

## **Root Causes of America's Jobs Crisis and Strategies for Addressing It<sup>1</sup>**

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America needs a new Jobs Compact to close the nation's jobs deficit, to create sufficient high-quality jobs to raise wages and end thirty years of wage stagnation, and to update and strengthen labor and employment policies. A market failure and an institutional failure are the root causes for the persistence of this two dimensional jobs crisis. The market failure arises because while it is not necessarily in the interest of any individual firm to create jobs in the U.S. or to invest in and compensate employees or to promote high living standards, it is in the interests of the overall business community, workforce, and society to do so. The institutional failure is that the key groups that would need to coordinate efforts to overcome this market failure—business, labor, education, and government—either do not interact or are at impasse over how to address employment issues.

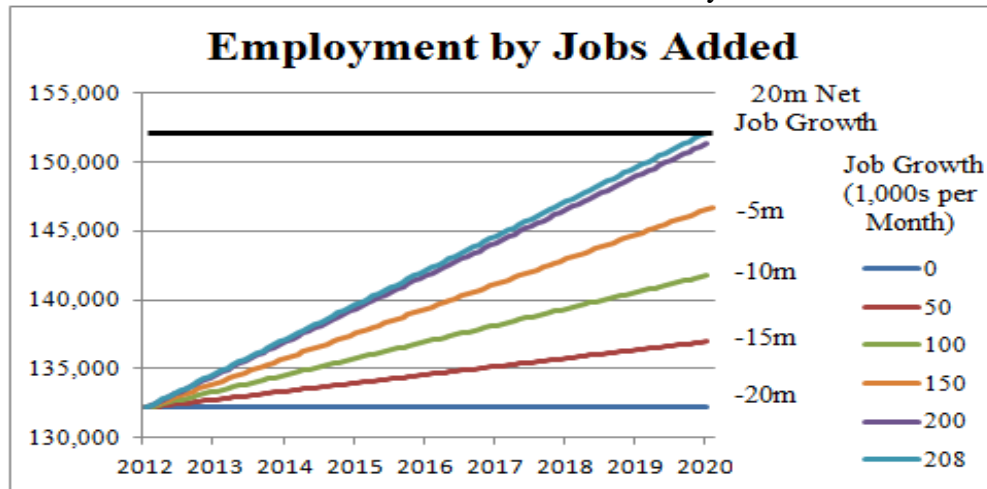
Overcoming these market and institutional failures will require new leadership to bring together leaders from the key stakeholder groups—business, labor, education, and government—to engage at the regional and national levels to build consensus and implement a new long-term Jobs Compact for America, one capable of generating the estimated 18 million new jobs (an updated estimate as of January, 2013) needed between now and 2020 to replace those lost in the last recession and to keep up with the growth in the labor force. The compact will need to consider significant changes in each of these institutions and in the interactions among them. This includes corporations and the overall business community; unions, professional associations, and other groups that give voice to the workforce; government policymakers and administrators; and educators who prepare and update the knowledge, skills, and abilities of the current and future workforce.

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As shown in Figure 1, this would have requiree creating on average 208,000 new jobs each month between 2012 and 2020. As of January 2013, this increased to 214,000 per month.

Figure 1  
Years to Close the Jobs Deficit at Different Monthly Job Growth Rates



### Options for Accelerating Job Growth

Figure 2 summarizes where I believe these new jobs could come from through a combination of investment in infrastructure, state and local education and other public service investments to regain the jobs lost in this sector since 2007, actions on the part of business and labor to recapturing manufacturing jobs previously outsourced to low wage countries and to capturing the next generation manufacturing jobs, coordinated regional efforts to rebuild apprenticeship and other vocational and community college programs that prepare workers for the large number of middle skill jobs that are either available now or will be open in the years ahead as the baby boom cohort retires, and use of university based on-line learning technologies to provide under-employed college graduates a second chance to acquire the technical skills and knowledge in high demand.

I do not believe that advances in technology will inevitably result in a persistent job shortage in the U.S. Instead that will be the default option and result only if we allow the effects of these market and institutional failures to persist. It is time for us to take the actions needed to make sure this does not happen.

Figure 2  
Where the Jobs Could Come From

