

Equitable Economic Recovery Is a National Security Imperative

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A strong and inclusive economy is essential for American national security and global leadership. As the nation seeks to return from a historic economic crisis, the national security community should support an equitable recovery that helps every worker adapt to the seismic shifts underway in our economy.

Broadly shared economic prosperity is a bedrock of America's economic and political strength—both domestically and in the international arena. A strong and equitable recovery from the economic crisis created by COVID-19 would be a powerful testament to the resilience of the American system and its ability to create prosperity at a time of seismic change and persistent global crisis. Such a recovery could attack the profound economic inequities that have developed over the past several decades. Without bold action to help all workers access good jobs as the economy returns, the United States risks undermining the legitimacy of its institutions and its international standing. The outcome will be a key determinant of America's national security for years to come.

An equitable recovery requires a national commitment to help all workers obtain good jobs—particularly the two-thirds of adults without a bachelor's degree and people of color who have been most affected by the crisis and were denied opportunity before it. As the nation engages in a historic debate about how to accelerate economic recovery, ambitious public investment is necessary to put Americans back to work with dignity and opportunity. We need an intentional effort to make sure that the jobs that come back are good jobs with decent wages, benefits, and mobility and to empower workers to access these opportunities in a profoundly changed labor market.

To achieve these goals, American policy makers need to establish job growth strategies that address urgent public needs through major programs in green energy, infrastructure, and health. Alongside these job growth strategies, we need to recognize and develop the talents of workers by creating an adult learning system that meets workers' needs and develops skills for the digital economy. The national security community must lend its support to this cause. And as it does so, it can bring home the lessons from the advances made in these areas in other countries, particularly our European allies, and consider this a realm of international cooperation and international engagement.

Shared Economic Prosperity Is a National Security Asset

A strong economy is essential to America's security and diplomatic strategy. Economic strength increases our influence on the global stage, expands markets, and funds a strong and agile military and national defense. Yet it is not enough for America's economy to be strong for some—prosperity must be broadly shared. Widespread belief in the ability of the American economic system to create economic security and mobility for all—the American Dream—creates credibility and legitimacy for America's values, governance, and alliances around the world.

After World War II, the United States grew the middle class to historic size and strength. This achievement made America the model of the free world—setting the stage for decades of American political and economic leadership.

Domestically, broad participation in the economy is core to the legitimacy of our democracy and the strength of our political institutions. A belief that the economic system works for millions is an important part of creating trust in a democratic government's ability to meet the needs of the people.

The COVID-19 Crisis Puts Millions of American Workers at Risk

For the last several decades, the American Dream has been on the wane. Opportunity has been increasingly concentrated in the hands of a small share of workers able to access the knowledge economy. Too many Americans, particularly those without four-year degrees, experienced stagnant wages, less stability, and fewer opportunities for advancement.

Since COVID-19 hit, millions have lost their jobs or income and are struggling to meet their basic needs—including food, housing, and medical care.¹ The crisis has impacted sectors like hospitality, leisure, and retail, which employ a large share of America's most economically vulnerable workers, resulting in alarming disparities in unemployment rates along education and racial lines. In August, the unemployment rate for those with a high school degree or less was more than double the rate for those with a bachelor's degree.² Black and Hispanic Americans are experiencing disproportionately high unemployment, with the gulf widening as the crisis continues.³

The experience of the Great Recession shows that without intentional effort to drive an inclusive recovery, inequality may get worse: while workers with a high school education or less experienced the majority of job losses, nearly all new jobs went to workers with postsecondary education. Inequalities across racial lines also increased as workers of color worked in the hardest-hit sectors and were slower to recover earnings and income than White workers.⁴

The Case for an Inclusive Recovery

A recovery that promotes broad economic participation, renewed opportunity, and equity will strengthen American moral and political authority around the world. It will send a strong message about the strength and resilience of democratic government and the American people's ability to adapt to a changing global economic landscape.

An inclusive recovery will reaffirm American leadership as core to the success of our most critical international alliances, which are rooted in the notion of shared destiny and interdependence. For example, NATO, which has been a cornerstone of U.S. foreign policy and a force of global stability for decades, has suffered from American disengagement in recent years. A strong American recovery—coupled with a renewed openness to international collaboration—is core to NATO's ability to solve shared geopolitical and security challenges. A renewed partnership with our European allies from a position of economic strength will enable us to address global crises such as climate change, global pandemics, and refugees. Together, the United States and Europe can pursue a commitment to investing in workers for shared economic competitiveness, innovation, and long-term prosperity.

The U.S. has unique advantages that give it the tools to emerge from the crisis with tremendous economic strength—including an entrepreneurial spirit and the technological and scientific infrastructure to lead global efforts in developing industries like green energy and biosciences that will shape the international economy for decades to come.

