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Today's world of work: Three questions

*Investing in America's Workforce
Capstone Conference*

Austin, TX

October 5, 2017



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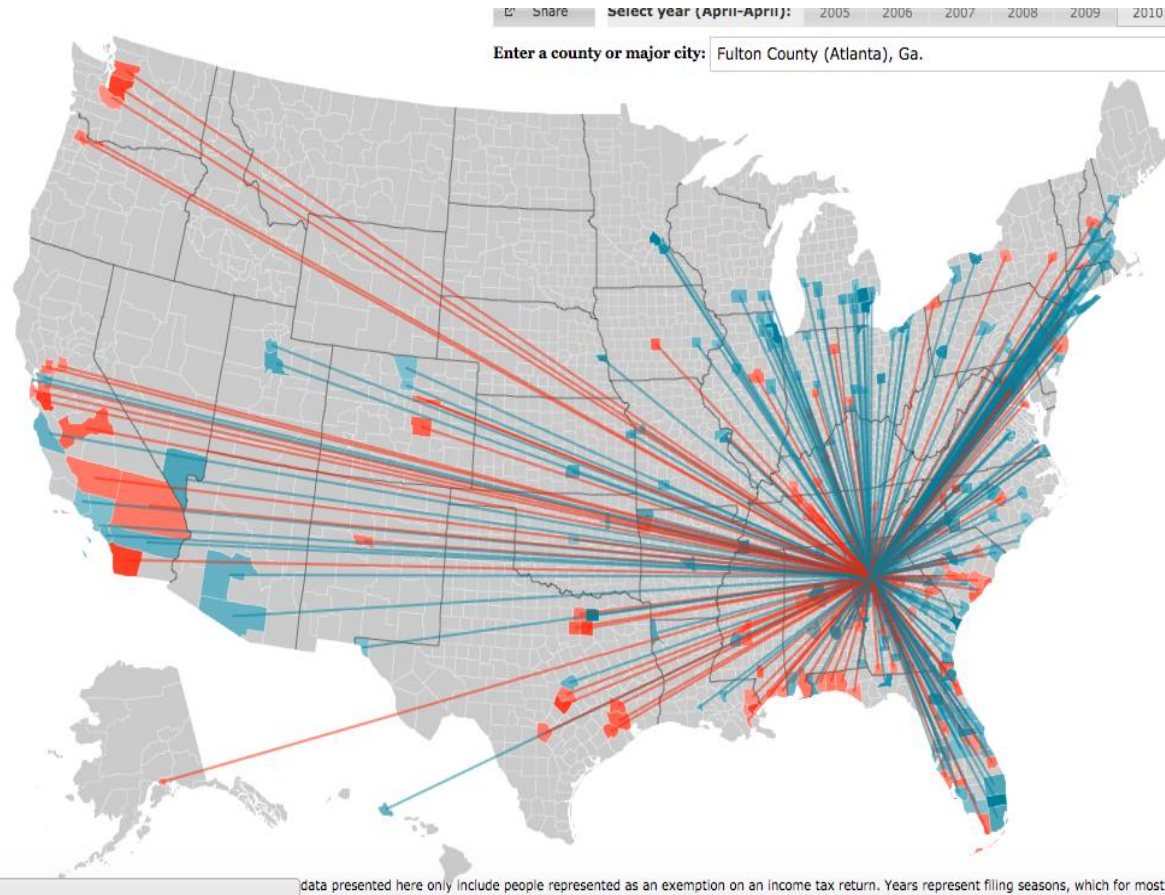
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Three questions

