



NEW AMERICA
FOUNDATION

America's Changing Social Contract:

The Rights and Responsibilities of Employers, Families, Government and Civil Society

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"The Imperative for Change: Perspectives from Business and Labor," A Panel Featuring:

Steve Coll, President of the New America Foundation
Andy Stern, International President of the Service Employees International Union
Carl Camden, President and CEO of Kelly Services

Steve Coll: I'm Steve Coll; I'm the President of the New America Foundation, and it's my pleasure to welcome you today to this event, which is entitled "America's Changing Social Contract: The Rights and Responsibilities of Employers, Families, Government and Civil Society." It's an event organized by New America's Next Social Contract Initiative, which I'll explain just a bit about as we get started this morning.

Literally in a minute or two, I just wanted to orient us to today's panels by explaining a little bit about what brings us together from New America's point of view. New America is a nonpartisan public policy institute engaged in work on domestic policy, foreign policy, and also independent-minded, free thinking research and writing across a whole range of subjects. The Next Social Contract, which is the source of our convening today, is a very important attempt in our domestic policy side to synthesize a lot of work that's been going on at the Foundation for the last five or ten years. It seeks to do this by reframing American social policy for the twenty-first century. Through a program of research and public education, the initiative will explore the origins of our modern social contract, articulate the guiding principles for constructing a new contract, and advance a set of promising policy reforms.

Today's event goes to the heart of this ambition by exploring the evolution of the American social contract over time, starting to talk about rights and responsibilities among the principal parties of the contract.

Given the shape of our economy, the challenges of sharing our prosperity, and the need to provide for broad-based economic security, we want to explore what are the most effective roles for government, employers, families, and civil society institutions?

This is a foundational question, and in order to answer it we believe it is necessary to articulate a set of principles that should lie at the core of the social contract.

One such principle, which we will hear about later today, is that the social contract must be citizen-based. This idea may have many ramifications, but one central task is to ensure that public benefits are linked directly to individuals and not contingent on employment.

In an age when workers are increasingly mobile and change jobs frequently, either voluntarily or involuntarily, we think that benefits need to be portable and accessible throughout one's life. Making benefits citizen-based is also necessary to free American companies, faced with ever tougher international competition, from the burden of administering benefits that have part of the social contract arrangement for most of the postwar period.

As global competition and the pace of technological change increases, the case for a citizen-based social contract, which enhances both the security of workers and the flexibility of employers, is growing stronger. The development of a contingent workforce and the pressure of globalization on the corporate sector seem to underscore the logic for moving to a system of universal and citizen-based benefit provision.

The social contract framework is a useful one for thinking about how we conceptualize and then implement social policy, because this idea of a grand bargain between citizens is resonant in the history of our country's politics.

But what do we mean when we invoke the social contract as a framework for discussions like today's? Some important questions we must confront include:

How has this largely unwritten deal evolved over time to provide individuals the security they need to navigate an increasingly volatile and dynamic economy? In what ways do the economic changes we see all around us argue for certain revisions to the next social contract?

Employers, workers, and families are parties to the social contract. What is the proper division, the just division, the efficient division of rights and responsibilities among them? What should be the role of government in striking this balance?

These questions are not merely rhetorical; they are practical ones. They have now, I think, entered much of our political discourse. You hear echoes of these arguments, even if they are underdeveloped, in sectors of the current presidential campaign, which is encouraging. The discourse in this country about these subjects, even the larger and more abstract aspects of them, is changing. We hope that this event will contribute to that change.

I'd just like to introduce a few of my colleagues who will play an important role as today's events unfold.

Two of our senior staff that have overseen this project during the past year, Michael Calabrese and Reid Cramer, are both sitting up front. Reid and Michael have organized much of the content for today's program and for the initiative over this past year

I should also mention Ray Boshara, who has played a crucial role in getting this project off the ground and who will continue to play an important role in organizing much of our thinking about domestic policy.

Finally, Len Nichols has been instrumental in constructing the cornerstone policy proposal of a citizen-based social contract, a health care plan that is sustainable, affordable, and accessible to all Americans. Its key idea of an individual mandate has profoundly influenced the debate over health care reform in California and Massachusetts, and is now very much at the center of the presidential campaign.

