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Renewing America
Progress Report and Scorecard

No Helping Hand
Federal Worker-Retraining Policy

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No Helping Hand: Federal Worker-Retraining Policy

by Robert Maxim, former Research Associate for Competitiveness and Foreign Policy, Council on Foreign Relations

INTRODUCTION

During the Great Recession, the United States experienced one of the largest increases in long-term unemployment in the industrialized world. When people remain out of the workforce for extended periods, they often have difficulty getting rehired. Many stop looking for work altogether, and those who are lucky enough to find new positions are usually rehired at lower wages. As a result, long-term unemployment can strain a country's public assistance programs and permanently damage its workforce.

Today, though U.S. job growth has been fairly strong, many companies are still reluctant to hire because of growing international and domestic competitive pressures. This forces many unemployed workers to leave the industries in which they have spent their entire careers. The U.S. federal worker-assistance system—the collection of federal programs designed to help job seekers—does not adequately address this new kind of unemployment. It was particularly unable to cope with the massive spike in long-term unemployment brought on by the Great Recession. The U.S. system is also fragmented, consisting of several large programs accessible to any American and many smaller programs that provide services to narrow groups. A 2011 Government Accountability Office (GAO) report identified forty-seven employment and training programs spread across nine federal agencies.[1] But these programs often lack sufficient resources to help qualified workers. Additionally, some programs—such as assistance for workers displaced by increased foreign trade—offer greater income support and easier access to training than others, resulting in resource inequality among the unemployed.

Ineffective worker-assistance policies undermine economic recovery, lead to skills shortages for employers, and hurt U.S. competitiveness. Other advanced economies invest more in worker assistance and use innovative programs to minimize unemployment. Apprenticeships, which play a large role in some countries, have helped reduce long-term unemployment among younger workers. These countries successfully mitigated some of the worst consequences of the Great Recession through effective worker-assistance policies.

In recent years, the Obama administration and Congress have taken steps to streamline U.S. worker-assistance programs, culminating in modest bipartisan reform via the Workforce Innovation and Opportunity Act (WIOA). However, more ambitious changes were scrapped in the face of partisan disagreement, and additional reforms are still needed. Congress should increase funding for worker-assistance programs to ensure access to necessary services for every worker, increase benefits for workers who lose their jobs for reasons other than foreign trade, and buffer funding for worker-assistance programs from the annual appropriations process to prevent partisan interference.

In the absence of federal support, some state and municipal governments, as well as nonprofit organizations, have taken steps on their own to help workers. These include expanding apprenticeship programs to develop the skills of younger workers and experimenting with new forms of training to better connect the unemployed with jobs. Although these programs are helping fill the gap in services, the federal government should also act to bolster assistance programs for all U.S. workers.

ACTIVATING UNDEREMPLOYED WORKERS

The Great Recession caused a huge increase in long-term unemployment in the United States. Long-term unemployment, which is generally classified as unemployment that lasts for more than six months, hurts both individual workers and the economy as a whole. When workers are out of a job for an extended period, the skills they have developed during their careers begin to atrophy. Long-term unemployment typically occurs when jobs are permanently lost, notably when a firm relocates abroad or technological advances make a job obsolete. Workers who lose their jobs to foreign trade or technological change often have to find a job in a new industry, which requires the development of a completely new set of skills.

Worker-assistance policies are generally divided into two broad categories. Under *active* labor-market policies, the government directly helps people find work. Examples of active labor-market policies include job-search assistance, worker training, employment incentives, and direct job creation. *Passive* policies, like unemployment insurance, replace income lost during times of unemployment but do not directly help workers find new jobs.

There is evidence that active labor-market policies can help funnel workers into jobs, which helps reduce unemployment even during downturns. An analysis by economists at the Federal Reserve Bank of Kansas City showed that a 1 percent increase in spending on active labor-market policies typically reduces the unemployment rate by 0.11 percent.[2] Among the different active labor-market policies, job-search assistance and job training have demonstrated the largest positive effect on helping workers find employment. Active labor-market policies can also increase workers' earnings. Another study indicates that job-search assistance is likely to boost pay in the short run, and vocational training, which is targeted at specific occupations, produces increased earnings in the longer term.[3]

Active labor-market policies are more effective for some groups than others. Young people entering the labor force for the first time can benefit from programs that combine classroom and vocational instruction, as well as programs that offer on-the-job training. However, youth training programs in the United States vary in design, which leads to discrepancies in their effectiveness.[4] Meanwhile, the evidence is mixed on whether programs to retrain displaced older workers help them find employment or secure higher wages. A recent study showed that displaced workers fare the best when they receive a degree or certificate and find employment in their field of retraining.[5]

Economic downturns can limit the immediate benefits of active labor-market policies. When labor markets are "loose," meaning the demand for jobs exceeds the supply of available positions, resources such as job-search assistance and job training may not be sufficient to reduce unemployment in the short run. Also, because many skilled workers lose their jobs in times of weak economic growth, additional training may not help them find employment more quickly.

