

Globalization and the North American Free Trade Agreement:  
Implications for Employment and Training Policy

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Any examination of the readiness of rural communities to benefit, or at least hold their own, at a time when globalization is a reality and national policy is bent toward encouraging globalization through specific mechanisms such as the North American Free Trade Agreement (NAFTA), must consider the general landscape of employment and training policy and programs in the United States. That general landscape, of course, includes the rural landscape. However, there is little acknowledgement of the uniqueness of the needs of rural workers or rural communities in national employment and training policy, much less a unified rural strategy. This paper will attempt to expose the features of the general approach to employment and training in the U.S. and briefly discuss implications for rural areas. The general information presented should be instructive and helpful to rural experts in assessing the impact of globalization and NAFTA.

There does exist an array of employment and training programs which, by federal law, allocates resources to every corner of the nation. Resource allocation for individual programs is typically by formula based on unemployment rates, number of layoffs, and poverty rates in an area. These programs are designed to address what is commonly called the "supply side" of the equation for labor market equanimity: the need to equip workers with the skills necessary to compete in the local economy, which is nowadays the global economy: Two major work force studies from the eighties (*The Forgotten Half*, by the Grant Foundation and *Workforce 2000* by the Hudson Institute) and *America's Choice: high skills or low wages!*, by the National Center on Education and the Economy in 1990 argued that there will be a "skills gap" among U.S. workers by the year 2000--that there will be an abundance of available jobs requiring high skills, but that the work force will be unprepared to assume these jobs due to low skill levels. Around the so-called "skills" issue, however, there is increasing evidence [Levinson (1992), Mishel and Teixeira (1991)] that

addressing the "supply" side without equal or greater efforts on increasing the number and quality of available jobs will not result in increased employment in high skill, high wage jobs;

increasing the skill and education levels of workers will not in itself create a demand for those skills and reward high skills with high wages.

Though there remains disagreement regarding the number and future availability of high skill, high wage jobs, there is little disagreement that individuals with higher levels of education and training benefit in the labor market. A recent publication, *States and Communities on the Move: Policy Initiatives to Create a World-Class Workforce*, which is generally supportive of the "skills gap" approach, acknowledges the challenges to the data, but still maintains that "the existence of a growing income gap between more and less educated workers is indisputable, and

the influence of *Workforce 2000*, in terms of stimulating debate about educational upgrading and the education-work connection, is undeniable." The most comprehensive critique of the "skills gap" argument (Mishel and Teixeira) does not advocate for inattention to upgrading education and skills; instead it maintains that "the point of improving work force skills should not be to 'match' the skills required for an improbable future explosion of professional/technical and other high skill jobs, but rather to provide a solid base of work force quality upon which high performance work organization can be pursued."

Thus, there is a general consensus that ignoring the need to educate the current and future work force, especially the economically and educationally disadvantaged, will inevitably cause these individuals to fall further behind as technology advances and global trends accelerate at an ever-increasing pace.

Within this scenario, the socially responsible options in terms of employment and training policy center around setting policy priorities and strategically directing limited resources to address those priorities in a focused manner. This approach will require a radical departure from the current way of doing business in the employment and training field.

The current maze of employment and training programs has recently been characterized "as functional silos" which exist side by side, with separate delivery systems that originate at the national level and end at the local level, often including regional, state, regional substate, and local layers. Together these programs are providing approximately \$10.6 billion annually through ten major programs administered through the federal Departments of Labor, Education, Health and Human Services, and the U.S. Department of Agriculture. In general, the Department of Labor administers job training programs for disadvantaged and dislocated individuals through the Service Delivery Areas set up under the Job Training Partnership Act; DOL also administers the Employment Service (largely a job matching system) and Unemployment Insurance System, available to any unemployed individual, regardless of income, through a national network of employment services offices. In addition, the Employment Service/UI system operates the Trade Adjustment Assistance (TAA) programs, but delivers these services through employment service areas. The Department of Education administers federal adult and vocational education programs, which often have state funded components funded at equal or greater levels. The chart on the next page presents a brief inventory of the major U.S. employment and training programs.

