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CHANGING FORCES AND THE U.S. WORK FORCE: WHAT'S DRIVING INCOME INEQUALITY?

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P R O C E E D I N G S

MR. HASKINS: Good morning. My name is Ron Haskins. I'm a Senior Fellow here at Brookings. I am Co-Director, along with my colleague Belle Sawhill, of the Center on Children and Families at Brookings. We'd like to welcome you to this event. As all of us know, concern is now focused on the dreadful state of our economy and on the consequences of unemployment and the decline of those of us fortunate enough to have portfolios. But the economy will recover for sure, and when it does, our attention again will return to the perennial long-term important issues of inequality and opportunity and mobility.

And Belle and I, for our part, are continuing to work on this agenda because we think it will continue to be important to the future of the nation, and in fact, as Belle will mention 11 times in her talk, we will be publishing a book in September on how we think we can promote opportunity and mobility in the United States. We'll have more to say about that later.

But this morning, we want to stay on this very important agenda, and we're fortunate to have an interesting and important new study from McKinsey Social Sector Office. And as you will see, the report examines the factors that are driving income inequality as the McKinsey analysis sees it.

Here's our plan for the event for this morning. First, Byron Auguste, who's the Director of McKinsey Social Sector Office, and Lenny Mendonca -- who's the Director of the San Francisco Office of McKinsey, will provide an overview of the report.

Then Larry Mishel, of Washington's Economic Policy Institute, known to many of us, and I've had a chance to argue them on many occasions.

And then Rich Burkhauser, DR. of Public Policy from Cornell, will give responses.

Then they will sit down and I will ask some questions, and we'll have a brief discussion, and we'll give the audience a chance to ask questions and hopefully engage in other discussions. And then without a break, that panel will leave the podium and will bring up the second panel immediately without a break, so please don't leave the room and we'll start on the second panel, which will be moderated by Brookings' own Martin Baily, and he will introduce the participants and the panel.

You have the biographical materials for all of the speakers and moderators, so now to Byron Auguste and Lenny Mendonca for an overview of the report, and Byron and Lenny, thanks so much for coming across the country to release your report here at Brookings.

We greatly appreciate it.

MR. MENDONCA: Well, welcome, everyone, and thank you for being here with us today. Before we get started, I'd like to extend a special thanks to Ron Haskins, Belle Sawhill, and Martin Baily of Brookings for hosting us here today. It's a great pleasure to be able to discuss this report with you.

I'd also like to do a special thank you and a call-out to my former colleague Joanna Farrell walking in -- just not to point you out but to -- in her time when she was at McKinsey before she went to the White House, was instrumental in getting a piece of work kicked off.

So in recent years, rising income dispersion has become a source of concern for many of us in the United States. The issue is top of mind for many in the new Administration. In fact, Vice President Joe

Biden is leading a task force to ensure the economic well-being of America's middle class.

While many of us agree on the urgency of this topic, stakeholders are often at odds to come up with an appropriate policy response, simply because they have a difficult time pinpointing the cause of the growing income dispersion.

In an effort to help build a comprehensive, well-founded fact base for policymakers and other interested parties, the McKinsey Global Institute and McKinsey Social Sector Practice conducted a study of changes in income dispersion and their causes of the decade beginning in 1994 through 2005 over the course of a full economic cycle. We hope this work will offer some fresh and nuanced insights into the nature and challenge of providing stronger grounds to develop effective and tailored policies.

Before diving into the findings of the study, let me just spend a minute on who we are. The McKinsey Global Institute is McKinsey's economic research arm. Its work is funded by the partners of McKinsey and is not commissioned by any business, government, or other institution.

Let me add that this effort builds on nearly two decades of MGI research on topics ranging from country and sector productivity, global economic restructuring, and the economic impact of offshoring as well as a number of other market trends.

Now let me turn to the top-line findings of the study. We conclude that today's global economy has produced a sea change, in which higher-order skills are the prerequisite for high-paying jobs. This development has significantly outpaced America's efforts to upgrade the skills of its work force, and as the result, the majority of Americans are not equipped to thrive in this labor-forced setting and face downward pressure on their living wages.

Beyond this, our research highlights three key findings: First, understanding labor market institutions is key to understanding income.

Second, 71 percent of U.S. workers are in jobs that today are unfavorable to economic income growth.

And third, upgrading the skills, productivity, and rewards in the service sector is the key critical challenge to doing something about this.

Now, I'm going to provide you with a little bit more detail on this work, and then I'll hand it over to my colleague, Byron, who will talk you through our thinking on the drivers of why this is the case.

In the U.S., income dispersion grew as the top 10 percent of incomes broke away from the middle and the bottom. As you no doubt know, these findings are consistent with most existing literature on the topic. Why did this happen? To address this question, we pursued three lines of research. We started with demographics, analyzing the shift in both household and head of household characteristics: for example, the impact of second-earner income on household income.

We looked at labor markets: specifically, levels of growth of income and employment.

And lastly, we looked at nine drivers of various rates of income growth so far identified by economists.

Let we quickly talk about demographics, since we're not going to go into much detail about it today. Although variations in demographic profiles of income brackets were certainly apparent, changes within each group's particular demographic profile between 1994 and 2005 were so small or so uniform across the groups that they're not likely to explain much of the difference in income growth during this time period. By analyzing this data, we found that understanding the labor market is in fact key to understanding what's happened to income growth.

Labor income accounts for between 75 and 85 percent of household pretax income across the income distribution, and therefore, whatever factors explain the differences in labor market outcomes will largely explain the varying rates of income growth experienced by households of different income levels. We'll talk about that more in a moment.

So we decided to go deep and understand what's actually going on in the labor markets, and we did this with the following methodology: We started with the full U.S. labor market. We used both levels and income -- levels and growth of income and employment over the period 1994 to 2005. We then used the Keynesian statistical algorithm pictured here to cluster industry occupation pairings that experienced similar rates of change in employment demand and pay and ended up in similar levels of compensation in 2005. The outcome was nine clusters of employees who are living similar labor market experiences. And I'll talk through who those are in a moment.

When you look at this, we can see a picture which is quite different that can only be grasped from looking at income growth only by the breakdown of the death files. So you'll notice, for example, that while real income growth from the death file breakdown was all positive, here we have negative real income growth in one cluster, a much greater overall variation then when you just look at death files.

You'll also see that the percentage of employees is not all equally divided. Rather, take for example the cluster of semi-skilled workers: This group alone accounts for 20 percent of the work force. Above and beyond that, there is no obvious correlation of growth in income -- or, sorry, growth of employment with growth of income, nor of these income levels in 2005.

Let me provide a little bit more color on actually what's actually going on in these clusters. When we mapped the income and employment growth, we're leveled into 30 percent above or 30 percent below the national average. We start to understand the nuances of these clusters. Notice that the only two top clusters have all three metrics 30 percent above the national average, the top two top earners and white-collar workers.

Similarly, we looked at metrics at those that were 30 percent below. Put together, we find the traditional demographic, traditional demand/supply dynamics playing out in the labor market. At the top, we have 22 percent of the work force with above-average growth in income and employment. This reflects a high demand for their industry/ occupation pairings.

And then we have three groups of clusters that account for 44 percent of the work force. This group almost half of the workers in the country are employed in jobs that are characterized by high employment growth that average, and in fact, in most cases below average income growth. This is a portrait of a labor market where there is more supply of workers than there is demand by employers.

And finally, the remaining 27 percent of workers are in clusters that have low and in some cases negative growth in both their employment markets accompanied by stagnant or negative growth in income. This is the portrait of decreased demand for these jobs.

Putting the last two together, that means that 71 percent of workers are in jobs for which there is a decreased in demand from employers and increase in supply of eligible workers, or both. To state the obvious, that's not a formula for wage growth.

Let me just add that we've done some preliminary assessment of the impact of the current economic crisis on the labor market, and our findings show that these employment and income growth trends mainly still hold across occupations and industries. In other words, what we see here, as Ron said, is a structural change, not a cyclical one.

With this lens on the labor market, we move to assess the drivers and how they affected different clusters in this patchwork labor market. And let me now turn it over to my colleague, Byron, who will walk you through this analysis and discuss its implications.

Byron?

MR. AUGUSTE: Thanks, Lenny. The causes of these trends are controversial. Several analysts emphasize one or two drivers of increased income dispersion: for example, trade or offshore immigration, or loss of union power. Others focus tightly on changing skill requirements and education. This lack of consensus reflects a genuine analytic challenge. It's difficult to parse the multiple interacting forces that together add up to the income trends we observe.

Previous workers have tried to isolate the influence of specific factors. We recognize the tremendous value of this work and have used it for our own analysis. However, we wanted to cast a broader net, so we attempted a systematic quantification of a full-range of potential drivers and their first-order effects on income dispersion across industries and occupations. It's a daunting task, and there are some real limitations to the analysis, but just as we've built on the work of others, we hope and believe that this will be a significant contribution to the debate.

Overall, we looked at nine drivers, and they have played a role in the rising income dispersion. Three drivers are associated with changing demand in the labor market. These are trade, foreign-directed investment, and offshoring, skills by technology change, and organizational complexity. Three demographic drivers shaping supply:

immigration, the aging work force, and female labor force participation. And the last three are institutional drivers that shape labor market outcomes: performance, pay, the unionization, and education.

To understand the impact of the drivers, we combined both quantitative and qualitative assessments. We used the current population survey and drew of labor statistics data as our primary sources, but more frequently than not, we supplemented by other sources where available: for example, with proprietary data or with DOS survey data like the National Longitudinal Survey of Youth for performance pay.

