Wharton Magazine - The Wharton School of the University of Pennsylvania

AT THE CENTER OF THE STORM

Posted January 1st, 2011

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Betsey Stevenson made her name studying 'happiness.' Now she's working to tackle the misery of unemployment.

By Kelly Andrews

Dennis Drenner

"The United States is a bit of an outlier. We've gotten richer over the past four decades, but we haven't gotten any happier."

Betsey Stevenson has made a name for herself in the world of economics as an expert on issues of "happiness."

So how in the world did she end up at the U.S. Department of Labor, serving the Obama administration as that department's Chief Economist?

It may seem an odd fit, but Stevenson, an Assistant Professor of Business and Public Policy, sees the progression as a natural one. As she explained, economists, like the U.S. government, are interested in the well-being and happiness of the public. In this new role, Stevenson will actually have the opportunity to influence that happiness.

As Chief Economist, Stevenson will inform policies on unemployment insurance, job creation, job training and readiness, the minimum wage and retirement security. And she's taking on the role at an especially crucial and challenging time.

But the center of the storm is where Stevenson wants to be. At the end of October, she answered a few questions for *Wharton Magazine*.

The challenges the Department of Labor faces now are daunting. Why is this the time for this particular career move?

This is an historic time to be a policymaker working on employment issues. It's an historically bad time for workers, with unemployment hovering near 10 percent, but this makes it the most important time I could ever work fashioning labor market policy. I truly hope that in my lifetime, this is the worst labor market the United States faces.

The policies that we implement in response to this—or that we don't implement—will shape the labor market for several decades to come. Recessions don't just come and go. They leave a lasting legacy. The response of the labor market will guide the research agenda of my generation of labor economists for several decades to come.

Your research has confirmed that life satisfaction in America itself has been stagnating for decades, despite increases to personal wealth, which is usually correlated to happiness. Why?

What we see in the research is that richer countries are happier countries. When we look across time we see that as countries like Japan or many in Europe have gotten richer, their citizens have gotten happier. But here, the United States is a bit of an outlier—we've gotten richer over the past four decades, but we haven't gotten any happier. So we're left wondering why we're not getting happier.

I can offer some possible explanations. If you look over this period of time from the 1970s to today, you see Gross Domestic Product increasing. But most of these gains have gone to very few people. The income held by the top one percent has more than doubled and the income going to the top five percent has also increased. As a result, a third of all income in the United States goes to the top five percent.

So what we've seen are rising incomes for the rich, but not a lot of improvements in the middle. The improvements that have happened in the middle have been driven by women's increasingly equal role in the labor market. The typical man in the United States hasn't actually seen his real income rise. And some of the rise in household income has come from women working longer hours in the market instead of working those hours unpaid in the home. So it is worth asking just how much happier the typical family should have gotten from the income gains that have accrued in the United States over the past several decades. My research suggests that we should have gotten happier, but not by very much. If we can produce broader income gains, then it is likely that average happiness in the United States will rise.

You've spent a lot of time in your career researching marriage, divorce and families. So how does that work relate to what you're doing now in the Department of Labor?

A lot of my research on families has been focused on understanding women's changing roles in the labor force. Of course at the Department of Labor I'm thinking about everyone's participation in the labor force—Secretary [Hilda]

Solis's goal of "good jobs for everyone." But within this goal is an understanding that work/family balance is important for helping families have good, sustainable jobs.

What I've seen in my research is that moms and dads are playing more equal roles in terms of taking care of their kids. That has contributed to moms being able to participate in the labor force, but equally, moms' growing value in the labor force has pushed families into more equal sharing of household work. This shift means that employers need to realize that all parents need the ability to leave to take a kid to a doctor's appointment or pick a kid up from day care on time. The division we used to have in traditional 1950s-style households meant that historically employers didn't have to worry about letting male employees take time for family responsibilities, but those days have come to an end. Employers need to give families the flexibility to fill all of their roles.

As the economic recovery begins, many individuals remain among the long-term unemployed. What do you make of the argument that the long-term, structural level of unemployment has increased because of the economic crisis?

There's not a lot of evidence that the problem is structural. Structural unemployment is when we have plenty of available jobs, but employers can't find suitable workers to fill them. With structural unemployment firms are unhappy because they can't find workers, and workers are unhappy because they can't find jobs. Right now we just don't have that problem. When jobs open up, there are many workers ready and able to fill most of them. Today's problem is simpler: there simply aren't enough jobs.

There's been concern because we've seen the number of job vacancies rise, but this hasn't caused a corresponding fall in unemployment. This is a pattern that often occurs at the beginning of a recovery. Perhaps employers become overwhelmed with the number of people applying for a job opening, and so they're slower in filling those positions. But that would be a temporary problem, while structural unemployment is an entrenched problem.

There are always jobs that are harder to fill because the labor market is a dynamic, moving thing. The health care sector is growing, for example. It grew throughout the entire recession and it will continue to grow, while construction has declined. We are continually shifting our needs as a society and thus some sectors grow, while others contract. But we haven't seen an acceleration of the pace of this change.

Some people worry that these changing needs create a mismatch between the skills that workers have and the skills that employers need. But if we were experiencing this kind of structural problem, you would hear that while folks in "cold" sectors couldn't find work, those in "hot" sectors are beating down job offers. The lucky few with the right skills would have recruiters calling them nonstop, saying they have the skills they need, offering them more money and better jobs to come work with them instead of the guy they're currently working for. But we don't see this—there aren't any occupations that are really hot right now.

In time the recovery will gain strength, and we need to be prepared, and in particular to make sure that the unemployed aren't simply left behind. Here at the Department of Labor we spend time and energy training people so that when jobs become available, they're prepared to take them. But right now, a lack of training is not the fundamental problem; rather it's simply a shortage of jobs.

How difficult is the transition from a research and teaching environment to the head of a large, policy-influencing government department? Why did you decide that this was the right step right now?

The point of doing research is to inform the public and to shape public policy. Having economists go between doing in-depth, focused academic research and trying to implement and communicate that research in Washington helps ensure that our research is relevant to the policy debate. On a personal note, I have no doubt that this experience will make me a better economist. In research we tend to have a very narrow lens as we attempt to answer very specific questions with reams of data and hundreds of hours of careful study. When you come into a position like this, you must widen your lens enormously. I need to understand the scope of all the policy problems that affect the labor market from both a microeconomic and macroeconomic perspective. I also need to be able to step back and think about the legal environment in which the labor market operates.

Putting my economist hat back on, this is a terrific opportunity to work with some of the best data on labor markets in the world. I have the same access to data sets generated by the Bureau of Labor Statistics that I've worked with throughout my career, but I have better access to people who can help me understand it and who work with me to use it to its fullest capacity. It's a real luxury to get the opportunity to know labor market data better and to participate in potentially improving them.

In sum, this experience is going to have an enormous impact on the shape of my research. When I look at academics who have spent time in government, what they then go on to achieve in their research careers is astounding. I can only hope my research impact will be as effective as the people I am following here.

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