FEDERAL DEPARTMENT	1993 FUNDING (in millions)	POPULATION SERVED
<b>DEPARTMENT OF LABOR</b>		
<u>JTPA Grants to States</u> - delivery through JTPA service delivery areas and substate areas.	\$2,826.0	Disadvantaged youth and adults; dislocated workers; veterans; older workers.
<u>JTPA Federal Programs</u> - (includes separate delivery systems for Native Americans, migrant farmworkers, and Job Corps programs).	\$1,332.2	Dislocated workers; low income Native Americans; migrant farmworkers, and Job Corp eligible.
<u>Homeless Job Training</u>	\$ 12.5	Homeless who qualify under Stewart B. McKinney Homeless Act.
<u>Community Service Jobs for Older Americans</u> - (separate delivery systems for state and national programs).	\$ 390.1	Economically disadvantaged older workers 55 and older.
<u>Unemployment Compensation &amp; Employment Service</u> (both programs delivered through state network of employment service offices - separate from JTPA).	\$2,380.1 \$ 894.6	Any worker involuntarily laid off and covered by UI. For ES, unemployed, underemployed, those seeking job/career changes.
<u>Trade Adjustment Assistance</u> - (administered through employment service offices).	\$ 211.3	Workers dislocated due to foreign competition.
<b>DEPARTMENT OF EDUCATION</b>		
<u>Vocational Education</u> - (funds go to state agencies, local school districts, community colleges).	\$1,169.5	Secondary and post-secondary students and special populations and projects - some priority to most in need.
<u>Adult Education</u> - (competitive grant processes at state level - open to ISDs, community colleges, literacy councils, community based organizations).	\$ 304.7	Anyone who is out of school and has not completed high school or GED. Priority for most educationally disadvantaged, some programs for offenders.
<b>HEALTH AND HUMAN SERVICES</b>		
<u>Job Opportunities and Basic Skills</u> - operated through local network of welfare office.	\$1,000.0	Welfare (AFDC recipients).
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<u>Food Stamps Employment and Training Program</u>	\$ 75.0	Food stamp recipients.

Programs administered by the different federal departments all have separate state-local delivery systems. And, some programs within an agency have separate delivery systems; for example, the JTPA and ES/UI programs, both administered by the Department of Labor. Ironically, most of the state and local entries end up contracting with each other; for example, the HHS JOBS program in Texas contracts with the employment service office and adult education system at the state level for services for welfare participants who are also eligible for JTPA.

A recent series of forums with clients, conducted by a State Job Training Coordinating Council Task Force in Texas, revealed that clients experience this maze of programs in a very negative way. The Task Force heard from every group about the confusing and often humiliating experiences which clients must endure to access education and training programs. Clients are asked repeatedly for the same documents to verify eligibility, are tested separately for each program, and there is no coherent management or systematic approach to determine their needs and design services to meet those needs. Thus, the severe flaws at the "front-end" of the process result in clients dropping out of programs that turn out to be inappropriate, being "recycled" through the system to another program, and often never reaching their primary goal of productive employment.

A basic description and analysis of current categories of programs in the employment and training field and emerging policy trends over the last fifty years provide some explanation of why we are attempting to deal with very complex, interrelated issues through a "silo" system designed to discourage interaction and a systematic policy approach.

An analysis conducted by the Texas State Job Training Coordinating Council last year classified four major types of work force development programs according to commonality of purpose and expected outcomes or results.

**EDUCATION PROGRAMS:** (e.g. adult education, vocational education) -- those programs administered by state educational agencies and designed to provide job related education or preparation for job-related education. Success measures typically include learning gains, competency (skill) attainment, and educational credentials/degrees.

**INTERVENTION PROGRAMS FOR GROUPS WITH SPECIAL NEEDS:** (e.g. Job Training Partnership Act (JTPA), Job Opportunities and Basic Skills (JOBS)) -- those programs designed to intervene on behalf of certain populations, e.g. welfare recipients, low income, or handicapped, who have traditionally experienced difficulty accessing and/or being successful in regular education or vocational programs. Success measures are labor market related and typically include job placement, retention, and wage rates.