Leveraging all of this information on the X-axis, we mapped what was the share of workers in each cluster that was affected by each driver in each year. To assess the relative magnitude of the affected workers, we added to this empirical analysis extensive interviews with internal and external experts and reviewed existing literature. Through this, we broadly assessed the degree of impact -- high, medium, and low, as you can see in the cluster on the right -- and the resulting multistep analysis allowed us to determine what, if any, first order effects each of these drivers had on the labor market outcome.

So we've depicted it here on the right, and we've done this for all eight clusters, which is available in our full report.

So this chart summarizes the impact of the drivers on all the occupation and industry clusters. Let's go step by step. First from a driver perspective, on the demand side, we found that high-income earners had benefitted from technological changes in trade, while the automated way and classic blue-collar segment had been squeezed. And those in service-dominated clusters -- front lines, speeding treadmill -- have seen their wages largely unaffected.

On the supply side, immigration is the most influential driver, specifically for the four lowest-earning clusters. It was here that the share of immigrant workers increased the most by far, putting downward pressure on wages in these clusters. Of course, there are many highly positive contributions that immigrants make to the economy that are not captured here.

Other supply side demographic drivers, such as female labor force participation and the aging of the work force, had a minimal effect.

Last but not least, institutional factors played a significant role. Education was a key enabler for the high-growth, high-earning clusters at the top where education attainment was a key to entry and to increased earnings. By contrast, the very modest increases in educational attainment in the lower-earning occupation industry clusters were insufficient to boost their incomes significantly.

In addition, de-unionization, another institutional driver, put downward pressure on income growth for those in the automated-away, classic blue collar, and semi-skilled services clusters which saw significant declines in union membership. More did those clusters benefit from another mechanism to capture value from work, performance pay which actually fell for the middle earning clusters.

Then looking by cluster, we found first that the income for the top 22 percent of workers grew very rapidly, mostly due to demand-side drivers, with education playing a key enabler role.

Then this next group of service-oriented clusters is quite interesting. As you will remember, they account for 44 percent of the labor force, namely, those in the front-line, speeding treadmill, and semi-skilled services clusters, and their numbers are growing rapidly. These workers, by and large, either did not see a major impact of these drivers, or for the semi-skilled servicers wages were impacted negatively by both immigration and de-unionization.

And then the last 27 percent of the work force, largely manufacturing workers and repetitive manual workers experienced primarily negative effects from the demand drivers, especially skills by its technological change, trade, and some of the other drivers like immigration and unionization.

So let me conclude with a few observations and implications from our work. Our immersion in the trees of the U.S. labor market persuades us that something fundamental has changed in the force itself, a change that argues for a deeper sense of urgency in the public debate. Increasing income dispersion of recent years is not nearly a case of the top pulling away from the rest, although that has been true, nor is it a reflection of cyclical developments in labor supply and demand that will at some point sort themselves out. At a deeper structure level, global economic integration and technological advances for all the tremendous benefits have combined to produce permanent changes in the skill levels required to flourish in the U.S. labor market.

This poses a huge challenge to the majority of American workers who are not well-equipped with the required skills and who face downward pressures on their incomes. This is particularly true for those workers seeing both demand and skill needs shifting against them.

There is no single silver bullet, but the most important question is how the U.S. can achieve an economy-wide human capital upgrade from primary to secondary, to higher ed to work force develop to on-the-job training. We need transformation on the scale we saw when Americans moved from farm to factories, and universal secondary education became the goal. And we need it for both today's adult workers as well as for school-age students.

A second vital question is whether the skills upgrade can go hand-in-hand with institutions reforms in the way work is done and compensated, particularly in the fast-growing services industries. For example, one of the fastest-growing businesses is the remote data center industry. Fueled by technology, globalization, and rising complexity, the economic to data center offshoring can be -- data center offshoring so taking these overseas. There's a cost of cost pressure to do that, but that can be matched by or bettered by an integrated strategy that runs as follows:

First, locate data centers in relatively low-cost U.S. locations in towns with access to an educated work force and local community college-based technical program.

Next, apply lean techniques to maximize the productivity of the data centers. Many of these techniques are very team-based.

Finally, reward these improvements through team-based performance pay for front-line workers whose innovations, reduction of error rate, and continuous improvements generate significant savings.

In a microcosm, this integrated approach harnesses the demand drivers of globalization, technical change, rise in complexity through investment in education and skills, and then builds in labor market institutions to allow middle to lower-income workers to reap their benefits. In microcosm, it works. Can the U.S. replicate such strategies on a national scale, working across business, government, and the social sector?

That challenge is a big one, and the stakes are high. A priority must be to move on this as fast as possible.

Thank you.

MR. MISHEL: Well, when I read this report, I thought it was a rather milquetoast report with an overwhelming amount of data. But actually, this morning, they've got my dander up because they're making the claim that what's going on in income inequality over the last 30 years is that workers don't have the higher-order skills, and they're not equipped to participate fully in the economy. It's an analysis which is absolutely incorrect, can't possibly be drawn from the work that they do, and leads to totally misguided policies. Other than that, I agree with it.

So I'm going to go do a few things. I'm going to talk about issues that they totally leave off the table, and then I'm going to say why the education answer is wrong, and then say why their empirical strategy can't get them to the conclusion they draw.

You didn't think you'd be able to enjoy this kind of sparring, did you?

Okay, first, they totally really overlook the fact that inequality is many things. There's a difference between the very top and the top, and then the top and the middle, and the middle and the bottom. And they all have different explanations and different trends at different time periods. But one thing that's been going on for 30 years is a complete skimming of income growth by the very top, and you can sort of see from the Pikkety and Saez data, I'm going to go through this quickly.

From 1979 to 2006, the income share of the upper one percent went from 10 percent to 22.9 percent. That meant the upper one percent saw income growth of 210 percent while the bottom 90 percent saw their income growth 2.4 percent. That means if you look since 1989 of the income growth, the upper 10 percent got 91 percent of all the income growth. This includes the whole Clinton era of boom, and that the upper one percent got 59 percent, and the upper tenth of the upper one percent -- the upper tenth of the upper one percent got 36 percent. And we're being told this is because workers don't have the right skills.

Okay, let's talk about capital income versus labor income. That's another thing left off the table, okay. This is as important as many other factors, but -- and it's like being a skunk in a room to talk about it, but I'll talk about it.

Well, that didn't work out very well. Uh, okay, I'm, sorry, one of my graphs didn't show up here.

Okay, so on capital income there's two things: One, there's more capital income and less labor income, and of the capital income there's been a complete redistribution to the top. According to CEO data, of the capital income in the recent year, around two-thirds of it was received by the upper one percent. In 1979, it was around a third of it, okay. This is an important reason why the upper one percent -- and we need to explain that has, I think -- has to do with financialization and some other things. And it really matters because it's equivalent of taking $1,500 from every worker and giving it to people who earn capital income.

Okay, the wage disparities. This is not from the CPS, this is from Social Security data, updated yesterday -- thank you, Andrew Green, who's in the back. The top one percent saw their wages grow 158 percent, and the bottom 90 percent up 16 percent. You can also see hardly any wage growth in the last six, seven years. The top tenth of the upper one percent saw their wages grow, annual wages grow by 361 percent.

Okay, so there's a whole lot going on here. It is about wages, it is about the very top. It's not -- not being discussed in this report. Over the postwar period, we can see that productivity and compensation did not grow in tandem. It did so in the first part of the postwar period, but in the last 30 years it didn't. If you just look over the last 13 years, you can see productivity continuing to grow, and there was wage growth for college graduates and high school graduates in the last '90s.

Since around 2002, there's been no growth in the average hourly compensation of college graduates. College graduates and high school graduates the same, there's been no actual change in the gap between the two of them.

Geez, I'm missing a bunch of things, I don't know why. Okay, there's -- okay, a little on the explanation of the more skills and education. First, you could look at the ratio, the estimated college premium between the college graduates and high school graduates. It has not grown hardly at all over the last 10 years. Its growth has been very slow. You cannot have something that grows very slowly explain inequality, which was been growing. And maybe not overall income inequality, as Rich is going to say, that maybe that has slowed, but if you look at the gap between the top and the middle, and the top and the very -

- and the very top, those things have grown. And you can't explain something that's flat. Something that's flat can't explain something that's growing.

If you look at the work of Larry Katz, you will see that he traces the demand for college-educated workers. You can track that that it's been growing more slowly in the '90s than the '80s, and more slowly in the 2000s than the 1990s. The idea of an escalating demand for higher-order skills is absolutely incorrect. There has been a growth for higher-order skills and the demand for education over the last century; no one disagrees with that. There's also been a growth of the supply of education and skills.

In 1973, we had around 10-12 percent of the work force with a college degree or more. Now it's up to 30 percent. There's been a growth of supply. There's actually been a growth in supply, but the growth in demand is not outpacing the growth in supply. If we did have such a problem of the need for higher-order skills, it would be hard to understand why -- one factual thing -- why is it that the college/high school premium has not been growing recently?

I'll tell you another thing, this more experiential. Observe all the college kids after college and during college taking free internships. As an economist, if there was such a demand for the skills of college graduates, employers would be paying people and working hard to attract college kids to their employment, not asking them to work for free, and these kids would not have to work for free to get internships and experience.

So I find this on in every additional level incorrect. Why you can't get different conclusions from what they do for two reasons:

One, they look at -- I'm really interested in a lot of the actual descriptive information, and I look forward to being able to get that and what happens to the nine different clusters -- but do two things. You're looking at comparisons of a lot of different job clusters for a period of time between 1994 and 2005, and there's two things, reasons you can't draw many conclusions about that.