Despite these limitations, active labor-market policies actually become more important during a downturn. When job growth is weak, these policies help prevent unemployed workers' skills from atrophying. Worker retraining also keeps the unemployed connected to the labor market, which is particularly helpful for the long-term unemployed,

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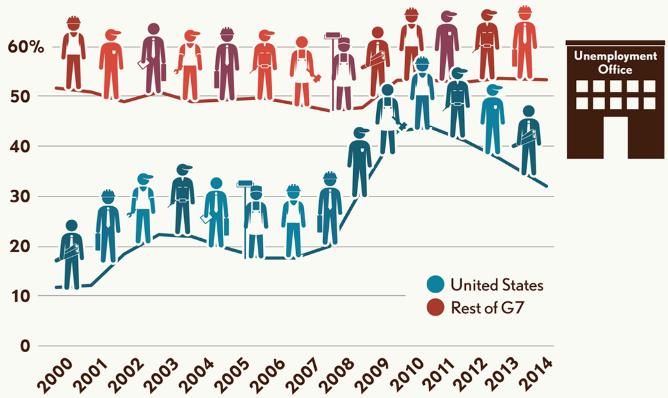
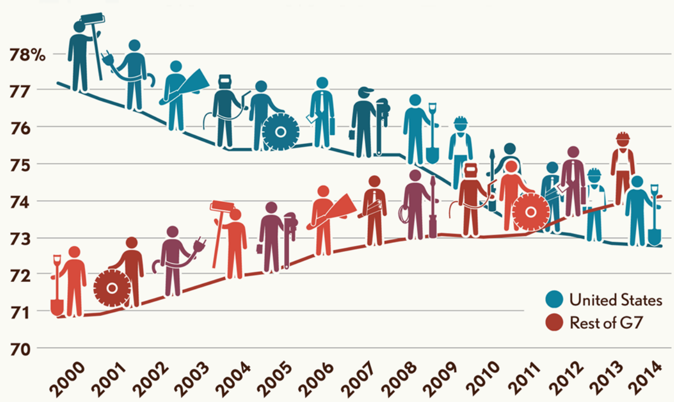
Worrying Workforce Trends



Percentage of unemployed workers out of work for more than six months

The United States used to have much lower levels of long-term unemployment than other rich countries. That advantage has shrunk since the Great Recession.



Labor-force participation rate, ages fifteen to sixty-four

U.S labor-force participation is falling, hurting long-term economic growth prospects.

who are the most likely to be discouraged, suffer from waning skills, and be seen as a risk by employers. Active labor-market policies can also help prepare the workforce as a whole for the next period of strong economic growth.

Moreover, many job vacancies remain difficult to fill, even when unemployment is high. Throughout the downturn in 2009 there were still more than two million job openings, and by mid-2015 that number had risen to above 5.4 million. Many of these vacancies are for skilled positions that require specific training or certifications to obtain. Active labor-market policies can help unemployed workers gain the skills they need to fill these positions.

Active labor-market policies also help older displaced workers, who have the most difficulty finding work again. These workers have often spent their entire careers developing skills for one type of job; if that job is permanently lost to international competition or new technologies, then they need to develop a new skill or face a significant loss of income. Although older workers are less likely to be laid off than younger workers, they are significantly less likely to be rehired.[6] Yet impact assessments do not show significant increases in income for these workers after completing retraining programs. This is because many of these workers were at the height of their experience and lifetime earnings before losing their jobs and are unlikely to see higher wages in any new career. Nonetheless, active labor-market policies can help these workers identify new positions and prevent further wage erosion.[7]

Active labor-market policies are also effective when directed toward employees of small- and medium-sized businesses. Skills development and worker training are most commonly provided by large firms. According to the OECD, participation in training activities can be up to 50 percent lower in small- and medium-sized companies than in large ones (though on-the-job training by small- and medium-sized companies is often not formally recognized).[8] Workers at small firms also face a higher risk of job displacement, regardless of economic conditions.

WHERE THE UNITED STATES STANDS

Until the Great Recession, the United States had one of the most dynamic labor markets in the developed world. Because workers were hired and fired with relative ease, job turnover was more frequent than in other countries, but the average length of unemployment was also shorter. During the downturn, however, the United States suffered a significant increase in long-term unemployment. In 2000, the United States had the lowest share of long-term unemployed among G7 nations, but by 2012 that rate had greatly increased, becoming closer to the G7 average. Although the U.S. rate has come down more recently, it is still historically high. This long-term unemployment increases the risk of workers losing their skills and facing permanent unemployment or underemployment, even after the economy recovers.

