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Discussion

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Discussion After the Speeches of Kent H. Hughes and J. Laurent Thibault

QUESTION, *Professor King*: I am interested in the chicken and the egg. If you have the skills, are the jobs there, or do the skills create the jobs? I am concerned about having something there when we get all of this education. Do you want to comment on that Kent?

ANSWER, *Mr. Hughes*: I think the answer to your question is divided into three parts. First, there is a need to upgrade skills simply to retain the level of jobs that you have right now and to support a rising standard of living. Second, there are instances in which the move to a higher skilled work force has allowed American companies to expand work or even bring work back that they had shifted abroad, particularly under the pressure of the high exchange rates of the early 1980s. The third question, the one about future jobs, the "Training for what?" question is the most difficult to answer. The further out you go into the future, the more difficult it is. I think that the current administration in moving toward a twenty-first century infrastructure is helping to define a set of activities that will drive wealth creation, job creation, and new technologies. It will, as it starts to emerge, not only create an identifiable demand for small entrepreneurs around the country but, also, an identifiable set of skills for which people can prepare in high school or in college. There are other emerging industries. We will see the extent to which there will be new skill definitions that flow out of a focus on environmental technologies, energy technologies, and new kinds of transportation. We are moving into a neo-Schumpeterian age in which we are helping to foster waves, of creative destruction that will, in turn, help define an answer to the "Training for what" question.

COMMENT, *Professor King*: I think it is very important that the skills create the entrepreneurships. I have worked in entrepreneurial activity, and I think that is where the answer is.

QUESTION, *Dr. Smith*: Is anybody concerned about training for where? The notion being that we have established a North American, or at least a U.S.-Canadian, market in which capital is supposed to move very freely, and we heard that only the best and the most efficient ought to survive. Goods move very freely so as to make these markets real, but people are not allowed to move. It is all very well to train people, but if the jobs are going to be moving around, according to market forces, should not the people be allowed to move with them?

ANSWER, *Mr. Thibault*: In my own personal view I think you are right. When we are looking at our standards initially we are already thinking in terms of at least North American, if not global, standards. When you talk to people in the aerospace industries, they say

they want a technician who can fix aircraft engines and they do not care if he is in Saskatoon or in Bangkok. I mean, it is the same engine with the same standards.

So I think clearly we have to move to North American standards, if not global standards, and the answer to your question I believe is, yes, you have got to allow people to move. That is one of the problems in Canada, as you know, even among our own provinces. We have not removed all the barriers that we should have, and that is one of the things we will be working towards.

That is one of the reasons, too, by the way, that we argue that there should be a national dimension to the approach to labor market policy. If everybody does their own little thing in their own little area without realizing the scope and potential for work and opportunity in other parts of our own economy, never mind North America, then I think we are being unfair to our citizens.

QUESTION, *Mr. Rosen*: I think we have a double standard in the human resource side versus the industrial side. We put very high standards on the return from our investment training or education. I have a short comment and a question.

On the question of what comes first the jobs or the skills, we cannot divorce this discussion from the discussion about whether there should be an industrial policy at all. The United States lost three million manufacturing jobs because of failed macro policies in 1980. We regained only one million. That has almost nothing to do with training. We can train all we want, but we have to have sound macro policies that are going to create jobs to employ these people. That is the big factor.

On the micro side, I think Kent is right that the jobs will follow those people but you cannot just do that in absolute.

I have a quick question on a more technical question. I am intrigued with this Canadian experience on trying to move to the more local level. In looking at the U.S. experience, I think that is one of the failures of trying to tailor the training at the local level. Not only did the United States do that but we also forced the funding down to the local level and then what you get is those areas that have the greatest needs have the smallest resources. The result was a place like Michigan or Massachusetts during the recession that could not get adequate benefits or resources to the people who needed it because the federal government had shifted total responsibility down to the local level.

You said in your last response that this needs to be a national responsibility. I am confused on exactly how you are going to handle that.

ANSWER, *Mr. Thibault*: Fortunately, it is possible to round the square, in that one. I think we are talking about national resources. They are now distributed around the country according to formulas

that correspond to the degree of labor market difficulty. If you look at where unemployment insurance goes, for example, it roughly goes where there is the most unemployment. Similarly with the other programs as well. So the federal funds are flowing. Now, what we are trying to do is involve the community more in making those decisions. And, again, even that is not just throwing it out there and seeing what happens. We are doing that within a coherent approach to set standards for training and some broad guidelines. But as much as possible, we are trying to get people in the community to come to grips with defining their own needs.

QUESTION, *Mr. Rosen*: How would you distribute the funds?

ANSWER, *Mr. Thibault*: The initial allocation is by labor market indicators, and then the summary allocation is according to formulas depending on the needs of the community. And that is roughly in proportion to the economic difficulty that the communities have.

