Opinion: How we saved the middle class in the 1980s

By Michael Bernick

It's easy to think that in the world of employment and anti-poverty programs, nothing ever changes, that the same joblessness continues as the government spends billions.

I know this isn't true. For the past two years, I've worked with archivists to sifting through old files and records on employment from the 1970s and 1980s. The work is part of a California State Library research effort to catalogue employment-training strategies in California. I have worked in and with local job-training projects in California since 1979, and the archival project involved my papers on job training and employment programs and the papers of other practitioners and researchers over the past four decades. For the 1970s and 1980s, we collected hundreds of reports and articles about specific projects aimed at youth illiteracy and unemployment, retraining laid off workers, and welfare-to-work approaches.

That era feels very familiar, since people were worried about the same big issues that we are now—growing wage inequality, the hollowing out of the middle class, chronic unemployment. But it's also encouraging, since our responses to those big problems back then actually made a difference.

The 1970s and 1980s are a peculiar and urgent time to visit via an archival time machine. Papers were being written about the elimination of middle-class jobs, particularly manufacturing jobs available to workers without college degrees. Rising teenage pregnancy rates and welfare rolls fueled predictions of increased urban violence and a growing "underclass." There was fear that technology was eliminating jobs in all sectors; in a 1984 report, "Forecasting the

Impact of New Technologies on the Future Job Market," Stanford researchers Russell Rumberger and Henry Levin warned that the high-tech sector was creating a relatively small number of jobs, and was unlikely to be a major employer in the future.

None of the specters of those days has materialized, though. Welfare rolls have dropped dramatically, as have teen pregnancy rates. Job growth has outpaced job loss due to technology and other forces. The middle class has shrunk by some indicators, but remains robust, and new mid-level jobs are being created.

Where did we go right? There is no one answer. Success came as a result of a complex mix of influences: government, private sector, and volunteer education and training programs; demographic shifts; macro-economic policies. But that's not enough of an explanation. All the improvements are linked in ways to a dynamic that too rarely gets mentioned in policy discussions: the willingness of people (policymakers, practitioners, and ordinary citizens) to stand up to then-dominant ideologies and refuse to be paralyzed when problems are described as intractable.

In the 1970s and 1980s, the consensus on welfare held that expanding government benefit programs was inevitable, that entrepreneurship would be replaced by the collaboration of big government and big private-sector companies, and that the country's employment future lay in a model of big government, big labor, and big private sector companies. It was a consensus adopted by top officials in government, private foundations, large nonprofits, and the prominent think tanks of the time.

How was this consensus broken? Slowly, by people on the left and the right challenging the establishment. Welfare reform only began its first steps when a few elected Democratic officials in Sacramento, such as then-state Sen. John Garamendi, were willing to break ranks and establish welfare time limits and redirect welfare agencies to become job placement agencies. Eventually, a different way of approaching welfare took hold—one that aggressively pushed welfare recipients into the work world. Caseloads dropped from 900,000 cases in 1996 to fewer than 500,000 in 2004. The next eight years to fewer than 500,000 cases by July 2004.

And while deindustrialization and technology produced the envisioned job losses, they also produced unexpected job gains that replaced the losses.

The main driver of job growth since that era has been entrepreneurship, that supposedly disappearing value. Its promotion came not from the federal government or elites connected with employment strategies, but from non-profits such as the Corporation for Enterprise Development, minority business development groups, and local community development corporations pushed forward strategies on local levels emphasizing entrepreneurship such as the expansion of inner-city loan funds, and purchasing networks for fledgling businesses. The developing market-oriented think tanks, such as the American Enterprise Institute and the Heritage Foundation, identified the tax changes and culture changes necessary for entrepreneurship to expand. George Gilder's 1981 best-seller "Wealth and Poverty" was also crucial in creating an argument and language to explain the value of entrepreneurship.

The history of the past three decades in California shows that in the areas of welfare, teen pregnancy, job growth, and new business generation, improvement is possible. But there is no room for complacency. Today, California's foundations, social welfare nonprofits, and government entities continue to be led by persons who see their role as expanding government benefit programs or adding free community college or other free goods to reduce income inequality or poverty. These approaches, not anchored to employment, business growth, or entrepreneurship, won't have any more success than similar programs of the 1960s and 1970s.

Today’s job training and anti-poverty practitioners and policymakers rarely study the efforts of previous decades. That’s unfortunate, and the California State Library archival project is aimed at showing how much there is to learn from the past. We will need to keep to true to the values that drove our social and economic successes of the past three decades. If we do so, we’ll be able to revisit our archives of today’s records in another 30 years, and see that, once again, we made progress.

Michael Bernick is the former director of California’s labor department, the Employment Development Department, and has been involved in job training and placement since 1979. He currently is a Milken Institute Fellow and a Zócalo contributing editor.