The recession also accelerated the decline in U.S. labor force participation, or the percentage of the working-age population that is either employed or looking for work. Low labor force participation can hinder long-term growth and strain government finances, because fewer people work and pay taxes, and more people use public services. Throughout the 1980s and 1990s, the United States was a global leader in labor force participation among all age groups. By 2012, that advantage had largely disappeared, except among adults over the age of sixty.[9] Even after the recession, U.S. labor force participation continued to fall. Meanwhile, Social Security disability claims have exploded, suggesting that many people have left the workforce and will not return.[10] When long-term unemployed workers run out of unemployment benefits, the Social Security disability benefit is one of the few government programs that provide a permanent paycheck, provided the worker can demonstrate some sort of physical or mental disability.

The United States spends far less on active labor-market policies than other developed countries. Historically, American workers who lost their jobs could expect to find a job in the same industry in a reasonable amount of time. Therefore, American workforce policy traditionally put the onus on individuals to secure new jobs, with only limited government assistance. Other developed nations, particularly in Europe, have a longer history of long-term unemployment. As a result, the governments of those countries have taken a more proactive role in training their workforce and matching workers with jobs. Among all OECD countries, only Mexico and Chile spend less on active labor-market policies as a percentage of gross domestic product than the United States does.[11]

As a percentage of the economy, the United States spends less money than it used to on active labor-market policies. During the twenty years prior to the Great Recession, spending on active labor-market policies declined from 0.24 percent of GDP to 0.13 percent.[12] During downturns, governments typically increase spending as the number of unemployed soars and more people use job-search and training services. Most other G7 countries increased active labor-market spending between 2007 and 2010, but U.S. expenditures were essentially flat during this period, even as U.S. unemployment increased at a faster rate than in other countries.

Employer-based training programs have been on the decline as well. One area where this is particularly noticeable has been apprenticeships in the United States, which decreased by 40 percent from 2003 to 2013. The downturn particularly hit industries such as manufacturing and construction that traditionally supported the majority of apprenticeships. Apprenticeships are also poorly understood by the general public. Many Americans are skeptical of vocational education, which they view as second tier to a university degree.[13] The perception is widespread that apprenticeships are exclusive to manufacturing or construction.[14] However, according to the Department of Labor, more than one thousand career areas, including white-collar professions, have registered apprenticeship programs.[15] Nonetheless, only about 0.2 percent of American workers—approximately 358,000 people—are in an apprenticeship program.[16] In comparison, over 60 percent of German high school students—roughly 1.8 million people—go through some kind of apprenticeship, and apprenticeship is widely seen as an acceptable path to a fulfilling career.[17] The drop in U.S. apprenticeships has been exacerbated by the decline in unionization in the United States, because unions have traditionally sponsored and organized apprenticeship programs.[18]

FEDERAL WORKER-ASSISTANCE POLICY: INSUFFICIENT AND UNEQUAL

The U.S. federal worker-assistance system fails to provide adequate assistance for eligible Americans and distributes its limited resources unequally across many programs. Most Americans are eligible for employment assistance through one of two laws: the Wagner-Peyser Act of 1933 or the Workforce Investment Act (WIA) of 1998. The programs enacted under these laws lack sufficient funding to provide every worker with individual assistance or training, however. Another program, Trade Adjustment Assistance (TAA), which provides employment

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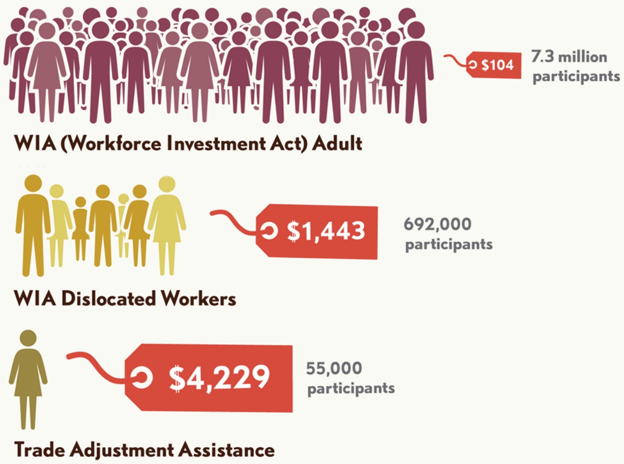
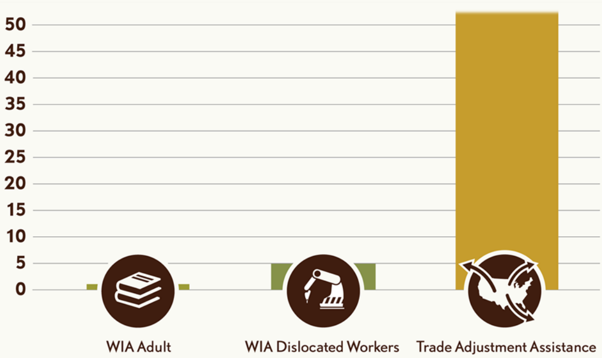
Unequal Opportunity



Per-capita funding for worker-assistance programs, FY2015

The most generous program helps workers who lose their jobs to trade competition. But they are a small portion of the unemployed.