Yet to take advantage of this potential, we cannot simply return to the pre-crisis status quo. We need to empower our workforce to adapt to the rapid digitization of jobs across the economy. And we must harness the strength of our diversity by cultivating the talents of everyone in this nation—particularly those who suffer from structural racism and are hindered by bias and discrimination in the education and labor markets.

Emerging from the Crisis Stronger

With unemployment likely to stay high for some time, ambitious public investment is necessary. **Federal policy makers must commit to help all workers emerge from the crisis stronger.** To prevent housing and food insecurity, the federal government must provide immediate and sustained income assistance to help people whose lives have

been disrupted by COVID-19. And then it must create millions of new good jobs to get people back to work with dignity and opportunity. For example, investments in sectors like infrastructure, clean energy, health, and basic research can create opportunities for family-sustaining wages, benefits, and stability while also strengthening the nation's ability to respond to the daunting crises we face. The federal government must seek to restore the dignity of work, improving the quality of all jobs by raising the minimum wage, strengthening labor standards, and expanding workers' voices in company decision-making, including through organizing.

Yet these commitments alone will not be enough to empower workers who have been hit hardest by the crisis.

While some jobs will come back as the pandemic is brought under control, many businesses will not survive and others will shrink, forcing millions of low-wage workers to seek out new opportunities—many in new occupations or sectors. Before COVID-19, an increasing share of good jobs required postsecondary education. Eight in ten middle-skill jobs required basic digital literacy,⁵ and the occupations that were digitizing fastest were those that employ many low- and middle-income Americans—such as homecare and logistics.⁶ The current crisis has rapidly accelerated these dynamics as more consumers rely on e-commerce, more businesses adopt automation, and more people telework. This means that as economic activity returns, millions of people will be forced to adapt to a labor market that has new expectations of what is required to access good jobs.

To provide for an equitable recovery, people cannot be left to navigate this transition alone. We need an intentional effort to make sure that the jobs that come back are good jobs and to provide impacted workers the support and training they need to access these jobs. Without bold, complementary investments in a new adult training system, many of the most vulnerable workers will not be able to access these new jobs, and current inequalities will deepen—particularly along racial lines.

A Modern Labor Market

To empower all workers, we need to revisit how our labor market works. Over one hundred years ago, as Americans left farms and flocked to cities, we saw the need for entirely new systems to meet the demands of the industrial economy. The result was the creation of the high school. This invention dramatically broadened American workers' access to opportunity and helped power the most dynamic economy in the world.

Today, America faces a similar challenge—and must commit to inventing a new set of systems that are designed to support adults in the new economy. America needs to rethink the fundamental principles of how our labor market is currently working. A modern labor market would do the following.

- It would foster dramatically more collaboration between business, government, and workers to create more good jobs in critical sectors and define the characteristics of those good jobs—including wages, benefits, worker voice, and a pathway to career advancement.
- It would no longer deny opportunity to workers who lack a four-year degree or particular work experience. Instead, it would recognize and reward capabilities regardless of where they were learned—whether on the job, in the classroom, or in private activities. This is particularly important now as many workers look to switch occupations or sectors.
- Rather than expecting workers to build all necessary skills and knowledge before entering the labor market, it would empower workers to access affordable and effective lifelong learning—both in the classroom and on the job—that helps workers adapt to persistent change and thrive in the good jobs that have yet to be invented. This would include leveraging the potential of technology to pioneer and scale new ways to learn effectively online that meet the needs of all populations.
- It would re-envision the relationship between employer and worker to meet the realities of the modern economy in which workers change jobs more quickly than ever before, restore access to employer-provided training, improve the dignity of all jobs, and enable workers to have a meaningful say in decision-making and working conditions.

- It would take aggressive steps to address bias, discrimination, and racism in education and employment that denies people opportunity and widens racial income and wealth gaps.

Learning from Our European Allies

Creating new policy systems to address these challenges is an urgent priority that will require experimentation, iteration, and collaboration. Rather than try to develop these ideas from scratch, we should seek to learn from the experience of other countries, especially our European allies. Europe has a deep history of supporting workers and promoting lifelong learning. Since the COVID-19 crisis began, European countries have experimented with models for maintaining the relationship between employers and workers.

Europe recognizes the critical importance of collaboration to address shared labor market challenges. For example, in June 2020 the European Commission launched its European Skills Agenda to provide 540 million training activities for adults by 2025.⁷ It includes a goal of providing training to 40 million unemployed Europeans and dramatically increasing basic digital literacy skills across member countries. The commitment is an extension of the Commission's broader effort to make Europe and its citizens more resilient in the face of global challenges.⁸ This effort could be a pillar of expanded cooperation and learning for the U.S. and Europe as both seek to foster economic recovery.