One, things like trade, things like technology, have an impact on employment composition. You cannot observe the impact of technology and trade on wages, the reason being is that the wage effect happens across the board. You know, if you have -- you can have a few sectors have a tremendous growth of the need for college graduates, it's going to increase the wages of college graduates in every occupation. That's the way markets work. So you can't possibly determine, you know, by looking at the difference between wage growth and any of these kinds of factors that they drew on a cross-section basis. You can't do it.

You also can't do it by looking at one period of time. As I said, if you look at the growth of the demand for college graduates, relative demand, the issue is how was it changed now different than the change before? I think the supply of college graduates has grown pretty straight line, and the actual relative demand for college graduates has actually slowed. You can't determine that kind of thing by looking at one period of time. So the empirical strategy is flawed. There's potentially interesting things by understanding what's happening at different job clusters, but the empirical strategy can't possibly lead them to a conclusion that in any regard is -- it's terribly wrong and misguided.

Thank you.

DR. BURKHAUSER: Well thank you, and it's been great to be invited to come to this conference and have a change to read the McKinsey Report. I'm going to try different tacks, and Larry -- I think Larry actually gets to some of the major issues. Unfortunately, the McKinsey folks have entered sort of like babes in the woods, entering into a major debate about what's going on with income inequality, and the major debate in some part is to what degree should be listen to Pikkety and Saez -- and Larry's given you a nice description of that -- and then on the other side people who think, well, you can really use the CPS data if you take care of the flaws in the data and try to explain what's going on.

So I'm going to sort of attack them from the other side and say that it's not that they ignored the Pikkety and Saez work, it's that they just didn't quite understand how to use the CPS data. So let me talk about the CPS data, and I'm going to show you in the CPS data a very different story about what's been going on with income inequality. But to be fair about this, actually, the McKinsey Report does four things:

First, it says that income inequality has risen rapidly since 1991, especially in the top -- I guess it was about 10 percent of their talk, they just assume that must be true, that's what everybody says, so it's got to be there.

Then they said the main driver of this increase in income inequality is an increase in wage earnings inequality which I think is reasonable, and I'm going to agree with that point.

And then they went to the work that they actually spent the most time on looking at CPS data connected with other datasets since 1994 and told their story. And that's about 70 percent of what they're going to talk about. I'm not going to talk at all about that. And then they have a policy implications that come from that.

So let's go back to the initial premise that income inequality has risen rapidly since 1991. Okay, in my work, if you're using the CPS data, you have to understand that most of us use the public use CPS data, and that is top-coded to protect the security of high-income people. So if you look at the gini coefficients from 1975, you'll see if you use the public use data, you get that purple line that shows what income inequality has been going on in that data.

That misses what's actually been happening in income equality in the public, in the internal data which is shown by the brown line at the top. The difference between those two inequalities is what you miss because of top-coding.

Now, the Census Bureau understood that. In 1994, between 1994 and 1995, they actually not only provide you with the top-code but provided a cell mean which would get you up to what you should get if you have the internal data. So you see that blue line which is actually under the purple line goes and becomes under the brown line after 1994-95.

Now, the problem is if you don't know that, you end up getting this enormous increase in income inequality was '94 and '95, because you have simply forgotten that they've not putting cell means in there -- I'm not going to go back -- and, unfortunately for McKinsey, they just happened to choose 1994 as the year that they're going to start telling their story.

The good news is that what I've done for the last couple of years is go into the census data and provide a cell-mean series which you can actually use cell means all the way back to 1975. So having said that, in their root (inaudible) report, they didn't talk about this, but they actually start out talking about '91 to 2005, and they show in the public and adjusted, that's what they used, that the top 10 percent increased by 2.8 percent a year, much greater than all the other people.

If you actually use the public cell means, it's 2.4, but now there's another problem. In the internal data, there's a break in the data between '92 and '93, and if you don't control for that break, you're comparing apples to oranges in some degree unless you come up with some way of adjusting the cross, the break in the '92 data that's caused by a change in methods in the CPS data.

So actually you should start with '93. If you start with '93, you get consistent cell mean data, and you can do that. When you do it, contrary to their notion there's been a tremendous increase in the top 10 percent in the CPS data, in the internal data, it's 1.7 percent in top 10 percent, and it's fairly uniform across the others. There is some inequality, but much less so than you would imagine.

So if you looked at '93 to 2007, this is what -- and if you do it '92 to 2007, and I just used 2007 'cause that's the last year of the data -- it actually turns out that the bottom 10 percent grew the most between 1993 and 2007.

But I think the big point is there has been something which changed in the United States. If you looked at income inequality and how it's changed between 1975 and 1992, you'd get the story that McKinsey is talking about. You see very rapid growth in the top 10 percent of the distribution, much greater than the other shares, and actually a decline in the bottom 10 percent. Now, in part this is because -- it's not that the real income actually fell, it's that in the CPS data we're using pretax/post-transfer income; we're not including income transfers and those sorts of things. Even this bottom tier probably is better off. Over this period, also in 1992 was a recession year.

Okay, but then if you look 1993 to 2007, what you see is what I've just shown you, so it really depends on what years you're choosing and what you're talking about.

Okay, I'm going to skip that for a minute, because they actually talked about '94 to 2005, and they get this -- when you use that, you really show this tremendous effect that they claim is going on. In the top 10 percent, it's increased by 3.2 percent a year from '94 to 2005; but in fact once you use cell mean and simply put a cell mean there so that 1994 looks like 1995 in the sense that you're capturing the top part of the distribution, then the distribution is much -- much more reasonable. It goes at a top of 1.5, a bottom is 1.2, and if you do it then for the same thing, comparison -- if they did '94 to 2007, they get the 2.6, but if you use '94 to 2007 again, you get the bottom 10 percent actually increased the most.

Okay, so what does that say? And let me go and let me say that the bottom line of what they do, I think, is reasonable. There has been increases in income inequality in the United States. If you look at income inequality, though -- and I'm going to go back now, and I'm going to show you this blue line is the gini coefficients that you get if you use the internal CPS from 1975 to the future to 2007, and normalize at 1975, you can see that income inequality has indeed increased. If you look between 1975 and 1992, you see very rapid income inequality, and we showed that earlier, that was caused by all sorts of things.

If you look at then there's a break in the data between '92 and '93, and what you see is after 1993 there has been some increase in income inequality but it's a much lower rate. Okay, so what's been driving this?

In a new paper that my graduate students are actually working on as a part of their dissertation, we go back and use the sort of Gary Burtless work where he tries to explain what was going on with income inequality in the 1970s and 1980s, and what we do is a simple sort of shift-share analysis where we're asking the following questions, approximately:

If all the characteristics of households in the United States were the same in 1975, and all you allowed to change was the change in males' wage inequality, how much would that simple -- just that male wage inequality affect income inequality? And what you see before 1992 is there's a fairly large difference between the purple line and the blue line. And Gary and others have argued that what's going on is that, contrary to what we believed in the '70s when we thought that high-wage men married low-wage women so that they could specialize in home production versus wage production, in fact, high-wage men married high-wage women, and that was part of the explanation in addition to the wage inequality.

Also, there was a tremendous change in the characteristics of households. We've got much more a (inaudible) and her household, and that was part of it. So demographics played a fairly major role in the period before 1992.

Here, I agree with the McKinsey folks, after 1992 when we do the same kind of analysis, what you see is the purple line gets much closer to the blue line. So really the wage inequality is really driving, I think, income inequality since 1992. But, importantly, that change in wage, in income inequality since 1993 is much lower than everybody else in this room thinks it is, if all you've been doing is paying attention to the CPS, because most people who use the CPS data have not carefully controlled for top-coding and used our cell mean series to go back. And I make comparisons before and after 1993, which is inappropriate if you're using the internal data and you haven't controlled for these problems.

Now in the final minute, what I've been doing is trying in the last year, because when I showed this to people, they said, what about Pikkety and Saez? Because I've been trying to show how our results can be compatible with Pikkety and Saez.

We're on the verge of doing that. We're about to send this paper out. I think we've done it. Thee's a big difference between Pikkety and Saez because they're using it as tax units. We're using household sides adjusted income in the CPS data. When I actually use tax units and all the other things that Pikkety and Saez do in their tax codes, we can get virtually the same results in the CPS data t hat Pikkety and Saez are getting in their tax data except for the top one percent; but we can still get there except for between '92 and 2000 where that rises a little bit more.

But that's for another conference.

Thanks.

MR. HASKINS: Unfortunately --

SPEAKER: Here's a mic right here.

MR. HASKINS: I'm making things worse by putting down a microphone.

I was saying I hate to start with methodology because we've had so much discussion about that in the last 20 minutes, but I don't see how we can conduct this discussion unless there's some agreement.

Burkhauser is saying that a lot of the conclusions that are based on CPS data are just wrong because the CPS data, because of this top-coding problem is flawed. So I don't know if you others want to say something about it. Larry might. But the picture that he draws with the corrected dataset is that inequality has increased much less, including at the bottom, than you think from the standard analysis. And, Larry, do you agree with that?

MR. MISHEL: Well, the slides that I showed were not drawn from the CPS, they were drawn from the Social Security wage data. They showed tremendous growing inequality. They were shown from tax data which showed tremendous growth of inequality. And when I used the CPS, I used methods that corrected this, and I think Rich did. Rich did not have a problem with either my CPS wage data or our income data, so I have no problem with what he said. I agree that most of the growth of income inequality is due to the growth of wage inequality, certainly within the bottom 95 percent.

