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## DESIGNING EMPLOYMENT AND TRAINING POLICIES FOR TOMORROW'S WORLD

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### I. INTRODUCTION

Tell story about moose hunting in Canada

### II. SOME CHARACTERISTICS OF TOMORROW'S WORLD

As outlined in the Labor Department's Project 2000 Report (**Workforce 2000: Work and Workers for The 21st Century**) the last years of this century are certain to bring new developments in technology, International competition, demographics, and other factors that will alter the nation's economic and social landscape. The four key trends identified are:

1. The economy should grow at relatively healthy pace.
2. Despite Its international comeback, U.S. manufacturing will be a much smaller share of the economy In the year 2000 than it is today. Service Jobs will create all of thtt new Jobs, and most of the new wealth.
3. The workforce will grow slowly, becoming older, more female, and more disadvantaged. Only 15 percent of the new entrants to the labor force over the nex t 13 years wi ll be n. t i v e wh i t e males, compared to 47 percent in that category today.
4. The new Jobs in service industries will demand much higher skill levels than the Jobs of today. Very hw Jobs will be created for those who cannot read, follow directions, and us. mathematics.
5. The demographic trends in the workforce, coupled with the higher skill requirements of the economy, will lead to higher unemployment among the least-skilled and lower unemployment among the most educationally advantaged.

The Challenges posed by these changes are many:

1. Because w. live In an interdependent global economy, we must work to achieve balanced world growth.
2. Prosperity will depend more on productivity improvements in service industries, i.e., h.alth care, education, retail ing, government and business services rather than gains in manufacturing.
3. As the average age of the workforce rises toward 40, the nation must insure that its workforce and its institutions do not lose their adaptability and willingness to learn.
4. Because of the dramatic increase In the number of working women and mothers with young children, society must modify current policies and institutions covering pay, fringe benefits, work sharing, child care and other issues to accommodate these changes.
5. The changing demographics and technological changes will place greater demand on preparing

disadvantaged and minorities for employment if we are to have real equality of employment opportunity.

6. As the economy grows more complex and more dependent on human capital, the education and training system must be improved to better prepare all workers.

### **III. A CLOSER LOOK AT THE HUMAN RESOURCES AVAILABLE**

With that overview, let's take a closer look at the training issues facing America in Tomorrow's World:

The good news:

- ⇒ 3/4ths of today's workers are high school graduates—up from 1/2 in the 1960s
- ⇒ a greater proportion of today's young people are attending higher education institutions. The percentage of non-white collar workers with one or more years of college education doubled during the 1970s
- ⇒ American workers are adaptable to new technology, social and technological change—
- ⇒ overall, American workers produce more goods and services per hour than workers in Japan, West Germany or our other competitors

The bad news:

- ⇒ One in five adults is functionally illiterate. The problem is growing by 2.3 million a year. Many of the illiterates are high school graduates.
- ⇒ One in ten is impaired by drug and alcohol abuse
- ⇒ A generation of youth, particularly minority youth, has never had a job
- ⇒ Two out of three entrants to the labor force for the next several decades will be women and minorities, many from disadvantaged backgrounds. Basic skills deficiencies are most acute among these population groups
- ⇒ Since 1979, 2 million workers have been dislocated from their jobs every year. One third of dislocated workers have a high school diploma; another third have diplomas but are functionally illiterate

These deficiencies can be traced to many sources. One major source is the nation's human resource policies and institutions.

The problem: while the supply of workers with strong basic skills is on the decline the demand for those skills is up. The BLS projects that 3/4<sup>th</sup> of all jobs will soon require more than a high school diploma. Jobs requiring some college education are growing at nearly twice the rate of all other jobs.

### **IV. SOME OBSERVATIONS ABOUT EXISTING HUMAN RESOURCE POLICIES AND INSTITUTIONS**

Are existing U.S. employment and training policies and institutions capable of meeting the challenges of tomorrow's world? If not, what changes in policies and programs are needed?

What can a state like Hawaii do to design a system to meet your needs?