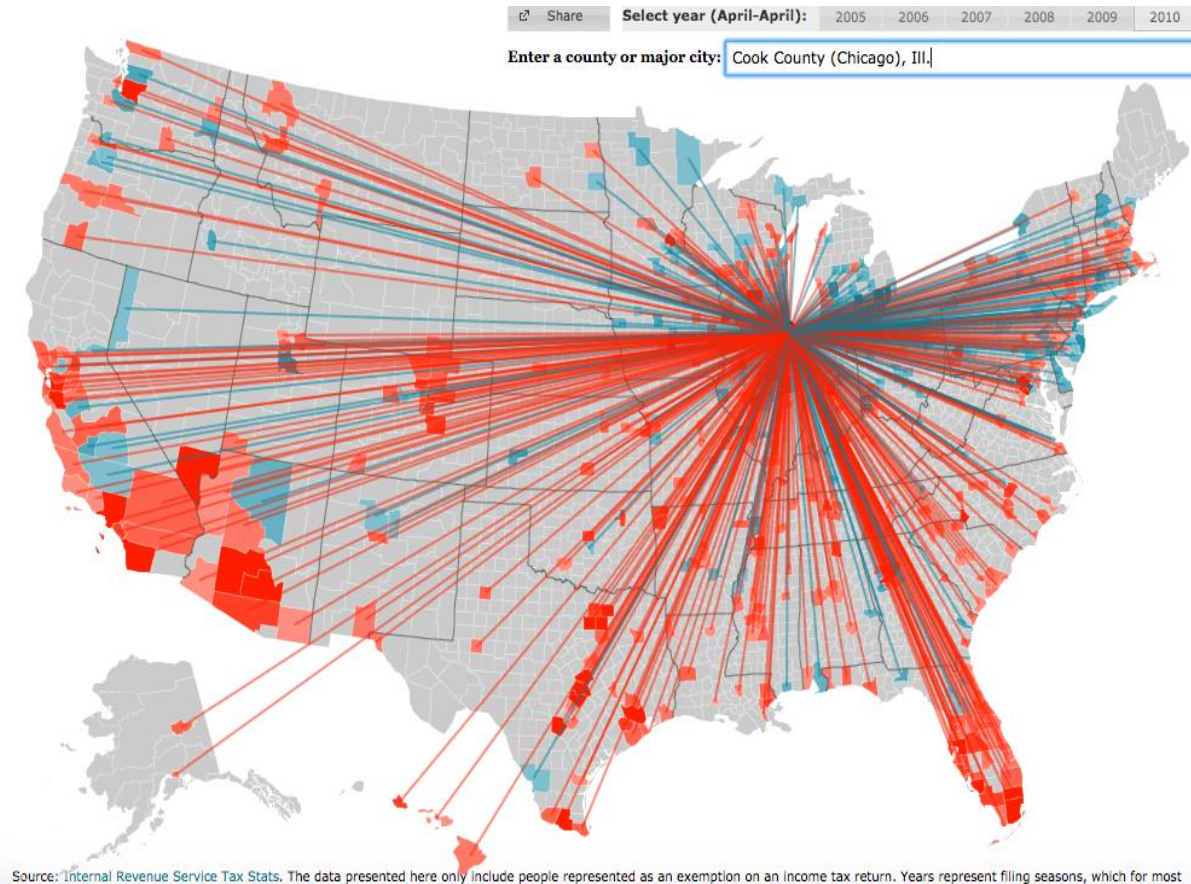
- **Think locally, act globally?**

A familiar fact: Jobs are moving.