So and I didn't -- you know, so I don't think I have any disagreements, but I guess I disagree with some notion that somehow there has been a growth of inequality of in the last 10 to 12 years because, you know, in some ways it depends upon if you do these unitary measures like you do gini and stuff like that, you will miss that there's sometimes a shrinkage of the gap between the middle and the bottom while there's a growth between the middle and the top. And you look at it overall, and it looks like there's not much of a change.

I can tell you that in every dataset known to humanity there's a growth between the middle and the top, and it's been persistently happening, you know, for 30 years and in the wage data as well as in the income data. So I'm not sure.

Rich, are you saying something different than that?

DR. BURKHAUSER: I'm not saying that income inequality hasn't increased since 1993, it certainly has. What I'm saying is that if you use the CPS data and don't worry about what's been happening to top-coding in the internal data, you will understate increase in income inequality.

When you use the internal data, and you used a -- what's

SPEAKER: Parado (phonetic).

DR. BURKHAUSER: Parado. You used the Parado. We use a GB2 which is an extension of that. We get higher income inequality when we do that because we're capturing the top part, but when then you do it --

SPEAKER: Why understate the growth of income inequality?

DR. BURKHAUSER: No, actually --

SPEAKER: I just (inaudible).

DR. BURKHAUSER: We can talk about that later, but the main point is income inequality's increased somewhat since 1993, but there was dramatic increases in income inequality between 1975 and 1992. The increase is in a magnitude of about a fourth of that since 1993. And what I've been able to do in the data is to -- I try to adjust that with the GB2 -- you used -- by using Parado, you'll see a higher income inequality than what I showed there. I think we used the internal stuff because these guys were so completed in properly using -- and I don't want to get into too many complications -- but --

MR. HASKINS: It's too late for that.

DR. BURKHAUSER: What I'm telling you is that this is what we can do, that that was urged us to do and so many other people were urged to do because they said this can't possibly be true. The CPS now must be wrong because -- because Pikkety and Saez is showing this.

If you use Pikkety and Saez, you have to understand something: They're using adjusted gross income which is basically marketing income.

MR. HASKINS: Can I say something before you go further for folks in the audience? Pikkety Saez, I understand is based on tax return data and not income data, so --

SPEAKER: Is the name (inaudible) -- is it Suarez?

SPEAKER: S-A-E-Z. It's (inaudible).

MR. HASKINS: Go ahead.

DR. BURKHAUSER: So PS used -- they used the tax units. They focused on the -- they don't use what has traditionally been used in the literature and look at gini coefficients or others of attempts to get the entire distribution; they're looking at the top one percent, top five percent, top ten percent.

We're able in the CPS data to use exactly the methods that they use, and we can actually get their numbers, approximately their numbers for the 90th and 95th percentile, and 95th and 99th percentile to show that it's not differences in the data but differences in the way they measure income inequality they're getting these results.

That is, we get the same trends and the same levels in the CPS data when we use their units of analysis. It's only the top one percent where we can't quite do that. And, interestingly enough, we can get it for all the years. We get virtually what they get for all years except '92 to the year 2000, during the Clinton Administration where they get higher increases in the growth in the top one percent than we do. And why that's happening is, I think, the last issue that I'm not quite sure of.

But part of what they're doing is, their data is better between '92 and '93 because of our blip up in the CPS data, because the Census is better able to get the top tiers. So in the CPS data we actually get a much bigger increase in income inequality between '92 and '93 than they do in their tax data. And their tax data clearly is overstating the increase in income inequality in the '80s. I think the period of '84 to '86 where there was a change in the tax law where the personal income tax rate was lower than the corporate tax rate because of tax changes. And suddenly income and wage inequality in their data rapidly increases mainly because people are doctors and lawyers and those who are shifting from corporate to personal income tax.

So --

MR. HASKINS: Let's move on to --

DR. BURKHAUSER: Happy to do that.

MR. HASKINS: I have a feeling that the audience is -- is very excited to hear about Parado and G2 and so forth, and so just come to Brookings and hear these technical discussions. But, unfortunately, I think the message for all of us is that this discussion on inequality is going to take a much more technical -- take on a much more technical nature in the future because there are basic disputes about the data. And that is really going to confuse a lot of people. I don't think you're going to read about it necessarily in the editorial pages. But if you really want to understand it, Rich is presenting a real challenge to people who use CPS data.

Larry.

MR. MISHEL: Geez, I have something very different. If you ask him to dispute the basic facts that should make us concerned, there has been a tremendous growth of inequality --

MR. HASKINS: No, he doesn't say that.

MR. MISHEL: In the year --

SPEAKER: Since 1993. Since 1993 there hasn't been -- (inaudible)

MR. MISHEL: Well --

MR. HASKINS: That -- I mean that directly contradicts you, Larry. Look, he's saying that the inequality increased primarily in the '80s --

MR. MISHEL: Okay. We don't have to go over it again. I just didn't -- I didn't hear that.

MR. HASKINS: Well, (inaudible) stated, Larry.

MR. MISHEL: Okay.

MR. HASKINS: Well, it makes a big difference. If inequality has not increased much since the '90s, then the Bush tax cuts, all kinds of things the people are having a fit about are playing much of a role than you say they are. But let's go to another issue that I think is more important, and I hope understandable.

Your claim is that the difference in returns to education has not increased that much; the difference between high school and college.

MR. MISHEL: And it doesn't explain inequality.

MR. HASKINS: Right. Yes.

MR. MENDONCA: Can I --

MR. HASKINS: Did you want to respond to that? Yes.

MR. MENDONCA: I'll respond to both of these. First of all, I'm delighted to be positioned between these two versions of it because it's exactly why this debate doesn't go anyplace, is we're debating details of whether something happened or not. I think you'll see when you go through the details report that that assertion about the beginning about how large the income dispersion has been is not central to the question that we analyzed.

But we added to the debate as a discussion about what is going on at a much more granular level that you only get to by looking at the specifics of income in occupation clusters to get much more details about what's going on. In some segments, increasing education didn't help because they weren't meeting the skills that were necessary for those jobs. At the very top, the access to global opportunity, the ability to operate in a much more complex environment did help.

At another level, though, the lower levels of income, it was a negative factor because they were not -- it was in excess of supply relative to demand for those skills. So it's the only way you get to this answer about what's going on is actually to look at it at a much more granular level, which is what we tried to do in this work.

SPEAKER: May I --

MR. HASKINS: Go ahead, yeah.

MR. AUGUSTE: Just match (phonetic) that, because -- I mean, Larry made some important points, and I just want to respond directly to some of them because we actually -- and the way I will respond is just to sort of -- the point you made and where we agree, and then where we might have something of a difference. So I want to respond to four first.

You said that the top one percent saw a far disproportionate impact, and we agree. I mean that's clearly the case. You can see it in the data. We do talk about it in the report. And we didn't emphasize it as much here because we were interested in the experience not only at the top one percent or the top five percent, but of the other 95 percent, and so I think looking -- so we wanted to look in depth at those clusters as well, as I said, in detail by occupational and industry clusters.

On the second, you mentioned that other noneducational-related factors must be very significant. So for example, one of them I think you would agree -- although I'm not sure you said it was de-unionization as an issue. That was something we saw, too, and we didn't see it across the board, we saw it in four of the clusters. It did matter. We think it had a negative impact on wage growth from those clusters.

On the third, you said that formal education is not a big driver of progress, and here we --

MR. MISHEL: I didn't say --

MR. AUGUSTE: I'm sorry. Go ahead.

MR. MISHEL: I'm not -- with education is essential to progress, essential to maintaining continued economic growth. I don't think that any kind of skills deficit or growth in a skills deficit is responsible at all for the growth of wage inequality.

MR. AUGUSTE: Right. Well, we think there is a growing -- there is a growing skills deficit, and it's not fully captured by just measures of educational attainment. So you talk about the college wage premium not, you know, growing dramatically over that period, and I think that's right. But what was most notable was the absence of an upward effect on education, not just an educational attainment but also the achievement gap.

If you look at attainment levels relative to actual achievement levels, that is to say cognitive skills as measured by standardized tests and so forth, there actually is a tremendous gap, There's a tremendous gap within the country, and there's tremendous gap between the country and some other countries that have made far more progress on education there.

And second, the public higher education, while that has expanded attainment quite a bit, the achievement gap in public higher education are dramatic, and that's where most -- obviously, most of our college students are educated.

Third, skills. The suitability of the skills that are coming out of that formal education for the job market of today, is mixed. I would take your example -- you took the example of free internships and took that as meaning that those skills are not in high demand. I would say that what it means is that in fact, college is not teaching the skills that actually you need in the workplace, and that's what those free internships are is, in fact, on-the-job training that raises the value of people's skills.

And finally, on the continuous learning has to be a part of it. This can't just be about what we do for students in high school or college. The demands and the skill mix demands of the work force are changing too rapidly, and so this has got to be about how adults can make those transitions, too.

MR. HASKINS: Okay, so last question, quickly, before we turn to the audience. Please give short answers.

Everyone's concerned about the growth of inequality and the lack of mobility in the United States. Tell us your solution. What is the one thing that policymakers should do that would make a real difference and improve the prospects for people who are now in the bottom?

Rich?

DR. BURKHAUSER: Well, any economic growth is the key answer to all these things. And my view is that the way to do that is to allow markets to work and to provide workers with the education they need in order to play in the world where higher skills are necessary to compete in the international trade (inaudible).

