

Special Report

The National Transition Assistance System: How We Can Solve Our Employment Morass

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Abstract

This paper proposes a way to solve the problems associated with the erosion of jobs in the legacy manufacturing sector and rapidly spreading into all other legacy sectors of our labor markets. While the current Administration has focused on international trade as the cause of this job loss, other reasons attributed include outsourcing, off-shoring, the outmoded corporate tax system, subsidies of foreign State Owned Enterprises, currency manipulation, the global manufacturing decline, and so on. This job loss has left millions of workers unemployed and devastated regions of the US. This paper asserts that the government should address these problems by addressing the workers and labor market directly rather than indirectly by imposing measures like trade barriers. The proposed system, the National Transition Assistance System (NTAS) can address this problem at no cost to the government, will increase employment, will raise the labor participation rate, and will bring substantial economic growth to the US economy. It can be paid for by levying a micro-sales tax on imported goods at the final point of sale so it will not increase the deficit. That micro-sales tax will be paid by consumers who benefit from cheap imported goods and can be phased out as the NTAS become self-funding. Because the NTAS will add significant human capital to our economy, it sets our nation on a course of strong economic growth to once again become and stay the complete envy of the rest of world. To do otherwise, as is being suggested by the Administration, defies both logic and good public policymaking.

Introduction

We don't have a "jobs problem" in the US as commonly described in the political discourse which appears to emphasize the idea that the jobs have gone to other countries and the US needs to "bring the jobs back." Rather, we have a problem with the erosion of jobs in the legacy manufacturing sector and rapidly spreading into all other legacy sectors of our labor market for a variety of reasons. The truth is that there are millions of unfilled jobs in our economy today, but a dearth of workers with the skills to fill them. The jobs are already here and ready to be filled.

Fixes proposed by the Trump Administration and the Republican Party to address the issue of job erosion are "indirect" solutions which will not directly fix the problem as it actually exists. Further, their proposed policies will hurt both the currently unemployed and the 300 million people that rely on the US economy. These policies will not bring back jobs, but will maintain low skilled, low paying jobs that are, at best, temporary. This paper proposes a way to solve this problem as it actually exists at no cost to the government, that will increase employment, will raise the labor participation rate, and will bring substantial economic growth to the US economy.

Discussion

The Trump Administration and Republican proposed policy solutions, for instance imposing tariffs, fighting against currency manipulation, or reforming the tax code, will not directly address the real problem. What we really have is a significant misalignment in our labor markets to which we are not realistically and directly responding. A new gestalt and appropriate paradigm shift is badly needed, not the same old 20th Century thinking. Domestic and global economies are quickly and irreversibly evolving as advancing technology and enhanced electronic communications move the markets and increase the probability of automating job tasks and expanding international trade.

There are millions of job openings in the US that are going unfilled in the mid-skilled sector that pay higher wages and provide longer-term security than the old-fashioned manufacturing jobs – jobs not all job seekers want, notwithstanding the Administration’s current thinking, . We have the means to address this problem through a new system that will (1) align the labor force through very effective education, training, qualification and credentialing systems that are linked directly to and communicate with job seekers and firms offering jobs and (2) a physical relocation system which facilitates and minimizes the friction associated with the migration of workers to areas where there are ready and compensatory employment opportunities and better living situations. We are deluding ourselves if we hope to go back to a time when the primary means of employment and adequate financial support to raise a middle-class family is a life-long, \$25 an hour factory job. The world economy has progressed beyond that and we, as a nation and society, need to acknowledge and adapt to that reality.

Over the past two years, and particularly during the recent presidential election, an acute level of attention has been focused on manufacturing jobs that have been lost and the resulting economic devastation of those regions affected. The psychology community has demonstrated the existence of “media induced emotions” associated with this phenomenon¹ that likely had a great deal to do with the election of President Trump. The reason most commonly attributed to the loss of these jobs and devastation of associated communities in our political discourse has been unfair international trade resulting in imports from nations that have a comparative advantage because of lower labor costs. Currency manipulation and the need to reform the US tax code have also been cited broadly as causes for this problem. The principal solution suggested by the Trump Administration is to slow or abandon imports that create competition for jobs in the US, despite the fact that, in the manufacturing sector, automation has been the principal driver of lost employment -- not trade.