Atlanta



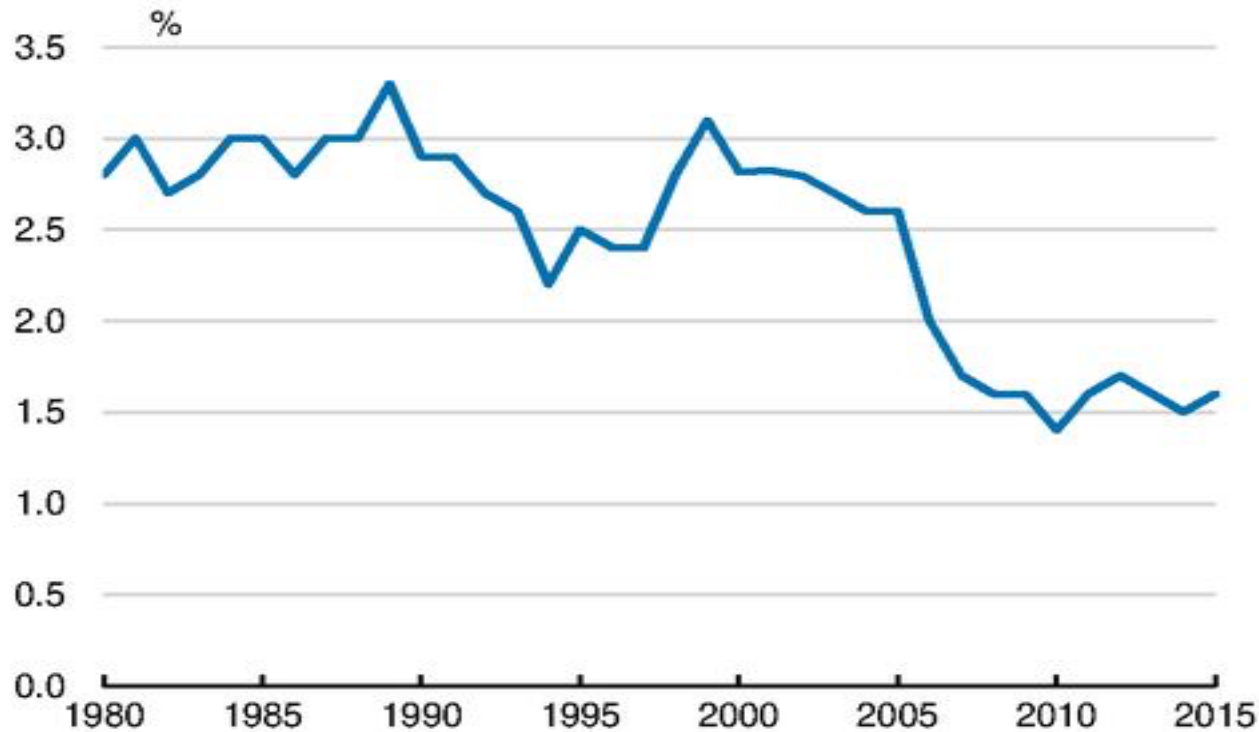
Chicago



Note: **Blue** lines represent tax return inflows; **Red** lines represent outflows.

At the same time, geographic mobility is falling.

Interstate migration rates



My question:

Won't successful workforce policy, in scale, have to change this picture?

And doesn't that mean that workforce service providers will have to think globally (or at least nationally)?

Our experience: Even at the local level, workforce development providers struggle to make the necessary connections.



MAX

Metro Atlanta eXchange for Workforce Solutions

**The 2014 Survey:
Just over 200 providers and
intermediaries, reflecting
services in 300 locations in the
10-county metro Atlanta area.**

**The (not so?) surprising
finding:
Only 30% reported at least one
type of engagement with an
employer.**

Three “questions”

- **Think locally, act globally?**
- **What would real tax reform look like?**

What truly “comprehensive” tax reform might look like for individuals.

The most comprehensive form of tax reform would:

- Consider *all* the tax rates that matter.
- Include all major federal and state taxes
 - ❖ The federal personal income tax, the FICA payroll tax, state income taxes, state sales taxes, the federal corporate income tax, the federal estate tax
- Calculate rates *net of transfers payments*
 - ❖ Welfare benefits, Food Stamps, Supplemental Security Income , Social Security retirement and auxiliary benefits, Social Security disability benefits, Medicaid benefits, Medicare benefits

When thinking about tax reform for the workforce, we need to consider the *dispersion* of rates for like individuals.

Dispersion in Current-Year Net Marginal Tax Rates, Ages 40-49

	Median Marginal Current Year Net Tax Rate
Lowest Quintile	33.3%
Second Quintile	31.4%
Third Quintile	32.3%
Fourth Quintile	40.0%
Highest Quintile	38.2%

Source: “U.S. Inequality, Fiscal Progressivity, and Work Disincentives,” NBER Working Paper 22032, Feb. 2016:
<http://www.ncpa.org/pdfs/U.S.%20Inequality,%20Fiscal%20Progressivity,%20and%20Marginal%20Taxation%203-14-16%20NBER%20version.pdf>

Net tax rates at the individual level show enormous dispersion...

Dispersion in Current-Year Net Marginal Tax Rates, Ages 40-49

	Median Marginal Current Year Net Tax Rate	Minimum Marginal Current Year Net Tax Rate
Lowest Quintile	33.3%	-22.6%
Second Quintile	31.4%	2.8%
Third Quintile	32.3%	
Fourth Quintile	40.0%	
Highest Quintile	38.2%	

Source: "U.S. Inequality, Fiscal Progressivity, and Work Disincentives," NBER Working Paper 22032, Feb. 2016:

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...and can be prohibitive at the high end.

Dispersion in Current-Year Net Marginal Tax Rates, Ages 40-49

	Median Marginal Current Year Net Tax Rate	Minimum Marginal Current Year Net Tax Rate	Maximum Marginal Current Year Net Tax Rate
Lowest Quintile	33.3%	-22.6%	934.6%
Second Quintile	31.4%	2.8%	506.9%
Third Quintile	32.3%		
Fourth Quintile	40.0%		
Highest Quintile	38.2%		

Source: "U.S. Inequality, Fiscal Progressivity, and Work Disincentives," NBER Working Paper 22032, Feb. 2016:

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Dispersion in net tax rates is most dramatic for the least wealthy.

