

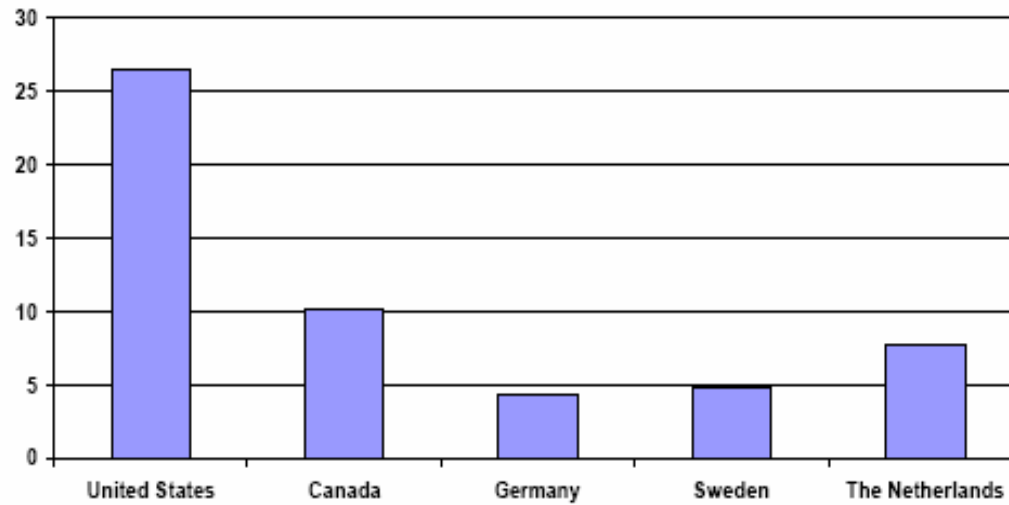
Job Loss: Bridging the Research and Policy Discussion

by

Lisa M. Lynch

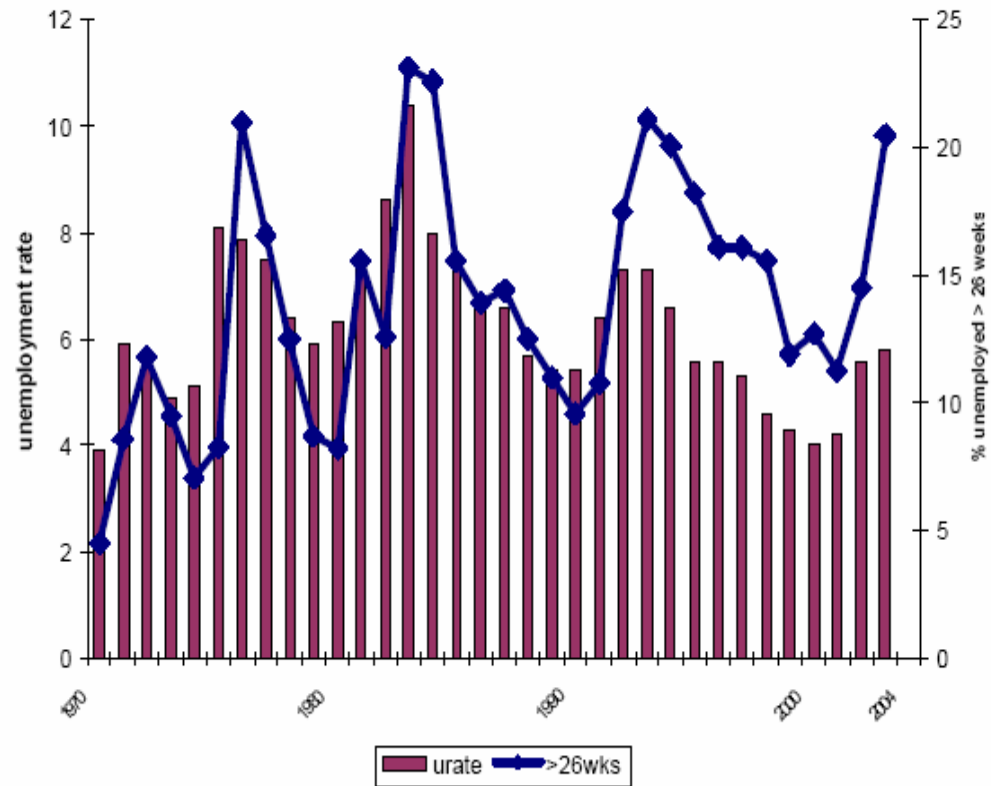
Lisa M. Lynch is the William L. Clayton Professor of International Economic Affairs and former Academic Dean at the Fletcher School of Law and Diplomacy, Tufts University. A Research Associate at the National Bureau of Economic Research and the Economic Policy Institute as well as a former Chief Economist at the U.S. Department of Labor, Professor Lynch has published more than 50 papers and books on issues such as the impact of technological change and workplace practices (especially training) on productivity and wages, determinants of youth unemployment, and the school-to-work transition. Her work has appeared in professional journals such as *The American Economic Review*, *The Economic Journal*, *The Review of Economics and Statistics*, *Industrial and Labor Relations Review*, and *The Journal of Econometrics*. The National Science Foundation has provided funding for her research on the effect of high-performance workplace practices on productivity and wages. She received her A.B. in economics and political science from Wellesley College and M.Sc. and Ph.D. in economics from the London School of Economics.