While the Administration has vacillated on specific policy proposals, the most recent solution floated by the Trump Administration has been to levy a 10% tariff on all imported goods. While any competent economist will argue that such a tariff will have deleterious effects on the US economy, it is possible that the administration will use its emergency powers under existing legislative authority to unilaterally impose such a tariff. This paper suggests a realistic and far more affordable way to

address job losses whether from trade, technology, currency manipulation, automation, or any other cause and effectively provide unemployed workers meaningful and compensatory work.

In order to establish an effective solution, first we must rid the discussion of the notion that people are inherently lazy. People want to work. The presumption that people can only be induced to work by the promise of compensation is wrong. A [wealth of social scientific study](#) and analysis shows that there is a high nonmonetary value (i.e., a nonpecuniary interest) placed by people on having employment and work. The outmoded thinking that assisting unemployed workers can create a “moral hazard problem” and a “culture of dependency” needs to be rejected in order to effectively address the actual employment problems that arise from trade, automation or any other factor that results in job loss and unemployment. The idea of using trade barriers to restrict economic competition to our manufacturing sector because of a foreign comparative advantage in labor cost is ill-conceived and contrary to the best interests of our nation. In fact, those less expensive imported goods create as much as [\\$1.5 trillion of additional annual income](#) for the US economy by keeping more money in the consumers’ pockets. Those extra dollars are spent in other ways and create more employment, not less. It has been proven that the cost of saving jobs by imposing measures like tariffs that raise the cost of consumer goods is grossly uneconomic in terms of both the [cost of saving those jobs](#) as well as in the [lost economic benefits](#) to the more than 300 million people in our nation.

The goal of our national policy should be to put unemployed workers back into productive, meaningful jobs that are now unfilled and bring the benefits of increased, productive human capital into the economy increasing economic growth. A system that adds human capital to the economy by filling open jobs will most assuredly spur significant economic growth. Saving an existing manufacturing job, as the Administration has endeavored with Carrier Corporation, may seem appealing in the short term, but due to technology and automation that job will very likely be [gone anyway](#) before we know it. The purpose of the system described in this paper is to bring both displaced and new workers into open jobs in a productive employment market that is copacetic with the rapid and inescapable acceleration of the application of technology and advanced communications in the general economy. Further, in addition to addressing the needs of displaced workers, the proposed system will maintain and enhance the broad economic benefits of international trade and automation to the US economy.

The fundamental question we face is whether the interests of a small but significant segment of our society, displaced manufacturing workers, outweigh the substantial income benefits of less expensive goods made available to the over 300 million other people living in our national economy? The issue is **not** whether those displaced workers deserve attention and remedial action to address their plight, which they do, but rather what is the correct way to approach rectifying their adverse circumstances. Indirect measures like tariffs are only a means to attempt to “turn back the clock” and ignore the significant and deep changes that are occurring in national and global economies. A modern system for employment placement assistance that takes advantage of today’s technology and communication capabilities can connect displaced and new workers with employment opportunities and a strong skills acquisition system

and establish channels for those job seekers to be hired into those millions of existing job opportunities. Perhaps most importantly, the system proposed in this paper establishes a means of paying for the entire enterprise without any additional deficit spending. After the revenue neutral initial funding of the system proposed in this paper, fees collected from both employers and employees will financially self-fund the system going forward. Our current circumstances and perceived imperative for a new policy dictates that this is the time for the proposal put forth in this paper to be seriously considered by the Trump Administration, the US Congress and the American People.

The Overall Problem

Regardless of the many causes that have been put forward and debated concerning displaced workers and unemployment, which include international trade, outsourcing, off-shoring, the outmoded corporate tax system, subsidies of foreign State Owned Enterprises, currency manipulation, the global manufacturing decline, and so on, **no one** disputes the fact that a small, but significant segment of our population is experiencing very adverse consequences. The policy choice this poses is either to (1) identify and address which, if any, of these causes are the reasons for this consequence and attempt to [put a stop to them](#), or (2) address the problem of displaced workers directly rather than indirectly.