We're very fortunate to begin today with the two gentlemen who are on the dais with me right now, Andy Stern and Carl Camden. They have offered bold contributions to the debate over America's future from the perspectives of Business and Labor, particularly on the foundational issues of health care and pensions. They are both creative and progressive thinkers, and we're fortunate to start with their ideas.

Each will talk for about fifteen minutes or so, and then we'll see if there's a natural colloquy that emerges from their remarks up here, and then we'll turn to your for questions of your own. Let me introduce them briefly before they speak.

Andy Stern is the International President of the Service Employees International Union, America's fastest growing union with nearly 2 million members. *The New Yorker* Magazine, which I do some work for, reported that "SEIU has successfully pushed every Democrat in the race into supporting universal health care," and I don't think that's an exaggeration. *Modern Healthcare's* annual readers' poll ranked Andy Stern fifth on its Top 100 Most Powerful People in Healthcare list. Maybe that's not something on his bathroom wall, but it's notable nonetheless.

To his right is Carl Camden, who is President and Chief Executive officer of Kelly Services, Inc., a Fortune 500 company headquartered in Troy, Michigan and a world leader in human resources solutions. In 2006, Mr. Camden was appointed to the American Staffing Association's board of directors. As you'll find today, not only does his company live on the edge of change in the labor economy, but he is also a very creative thinker about those changes. We're going to start with Andy, and then Carl.

Andy Stern: Good morning. Thank you Steve, and the New America Foundation, for this honor and opportunity. I was thinking it takes a pretty courageous foundation to offer

a labor leader a microphone, an audience, and as broad a topic as the next social contract. I appreciate all the kind words Steve said about me.

I'm here on behalf of a lot of other people. I'm here on behalf of the security officers in San Francisco and Los Angeles who keep us all safe, for the 20,000 child care workers who until recently were small business women who would take care of people in their homes and have no voice, for the 2,00 community-based personal care assistants who make true the words, "there's no place like home." These are all new members of our union: people who have decided to change their lives, and equally importantly, to change the quality of the services they provide. It's for them that I speak here today.

I love my union, but I also love this country. I think America's greatest gift is that for generation after generation, people come to its shores. All they expect is to work hard, all they hope for is that their work will be rewarded. What they dream about is that their children will live a better life than they do. That is the American Dream. And despite a civil war, two world wars, recessions, depressions, natural disasters, and 42 different presidents, the American Dream has endured. But today 79% of all Americans no longer think that their child will do better than they will. That's not the America we want, or need.

But to allow our children to live our their dreams will mean confronting very significant changes and challenges facing us all. This is not our fathers' or our grandfathers' economy. Those longingly looking to go back to the New Deal in 1935 should realize that today we are as far from the New Deal as the New Deal was from the Civil War. I'm sure that Franklin Roosevelt admired Abraham Lincoln, but he didn't build an industrial economy around 1865. We're not going to build a global economy around 1935.

Today our country, joined by the rest of the world, is living through the most profound, the most significant, the most transformative economic revolution in the history of the world. There've only been three known economic revolutions. The first was the agricultural revolution; it took three thousand years. The second was the industrial revolution; it took three hundred years. This third revolution – which is exactly what we are experiencing today, as we transform from a manufacturing to a service, finance, and knowledge economy, and more importantly from a national to an international economy – this revolution is going to take 35 years. No single generation of people, in the history of our planet, has ever witnessed an entire economic revolution, have ever witnessed this much change, in a single lifetime. This revolution is televised, it's digitized, it's googleized; it's on your screens, in your face, 24/7. It is relentless, it is unending, and most importantly, it is far from over.

We can now clearly see the emerging trends, some inspiring, some disturbing. First, Thomas Friedman's analysis is mostly right. The world is becoming flat, one global integrated marketplace. And the impacts are growing, not just in the blue collar workforce, but by 2008 we will ship 1.5 million white collar jobs in America overseas.

