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WITHOUT BETTER TRAINING, U.S. WILL FALL SHORT ON WORKERS, ECONOMISTS SAY

White House council suggests better training programs to help draw workers off labor force sidelines

By Eric Morath
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White House economists have identified a potential stumbling block to maintaining the U.S. economy's momentum: a lack of well-trained workers.

The economy appears poised to expand this year at the fastest clip since the recession ended in 2009. That has allowed employers to extend their streak of consistent hiring, which began in 2010, and push the unemployment rate to nearly its lowest level in 50 years.

But there also is a growing gap between the rising number of job openings and the number of workers equipped to fill them, and this could limit growth in the long run, according to a paper from President Donald Trump's Council of Economic Advisers released Tuesday.

"There simply aren't enough unemployed workers in the current pool of those looking for work to match the growth in demand for new workers," said the paper. "Continuing the momentum will depend on the availability of workers with the appropriate skills to take advantage of new job opportunities."

One problem is the overall size of the pool. A smaller share of adults between 25 and 54 years old are working or looking for jobs than before the recession began in 2007, even though the unemployment rate is lower, at 4 percent in June.

Another problem, the economists wrote, is many Americans on the sidelines of the labor market need more education or other skills to fill the types of jobs that are being created. The paper found a disproportionate share of those not seeking or holding jobs don't have college degrees, an indication they don't have the advance skills needed to fill many job openings.

A lack of skills, however, is only one reason many Americans are out of the workforce. Other economists have pointed to other reasons, including the rising cost of child care, the need to care for elderly parents and the opioid crisis.

The White House paper suggests that helping some of those adults who are out of the workforce improve their skills would enable them to seek and get jobs, raising their incomes and providing businesses with needed workers.

"We've noticed a flow of people who had not been in the labor force into the labor force," council member Richard Burkhauser said in an interview. "Some of the focus of these retraining efforts needs to be kept on those not in the labor force."

Spending on education and training in the U.S. is focused almost entirely on people younger than 25 years old and in school, the paper said. Relatively little is spent during a person's working life by employers or the government, potentially leaving them without the ideal skill set for modern jobs, according to the paper.

Many employers are reluctant to provide that training, fearing they'll bear the cost, only to see their competitors reap the benefits by hiring away their skilled workers, White House economists said.

In 2015, federal, state and local governments in the U.S. spent less than a 0.5 percent of gross domestic product on programs to train those who are or could be in the labor market, the paper says. That is less than most other industrialized nations, including Canada, Australia and Germany. And U.S. schools and governments have a mixed record of success in retraining Americans who lost their jobs for new roles.

The paper made a handful of policy suggestions, though many of them, including making changes to federal workforce programs, likely would require congressional action.

One idea is to allow Americans to use Pell grants, which are used to pay for college, toward shorter-term retraining programs. Working-age adults may not be able to stay out of the labor force for an extended period to attend college.

Another option, which doesn't require action from Congress, is to further promote apprenticeships, which Mr. Trump has supported. While those have largely been viewed as an alternative to pursuing college educations, such programs could be offered to older adults, the White House economists said. One benefit is that apprentices can earn a paycheck while learning new skills.

In addition to examining retraining, the Council of Economic Advisers is also studying how to expand work requirements for noncash welfare programs, such as food stamps and Medicaid.

The intent is to push nondisabled, working-age adults to be less reliant on government programs and bolster the ranks of available workers.

"With a current economy in which labor markets are extremely tight, now is the ideal time to expand carefully designed work requirements to noncash welfare programs," White House economists said in a separate paper released earlier this month.