

Assist Displaced Workers

By Steve Charnovitz

OUR national debate over the North American Free Trade Agreement (NAFTA) is beginning to resemble the economic dispute of the 1890s between the partisans of silver and gold. The coalitions cross party and ideological lines. Pamphleteering is heavy. Neither side recognizes that the other may be partially right.

NAFTA is the first free-trade agreement between a wealthy and a middle-income country. So it is understandable why unions are worried that ensuing trade and investment will exacerbate unemployment and suppress American wages. Whether justified or not, these worries cannot easily be erased. But the pro-NAFTA forces can reduce the intensity of the fears by guaranteeing assistance to displaced workers.

If the numerous House members sitting on the fence are going to support NAFTA, they need a better reason other than that more people will gain from free trade than will lose. Those who assert that winners outnumber losers will be confronted by audiences asking where exactly the new jobs will be.

So far, the Clinton administration's response has been a bit theological. The US trade representative recently issued a color pamphlet about NAFTA, suggesting that "a substantial part" of the job loss is "likely to be absorbed by attrition through voluntary retirement or resignation."

Encouraging workers to accept economic change will require a more hands-on approach. The administration needs to formulate a comprehensive program of assistance for displaced workers. Had the administration started such a program Jan. 20, it could have been a reality by the time of the NAFTA vote.

Last year President Bush (in a reversal of previous policy) proposed an expanded program of \$2 billion per year in worker aid. In response, Governor Clinton characterized this initiative as "too little too late." Instead, he

advocated "trade adjustment assistance that includes training, health-care benefits and income support, and assistance to communities to create jobs." So far, little has been done to effectuate this commitment.

Trade-adjustment assistance began in the Kennedy administration and has been reformed several times since. Yet, this program has been a dismal failure. Thus, there is an urgent need to reinvent the government's approach to worker adjustment.

In recent weeks, the Clinton administration has pointed to the 150 different federal manpower programs as the culprit. But this confuses a symptom with its cause. The special programs were created because the general programs were deemed inadequate. Thus, while program consolidation might be a useful step, it won't be enough. One must get to the root of the problem - the outmoded "command and control" delivery system for retraining programs.

One idea is to bypass the cumbersome bureaucracy by providing displaced workers with a training voucher that could be used for classroom training or given to employers for on-the-job training. This proposal empowers workers, but it also makes them more responsible for their own retraining decisions.

Proposals for greater training inevitably lead to the question: training for what? Labor Secretary Robert Reich has opined that it would be "cruel" to train workers when there are no jobs. But the absence of a dirigistic labor market is no reason for inaction. Many displaced workers could benefit from more English, math, and computer training.

Enacting a new worker-adjustment program may soften the AFL-CIO a bit, but it won't change their opposition to NAFTA. The political pay-off for an effective adjustment program can only be long-range. Combining freer trade, more training, and greater investment provides the best opportunity for creating new jobs.

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