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Chapter 15

Sectoral Strategies of Labour Market Reform

Emerging Evidence from the United States

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1. U.S. LABOUR MARKET REGULATION IN PERSPECTIVE

For good or ill, the sheer economic and political weight of the U.S. make its solutions to employment and training problems important to European policy-makers. Before considering some of the ways it might be changing, we characterise the 'American model' of labour market regulation, and ask how it is performing.

More than any other advanced capitalist economy, the United States relies on competitive labour markets to determine pay, employment, and other aspects of worker welfare.[1] Outside the public sector, only about 10 percent of workers belong to unions. Their collective bargaining agreements generally cover individual firms or establishments, rather than entire industries or regions, and are not extended to non-union employers. Public regulation of labour markets is also minimal. The minimum wage applies to a relatively small number of workers, has no obvious spill-over on the overall level of wages, and recently fell to its lowest level in 40 years before triggering a marginal raise by Congress. Unemployment insurance is more time-limited than in other countries. Outside a cluster of 'means tested' programmes directed to the very poor, the welfare state is largely limited to old-age pensions and health insurance. Exclusive of occupational health and safety regulation and equal employment opportunity laws protecting groups

[1] This section draws on joint work with Richard Freeman. See Freeman and Rogers (1996).

in Fons van Wieringen, ed., *Vocational and Adult Education in Europe* (Dordrechtt: Kluwer Academic 1999).

from discrimination, the state has few national policies safeguarding workers. Job security, training, even provision of medical insurance are determined at the workplace - through collective negotiations for a small number and through employer policy and individual negotiations for the vast majority. The bottom line is that for most Americans, how one fares in the economy depends overwhelmingly on how one fares in the labour market and thus upon the employer.

For more than two decades now, this market-driven system has led the developed world in job creation. Since 1983, the U.S. unemployment rate has consistently been 3-4 percentage points lower than Europe's. From 1974 to the present the U.S. employment/population ratio has grown from 65 to 71 percent, while Europe's has fallen from 65 to 60 percent. Compared to Europeans, U.S. workers also put in about 200 more hours at their jobs annually - a difference that itself widened during the period - further underscoring relative U.S. success in generating work.

For some Europeans, indeed, U.S. success in job generation, the expense of maintaining a generous welfare state under conditions of high-unemployment, and fears that social protection stifles risk-taking and entrepreneurship together recommend moving toward U.S.-style labour market 'flexibility'. The thought is that if Europe only removed labour market regulations, eliminated job protection laws, reduced unemployment benefits, weakened unions, and decentralised wage-setting, it would enjoy its own jobs miracle. Unemployment would be sufficiently reduced to be fiscally sustainable - especially under diminished expectations of welfare-state support - and what would be lost in security would be more than made up in increased employment and economic dynamism.

There is, however, little evidence for this view, and mounting evidence in the U.S. of the very high social costs to a system that lets every worker sink or swim on his or her own.

Given a rapid secular shift in labour demand toward more-skilled workers, compared to the supply of those workers, flexibility in wage determination assures rising inequality. In the U.S. the college/high-school wage differential nearly doubled in the 1980s, rising from a 34 percent advantage for college graduates in 1979 to a 57 percent in 1993; over the same period, the white-collar/blue-collar premium grew by more than 50 percent and the pay of Chief Executive Officers (CEOs) skyrocketed relative to that of other employees. But inequality has also increased within educational and occupational strata - suggesting the increased importance of sheer luck in labour market outcomes. Over the same 1979-93 period, for example, the ratio of earnings of male high school graduates in the 90th/10th percentiles increased 25 percent; at the same time, similar changes are found

within detailed occupations. Here flexibility benefited the lucky few and harmed the unlucky many.

As inequality has risen, moreover, wages have stagnated or declined for much of the U.S. working population. For example, the real hourly wages of men with less than 12 years of schooling dropped 27 percent over 1979-93; wages of high school graduates fell 20 percent; even male college graduates suffered absolute wage declines. Income erosion was especially severe among the young, with the wages of male high school graduates with 1-5 years of work experience, for example, falling 30 percent over the period. And fewer workers experienced life-cycle wage improvement - earning more as they aged and advanced in their careers, gained skills, and attained seniority. In the 1970s the ratio of such life-cycle winners to losers was 4-1. In the 1980s it was halved to 2-1, meaning that one-third of workers actually lost ground as their job experience increased. The contrast with the experience of German workers is like 'night and day': the vast majority of Germans, like the vast majority of Americans in the 1970s, enjoy real wage gains as they accumulate work experience.