Proportion of 16-25 year olds with minimal quantitative skills by country



Source: OECD International Adult Literacy Survey, minimal quantitative score for 1994.

An Emerging Gap: The Unemployment Rate and the Share of Long Term Unemployed



Returns to Private Sector Training

- Large returns to employer provided training (10-26%) that appear to exceed returns to college
- Displaced workers with greater amounts of multi-skilling in pre-displacement job suffer smaller subsequent wage losses
- More educated workers get more employer training
- Smaller employers much less likely to offer training
- Workers with skill needs also suffer from a shortage of discretionary time to undertake training

Returns to Government sponsored Training Programs

What works:

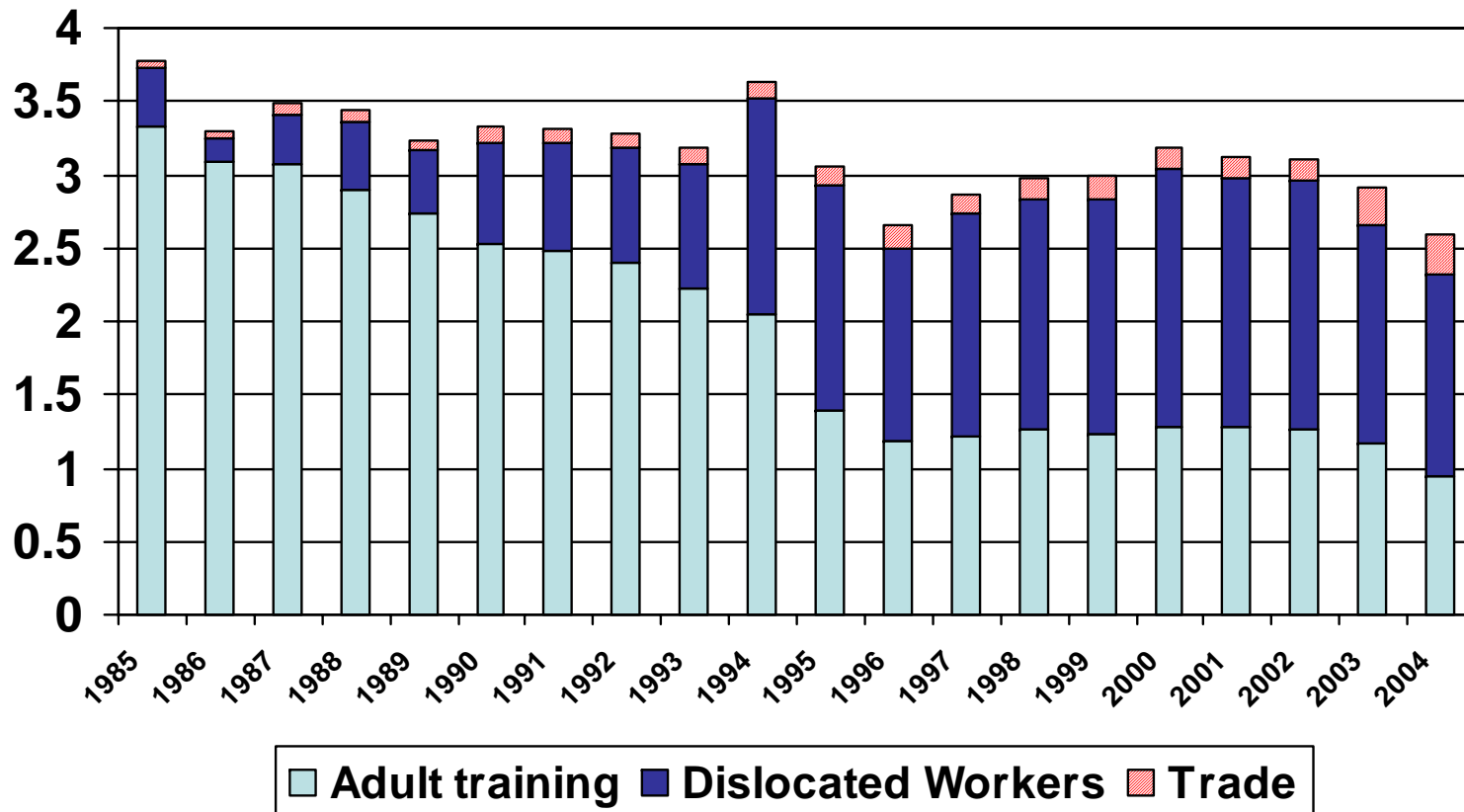
- Classroom training – especially math/science and health vocational
- On-the-Job training – for women in particular
- Re-employment bonuses

What helps make this work:

