



THE FLETCHER SCHOOL

TUFTS UNIVERSITY

Outsourcing: Policy Responses

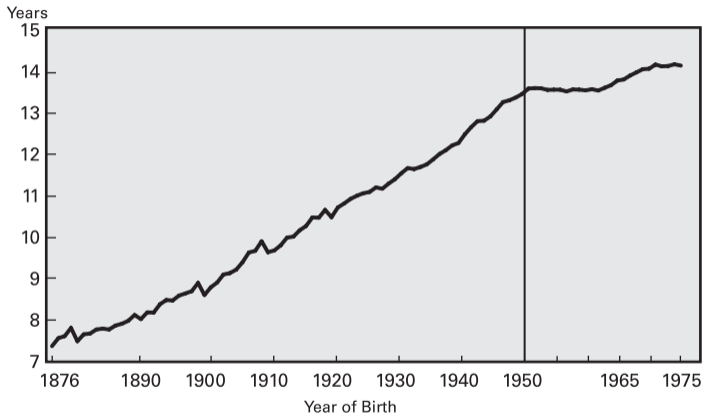
Comments by

Lisa M. Lynch

Academic Dean and

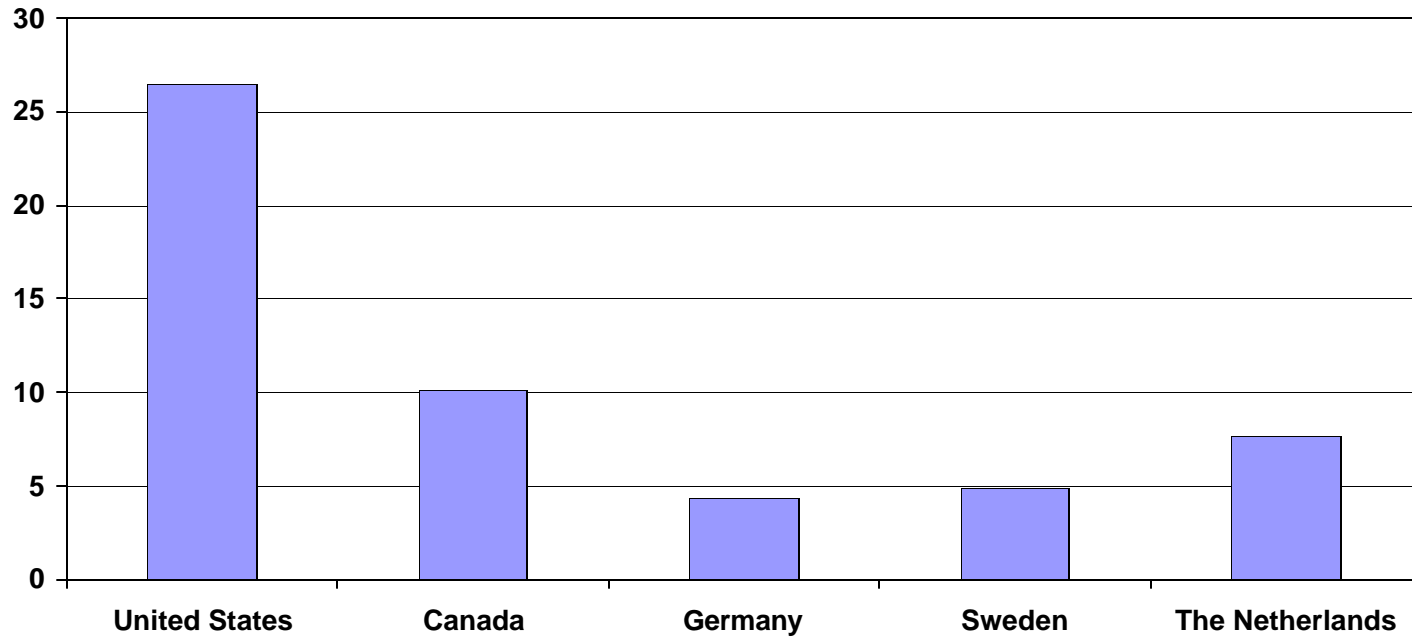
William L. Clayton Professor of International Economic Affairs

Figure 1
Years of Schooling by Birth Cohort,
U.S. Natives Normed at 35 Years of Age



