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## Average-Wage Earners Fall Behind

New Job Market Makes More Demands but Fewer Promises

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ST. CHARLES, Mo. -- Teresa Geerling is living the future of life in the middle of the American workforce.

After years cleaning the insides of airplanes and polishing their outsides, Geerling was laid off from American Airlines last year. The job was physically taxing for Geerling, 50, but the nearly \$32,000 annual pay and health-care coverage helped provide a typical middle-class life in this small midwestern community.

Now, she works the overnight shift at a local hospital as a nurse's aide while completing course work to be certified as a medical assistant. That would seem to be a smart move, because unlike airlines, which are contracting, health care is one of the industries that many economists believe could generate millions more jobs in the decades to come.

Yet rarely has Geerling's work life been so precarious.

If she can't stay on her husband's health plan, her costs for health insurance offered by the hospital will be \$200 a month, more than five times as much as at the airline. There are no pension benefits beyond the option for a 401(k) savings plan and few job protections. She makes \$2 an hour less than before; to have a chance at higher pay, she will need to continually train herself in new areas.

Geerling is at the leading edge of changes that herald a new era for millions of people earning around the national average, \$17 an hour.

This new era requires that workers shoulder more responsibility and risk on the way to financial security, economists say. It also demands that they be nimble in an increasingly fluid job market. Those who don't obtain some combination of specialized skills, higher education and professional status that can be constantly adapted will be in danger of sliding down the economic ladder to low-paying service jobs, usually without benefits.

Meanwhile, those who secure the middle-class jobs of the 21st century will have to make \$17 an hour stretch further than ever as they pay more for health care or risk doing without insurance and assume much or all of the burden for their retirement.

In the lively debate about the future of U.S. jobs, many economists and scholars acknowledge that the changes wrought by technology and global economic forces will be painful at first. But they say the new structure ultimately will create many kinds of jobs as yet unimagined, in fields such as education, health care and science.

"You have to take the leap of faith that the economy will evolve and there will be this innovation economy that comes," said John C. McCarthy, a Forrester Research analyst who wrote a report on U.S. jobs going overseas.

Yet many observers also say that the present economic restructuring may be more rocky than similar transitions in the past and that society should take additional measures to ease the struggles of those caught in the middle, especially the three-quarters of Americans who lack a college degree.

In some ways, Geerling is one of the lucky ones, even though she didn't go to college. At the time she was let go, American Airlines provided training grants as part of the layoff package. The program, which no longer exists, gave her a way to learn new skills in the health care industry, where she had once worked.

Analysts say retraining will be key because tomorrow's middle-class jobs are likely to be enhanced variations of today's lower-wage jobs. Clerical positions keeping medical records, for instance, are being transformed into higher-paying technician jobs that are structured to involve both computer skills and the ability to talk to doctors and nurses.

"You can't be some kid who is good with a computer and get that job anymore," said Anthony Carnevale, senior fellow at the National Center on Education and the Economy. The successful job seeker will be "someone who can do the computer stuff but also knows the business."

It is that combination of technology savvy, analytical thinking and interpersonal skills that could be the magic formula for U.S. workers -- whether the jobs are in health care, education, financial services or any other field. Jobs that involve all three qualities, said Thomas A. Kochan, an MIT management professor, are hard to duplicate with machines or with low-wage workers from abroad, putting the Americans who fill them in a strong position to demand not just good wages, but benefits, too.

"For workers who are performing services for people that can't be made impersonal or sent offshore, those jobs could become much more attractive," he said.

### Shrinking Benefits

Still, most workplace experts are skeptical that the jobs of the future are likely to come with the same kinds of benefits as the jobs of the past.

"It's not clear how the work will change," said Peter Cappelli, a management professor at the Wharton business school at the University of Pennsylvania. "But any kind of security will go away."

Over the past two decades, companies have moved en masse away from traditional pensions in which employers pay the cost and employees get a set amount after retiring. Employer-based health care coverage has fallen as well, not just for workers in low-wage jobs, but increasingly for those in middle-class jobs. One analysis estimates that there were 5 million fewer jobs providing health insurance in 2004 than there were just three years earlier. Overall, nearly 1 in 5 full-time workers today goes without health insurance; among part-time workers, it's 1 in 4.

Those who manage to keep their benefits often must pick up their share of the higher cost. Employee contributions for family coverage were 49 percent higher in 2004 than they were in 2001, and contributions for individual coverage were 57 percent higher, according to the Kaiser Family Foundation.

Jobs that provide both a middle-class wage and benefits, even for workers without advanced degrees, still exist, often in union environments. But they're getting harder to find.

As technology has made global competition a reality, American workers -- particularly those who are lower-skilled -- have found themselves competing in a far broader marketplace. Their rivals overseas often don't receive benefits at all, or don't expect them from their employers. That puts American companies at a competitive disadvantage.