MR. AUGUSTE: Well, I would say that there's not a single silver bullet. We didn't mean to -- if we came across and said just more education is enough, that's not what we mean. We think it's a combination of you take that staff-growing service sector, almost half the economy will be much more of those three service sector clusters that haven't been growing, and say how -- the question is, how do you improve their productivity, skills, and rewards?

So how do you -- and the example I gave in the talk I think is quite relevant. So data centers, very fast-growing industry, lots of service-level jobs. It's something that, barring changes, could be increasing offshore, overseas.

But if you can actually get those data centers located in relatively low-cost locations, but critically places that a strong supply of technically-skilled workers, for example, coming out of community colleges, very integrated to the work force, a stable supply of skilled workers -- again not necessarily four-year college graduates -- and you combine that with new methods of collaborative teamwork like lean (phonetic) in data centers, you can increase the productivity of these data centers four, fivefold. And then if you have then mechanisms by which workers -- whether that's through -- whether that's through performance pay, where they can actually capture the benefits of that productivity. That's the way it needs to work. That's in macrocosm, that can work in many other parts of the services economy, and that's really the problem we've got to try to solve.

MR. HASKINS: Larry?

MR. MISHEL: Well, my view is that, over the last 30 years, there's been pretty much a war on people having good jobs, especially people without a college degree, and it's been driven by *laissez faire* policies of deregulation and expanded globalization, de-unionization, weakening of the social safety net, undercutting of the minimum wage, et cetera, et cetera, so that we have this problem of a disconnect between growing wages and compensation for typical people and the growing productivity of the economy. So if I had to pick one area, I would pick labor market policy to be able to empower workers, and I think we do need to be escalating the minimum wage to where it's half the average wage. I think we have to restore the right of people to be able to choose collective bargaining if they want, and be able to get contracts and to get a fair share of the pie. We need to have labor standards that are enforced right now.

We have a lawless labor market, where the lowest wage workers have a hard time even collecting their darn paychecks, let alone other workers, who are not eligible for the overtime that's due to them and other types of enforcement of labor standards.

So unless we get rid of the lawless labor market and empower workers, we're not going to be able to get great wages growing with productivity and we won't be able to grow based on earning and spending rather than spending based on bubbles and debt.

MR. HASKINS: Lenny?

MR. MENDONCA: Not surprising, I'm going to agree with Byron, that the need is for a dramatic improvement of the human capital of our service workforce in particular. We need a revolution in our ability to take folks from primary education through to workforce development, and be able to have the skills and renew those skills throughout their lifetime, and that's going to have to happen with some dramatically different thinking about how we do that.

We need to move the ability to get people into the right jobs from being constrained by Bamble's (phonetic) law to move towards more Metcalfe's law, where we can get people to actually accelerate their productivity and not be constrained by the number of people that are trying to deliver that.

MR. HASKINS: Audience, when I recognize you, please stand up, give us your name and organization, and ask a succinct question. Please do not make a speech.

Right here on my left. Here comes the mic.

MR. DOLLERIES: Thanks. Stephen Dolleries (phonetic) from Oxford.

For the McKinsey folks, when I look at your Exhibit 2, I see most of the red arrows under de-unionization and immigration, which tells a policy story to me, and yet, you're telling a skills deficit and education story.

I wonder if they're counterfactual. If you try to model it taking out those two policy decisions, do you still end up with the same type of results?

MR. HASKINS: Good question.

SPEAKER: I would say that it's true that both de-unionization and immigration, part of the reason those arrows are red is because the impact of those have been highly concentrated in relatively few clusters, so I think it's definitely the case that for those clusters that caused meaningful downward pressure, and since those tend to be middle to lower-income clusters, in particular, in the case of immigration, quite low-income clusters, yes, that had a significant effect.

So I think as we say in the report, and I think in the executive summary, those issues should be on the table from a policy standpoint, but if you were to address those issues and not take on the larger issues of the skills and the productivity and the rewards system for the broader service worker group, you're not going to solve this problem.

MR. HASKINS: Next question? Right back there on the right, on your right. Yes?

MS. KEARNEY: Hi, thanks. Melissa Kearney from the University of Maryland. I'll try and state these as a question.

So my first is about the disagreement of facts, and I'm wondering if the panelists can agree on the following: My sense of the academic literature on income inequality is that there's been a consensus reached that the growth in inequality in the '90s has plateaued and it hasn't taken off at nearly the same rate in the '80s. Okay, I think there's a consensus on that, but upper tail inequality, both above the 90s, which is what Piketty and Saez focused on in the 90-50, which others have others have focused on, has increased.

Okay, so if we can agree on those facts, then that leads me to my second question, which is: Don't we need an explanation that explains in the ‘90s convergence in the lower part of the distribution, but continued rising inequality at the upper tail in the distributions?

And here is where I think the conversation about skills is potentially misguided in a sense that the point was made that college-high school wage premiums, that hasn’t been growing, and, so it can’t explain the continued rising inequality above the mean of the distribution, but there’s been nice papers showing that if we present a more nuance description of skills, such as the Autor, Levy, Murnane Classification of Abstract, Routine, and Manual, then we can start to explain some of that, and I think that speaks to a lot of what’s been talked about about these cognitive skills and the flexibility of CEOs. That’s the abstract reasoning, and that’s no longer well-captured by just the very basic college-high school. In fact, a lot of those college guys have the routine skills that are being displaced by things that have talked about. Offshoring, technology, et cetera.

MR. HASKINS: Responses?

MS. KEARNEY: And there’s a third question, Ron, and this is the question.

(Laughter)

MS. KEARNEY: So don’t you think the focus on the Piketty-Saez is a bit misplaced in this conversation? It seems to me that, certainly, we're going to need a different explanation for what's going on at the tippy-tippy-top above the 90th as what's going on with the remaining 90 percent of the distribution? In fact, Saez and Piketty themselves point to social norms, like it's been okay in recent years to pay CEOs much larger multiples of what the rank in file are making. I also think that that's probably going to change when we see more recent years of data, given that those numbers and their paperwork populated by guys in the finance sector.

MR. HASKINS: Okay, responses? Yes?

SPEAKER: So I agree with the first part of the statement. I think you have to be careful about talking about the literature on wage inequality and the literature on income inequality. So I think you were talking mainly about wage inequality, and what I would suggest to you is there's a difference between those two issues, wage and income equality, and there's a paper by Danziger and Gotshal, there's a paper by me that show that income inequality, it's not true that the 90-10 ratios have been flat. They've actually been falling in the last seven or eight years. So there's more of a debate about that.

With regard to Piketty and Saez, what I'd suggest is, while what you've said is accurate of the conventional wisdom, I think I've got a couple of papers that are going to shake up the conventional wisdom.

SPEAKER: I would say that there's two things embedded in your question and comments that I agree with. One is that we don't have particularly good measures for this skills problem that we're describing, which we believe is real and a real driver of this income dispersion trends throughout the distribution, but I agree, we don't have great measures, it's not just college attendance or college graduation that counts here.

And, secondly, I agree that labor market institutions, and here, I think Larry, and we would have some congruence, although not exactly in agreement of all the incomes, but the notion of the institutional norms of pay, the notions of collective versus collaborative bargaining, the questions of how labor and management actually work together to drive productivity growth and how workers capture their share of that, I think those are all very relevant questions that we don't have great answers to. We've tried to put some ideas forward here, but I think we're going to need a lot more ideas along those lines.

MR. HASKINS: One more question. Yes, right here?

SPEAKER: Oh, I don't get to answer? Okay.

MR. HASKINS: Oh, okay. No, go ahead.

SPEAKER: I'll take an extra bite the next time. All right.

MR. HASKINS: You're welcome to answer.

SPEAKER: Yes, yes, that's okay. I agree with the questions and the implied answers.

(Laughter)

SPEAKER: And, actually, 10 seconds. We agree that wage inequality is what's driving income inequality in the bottom 95 percent, and we also are agreeing that wage inequality between the middle and the top has kept on growing, right? So the idea that somehow inequality has not been growing recently, I don't really get where that's coming from where we're saying we agree on those basic facts. At least on these three --

SPEAKER: At least to be clear, we agree with that, too.

SPEAKER: Yes, and (inaudible) agree, too. So I mean, he's agreeing on some subset of something I haven't really figured out yet, that's a unitary measure of income inequality, but I think it's pretty clear that wage inequality between the very top and the top and the top and the middle has been growing continuously for 30 years.

MR. HASKINS: Yes?

MR. BROWN: My name is Brandon Brown. I represent a governing board of education in the State of Rhode Island.

My question just more in a macro level, just considering it from the standpoint of a student of sociology, this is a heavily economic conversation. Just stepping back, I see from what I can draw from all of your conversation is that the structure of the country and distribution, et cetera, still reflects a culture of elitism. My ultimate question is: Is there an existence now, policy that supports this continuation of a corporate culture that appreciates elitism and a monopoly almost of economic gains that the country has had due to the influence of expanded markets, et cetera, and exploitation of developing country workers and skills?

MR. HASKINS: Responses?

(No response)

MR. HASKINS: Well, I'm not sure exactly where you're getting at, but I think I may be sympathetic.

(Laughter)

SPEAKER: Exploitation is a good word.

MR. HASKINS: Well, why it gets my dander to hear that what's going on is that there's these higher order skills that people need and workers don't have it, and that's why the income stagnation and the problems for years is I'm just tired of hearing from business consulting groups and elite institutions and any group that wants to get together, some bipartisan group, all they ever can get together with and conclude is that workers are stupid and that they are not prepared, and we have some of the best educated workers in the world, and there's a lot of complicated things about all these comparisons across countries, but the test scores have grown a lot in this country over the years, we have had education levels grow a lot, there's hardly any reason in my mind to understand why between 2000 and 2007, the income of a typical working-class family did not grow. It's not because they didn't have enough education, it's a lot of other factors.

