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The Small Business Workforce Challenge: Causes, Impacts, and Solutions

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The Biggest Struggles of Small Business: Inflation, Labor Shortage, and Skills and Education Gap

Workforce issues have been a primary concern for small businesses over at least the past four years. According to the National Federation of Independent Business (NFIB), business owners reported labor quality as their single most important problem every month between 2018 and 2021, with the exception of April and May 2020 during the widespread COVID-19 shutdowns. Included in those workforce issues is the unprecedented labor shortage. The workforce is interconnected to what has recently become small business owners'—and most ordinary Americans'—biggest concern: inflation. Thus, my testimony today will address three primary small business concerns: (1) inflation, (2) the labor shortage, and (3) the skills and education gap. I examine the causes and impacts of each of these struggles separately, but, as the issues are in many ways interconnected, the final section on solutions pools the many policy recommendations together.

Inflation Overview

Inflation is at 40-year highs, with the latest April 2022 figure showing an 8.3 percent increase over the past year. Food prices are up 9.4 percent while energy prices have surged

30.4 percent.[1] Advance economic indicators, such as shrinking inventories after adjusting for inflation, indicate additional inflation headwinds.

According to the NFIB, 32 percent of business owners said that inflation was their single most important problem in May 2022.[2] That compares to 3 percent in January 2021, and an average of 3 percent over the 35 years prior to 2021.[3]

Inflation Causes and Impacts

Inflation is caused by too many dollars chasing too few goods. The federal government—including the Administration, Congress, and the Federal Reserve, are primarily to blame for this predictable inflation.

Federal Spending Spree. The federal government has authorized more than $6 trillion for COVID-19 packages—the equivalent of more than $50,000 for every U.S. household. In response, the Federal Reserve has purchased more than $3 trillion in government bonds, and trillions more in other assets by printing money, spurring a nearly 50 percent expansion in the money supply, which has grown more over the past two years than it did over the prior 10 years.[4]

Most notably, Congress passed the $1.9 trillion American Rescue Plan Act (ARPA) more than a year after the pandemic began and when the economic recovery was already well underway. Less than 10 percent of the bill went towards public health. The bulk of the bill went towards welfare expansions that exacerbated the labor shortage, bailouts that incentivize reckless behavior at taxpayers expense,[5] giveaways to state and local governments that were already abundant in revenues, and $1,400 stimulus checks that further increased the gap between demand and supply—and the value of which has since been entirely erased by spending-induced inflation.[6] Larry Summers, chairman of President Obama's National Economic Council expressed his concerns that the ARPA was so costly that it could backfire and hurt the economy. He was right.

The Administration's proposal to fight inflation by spending more money—including things like "forgiving" debts owed by the most affluent Americans—and growing the size of government is perverse. Jimmy Carter realized that, and after years of presiding over high inflation came up with a plan to reduce it: restrict federal spending, reduce the budget deficit, cut the federal workforce and eliminate government waste, get rid of needless

1 U.S. Bureau of Labor Statistics, "Consumer Price Index Summary," Economic News Release, May 11, 2022, https://www.bls.gov/news.release/cpi.nr0.htm (accessed June 6, 2022).
2 William C. Dunkelberg, "NFIB Jobs Report: Over Half of Small Businesses Have Unfilled Job Openings," National Federation of Independent Business, May 2022, https://www.nfib.com/foundations/research-center/monthly-reports/jobs-report/ (accessed June 3, 2022).
3 Data available for download from: NFIB Research Foundation, http://www.nfib-sbet.org/indicators (accessed June 4, 2022).
4 Joel Griffith, "Three Things Congress Can Do to Get Serious on Inflation," Heritage Foundation *Commentary,* May 16, 2022, https://www.heritage.org/budget-and-spending/commentary/three-things-congress-can-do-get-serious-inflation
5 Rachel Greszler, "What Taxpayers, Workers, and Retirees Need to Know About the Union Pension Bailout That Has Nothing to Do with COVID-19," Heritage Foundation *Issue Brief* No. 6059, February 26, 2021, https://www.heritage.org/sites/default/files/2021-02/IB6059.pdf
6 David Ditch, "Eight Things You Must Know About Deeply Flawed COVID-19 Package," Heritage Foundation *Commentary,* February 22, 2021, https://www.heritage.org/budget-and-spending/commentary/8-things-you-must-know-about-deeply-flawed-covid-19-package

regulations, and bring back competition to the American economy.[7]

The Administration's War on Conventional Fuels and Affordable Energy. On the presidential campaign trail, candidate Joe Biden promised voters, "Look into my eyes: I guarantee you we're going to end fossil fuels." Within his first month in office, President Biden instituted a "moratorium" on energy production in Alaska and a "pause" on federal lands and waters—despite clear directions to the contrary from Congress. This was only the start of the Administration's inflationary energy agenda. As my Heritage colleague Katie Tubb has explained,

> [T]he administration continues to push policies that frustrate future oil, coal, and natural gas exploration, production, distribution, and investment, even as it saps taxpayers to boost subsidies for renewable energy R&D, investment, manufacturing and production, and infrastructure.[8]

President Biden's actions to remove helpful federal permitting reforms and his "social cost of carbon" shadow carbon tax enforced by regulators instead of legislators are also driving up energy costs. Tubb goes on to point out how the Biden Administration is subtly restricting the choices and increasing the costs of everyday consumer products:

> The Environmental Protection Agency and Transportation Department are finalizing fuel-economy standards on cars and heavy-duty trucks that are so stringent they make it nearly impossible for a conventional gasoline- or diesel-powered vehicle to comply by the end of the decade. Less obvious are scores of regulations that will increase the costs of everyday energy-consuming products such as kitchen stoves and ovens, washing machines and dryers, water heaters, lightbulbs, ceiling fans, dehumidifiers, dishwashers, microwaves, and furnaces.[9]

In addition to higher energy costs, the Administration's agenda is driving down the value of Americans' savings and retirement accounts by allowing fiduciaries that are supposed to act in the best interests of investors to sacrifice higher returns in exchange for funding radical environmental, social, and governance agendas.