With real wage drops concentrated on young workers - those most likely to be starting families - poverty has increased, especially among children. For historical reasons, 'poverty' in the U.S. is defined as an income below three times the cost of a minimal diet 'fit only for temporary or emergency use'. Over the 1979-93 period, the share of the population living below this level rose 29 percent; among children, it rose 38 percent. At present, as many as one-in-four America children are growing up in such poverty.

A comparison of the earnings of the bottom decile of U.S. workers to their European counterparts may help put these trends in perspective. Within respective systems, the bottom decile of U.S. workers earn 38 percent of the U.S. median wage, while the bottom decile of European workers earn 68 percent of the European median. On a cross-system basis, using a purchasing power parity measure - contrasting the cost of a comparable basket of commodities across countries - bottom decile U.S. workers earn just 69 percent of what bottom decile European workers. Compared to their colleagues in a rich country like Germany, they earn just 45 percent.

Wretched earnings at the bottom of the wage distribution, and the difficulty of making even normal gains in income over the life-cycle, contribute to the growth of an 'underclass' in the U.S. - concentrated in our cities, often violently criminal. Lacking any social or economic policies to prevent or remedy this problem, U.S. policy increasingly deals with the underclass through physical incarceration. The U.S. prison population, already a higher share of the general population than any other nation, has been growing since the early 1980s at 7 percent annually. As of 1993, the population directly supervised by the criminal justice system - either in

prison, or on supervised probation or parole - equalled 7 percent of the total workforce. At present rates of incarceration, by 2000, 3 percent of male Americans of working age will be in prison - roughly comparable to long-term joblessness among the same population in Europe.

Nor, importantly, does U.S. experience show downward wage flexibility contributing to employment: the massive drop in the real wages of less skilled American men did not improve their employment prospects absolutely, or relative to high-skill workers. Comparing male high school and college graduates in 1980 and 1993, for example, shows lower employment rates for both groups over time, but a sharper drop among the less-skilled. Annual weeks of joblessness in the bottom decile of male workers increased by 8.5 weeks over the late 1960s to late 1980s while remaining unchanged among those in the top four deciles. In the 1990s, for those in the bottom decile, the fall in hours continues, while for those in the top decile hours increased. Studies of the declining real value of the mandatory minimum wage also show no positive employment effect among classes of workers earning it. Thus, U.S. experience provides no support for the proposition that downward wage flexibility *per se* helps cure employment problems.

2. RECENT EFFORTS TO REFORM THE U.S. TRAINING SYSTEM

If Europeans envy U.S. job generation, many in the U.S. envy Europe's training infrastructure. Indeed, stagnating wages and productivity in the U.S. have widely led mainstream policy-makers to focus on increased training as a principal cure for U.S. productivity and labour market woes,[2] and then in ways often explicitly modelled on European experience. In the early 1980s, the U.S. learned that its K-12 system of primary and secondary school instruction performed more poorly than the basic school systems of leading economic rivals. More recently it has learned that its system of post-secondary vocational training, directed to incumbent workers and the 'forgotten half' of youth who do not attend or finish college, does even worse. In comparative terms, the American system of college and university

[2] While the importance of human capital, like any other input, can be overstated, there is fairly widespread consensus in the U.S. that substantial increases in productivity growth and product quality are unlikely without substantial changes in the organisation of work, including a significant devolution of responsibility to the 'frontline' workforce of production and non-supervisory workers. Effecting this transformation, however, will *inter alia* require significantly improving the skills of that workforce.

education remains unrivalled. But U.S. performance in facilitating the school-to-work transition for the non-college-graduate, in training entry-level workers, in upgrading the skills of incumbent workers, and in retraining displaced and dislocated workers is generally conceded to be poor, and in any case substantially exceeded by the training systems of such commercial rivals as Germany and Japan. Reforming the U.S. training system - here understood as the post-secondary, non-baccalaureate system of vocational instruction and job training - is a major focus of current political energies.

