

“Make It in America” Hearing

Testimony by

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Whip Hoyer, and Congresswomen and -men, thank you for giving me the opportunity to participate in your hearing on what should come next in your important “Make It In America” initiative.

I co-direct a program at the Brookings Institution that is dedicated to helping cities and metro areas grow, compete, and prosper. We believe cities and metro areas matter, not only because they are the hubs of the global economy but because they are the places where most Americans call home or seek better opportunities. Since the recession, we have worked with public and private sector leaders in more than 30 metro areas and states on economic strategies. We have seen local and regional leaders recommit to advanced manufacturing, such as in NE Ohio and Louisville-Lexington KY; undertake sector-based skills training and apprenticeship strategies in MI, SC, and Chicago; promote efforts to accelerate emerging technologies in Syracuse, NY and Phoenix, AZ; and launch new exports and trade strategies in Portland, San Diego, Kansas City, and Atlanta, among others.

These innovations are promising and important but the work remains unfinished. Stubborn economic trends indicate we have more work to do to ensure all workers benefit from and contribute to the future economy.

Meanwhile, the incidents in Ferguson and Baltimore serve as further reminders that we need to be honest about the role of race in improving economic mobility.

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.

First, what metrics matter as we work toward the next stage of growth?

We have been asking the same question ourselves. Let me share with you our current thinking. We believe an advanced economy must succeed on three levels, generating greater growth, wealth, and inclusion.

Immediately after the recession, public policies emphasized growth, in areas such as GDP and jobs. These still matter, especially when, according to the Hamilton Project at Brookings, the U.S. still faces a deficit of about 3.5 million jobs compared to before the recession to account for new entrants into the labor market. This matters not only for employment opportunity, but also because getting closer to full employment would put much-needed upward pressure on wages.

While growth has been and continues to be critical, public policies need to put more emphasis on the other two outcome categories. We need to produce more wealth that steadily improves living standards for people, in the form of rising GDP per capita, household incomes, and average wages. Many of these measures have stagnated or even fallen in real terms relative to their pre-recession levels.

Lastly, we need greater inclusion. It's not enough for the average household or worker to be better off. It is important that every segment of the population experience improved living standards, whether by race, gender, or age. For instance, while the overall unemployment rate dropped to 5.3 percent by June 2015, rates remained considerably higher for blacks and Hispanics, at 9.5 percent and 6.6 percent, respectively.

Second, our path to achieving an advanced economy that works for all is fraught with complexities. Big structural changes are afoot—in technology, globalization, and demography—that can help or thwart our efforts. Make It In America has been smart to focus on these big forces, such as the internet of things, the shifting nature of work, and the energy revolution. And I know members have been debating how to help workers and communities adjust to trade and globalization.

As you update your efforts, I want to remind you of one other major structural shift—changing demographics. One of our scholars, Bill Frey, recently released a book about the “**diversity explosion**” underway nationally. As largely white, older U.S. workers retire, they will be replaced by a workforce in which no racial/ethnic group holds a

majority. Already, the majority of school children today are children of color. By 2045, the Census predicts that the overall U.S. population will be majority persons of color.

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. That means addressing stark educational disparities by race and ethnicity, and contending with the lack of upward mobility for underserved groups, especially blacks. Half of black Americans born poor stay poor; and middle class black children often slip down the income ladder.

Third, we are working on two initiatives at Brookings that bring all of these elements together—what we are calling advanced industries and opportunity industries.

A team at Brookings led by Senior Fellow Mark Muro has been working on an effort to refresh our perspective on the manufacturing sector. The relentless pace of innovation, the blurriness between manufacturing and services, and the pervasive application of software and IT to every field, means there is no such thing as pure manufacturing anymore. We have identified a new set of sectors we call **advanced industries**.

The United States is home to 50 segments of advanced industries that cut across manufacturing, energy, and services. These industries range from electricity generation, to software and computer systems design to aerospace and auto manufacturing, and pharmaceuticals. These industries are “advanced” in that they make relatively high investments in R&D and employ high shares of scientists and engineers (STEM workers) who can translate research into commercial applications.

While advanced industries comprise about 9 percent of employment in the U.S., they account for the vast majority of the nation’s exports, patents, and private sector R&D expenditures. They are technology-driven and globally relevant.

They are also opportunity-rich. Advanced industries have provided steady wage growth over the past 30-40 years, and half of jobs in these sectors employ workers that do not possess a college degree.

Despite the importance of advanced industries, U.S. R&D investments are slipping. Several of these sectors face serious skills deficits. And the industrial commons in regions—where advanced industries cluster and secure their supplier bases and access to skilled workers—have eroded. In 1980, 50 of the country’s largest 100 metropolitan

areas had at least 10 percent of their workforce in advanced industries. By 2013, only 23 major metros did.

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.

As we power our advanced industries, we need to tap a broader platform of sectors, both traded and local-serving, to lift up prospects for millions of workers. In that work, we are piloting new analysis that identifies **opportunity industries**. These industries provide good-paying jobs with advancement opportunities that are accessible to workers without a four-year college degree currently living in lower-earning households.

What we are learning in applying this analysis to one metro area in the south is that hundreds of thousands of good jobs *do* exist for these workers and their families. But there may not be enough of those good jobs relative to demand. Many of these good jobs exist in industries that are struggling to grow and stay competitive. And young adults and workers of color are less likely to occupy these good jobs. The findings have implications for regional cluster strategies and training programs—including career and technical education (CTE) and summer jobs programs—in connecting young people and adults to jobs and career pathways in industries that can generate more inclusive growth.

I hope my remarks today provide some ideas for how Making It In America can continue to help our economy grow, innovate, and provide meaningful opportunities for all workers.

Thank you.