Dispersion in Current-Year Net Marginal Tax Rates, Ages 40-49

	Median Marginal Current Year Net Tax Rate	Minimum Marginal Current Year Net Tax Rate	Maximum Marginal Current Year Net Tax Rate
Lowest Quintile	33.3%	-22.6%	934.6%
Second Quintile	31.4%	2.8%	506.9%
Third Quintile	32.3%	-37.6%	46.2%
Fourth Quintile	40.0%	16.6%	55.1%
Highest Quintile	38.2%	3.0%	69.0%

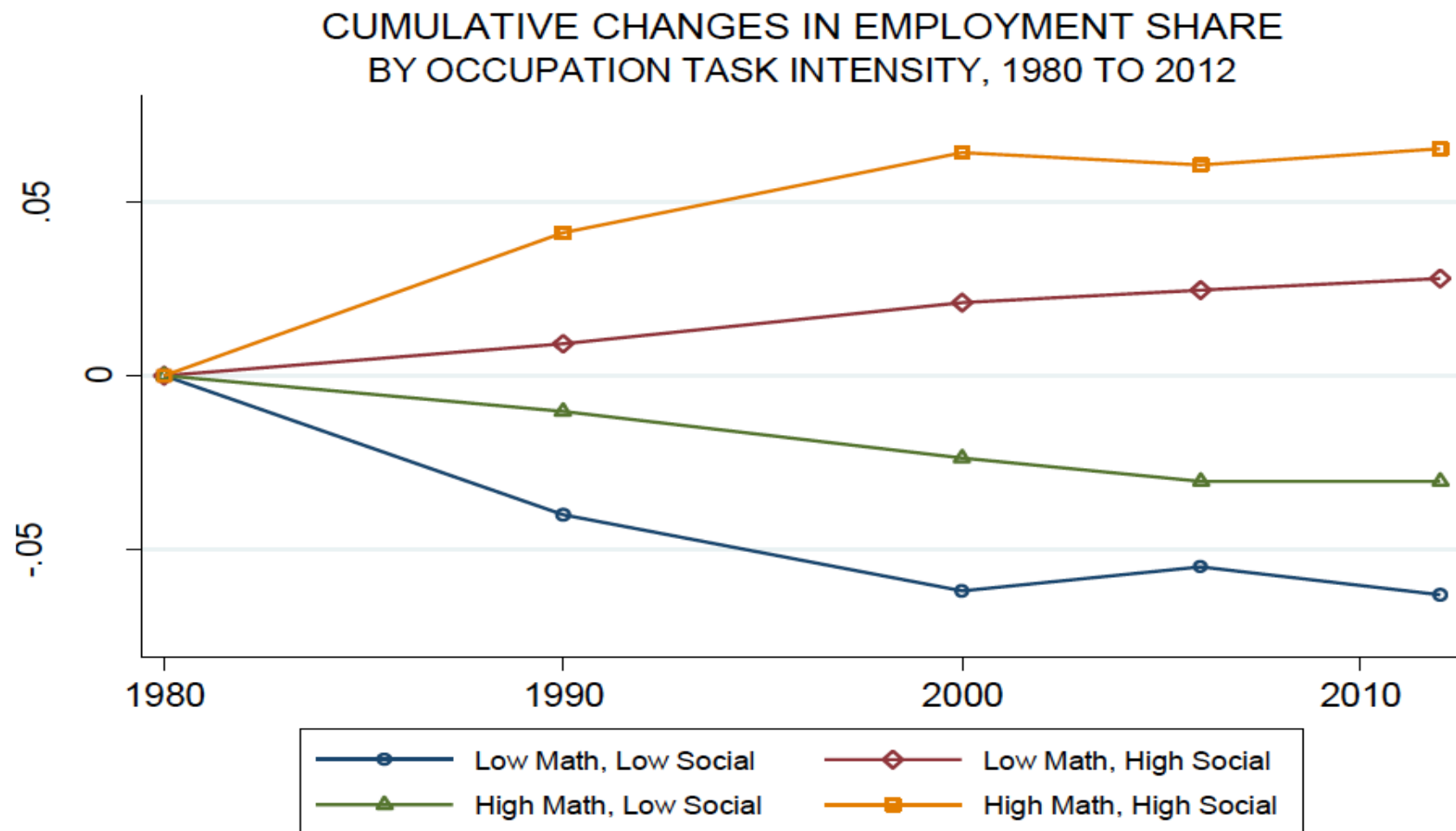
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Three “questions”