Onslaught of New Regulations Limiting Output, Increasing Costs.[10] During President Biden's first year in office, his Administration pushed through more major regulations—69 in total—than any other President in modern U.S. history, while publishing 72,000 pages of agency notes, regulations, and executive orders.[11] The American Action Forum estimated that the Biden Administration's "year one" regulations added $201 billion in regulatory costs and required 131 million hours in new annual paperwork (the equivalent of

[7]Jimmy Carter, televised speech on Anti-Inflation Program, delivered on October 24, 1978, available in text at: https://www.pbs.org/wgbh/americanexperience/features/carter-anti-inflation/ (accessed June 7, 2022).
[8]Katie Tubb, "Biden's Energy Screw Up," *Washington Examiner*, March 31, 2022, https://www.washingtonexaminer.com/restoring-america/faith-freedom-self-reliance/bidens-energy-screw-up (accessed June 6, 2022).
[9]Ibid.
[10]Diane Katz, "The Biden Administration's Radical Regulatory Agenda," Heritage Foundation *Backgrounder* No. 3691, March 14, 2022, https://www.heritage.org/sites/default/files/2022-03/BG3691_0.pdf.
[11]Jonathan Ingram, "It's Not Just Spending—Biden's Record Regulations Are Driving Inflation Too," *New York Post*, May 23, 2022, https://nypost.com/2022/05/23/its-not-just-spending-bidens-record-regulations-are-driving-inflation-too/ (accessed June 4, 2022).

65,500 full-time jobs filling out paperwork).[12] And that is just the beginning, as the Administration has dozens more major regulations in the pipelines.[13]

Regulations disproportionately increase costs for small businesses, because they do not have as large a scale to spread the costs across and they are less likely to have an in-house compliance team. The time that businesses spend complying with regulations is time not spent on their core business functions, and the money they spend paying lawyers, implementing new workplace policies, altering or adding infrastructure, changing their production processes, and filling out paperwork gets passed on to customers through higher prices.

While most regulations go unnoticed by consumers as their costs are built into the prices and availability of the things they buy, the baby formula shortage brings to light unnecessary regulations and ineffective regulatory administration. Regulations that amount to labeling preferences and a 60-day waiting period for bringing new formula products to shelves are just two example of unnecessary regulations preventing otherwise safe baby formula from being available. Meanwhile, as the FDA waited months to address the predictable shortage in many babies' sole nutrition, it was spending time proposing new regulations, such as a 56-page proposed rule to ban "characterizing flavors" in cigars in an effort to reduce cigar use among "racial/ethnic minorities, lesbian, gay, bisexual, transgender and queer (LGBTQ+) persons, those of lower socioeconomic status, and youth."[14]

Supply Chain Struggles. If companies cannot get the goods they need, they cannot produce products and services. And longer wait times result in costly idle operations. Just one example I heard: is a grocery store owner can't stock single-serve pudding in his store because the manufacturer cannot get the glue that seals the aluminum lid to the plastic pudding container.

Many government policies are causing and exacerbating supply chain struggles. Crony trade restrictions limit the supply and increase the costs of domestic shipping. Environmental regulations are increasing transportation costs and limiting the supply of trucks (especially in California, where environmental regulations prohibit a majority of trucks from entering the state).

And union chokeholds—emboldened by the "most pro-union Administration"—are clogging up supply chains. In the California ports, for example, unions opposed 24–7 operations that exist around the rest of the world's ports and they've fought against automation to protect their six-figure blue-collar jobs.

Inflation Tax. While the median worker's wages increased by $3,300 over the past year, inflation erased all of those gains and has left

[12]Dan Goldbeck and Dan Bosch, "'Year One': Assessing the Biden Regulatory Record Against Recent Administrations," American Action Forum, January 20, 2022, https://www.americanactionforum.org/research/year-one-assessing-the-biden-regulatory-record-against-recent-administrations/ (accessed June 4, 2022).

[13]Daren Bakst, ed., "37 Biden Administration Regulations in the Pipeline that Americans Should Know About," Heritage Foundation *Special Report* No. 250, December 8, 2021, https://www.heritage.org/governmentregulation/report/37-biden-administration-regulations-the-pipeline-americans-should-know.

[14]Department of Health and Human Services, "Tobacco Product Standard for Characterizing Flavors in Cigars," Proposed Rule, *Federal Register*, Vol. 87, No. 86 (May 4, 2022), pp. 26396-26452, https://www.govinfo.gov/content/pkg/FR-2022-05-04/pdf/2022-08993.pdf (accessed June 6, 2022).

the average worker $1,550 poorer.[15] For a typical household that spends about $61,000 a year, the 8.3 percent inflation rate translates into a $5,100 inflation tax.[16]

Government Policies Holding Back Labor Force Participation Are Driving Price Increases. As discussed in more detail below, government policies that restrict the supply of workers require employers to increase compensation to attract and retain the workers they need. The U.S. Bureau of Labor Statistics (BLS) reports that labor costs make up more than 60 percent of the value of output produced in the nonfarm business sector.[17] Despite record-high job openings, the labor force has declined and is now 3.2 million below pre-pandemic rates.[18] When employers have to pay workers more to do the exact same thing, they have to raise prices on their products and services.

Labor Shortage Overview

The U.S. currently faces an unprecedented labor shortage that is adding to inflation and supply chain struggles, and making it harder for small businesses to operate.

Labor Shortage. Employment should have surged in 2021. A year's worth of pent-up household savings due to COVID-19 lockdowns, and trillions of dollars in new federal spending enacted in the name of COVID-19 relief, massively increased the demand for goods and services. Yet, as the population ages 16 and above has grown by 4.1 million, the U.S. economy has 822,000 *fewer* jobs today than before the pandemic.[19] Economists have also noted a significant decline in the desired hours of work, which has roughly doubled the magnitude of the labor force decline.[20]

Employers are struggling to get the workers they need with fewer workers and increased demand caused by the surge in government spending. With 11.4 million job openings, 1.9 jobs are available for every unemployed worker.[21] Labor shortages exist across all industries and skill levels. According to the NFIB's May 2022 survey, a record-high 51 percent of employers reported job openings they could not fill.[22] Forty-two percent of owners reported job openings for skilled workers, and 25 percent reported openings for unskilled workers.[23]

[15]News release, "Real Earnings—April 2022," U.S. Bureau of Labor Statistics, May 11, 2022, https://www.bls.gov/news.release/pdf/realer.pdf (accessed June 4, 2022).

[16]U.S. Bureau of Labor Statistics, "Consumer Expenditures in 2020," *BLS Report* No. 1096, December 2021, https://www.bls.gov/opub/reports/consumer-expenditures/2020/home.htm (accessed June 4, 2022).

[17]U.S. Bureau of Labor Statistics, "Labor Productivity and Costs," Frequently Asked Questions https://www.bls.gov/lpc/faqs.htm (accessed December 14, 2021).).

