

Make It In America: What's Next? *Innovative Ideas from the Second Hearing*



WHAT'S NEXT?

On Tuesday, July 28, House Democratic Whip Steny Hoyer and House Democrats held the second hearing in a series of hearings titled “Make It In America: What’s Next?” Since 2010, House Democrats have been focused on the Make It In America jobs plan to support a robust domestic manufacturing sector, promote American exports, encourage businesses to bring jobs back to the U.S., and invest in education and skills training. Five years later, sixteen Make It In America bills have been signed into law. However, today’s economic landscape is clearly different from what it was five years ago, which is why it’s time to update the Make It In America plan for today. This hearing series will explore how the economy has, and hasn’t, changed over the past five years, and what families and businesses need in 2015 to Make It In America.

Over the course of four panels at the second hearing, House Democrats heard from eight outside experts who are leaders in the fields of entrepreneurship, information technology, workforce development, and other areas critical to our long-term economic competitiveness. They discussed their thoughts on new challenges and new opportunities in today’s economy. Here’s a look at challenges and successes they identified:

Panel One: The American Economy Today

Amy Liu, Senior Fellow and Co-Director, Metropolitan Policy Program, The Brookings Institution

“To make it in America, we believe the United States must build an advanced economy that works for all. To that end, I want to offer you three considerations today as you think about the next phase of your efforts. First, we ought to be explicit about the shared outcomes we want to generate as a result of our policies. Second, our policies should be responsive to the big structural changes in the economy. Third, we believe a focus on advanced industries and opportunity industries can help pave the way toward stronger, more inclusive growth.”

“As largely white, older U.S. workers retire, they will be replaced by a workforce in which no racial/ethnic group holds a majority... This demographic transformation gives the United States a potential advantage over other industrialized nations, where societies are aging much faster. But that advantage is not assured unless we more deliberately position this emerging workforce to contribute positively to our future economy.”

“The United States is home to 50 segments of advanced industries that cut across manufacturing, energy, and services... Despite the importance of advanced industries, U.S. R&D investments are slipping. Several of these sectors face serious skills deficits... We need to commit to innovation, cultivate the STEM workforce, and embrace the power of regional ecosystems to ensure our advanced industries drive cutting-edge, broad-based growth.”

E.J. Reedy, Director of Entrepreneurship Research, Kauffman Foundation

“New, young, and growing companies represent the principal sources of job creation and innovation in America. It is young businesses, not necessarily small businesses that create the most jobs. Similarly, startups are responsible for a disproportionate share of innovative activity, which creates not just wealth for the

entrepreneur, but rising standards of living for all. But, that entrepreneurial activity is unevenly spread socioeconomically, demographically, and geographically...The current unprecedented slump in entrepreneurship has contributed to broader economic challenges such as stalled labor force participation, low productivity growth, and wage stagnation. To renew economic growth, we need to make America entrepreneurial again.”

“The structure and design of the tax code shape entrepreneurial decisions... Immigrants are more than twice as likely to become entrepreneurs as native-born Americans... (R)egulatory bodies need to be nimble in order to respond and adapt to new innovations and business models created by entrepreneurs... (I)ntellectual property law should be balanced so as to maximize incentives for innovation.”

“Disruption and innovation must be allowed to happen... Entrepreneurs embody the spirit of ‘making it’ in America. They dream new ideas and work to bring them to life. In the process, they create economic opportunity for themselves and others.”

Panel Two: New Economic Sectors

Dr. David Weil, Administrator of the Wage and Hour Division, Department of Labor

“As a result of increasing pressure from public and private capital markets, leading businesses in a growing spectrum of the economy focus on their core competencies that create value for customers and investors, like developing new products or creating distinctive brands. This in itself is a good thing and a basic part of economic development. However, that focus has often been accompanied by a decision to shed more and more of the production of goods and services to other businesses. This is done through a variety of practices: outsourcing, use of third party management companies, subcontracting, franchising, and the use of labor brokers. This shedding of activities transforms the nature of employment. Instead of a direct employer-employee relationship, employment has ‘fissured’ apart into a network of contractors, subcontractors, or franchisees separating workers from lead companies in more and more sectors.”

“In some instances the on-demand economy is a further development of the fissured workplace, as technology continues to make it easier and more cost effective for companies to focus on their core competencies and outsource work. The challenges and benefits contingent workers have faced can help inform us as we strive to take advantage of changes in the workplace while maintaining basic fundamental protections for workers.”

“Digital platforms have spurred remarkable innovation... There are fascinating apps and online services appearing on a seemingly daily basis. These may allow more workers enhanced flexibility, and this technology may help connect more workers needing jobs with employers needing specialized skills. But we must also be careful about the challenges digitally enabled platforms may raise, as the labor protections that Congress put in place for workers remain just as critical today as when Congress enacted these laws.”

Douglas S. Ellenoff, Partner, Ellenoff Grossman & Schole LLP

“We think Congress should be proud of the JOBS Act, its implementation, and the impact it has had on the entrepreneurship ecosystem, and here is why. Since Title II of the JOBS Act was implemented in September 2013, slightly less than 2 years ago, both offline and online accredited investor-only crowdfunding has successfully enabled more than a couple thousand issuers to raise billions of dollars in financing... You should consider each one of the funded 506(c) opportunities under Title II to be a meaningful success in that it fulfills the aspirations of an entrepreneur and either immediately creates jobs, or it may very well do so in the future, but certainly wouldn't have had a chance without the availability of Title II.”