**LABOR EXCHANGE PROGRAM:** (Employment Service) -- those programs designed to match job-ready job seekers with available jobs. Non-job ready applicants are typically referred to education or intervention system programs. Success measures include individuals placed by the Employment Service (ES), individuals who entered

employment, and number of employers who utilized the Employment Service system to hire applicants.

**CUSTOMIZED TRAINING FOR BUSINESS DEVELOPMENT:** (for new hires and currently employed) -- those programs designed to provide specific job training for active and prospective employees to retain current jobs or fill new openings. Success measures include new jobs created, jobs saved or retained, ability of applicants to pass entry tests, and promotion to higher level jobs.

The Texas State Job Training Coordinating Council research also documented the "gaps" that prevent this fragmented, often duplicative, array of programs from constituting a comprehensive and successful system for educating and training a world-class work force. The "gaps" in current programs include the following:

- lack of a comprehensive labor market information system which provides a reliable source for identifying growing and declining industries and occupations, and the jobs and skills associated with them.
- lack of a systematic strategy for serving "hard-to-serve" groups. Though every program has some requirements for reaching the "hard-to-serve," they are the groups (welfare recipients, dropouts, illiterates) that experience the programs as "hard-to-access."
- lack of a coordinated approach to dropout prevention and recovery. Again, despite the high dropout rate, there is no standardized system that a potential dropout or dropout can turn to for assistance -- and the Texas Education Agency (TEA) has not focused its efforts on addressing these issues.
- lack of comprehensive work place education and training (retraining) for employed individuals. According to 1991 figures from the Bureau of Labor Statistics, approximately 63% of the work force of 2005 is already in the labor force. Yet, Texas devotes only \$2 million per year in public funds to train and retrain the active work force.
- lack of a strategy for school-to-work transition. Though more than 50% of graduates do not pursue a baccalaureate degree, there exists no systematic approach, such as an apprenticeship system, to assure their successful transition into the labor force.
- lack of a strategy for re-employment of laid off workers. There is no central place in the community for laid off workers to access services and/or to match their skills to new and emerging jobs.

Many of these "gaps" can be attributed to trends in the employment and training programs over the last 50 years. While many of the requirements that created these trends have been well-intentioned, they have, in fact, had the effect of discouraging coordinated services:

- Mixed Messages from the Federal Level - Separate programs for many populations and programs with vague, confusing, and often meaningless "coordination" requirements.
- Special Populations Trend - While older programs, such as the Employment Service and Vocational Education were designed to serve anyone in need of services or of compulsory school age, in the fifties and sixties new programs were created to assist special populations -- for example, economically disadvantaged, migrant workers, veterans -- in gaining access to and receiving financial support to take advantage of services offered by the traditional institutions. This trend has encouraged specialized programs for targeted groups, as opposed to a comprehensive system to assist all individuals in need of employment and training services.
- Changing Roles in Service Delivery - Intervention programs have become providers of direct training services and educational institutions have increasingly taken on advocacy roles previously assumed by JTPA or community advocacy programs; this trend has caused some "role" confusion and sometimes results in professionals assuming responsibilities outside their areas of expertise.
- Conflicting/Inconsistent Standards and Expectations - Work force development programs are under increasing pressure to produce positive results for their client populations. Yet, the current approach often overlooks what the appropriate outcomes are for a given program or population, resulting in a "numbers game" as opposed to a meaningful accountability system.
- Confusing Governance Structure - The confusing array of governing and advisory boards for work force programs result in inconsistent and sometimes conflicting goals and policies, making coordination at the local level difficult to achieve.
- Lack of Proactive Policy-Making - The prescriptive nature of federal legislation and the pressure from local delivery systems to pass resources to the local level with "no strings attached" amounts to a lack of proactive policy-making at the state level which focuses and directs resources toward agreed upon goals and purposes.