[18]U.S. Bureau of Labor Statistics, "Databases, Tables & Calculators by Subject," Monthly Employment and Labor Force Data through May 2022, https://www.bls.gov/data/home.htm (accessed June 3, 2022).

[19]U.S. Bureau of Labor Statistics, "Databases, Tables & Calculators by Subject," Monthly Employment and Labor Force Data through May 2022, https://www.bls.gov/data/home.htm (accessed June 3, 2022).

[20]R. Jason Faberman, Andreas I. Mueller, and Ayşegül Şahin, "Has the Willingness to Work Fallen During the Covid Pandemic?" NBER *Working Paper* No. 29784, February 2022, https://www.nber.org/papers/w29784 (accessed April 5, 2022).

[21]News release, "Job Openings and Labor Turnover—April 2022," U.S. Bureau of Labor Statistics, June 1, 2022, https://www.bls.gov/news.release/jolts.nr0.htm (accessed June 1, 2022).

[22]Dunkelberg, "NFIB Jobs Report: Over Half of Small Businesses Have Unfilled Job Openings."

[23]Ibid.

High quit rates are contributing to workforce struggles and higher costs as 51 million workers—one in three—quit their jobs over the past year.[24] Replacing a worker typically costs between six months and nine months of that worker's salary, and high quits rates reduce productivity.[25]

Labor Shortage Demographics. At the beginning of the pandemic, lower-wage workers, women who were caregivers, and older workers with greater health risks were more likely to have lost or dropped out of employment. Those trends have since shifted.

Currently, young workers (ages 20 to 24)[26] account for the largest employment decline. While total employment is down by 440,000 (–0.28 percent) since February 2020, employment for individuals ages 20 to 24 is down by 536,000 (–3.8 percent).[27] Meanwhile, employment for teens (ages 16 to 19) is up by 174,000 (+3.2 percent), employment among workers ages 25 through 54 is up by 386,000 (+0.38 percent), and employment for people ages 55 and older is down by 470,000 (–1.2 percent).[28]

One possible reason for the decline in employment among 20- to 24-year-olds could be that more of them are attending college, but according to the National Student Clearinghouse Research Center, college enrollment fell by 5 percent in 2020, and by another 3.2 percent in 2021.[29]

Labor Shortage Causes and Impacts

The pandemic itself is not weighing significantly on employment. Rather, many of the government policies enacted in response to the pandemic have reduced workers' willingness and capacity to work.

Welfare-Without-Work Policies. Various government programs and policies enacted in response to COVID-19 have made it easier for people not to work. A recent National Bureau of Economic Research study found that the pandemic unemployment insurance benefits significantly restricted employment.[30] (I also estimate that at least $357 billion went to people who were not unemployed.)[31] Moreover, ongoing expansions in Obamacare,

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[24]U.S. Bureau of Labor Statistics, "Job Openings and Labor Turnover Survey," https://www.bls.gov/jlt/ (accessed June 4, 2022).

[25]Lynchburg Regional SHRM, "Essential Elements of Employee Retention," October 29, 2017, https://lrshrm.shrm.org/blog/2017/10/essential-elements-employee-retention (accessed April 7, 2022).

[26]The seasonally adjusted data reported here are only available for the age group of 55 and older, but not seasonally adjusted data that are broken down into ages 55 through 64, and 65 and older, indicate that the entirety of the employment declines are among individuals ages 65 and older.

[27]U.S. Bureau of Labor Statistics, "Databases, Tables & Calculators by Subject." Note that employment data, which includes demographic such as age, comes from the household survey, which is separate from the establishment survey that contains payroll jobs data.

[28]The seasonally adjusted data reported here are only available for the age group of 55 and older, but not seasonally adjusted data that is broken down into ages 55 through 64, and 65 and older, indicate that the entirety of the employment declines are among individuals ages 65 and older.

[29]National Student Clearinghouse Research Center, "Overview: Spring 2022 Enrollment Estimates," https://nscresearchcenter.org/wp-content/uploads/CTEE_Report_Spring_2022.pdf (accessed June 3, 2022).

[30]Harry J. Holzer, R. Glen Hubbard, and Michael R. Strain, "Did Pandemic Unemployment Benefits Reduce Employment? Evidence from Early State-Level Expirations in June 2021," National Bureau of Economic Research *Working Paper* No. 29575, December 2021, https://www.nber.org/papers/w29575 (accessed February 5, 2022).

[31]Rachel Greszler, "A Warning Against Embedding Problematic Pandemic Unemployment Benefits," Heritage Foundation *Backgrounder* No. 3637, July 13, 2021, https://www.heritage.org/sites/default/files/2021-07/BG3637.pdf.

rental assistance, and a 21 percent increase in food stamps have made it easier not to work.

As evidence of these welfare program effects, a measure called the reservation wage, which is the lowest wage at which individuals will accept a job, surged 26.4 percent between March 2020 and March 2021 for workers earning between $40,197 and $50,825.[32] The reservation wage subsequently declined in the latter half of 2021 when the bonus unemployment insurance benefits ended, but then resurged in March at a level of $50,643. Ongoing welfare benefits, along with the government-spending-spree-induced increase in demand, has almost certainly contributed to this rise in workers' reservation wages.

Vaccine Mandates. Various states, private businesses, and medical facilities began implementing COVID-19 vaccine, or vaccine-and-testing, mandates in the late summer and fall of 2021. The Federal Reserve's October 2021 "Beige Book" noted that vaccine mandates were contributing to high turnover and production slowdowns, and that impending "federal vaccine mandates were expected to exacerbate labor problems."[33] An October 2021 "Vaccine Monitor" survey from the Kaiser Family Foundation reported that 5 percent of adults said they would leave their job if their employer required them to get a vaccine or get tested weekly, and that figure jumped to 9 percent if weekly testing was not an option.[34]

While some vaccine mandates have ended, the federal government's Centers for Medicare and Medicaid Services (CMS) COVID-19 vaccine mandate still applies to roughly 14 million health care workers. This is almost certainly contributing to the outsized shortage of health care workers. Employment growth in health care since vaccine mandates began around September 2021 has been less than half the rate of total employment growth. Had the health care sector experienced the same employment growth as the rest of the economy over the past eight months, there would be 263,000 more health care workers today.[35]

Worker Shortage Driving Up Wages Creates Inflationary Cycle. In response to the workforce shortage, employers have increased compensation. In May 2022, 49 percent of businesses reported that they increased compensation over the prior three months, and 25 percent said they plan to increase compensation over the next three months. Since labor accounts for 60 percent of the cost of goods and services, when employers have to pay workers more to do the same thing, that translates into higher prices for consumers. Despite the fact that the median wage has increased by $3,300 over the past year, the average worker is $1,550 poorer in real terms after accounting for inflation.[36] This is creating an inflationary cycle in which employers have to pay workers more to account for higher inflation, and then they have to increase prices to account for higher wages.