SPEAKER: So I'd like to respond to both of those with two things, one about the actual skills, and, second, about the changing need.

So on the global comparisons of skills and so forth, what's striking is not only that U.S. students do worse in these international comparisons, it's also that they don't do as badly on international comparisons of very routine calculations, et cetera. They do much worse on comparisons of the application of the skills to real problem. So there's something not only in the what we're learning, but how we're learning, and so forth. So there is an issue there.

But I think even more importantly to your point of elites versus sort of the broad approach, it is incredibly important to understand as you move to a services economy that the growth of productivity and the impact on economic growth depends tremendously more than it ever has on the skills not just of managers and executives and top designers and top programmers and scientists, it depends tremendously on what skills frontline workers bring to there, and not just what skills, what mindsets, what behaviors, because actually services and the tremendous variation, far greater than manufacturing in productivity in similar services things are driven much more by the way workers can spot small improvements, can spread the word, can work as teams, et cetera. So there are a whole set of incredibly important skills.

So I would say the implications of our analysis, if anything, are anti-elitist. It's saying that we need a much broader -- we need to think, to have a human capital strategy that goes much deeper in the population than the elite university and grad school sort of strategy that we have.

SPEAKER: So I guess my point is I wouldn't give up on the United States yet. We haven't really done as bad as you might think. Between 1975 and 1991, it's certainly true that we had dramatic increases in income and equality, but we still had economic growth.

Since 1993, if you look at those numbers, in 1993 to 2007, real economic growth and real income increased in all of the 10 deciles. When using the internal data, you're missing the top about .05 percent of the distribution. There's an issue of what happened with the top 1 percent, but, still, across all the deciles, there was real economic growth. So we're not quite at the point where it's time for a revolution.

MR. HASKINS: Please join me in thanking the panel.

(Applause)

MR. HASKINS: And we're going to move without break to the second panel. So please stay in your seats. Thank you.

(Pause)

MR. BAILY: Well, I'm pleased to be here. I'm Martin Baily at Brookings. I also work with McKinsey, and so as an immigrant, I'm happy to say I'm displacing two American jobs here.

(Laughter)

MR. BAILY: But I'll do my best as moderator of this panel.

I'd like to welcome a very distinguished panel that we have here.

On my right, Isabel Sawhill, who's a colleague here a Brookings. She serves as director of the budgeting for National Priorities Project and co-Director of The Center on Children and Families.

We're also very privileged to welcome Susan Chambers. She serves as executive vice president of the Global People Division for Wal-Mart stores. In that role, she's responsible for managing, attracting, and retaining the nation's largest private workforce. In 2008, she was named the *Fortune Magazine*'s List of the 50 Most Powerful Women in Business. So watch out.

(Laughter)

MR. BAILY: And, finally, we're very pleased to welcome Janice Nittoli, who is associate vice president and managing director of the Rockefeller Foundation, where she directs the Foundation's American Worker's Initiative, a five-year, $70 million agenda dedicated to rebuilding economic security for working people today. She also serves on the Foundation's executive team.

So welcome, and thank you for coming.

I think I'm going to start with Belle, who's going to have a few slides to show us, and then pose questions to the other members of the panel.

So Belle, if you could start us off?

DR. SAWHILL: Okay. Well, before I get to slides, let me try to reflect a little bit on the debate that we had in the last session.

I think, as Lenny said at the very beginning, there are a lot of fresh and nuanced insights in this report from McKinsey, but there's also a huge amount to be absorbed there. It is a very fine-grained analysis, and as everyone pointed out, including Byron, there's a huge literature on these issues, and as you've just heard, not everyone agrees either about exactly what happened or why it happened, and I think one of the reasons that we have these debates is because different drivers have operated in different periods of time.

What was relevant in the '70s isn't necessarily relevant in the '90s or vice-versa, and also these drivers -- and this, I think, one of the strengths of the McKinsey Report -- have not applied equally across all sectors of the labor market, and the McKinsey Report tries to get down to this more sectoral, more granular look at what's going on in different parts of the labor market, which I think is to be commended, although, as Larry Mishel pointed out, whether the empirical strategy they use is the best one is a real question, and is bound to be debated.

I also think, like Melissa Kearney said in the questioning period about what's been going on most recently, which is the movement away of the people at the very top from those in the middle has got to be addressed, and so again, it depends what subperiod we're looking at.

I do think there's general agreement that we have growing income inequality in the U.S., not just since the early 1990s with Rich's very good cautions about the data there. But, for a much longer period of ties, specifically since the early 1970s, and I want to make just a few points about that.

First of all, if we go back historically, it's not the case that growing inequality is inevitable in a growing economy. I think there has become a tendency in some circles anyway to say oh, well, of course if you have economic growth, you're going to have inequality along with it, you may even need the inequality to spur growth. We sometimes hear those arguments.

So the first slide I want to show you is a slide that's actually based on EPI data. Both my slides are. But these are slides that are going to appear in the book that Ron Haskins and I have co-authored that's being released later this summer.

This is not a new picture. Some of you undoubtedly have seen it before. It simply shows that if you go back to an earlier period in time, in particular, the period between 1947 and 1973, everyone's income grew a lot, and in fact, incomes at the bottom of the distribution grew the most. So that's just to remind that it isn't inevitable that economic growth can't be accompanied by everyone prospering at the same time.

We go on in our book to ask how much difference does this growth and inequality that we've had since the early '70s make for the typical worker. How much difference does it make? And let's say we're talking about a young man with a high school degree just entering the labor market, which is on the next slide.

For this young man, if you can read that, it may be a little bit hard to see, what this slide shows is that his income has not just stagnated, it has actually fallen somewhat. If we then ask this sort of hypothetical question: What would have happened if since over this period of time all of the economic growth we had had been equally distributed across the labor market so that this entry-level male worker with a high school degree got his fair share, so to speak, of whatever growth we had, his income, instead of being $23,590, would have been almost twice as high. If, in addition, in this later period we had been able to maintain the very rapid economic growth that we had in the immediate post-war period in the U.S., and in addition, that growth had been equally distributed, then you can see his income would have been higher still.

Now, the McKinsey Report notes that not all of the increase income inequality over this period that they look at, which is, of course, the more recent period is due to what's been happening to earning; some of it could be due to demographic shifts. They conclude that that hasn't been an important part of the story. Like Rich Burkhauser, I read this, and I thought well, I'm not sure about that because I've been very influenced by the work that Gary Burtless did that Rich also alluded to, that shows that if you look at the period 1979 to 2004 anyway, which is a slightly different period, then demographic changes were at least as important as growing wage inequality in explaining the increase in income inequality over that period. We can come back to that if anyone's interested.

Third, I think that the major driver over the longer period, and I'm less sure about this most recent period, has been the failure of the supply of well-educated and trained workers to keep pace with the demand, and that's not something that I made up. I mean, I think there's quite a lot of consensus about that now. Larry Mishel gave, I think, a very good critique of this sort of conventional wisdom, and I think some of his criticism is correct, but I still think this is at the heart of the matter, and I think I agree with the McKinsey authors on that point.

They also talk quite a bit about trade and immigration, and again, I'm having a little difficulty reconciling their findings with some of the other literature.

Just to take one example, the paper by Paul Krugman on the effects of trade on wage inequality for the *Brookings Papers on Economic Activity* doesn't find that it's played an important role. Indeed, he notes that the pattern in it imports to the U.S. has been inconsistent with that thesis. At the same time, he emphasizes the difficulty of measuring the impact of trade on wages because of the lack of detailed data at a more detailed level. And, again, the McKinsey Report at least does have more detailed data.

And I could go on, but I've told my time is up. If I did have more time, I would say that -- and I'll just mention it briefly -- the solution, to go back to Ron's question about what's the one big solution, it's got to be to increase the education and training of the workforce, and I agree with Bryon, that doesn't mean just educational attainment, it means educational achievement, and it doesn't mean just formal education, it means skills training, and I see Bob Lehrman here, who's done a lot of work on this, as has my colleague, Ron Haskins. In fact, Ron and Bob and another colleague have written a whole paper recently on post secondary education and training, which I recommend to all of you.

So I'll stop there. Sorry if I went over.

MR. BAILY: Thank you, Belle.

Let me now turn to Susan Chambers from Wal-Mart. As you know, Wal-Mart has provided a huge number of jobs in our economy. You've also taken your share of criticism about employment and wages.

So let me ask you about retailing jobs and jobs at Wal-Mart in particular. Could you tell us about those jobs? Do you see them as good jobs? What role do you think retailing and Wal-Mart in particular are playing in the labor market?

MS. CHAMBERS: Let me come back and answer your first question last, if I may.

I don't really have any academic analysis to bring to this, but have kind of a practical discussion to offer about jobs.

When we talk to our associates about what matters most to them, they continuously cite three things: family, community, and opportunity. Those are the three things that they care most about. And when they think about family, they think about what are we doing, what is their job affording them that allows them to take better care of their family? So as you can imagine, they've been very pleased with the improvement that they've seen that we've made in healthcare, that's helped their families a lot.

Under the heading of community, they've been very pleased with the leadership we've demonstrated in the space of assisting ability. They like that they're affiliated with a company that's working towards something that they think will make this a better place. But the one that we're really here to talk about this morning is opportunity. Our associates are very interested in upward mobility and opportunity for more income for, again, a better opportunity for taking care of their families.