Percentage of program participants receiving training, FY2015

And workers who lose their jobs to trade competition have greater access to training.

services and retraining for workers who lose their jobs to international competition, has generous benefits for those who qualify. At the same time, it has narrow eligibility requirements and a difficult application process. More than forty smaller programs provide employment services to specific groups that face significant economic disadvantages.

The Wagner-Peyser Act and the Workforce Investment Act form the backbone of the federal worker-assistance system. The Wagner-Peyser Act was a Great Depression–era law that matched individuals seeking work with New Deal public-works programs through a nationwide network of public employment offices known as the Employment Service. Today, the original Wagner-Peyser Employment Service still exists and provides job-search assistance and counseling for any worker seeking new employment.

Throughout the twentieth century, U.S. employment services became more complex as new programs were created to assist specific groups. Congress overhauled the existing system when it passed the WIA in 1998. The law introduced a system of One-Stop Career Centers designed to coordinate the various services offered across different programs. The WIA also established three large employment and training programs: WIA Adult, which provides employment services to any adult; WIA Displaced Workers, which provides services to workers who have lost their jobs through no fault of their own; and WIA Youth, which offers services to workers younger than twenty-one. The WIA Adult and WIA Displaced Workers programs provide similar services, and decisions about whether a worker should participate in the Adult or Displaced Worker program are generally made by local One-Stop Career Center staff. Both programs provide three levels of service: core, intensive, and training. Core services include job-search assistance, skill assessments, and labor-market information, and can be combined with or delegated to the Employment Service. Intensive services include individual employment-plan development, counseling, and case management. Users need to exhaust both core and intensive services without finding employment to be eligible for training. As a result, only 1 to 5 percent of WIA Adult and Displaced Worker participants receive training. Those who do get access to training can take subsidized courses offered by a local college (often community or technical colleges) or an industry-sponsored training center. States and municipalities often limit what occupations are eligible for subsidized training. When participants complete training, they generally receive industry-recognized certification.

When the bill passed in 1998, the economy was growing strongly and unemployment was low, around 4 percent and dropping. There were many job openings and relatively few job seekers, so the primary focus of the One-Stop Centers was matching unemployed workers with available jobs rather than providing training or other skill development. Congress reauthorized WIA in 2003, but did not make any substantive updates until the new Workforce Investment and Opportunity Act became law in July 2014. But the U.S. labor market changed substantially during that time, particularly with rising long-term unemployment.

The Employment Service and WIA programs account for about 80 percent of worker-assistance participants. The remaining workers receive assistance through one of nearly four dozen narrowly tailored programs; TAA, for example, provides enhanced unemployment benefits, job-search assistance, and retraining services for workers who lose their jobs to foreign competition. In addition to standard unemployment benefits, TAA-qualified workers are eligible to receive a federally funded credit to take part in up to two years of job training, an additional seventy-eight weeks of income support once unemployment benefits expire, a job-search allowance, and a relocation allowance. TAA-qualified workers who take a pay cut to return to the labor force quickly may also choose to forgo their benefits for wage insurance. If a worker's new salary is less than fifty thousand dollars, wage insurance provides half of the difference between a worker's previous salary and new salary for two years, up to a cap of ten thousand dollars.

Other smaller programs provide specific services tailored to needy populations. For example, in its 2011 report, the GAO highlighted two distinct youth training programs: Job Corps, which provides job training to at-risk youth on federally funded campuses, and YouthBuild, which provides skill development and service opportunities to at-risk youth in their own communities.[19] Although these programs offer similar services to overlapping populations, the different styles of service delivery may provide advantages for different individuals. For example, Job Corps provides services such as on-campus health care and child care for participants who otherwise would not be able to afford them. YouthBuild gives participants the opportunity to take part in housing construction for low-income families, as well as other service activities, to build stronger ties with their local community.[20]

Several major problems exist with the current U.S. active labor-market system, including uneven benefits among programs, inconsistent funding streams for different programs, and a scarcity of performance measurement.

Trade Adjustment Assistance offers more generous benefits than other programs, such as guaranteeing workers retraining if needed and providing financial support while workers undergo retraining. But workers can become permanently displaced by technological changes as well as global competition. Treating workers who lose their jobs to foreign competition better than those who lose their jobs to other factors does not make sense from an economic standpoint. And not every worker who loses a job to international competition can demonstrate eligibility for TAA. As a result, only about fifty-five thousand workers of more than 7.9 million unemployed participated in TAA in 2015. TAA is generally used as a political tool to garner support for trade agreements rather than as part of the wider worker-assistance system. As a result, TAA does not have permanent funding and must be regularly reauthorized by Congress.