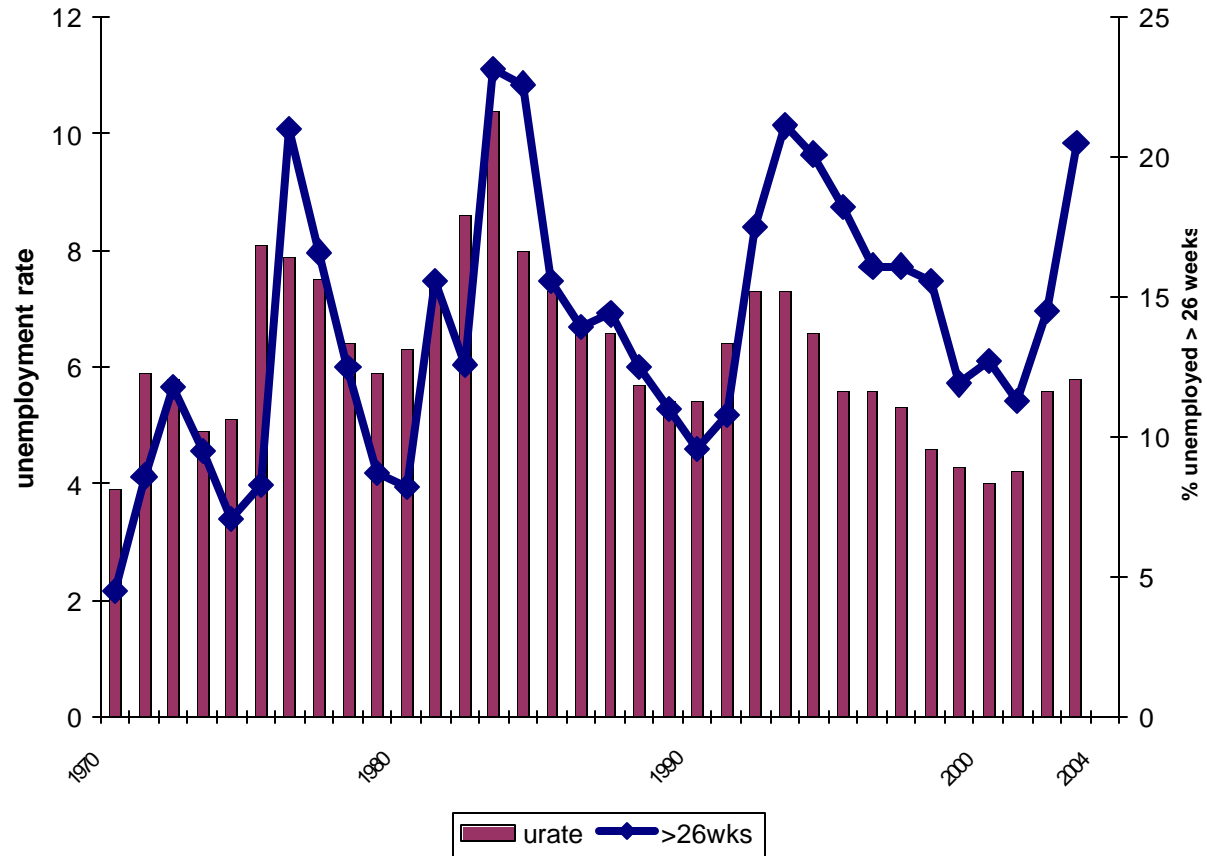
Source: U.S. Census of Population, Integrated Public Use Microsamples (IPUMS), 1940, 1950, 1960, 1970, and 1990; Current Population Surveys, merged outgoing rotation groups, 1999 and 2000. Years of schooling for each birth cohort for age 35 or the year closest to age 35 in the utilized census samples. See DeLong, Goldin, and Katz (2003) for details.