Now, to describe just for a moment what our associate base looks like, globally, you're probably familiar. It's about 2.2 million people that we employ. In the U.S., it's about 1.4 million. Most of our jobs are full-time, which is a little bit different for the retail industry. About 70 percent of our jobs are full-time. Most of the folks that work for us are either students that are going to school or maybe retirees that are looking to add supplementary income. For many people, we're they're first job.

And about three-quarters of our store management came from the hourly ranks.

So we're very, very proud of this legacy of upward mobility. You work hard, and that will take you as far as you'd like to go within the company.

Now, this whole subject this morning, the trainings, skills, competencies, we have historically been well-served with what I'll call an apprenticeship approach to training people. You started out maybe as a cashier and you had an opportunity to work your way through the store through two, primary points of improvement to your skill set. One would be training in the store. CBLs, Computer-Based Learning, and the other being the mentoring that you received from whoever you were working beside. That's worked great so far, but the problem is it doesn't prepare talent fast enough; it doesn't prepare talent with the skill sets that are keeping up with the complexities that they face every day in the stores.

So one of the things we've been very interested in pursuing, have been active in our pursuit is figuring out another means of providing those competencies faster so that we enable the workforce up, and we are looking to partner with accredited institutions that can help us bring more specific academic, if you will, training, more formal training to the associates.

What would be great is if we're able to meet the specific needs of training them for their jobs today, but training that's accredited, valued, validated, outside of Wal-Mart so that they're marketable and that they're mobile where they take those skills because as our associates do well and thrive, whether they stay with us or not, what we're talking about, I think, strengthens communities, because as we take are of our associates, we're better able to take care of our customers, and that lifts the communities where we have stores and clubs today.

Now, I think that will be an interesting challenge in how we go about solving for it, but as you take care of over 1 million associates, you better meet the need of the customers because what our associates wrestle with, our customers do, as well.

I think it will be interesting these next steps that we take. Our workforce is so very diverse today, one of the problems that we're experiencing or one of the opportunities we're going to have to solve for is people do not all come us with the same skill set to begin with. And, in fact, there declining skill sets that come to that opening level position. So to enable someone to take advantage of a community college course or an undergraduate course, you've really got to go back and look at did they get their high school diploma, what can we do to aid them in getting a GED? What about some of the language opportunities that we have?

So the good news is that challenges we get to solve, all the issues that we face as a country, as we try to lift up our workforce.

But, to your first question, are these “good jobs”? Last year alone in the U.S., 150,000 of our hourly associates were promoted. Eight thousand of those were into management. An average store manager job, and “average” has quite a range on it, but with their base salary and their performance pay, which most of them get their bonuses not every year but most years, an average store manager salary varies between $125,000 and $200,000 a year. That’s a good job. And last year alone for 2008, 95 percent of all of our associates in the U.S. received a bonus, and we paid out over $2 billion in performance bonus, 401(k) contribution, and profit sharing.

So as an employer, we’re not perfect, and retail is challenging. As you know, it’s a very labor-intensive industry, but as we get this right, I think we help solve some of the very issues that you’ve been hearing about this morning. We’ve got a long ways to go, but I think as a company, we’re focused on the right questions.

MR. BAILY: Thank you.

Janice, can you tell us, as we talked earlier, I think you felt some of the issues that were maybe missing in the discussion that particularly just go to this wage inequality? So if you would like to talk a little bit about that and some of the insecurity that you found in looking at the workforce?

MS. NITTOLI: Sure. Thank you. And what I meant in that exchange is I think related to certainly inequality and exacerbated by it is workers' economic insecurity, and I think these days you can't think about this or talk about this in a policy context in any meaningful way unless you speak about un and underemployment. And maybe the good news and the bad news in that is that there's one two problems: there's today's problem and there's tomorrow's problem. Today's problem, and I know, Ron, you counseled us to think a little bit over the horizon after what the current conditions pass, so I won't spend long on this. I think that today's problem is work and jobs and solving for is to use your term, Susan, sort of un and underemployment. The current stimulus package is something like $2 billion in non-formula money for training, for energy renewables, for infrastructure, and I think that there's some opportunity. Some people we get to work with are trying to sort of make sure that that money gets spent in a way that actually is effective, that doesn't squeeze all the innovation and creativity out of it, but mostly so it gets out the door. Can there be common reporting so all the federal agencies and all localities sort of know, have like one spreadsheet and everyone can report the same thing? People get help writing RFPs. Just help project managing the money out the door. It's actually sort of not interesting, but in the short term, sort of seems essential.

I think tomorrow's problem is a more important and interesting one, and we've spoken glancingly about economic growth here this morning, but I think this is actually the time to start throwing the pizza against the wall, honestly, because we need to find another way to grow, and another way to grow that isn't bubble burst, bubble burst, and I think that this is a chance, and the stimulus package, and, perhaps, legislation like it that follows it is a chance to sort of experiment to grow in ways that are certainly going to be slower, but, arguably, could be more sustainable if they are sort of in new forms of capital if they are investing in work that is both productive and also to the point about labor market policies is compensated in a way that acknowledges productivity increases.

We might not sort of rocket up, but I'm not sure that that's -- it's certainly probably not possible and probably not even desirable, and, so I would encourage as we think about this inequality conversation and solving for it, to sort of think about and sort of encouraging experimentation about what are ways to grow in ways that we haven't in the recent past and sort of charting our course for ourselves that sort of takes us out for the next several years.

So I'd just like to pause there and stop.

MR. BAILY: Thank you very much.

Before I throw it open, I want to come back to the panel and push us in sort of policy direction, and I know, Susan, you may not be able to speak for your company, but we've heard a lot about the economists are very fond of education, years of education, we've heard some discussion today about how years of education don't necessarily get you the skills that you want.

But could I ask all the panelists, you mentioned, Janice, about a different kind of growth, but if you could expand on that a little bit about what sorts of policies might give us a different kind of growth, or, Belle, what is your sense of what needs to be done on policy to deal with the inequality? Or, Susan, do you see problems in the education system in terms of the way it's providing skills to your workers, or does anything come to your mind that you think policy could do that would help businesses like yours attract a workforce that's going to be more productive and benefit you?

So let me throw that to any of the panel. If we could focus a little bit on what some of the policies might be.

MS. NITTOLI: Well, one thing that we're trying to do is we're trying to figure out if you can build a mousetrap where you can have recurring, effective demand for jobs that are green, energy-style jobs.

Lots of people certainly in my world in philanthropy, there's been lots of money that sort of went out the door to sort of say green jobs are good, but once the grant goes away, so do the jobs go away, and that's not particularly interesting or useful for people.

So one way to do that is is there a way to construct home energy retrofit jobs? There are lower-skill jobs that are more within the reach of struggling workers. Is there a way to sort of capture some of the household energy savings, reinvest that in a pool of money that then sort of creates -- that goes some to the household, some to an investment pool, and that that sort of creates a recurring cycle of effective demandability to hire these people for more home energy retrofits.

Actually, amazingly, although I'm sure it has to seem completely incredible, the New York State Legislature actually did do something this week. One thing it did do besides sort of have a fight is it actually did pass legislation to sort of create this project, a five-year, 1 million job project in New York State for exactly this purpose, was some work that we did.

We've been looking around for sort of people who are sort of trying to do this in a way that doesn't sort of depend upon special money and can have a recurring self-generating pool of investment, and this sort of seems to be one promising way to do that. We have sort of brought together private investors who are backing this; New York State's role is they are sort of backing the private money that is in this.

What would be terrific, for example, is if we could we sort of prove how this could work in New York State, what's to stop the HUD Public Housing Budget, which his largely a repair budget now, to become a green budget? How many more jobs could you generate if all public housing repairs were green repairs and based on this sort of energy, retrofit model that we're trying very hard to kick the tires on. That's sort of an example of ways policy and practice could come together and think about a new way to grow and a new way for people to work in ways that create value for their own lives, for their communities, and for us more broadly.

MR. BAILY: Susan, do you have any thoughts on that?

MS. CHAMBERS: Well, speaking less to specific policy, but more what I think would be very useful to our associates, just as a country right now, we're tackling so very specifically right now access to affordable healthcare. What is access to an affordable education? And, So if there were policy that better enabled lifelong learning.

One of the things that's so interesting for our associates right now is I think many of them would take advantage of access to an affordable education, but many of them would ask that it'd be pass to their family members, to their kids. This is important to them that their children have an opportunity to an education that many of them didn't.

That being said, that being one policy ask I guess I would entertain, I love that our country story is still you don't have to have a college education to be successful. It's great if you had the privilege of having access to one, but one of the things I think that is still so important that is hard work, performance, results, and an outcome that's (inaudible) to you financially and otherwise for your family, and, so I don't want us to lose that as we broaden the access and the affordability of education to all, but policy that enables lifelong learning and helps companies support that, I think would be very important.

MR. BAILY: I'm not talking about your own company, but as you look around, do you think the business sector as a whole could do more in terms of training, because a lot of the skills that you need, as we've heard earlier, actually come from on-the-job training now. I know you do a fair amount of that and you talked about that, but, as you look around the business community, do you think the scope for that to contribute more to the skills? It's not just the formal education system, is it?

MS. CHAMBERS: No, no. I'm sure there are companies that do a fantastic job and many that need to better. So I think that's a given. I just think having a better sense of what it might mean relative to the country's workforce being enabled to take advantage of opportunities.

One of the things that's so interesting for us, challenging for us is, as we think about we have a responsibility to deliver shareholder value, we have a responsibility to take care of our associates, we have a responsibility to become competitive globally, and it's not being one dimensional on any one those, it's how do you satisfy all of them at the same time and from a U.S. perspective, make the country strong in terms of a workforce that's ready to take on new responsibility, new jobs?