- **Think locally, act globally?**
- **What would real tax reform look like?**
- **How do you fight the robots?**

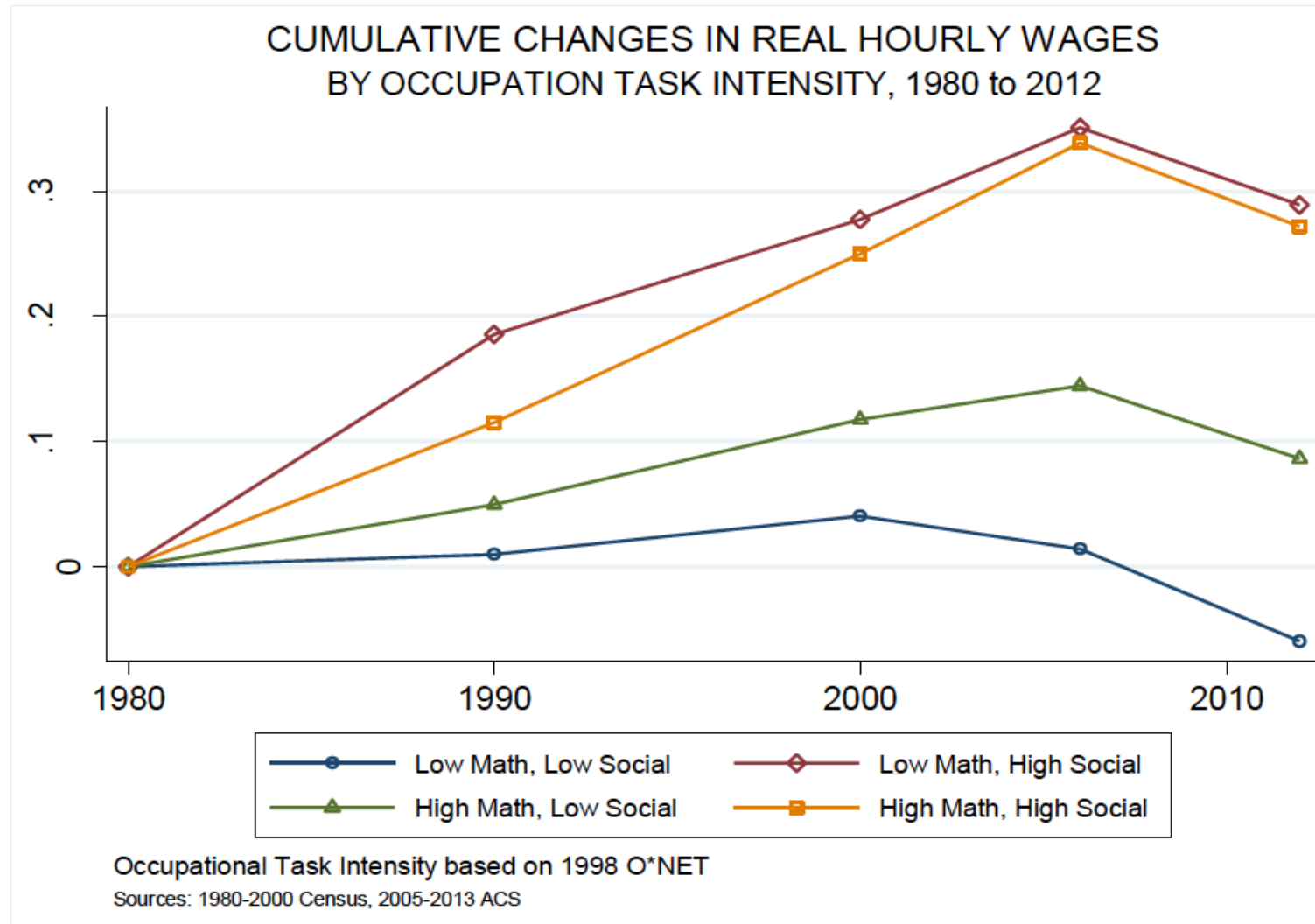
“Social skills” loom large in job polarization employment story...