Motivated by such concerns, the Clinton administration has made the reform of the U.S. training system a centrepiece of its economic and social programme. Even as the administration has accepted severe fiscal constraints on federal training programs, and backed off campaign pledges to levy a 'play or pay' training tax on private employers, the administration has moved to support 'school to work' initiatives in youth apprenticeship, national skills standards, and significant consolidation and streamlining of scattered federal training efforts. At the same time that the relative prominence of education and training in national economic policy has increased, however, actual responsibility for economic development and social policy has continued to shift toward the states. As with the recent withdrawal of federal commitments to welfare, so in other areas: devolution is the order of the day. The relevant context, then, is one of modest federal leadership, and a hodgepodge of initiatives and reforms, with most of the interesting action occurring at the state and local levels.

Many states have moved to integrate the delivery of labour market services, offering prospective 'customers' income support, job search assistance, and job training assistance at *'one stop' job centres*. In some of the most developed cases, including Wisconsin, these centres are linked to provide an integrated state system of labour market service access, with a common menu of services for employers and job seekers, and effective integration of policy and service delivery. Responding to the long-standing problem of fragmented labour market services, the one-stop job centres are getting an additional boost from federal welfare reform. The latter has underscored the need to integrate social services with more specific training and other labour market supports, especially for the millions of disadvantaged workers who will soon be forced into the labour market. Federal funds to operate these social and training supports will soon be 'block granted' to the states, meaning that each state will determine the best local distribution of those funds without federal mandate on types or quality of service.

Partly as a result of integration of social supports with training and job services, and partly because resource constraints have required

reorganisation, the *role of technical and community colleges* has been changing rapidly as well. Major community colleges have pledged themselves to a more integral role in the community and are working to strengthen their connections both to potential students and firms. In order to be more responsive to community residents and incumbent workers, they are generally offering shorter courses, more computer-based and self-paced learning packages, and more convenient hours and locations for courses. In order to be more responsive to the needs of firms, they are also developing more flexible training for high growth, high-wage industries; working on customised, short-term courses to improve training in specific workplaces; designing basic skills courses which emphasise 'soft skills' such as teamwork and communication and developing improved evaluation procedures to monitor their successes and prepare for future needs. In an education and training system geared most heavily toward the 4-year college-bound, such reform of the 2-year community/technical college system probably offers the best hope for a significantly improved public sector presence in more vocational training.

Long talked about, programmes in youth apprenticeship, or *'school to work'*, are now just beginning to arrive. The U.S. School-to-Work Opportunities Act was passed in 1994, and is currently funded at about a $300 million annual basis, with the money earmarked for providing career education and development in the public schools and for creating work-based learning components. The broad goal of the programme is to link schools to the workplace much more tightly and to make school work more relevant to the world of employment. The Act emphasized local partnerships between schools, employers, labour, community organisations and parents. Access to career information and counseling should lead students to select a 'career major' no later than the eleventh grade. Workplace mentoring is required, as is instruction in competencies required in the workplace. The goal is to provide students with two 'portable and validated' credentials - a high school diploma and a skills certificate - recognised by area employers.

The issue of portable and validated credentials for the incumbent workforce has been recently revived through a programme to create *national skill standards*. The development of skill standards is proceeding on a sectoral basis, although some basic standards, such as literacy and numeracy, may hold across sectors. In banking, for example, the California Business Roundtable and the California Department of Education developed skill standards for positions throughout the California banking industry. These standards are divided into foundation standards (for all positions) and standards for data and item processing, loan processing and sales and services. Generally, the standards are geared towards employees with flexibility and good basic skills, as well as skills that are specific to one of

the three occupational areas listed above. Many of these skills are specific to the work process in banking, and clearly would be most efficiently acquired on the job.[3]

2.1 BARRIERS TO REFORM

When all is said and done, however, these reform efforts, while certainly welcome, are floundering. The one-stop job centres capture only a tiny portion of the actual employment flow in most labour markets, and welfare reform threatens to marginalize them as places of interest only to the truly needy. School-to-work initiatives are not reaching their forecast scale, since they generally lack serious employer commitment to taking and training their young participants. Community/technical college interest in getting 'close to their customer' has most commonly taken the form of tailoring programmes to the needs of particular individual firms - without providing workers with broader and more portable occupational skills. And the national skills standards programme, while successfully piloted in a few industries, is generally a failure. In most major sectors, particularly among the larger firms, there simply is no interest in buying into job or occupational standards not set by themselves.

What is the problem here, and how might it be solved?

In part the problem is lack of money. Education and training reform in the U.S. is a paradigmatic case of a broader political problem: improving living standards will require substantial public investment, but the public has little confidence in government or willingness to make that investment in the absence of very clear payoffs, which frequently cannot be demonstrated in advance of scaled investment itself. And with incomes falling, tax resistance solidifies.