Government Attempts to Restrict Independent Work Limit Labor Force and Hurt Smaller Businesses. Independent

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32 U.S. Federal Reserve, Center for Economic Data, Survey of Consumer Expectations, Job Search Survey, March 2022, available for download at https://www.newyorkfed.org/microeconomics/databank.html (accessed June 4, 2022).

33 U.S. Federal Reserve, "The Beige Book," October 20, 2021, https://www.federalreserve.gov/monetarypolicy/beigebook202110.htm (accessed June 6, 2022).

34 Liz Hamel et al., "KFF COVID-19 Vaccine Monitor: October 2021," Kaiser Family Foundation, October 28, 2021, https://www.kff.org/coronavirus-covid-19/pollfinding/kff-covid-19-vaccine-monitor-october-2021/ (accessed October 31, 2021).

35 U.S. Bureau of Labor Statistics, "Employment, Hours, and Earnings from the Current Employment Statistics Survey," https://www.bls.gov/data/ (accessed June 3, 2022).

36 U.S. Bureau of Labor Statistics, "Real Earnings News Release," May 11, 2022, https://www.bls.gov/news.release/realer.htm (accessed May 13, 2022).

work—which includes contracting, freelancing, gig-work, and self-employment—has become an increasingly popular form of primary work and a new opportunity to earn additional or "on the side" income. Last year, 59 million Americans participated in independent or freelance work.[37]

During the pandemic, it was a lifeline to many, with 12 percent of the entire workforce starting freelancing in 2020. Independent work is growing because people want it. They report greater work-life balance, less stress, and better health, with the same, or higher, incomes.[38] For many people, it is independent work or no work, as more than half of freelancers say they are unable to work for a traditional employer.

Moreover, independent contractors are critical to small businesses that do not have the same scale as larger companies. Businesses with one to four employees use 6.7 contractors on average.[39]

Yet, the Administration and many lawmakers in Congress want to restrict independent work. The reason is that unions do not like independent work, since those workers are harder to organize (and unions are key to liberal politicians' election outcomes). By definition, independent workers choose to be their own bosses—they don't want a union boss speaking for them or imposing rigid schedules and collective compensation schemes on them. Restrictions on independent work will reduce the number of people who can participate in the labor force and limit Americans' income opportunities.

Government Policies: Increasing Construction-Worker Shortages, Driving Up Costs. In addition to the Davis Bacon Act that already drives up federal construction costs by an estimated 9.9 percent, the Administration has imposed significant restrictions on work that receives federal contracting dollars.[40] For example, an executive order and the $1.2 trillion Infrastructure Investment and Jobs Act require federal construction projects to include project labor agreements, which effectively means the work must be done by unionized labor.[41]

Yet, only 13.6 percent of construction workers are unionized.[42] Already, business owners in the construction industry report the highest rates of job openings (with 59 percent having

[37]Adam Ozimek, "Freelance Forward Economists Report," commissioned by Upwork, 2021, https://www.upwork.com/research/freelance-forward-2021#:~:text=Upwork%E2%80%99s%202021%20Freelance%20Forward%20survey%20confirms%20the%20finding,the%20eight%20years%20that%20we%20have%20been%20surveying.?msclkid=af38e75aa94311eca0aa2072597d624b (accessed May 3, 2022).

[38]FreshBooks, "Women in the Independent Workforce—2nd Annual Report, 2019," https://www.freshbooks.com/press/data-research/women-in-the-workforce-2019 (accessed June 6, 2022).

[39]"New Paychex Data Shows Independent Contractor Growth Outpaces Employee Hiring in Small Businesses," PR Newswire, January 9, 2019, https://www.prnewswire.com/news-releases/new-paychex-data-shows-independent-contractor-growth-outpaces-employee-hiring-in-small-businesses-300775712.html (accessed June 5, 2022).

[40]James Sherk, "Repealing the Davis–Bacon Act Would Save Taxpayers $10.9 Billion," Heritage Foundation *Web Memo* No. 3145, February 14, 2011, http://thf_media.s3.amazonaws.com/2011/pdf/wm3145.pdf.

[41]The White House, "Executive Order on Use of Project Labor Agreements For Federal Construction Projects," February 4, 2022, https://www.whitehouse.gov/briefing-room/presidential-actions/2022/02/04/executive-order-on-use-of-project-labor-agreements-for-federal-construction-projects/ (accessed June 5, 2022).

[42]U.S. Bureau of Labor Statistics, Economic News Release, "Table 3. Union Affiliation of Employed Wage and Salary Workers by Occupation and Industry, 2020–2021 Annual Averages" https://www.bls.gov/news.release/union2.t03.htm (accessed June 6, 2022).

openings they are unable to fill).[43] Spending hundreds of billions of dollars on new federal construction projects will drive up construction projects across the country. Restricting the supply of workers on federal contracts to fewer than 14 percent of construction workers who are unionized will result in less work being done at a higher cost for taxpayers. Already, 81 percent of construction firms reported raising prices in April.[44]

Childcare Struggles Not Causing Employment Declines; New Federal Childcare Entitlement Will Drive Up Costs and Limit Access. Multiple economic studies find that childcare is not the cause of employment declines. A study by Jason Furman (former Chair of President Obama's Council of Economic Advisers), Melissa Kearney, and Wilson Powell III found that, "despite the widespread challenges that parents across the country have faced from ongoing school and daycare closures, excess employment declines among parents of young children are not a driver of continuing low employment levels."[45] Claudia Goldin reported in a study that "the real story" is that "employed women…were stressed because they were in the labor force, not because they left."[46] My analysis of unpublished demographic data from the Bureau of Labor Statistics finds that workers with young children make up only 16 percent of the total employment gap today. In fact, women with children have experienced a significantly smaller employment gap of –1.3 percent, compared to the –3.0 percent gap among women without children.[47]

Childcare is expensive and can be difficult to find, but a new federal childcare entitlement would drastically increase childcare costs and restrict the number of providers.[48] Taking money from some people and giving it to others to purchase a more expensive, government-controlled service does not qualify as reducing costs.