I don't know what your answers are to these questions, but I would like to give you some of my thoughts on the subject. Putting it rather bluntly, I do not think our existing training policies and institutions are meeting today's needs; and they are grossly inadequate or inappropriate for tomorrow's. In short, we do not have what I would call "an active employment and training policy" in America.

In order to assess the current situation, I would like to start by first defining what I mean by active employment and training policy.

My definition of and active employment and training policy, or "Active Manpower Policy" as it is called outside the United States, goes back some 25 years to when the subject was first addressed by public policymakers in the U.S. and abroad:

At that time, manpower policy was defined as:

"those [policies] which develop the skills of the labor force and match the labor supply to the demand for labor" (1964 Report of the Senate Subcommittee on Employment and Manpower)

According to the OECD in 1964, the essential components of an "active" manpower policy should include:

1. Good leadership and adequate coordination between existing agencies to formulate and administer overall policy.
2. Human resource development, including education, vocational training, and industrial training.
3. A comprehensive employment service, which can be utilized by employees and employers in all categories.
4. Preparedness for preventive or remedial action against employment disturbances.
5. Forecasting of future occupational requirements, to act as a guide for developing education and training programs.
6. The introduction or reinforcement of specific means for encouraging desirable geographical mobility.
7. Systematic support for economic expansion in backward or depressed areas with development possibilities.
8. Measures to make it easier for marginal groups to take up and keep gainful occupations, including the provision of necessary remedial training programs and services.
9. Financial provisions to facilitate the readjustment of workers who experience redundancy, including support for retraining, rehabilitation, resettlement and other readjustments.

If we compare our existing Employment and Training POLICIES and our level of PERFORMANCE in carrying them out against the 1964 OECD list, have not done too well--about a C- in my book.

Let's take a closer look at the OECD list:

## **COORDINATION AND LEADERSHIP**

None of the approaches to coordination of employment and training programs tried over the past 25 years has been very effective. And the federal government has abdicated any substantive leadership role. The role of the National Commission for Employment Policy is marginal at best. There is a lack of coordination among the various federal departments, particularly Labor and Education. And there is virtually no input from or discussion about the private industrial training sector at the federal level. The lack of a viable R&D effort at the national level is also a serious deficiency.

At the state level only the resources from the Labor Department through the JTPA are under the control of the State Job Training Coordinating Councils, with the governor as the final arbiter of unresolved disputes of this body.

At the local level Private Industry Councils have labor, business and public sector representation, but their interests are very narrow and they only have control over a small portion of the resources available in the community. There is also little joint planning between JTPA and vocational education at the local level. (Vocational Education--Job Training Partnership Act Coordination. OAVE, DOE, 1987)

## **HUMAN RESOURCE DEVELOPMENT**

The education system in America is in perpetual financial difficulty, and the quality of output is

clearly not up to the level needed for tomorrow's world. The schools are not teaching students to reason, understand abstractions, and absorb technological innovations, critical skills needed if the U.S. is to stay competitive in world markets. Nor has the educational system fully grasped the fact that learning programs must be increasingly adult oriented, and workplace based. The demographic changes occurring and the rapid introduction of new technologies mean the number of persons in the workplace in need of retraining will overtake the number entering school. This suggests company-based education and training will become the central focus of the nation's efforts to maintain a competitive workforce.

Vocational education continues to function at the margin, with most state systems teaching obsolete skills to students on outdated equipment. The high cost of providing vocational education and recent research challenging the economic value of secondary vocational education raise serious questions about its utility.

Very little is known about the extent and quality of industrial training. There does seem to be general agreement that this system is the major source of skill training for the nation's work force. However, what can be concluded from the various studies of industrial training in America is that there is no industrial training system per se. This form of training is strictly a laissez faire activity with virtually no governmental involvement, organization, encouragement or control. Some industries have organized among themselves to deal with training in their industry, but this is the exception rather than the rule.

For the most part training is considered to be an individual matter to be determined by each employer based upon his own interests and resources. The bulk of industrial training is provided for high level supervisors, managers and technical personnel. Very little training is provided for the blue and pink collar work force--and most of this is of the informal unstructured type.