The different programs have different funding sources. This creates inconsistency and prevents the worker-assistance system from working as effectively as possible during downturns. For example, the Employment Service has a dedicated funding mechanism through the federal unemployment tax (which also funds unemployment benefits), whereas the WIA programs are funded through annual appropriations, which can be held up by political battles in Congress.

Performance measurement is scarce among all programs. Most programs track outcome measures such as the number of participants who found jobs, retained employment, or saw a wage gain. However, only five of the forty-seven programs between 2004 and 2011 had undergone a comprehensive impact study to determine whether workers' employment and wage outcomes could actually be attributed to the program, according to the GAO. Furthermore, the GAO reported that half of the programs had not received a performance review in the previous seven years.[21] The absence of effective program measurement limits the ability of policymakers to compare programs and determine which ones are worthwhile investments.

DENMARK AND GERMANY: MODELS FOR REFORM

The United States handles worker assistance differently than many other industrialized countries. In the United States, worker training is fragmented into numerous programs of varying sizes. Additionally, training and employment services are rarely linked with income support or other passive unemployment measures. Two countries provide models for potential U.S. reforms: Demark maintains a flexible labor market by ensuring near-universal access to worker training and tying income support to employment services; and Germany has kept unemployment low and labor-market participation high by promoting innovative work sharing and apprenticeships for young workers.

Danish flexicurity: flexible labor market and a strong safety net. The Danish system of worker assistance is known as *flexicurity* and consists of three core pillars: labor-market flexibility, income security, and active labor-market policies. Labor-market flexibility refers to a company's ability to easily hire and fire workers. The Danish labor market has characteristics of both liberal market economies like the United States and continental economies such as France. Denmark's level of employee protection falls between those two extremes. Income security means that although companies are able to easily fire employees, substantial financial support is immediately available for displaced workers. Unemployment benefits cover approximately 60 percent of the average income in the country and can last up to two years. Denmark's active labor-market policies center on individualized job training. Job centers work closely with companies to tailor programs toward skills in demand in the local labor market.

Both the Danish and American economies are highly flexible, but Denmark offers significantly wider access to training and employment services, and provides more generous unemployment benefits. Unemployed workers begin meeting with a personal counselor at a local job center immediately after losing their jobs, and must continue to meet with the counselor every three months until employed. It is the counselor's job to ensure that the worker is actively seeking work and to connect the worker with additional retraining programs as necessary. These labor-market services are combined with generous unemployment benefits for the duration of a worker's unemployment or retraining, to ensure income stability while workers learn new skills. Access to these services is nearly universal, and they are funded by a dedicated payroll tax, which ensures consistent funding.[22] As a result, the system works as an automatic stabilizer that has little need for discretionary action during a downturn.[23] This helps buffer Danish labor-market policy from political interference.

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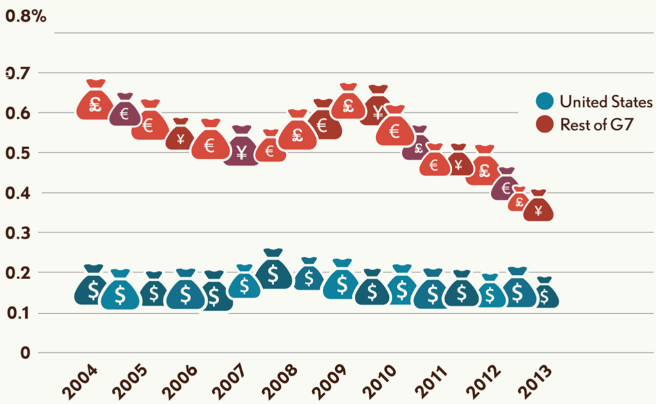
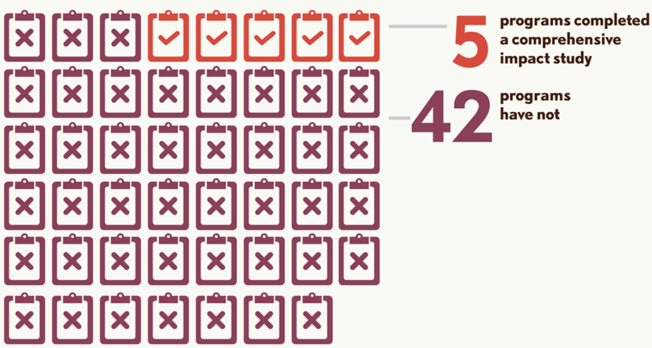
Few Resources, Unknown Effectiveness



Public expenditure on active labor-market policies as a percentage of GDP

Compared with other rich countries, the United States devotes far fewer resources to help the unemployed find jobs.



For the period 2004 to 2011

The effectiveness of many U.S. worker-assistance programs remains unknown.

Denmark's model fosters a high level of employment security—the ability to find a new job after displacement without a significant drop in salary. This is an important distinction between Denmark and several other major continental European economies. France, for example, emphasizes job security, which makes it extremely difficult to fire a worker. Employment security acknowledges that labor-market turnover is essential and instead focuses on ensuring that displaced workers are rehired without a substantial decrease in income.

