THE TASK FORCE REPORT ON DISPLACED WORKERS: HARMING AMERICA'S ECONOMIC COMPETITIVENESS

The problems of workers displaced by economic and industrial change cause understandable concern for all Americans. Yet change is the engine of a vigorous, job-creating economy; without change there is stagnation and falling employment. While policies may be needed to smooth the transition of workers from one industry to another, these policies must not dampen the economy's ability to create new jobs.

Devising such policies without suffocating economic growth has been the challenge of the Task Force on Economic Adjustment and Worker Dislocation appointed by Labor Secretary William E. Brock in 1985. This week, the Task Force issues its report. It is, regrettably, a superficial and disappointing document, which will place a heavy burden on working as well as unemployed Americans. The report ignores how past government policies and some labor demands caused unnecessary economic dislocation. Even worse, the report prescribes the same old discredited patent medicine: more federal control of business and nearly a billion dollars annually in federal spending. These recommendations would make adjustment problems for displaced workers worse rather than better, and harm America's competitive position seriously. If the Reagan Administration and the Congress are concerned about economic growth and job creation, they have no choice but to reject the Task Force report.

For economies to grow, providing more jobs and raising living standards, a constant turnover in jobs and inefficient businesses is essential, so that new jobs and businesses can take their place. If ways can be found to ease the transition of displaced workers from one job to another that are cost effective and do not delay necessary changes, the public interest then clearly is served. In seeking such ways, the Task Force curiously refused to consider a broad range of issues and options. Instead it accepts uncritically many factors that have made solutions more difficult. It blames, for example, the problems of displaced workers on what it calls market "failures" and on businesses. Yet the Task Force completely ignores how past government labor policies and how some union demands unintentionally have priced many workers out of the market.

The solution offered by the Task Force is an exercise in time warp, a call for 1960s-style government regulation and spending policies, combined with elements of what some years ago was called "national industrial planning." Example: the report urges creation of a new federal office to exercise more control over state policies and dole out federal money to state governments. The Task Force suggests, in addition, business-labor-government boards to deal with the closings of specific plants. These boards would take business decisions out of the hands of the owners of enterprises and substitute "consensus" decisions. Such a consensus, however, would be very narrow, reflecting only the interests of powerful and protective labor and industry interest groups, at the expense of the small enterprises and new, competing technologies that consistently prove to be the engines of economic expansion.

While the Task Force does not call formally for laws making it mandatory that businesses notify labor and government before plants are closed, it strongly promotes this policy. This would be a huge step towards transforming the U.S. into a government-directed economy that would make the U.S. even less able to compete in the world market than it now is.

The Task Force also offers a wish list of new federally funded worker welfare entitlements. Example: "state-administered training and reemployment assistance to meet the needs of <u>all</u> displaced workers." Never mentioned are the adverse affects of the costs of these benefits. Overall, the Task Force estimates (conservatively) that these benefits will cost $900 million annually, to be paid out of general federal revenues or "alternative methods of financing." What the Task Force fails to report is that most of its members privately concede that new payroll taxes on employers and employees will be necessary to provide this money. Such taxes, of course, will increase the cost of labor and encourage layoffs.

The Task Force fails to consider recent innovative ways to deal with worker dislocation and retraining. Ignored, for instance, is the idea of a tax deduction for a worker who spends money on his or her own education and retraining. Ignored also is creation of special tax-exempt accounts to encourage workers to plan for possible future employment changes.

The Task Force suggestions would not ease the transition of displaced workers. Quite the contrary. The suggestions almost certainly would weaken U.S. businesses, thus displacing even more workers. If the Reagan White House really is serious about promoting U.S. business competitiveness, it must reject the Task Force's narrow policy prescriptions. Instead, the White House and Congress must focus on deregulation and other proven policies that will foster economic expansion and truly will help displaced workers.

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