From both the Bush and Clinton administrations, there have been numerous proposals to rationalize this maze of programs at the local level through "one-stop shops" or community career centers which will allow individuals needing education, training, or placement services

to be apprised of the types of services for which the individual is eligible, be assessed regarding types of services that would be beneficial and appropriate, and referred to those services at suitable education and training institutions.

Recent amendments to the Job Training Partnership Act, the largest federal program which trains disadvantaged youths and adults as well as displaced workers, also allows for consolidated advisory councils at the state level, called Human Resource Investment Councils, to advise the governor regarding policy and more efficient use of the state's work force development dollars. In some states, state statutes have administratively combined some programs authorized under separate pieces of federal legislation.

While "one-stop shopping" and consolidation of advisory bodies represent mechanisms that the state and local entities may pursue in order to provide improved accessibility and perhaps a more coordinated policy approach at the state level, they are not a substitute for a 1) comprehensive work force policy, which should be part of an overall employment policy at the federal level and 2) a federal administrative structure that supports that policy. These two issues will be discussed separately.

### Comprehensive Policy

In the national policy arena, there are three major employment and training issues that appear repeatedly in any discussion regarding how we should invest our resources to improve the prospects of the current and future work force. The three areas discussed below represent policy priorities for employment and training in areas where a significant federal role is indicated and established. While there is no question that a proactive policy and adequate funding to upgrade the current, active work force is an essential component to a comprehensive employment program, a federal role has not yet been politically negotiated in this area, as it has been for assisting those who have difficulty attaining and maintaining employment, e.g. disadvantaged and dislocated workers. States (including Texas) are "out in front" on this issue, having established publicly funded programs to assist employers in upgrading and retraining the active work force, regardless of income.

The following discussion stresses the need to focus national policy on three major areas that must be addressed to prepare disadvantaged, dislocated and non-college bound youth to compete in a global economy.

Significant investment in adult basic education -- A September, 1993 study, conducted by the Educational Testing Service (ETS), of literacy levels of the Job Training Partnership Act and Employment Service/Unemployment Insurance program participants found that 40 to 50 percent of eligible JTPA applicants and 40 percent of ES/UI participants were at Level 1 or 2 on a five level literacy assessment, with 50 to 60 percent of Blacks and Hispanics and 25 to 30 percent of Whites at Levels 1 and 2 (United States Department of Labor, *Beyond the School Doors*, September, 1992). A recent study using the same literacy definition and scale revealed that 47% of the U.S.

adult population are functioning at Level 1 or 2. These adults are unable to function at levels that enable them to advance appreciably in today's rapidly changing economy (National Adult Literacy Survey, September 1993). Yet, the federal funds devoted to adult education to assist individuals in reaching a high school completion functioning level make up only 2.9% of major employment and training program funds. Employers, in formal surveys and focus groups across the nation, express their desire for an employee who can function at a level (usually associated with a high school degree) that will enable the employer to train an individual to do a specific job. While the issue of work force skills is much more complex, technical, and challenging from the point of view of an economist or a professional in the education and training field, few deny the need for such a minimum standard.

Our efforts in this area should constitute a national strategy that is adequately funded and ensured with the best technology -- as opposed to "hit or miss" volunteer efforts and an antiquated adult education system that operates without the essentials in technology and curricula that accelerate and foster success.

For the economically and educationally disadvantaged, providing basic education has the potential to halt the natural consequences of technological and knowledge advances -- which historically have left them further behind and less equipped to compete in the labor market. Employers in the apparel and other industries with employees with traditionally low education levels should be offered incentives to provide basic education during work hours. Resources dedicated to basic education should not be tied to specific labor market outcomes, but rather to true educational advancement.

When considering the types of training needed as individuals progress beyond the level of basic education, one needs to move from the general to the specific, from the national to the regional or local to consider the very unique characteristics of a locality or type of locality (urban, rural, small city) which dictate the types of training and education needed by the current and future work force. Analyses of the particular situation of the major employers within a region, as was done in some of the original research for this conference, is critical. Within this context, the other two major program areas that need focused attention and resources to address the rapidly changing labor market are discussed below.