Flexicurity faced its greatest test during the late-2000s downturn and has shown mixed results in response. Unemployment increased quickly throughout 2008 and 2009, although given the country's low pre-crisis unemployment and relatively flexible labor market, this did not come as a surprise. Unemployment continued to increase at a slower rate for several years, before ultimately peaking at 7.9 percent in May 2012, below both the EU average and U.S. peak unemployment. Over the past three years, it has gradually fallen.[24] Overall, Danish labor-market participation has dropped very little since the onset of the downturn. Additionally, although the proportion of unemployed workers who have been out of work for more than six months has grown, the rate is still among the lowest in Europe.[25]

However, the country's generous benefits strained Danish finances during the downturn. In June 2010, the government halved the duration of its unemployment benefits, cutting eligibility from four years to two. Studies showed that unemployed workers tended to find new jobs much more frequently just after losing a job or just before benefits expired, which indicated that workers were not conducting the most thorough job searches possible.[26]

Germany: low unemployment through work sharing and apprenticeships. Germany withstood the downturn without a major increase in unemployment. Since 2009, Germany's unemployment rate has actually decreased substantially, and it is now one of the lowest among major economies.[27] Germany has also maintained a relatively low unemployment rate among young workers.[28] Its use of work sharing, facilitated by wage subsidies and flexible worker schedules, has helped prevent widespread worker displacement. Additionally, the country's apprenticeship system allows young workers to acquire credentials other than a college degree, facilitating their access to high-paying jobs in manufacturing and other skilled trades.

Extensive use of wage subsidies and payment flexibility also helped German companies retain employees during the worst periods of the downturn. If a company chooses to drop employees from full time to part time rather than to lay them off, the German government will provide the worker with 60 percent of the difference between the two wages (67 percent for workers with children).[29] This policy, known as short-time work, helped employers keep workers on the payroll even as company bottom lines deteriorated from the recession. Firms can thus preserve an experienced work force and minimize recruitment and training costs once recovery begins. For workers, a wage subsidy is usually preferable to collecting unemployment benefits or entering retraining because it minimizes income loss and preserves their longer-term career prospects.

In addition to short-time work, German firms use a flexible work schedule known as work-time accounts to minimize layoffs. Work-time accounts are not a government benefit, but rather an agreement between employers and employees that rewards companies that offer part-time employment rather than laying off workers. During boom times, employees work extra hours but forgo overtime pay. In exchange, the extra hours are tracked in a work-time account. During economic downturns, a company can reduce an employee's hours, but cannot reduce his pay or lay him off until the work-time account is depleted.[30] This gives the employer an incentive to keep the worker employed, or else face a large payout. A 2007 Federal Labor Court ruling said that firms could not lay off a worker if another employee doing equivalent work had a work-time account surplus. This decision strengthened the incentive for employers to shift workers to part time rather than lay them off.[31]

At the height of the crisis in 2009, more than 1.5 million workers held short-time positions. One assessment projected that without short-time work, German unemployment would have risen by twice as much as it did in 2009.[32] Another study estimated that short-time work saved roughly 400,000 jobs and work-time accounts saved an additional 320,000.[33]

In addition to maintaining a relatively stable labor market at the height of the recession, Germany has not experienced a youth unemployment crisis like many other developed economies. This is largely credited to the German dual system apprenticeship model, which combines traditional education with vocational training for young adults. About 60 percent of German sixteen- to nineteen-year-olds participate in apprenticeships, which combine classroom training in a public vocational school with on-the-job training in a specific industry.[34] After students complete their mandatory years of education, they are eligible to apply to a private company for a two- or three-year training contract. Those who are accepted receive on-the-job training provided by the company, and subsidized classroom training through publicly funded vocational schools.[35] Graduates receive an industry-recognized certificate that is widely accepted within the chosen field. They gain technical skills for a specific job, as well as broad knowledge of an industry as a whole. Some 330 different professions sponsor apprenticeships.[36]

Because training and vocational education are only available to individuals who receive an apprenticeship offer from a firm, the system ensures that every enrollee will have a job during the program and good career prospects on graduation. Six in ten apprentices stay with the company where they trained, and those who do not bring an industry-accepted credential to any similar job.[37]

Limitations of these models. Several features of the German and Danish economies may limit their relevance to the United States. The German economy is highly export oriented, whereas the United States still relies on domestic production and consumption for most of its economic growth. Because many manufacturing jobs are export oriented, the demand for industrial-sector workers may be greater in Germany than in the United States.[38] But the United States has millions of job vacancies requiring workers with specialized skills. A German-style apprenticeship program could help companies, in coordination with federal, state, and municipal governments, to fill those openings.