Indirectly dealing with the problem, as the Administration has signaled, raises serious concerns. For instance, is imposing a tariff to stop the importation of goods from a country which has a comparative advantage regarding labor cost and creating adverse economic consequences for the balance of our society, a meaningful way to address the adverse consequences for those already unemployed? Is addressing the issue of currency manipulation through the institutions available to the US, which are difficult and slow, the near term answer for these disadvantaged segments of our society that need relief now? Likewise, does implementing the considerable changes in the tax code being proposed by the Republican Congress and imposing a border adjustment tax provide an adequate solution for these currently displaced workers? Considerable doubt has been raised regarding the efficacy of these and other indirect solutions to address and ameliorate the plight of displaced workers and communities that have been devastated because of unemployment.²

The Proposal

To address the problem of job losses in our economy, our government currently uses a program called the Trade Assistance Act (TAA) program which was instituted decades ago to address a very different problem than we are facing today. Further, the TAA is limited to job losses from cheap imported goods and no other causes such as automation. As described in [my article](#) for the policy journal, *The National Interest*, what is really needed is an expanded and more effective assistance system for displaced and new workers. I call this new system³ the “**National Transition Assistance System**” (NTAS). There are two basic elements of the proposed NTAS: (1) a new federally sponsored “**Labor Alignment System**” (LAS) that will facilitate displaced workers and new workers connecting with and qualifying for specific job openings and (2) the “**Basic Assistance System**” (BAS) for those displaced workers able to accept work that includes a number of aspects of the current TAA program, but is far more robust. Unlike TAA, it will

also address the job losses from automation, technology or other causes. The NTAS will effectively and directly address the significant problem of misalignment in the existing labor market.

The Labor Alignment System (LAS)

The LAS will identify open job positions and facilitate specific targeted training by consolidating new educational and training programs with those that are currently in place and utilize a [new credentialing system](#) to align job seekers with those open jobs. Data show that there are millions of middle-skill jobs going unfilled that are available because of the gap in some basic competencies in potential employees.⁴ These gaps can be remediated with the new system of specific, targeted education and training and a common qualification and credentialing system that conveys the personal certification of a new and germane set of skills for employment for specific jobs.

In today's economy, there are many misalignments that occur between the available workforce and available employment opportunities. The training and credentialing systems that we use for aligning potential employees with potential employment no longer work. Having a bachelor's degree as a prerequisite for most employment is emblematic of the substantial misalignment of existing traditional job qualification categories with the actual requirements of today's available employment opportunities. For example, 81% of the executive secretaries in today's workforce do not have a bachelor's degree. However, the 65% of job openings posted for the executive secretary position require a bachelor's degree which perversely means that [81% of those now practicing that job are not qualified](#). This is true for a large number of job openings where a bachelor's degree is used to assure a basic level of competence. It is clear this credential is no longer applicable to many of today's unfilled jobs and, in fact, the lack of a bachelor's degree now constitutes more of a barrier than a gateway to employment for which an individual may be otherwise fully qualified.

Those seeking employment may have the skills required for specific employment openings, but the qualification system does not convey the existence of those personal assets and, therefore, job seekers are not hired. The development of "nanodegrees" and "targeted specialization" for skills development has been increasingly pursued by the private sector. The evolution of [Massive Open Online Courses](#) or "MOOCs", is rapidly developing, although in a fragmented and non-centralized fashion. These MOOCs have attracted millions of users and have little to do with the formal education that would lead to a college degree; but rather they are aimed at specific targeted skills that are needed in today's workplace. Unfortunately, despite all the increasing technology and advanced communication conduits we now have, there are few resources that directly link job openings to specific MOOCs or other training platforms that will qualify an unemployed worker for a specific job opportunity. The number, availability and affordability of job qualifying MOOCs is impressive.⁵