Even if some substantial effort were agreed to, moreover, there are lurking distributional conflicts. National policy discussion in the U.S. is framed by the implicit presumption that all Americans should have

[3] The US Departments of Education and Labour developed a set of principles for the design of skill standards in fields not requiring a bachelor's degree. The standards should be: 1) adaptable to rapidly changing organisational structures, technologies, and markets (they should be flexible); 2) based on 'world-class' industry performance; 3) free of discriminatory elements; 4) easy to understand; 5) tied to measurable outcomes; 6) developed jointly by all 'stakeholders' 7) developed independently from 'any single training provider' but should be widely applicable; 8) useful for credentialling both entry-level employees and those moving up in the organisation; 9) inclusive of skills of literacy and critical thinking. The Departments also designed a set of phases for the development of skill standards. The Clinton administration has appointed a National Skill Standards Board, to spread this type of skill certification across the country, and to develop skill standards that are saleble at many employers.

substantially equal access to training, and that the baseline level of training generally provided should be substantially increased. But if this presumption were taken seriously, the sums involved and redistribution entailed would be substantial. The U.S. currently provides approximately $14,000 in government support to each graduate of college. To provide equivalent support to the 75 percent of each high school cohort that does not graduate would cost $29 billion annually. Of the $30 billion U.S. employers currently spend annually on formal training, the overwhelming percentage (96 percent in the case of young workers) is provided to college graduates; were non-college graduates provided with comparable support, the bill to employers would be about $100 billion. German apprentices each cost employers about $4,500 a year, in what are typically four-year programmes of 'dual' workplace-school instruction. Were a German apprenticeship system extended to the U.S., with the 65 percent rate of coverage for the total high school cohort claimed in Germany, it would cost U.S. employers about $32 billion annually. It is most unlikely that anything approaching this effort will be made in the U.S. on behalf of frontline workers anytime soon.

The structure and capacity of government also pose important barriers. At the Federal level, despite some success in consolidation, national training efforts remain littered across more than a hundred different programmes, administered by 14 different federal departments and agencies - many with identical target populations and purposes, but all with different mandates. This sprawling effort becomes slightly less intelligible at the state level, where principal responsibility for federal programme administration and control over a welter of additional programmes resides, and almost unnavigable at the local level, where much effective authority over post-secondary training institutions (including most community colleges), as well as local school districts, is exerted. The maze of programs and decentralised administration has grown into being over more than a century of political conflict over the appropriate role of government in human capital formation, and its structure reflects the best and worst aspects of federalism - from the room it provides for efficient local servicing and experiment to the inequalities it breeds in the byzantine complexities of state and local tax codes. Each programme has a constituency, and systemic reform is not aided by the reserved (and now growing) powers of state and local governments.

Even more fundamental, however, are the institutional incapacities of government as an agent of change - the fact that government is and always has been 'all thumbs and no fingers', and inept at capturing the impacted information and local knowledge key to economic decision-making, particularly inside the firm. Along with budget pressures, this commonly turns reform to caricature, with local governments or educational institutions stumbling after what they it take to be the latest industry 'trend' without the

resources to drive it, and usually finding that by the time new programming arrives, the underlying economic conditions have changed.

The biggest problem, however, is that industry itself is disorganised, or organised in the wrong way

On the demand side of the training equation, while U.S. labour markets have shown, since the late 1970s, a strong secular increase in relative demand for skilled as against unskilled labour, overall employer demand for skilled labour remains relatively weak. As measured by occupational trends, business demand for more educated workers is actually projected to *slow* over the next decade, not increase (Mishel and Teixeira, 1990). Such occupational measures are limited by their inattention to within-occupation changes in desired skill, but more nuanced investigations of such changes - themselves driven by changes in work organisation and technology use - are not particularly comforting. Particularly among 'foundation' firms employing fewer than 250 workers, rates of investment in new technology are flat. And only a minority of firms - on no estimate accounting for more than 20 percent of overall employment - are making the broad changes in work organisation that drive increased skill demand.

Much of the present U.S. labour market, instead, appears to approximate to a 'low-wage, low-skill' equilibrium. Given a low skill environment, and little rigidity in wages, even firms operating under increased competitive pressure have continued with low-skill forms of work organisation that require little more than obedience and a good work attitude from direct production or service workers. Having chosen such a strategy, however, the skill demands of these firms are low. While they may wish to remedy deficiencies in very basic worker skills, or provide training to a few in the application of expensive new technology, they generally do not demand or promote broad and continuous skill upgrading among their frontline workforce. Such low-skill, low-wage strategies of course lower overall living standards, but that makes them no less profitable or attractive to firms, and their adoption weakens the political thrust for a stronger training effort.