Additionally, both Germany and Denmark have stronger labor representation than the United States. In 2010, union membership stood at 68 percent in Denmark, compared with 11 percent in the United States.[39] In 2010, slightly fewer than 19 percent of German workers were members of trade unions, but collective bargaining agreements cover some 60 percent of the workforce.[40] The relationship between employee representatives, employers, and the government is essential to regulate Danish and German worker assistance. The combination of easy hiring and firing policies with generous unemployment insurance is a long-standing compromise between employers' associations and trade unions in Denmark. The schedule flexibility provided by short-time jobs and work-time accounts in Germany is a similar compromise.

Relatively weak collective bargaining policies in the United States may limit the prospects for establishing Danish- or German-style reforms.

Finally, both Germany and Denmark spend far more on active labor-market policies than the United States. Denmark and Germany allocated 2.3 percent and 0.8 percent of GDP, respectively, to active labor-market policies. The United States, by contrast, spent only 0.1 percent of its GDP on active labor-market policies.[41] Without an increase in spending on the federal, state, or municipal level, it would be difficult to replicate these programs.

WHAT HAS BEEN DONE

OBAMA AND CONGRESS: COMPROMISE, NO MAJOR REFORMS

Both the president and congressional Republicans have proposed comprehensive worker-assistance reform plans, but the only bill that has managed to gain bipartisan support makes marginal changes to the existing system. In July 2014, Congress passed the Workforce Innovation and Opportunity Act. The WIOA eliminates fifteen small programs, but preserves the existing adult, displaced worker, and youth program models, as well as the Employment Service. It also eliminates the core and intensive service sequence, which it combines into a single career services category, and allows workers to bypass these services and enroll directly in training. Additionally, WIOA puts an increased emphasis on partnerships with business and on-the-job training, reimbursing eligible employers for up to 75 percent of the costs to train workers. The act also strengthens evaluation and data reporting requirements by standardizing them across programs. WIOA received overwhelming bipartisan support, passing 95 to 3 in the Senate and 415 to 6 in the House.

The compromise bill was a positive development, but it largely leaves the existing system intact. During debate on the bill, lawmakers cited their desire to "not let the perfect be the enemy of the good."[42] But WIOA did not address several major issues with the U.S. worker-assistance system, such as eliminating the inequities between TAA and other programs, providing enough funding to guarantee adequate assistance for every worker, or insulating financing from the politics of the congressional appropriations process.

Both the Obama administration and congressional Republicans have proposed more substantial reforms to worker assistance. In his 2012 State of the Union address, the president highlighted "the maze of confusing training programs" that American workers face when they lose their jobs.[43] In response, the Obama administration proposed eliminating Trade Adjustment Assistance and the WIA Dislocated Worker program to establish a new Universal Displaced Worker program that would provide employment services and retraining to all workers who lose their jobs by no fault of their own. A Department of Labor explanation of the proposal noted that there "is simply no economic rationale for treating . . . groups of workers differently based on how they were displaced."[44] Republicans in the House of Representatives originally favored a bill that would have eliminated two dozen existing programs and transformed federal employment services into a block grant system to be administered primarily on the state level.

A Universal Displaced Worker program would combine several elements of the two existing programs. Similar to WIA/WIOA, the program would offer basic and intensive level services to workers, as well as subsidized training in "high-growth, high-demand" occupations for workers who qualify. Like TAA, the program would also provide up to eighteen months of income support for workers in retraining, regardless of whether the worker qualified for unemployment insurance. Workers could also be eligible for job-search allowances and relocation allowances to find a job outside of their home community. Under President Obama's proposal, displaced workers who quickly find a lower-paying job could receive a wage subsidy to cover the difference between their old and new salaries.

Congressional Republicans agree with the president that existing worker-assistance programs should be consolidated. Rather than create a new federally administered program to help displaced workers, however, they support giving greater control over training to state and local workforce organizations. Many Republicans argue that state and municipal officials are more in touch with the needs of the local economy and therefore better positioned to design effective worker-assistance policies.[45] In 2013, the House of Representatives passed a bill to repeal twenty-four federal worker-assistance programs, including the Workforce Investment Act programs and the Employment Service. Instead, the federal government would provide a single block grant to states, giving governors wide discretion on how to use the funding. The act also eliminated core and intensive services,

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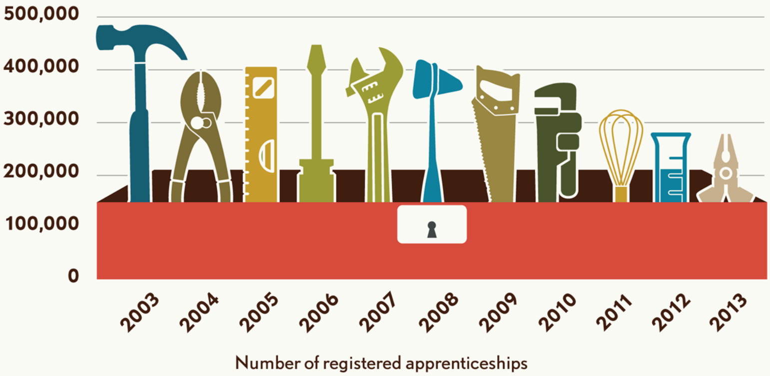
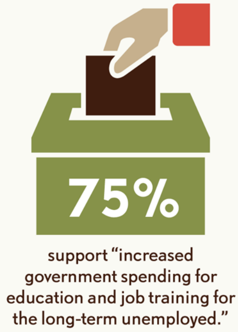
Businesses and Government Are Not Stepping Up to the Plate



Apprenticeships have declined 40 percent in the last decade.