School-to-Work Transition: For more than 70 percent of high school graduates who do not complete four-year degrees, there needs to be a national system that assists students in acquiring the skills in demand occupations that will enable them to be productively employed. This requires a labor market information system that can identify the jobs and skills needed by employers by geographic location. And it requires an overhaul of the basic system of vocational education that is statutorily designated and funded to assist this group.



Re-employment Strategies for Dislocated Workers: Again, use of a sophisticated labor market information system that identifies the transferable skills that laid-off workers can utilize in demand jobs or occupations is the basis for determining the quickest route to re-employment, even if additional training is needed. While the system should allow for career changes and long-term retraining, resources are not adequate to encourage these pursuits across the board. The goal of re-employment at previous levels provides an income base through which to pursue new careers and significant retooling. Retraining resources should be focused on those attached to declining industries who do not have transferable skills to be successfully re-employed.

### Federal Restructuring

There is an important federal role in every component of the policy approach described above. The federal government alone has the capacity to implement the major policy initiatives described above. Consistent policy is required if, as a nation, we are to address the challenges brought on by globalization. Consistent policy is a political decision. As indicated previously, it is not an agreement around the major tenets of the policy that is most difficult to achieve: rather it is issues such as cutting down on the number of delivery systems, eliminating some bureaucracies and assigning resources to others, that prevent rational policy. This is evidenced by the federal government's "pushing down" the decisions regarding consolidation of programs and resources to the state and local levels. Real institutional changes would have to begin at the federal level, where the delivery systems and structures are set and decisions are made to target resources according to policy priorities rather than passing another piece of legislation that serves an existing delivery system (or creates a new one) and allocates resources based on the strength of each system's respective lobbies.

Careful attention also needs to be paid to how federal resources that remain at the federal level are directed. The Office of the Inspector General, the arm of the Department of Labor which conducts audits, investigations, and inspections to prevent fraud, abuse, waste, and mismanagement was allocated \$98,996,000 for the current program year; the Office of Policy Research was allocated \$12,000,000.

Certainly there are many ways to reform and even re-invent current programs and delivery systems that will improve their functioning and the experience of clients who come into contact with them. But unless the political battle is waged to overcome the vested interests of federal agencies and their delivery systems, the improvements will be largely anecdotal and sporadic and will fall drastically short of meeting the challenges of globalization and the North American Free Trade Agreement to prepare individual workers and the country to maintain its standard of living in a global economy.

### Implications for Rural Areas

As noted previously, federal education and job training funds do consistently reach rural areas. And, in general, because rural areas have recently experienced both high unemployment

and traditionally experienced high poverty rates, they have fared well under current formula distribution (Swaim and Teixeira, *Education and Training Policy: Skill Upgrading Options for the Rural Workforce, Education and Rural Development*), though funding levels remain inadequate to meet rural needs. Swaim and Teixeira also maintain that rural residents in general reap fewer benefits for additional education, and that those with higher levels of education tend to move to metro areas in order to benefit economically.

Swaim and Teixeira specifically point to the need for additional resources for remedial education for dislocated and disadvantaged rural workers, as opposed to the short-term job training offered by JTPA or the relatively minimal job search programs available through dislocated worker programs. They suggest that occupational skills training be tied to employer needs and economic development efforts in the community.

Any national effort to streamline service delivery through a system of "one-stop shops" would need to allow flexibility at the local level to accommodate rural areas. This would require acknowledgement and, perhaps, special funding for transportation and investment in technology to allow for remote access to labor market information, assessment, and training services. Since rural communities do not always have "branch offices" for the array of services available through federal programs, there is a need for flexibility, as well, in the choice of institutions that would serve as service centers.

The policy priorities discussed above by and large seem appropriate for rural areas, but attention must be given a national strategy and technical assistance to rural areas that would enable them to target programs to meet needs identified by local employers and businesses and to jointly plan economic development and education and training efforts to address the changing conditions which globalization and free trade will inevitably require.

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