#### **A COMPREHENSIVE EMPLOYMENT SERVICE**

The job service in America is still struggling to find a suitable role in a changing world. Should it be simply a labor exchange, serve only the disadvantaged and those who cannot get help elsewhere, or should it be a full service agency and help all workers? What services should be delivered and how, and who should pay for them? The adequacy and effectiveness of the Job Service varies widely across the nation. But a six or seven percent placement rate is abysmal by any standards.

#### **PREPAREDNESS AGAINST EMPLOYMENT DISTURBANCES**

Although considerable time and energy have been expended to develop macroeconomic policies to deal with employment disturbances arising out of the fluctuations in the economy, the efforts have not produced impressive results. America is certainly not recession proof or inflation proof.

#### **FORECASTING FUTURE OCCUPATIONAL REQUIREMENTS**

The U.S. has an excellent system of collecting labor market data, especially that pertaining to employment and unemployment. Unfortunately, the same cannot be said about getting reliable and accurate forecasts of future occupational requirements. The BLS produces reasonably good forecasts of the economy for the near term on a regular basis. This work includes forecasts of occupations and industry demand for labor. The problem is that the data cannot be disaggregated to the state and local levels to produce equivalent forecasts at these levels for educational and training planners. And while a few sophisticated employers conduct manpower planning in their firms, there is no accurate way of finding out what the personnel needs of employers will be in the future. There is also no capability of searching out new occupations being created, and helping establish training for them. In too many instances our education and training institutions continue to train for past (and in many cases obsolete) occupations.

#### **ECONOMIC DEVELOPMENT PROGRAMS FOR DEPRESSED AREAS**

Over the past 25 years we have experimented with a number of programs to help stimulate the economies and

create jobs in backward or depressed areas. While the results in general may be considered positive, and some jobs created, there is little reliable evidence to make a final judgment. Unfortunately, there have been too few attempts made or successes documented where economic development efforts have been directly linked to job creation and training programs. Only recently, under the aegis of local governments and other groups spawning local employment initiatives, have these efforts begun to bear fruit.

## **REMEDIAL TRAINING FOR MARGINAL GROUPS**

This component of an active EMPLOYMENT AND TRAINING policy has received the most attention in the past 25 years. Nearly all efforts under MDTA, CETA, and JTPA have been directed to this end. The lessons learned in operating the nation's remedial employment and training system are extensive and significant. We have a pretty good handle on what works and what doesn't. What we lack is adequate resources and the will to implement what we already know in more effective and efficient ways.

JTPA's primary role is to provide employers with trained entry-level employees from population segments that do not have easy access to the marketplace. As Sar Levitan has noted, "job training is a proven, sound investment, but federal neglect has undermined plans designed to enhance the skills of the poor and unemployed." He also notes that placements are exaggerated by SDAs, and "the quality of training under JTPA is questionable." For example, two week job search courses or even 3 or 4 months of classroom training or OJT cannot do the job. (A Second Change: Training for Jobs. Kalamazoo, W.E. Upjohn, 1987.)

## **PROVISIONS FOR READJUSTMENTS**

Over the years various pieces of legislation have provided a variety of financial provisions to aid workers needing assistance in making labor market adjustments. The UI system, is the mainstay of public policy in aiding workers temporarily unemployed during downswings in the business cycle. The system has been less successful in dealing with the severe structural changes occurring in the past decade. It has demotivated these workers from seeking retraining or taking other actions to move into new occupations and careers.

For too many years the Trade Adjustment legislation placed the emphasis on generously indemnifying workers displaced as a result of foreign imports with financial support--without any real attempt to encourage or help them retrain for new occupations and careers.

The addition of Title 111 to JTPA made a modest (token) step to broaden the base of support to displaced workers, but tacked the system onto an existing JTPA structure that was designed for a different purpose and clientele, and whose administrators did not understand the nature of the problems faced by long service workers or the delivery mechanisms needed to effectively serve them.