It is especially perverse considering that the proposed childcare subsidies would disproportionately benefit high-income parents: A couple making $343,600 in Washington, DC, would receive $30,300 in childcare subsidies for two children, while a couple making $53,000 in Mississippi would receive $17,600, and a couple that chooses to have one parent stay home would receive nothing.[49] Moreover, while the majority of

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[43]News release, "New NFIB Report: Industry-Specific Small Business Economic Trends Survey," National Federation of Independent Business, May 18, 2022, https://www.nfib.com/content/press-release/economy/new-nfib-report-industry-specific-small-business-economic-trends-survey/ (accessed June 4, 2022).

[44]Ibid.

[45]Jason Furman, Melissa Kearney, and Wilson Powell III, "How Much Have Childcare Challenges Slowed the US Jobs Market Recovery?" Peterson Institute for International Economics, May 17, 2021, https://www.piie.com/blogs/realtime-economic-issues-watch/how-much-have-childcare-challenges-slowed-us-jobs-market (accessed June 6, 2022).

[46]Claudia Goldin, "Understanding the Economic Impact of COVID-19 on Women," NBER *Working Paper* No. 29974, April 2022, https://www.nber.org/papers/w29974 (accessed June 6, 2022).

[47]These demographic employment data come from unpublished tabulations from the Current Population Survey of the BLS. According to the BLS, these data are based on a very small number of observations and should be interpreted with extra caution. For further information on the CPS, see U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey: Technical Documentation," http://www.bls.gov/cps/documentation.htm (accessed January 31, 2022).

[48]Casey Mulligan, "Biden Would Make Daycare Even More Expensive," *The Wall Street Journal*, December 9, 2021, https://www.wsj.com/articles/biden-would-make-daycare-even-pricier-child-care-cost-quality-regulation-build-back-better-11639084122 (accessed June 6, 2022).

[49] Rachel Greszler, "Government Childcare Subsidies: Whom Will They Help Most?" Heritage Foundation *Issue Brief* No. 5231, October 20, 2021,

parents who use childcare centers choose faith-based centers, the proposed subsidies specifically exclude faith-based providers.[50]

Education and Skills Gap Overview

It is not just the quantity of labor that is lacking, but also the quality. In 46 of 48 months between 2018 and 2021, small business owners noted labor quality as their single most important problem (bested recently by inflation).[51] Government interventions have distorted the higher education market, driving individuals away from more effective and lower-cost education alternatives as college becomes more expensive and employers report that graduates are often ill-prepared for the workforce.

Education plays a significant role in workers' future productivity. Although one data point is not a trend, labor productivity fell 7.3 percent in the first quarter of 2022—the fastest decline in nearly 75 years.[52] While some temporary factors contributed to this decline, continued low levels of employment and inefficient education will reduce the rate of economic growth, result in smaller real incomes and output, cause greater dependence on government social programs, require higher levels of taxation, and exacerbate America's already precarious fiscal situation.

Education and Skills Gap: Causes and Impacts

Employers have the incentive to educate, or upskill, workers. And colleges and universities should have the incentive to provide valuable and effective education at minimal cost. But government policies are getting in the way. Government subsidies for select higher education institutions drive up costs, distort college's incentives to maximize value, and drive out more effective and lower-cost alternatives. And restrictions on apprenticeship programs prevent more employer-led and industry-led education.

Federal Subsidies for Higher Education Crowd Out More Effective, Lower-Cost Alternatives. The federal government spends over $100 billion per year subsidizing select forms of higher education in the U.S.—namely, accredited colleges and universities. This has primarily served to drive up costs, with in-state tuition and fees at public four-year universities nearly tripling between 1990 and 2020 as federal spending increased more than three-fold.[53] A Federal Reserve Bank of New York study found that each dollar in federally subsidized loans that colleges receive leads to a 60-cent increase in tuition.[54] And tuition itself only accounts for about 40 percent of the total

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https://www.heritage.org/sites/default/files/2021-10/IB5231.pdf.

[50] Linda Smith, Sarah Tracey, and Ben Wolters, "Are Parents' Child Care Preferences Changing? Overview of BPC's Parent Survey," Bipartisan Policy Center, February 24, 2021, https://bipartisanpolicy.org/blog/are-parents-child-care-preferences-changing-overview-of-bpcs-parent-survey/ (accessed June 6, 2022).

[51] Data available for download from: NFIB Research Foundation, http://www.nfib-sbet.org/indicators (accessed June 4, 2022).

[52] U.S. Bureau of Labor Statistics, "Productivity and Costs, First Quarter 2022, Revised," Economic News Release, June 2, 2022, https://www.bls.gov/news.release/prod2.nr0.htm (accessed June 6, 2022).

[53] Jennifer Ma, Matea Pender, and CJ Libassi, "Trends in College Pricing and Student Aid 2020: Published Tuition and Fees Over Time," College Board, 2020, p. 12, https://research.collegeboard.org/pdf/trends-college-pricing-student-aid-2020.pdf (accessed June 6, 2022).

[54] David O. Lucca, Taylor Nadauld, and Karen Shen, "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs" Federal Reserve Bank of New York *Staff Report* No. 733, July 2015, revised February 2017, p. 19, https://www.newyorkfed.org/medialibrary/media/

cost of college. The Urban Institute estimates that, in addition to what students and families paid themselves, taxpayers spent $29,689 per full-time student in 2019, with expenditures ranging from a high of $51,338 per student in Alaska to a low of $23,208 per student in Nevada.[55]

A primary purpose of these subsidies is to increase college access and graduation among lower-income households. Yet, the subsidies have disproportionately benefited upper-income households. In part, that is because college subsidies are not available for students who do not graduate high school. A study by Martha Bailey and Susan Dynarski finds that this explains half of the inequality in college entry.[56] Moreover, Bailey and Dynarski find that, "Even if rates of college entry were miraculously equalized across income groups, existing differences in persistence would still produce large gaps in college completion" because low-income students are less likely to complete college.[57] The share of low-income students entering but not completing college increased from 14 percent in the early 1980s to 20 percent in the early 2000s.

