

15.677J/11.427J, Urban Labor Markets and Employment Policy  
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**Policy Overview and Alternative National Systems**

Today we will look at evolution of policy over 50 years, look at characteristics of programs and compare with other national systems.

**Timeline: 50 Years of Policy Evolution**

1. 1955-1962: Post WW II and pre War on Poverty:
  - a. Issues: structural unemployment; automation driving obsolescence of American workers; regional poverty issues such as Appalachia and influence of Harrington's "The Other America."
  - b. Institutions: Manpower training programs (MDTA and ARA)
2. 1960s: War on Poverty
  - a. Issues:
    - i. employment programs become identified as anti-poverty programs and African American programs.
    - ii. how to channel federal funds? Through states implies Republican-leaning governors; through cities implies Democrat mayors; direct funding (community action agencies) undermines Democrat patronage machines (Chicago's Daley).
    - iii. Tons of programs and innovations (summer youth, job corps, adult training, jobs for welfare parents)
    - iv. but administrative chaos through overlapping programs and confusing eligibility and reporting mechanisms.
  - b. Institutions: Department of Labor programs; Office of Economic Opportunity; programs like community action agencies
3. 1970s: CETA programs
  - a. Issues:
    - i. Rationalized administratively through local prime sponsor system which receives funds and redistributes
    - ii. Job training overwhelmed by public service employment component (job creation): lots of funding
    - iii. Rise of evaluation establishment
    - iv. Large increases in dislocated (laid-off) workers like the first period
    - v. Experimentation of welfare reform (Health Education & Welfare) of job training for welfare recipients
4. 1980s: Reagan years
  - a. Issues:
    - i. Opposed public employment jobs so introduced private sector council (PICs) to guide job training and to co-govern programs with governor or mayor;
    - ii. Eliminate stipends for training (seen as welfare programs);
    - iii. Performance standards initiated (placement rates; placement wages)
    - iv. Political tilt towards governors as opposed to mayors;

- b. Institutions: Job Training Partnership Act; PICs
5. 1990s: Clinton years
- a. Issues:
    - i. Reworking of JTPA framework; continued elimination of stipends and improved performance standards;
    - ii. Initiated "one-stop" employment centers
    - iii. Vouchers given to individual's to purchase job training
    - iv. Persistence of dislocated workers caused by trade layoffs
  - b. Institutions: School to work opportunity Act passed: small program which imitated the German apprenticeship model; Welfare reform act which shed rolls of welfare programs through job programs and booming economy; WIA began.

### **Discussion of Policy Changes**

Trend in programs from big enrollments and high costs to smaller programs; WIA last year trained only 85000 adults; youth program enrollment is higher but impact and scope is smaller. Most DOL program programs are means-tested and became stigmatizing: would companies really look to recruit from job training programs?

In 1980s and 1990s the innovations came from community college networks (where major public investment occurred) and from state job training/economic development programs which were more integrated with private sector. These programs were more universal in scope, not means-tested or identified as anti-poverty remedies. DOL programs also relatively small compared to significant investments in community colleges (Department of Education). Community college system generally at odds with Department of Labor programs because of competing bureaucracies led to separate and uncoordinated efforts. Central question of how to give more policy focus and support to the innovations at the state level and within community college networks? Part of the problem is how to ensure programs which address needs of poor people without programs becoming stigmatizing (DOL programs) or without needs of poor people becoming lost or diluted in the universal approach of community colleges?

High school vocation education was slow to change (training people with skills for jobs that don't exist). Likewise ESOL programs not integrated into the job market. In US system there is lack of a "ladder approach" which prepares people to access job market and upward mobility in the market.

Policy people look to integrate the varied programs into a complete system (ladder approach); attempted for five decades but it has never been achieved. Only chief executives (President at federal level and governors at state level) have the power to force integration of programs but President's lack attention and priority to the issue while governors are more concerned about job loss and job creation rather than program integration.

### **Discussion of Readings**

A. Wier, Politics and Jobs

1. According to Wier, why is the system the way that it is? Needs to be explained in administrative terms. Why is does the focus change from job training to poor people to racial minorities?
2. Who are the actors in this story, according to Wier?
  1. What is the president's contribution? Only Johnson evidences much concern about the issue...
  2. Unions concerned about laid off workers (through trade and technological change) and not concerned historically about anti-poverty (changing now);
  3. Vocation ed, community colleges and local employment services which are traditionally slow to change
  4. Poor people's groups such as the civil rights movement.

Key point here is that the picture is complex, filled with a lot of actors with different interests.

3. Bureaucratic battles erupted between Dept. of Labor and Council of Economic Advisors. What were the positions of each and how did the President decide? DOL's position complicated because they were seen as captive of their constituency, i.e., too close to unions. Debate was between a structural institutional policy (DOL) and a Keynesian approach focusing on pumping up aggregate demand (CEA). Debate between the problem of a skills mismatch or geographic isolation vs. lack of jobs. Structural unemployment perspective recognizes that demand is central to the story, but Keynesian's tend to dismiss structural unemployment.
4. According to Wier, how did labor policies become associated with poverty and race?
  1. War on poverty in the 1960s;
  2. Civil rights movement goes from non-violence to urban riots which diminished public support of labor programs;
  3. Direct funding of community action agencies bypassed political channels at state and city levels and created demands on city and state officials;
  4. Racially-linked labor programs associated with welfare programs, seen as social programs, "black" programs and lose broad base of support.
  5. Private sector sees programs as charity programs, not as serious job training programs
  6. If programs drop means-tested eligibility requirements, poor people will lose needed resources and opportunities.

#### B. Osterman, "Comparative Employment Policy"

1. According to Osterman, how does the US compare to Europe in terms of labor market policy?
  - a. Despite changes in Europe in response to reform of welfare state, employment programs in Sweden and Germany are largely the same. Value of comparison is to learn more about US system.

- b. In Europe there is more coherent organization and systemic structure and Europe systems have social partners as part of the system (private sector, unions and government).
  - c. Unlike US, in Sweden employment policy is part of macro-economic policy (limits on wage growth to reduce inflation for exporting nation; solidarity wages across sectors and compressed for fairness);
  - d. In Germany, greater tracking in school leads to dual labor market.
2. Where does job training take place? In US, most often in schools but skills are not always appropriate. In Europe, often determined by firms but can be firm specific and not general skills.
  3. What are other differences?
    - a. Attempts to replicate the German apprenticeship model largely unsuccessful in US and Britain;
    - b. Different pathways into jobs: more uniform in Europe but in US many portals into the job market;
    - c. In Europe, programs are universal (except for immigrants) while in US programs are often targeted to poor people (but then poverty is much less in Europe) though community colleges are much more universal than DOL programs.
    - d. US community college model is individual based, not part of apprentice system with industry.

C. "America's Choice: High Skills or Low Wages"

1. What is the story here? US is less competitive, losing jobs overseas, old system is stagnating and racially divided.
2. What needs to be done? End isolation of job training programs by involving employers; change focus from an anti-poverty program to an economic development program that trains workers for firms; need to introduce standards in education through performance assessment in schools; let the market drive educational training in schools; also introduce skill standards for employers.
3. What happened as a result of the report? The report was not adopted in whole, but it did precipitate the School to Work Transition Act, the educational standards of the No Child Left Behind Act and build greater support for job training in a High Performance Work environment.