The second trend is that we create a global marketplace, global trade, global finance, global companies; but we forgot to create global governments, global organizations, global regulators. So today, we watch more and more companies – not countries – making the rules of the global economy. Of the hundred largest economic entities in the world, half are companies, half are countries. We see the pressure from companies leveraged on countries like France, whose rigid employment policies have recently come under fire. Wal-mart sales are greater than the GDP of Ireland or Singapore. At the same time we see the growth of new sovereign wealth funds: countries now acting like companies. We see the first ever global bankers and financiers with ideologies and constituencies.

The third trend we face is that we have our first real economic competitor in America, China. I continue to say the 2008 Olympics will be a Sputnik moment for this generation, as we peel back the misunderstandings of what is going on in China for a those in our country who are not paying attention. Ninety percent of all the scientists and engineers in the world will come from the Asia-Pacific region by 2010. Two years ago America was very proud; we had 65,000 Intel Science Fair finalists. China had six million. For many of us, the most we knew about China growing up was that our parents told us that it was a poor rice-producing country. Last year, the world produced more transistors than grains of rice, and the transistors cost less. Many of them were made in China.

The fourth trend, although potentially short-lived, is that the ownership of companies is changing from public to private hands. Everyone knows that Wal-Mart is the largest employer in the nation; no one understands that Bain Capital is the second-largest employer in America, KKR the third largest, and that six of the top ten employers in America are private equity funds. Conglomerate, private ownership of companies, coupled with emergence of sovereign wealth funds, tell us that we need to conceptualize the social contract with a different kind of ownership and a different role for companies and countries.

Sadly, as a result of those changes, Americans are now growing economically apart. Goldman Sachs reports that wages and salaries are at the lowest share of GDP in history, and profits are at the highest share. Last year productivity was up, profits were up, and for the fifth straight year the census bureau said that American workers did not get a raise – the longest period of economic stagnation in history. I'd like to say that if we had only done one thing, if the new social contract had merely been to index the minimum wage in 1990 to CEO's salaries, the minimum wage would be \$23.03 today. That's how much we're growing apart. Alan Greenspan said it best: the gap between the rich and the rest of the population is growing so wide and so fast that it threatens democratic capitalism. Now those are fighting words from a Federal Reserve Chair.

The second major result of this combination of globalization and technological change is that we are being freed from workplaces of the past. Employees and employers are separating, and they are on their way to getting a divorce. Our country is transitioning from employer-managed work lives, from a one job in a lifetime economy, to self-managed work lives. My son, who is 21, is expected to have nine to twelve jobs by the

time he is 35. By 2010, 25% of all Americans – one in four Americans – will be self-employed or contingent; they will have no full-time employer. Only one third of today's employers will be economically viable in 25 years because of all this massive change in our economy. So even if you want to stay with your employer, your employer is not going to be around to stay with you.

We don't need to be fearful about all these changes; we just need to make sure that we tackle the right problems. We still live in the richest country on earth. We still have eight of the ten greatest research institutions in the world. We are blessed – other than, maybe, in Detroit – with relatively low unemployment, we have high entrepreneurial talent, and we have significant investment capital and natural resources.

America's problem is not about growth; America has two problems. We have no plan – team USA has no plan to compete in the global economy – and the second problem is that we are just not sharing in the success of the economy. Restoring the middle class, making work pay, solutions that benefit the 99% of people who go to work every day, not just the 1%, are the critical problems we face.

So a social contract filled with typical Washington D.C. policy drivel or milk toast, empirically flawed solutions that don't work for workers or make their children's dreams come true, are just a waste of precious time. Change is inevitable, but progress is optional. This is why we need to build a new economic plan based exactly on what you're talking about, around a new social contract.

Now before we talk about these solutions, I want to offer what I think are the diversions that keep us from getting to the real questions about how we reward work for the 99% of Americans, not just the 1%. First, there's been a longstanding belief that we should just get out of the way and let the market work. This approach is obviously not credible when inequality is growing, not just in the United States, but everywhere in the world. The market will not work as it did nationally in an international economy. Nor is trade the answer, if we have yet to figure that out. I am not saying that we don't need to trade; of course we do, that's part of a global economy. But trade is not the answer to rewarding work. President Clinton had a well-founded and legitimate idea about how our children would prosper, and that was high-tech jobs. We now appreciate that high-tech jobs are being sent overseas even faster than other jobs. George Bush's denial that there really isn't a problem is not going to solve the problem, as well.