I wish as a people, I wish for this administration to maybe help lead us to what is a strategy around that so that we're more intentional where we can make choices to bring those positions back to the U.S.? I don't know what the answer is, but I think it's an important debate that we need to engage in.

MR. BAILY: Belle?

DR. SAWHILL: I think that there's a danger when one does these kinds of an analyses that are in the McKinsey Report and in so many other places that then find that skill bias technological change or trade or immigration are drivers or at least playing some role, and I agree with the McKinsey conclusion that skill bias and technological change has been very important here. To say well, we better put a stop to trade or technology, and I would say we need both trade and technology to continue to grow.

What we need to do is to prepare people to operate in this new world where technology and organizations are more complex and where there is going to be more global competition, and that takes me back to re-skilling the workforce, whether through education or through other kinds of on-the-job training or skill training of various kinds.

Now, I think that, although the idea of continuous, lifelong learning is very appealing and we have quite a lot of it in this country, still, the fact is that if you get to be an adult and you haven't gotten a very good education, you are going to probably be relegated to the low-wage part of the labor market, and, therefore, in our book, Ron and I talk a lot about the need to provide work supports for low-wage workers, but supports that are conditional on their working more. So things like the Earned Income Tax Credit, which actually boosts the wages of low-wage workers, who may not have gotten much education, but also encourage them to work as much as they can.

And, so I think that, again, there's no silver bullet, we need a mixture of re-skilling the workforce, educating the young, and doing something to help those for whom that re-skilling process may not be either effective or entirely feasible. I think that anybody who thinks that our education system in the U.S. is going just fine is wrong. I mean, I did bring all the statistics.

I see Matt Miller here. He's written some great stuff on this about how bad our current education system is. I mean, high school dropout rates, when properly measured, have been flat. We are not making progress on getting people to complete high school. People are going to community colleges and to four-year colleges, but mostly the positive news there is about women.

If you look at men, they are not going to college in greater numbers, and dropout rates at every level of higher education, whether in community colleges or in four-year colleges are incredibly high, and the amount of remedial work that gets done in the post-secondary world, the remedial work teaches people stuff they should have learned at the high school level, that's very inefficient. So I think McKinsey has done a lot of work earlier on productivity in the American economy, and where our productivity problem is greatest is in these growing service sectors, including healthcare and education.

So I hope you all do some more work on how we can improve productivity in education and in healthcare. I think the idea of the call centers and how we might be able to bring more of them back to the U.S. and improve their productivity is an interesting example.

MR. BAILY: Thank you. Ron intruded a little onto my time, so I'm sort of running out of time, but we have some time for some questions.

Yes, at the back there?

DR. POPLIN: Hi, my name is Caroline Poplin, I'm a physician, and I wanted to ask --

MR. BAILY: You're a physician, did you say?

DR. POPLIN: A physician.

MR. BAILY: Yes.

DR. POPLIN: Dr. Sawhill about a typical, low-wage job, very important, and that's a health aide, a home health aide or a hospital health aide. Those are the people who help move the patients around, they do the bedpans. That's terribly important work. You don't need a college degree. Those people are paid nothing. They get very few benefits. It's a terrible job. If you're absent one day, you lose it completely.

What would you suggest about that? It would be nice to have better-educated health aides, but the function needs to be well-paid, it needs to come with benefits, it's a terribly important function, and it can't be replaced by a non-person or be made very much more productive. It's the human service part of it. That's really the key to it.

DR. SAWHILL: That's a really interesting question, because, of course, that's a wonderful example of a sort of non-tradable, personal service job of which they're going to be far more in the future as all of us get older, and I once had the opportunity as part of an Aspen Institute sectoral strategy study to visit with some of these workers in New York and they were working for a firm that was trying to do all the things you just mentioned. Upgrade the work, do more training, make sure they got certain benefits, and I think it's like what Byron said about the call centers, there are ways to reorganize some of these sectors and to improve the productivity and the benefits and the pay and the lives of these workers in ways that are difficult, but hopefully doable.

And, so I think that maybe what we need is to take these issues on sector by sector in a more fine-grained way than we have. All of us who are sort of grand, wonkish types of which I'm afraid I'm one, we like to talk about the big picture and we like to talk about the need for more education and training, but we need people, and maybe this is some of the things that Rockefeller is working on to get in there and focus on sectors like green jobs or sectors like home health care and see what can be done to improve the efficiency and the pay in those sectors.

MS. NITTOLI: May I add just my own --

MR. BAILY: Yes, please do.

MS. NITTOLI: I know what -- I had the privilege of being part of the start-up of that effort, and there are things that you can do on a small, organization level effort to sort of combine clients and collect hours and provide support, but I think it does sort of speak to a point Larry made earlier about labor market policies because, to some extent, in a macrocosm, you can kind of create your own little sort of mini labor universe, and with New York's Medicaid money, they could go a little bit further, faster than some others, but at a certain point in that organization and its affiliates, also sort of hit a wall because that's a market that's sort of completely determined by public policy and Medicaid reimbursements without sort of changing those levers of the labor market policies that get set by the funding. You can make advances as Belle described, but you can only get so far unless it's taken on systemically.

MR. BAILY: I want to get a quick answer myself, abuse my position as the moderator here. I think there are three approaches you could use, one is that if everyone has access to healthcare and you have a good EITC System, which Belle (inaudible) and we have actually got one in place, then I think it means that you can actually improve the living standards of those workers, even if they're not making huge salaries. A second, which is, I think, the answer that Larry Mishel would give, which would be you would unionize those workers and push the wages up that way, and I think the third thing that you can do for those low-wage workers and one of my Brookings heroes, Art Okun, wrote a paper many years ago about the benefits of a high pressure economy.

So if you have (inaudible) employment, you tend to find that the wages of workers doing those kind of jobs goes up, and that was true in the late 60s, and it was true in the late ‘90s.

Yes, a question?

MR. LEHRMAN: Yes, Bob Lehrman.

I want to support the McKinsey notion of the wider array of skills, many of which we don’t measure. One particular skill that we don’t measure in national datasets actually is occupational skill. And we do have a system for developing middle-skill jobs that has a huge number of positive attributes, a lot of learning at the workplace, combined with relevant learning in academic ways, wage progression, very well-tailored demand supply relationships, and that system is called the apprenticeship system. And we have starved that system over the years. The federal budget for the apprenticeship office for the whole nation is $20 million, despite the fact that there are about 480,000 apprentices, and in fact, one of the new apprenticeship areas is in the healthcare arena.

And, so I don't know, it’s very puzzling to me that more people haven't recognized that this system which operates very successfully in other countries and operates very successfully here, the data show very high rates, extremely high rates of return to apprenticeship training well above the rates of return to community colleges, and, yet, we are starving it.

DR. SAWHILL: Let me save Bob from having to give his full spiel here by mentioning another paper that he is a co-author of, which is on middle-skilled jobs and how to improve life for people in those jobs. So that's also a Brookings Policy Brief. If I said it right, thank you.

MR. BAILY: Do you want to comment on apprenticeships or related issues?

MS. CHAMBERS: Can panel members ask the audience questions?

Bob, do you have a model for how those coexist, because I think there's a place for apprenticeship and the academic, and I was just curious if you'd seen that, and particularly if --

MR. LEHRMAN: Oh, yes. A lot of the what's called related instruction in apprenticeship takes place in community colleges and increasingly for credit allowing further upgrades.

I have a friend who was head of the Milwaukee School Board, and he looked at the share of people who went through apprenticeships in Milwaukee who completed a BA degree 15 years later and compared that share with the percentage of Milwaukee public high school students who went directly into college, and found that the apprenticeship share was higher.

So it does afford mobility through the academic side, as well.

MR. BAILY: I think that is an important issue. People have to see the value of the education (inaudible) and if you just try to push mathematics down the throats of kids that hate mathematics, that doesn't get you very far if they can see how it helps them, then it's a different story.

Yes? I think this will have to be the last question then.

MS. RAY: Hi, I'm Sarah Ray. I'm here from the Administration for Children and Families at Health and Human Services.

And I just wanted to ask more broadly about sort of the frame I guess in which this discussion is taking place today, and sort of the assumption that income inequality and increases in inequality in general are problematic and how to communicate the urgency of addressing these problems in a world where there are obviously other concerns and how to bring policies that would have an effect on inequality, how to make that a pressing issue for policymakers and just the general public in seeing it as worthy of further attention.

MR. BAILY: Well, I'm not sure we can give a response. I mean, that's what we're trying to do with conferences like this, that's what the McKinsey Study was trying to do in terms of providing a fact base to that debate. I'm not sure if there's anyone else that's got another answer to that. I'd welcome it.

DR. SAWHILL: Well, I think there are sort of different views of inequality. I think you're quite right to suggest that not everybody views inequality as a bad thing. Some people view it as necessary to a growing economy, and inevitable in an economy in which people's productivity differs.

And, so the question is not whether we should have some inequality, the question is how much? And we could have debates about that, and I think that one way to address that question is to ask yourself if you had been born into a different kind of family, and let's say the neighborhood and everything else that went with that, and, as a result, you ended up in one of these very low-wage jobs or at the bottom of the income distribution, would you feel that was fair and right or would you not, and everybody's going to have a different answer to that question and about what should be done about it.

MR. BAILY: Well, I think we're close to the end. If any of the panel members have a last word that they would like to offer?

Otherwise, thank you very much for coming and thank the panel for their contribution.

(Applause)

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