## **V. SOME THOUGHTS ABOUT POLICIES AND PROGRAMS FOR TOMORROW'S WORLD**

If time permitted, I would give you a detailed list of changes which I think are necessary for America to have a "good" employment and training policy for tomorrow's world. However, there are a few thoughts I would like to leave with you to stimulate your thinking.

--In my judgment, the challenges we will face in tomorrow's world call for new and creative thinking--and policies--not just a rehash of failed or familiar programs.

## **A COMPREHENSIVE AND COHERENT NATIONAL TRAINING POLICY**

Number one on my priority list is the need for a comprehensive and coherent national training POLICY for America--one which adequately deals with the critical training needs of mainstream workers and structurally displaced workers--as well as the needs of the disadvantaged. If America is going to remain competitive in the 21st century, this should be our most important concern.

Most, if not all workers will require periodic retraining or upgrading of their skills throughout their careers. Yet, our system is not equipped to adequately service these needs. WHY?

First, virtually all federal training efforts in the past 25 years have been devoted to the remedial training needs of the disadvantaged, youth and hardcore unemployed, with only recent token expenditures on the structurally displaced workers. This justifiable concern for one segment of the population must be expanded to encompass the needs of the entire workforce.

Additionally, there is a lack of incentives for employer investment in the education and training of their employees. Investments in general or transferable skills may be lost to the firm through worker mobility and benefit some other employer. Hence the reluctance to invest in anything but firm-specific skills training. This problem must be dealt with by either eliminating the incentives for capital and R&D (certainly not recommended), or establishing comparable incentives for worker training.

(Pat Choate has pointed out that in fiscal year 1986, tax incentives for investment in modern plant, machinery, and R&D total almost \$80 billion. In contrast, the inducement for employer investment in education and training--as generated through the Employer Educational Assistance Act--totalled less than \$25 billion.) Another author says the ratio is 3,000 to 1.

(An executive from Motorola says that businesses commonly set aside 12 percent of the purchase cost of new machines to cover the expected maintenance costs. The average business firm spends less than 1 percent of payroll on skills training for employees.)

Contrast this situation with the training policies and approaches of some of our foreign competitors:

The Japanese system of employment security ensures employers will get a return on their considerable investment in training. Hence, even Japanese auto workers receive over 100 hours per year of training (including the workers of Japanese automakers with plants in the U.S.), and several hundred Japanese workers study at MIT at company expense. Few if any Americans are studying at the University of Tokyo.

The French have a national training tax to encourage employers to train their workers and the British have Industry Training Boards to help see that training is accomplished--we have nothing but the good intentions of a few enlightened employers. (Since 1971 all businesses in France with 10 or more employees have been required to spend 1.6% of total payroll expenditure on in-house employee training. If they fail to spend it the remainder is forfeited to the national treasury. The intent of the law is not to collect the tax, but to induce firms to avoid it by providing training.)

The responsibility for training policies is so widely dispersed in America, among government agencies, business, labor, and education that there is little coordinated effort. This needs to be sorted out and rationalized so that the obligations and resources reside with those who are best prepared to *meet* them.

Educational and vocational training institutions, in cooperation with employers, must provide suitable pre-entry and entry-level training for young people to prepare them for entry into the working world.

Employers must assume the responsibility for in-service training, upgrade training and retraining of their employees, and if the situation warrants displacement of some of them, they must be prepared to actively work with government to help transition them to new jobs and careers.

Coping with the retraining and other adjustment needs of displaced workers will have to be handled through the joint efforts of employers, workers and government.

The education and training of unemployed youth and the disadvantaged must be financed by and will

require the continued leadership of government.