Finally, and perhaps most provocatively, the mantra that education is the solution to our problems is not the answer. Now, don't misunderstand me. I think that every child has a right to the highest quality education and the greatest amount of skilled training that he or she can deal with. That is their right. But here is the problem. BLS reports that we will see only 1% more college graduates by 2012. Only 8 of the thirty fastest-growing jobs in America require a college education. Significantly, between 2000 and 2004 the real wages of college graduates fell 5.4%. So how can education alone be the answer?

Low wage jobs, as we call them, are really just low-paid jobs, because there's nothing inherently low wage in being a HeadStart teacher, or being a certified nurse's assistant, or fixing cable communications. There's nothing inherently low-wage; they're just inherently low-paid. Mine workers, auto workers, field workers, truck drivers, construction workers in the last century taught us that you can have a middle class lifestyle if there's a way to more fairly distribute the success of growing companies. It is not about growth; it really is about distribution, and unions were the economic function that divided wealth in the last century. My concern about education is that it turns structural problems we have in our the economy into personal problems, and it makes everyone think that if only they could get an answer that somehow our economy would prosper in and of itself. It is part of the solution; it is certainly not the unique solution.

Here are my last thoughts on the next social contract. First, the employer-based health care system is dead. It is a relic of the industrial economy. We need a new American health care system – not necessarily Canadian or Scandinavian, but ultimately one that is not tied to your job. Every country has solved this problem. It is not a matter of policy, it is just a matter of politics. This Presidential election will have a lot to do with what happens to our health care system.

Second, as employers and employees are getting divorced, we need to move more from employer-based to individually based pensions systems. Today only 18% of Americans even have a defined benefit guaranteed pension system. 50% of all private sectors workers have nothing: no SEP, no 529, no IRA or 401(k); all they have is social security. George Bush actually had something right in his Presidency, the idea of creating a personal account that you could take from job to job. The problem was how he funded the personal account, by undermining the social security system. We need people to have personal accounts that grow from job to job, that require contributions by employers and by employees, that cannot be taken out along the way, and then in the end, we can convert that accumulated wealth into a defined benefit, or into an annuity. Maybe we could even call it TIAA-CREF, or Australia, because that's exactly what they do. But on a national basis, the pool that we could create to fund these annuities would allow people to both have the advantages of gaining wealth and have the advantages of a defined benefit.

Third, why doesn't our tax system reward work, and not simply wealth? Why not start by simply eliminating the tax on the first \$100,000 to social security a year and help pay for it by taxing stock options, carried interest, capital gains, and dividends and by lifting the cap? Why can't we have the most regressive form of taxation on work be reversed to cover all forms of income and also deal with wealth.

In the 1950's, we were really smart. The basis of commerce was highways, and we built the interstate highway system – the most open opportunity for entrepreneurs and individual business to transport goods from coast to coast. In the 21st century, the basis of commerce is not the interstate highway system alone; it will also be the internet highway system. And yet America has yet to come to grips with the fact that we have not made the same kind of investments in the internet highway system, to have the same kind of

infrastructure, and to allow each student to be able to get on it for free so that every child has the opportunities for the greatest learning environment ever before.

Finally, why don't we recognize what has been the most reliable, the most successful, the longest term anti-poverty program that has worked – and most importantly, the one that hasn't cost the government a dime – and that has been a union job, with a union contract, bargained now by a partnership oriented, pro-competitive, pro-quality union. These organizations, who understand the dynamic market forces shaping the 21st century, can solve problems for employers, instead of creating them. Regardless of how you feel about unions, there have only been three ways of distributing wealth in our country's history: the market, which has failed; government, which has failed; and unions, which are now just too weak to do their job. They are a bona fide economic way to distribute wealth in our society.

