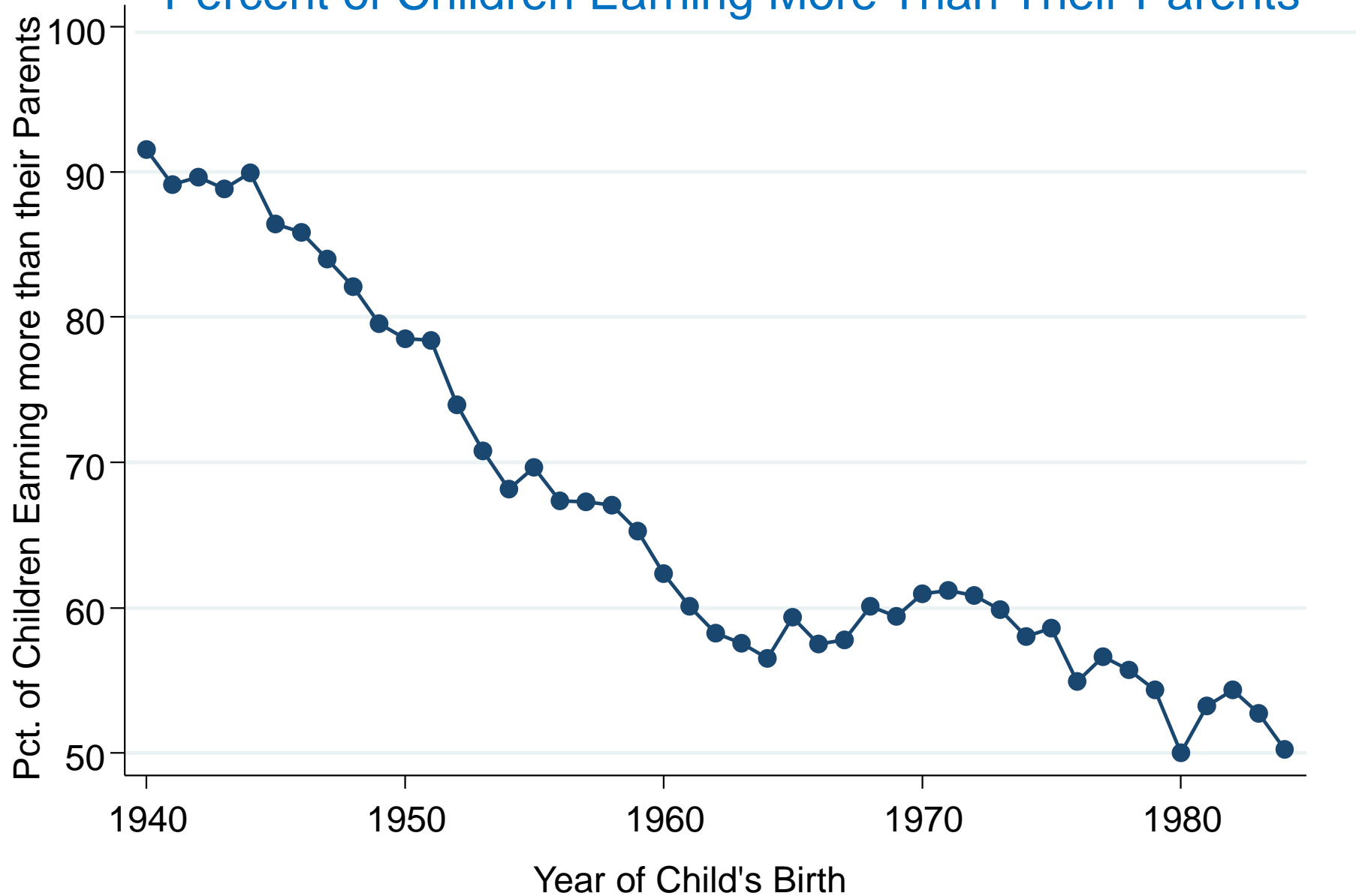
- Many low wage jobs are vital (care workers, food service, etc.) but they have become bad jobs
- Many of these are not going away because of trade or technology
- Turning Bad Jobs Into Good Jobs
 - Pay
 - Protection and Voice
 - Mobility/job ladders
 - respect

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