Many individual employers already take advantage of MOOCs to [enhance the education of their own employees](#). Firms can now integrate the MOOC provider [Coursera](#) with their own learning portals, track employees' participation and provide a desired menu of courses. Also, the University of Wisconsin has set up what it calls the "[University Learning Store](#)" that offers slivers of online content on practical subjects such as project management and business writing and offers what they call "stackable

credentials” in which qualifications can be fitted together like Lego blocks. The availability of these MOOCs and lifetime learning goes well beyond the scope of this paper.⁶

The LAS is meant to be a central clearinghouse which will:

- Catalogue job openings throughout the nation into a single, multilevel searchable database
- Systematically establish relevant skill sets and designate a robust, hierarchical set of job qualifications and credentials that apply to the jobs that are available
- Establish a credentialing system that can effectively link the qualifications of job seekers to job openings in the database
- Provide a data entry and application portal for individuals seeking to fill an open job where the job seeker’s current qualifications and credentials can be input into a saved personal record
- Align potential employees with available job openings through the qualifications and credentialing system
- Designate specific MOOCs or other training platforms that will provide the qualifications and credentials that job seeker may still need to acquire in order to fully qualify for a specific job
- After completion of training and testing, certify the required credentials and qualifications for the job and the job seeker have been acquired so that the employer can confidently hire that new employee

An existing example of a platform for job skills/job opening/job seeker alignment with specific and targeted training to be established within the LAS is the website www.launchcode.org. While this site is specifically for jobs in the Information Technology sector, it’s business model is instructive. It offers apprenticeships, mentors and feedback on the progress that an individual makes towards filling a listed job vacancy. Launchcode.org has more than 500 employer partners seeking individuals with the requisite skills credentials. It also directs the job seekers to the type of targeted training and education platforms necessary to engage in and specifies the credentials required qualify for specific Information Technology jobs. While most individuals who are displaced from manufacturing jobs through trade or automation and seeking employment are not looking in the Information Technology sector, this site and its business model is an example of the type of functionality that can be brought to bear in our highly-interconnected world between potential employers and employees.

The LAS, which will be funded as described in this paper, will match prospective employees with job openings. The LAS will also incorporate feedback from employers designating a specific menu of skills (that can be coded as micro-credentials) which are required to secure specific job openings. Where a prospective employee does not have the credentials to qualify for the opening, the LAS will provide direction and low-cost or free access to targeted training platforms to qualify that prospective employee so that he or she can qualify after completing the requisite training, testing and obtaining the credentialed skills. According to [Burning Glass Technologies](#), a firm that catalogs job openings and seeks to match them with academic education programs, there is a vast array of middle-skilled jobs available that are going unfilled. The problem is that there are no standardized qualifications or credentials to match the employee/job interface for middle-skilled and low-skilled workers; the target of the Administration’s tariff proposals. The development of appropriate micro-credentials, which will function as qualifications and a standardized matching system, will lead to employment for many of those middle- and low-skilled workers harmed by trade and automation.

The proposed LAS will be developed both through federal and state agencies⁷ and include all job openings posted by employers nationally. These openings can be fully described, including potential compensation, location, and coded with the micro-credentials required for employment. The LAS will provide direction and access to training platforms for acquiring those micro-credentials necessary for the specific job position. Targeted training and education systems must be further developed and coordinated in cooperation among employers, academicians, and industry experts.⁸ Once a job seeker completes the acquisition of the specified credentials, the employer can confidently hire them.

The Basic Assistance System (BAS)

Once an individual is credentialed and qualified for a job opening that is not local, a robust system for relocation and reorientation must be available. My article in *The National Interest* outlines the “[adjustment assistance program](#)” which was initially developed by Professor Robert Lawrence of Harvard University. That program was originally conceived in 2008 when unemployment due to the Great Recession was rampant. It represents a vast improvement over the currently available TAA program which has been constantly downsized and [underfunded](#) and has [not shown positive results](#). Today’s displaced workforce, for instance, has demonstrated a [substantial preference for using disability insurance instead of the TAA program](#) when confronted with long-term unemployment.⁹ The principal improvement to Professor Lawrence’s program suggested in this paper is that once a displaced worker has been matched to employment and receives training and credentials for that employment through the LAS, the costs of relocation will be fully paid for and a robust reorientation system put in place through the BAS so that that worker can rejoin the US workforce in a productive manner and go back to leading a meaningful and fulfilling life.¹⁰

