

EDITORIAL/OPINION

Reinventing Worker Retraining

By STEVE CHARNOVITZ

After months in gestation, a federal retraining reform may soon be delivered. "I intend to ask Congress to literally revolutionize the unemployment and the training system in this country," President Clinton has promised.

There's no doubt that improvements are needed. But the administration's signals betray a misunderstanding of the problem.

The architect of the initiative, Labor Secretary Robert Reich, describes the problem as follows: "For over 50 years we've had an unemployment insurance system premised on the notion that what workers needed most was some income assistance during economic downturns until they got their jobs back in the same company or industry."

Now, the administration says, that's no longer the case; many jobs are gone for good. What workers need now, they say, is a "re-employment system" that will give them "the security of knowing that they'll always be able to get the training they need as economic conditions change."

In fact, though, the government has been supporting a re-employment system for six decades. To be sure, these programs have often been ineffective. But it is misleading to imply that the problem of dislocated workers is a new one or that the concept of a "re-employment" system would be revolutionary.

The unemployment system began in the 1930s with the Wagner-Peyser Act, which spawned several new institutions, including, for a few years, the National Reemployment Service.

In the the law creating unemployment insurance in 1935, Congress required that these benefits be delivered through public employment offices. This was the origin of the "one stop shopping" concept in the delivery of social services.

After World War II, the employment service began to provide more retraining for workers displaced by automation. These efforts were significantly expanded after the Manpower Development and Training Act of 1962, which noted that the

skills of many persons "have been rendered obsolete" by changes in the economy.

It is almost certainly true that this problem is worsening. The proportion of job losers identifying themselves as being on temporary layoff has fallen from 32% in 1969-1973 to 27% in 1989-1993.

But it is one thing to say the problem is getting worse, and quite another to say the United States suffers from a new problem. While there are troublesome signs, we are not entering uncharted territory.

Why does it matter that the administration is ignoring the past? In part, it's because if policy doctors misdiagnose the ailment they may propose the wrong cure. Furthermore, there is much to learn from efforts to help dislocated workers in the past.

What are some of the lessons from the past? One is that the employment service has suffered from too much reorganization. For example, the close link between job-matching and unemployment insurance was broken years ago in order to encourage employers to use the employment service for recruitment. It was thought that unemployment insurance claimants were not upscale enough.

Another lesson is that retraining

costs money. Although there have been a succession of programs to serve dislocated workers, none of these programs had sufficient money for mid-career training.

A third lesson is that the federal government has been a faithless partner to the states. The key national role — such as clear policy direction, research on the best techniques and outside evaluation — have been carried out very badly. It may be time to rethink the whole relationship.

President Clinton has called the unemployment system "a joke for the economy we're facing today." Maybe so. But it's not clear the administration's reforms will do any better.

Rather than adopt the organizational changes suggested by the Labor Department, such as consolidating a raft of ineffective programs, the administration should reinvent the three relationships that underlie the system: federal-state, worker-government and government-employer links. The government must start treating states like democracies, workers like adults and employers like schools.

The most relevant change in the past 30 years is not the growing duration of layoffs but rather the improving quality of state govern-

ments. The strong federal role in employment programs that made sense in 1935 no longer does. Many federal programs can be decentralized to state governments.

The difficulty with trying to fine-tune the existing model is that all of the incentives are wrong. Right now, Congress raises the money and the states spend it. Congress is perennially unhappy with the quality of the programs and the states are perennially unhappy with the sufficiency of their funding.

The present system is one of mutual lack of accountability. State governors aren't accountable for poor training because these are, after all, "federal" programs. Real reform would make the states responsible for their own results.

Second, the system should inculcate more responsibility in workers to upgrade their skills. Workers must recognize the sad truth: The government does not know where the jobs of the future will be. Governments should spend more for retraining, but workers should be asked to pay a share of these costs. This will increase the likelihood that workers will fully engage themselves in the retraining.

Third, the nation must find ways to expand the role of employers in training displaced workers. Ideally, growing industries would carry out much more retraining.

One approach to this problem would be to offer a payroll tax credit to an employer who hires a displaced worker, retrains him and then loses him to competitors within a set time period. Another approach is to allow training vouchers to be used for on-the-job training.

The recent debate over the North American Free Trade Agreement underlines the need for better worker adjustment programs. Unlike some of his predecessors, Mr. Clinton sees the problem and wants to fix it. He should take care that his administration does not reinvent the wheel, or worse, roll it in the wrong direction.

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