Government subsidies have also distorted the incentives for colleges to provide high-value education and for students to finish their schooling on time.[58] Instructional staff now account for only 40 percent of full-time employees at non-doctoral colleges, and a mere 28 percent at doctoral universities.[59] And fewer than half of students earn a degree in the expected four years, while only three in five earn a degree in six years.[60]

Enormous federal subsidies for higher education divert students and resources away from more effective education alternatives that could otherwise be flourishing. The Flatiron School and other bootcamp-style programs are teaching a growing number of people, many of whom have no technical background, the skills they need to succeed in high-demand jobs, such as data scientist, software engineer, and cybersecurity engineer, in only 15 weeks.[61] Many of these programs offer the option of an income-share agreement (ISA) where the programs have a direct financial stake in student achievement by allowing students to defer paying tuition up front and instead pay a small percentage of their post-graduation salary for a fixed amount of time upon graduation.[62] Under ISAs, Flatiron and its

research/staff_reports/sr733.pdf (accessed June 6, 2022).

55 Urban Institute, "State and Local Backgrounders: Higher Education Expenditures," https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/higher-education-expenditures (accessed April 7, 2022).

56 Martha J. Bailey and Susan M. Dynarski, "Gains and Gaps: Changing Inequality in U.S. College Entry and Completion," NBER *Working Paper* No. 17633, December 2011, https://www.nber.org/system/files/working_papers/w17633/w17633.pdf (accessed May 24, 2022).

57 Ibid.

58 Bryan Caplan, *The Case Against Education: Why the Education System Is a Waste of Time and Money* (Princeton, NJ: Princeton University Press, 2018).

59 Preston Cooper, "Why College Is Too Expensive—and How Competition Can Fix It," The Foundation for Research on Equal Opportunity, March 5, 2021, https://freopp.org/why-college-is-too-expensive-and-how-competition-can-fix-it-cb2eb901521b (accessed May 13, 2022).

60 National Center for Education Statistics, *Digest of Education Statistics, 2021*, Table 326.10, "Graduation rate from…" https://nces.ed.gov/programs/digest/d21/tables/dt21_326.10.asp (accessed April 7, 2022).

61 Flatiron School, https://flatironschool.com/ (accessed April 11, 2022).

62 Liz Eggleston, "All About ISAs: Income Share Agreements and Deferred Tuition at Coding Bootcamps," Course Report, updated March 30, 2022, https://www.coursereport.com/blog/deferred-tuition-and-isas-at-coding-bootcamps (accessed April 7, 2022).

competitors only get paid if their students land a good job upon graduation, and they earn more when their students earn more.[63] These programs have a direct incentive to teach students skills that are highly valued in the labor market, as opposed to the government spending tens of thousands of dollars per university student whether he or she studies engineering, art history, or gender studies.

Employers Report: Higher Education Not Adequately Preparing Workers, So They Are Stepping Up. Even prior to the pandemic, employers were already investing in their labor force in alternative ways. In addition to providing an estimated $90 billion per year for education and training, some employers have started programs to educate workers from the ground up, often replacing the need for higher education.

Employers are doing this because, as Apple CEO Tim Cook has noted, colleges typically do not teach the skills that businesses need most.[64] Employers, on the other hand, are typically more adept at providing timely and practical education to meet their needs. For example, tech companies are creating their own certification programs and curricula based on skills not degrees, such as Google Career Certificates, Amazon Technical Academy, and IBM's multiple training programs.[65] Bank of America launched a Pathways Program in 2018, and Mazda tackled a skills gap by educating thousands of new workers at its Alabama manufacturing plant.[66]

Walmart recently launched an education and training program—Live Better U (LBU)—with a $1 billion investment over the next five years. Lorrain Stomski, a senior vice president at Walmart explained: "Think about how COVID has just accelerated the digital transformation for all companies. That produces new jobs, new roles. So, we have to upskill our associates." LBU is tuition free and provides many programs—ranging from foundational programs like English as a Second Language and High School Diplomas to short programs like project management, to degree programs in business, health, and technology, and college credits. The result has been tens of thousands of participants learning valuable skills that have translated into more promotions and pay raises, while the company has benefitted from reduced absenteeism and participants being less likely to leave the company.

Government Monopoly on Apprenticeships Stifling Paid Education Opportunities. For roughly 80 years, the government's Registered Apprenticeship Program (RAP)—which requires conforming to government standards and includes federal funding, tax credits, and other federal resources—has dominated apprenticeship programs in the U.S. While this

[63] Mary Clare Amselem, "Income Share Agreements Have the Potential to Revolutionize College Financing," Heritage Foundation *Issue Brief* No. 4910, October 19, 2018, https://www.heritage.org/education/report/income-share-agreements-have-the-potential-revolutionize-college-financing.

[64] Nate Swanner, "Apple CEO Reminds Us Tech Degrees Aren't Delivering Necessary Skills," Dice Insights, March 11, 2019, https://insights.dice.com/2019/03/11/tech-degrees-delivering-skills/ (accessed April 5, 2022).

[65] Amazon, "Amazon Helps Employees Become Software Engineers in 9 Months," updated February 2, 2022, https://www.aboutamazon.com/news/workplace/amazon-helps-employees-become-software-engineers-in-9-months (accessed March 2, 2022), and Sonia Malik, "Start on the Path to Lifelong Learning and Employability with IBM," IBM Training and Skills Blog, June 1, 2021, https://www.ibm.com/blogs/ibm-training/start-on-the-path-to-lifelong-learning-and-employability-with-ibm/ (accessed April 11, 2022).

[66] Bank of America, "Career Development," https://careers.bankofamerica.com/en-us/join-us/career-development (accessed April 5, 2022), and TRANSFRVR, "Training the Next Generation of Workforce at Mazda Toyota Manufacturing," https://resources.transfrvr.com/training-the-next-generation-of-workforce-at-mazda-toyota-manufacturing (accessed April 5, 2022).

model has been successful in some occupations, it has failed to meet the changing workforce needs as it is concentrated in only a few industries. A report by Isabel Soto at the American Action Forum notes that while the health care sector accounts for six of 10 of the most rapidly growing occupations, health care apprenticeships only make up 2.5 percent of RAPs.[67] Moreover, while women make up 47 percent of the labor force, they account for only 9 percent of all active federal apprenticeships.[68]

To help to expand apprenticeship programs and better align them with industry needs, the Trump Administration created a new Industry-Recognized Apprenticeship Program (IRAP). IRAPs created an easier process for developing apprenticeship programs, built on more employer involvement, with a goal of reaching more workers in high-demand industries. Even without access to the federal funding that is available to traditional RAPs, more than 130 IRAPs were created (along with 27 Standards Recognition Entities to recognize and oversee them).[69] Most IRAPs were focused on developing workers for the nursing profession, which faced shortages that have since been exacerbated by the pandemic.