**In summary, if we are to successfully compete in the world of tomorrow, we must design a comprehensive employment and training policy to increase the skills and flexibility of our workforce, preparing them for a lifetime of change in the workplace.**

**There must be ways and means to provide remedial education and pre-entry and entry level training for the disadvantaged and hard core unemployed, entry level training for the one million persons entering the workforce each year, remedial education for impaired workers already in the workplace who are functionally illiterate, continuing education and UPGRADE training for the vast majority of workers who will need periodic skills improvement, and retraining and adjustment assistance for displaced workers.**

At the present time there is no coherent national training policy or program to effectively deal with all of these groups. However, there are some excellent prototypes of what kinds of programs are needed, and there is no shortage of proposals to encourage greater investment in training. These proposals range from a block investment credit, Industrial Training Accounts, Industrial Adjustment Services, public/private partnerships, reform of vocational education, and linking training and economic development.

(See list at the end of the paper if any are needed)

My suggestion for YOU in Hawaii is that you take a good look at these innovative programs and proposals, assess their strengths and weaknesses, and adopt or use those ideas and programs that fit the needs of workers in your state.

As you go about your task of designing an active employment and training policy for Hawaii you might also consider some of the other elements on my priority list:

#### **MY OTHER PRIORITIES:**

**Modernize. the job service:** place increased emphasis on job search training and the collection of usable labor market information; encourage the use of new and more efficient technologies; place greater emphasis on self-service; and experiment with alternative approaches to deliver services and provide incentives to speed the job finding process. The Kellogg foundation funded experiment to provide job search assistance through public libraries suggests that there are lots of different ways to get the job done.

**--Seriously consider adopting a worksharing UI program;** and creating innovative approaches and incentives to encourage rapid reemployment

such as a reemployment bonus (e.g., the Illinois experiment); an early intervention strategy to screen UI recipients for retraining, relocation, and reemployment bonuses (e.g., the New Jersey experiment); and giving UI recipients money (\$5000) to pay part of the costs of starting a new business (e.g., the Washington experiment).

**--Seek to improve forecasting at the regional and local levels,** and develop the capability of forecasting new occupations. (Talk to Marvin Cetron of Forecasting International for some help.)

**--Develop and implement innovative approaches to prevent job loss and foster job creation:** e.g., encourage worker ownership; entrepreneurial training; productivity improvement, linking business incubators, entrepreneurial training, skill training and other services.

**--Strengthen and streamline the JTPA system** to more effectively meet the training and job placement needs of disadvantaged, youth and other marginal groups. The JTPA has an important role to play in accomplishing the "Americanization of the new waves of immigrants and refugees so they can become successful productive workers in tomorrow's workplace.

--**Address the issue of child care for working parents.** It will not go away.

--**Assess your existing programs designed to facilitate labor-management cooperation** and make sure these are properly supported and encouraged. Joint labor-management approaches have the best track record for obtaining productivity improvements in threatened firms, achieving success in displaced worker readjustment programs, and in conducting innovative adult education programs for impaired workers.

(For some creative ideas of how to foster L-M cooperation, see the final report of The Massachusetts Special Commission on Employee Involvement and Ownership, created in the summer of 1987.)

### **SOME OFF THE WALL IDEAS?**

--**Is it possible or desirable to set up a Hawaiian Labor Market Board a la Sweden?** Could the PICs be part of the system?

--**Is it possible or desirable to set up Group Training Schemes** to facilitate good industrial training among smaller employers?

Utah Experiment in the early 1980s (at Utah State University)  
Britain

--**Have you seriously considered creating a Hawaiian Industrial Adjustment Service on the Canadian model?**

--**How about creating an Hawaiian Employment and Training Panel** with appropriate resources and focus? If you are going to be competitive, you will need a program providing incentives for companies specifically to retrain their workers in new technologies.

--**Have you thought about having a Hawaiian equivalent to the Massachusetts Industrial Services Program?** Or the Oregon Stabilization and Conversion Fund? Or the New York Compact? Or even a Swedish style Investment Fund? Preventing layoffs, saving existing companies before they close, or helping the workers buy their jobs are better than picking up the pieces after the closure.

**Good luck in your efforts to design an employment and training policy to enable Hawaii to successfully compete in tomorrow's world. There are lots of exciting challenges ahead.**

**P.S. Don't wait for the feds to lead the way or tell you what to do.**