While there will be [resistance to relocation](#) for some individuals, usually because of standing ties to a community and family, the historic tradition in labor markets, particularly in the US, is to go where gainful employment is located. This tradition has served our economy well. The principal problems in relocating, however, are cultural and financial. Cultural obstacles can be addressed with a robust reorientation program to assist workers and their families adjust to a new environ. Financially, many firms offer relocation allowances to executive employees, but not to the strata of employees that are displaced from manufacturing. Those funds can be prudently expended knowing that economic growth will occur as large numbers of workers not currently participating in the labor force will join and create new economic wealth. Increasing human capital in our economy will directly increase economic growth with its attendant benefits to society. That economic growth will ultimately offset any additional financial cost associated with funding relocation and reorientation through the BAS. However, as discussed below, establishing the entire NTAS will not require funds from the federal general funds or the treasury.

How to Pay for the NTAS Without Growing the Deficit

When Professor Lawrence proposed his adjustment assistance program during the height of the Great Recession, he and his colleagues estimated that the program would cost approximately \$22 billion a year. The population in today’s employment morass is much smaller. However, the magnitude of the current policy crisis and accompanying turmoil is more a matter of [the media induced emotional response](#) that has been fostered by the hyper-competitive presidential campaign and widespread and very visible vitriolic

economic policy debates. A measured, well thought-out response is necessary and must be instituted. To do otherwise is to fail in arresting what could be a malignant societal problem.

An expenditure of \$22 billion per year is an expenditure that is clearly very significant. However, when the NTAS is implemented, the results will grow our massive economy and increase our general welfare significantly. The cost of the overall proposed NTAS in today's economy has not been definitively defined, but I will use as a working assumption an initial estimate of \$10 billion per year.¹¹

Very importantly, once the NTAS is up and running it can become self-funding by taking small payments from the employers and employees linked together by the NTAS into gainful employment. This business model is used by some of the existing systems, such as the previously cited launchcode.org, that are self-funding and not a recipient of government funding. Costs that are incurred to start the NTAS and maintain it through its initial development can be subject to a sunset provision that ends any outside funding.

For the initial funding of the NTAS, the principal issue that must be addressed clearly identifying who benefits from inexpensive imported goods (that will be more expensive with imposition of a tariff) and advances in manufacturing automation (producing better products). It is consumers in our general economy, and our general economy, through the growth of spendable income and higher quality products. The money that is not spent after a visit to Walmart or Target, which mainly sell cheaper imported goods is spent elsewhere and creates economic benefits and jobs, i.e., additional income in the US economy. Since it is our general economy and our overall consumer population that benefits from advances in trade, technology and advanced communications, it is, therefore reasonable to assert that our overall consumer population should pay for the NTAS. However, there is substantial resistance to the use of money from the federal general fund for any reason given the small portion of the federal budget that is discretionary.¹²

I propose funding the startup and initial maintenance of the NTAS using a small universal "micro-sales tax" on imported goods at the point of final sale. It is the purchases of less expensive imported goods that adds income to our economy saving consumers significant income and, therefore, should be the source of the original funding for the NTAS. The annual level of imports brought into the United States is more than \$2.3 trillion at wholesale cost. A micro-sales tax of one-half of 1% (0.5%) at the point of sale, which will include any retail markups, will raise substantially more than the \$10 billion per year estimated to fund the system without increasing the deficit. This micro-sales tax can be phased out as the NTAS becomes self-funding.

Conclusion

It is important to recognize that the indirect measures currently under consideration for curtailing the loss of employment in the manufacturing sector will do very little to help anybody. A tariff-based solution will hurt the economy substantially and do little or nothing to solve the problem that it seeks to address. It will certainly hurt those who are currently unemployed by raising the cost of the cheap imported goods that they survive on.