On the supply side of training provision, meanwhile, most efforts suffer from a series of collective action problems. These include simple co-ordination problems - for example, in matching public training efforts to private firm needs - to mixed motive problems - for example, in getting agreement on industry-wide standards on skill credentialling. Most famously, however, they include a deep co-operation problem in private firm investment in training. Even firms anxious to improve the skills of their workforce face the threat of competitors free-riding on their training efforts. Unless the training they provide is so narrow that it is only useful in their own firm, it will be marketable by the workers who receive it to other firms who do not pay for its provision; one firm's trainee may thus become another

firm's asset, with the second firm advantaged by the benefits of training but not burdened by its costs. This threat of free-riders leads firms not to train at all, or to train very narrowly, in ways that are not useful for workers on the external labour market, and that may not be useful for the dynamic efficiency of the firms themselves. In classic 'prisoner dilemma' fashion, individually rational action does not aggregate to socially rational choice. While the economy as a whole would benefit from a better and broadly trained workforce, no firm may have the incentive to start providing it.

One 'solution' to this last problem is design around it - i.e., to design a system in which firm-provided training is accepted as exiguous, or extremely narrow, and in which all broad training is provided through the public system. This, indeed, remains the general 'solution' in the U.S. education and training system. But there are reasons to believe that this sort of 'solution' is no solution at all. Efficient training systems require a substantial firm-based, and indeed workplace-based, training effort. So, the co-operation problem in private firm training remains important.

Comparative experience shows only two solutions to this problem. One - let's call it the 'Japanese' solution - is to limit worker movement between firms, and thus assure management that it will indeed reap the rewards of investments in its workforce. Given the present (and rising) degree of inter-firm mobility in the U.S., and the constraints on management, along with workers, that such a system requires, this seems of little relevance as a general solution in the United States. More relevant is what might be called the 'European' solution to the co-operation problem. This effectively accepts inter-firm mobility, but then forces, either through state or private associative action, a sufficiently large share of firms to train that each becomes more indifferent to that mobility.

How the first variant works is straightforward enough. The state imposes a requirement on firms that they train, or pay the state for doing so, betting that firms will prefer to 'play' than 'pay'. The French system is an example. For the second variant - associative action - Germany remains the best example. The German system features a complex set of institutions - powerful Chambers of Trade and Industry, well-organised trade and employers associations, strong unions and works councils and the national government itself - that organise employers to the point of solving their free-rider problems. By encouraging employers to train and protecting them against defection from the general training regime, these institutions provide for a high level of workplace-based training without eliminating either the worker's option to quit or the employer's option not to train.

The great problem in the U.S. is that we generally lack the relevant sorts of labour market institutions and practices on either the demand or supply side of the training equation.

On the demand side, what is chiefly lacking are mechanisms to drive up the price of labour and compress wage dispersion. Unions are extremely weak, and direct regulation of labour prices is minimal. The result is that, in general, business lacks appropriate incentives to increase the productivity of labour - through, among other things, training - and that the low-wage, sweating response to competition is not effectively foreclosed. That it is not, moreover, tends to erode support for appropriate sorts of upgrading even among firms plausibly positioned to lead the way in such. Large, older, higher-wage firms in manufacturing, for example, find it more cost-effective to spin off parts of their operations to low-wage sub-contractors, and to pressure their existing higher-wage suppliers to take the same route, than to make or pressure the investments up and down the production chain needed to diffuse upgrading. The story of restructuring among the 'Big 3' auto companies and their suppliers is but the best known instance of this.

On the supply side, in our highly liberal political economy, what are lacking are mechanisms of association among firms and worker organisations, or working relations between the private and public sectors, that could address the various collective action problems just noted. U.S. governance tends still to be exhausted by 'live free or die' choices between command and control regulation and market exchange. Secondary associations performing economic functions are generally weak, and in any case rarely explicitly integrated into public governance. As a consequence, virtually all regulation of the kind implicated in the training case - i.e., involving the achievement of goals within diverse, dispersed, and numerous sites of economic activity - suffers from severe monitoring and enforcement problems, the expectation of which renders initial goal specification itself more difficult.[4] In the U.S., we are very very far from the sorts of dense associations that drive the German training system, and that permit, for example, skills standard setting and training enforcement essentially to be almost purely private processes.