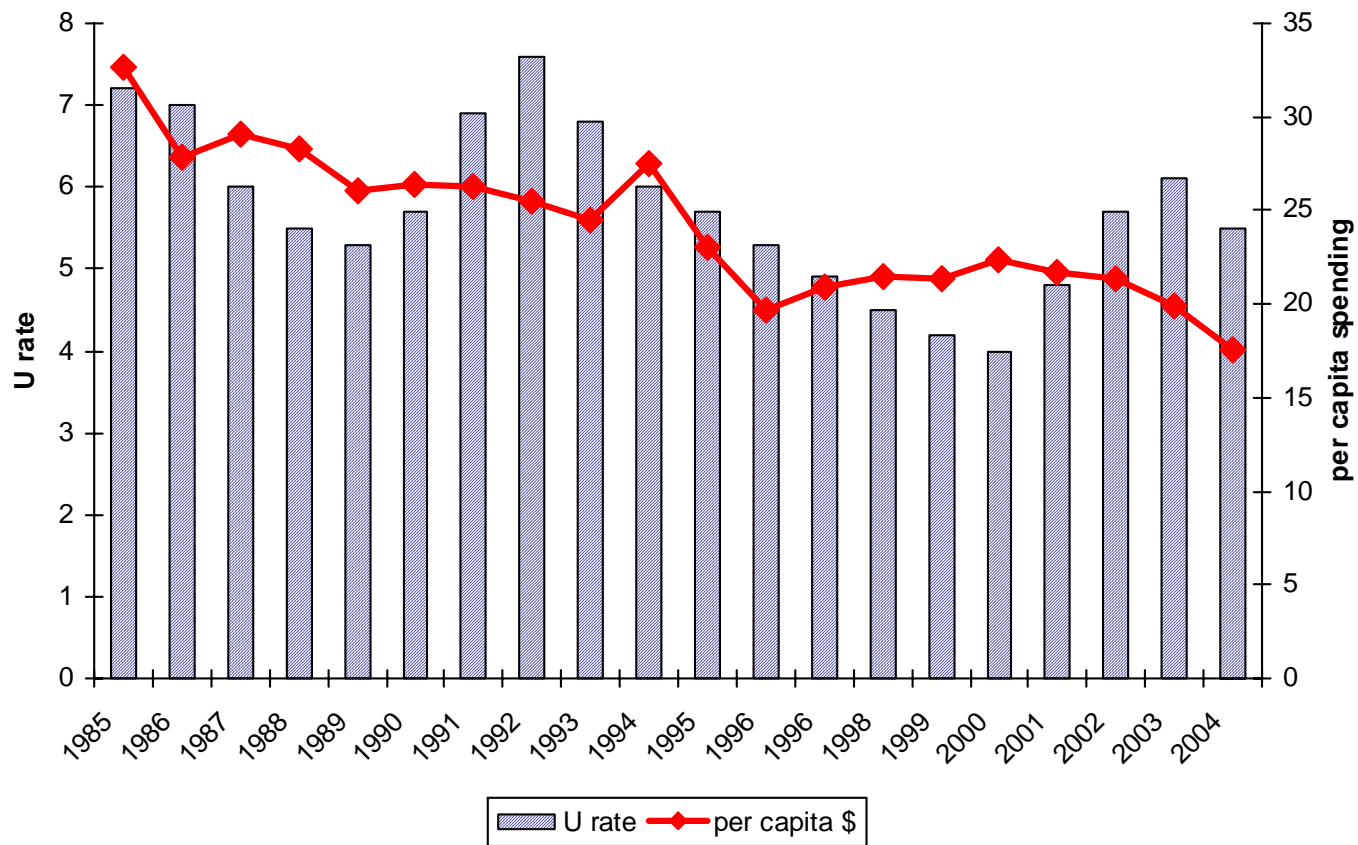
- Strict performance criteria
- Smaller programs
- Working with training providers who are well connected with local employers
- Increasing the role of community colleges in the provision of training

WIA, JTPA and Trade Funding for worker training and employment assistance (1985-2004)

(billions of dollars inflation adjusted)



WIA, JTPA and Trade Funding per civilian worker and the unemployment rate (1985-2004)



An Agenda for Research and Policy Actions: For the inflow into the labor market

- Pre-school programs evaluation
- K-12 quality reform – especially with respect to math and science
- Returns to support of math, sciences, and engineering undergraduate and graduate students
- How to expand college enrollment and completion rates for lower-income and minority families
 - Financing and information barriers
 - Role of mentoring

An Agenda for Research and Policy Actions: For the stock of workers

- Reform of UI to address permanent layoffs – reemployment bonuses and personal re-employment accounts
- Understand the mix of services require by workers displaced by trade as well as other job displacement reasons
- Understand barriers to participation in TAA and other govt training programs
- Extend and improve Federal programs for job training, job search assistance and relocation – including evaluation of benefits over time by participate type

An Agenda for Research and Policy Actions: For the stock of workers (cont.)

- Expand the provision of employer provided training and track and evaluate its returns more systematically
- Systematically evaluate state funded employer based training programs
- Evaluation of community colleges as training provider for workers – both working and displaced
- Expand educational opportunities and student loan eligibility for full time workers to go to school part time
- How to best use narrowly targeted wage insurance and subsidies to employment