The Administration has proposed tariffs that would shield the US manufacturing sector from imports originating in nations that have a competitive advantage in labor costs. It will do absolutely nothing to stop job losses from automation, technology and advanced communications which are the principal drivers of job loss. More troubling, this indirect method of purportedly averting generation of more displaced workers will do absolutely nothing to assist those who are already displaced.¹³ Any tariff that has been suggested, whether it's 5%, 10%, 30%, or even 45% will [raise the price of imported goods](#) for those in our general economy decreasing national income. Further, funds collected pursuant to these tariffs would most likely be used to reduce the national deficit or go into the blackhole of the federal general fund.

My proposed NTAS *directly* addresses the overall problem. It will not add to the deficit and will bring a new, meaningful and productive life to those who have been adversely affected. More importantly, because it will add significant human capital to our economy, it sets our nation on a course of strong economic growth to once again become and stay the complete envy of the rest of world. To do otherwise, as is being suggested by the Administration, defies both logic and good public policymaking.

ENDNOTES

¹Research has shown that society can have a strong emotional reaction to some forms of human suffering that takes precedence over support for more general types of societal benefits. The sight of children starving, hurricane and earthquake victims, plane crash survivors and war wounded, among others, will always create a sharp emotional response which is just human. Similarly, closing factories, previously thriving towns now deserted, and the destroyed lives of middle aged workers with all the attendant miseries evoke that powerful emotional response. An example is the plight of a small number [milk producers in Belgium](#) almost scuttling a trade agreement between Canada and the European Union that, presumably, will benefit over 500 million people. Small suffering segments of society are in a very powerful position by having the capability to deny substantial benefits to society in general by their suffering.

² It should be noted that all workers seeking employment are not necessarily desirous of a job working in a factory as the current Administration seems to believe, but rather may want to participate in the modern economy outside of manufacturing per se.

³ The proposal is explicitly seeking to establish a "system" rather than a "program" because, as pointed out, the system can become self-sustaining after it is established. A government program rarely becomes self-sustaining instead requiring ongoing funding.

⁴ It is also true that there is a substantial level of friction associated with labor market migration to geographic areas where these middle skilled jobs are available. Unlike high level executive positions, employers are generally not willing to pay for or subsidize relocation expenses. Our system does address this issue as discussed in this paper.

⁵ These include Kahn Academy, Coursera, Knewton, edX, General Assembly, Manpower, LearnUp, Open University, Udacity, Future Learn, Plurasight, and many others.

⁶ For those who believe that training is really only undertaken by those early in life, the Georgetown University Centre on Education and Workforce has found that one third of all working students enrolled in America are between the ages of 30 and 54. Lifetime learning is becoming more and more of a desired activity.

⁷ Some regional and [state-level efforts](#) are underway, but a national focus is needed.

⁸ It must not, however, be modeled on the quintessential college education as is available elsewhere and is of limited use to workers who have been displaced by automation or trade.

⁹ This is also symptomatic of the general health issues that have arisen due to involuntary unemployment that also very much need to be addressed. It has been recently reported that even the [institution of marriage is threatened](#) by unemployment.

¹⁰ It should be emphasized that by bringing productive workers into the workforce the Labor Force Participation Rate (LFPR) will improve dramatically and that that increase in skilled human capital will increase economic growth in our national economy. The LFPR was over 66% until the onset of the great recession and declined precipitously since then to a current rate of under 63%. Increasing the size of labor force with qualified skilled entrants will undoubtedly improve economic growth and the general well-being of our population.

¹¹ Research can be expeditiously undertaken to develop and quantify the requirements for initial startup of the NTAS and explore the potential and timing of the system becoming self-funding.

¹² The Republican tax reform plan suggests that funds that corporations are holding overseas will be [repatriated](#) at a general rate of 8.75% yielding substantial funds. In addition, it has been estimated that the import revenues that would be collected pursuant to the border adjustment arrangement that has been proposed would raise

IMPORANT: This paper expresses only the opinions and views of the author and is available for review by scholars in the field of study, publications considering adaptation for an article or any other purposes that advance policies to assist unemployed workers, new workers entering the labor market and those people who have been placed at a disadvantage by the changes that are occurring in the US economy.