[4] Regulation of occupational safety and health — involving the monitoring of several million heterogeneous worksites, provides a classic example of this problem in practice. While most European countries mandate some form of employee safety committees to give the state additional eyes and ears, in the U.S. enforcement still resides exclusively in government inspectorates.

3. REGIONAL SECTORAL EXPERIMENTS AS A POSSIBLE WAY FORWARD

All of the above should inspire considerable caution in looking to the U.S. as a model for training practices. The labour market outcomes being generated by the present system are quite bad for much of the population; the pace of reform efforts is slow; the institutional and political underpinnings for leveraging out of low-road (low-wage, low-skill, low-investment, etc.) equilibria generally not available. In the absence of some fundamental altering of the political landscape, the likely path for the U.S. is growing inequality and stratification, with higher education increasingly starved for funds, and dominated by business undisciplined by any sense of public purpose.

This fairly grim assessment, however, is qualified in at least some labour markets by new experiments in workforce training and job access and advancement. Almost always initiated by actors outside the public system - most commonly, unions or community groups - to advance or defend the interests of particular worker constituencies, they show some promise of remedying the key deficiencies in the U.S. training system. The key strength of these projects is their ability to bring about changes in employer behaviour needed to solve the demand and supply problems in training just highlighted. Some programmes aim to improve the quality of the 'dead-end' jobs that have proliferated in recent years. Others seek to improve incumbent worker training systems, typically by re-establishing some version of a skill-based job ladder, and agreement among several firms in a given industry to common standards and benchmarks on their private training effort. Still others seek to develop better information on labour markets and use that information to improve the access of disadvantaged workers to specific sectors.[5]

3.1 Improving Dead-End Jobs

There are two ways to overcome the problem of dead-end jobs. The first is to professionalise the job. The second is to provide a pathway into decent work out of a dead-end job. A handful of projects have been undertaken in the past few years to move workers into good jobs or to improve the status and prospects of the jobs workers already hold. Most of these projects are

[5] These programme overviews rely on overview documents, interviews, informal discussions, and, in many cases, some of the projects' own documents. The Ford/Mott commissioned studies, Jobs and the Urban Poor, (Seigel and Kwass,1995 and Clark and Dawson, 1995) provide a good overview of a number of the projects.

sectoral in nature. These programmes identify a pool of potential jobs on an occupational basis and prepare workers for employment in those jobs. For programmes that seek to professionalise dead-end work, the key is often improved training which results in increased quality of service, even at the low-wage end of the labour market. For programmes that seek to provide a pathway out of work, the key element is the identification of a series of jobs, where employment at the one job will contribute to quality of work at the next job.

3.2 Temp Work, Hiring Halls and Basic Skills Credentialling

One common trait of dead-end jobs is their 'spotty' demand. In labour pools, temp services, personal services, and hospitality, demand shifts quite dramatically from day to day. The costs of that fluctuation is generally born by the individual worker who is simply not called in, or sent home and does not receive wages. Some projects attempt to steady demand by spreading the pool from which demand is drawn. Hiring halls in the hospitality industry, for example, service banquet and set-up requests from multiple firms. By co-ordinating with more than a single firm, these hiring halls can turn some transient work into a steady job. The development of worker owned temp agencies will also focus on increasing the hours that worker are guaranteed. Again, as the hours are made more reliable, workforce and job quality rise together. Rather than transient workers, firms get employees that are connected to the industry. Rather than transient jobs, workers get steady work and reliable income.

Basic skills credentialling could also help to improve dead-end jobs, by providing a pathway into better work. The basic idea here - now subject to informal experimentation in Michigan in the fast-food sector - is to certify workers with demonstrated work ethic (reliability, punctuality, motivation, etc.) in the secondary labour market, thus making them more attractive to better-paying employers in the primary market. The gain to the primary market employers is reduced search costs on reliable employees; the gain to the secondary employers is a more stable workforce, intent at least on achieving the certification; the gain to the workers getting certified is a way out.