Yet, the Biden Administration rescinded the Trump Administration's executive order that expanded apprenticeship programs and directed the Department of Labor to reverse "industry recognized apprenticeship programs (IRAPs) which threaten to undermine registered apprenticeship programs."[70]

Yet, organizations across the political spectrum have noted the failure of RAPs to meet workforce demands, particularly due to their overly bureaucratic and burdensome nature. A 2021 Brookings Institution report noted that registered apprenticeships are concentrated in legacy and historically male trades, and fail to meet growing demands in the health care and technology industries. The report noted the overly onerous process for employers to establish apprenticeship programs, concluding that "[a] robust apprenticeship system has the potential to increase earnings and reduce occupational segregation in the labor market."[71]

Federal Job Training Programs Have Been Failures. The federal government spends billions of dollars each year on job-training programs that fail to provide workers with education and experience that helps them to find and retain jobs. Even a gold-standard evaluation of the federal government's Workforce Investment Act, which is supposed to provide training for in-demand services, found that only 32 percent of participants found occupations in their area of training and the majority—57 percent—did not believe that

[67] Isabel Soto, "Industry Recognized Apprenticeship Programs and the Biden Administration," American Action Forum, April 6, 2021, https://www.americanactionforum.org/insight/industry-recognized-apprenticeship-programs-and-the-biden-administration/ (accessed April 5, 2022).
[68] Ibid.
[69] Ibid.
[70] The White House, "Fact Sheet: Biden Administration to Take Steps to Bolster Registered Apprenticeships," February 17, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/02/17/fact-sheet-biden-administration-to-take-steps-to-bolster-registered-apprenticeships/ (accessed April 8, 2021).
[71] Annelies Goger and Chenoah Sinclair, "Apprenticeships Are an Overlooked Solution for Creating More Access to Quality Jobs," Brookings Institution blog, January 27, 2021, https://www.brookings.edu/blog/the-avenue/2021/01/27/apprenticeships-are-an-overlooked-solution-for-creating-more-access-to-quality-jobs/#:~:text=Apprenticeships%2C%20which%20combine%20on-the,%2C%20and%20problem-solving%20skills (accessed April 7, 2022).

their training helped them to find employment.[72]

Moreover, individuals receiving the full workforce training were less likely to obtain health insurance or pension benefits, their households earned several thousand dollars less, and they were more likely to be on food stamps than participants who received minimal services. The National Job Corps Study (an evaluation of the federal government's primary youth job-training program) found that a federal taxpayer investment of $25,000 per Job Corps participant resulted in participants being less likely to earn a high school diploma, no more likely to attend or complete college, and earning only $22 more per week.[73]

It is not surprising that federal job-training programs are out of touch with the needs of employers in high-demand occupations, because politicians and bureaucrats can never know businesses' needs better than employers themselves.

Solutions for Small Businesses

To help reduce inflation, encourage more people to pursue their productive capabilities, and enable more efficient education and training, policymakers should:

Reduce Government Spending. The federal government spent 45 percent more in both 2020 and 2021 than it did in 2019, all of which was financed by adding to the federal debt.[74] The sooner Congress acts to reduce spending—most notably ending recent expansions and enacting entitlement reforms—the sooner consumers and small business owners will stop experiencing declining real incomes.

Reduce, Instead of Increase, Regulations that already impose an estimated $2 trillion in costs on the private sector, and which disproportionately hurt small businesses and start-ups.[75]

Eliminate Tariffs. Congress could immediately reduce prices by eliminating tariffs on imports of steel and aluminum; manufactured goods like cars, trucks, and parts; washing machines; and chassis used in transportation.[76]

Prevent Tax Increases. When employees and employers can keep more of what they earn, they will work more and put those higher incomes toward productive activities.[77]

[72]Sheena McConnell et al., "Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs," Mathematica, May 30, 2016, https://mathematica.org/publications/providing-public-workforce-services-to-job-seekers-15-month-impactfindings-on-the-wia-adult (accessed April 4, 2022).

[73]David B. Muhlhausen, "Job Corps: An Unfailing Record of Failure," Heritage Foundation *WebMemo* No. 2423, May 5, 2009, https://www.heritage.org/jobsand-labor/report/job-corps-unfailing-record-failure.

[74]Joel Griffith, "Three Things Congress Can Do To Get Serious On Inflation," Heritage Foundation *Commentary,* May 16, 2022, https://www.heritage.org/budget-and-spending/commentary/three-things-congress-can-do-get-serious-inflation.

[75]W. Mark Crain and Nicole V. Crain, "The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business," National Association of Manufacturers, September 10, 2014, https://www.nam.org/wp-content/uploads/2019/05/Federal-Regulation-Full-Study.pdf (accessed February 28, 2022).

[76]Daren Bakst and Peter St. Onge, "Inflation: Policymakers Should Stop Driving It and Start Fighting It," Heritage Foundation *Special Report* No. 252, January 20, 2022, https://www.heritage.org/sites/default/files/2022-02/SR252.pdf.

[77]Adam N. Michel, "The Tax Cuts and Jobs Act: 12 Myths Debunked," Heritage Foundation *Backgrounder* No. 3600, March 23, 2021, https://www.heritage.org/taxes/report/the-tax-cuts-and-jobs-act-12-myths-debunked.

Enable Greater Natural Wage Increases. Policymakers should eliminate double taxes on investments that boost productivity and wages.[78]

Make Welfare Work Better Through Work-Oriented Programs. The goal of welfare programs should be to help people achieve independence and to break intergenerational cycles of poverty, including ending COVID-19 welfare expansions and including work requirements.

Protect Independent Work. Congress should clarify the test for independent contractor status under the Fair Labor Standards Act, the National Labor Relations Act, and the tax code based on the "common law" test that determines how much control an employer exerts over a worker. This would particularly benefit small businesses, which disproportionately rely on contractors, and individuals who need or want more flexible and autonomous work.

Eliminate Social Security's Retirement Earnings Test. Social Security's misunderstood earnings test is perceived by workers as a 50 percent tax on their earnings, which causes people to work less, and thus earn less, than they otherwise would. Policymakers should end this paternalistic and economically detrimental policy so that older Americans are not discouraged from working and earning more.

Protect the Franchising Pathway to Entrepreneurship. Congress should codify in law the longstanding precedent, and practical reality, that an individual's employer is the one who hires, oversees, and pays her: the franchise owner.