Occupational Task Intensity based on 1998 O*NET

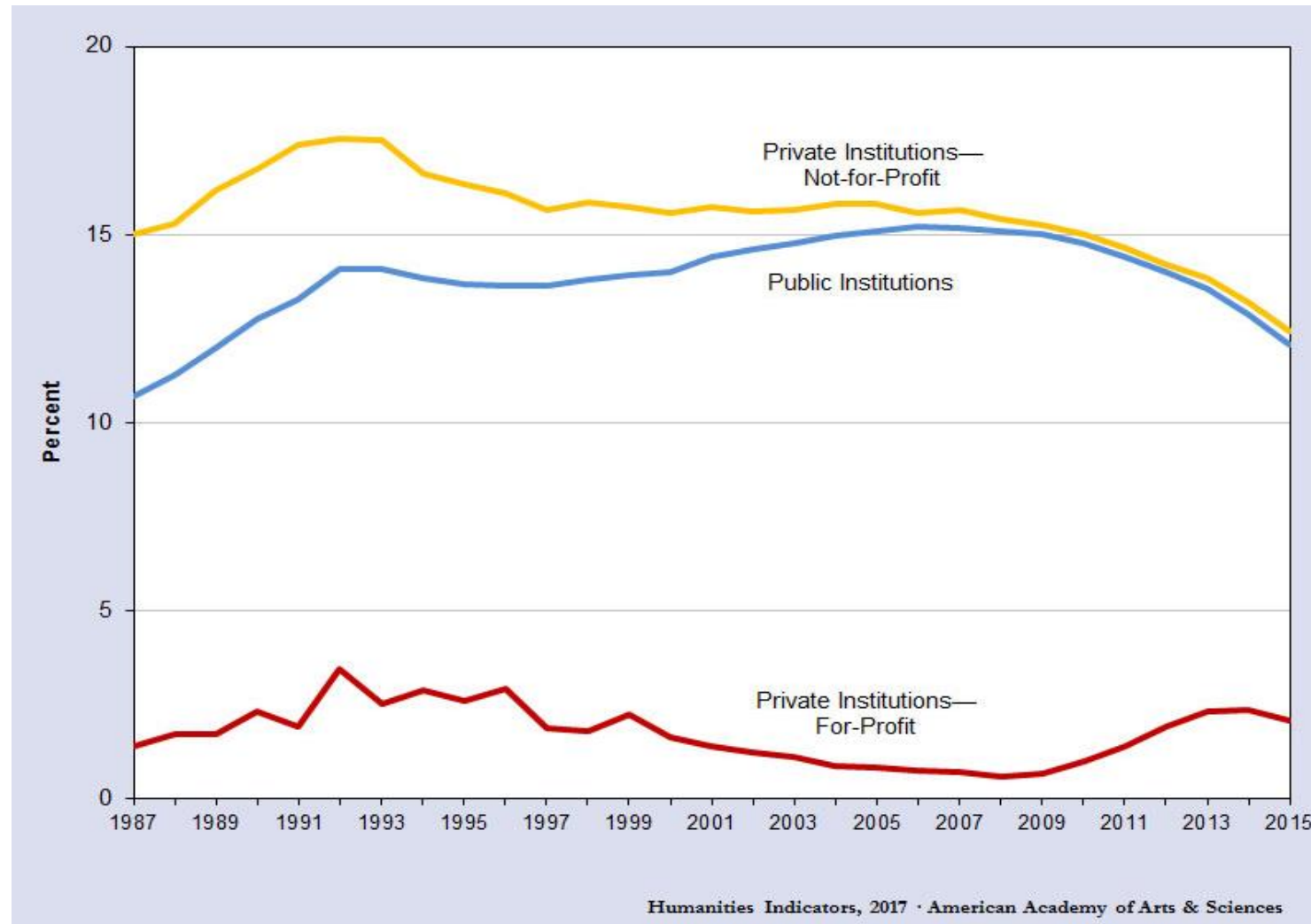
Sources: 1980-2000 Census, 2005-2013 ACS

...and the wage story as well.



In light of those previous two charts, is this one a problem?

Humanities Bachelor's Degrees as a Percentage of All Bachelor's Degrees Awarded



Three questions: Reprise

- **How can we imagine local workforce development that isn't local at all?**
- **How can we make the tax policy discussion relevant to the reality of LMI workers?**
- **How do we position skill development at all levels to the (AI) future that is upon us?**



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