We are at an historic crossroads. As the futurist Alvin Toffler said, humanity faces a quantum leap forward. We are engaged in building a remarkable new civilization from the ground up. America needs to adopt my old adversary Newt Gingrich's admonition. We need to plan back from victory, like you're trying to do here. The politicians in Washington, I hope, will remember what I think Helen Keller once said: the most pathetic person in the world is someone who has sight, but no vision. Margaret Mead once said, never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it's the only thing that ever has. On my desk is a plaque that says, the best way to predict the future is to create it. And that's what we're here today to do. Thank you.

Carl Camden: Good morning, you all. Thanks, Steve, for your introduction. Let me congratulate the New America Foundation for convening today's event and bringing together the wide variety of speakers and diverse perspectives that this subject deserves. This is now the second time that I have spoken on this topic in the last few months, and I can tell you that around the country, the debate on the format of the new social contract is beginning to pick up a lot of steam, take on a lot of authority, in advance of the Presidential elections and the important policy initiatives to follow.

Before tackling the new social contract, although I assume everybody here knows what the old social contract was, I do find it important to very quickly specify what was that old social contract that many of us are so quick to bury here.

In basic terms, an employee's hard work and loyalty was matched by an employer's commitment to provide fair compensation, reasonable job security, and most likely, as Andy was saying, a pension. What we don't realize is that underpinning that old social contract was a requirement that job sites be relatively fixed – in other words, work couldn't move from place to place – that the type of work done at that job site remain relatively fixed, and that the employee could actually work long enough at that job site, doing that job, to earn a pension. For most of the 20th century, buttressed by the fixed nature of work and by the fixed nature of competition, that model worked fairly well. But

in the last two decades, we've seen rapid changes in the nature of work, and as a result the employer/employee relationship has been fundamentally altered. The old social contract is basically obsolete, and it's time for a new social contract to emerge.

Today's workers now change employers, careers, and work locations with great abandon. It is now not only socially acceptable – I'm old enough to remember the days when, if you changed jobs, people wondered what was wrong, what happened – but now, it is the fast track to career advancement. My own career has included stints as a tenured college professor, a small business owner, a marketing guy, and now a Fortune 500 CEO. So like many in this economy, I changed careers, employers, and work locations frequently. But what I don't hear people talk talking about is, what's happened in the last two decades to bring about this basic fundamental change in the nature of work and the resultant undoing of the social contract.

We often demonize globalization, and I think that in the media, globalization is generally identified as the primary driver behind this change in the nature of work. Certainly, globalization is important in reshaping the way societies and individuals live and work, but we have to be honest with ourselves. Globalization is not a new phenomenon. It's a new word that describes an old phenomenon. While the word globalization has obtained widespread popularity in the last decade, globalization began 60,000 years ago when the first migrants walked out of Africa and maintained trading ties with the old communities. Work and workers have always moved.

When I gave an hour longer version of this speech at the University of Illinois, I went through long detail to show that globalization has always taken place, but for the moment, trust me because you guys don't have an hour to go through that long history. But human history has always been marked, and major political movements have been marked, by the continuous movement of workers and work around the world.

So what's changed today? Certainly, as Andy was noting, the pace of social and economic change has quickened, and that increased pace of change coupled with today's 24/7 news cycle make change far more visible than it has been in the past. But the bottom line of all the scholarly research that I have looked at from my former colleagues concludes that the dislocation from globalization, while both real and tremendously painful in the specific, is in the aggregate a very small contributor to the pace and quantity of the movement of work.

While globalization is a contributor, then, to making work less fixed, technology is by far the most important driver. Technology has helped unwind the old social contract in two critical ways. First, location has become irrelevant for an ever increasing number of jobs; and second, many specific jobs are becoming obsolete far more quickly than in any other time in history. Let's take a look at each of those two factors.

First, consider freedom of location. There was a recent study done in Ouray county, Colorado, a county that includes Steamboat Springs. A recent survey of that county found that 10% of the year-round households there were involved in location-neutral business.

They can work anywhere they wanted to. Those businesses included a lawyer who conducts his practice with clients around the country via email, a man who designs microchips, and so on. Now, location-neutral business is never going to become 100% of the work that's done; it's not practical for everyone, but I have to tell you, if I could do my job from Napa, I would be there instantly.