“The lone remaining provision of the JOBS Act remaining to be available to entrepreneurs is the true crowdfunding provision known as Title III. Title III will enable entrepreneurs to raise up to \$1 million, and it does so in small increments. Title III specifically limits how much any investor may invest in any deal or deals

so they may not lose too much money. We are confident that Title III, when the final rules are approved, will inevitably continue the benefits to entrepreneurs embodied in the other JOBS Act provisions, the States that they reside in, and the investors who would like to participate without the fears or concerns raised by regulators and investment protection advocates about fraud being more prevalent in Title III than other securities programs.”

Panel Three: Skills Training & Manufacturing

Byron G. Auguste, Co-Founder and Managing Director Opportunity@Work

“Right now our job market works best for those Americans who follow conventional paths to 4-year college degrees and who have the social capital and mentorship that encourages employers to take a chance on hiring, training, and advancing them... The big problem we’ve got is that those Americans it doesn’t work increasing represent the future of our country.”

“The federal government spends ~\$20 billion on job training each year, but employers spend between 10 and 25 times as much to train workers. Moreover, the \$7.5 trillion in U.S. payroll is what ultimately drives the market for skills. Many U.S. labor market problems are not mainly the result of inadequate training or education (i.e., ‘the supply of skills’)— instead, they originate on the ‘demand’ side—how employers recruit and hire, train and promote, and use technology in their workforce strategies. Opportunity@Work believes U.S. employers are experiencing a classic market failure, in which their individual hiring and training practices are inadvertently limiting the collective U.S. talent pipeline and creating ‘skills mismatches’ with economy-wide ripple effects.”

“...[I]t might be best to see the ‘fix’ to our job market woes not just as a series of training programs, but as a more like ‘fixing the plumbing,’ or ‘re-wiring the circuit board,’ or ‘creating an operating system’ for the job market. We need to build a flexible, dynamic, and common ‘operating system’ for the U.S. labor market that employers, educators, workers and job seekers can plug into as a tool to better align their own training investments with each other’s priorities, recognize overlooked potential, and respond to market needs... For employers, it would mean drawing talent from a much larger, more diverse pool, and hiring based on candidates’ abilities, not pedigree. For educators, it would mean being able to translate skills employers demand into training or college curricula to impart those skills well. For students and job seekers, it would mean being easily able to signal a broad range of skills to potential employers, while accessing both the information and on-demand training needed to pursue their career goals.”

James T. Brett, President and CEO of the New England Council

“[The New England Council] recommends building comprehensive education pathways that feature multiple on-ramps and off-ramps, transferability of credit, and industry-recognized credentials, as well as increasing industry partnership and apprenticeship opportunities. Closing the skills gap means that each state must build a holistic model for workforce development that begins with hands-on learning in the K-12 system, continues into higher education --including community colleges--and understands the need to re-train the incumbent workforce.”

“One of the most critical recommendations in our report—and one that we can all help accomplish—is the rebranding of manufacturing. The fact of the matter is, many people still view manufacturing as a dirty, dark, dangerous, and declining industry, and that is simply an outdated image. While manufacturing has advanced over time, the general public has not been exposed to that transformation. We need to get parents, teachers and guidance counselors to see that today’s manufacturing is made up of the four ‘A’s’ – advanced, advantaged, added-value, and accelerating – rather than those four ‘D’s,’ and we need to expose kids to the concept of making things earlier in their educational journey.”

Panel Four: Innovation Today

Stephen Ezell, Vice President of Global Innovation Policy, Information Technology & Innovation Foundation

“America needs to revamp its university engineering programs so that they focus more on manufacturing engineering and produce more graduates equipped with the skills 21st -century manufacturing requires...”

“While better engineering education will help, one of the most systemic challenges to the U.S. innovation system has been that many breakthrough scientific discoveries—such as semiconductor memory devices or flat panel LED displays—have been made in U.S. universities or corporate laboratories only to be commercialized and manufactured at scale overseas.”

“Congress can do more to spur technology transfer and commercialization initiatives that help turn new technologies into new American companies and jobs. In particular, the current federal system for funding research pays too little attention to the commercialization of technology. Congress should... create grant opportunities for proof-of-concept research and other innovative technology transfer activities at universities, research institutes, and Federal laboratories to accelerate the commercialization of federally funded research and technologies.”

““[I]t is critically important that America gets IoT (Internet of Things) policy right... Congress should charge key federal agencies with developing innovation strategies that include a strategic roadmap guiding the deployment and adoption of IoT technologies in the parts of the economy for which they are responsible... Second, government should become an early adopter of the IoT to demonstrate the benefits of the technology... And as government agencies at the municipal, state, and federal levels integrate connected devices into public infrastructure and government services, the de-identified data they collect should be treated as a public resource and shared with the public accordingly.”

Sonal Shah, Executive Director, Beek Center for Social Impact & Innovation at Georgetown University

“While I agree that we need to have better policies for leveraging technology for economic growth, I respectfully ask that you also focus on one of our greatest assets and vehicles for driving change: our government. We need to invest in technology for government so it can deliver on its promise. Data is one of the most powerful tools at our fingertips. In the private sector, companies invest in data to improve products, understand consumer behavior, and trade faster. Similarly, government needs to invest in data to make more informed decisions about what works and what does not, to provide better and smarter services, and to better understand what citizens need.”

“[W]e need to make smarter investments in data systems. First, we need to make data more readily available. Second, we need to create more open standards. And, third we need to create a more open architecture. These investments will spark the next wave of innovation and spur economic growth. Data is the fuel of the new economy. It is where the government has a competitive edge. In its rawest form, it is unbiased. It exposes and removes inequality. It belongs to all of us. Perhaps best of all, we can afford it. More importantly, we cannot afford for government to not invest in it.”