Voters want to see an increased effort by both the government and colleges to help workers gain new skills.

combining them into a single category of work-ready services, and removed the need for a worker to complete these services to be eligible for training. This bill was eventually combined with Senate amendments to become WIOA.

POSITIVE TRENDS ARE EMERGING ELSEWHERE

Outside Washington, state and municipal initiatives show promise for helping workers of all ages and skill levels. South Carolina, for example, has created an apprenticeship reform model that could serve as a template for many other states. And sectoral training programs, which focus on training workers for jobs in high-growth fields, are increasingly popular.

South Carolina has implemented a scalable model to rapidly expand the number of apprenticeships in the state since 2007. Apprenticeship Carolina was created as a partnership among the South Carolina state government, the South Carolina Chamber of Commerce, and the South Carolina Technical College System. The program provides a one thousand dollar annual tax credit to businesses for every apprentice the company takes on, for up to four years per apprentice. In addition, the state provides companies with free services to facilitate hiring apprentices, including marketing apprenticeships, assisting with federal registration paperwork, and identifying core job competencies. The Technical College System works with companies to design a relevant academic and training curriculum, and apprentices take classes while working for the company.[46] Some companies cover tuition for apprentices, whereas other apprentices receive tuition assistance through grants provided by the Technical College System. When Apprenticeship Carolina began, the state had 777 registered apprentices. Since then, more than nine thousand new apprentices have participated in the program, a rapid increase in a time when apprenticeships nationally are growing rarer.[47] Additionally, the number of companies hiring apprentices has risen from ninety in 2007 to more than six hundred today.[48]

The biggest challenge facing Apprenticeship Carolina is its low completion rate. In recent years, the percentage of apprentices completing the program has ranged from the low twenties to the high thirties.[49] In Germany, the completion rate is closer to 80 percent.[50] However, the program is an important first step toward building a wider apprenticeship presence in the United States, and its relatively straightforward model makes use of the existing state Technical College System, which is transferrable to many other states.

The Obama administration has expressed support for expanding regional apprenticeship models like Apprenticeship Carolina. In 2014, President Obama hosted the first White House Summit on American Apprenticeship and called on Congress to fund more apprenticeships.[51] In his 2015 State of the Union address, Obama pledged to expand apprenticeships. His administration has created an American Apprenticeship Grant program that allocates $175 million to create thirty-four thousand new apprenticeships.

In addition to apprenticeships, some states are expanding sectoral training. This model trains participants in a specific industry and gives them a portable skill set that could be applicable to multiple firms in the given industry. Many sectoral training programs focus on high-growth sectors, such as health care or information technology. Training is generally led by vocational schools or community colleges in coordination with local governments or nonprofit organizations, rather than by specific employers. On completion, participants generally receive certification relevant to their industry.

A good example of sectoral training is the Per Scholas program in New York City. Per Scholas provides low-income city residents with computer-technician training. The fifteen-week, five-hundred-hour course offers participants the opportunity to participate in industry-related internships, and participants earn an industry-recognized technician certification.[52] Per Scholas expanded to Columbus and Cincinnati in 2012 and to Washington, DC, and Dallas in 2014.[53] A 2010 study assessing the effectiveness of Per Scholas and several similar programs found that workers in sectoral training programs received 18 percent higher wages and more consistent employment when compared to a control group.[54]

FUTURE PROSPECTS

The Great Recession made Americans more aware of the need for a better-functioning worker-assistance system. A February 2012 Gallup poll found that 75 percent of American workers supported increased government spending for education and job training for the long-term unemployed.[55] And a survey by Northeastern University found that 80 percent of respondents thought it was important for U.S. colleges and universities to focus on "providing opportunities for working professionals to gain new skills to reenter the workforce."[56]

But doing more will cost more. Danish- or German-style reforms cannot be implemented without a big increase in spending on active labor-market policies. The compromise bill that Congress passed does not significantly increase funding for active labor-market programs, and even the president's more ambitious proposal would keep spending below 0.2 percent of GDP, still among the lowest in the OECD. Yet innovative models are being implemented on the state and municipal level, many of which are based on partnerships with the private or nonprofit sectors. Until Congress is willing to invest more in active labor-market policies, these programs could be adopted by other states, or on the federal level, to help fill the gap.

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