The "Insights" column was designed to give leading experts in site selection a platform from which to express leadership ideas, to raise concerns or to offer advice for both sides of the site selection/economic development dynamic.

Getting Carriered Away

By James Renzas

MUCH HAS BEEN MADE OF then President-elect Donald Trump's deal to prevent Carrier from moving a factory to Mexico from Indianapolis, displacing over 1,400 American jobs. Carrier is giving up over $65 million in annual cost savings in exchange for about $700,000 in tax incentives per year for 10 years.

Some economists have criticized the deal as one-off economic policy-making that will be unsustainable and could encourage other U.S. manufacturers to feign offshore relocation to obtain tax incentives and other concessions to remain in the U.S. Even Sarah Palin, while at the time being considered for a cabinet position, called the Carrier deal an invitation to "crony capitalism."

Tax incentives alone may not have been the sole reason for Carrier to retain about 1,000 of the jobs in Indianapolis. Carrier's parent company, United Technologies, may have influenced the deal due to the pressure of the political spotlight as well as the potential for sizable government contracts in the Trump/Pence administration. At the announcement in Indianapolis, before he was sworn in as President in January, Trump suggested that other companies threatening to offshore manufacturing jobs would be subjected to severe tax penalties if they went through with their plans.

Having the President-elect or even senior U.S. government officials deeply involved in the offshoring decision of a U.S. manufacturing plant is notable. There are thousands of similar offshoring events that may occur in a given year. The ability of the Trump administration to attend to and negotiate an outcome similar to the Carrier decision is likely to be limited by time, leverage and available financial resources.

There is a better way to deal with the loss of manufacturing jobs from the U.S. without having to resort to case-by-case negotiations and retention incentives. There have been nearly one million new manufacturing jobs created in the United States since 2008, but an additional 350,000 manufacturing jobs are unfilled due to the lack of workforce skills in advanced manufacturing.

Training programs for displaced workers or those in need of advanced manufacturing skills in the U.S. have been neglected at the federal level. The U.S. government has drastically underfunded worker retraining, job searches and relocation assistance compared to other industrialized nations. In addition, the programs that have been funded by the federal government are not well-suited to how advanced manufacturers train their workers and often involve substantial application and compliance standards that discourage their use.

The Trade Adjustment Assistance program (TAA), for instance, provides about $900 million annually in support of workers who have lost their jobs due to offshoring. Most instruction is classroom based, with less than two percent for apprenticeships or other OJT settings. Part-time employment is discouraged and relocation assistance is so paltry that relocation to more fertile job markets is not an option for 99 percent of program participants. As a result, about two-thirds of the program participants end up working in jobs they were not training for under TAA.

In other countries, similar programs force displaced workers into retraining programs to receive unemployment benefits. The programs are flexible, including apprenticeship and short-term training opportunities. Part-time work is encouraged during training to keep workers in the workforce while they look for full-time opportunities.

The U.S. Government spends about one-eleventh of a percent of its GDP on worker employment and training programs — about one-fifth of the amount OECD countries spend on their labor market training and employment programs. While expansion and rationalization of government training programs might seem expensive, it would be far cheaper than erecting artificial barriers to the movement of companies and the loss of jobs for workers left behind by advanced manufacturing technologies. T&ID

About the Author

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