3.3 Providing an Upward Path in Mid-Level Jobs

Even in slightly better paying sectors, ability to advance has been restricted by work reorganisation and economic change. The non-

professional tracks in insurance, financial services and business services have extremely short ladders - in many instances the only step up is to shift supervisor. To move up from clerical usually requires a college degree, not the kind of training that is easy to get on the job or on the side. The health care sector often looks the same way; many hospitals discourage movement from food service to patient care to technical work. In manufacturing, competitive pressures have pushed many firms to cut back on training, just when training investments are most needed. In these manufacturing firms, workers are expected to produce more with the same skills, or firms shift inexorably toward lower-end product market strategies. In a few cases, however, industry organisation has found a way around these problems. The Cape Cod Hospital Career Ladder Program is a joint union-management training program, 'premised on a comprehensive system of internal promotion in which vacant job positions are filled by upgrading existing workers.' The programme is designed to 'simultaneously maximise human resource potential and meet the personnel needs of the hospital' while 'enabling workers to continue their employment as they advance their education, skills, and job position.' Key steps have been to define the career ladders themselves, to provide training, to link training to career progression, and thus to wages, and to formalise access to training opportunities.

In a further venture the Wisconsin Regional Training Partnership, based in the metalworking industry, with a membership of more than 40 firms collectively employing approximately 40,000 workers in Southeastern Wisconsin has grown to be the largest sectoral training consortium in the country, and the most advanced in overall programme goals. Member firms benchmark a growing percentage of payroll to training front-line workers train according to standards set on a supra-firm basis; gear their hiring and internal labour market promotions to worker achievement on those standards; and administer the enhanced training budgets (resulting from their benchmarked contributions) through joint labour-management committees.

3.4 Bringing Clarity to Labour Market Access and Advancement

Understanding the rules in the labour market, making those rules explicit, and providing the support for people that they need to make their way through the labour market can significantly improve the opportunities for disadvantaged workers. Clarity of this sort in the labour market can help overcome the barrier of informal access to work by establishing a clear system of rules on access and advancement. Moreover, the information would help students, the workforce and employers plan for the future. One firm representative summarised it this way: 'As these students leave high

school, it would be nice if there was something to say: this is what the need is in your community. There's this number of jobs that are becoming available in the community in this area, and these are the skills that you're going to need to fill one of those positions.... But that's not being done now.' If it were done, a labour market map would also allow adults opportunities to change careers, and aid the process of finding new employment after job loss.

Projects rarely take 'labour market transparency' as their key goal. However, two projects seek to improve labour market information and use that information to improve workers' mobility.

San Antonio's Project QUEST was developed in direct response to community perceptions that there were increasing inequalities in the San Antonio job market. Local community organisations COPS and Metro Alliance met with business and political leaders, and secured commitments from firms to provide access to skilled jobs with a potential for advancement. They also negotiated with state and local authorities for funding to run the program. QUEST targeted particular sectors with a potential for providing good jobs (which were defined as paying $7 to $8 an hour, with potential for advancement). These sectors were health care, electronics, environmental services, maintenance and repair, and business systems. QUEST got employers to commit, collectively, to hire graduates in each of these areas.

As a model of a successful jobs programme, QUEST offers the following important lessons: jobs programmes must be tied to the community, and involve commitment from business, community organisations, and the state. All participants need to be held accountable. Businesses need to commit to particular required skill sets and wage norms, training institutions need to commit to providing these skill sets, and trainees need to commit to doing the preparatory work needed for available jobs. Finally, there needs to be a coordinating organisation which is competent and puts all of these pieces together.

QUEST, of course, like many other jobs programmes, has relatively little emphasis on moving employees through career ladders or other mechanisms for advancement, except in that it places employees in jobs which have the potential for advancement. However, the QUEST approach could be extended to filling slots higher up on a career ladder, using incumbent employees instead of entry level workers. The basic approach - identifying nascent, unfilled demand in the labour market, and then moving decisively to fill it - would still bear fruit. Since incumbent workers are employed, they are less likely to need ancillary support services; the firms that would benefit from filling these jobs could contribute to the provision of these services.

The Dane County 'Jobs With a Future' Project is developing a community career ladder project to make 'jobs with a future' available to all Dane County residents.

In three sectors - manufacturing, health care, and insurance & finance - extensive interviews with human resource and training personnel at leading firms to identify the skill and workforce needs that are shared by the firms in each industry, have led to employer/union decisions to establish sectoral consortia.

Together, all three partnerships will be working with the Dane County Job Center (the local 'one stop') to reach out to workers in the county who are presently trapped in poverty-wage jobs. It is clear that in Dane County, information on wages and opportunities does not reach into communities that need the information the most. The collaborative work of the partnerships and the Job Center will allow for new means of recruitment and orientation to be developed and new connections to be made.