Second, technology has also contributed to the deterioration of the old social contract by reducing job life cycles. How long can a job be expected to persist? That job life cycle has been shrinking ever more frequently, and as Andy was talking about, people expect them to have more and more jobs, not just because they want the change for the sake of their career, but because jobs go in and out of existence. For many, the job that they have will not exist in its current form a few years from now. Now, everybody says, yeah, I know about blacksmiths and buggy makers, but I'm not talking about those. I'm talking about the now typical 30%-50% decline in jobs that takes place within 5 years after the introduction of a new technology. Consider bank tellers. Post the introduction of ATMs: we have only 20% of the bank tellers that we had before ATMs. What about the gas station attendant? Remember when that was the typical summer job we could always get to gain work experience? Only 25% of those after the point-of-sale technology was introduced to gas stations. I'm old enough to remember those ads on TV that said, go to school to become a computer operator. Remember, that was the job guaranteed for life? BLS stats places it as one of the top 5 declining jobs in this country. Jobs obsolete now, not in centuries, not in decades, but in years. Obsolescence is destroying the old social contract because the nature of work is not fixed. While globalization has had a small, visible impact on the social contract, technology has permanently eroded the semi-fixed nature of work that enabled the old social contract to exist.

Finally, the topic near and dear to my heart as CEO of Kelly Services, is the rise of the free agent workforce around the world. Their new perspective on work challenges the fundamental desirability of the old social contract. They don't want it even if you all could figure out how to resurrect it. Free agents now comprise 20%-30% of the workforce in the U.S., Japan, and Europe. They have a variety of titles: temporary employees, independent contractors, freelancers, independent professionals, consultants – heck, for all I know, freelance journalists. They are educated, autonomous, skill-driven people, and they are very mobile. In general, free agents place a high value on achieving a balance between their life and work. Unlike the generation that I grew up with, they believe that you fit your work around your lifestyle, rather than fitting your lifestyle around your work. For this group of workers, the old social contract is dead, it is not desirable, and they don't mourn its passing. On their websites and blogs, they refer to traditional employees as wage slaves. They view belief in permanent employment as kind of naïve. Consider just a few posts from J. Timothy Kean's blog on the top ten reasons to remain a wage slave. I won't read all ten, but just three of them will give you a sense of their political philosophy. It's all right to be a wage slave – it's just easier to coast on through life than to try to make a difference. You don't have to do any of the hard work, and you don't have to make any of the hard decisions of you're an employee. You're not really a big dreamer. There are a lot more, including one about having to beg like a dog asking for a Scooby snack to get a raise, but you get the idea.

So here's my bottom line in globalization and the demise of the old social contract. Globalization has always existed, it's here to stay, and there isn't anything we can do to make it go away. It has a modest impact on jobs and wages in the aggregate but a devastating consequences for specific communities and workers. Technological advances, on the other hand, have triggered a cavalcade of change, and as a result, fixed employment by employer and by location is disappearing. In the United States, it is time to stop trying to repair the old social contract; it is time to let the new social contract emerge. In the process, let's accept the fact that we're just going to have to go about redefining dozens of American institutions, and that it's ok.

The old foundation was one person working for one company for one working life. The dimensions of the new social contract mean we must accept a constant state of flux. Individuals, employers, and governments, instead of looking to fix the nature of work, have to look to maximize opportunity and employability. Maximizing opportunity for employability is going to be one of the top social policies in a time of increasing dislocation of fixed employment. That 35 year period that Andy talked about isn't going to be easy. Dislocation is going to be best remediated by a frictionless matching of work and workers, but I have to tell you the current social policy in the U.S. doesn't help the matching of work and workers; rather, it puts friction into the system in a way that makes it difficult for workers to stay employed.

First, I'll echo what Andy said. Employer-based health care financing is just wrong. It is an anachronism – and it is time for it to move on. Employees today stay in bad jobs with health care benefits because they can't find better jobs with equivalent benefits. Free agents are discriminated against in access to health insurance in terms of both prices and taxes, and it is in the free agent community that much of our entrepreneurial drive is going take place. It was the failure of the current health care financing system that caused Kelly to join with Andy and the SEIU and other founding members of Better Health Care Together, a coalition urging comprehensive health care reform by 2012. Health care has become the transcendent issue influencing the domestic economy and global competitiveness. It is not just a political issue – if we wish to retain a competitive edge in the United States, we must fix the health care financing system.