Policy Priorities for Adult Education and Training

American federal policy makers must recognize the inadequacy of current policy approaches and commit to new investment and innovation. They should look across the world to help achieve the following objectives.

Help all unemployed and low-wage workers afford training that will help them succeed.

Federal funding should prioritize making rapid, accessible, and affordable training programs that lead to a good career accessible to all. Yet in the United States public funds cover less than 40 percent of costs for postsecondary education, compared to nine OECD countries that cover over 80 percent.⁹ Similarly, Singapore makes broad commitments to help its residents pay for lifelong education and training. Every resident over age twenty-five receives "skills credit"¹⁰ to pursue education and training from among a defined list of programs.¹¹ Residents can easily access information about potential career paths associated with each course to inform their decisions.

The United States should make an ambitious commitment to help individuals pay for training. Policy makers should help identify effective programs and make these programs eligible for public support. Rather than rely on proxies like the length of the program or mode of instruction to determine the value, each program should be evaluated by the employment and wage outcomes of its participants. Workers should be able to access guidance on which programs will best help them achieve their goals. In a proposed opportunity account, generous funding would be made available to all unemployed and low-wage workers to pursue effective programs—both in-person and online—that improve their career outcomes.¹² To empower people to pursue the most effective programs, more funding should be available for programs with the greatest impacts on career success, and people should be able to use funding to cover both tuition and services like child care and transportation.

Prioritize employers preserving jobs where possible, and quickly create opportunities for good jobs for those who were impacted by the crisis.

The federal government should focus on preserving jobs and promoting rapid access to high-quality jobs for unemployed and low-wage workers. This should include public support for employers and unions to promote inclusive hiring practices that remove barriers for people of color and those without formal education, improve job quality, and provide meaningful support for on-the-job training opportunities.

American policy makers should learn from the European experience in alleviating firms' labor costs to avoid layoffs by supporting the incomes of workers whose hours are reduced. These approaches have taken the form of short-time

work (STW) schemes, such as the Italian *Cassa Integrazione Guadagni*, the German *Kurzarbeit*, and the French *Activité partielle*, which help employers maintain the wages of workers whose hours have been scaled back. Wage subsidy (WS) schemes, such as the Dutch *Noodmaatregel Overbrugging Werkgelegenheid*, subsidize hours that are worked—effectively lowering labor costs. A key ingredient of both approaches is that employees keep their contracts with the employer while work is suspended.

An American initiative should focus public funds on helping employers and unions create good-quality jobs and expand access to these opportunities.¹³ One step is to find ways to encourage employers to expand their commitments to training new hires on the job so they can “earn while they learn,” as is typical in Germany and Switzerland. In Switzerland, the apprentice system allows students of all socioeconomic backgrounds to receive pay, training, and mentorship from their employer. Crucially, Swiss students have the flexibility to move seamlessly between work-based learning and traditional higher education, so choosing to be an apprentice does not preclude students from pursuing other paths.¹⁴ This model benefits employers as well, and 40 percent of Swiss employers choose to participate; this engagement remains active even during the COVID-induced downturn.¹⁵

Build an adequate supply of effective education and training options, including online programs.

Public investment should support effective training providers to make sure anyone who wants to pursue education and training during the crisis is able to do so. Stabilizing traditional institutions is essential. Yet demand for online learning options has spiked during the pandemic as many in-person programs have been cancelled, and many adults are balancing new work and child care arrangements that limit their ability to learn in person. Public investments must also make effective career-oriented online learning a possibility for every adult who wants to pursue it.¹⁶ Critically, we should make sure that online learning can serve the needs of learners across socioeconomic and academic backgrounds.

Provide every person the information, guidance, and support to succeed in jobs and training programs.

People impacted by the crisis need guidance to understand their career options, choose the training that is right for them, and access the supportive services they need. Career coaching is proven to help people succeed in training and jobs. Significant new investments should provide every person who seeks it with access to the support of a well-trained coach at an institution they trust—either in the publicly funded workforce system, a community college, or a local community-based organization. It should also include investments in accurate real-time labor market information that coaches and counselors need to help people achieve their goals. American policy makers should learn from the British government’s recent £1 billion commitment¹⁷ to new data tools and “work coaches” and Australia’s skills-matching platform.¹⁸

Conclusion

American economic security and national security are inextricably linked. For the United States to emerge from this crisis prepared to achieve its foreign policy priorities and meet global challenges, America needs to prioritize a recovery that enables all workers to share in the benefits of their labor and find economic dignity. The American national security community should pursue empowering America’s workers as a core priority. We must restore the American Dream to all at home if we are to lead globally.

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