4. THE PROMISE OF REGIONAL HIGH-ROAD PARTNERSHIPS

While still in their infancy, we believe these sorts of 'high road regional partnerships' show considerable promise as the foundation for a new sort of 'American model' in training. In effect, they provide at the regional level what is not provided nationally - a genuine infrastructure of industry and union collaboration that both drives industries toward more demanding skill demands and provides the flow of information, and assurances against free-riding, needed to meet it. Given pressures for devolution, moreover, there is no reason why such efforts could not be more effectively integrated into public labour market administration.

More particularly, such sectoral projects - typically focusing on a collection of firms with shared production methods and/or labour forces - display three obvious efficiencies not widely captured elsewhere in the U.S. system. First, there are considerable economies of scale to be realised when working with a cross-section of firms with shared labour force needs. Unlike workforce development or job connection initiatives that have adopted a narrowly customised firm-by-firm approach, the sectoral approach does away with the need for constantly renewing personal relationships and inspiring management good-will or civic mindedness. By organising a sector, solutions to recurrent problems can be improved and programmes refined. Second, a sectoral initiative can leverage economies of scope as well. A sectoral intermediary which understands and is responding to the shared needs of a number of firms can develop diverse programmes which

will weather economic shifts and the problems of single firms. Just as the scale of the project can be used to continuously improve common elements of the curriculum and training routines, the scope of the project protects it from being captured by a single firm and uniquely beholden to that firm's needs and fortunes. Finally, sectoral initiatives are associated with positive network externalities. The positive network externalities will be generated as firms come together and find ways to solve common problems. If programmes are helping multiple firms in a sector, then the region's sector at large can become more vibrant and competitive. Firms, by sharing information and solutions, also become more tied into the local community. So, as a valued sectoral intermediary is developed in a region, the sector itself becomes revitalised and more rooted.

Nor is it much of a step from there to the more functional integration of regional labour market services, with representatives of regional sectoral consortia providing the natural ballast and direction for programme administration. Whatever the many confusions of U.S. training reform at present, it is fairly clear that block-grants are coming, and that the most natural structure for their administration will be some descendant of the 'Private Industry Councils' first mandated under the Job Training Partnership Act (JTPA) - the most important federal training programme. Various states, Wisconsin included, have already established 'Workforce Development Boards' along these lines, with an essentially private governance (with a majority of seats assigned to business) broadly mimicking that of the original PICs. Were sectoral consortia more widely developed, representatives of those consortia would provide a natural source of such business (and union and community) presence, with the effect of tying the public system much more closely to the real local economy. Consolidation of labour market services, moreover, might be naturally extended to include elements of the fledgling manufacturing modernisation infrastructure the Clinton administration has been at pains to preserve and develop. This federally supported, but essentially state-based, system of support for small and medium sized manufacturers is now capable of reaching tens of thousands of firms annually with assistance on upgrading. Operating at some $300 million annually, it is the most significant U.S. programme acting directly on the demand side of the training equation.

The result would be, in effect, a series of regional labour market boards, with financial resources to apply to both the supply and demand sides of that equation, and considerable leverage within a more organised private sector.

How movement to such a system might be incented is also straightforward enough. Without mandating such industry organisation, participation in it could reasonably be offered as a condition for discounts on public training assistance - the rationale being that public dollars are best

spent where private leverage and representativeness is demonstrated - with reciprocal premia applied to supports for non-participating firms. Such boards could be charged as well with local implementation of the national skills standards, providing some baseline coordination of their activities. And the process of organising regional industry and labour - based on our experience, perhaps surprisingly, not a desperately hard thing to do - could be supported through demonstration grants and a minimal national technical assistance infrastructure.

Of course, whether this really happens, or happens fast enough to capture the energies now unleashed by reform-mindedness and devolution, is not something we can confidently predict. But it is certainly a development worth watching, and for Europeans the fact that it is already happening unselfconsciously, without almost any explicit public support, may carry some interesting lessons. Based on the experience in the most liberal of polities, with the greatest hostility to government, with the weakest associational structures in business and the most decimated labour movement, it appears that there is at least a plausible way to functional, flexible, and politically-supported labour market administration - at the regional level. That level of administration appears to capture the operative efficiencies of associational action, while being sufficiently tutored by local experience, and allowing a speed and flexibility in government response, to satisfy firm demands for such attention to their new competitive realities.

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