A second obstacle to workplace opportunity is basic government policies surrounding work. Government policy, from promotion regulations to how we deal with pensions and benefits, has always been defined in terms of a fixed employer, in terms if a fixed location. That is an outdated concept of work. We need to clarify work rules and lots of government regulation with respect to nontraditional and free agent workers. In the presence of ambiguity or fear of government oversight, risk averse corporate officers will discourage free agency, will discourage entrepreneurialism. For example, if an employer offers a telecommuting option to employees, how do workplace safety and independent contractor regulations apply? What if they don't sit at home, but instead take their work on a laptop to Starbucks? Every lawyer or regulator that I talk to will have a completely different view on it; all of them of course, are completely convinced they are right. We need clarity in work rules to accommodate the new economy.

The next element of the new social contract is employability. Under the old social contract, employers provided training to help move workers from one job to another within the company. It was expected that companies would assume the role of keeping their workers employable. While some of today's employees regret the passage of the old social contract, much of the new workforce is ready to reject that paternalism of the past, and to accept the personal challenge of navigating their own career development. In the new social contract, individuals will take responsibility for their own skills and career development, organizations will choose to invest in employee development and create an environment that stresses and facilitates continued learning, and government will support programs that promote a highly skilled workforce, assist populations that are difficult to employ, and provide training support to unemployed, underemployed, and dislocated workers. Even as the social contract shifts, business are still continuing to invest in employee development programs, just not necessarily in the standup training that helps people move from one job to another inside the company as they did before.

I'm a strong advocate of enabling our free agent workers to thrive in this country, but let me acknowledge that free agency does not work for everyone. There are limits. Even with recognition of the need to make the new social contract applicable to the modern workforce, there remains one important, nagging caveat. Most of the focus of the new social contract is directed to the educated and the skilled workforce, but the less skilled workforce is often missing from these discussions. Opportunity and employability do not take into sufficient account the needs of the less skilled or less paid. The new social contract simply does not work for this group, and it is creating a significant social policy challenge. With skyrocketing costs, fewer people in the U.S. are going to college and technical schools, and yet access to a middle class life increasingly requires some post-secondary education. Construction, health care, home services, etc. will provide some opportunities in abundance, but while these positions do not require college degrees they are increasingly requiring postsecondary or technical training. There must be more training and education opportunities, and while I agree with Andy that it is not *the* answer, it is part of the answer that has to be made available, especially for the 40% of the workforce who will not pursue a college education.

The pace of dislocation is picking up. If certainty was the driver of the old social contract, we now have to take it as a given that there will always be a high level of change and much greater ambiguity than many would like. But it doesn't mean that we are powerless to prepare for or shape the future. We can move now to adopt the policies that help individuals gain the opportunity and employability that they need to participate successfully in the new social contract.

I spoke earlier of Better Health Care Together and our goal of comprehensive health care by 2012, but let me suggest a far more audacious challenge. Truly progressive social policy will establish the foundation for the new social contract by 2012. We will abandon the anachronistic model of fixed employment and embrace a flexible workforce in a fast-changing work environment. To that end, health care insurance would be independent of employers and be affordable, available, and portable for all. Recognizing that only love

and not careers are forever, government policy at all levels will embrace continuous training, tax policy will create an incentive for people to invest in their own schooling, higher education will be accessible to more, the workforce not destined for college will have ready access to technical education, designed to provide and sustain employability. Outdated work rules will be clarified to reflect a new social contract in context. This would provide both protection and certainty for those who choose to work from home or in other nontraditional modes.

Look ahead with me to 2012. We are going to be in the midst of another long presidential campaign, with the Iowa Caucuses occurring on New Year's Eve. If we have made no progress on the essential elements of the new social contract by then, our global competitiveness will have significantly declined in the intervening four years. The charges and countercharges among the candidates will center on who lost the jobs war, who lost access to a middle class life. Social progress requires a solid economic base. It is time for the hard work to begin now, and thank you for the opportunity to be with you all here.