"It's not helping employers to not be able to offer benefits," said Jennifer Schramm, manager of workplace trends and forecasting at

the Society for Human Resource Management. But cutting back on benefits "is something they feel they have to do for economic reasons."

Shifts in the composition of the workforce have contributed as well. Jobs in manufacturing are more likely to come with benefits than are jobs in the service sector.

But in the 1980s, the number of manufacturing jobs began a decline that continues today, and factory workers were forced to look elsewhere for a middle-class living. Many retrained and traded their spot on the assembly line for a seat behind a desk, finding work in business services such as sales, information technology and accounting.

Within the past decade, however, most large service firms have decided that to succeed in a cutthroat, globalized market, they need to focus on their core functions and leave more peripheral tasks to others.

Recently, many such tasks have been shifted to workers abroad or have been picked up by smaller, more specialized outsourcing firms in the United States. For those firms, providing benefits such as health care can be difficult because they lack the necessary economies of scale, said Harvard public health professor Katherine Swartz. In firms with 1,000 or more employees, just 1 in 10 workers lacks insurance. In companies with fewer than 10 employees, nearly one-third lack coverage.

Even businesses that are expected to grow -- in industries such as health care and education -- have begun to pare back the pool of workers eligible for full benefits.

Hospitals, for instance, have responded to shifting staffing needs by hiring itinerant care workers who travel where they're needed but often don't have access to the same benefits as full-time nurses and therapists who stay in one place.

#### Reworking America

In the political world, debate over labor market restructuring has been dominated by finger-pointing about free trade or the ethics of offshoring, rather than by discussion of possible solutions. But as displaced workers fail to make the transition into new jobs that afford them the same kind of lifestyle as their old ones, economists say that politicians ignore the issue at their own peril.

On Capitol Hill, lawmakers have discussed the need to control health care costs and to make sure large numbers of workers are not priced out of coverage, but no comprehensive proposals have moved to the top of the legislative agenda.

The White House has promoted the notion of personal reemployment accounts, a stipend of up to \$3,000 for unemployed Americans to use for retraining, child care, moving costs or other expenses associated with locating new work. Those who find a job within 13 weeks could keep the leftover funds.

Another idea, championed by Brookings Institution economist Robert E. Litan, would provide wage insurance for workers whose jobs were eliminated. Under such a program, displaced workers who found jobs at lower salaries would have the difference made up, for a maximum of two years.

Last year, the Labor Department launched a pilot wage insurance program that would provide workers age 50 or older with half the difference between their old salary and their new salary when they're forced to take lower-paying positions following a layoff. Workers would also get a tax credit for 65 percent of their health insurance premiums. But the eligibility requirements are many -- the layoff, for instance, must come because of competition from abroad. As of August, only 715 workers nationwide had enrolled.

Some contend that such ideas only touch the edges of a looming crisis. While they may help individual workers in the short term, they don't address the larger difficulties faced by the workforce in adapting to the demands of 21st century jobs. For that, these labor market experts say, the educational system will have to continue to raise its quality and reach a broader population.

Thomas Bradtke, a manager at Boston Consulting Group, said that for the United States to retain its technological leadership and create new job-producing industries, it will have to keep coming up with a large share of the world's innovative ideas. At a time when other countries' students are routinely testing higher than American children in science and math, that's not a given.

"Education systems compete against each other in the long run," he said. "Right now the U.S. is still at the leading edge of innovation, but what if five or 10 years down the road, India has built up world-class universities?"

Carnevale, who was a member of the White House advisory committee on technology and adult education in the Clinton administration, argues that the country needs the equivalent of an industrial policy focused both on getting more people through college and on retraining them for new jobs.

Otherwise, "we could have a permanent working poor," he said. "They don't live in America; they kind of live under it."

The Geerlings are determined to avoid that fate. Teresa Geerling said she plans to work "as long as I have two arms and two legs."

Life for the couple has recently become more complicated, however. Until now, she could do without the health insurance at her new job because she was included in her husband's plan, which covers them both for \$37 per month.

But Bernie Geerling, who still works at American Airlines as a baggage-handling supervisor, just got notice that he is scheduled to be laid off next month. He is hoping he can transfer to another slot at the airline somewhere else in the country, but union and company rules for such moves are complex. "With a little hope and a little prayer here and there, things will work out," Bernie Geerling said.

In the meantime, the Geerlings had to refinance their house after Teresa's layoff and have "gotten in a little over our heads" with credit card debt, she said. New carpeting and other major home-remodeling projects are on hold.

If her husband does not get a transfer, Teresa said, they will probably stay in the area but sell their well-tended house in a quiet residential neighborhood and move to something smaller.

"Scary's not the word for it," she said, reflecting on the growing number of workers she knows facing similar predicaments.

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