Prioritize Workers' Choices About Unionization. Congress should prioritize workers' choices and respect unions' resources by simultaneously getting rid of forced unionization laws and "exclusive representation" laws (which require unions to represent non-union workers) so that workers do not have to pay for representation they do not want, and unions do not have to use their resources to represent workers who do not pay union dues.

Repeal the Davis–Bacon Act and End Project Labor Agreement Requirements in Repeal Laws Requiring Inflated Federal Construction Costs. To reduce taxpayers' costs and prevent further construction price increases in the private sector, Congress should repeal the Davis–Bacon Act[79] and repeal Project Labor Agreement requirements in federal construction projects.

Expand Accessible, Affordable Childcare. Congress should allow parents to use federal childcare subsidies and Head Start funds at a provider of their choice.[80]

Remove Barriers to Work and Flexibility. Congress should enact the Working Families Flexibility Act so that lower-wage workers can choose to accrue paid time off, and also remove an unintentional barrier in the Fair Labor

[78] Jamie Bryan Hall and Mary Clare Amselem, "Time to Reform Higher Education Financing and Accreditation," Heritage Foundation *Issue Brief* No. 4668, March 28, 2017, https://www.heritage.org/education/report/time-reform-higher-education-financing-and-accreditation.

[79] Rachel Greszler, "Why Congress Must 'Cancel' the Davis–Bacon Act," *The Washington Times*, April 5, 2021, https://www.washingtontimes.com/news/2021/apr/5/why-congress-must-cancel-the-davis-bacon-act/ (accessed January 10, 2022).

[80] Rachel Greszler and Lindsey M. Burke, "Rethinking Early Childhood Education and Childcare in the COVID-19 Era," Heritage Foundation *Backgrounder* No. 3533, September 30, 2020, https://www.heritage.org/sites/default/files/2020-09/BG3533.pdf.

Standards Act that makes it harder for businesses to offer child care benefits.[81]

Abandon Federal Vaccine Mandates. Since COVID-19 vaccine mandates began, health care employment growth has lagged behind total employment growth by 263,000 workers. The federal government should abandon the CMS mandate and allow health care providers to set their own vaccination policies, based on the simultaneous goals of providing safe environments and ensuring access to quality care.

Replace Failed Federal Job-Training Programs with More Effective Private and State or Local Programs. The federal government has a terrible track record on job-training programs. Instead of wasting taxpayer dollars and workers' time on failed federal job-training programs, policymakers should allow workers to benefit from more effective employer-provided programs. [82]

Phase Out Federal Subsidies for Higher Education to Unleash More Effective, Lower-Cost Alternatives. Federal subsidies for higher education inflate total costs, drive up tuition, suppress more effective education alternatives, and have failed to expand lower-income Americans' share of college graduates. The U.S. Department of Education should stop adding gasoline to the fire and allow private financial institutions to pick up any gap in new loans and financial aid.

Prohibit Blanket Student Loan "Forgiveness." Congress should immediately prohibit the Biden Administration's pending proposal for blanket student-loan forgiveness, which would be inflationary, morally hazardous, regressive, and tip the scales away from more effective education alternatives.

Expand Apprenticeship Programs by Ending the Government Monopoly. A 2017 study by Harvard Business School and Burning Glass Technologies estimated that the number of occupations commonly filled through apprenticeships could nearly triple (from 27 to 74), that the number of job openings filled through apprenticeships could expand eight-fold (to 3.2 million), and that the occupations ripe for apprenticeship expansion could offer 20 percent higher wages than traditional apprenticeship occupations.[83]

The Training America's Workforce Act would end the government monopoly on Registered Apprenticeships by directing the U.S. Department of Labor (DOL) to revive IRAPs so that DOL-approved entities, such as trade

[81] Under the Fair Labor Standards Act (FLSA), employers who provide any kind of onsite childcare or childcare subsidies must include the value of those benefits in employees' "regular rate" of pay calculations. This complicates and increases costs when workers who receive hourly wages work overtime because, instead of just paying the worker 1.5 times the wage, employers have to add on 1.5 times the hourly value of any childcare subsidy, even though those subsidies are usually fixed benefits. Policymakers should exclude childcare benefits from the "regular rate" of pay calculations, just as the law already excludes similar benefits, such as retirement contributions, and accident, health, and life insurance benefits. This would particularly benefit lower-income to middle-income workers who are more likely to receive hourly wages.

[82] In the case of federal job-training programs used as part of work requirements in means-tested aid programs, such as TANF, food stamps, and housing, a pay-for-outcomes model should be applied. See Leslie Ford and Robert Rector, "Pay-for-Outcomes: Transforming Federal Social Programs to Expand Individual Well-Being," Heritage Foundation *Backgrounder* No. 3550, November 5, 2020, https://www.heritage.org/sites/default/files/2020-11/BG3550.pdf.

[83] Joseph B. Fuller and Matthew Sigelman, "Room to Grow: Identifying New Frontiers for Apprenticeships," Harvard Business School and Burning Glass Technologies, November 2017, https://www.hbs.edu/managing-the-future-of-work/Documents/room-to-grow.pdf (accessed April 7, 2022).

associations and educational institutions, could recognize and oversee apprenticeship programs.[84]

Summary

The U.S. is experiencing a labor shortage unlike any before in U.S. history. Despite high demand for goods and services, small businesses are struggling with high inflation and a lower quantity and quality of workers than they need.

The federal government bears primary responsibility for many of these struggles, as it has fueled inflation, discouraged work, and continues to distort the higher education market. Government solutions should be to remove problematic government policies and practices, instead of doubling down with even more federal spending, more regulation, and new government programs.

To reduce inflation, federal policymakers should immediately reduce federal spending and reform entitlement programs, eliminate needless regulations, and stop fueling higher housing costs.

Policymakers should remove barriers that are contributing to the nationwide labor shortage, such as welfare-without-work programs, vaccine mandates, excessive labor regulations, and restrictions on individuals' ability to work in the ways that work best for them.

And, to address the growing skills and education gap, policymakers should phase out federal interventions in higher education, end the government's monopoly on apprenticeship programs, and replace federal job-training programs with employer-driven programs.

[84]News release, "Thune, Scott Introduce Legislation to Combat Workforce Challenges," John Thune, U.S. Senator for South Dakota, March 7, 2022, https://www.thune.senate.gov/public/index.cfm/press-releases?ID=EC0FC336-7A34-4B44-BE1E-8D987CA1E7FD (accessed April 7, 2022).