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

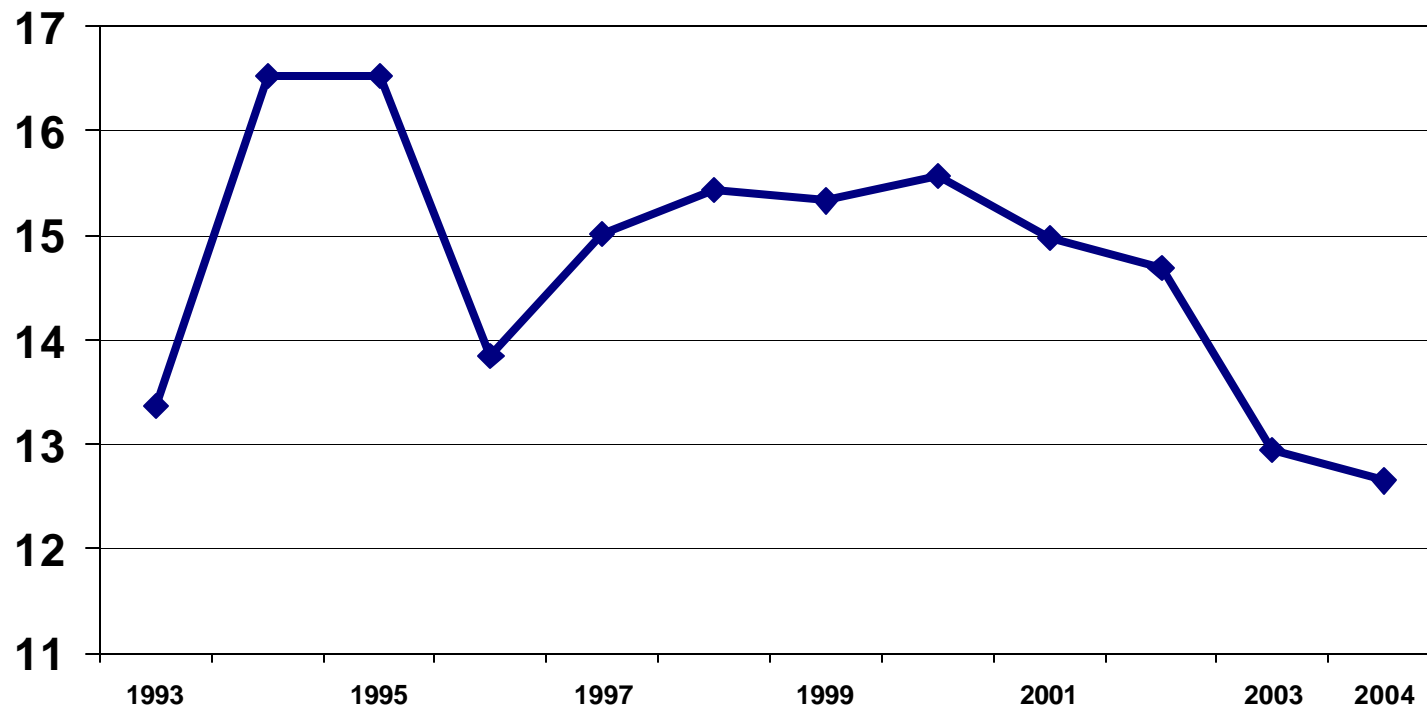


Source: OECD International Adult Literacy Survey, minimal quantitative score for 1994.

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



Inflation Adjusted Adult and Dislocated Worker Training Funds per Civilian Population over age 25 (1993-2004)



Returns to Training

Government sponsored programs

- **What works**
 - **Classroom training**
 - **On-the-job training**
 - **Job search assistance**
 - **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 role of community colleges in provision of training**

Returns to Training

Private Sector Training

- **Large returns to training 10-26% that match returns to college**
- **Issue of selection of who gets employer training – human capital begets human capital**
- **Smaller employers much less likely to offer training programs even for topics such as health and safety**
- **Works with skill needs also suffer from a shortage of discretionary time to undertake training provided outside work hours even if the employer covers the costs**

Policy Actions

For the inflow into the labor market

- **Improvements to educational system**
 - **Pre-school**
 - **K-12 quality reform – maintain and improve competitive standing in math and science**
 - **After school care**
 - **Expand college enrollment and completion rates for lower-income and minority families**
 - **Financing and information barriers remain**
 - **Better mentoring programs**

Policy Actions

For the stock already in the labor market

- **Reform of Unemployment insurance to address permanent layoffs**
- **Extend TAA to service workers**
 - **Understand barriers to participation in TAA**
- **Expand Federal commitment to job training, job search assistance and relocation**
 - **Fix job training fund formulas**
 - **Make permanent incentives for firms to provide training**
 - **Systematic evaluation of federal and state sponsored employer training program**
- **Targeted wage insurance and subsidies to employment**