QUESTION, *Mr. Shanker*: I would like to put this question to Mr. Thibault. Assuming that we are moving people back and forth freely or would like to, it still requires basic literacy skills and basic mathematical skills. One of your charts really impressed me. How is it that the prairie provinces have a much higher level of literacy skills compared to the seaport provinces on the Atlantic Coast? What explains that?

ANSWER, *Mr. Thibault*: I am not going to present myself as an expert on the education system. There are certainly very important differences. They are just more rigorous and more effective in their training system. For example, the province of Alberta has the most highly-developed apprenticeship system of any of our provinces, and they get, generally speaking, a higher quality labor force.

COMMENT, *Mr. Fay*: You might improve the education skills simply by changing what you expect in those various levels of training.

COMMENT, *Mr. Howard*: I was born in Alberta and raised in British Columbia and can speak with some authority about what happened on the prairies and in the maritime. On the prairies you had very little industrial activity and everybody who was raised there knew he was either relegated to a very low income or he had to develop skills to move elsewhere within Canada, or the world, in order to earn a living. In short, the challenge was there.

What troubles me with the figures Mr. Thibault put out is that I see anywhere from 20,000 to 30,000 dollars going out to unemployed individuals. That incentive is gone altogether. What really drove it was the challenge, and that challenge was real hunger to get out and get a good living. A disproportionate number, unfortunately, went to Ottawa.

The situation in the maritime can be traced back to government action. In its infinite wisdom, the Federal Government set up a wealth transfer program that put a very good percentage of the entire mari-

time population on federal welfare called unemployment insurance. This destroyed the incentives to learn and to move out of the regions. As a result, we have a huge ghetto of under-trained people that I do not think we are ever going to be able to cure without enormous pain.

QUESTION, *Mr. Fay*: You have a big extractive industry in Canada, mining of all sorts, and forestry, but at the same time is not that market declining so that there is going to be a problem for all of these new employees that are ready to enter the labor market?

ANSWER, *Mr. Thibault*: We do need bigger markets and that is why the manufacturing sector believes the Free Trade Agreement was so important. That is why we have to find ways to secure access to bigger markets.

QUESTION, *Mr. Decker*: My question is about the economic pros and cons of restricting or not restricting the immigration from a negative standpoint.

ANSWER, *Mr. Hughes*: Really, I am not very knowledgeable about the pattern of immigration in Canada. In the context of the United States there is a current preference for family reunification which has often brought in relatively low-skilled, although very hard working, individuals. The last change in the immigration law brought a sharp increase in the skilled professional category. To some extent that change reflected an interest on the part of industry to help fill certain skills that were not being adequately filled from the domestic labor market. That also probably says something about a slippage in our own education and training system. Why are we not training our own graduates for some of those jobs?

The philosophy certainly in America has been that immigrants, since we are all from somewhere else, have helped keep the entrepreneurial spirit going in the United States.

Just to follow up on Howard Rosen's comment that training is not the answer to everything. That, of course, is right. I would say that competitiveness is really a puzzle of many pieces. You can get the macro part right and not have the rest right, and, as a result, not have a very satisfactory outcome. There are many low standard of living countries that have balanced trade. You can have high literacy rates and still be struggling to grow. That is not enough. A high savings rate? They had them in Eastern Europe but they did not apply the capital correctly. So it really takes not only a whole series of the right policies, but a mix of markets and institutions, a kind of system integration capacity that puts the pieces together in the right way.

On this question of mobility, I think it is easier for Canada than the United States to talk about mobility. For example, if there was an agreement that if you have a skill and could locate a job in the other country that there would be an automatic green card or labor certification, Canadians would benefit to a greater extent. It would be easy for

Americans to accept the Canadians. We are used to different sorts of folks. I do not think that is such an easy answer for us. If industry shifts to Japan or China or Indonesia or elsewhere, those other societies, not being immigrant societies, are not so ready to absorb us; as charming as we might be.

QUESTION, *Mr. Fay*: How about Mexico?

ANSWER, *Mr. Hughes*: I do not know how much immigration Mexico has. They have a fair amount of European population and they have had lots of American interchange there at a skilled level. I think if you had relatively unskilled people competing for Mexican jobs, you would have a social problem.

QUESTION, *Mr. Hart*: Let me ask both Larry and Kent to respond to an idea on educational reform. Educational reform is a very large problem, because we are dealing with a very large system, and it is very difficult to turn around and make it more modern, both in terms of the people that are there and the money that they represent.

For example, the Ottawa Board of Education, which I am familiar with, has close to half of its staff employed in non-teaching capacities. It is a very rich board, and over the years it has put together all kinds of wonderful special programs, which is totally irrelevant to today's age. However, it now has a vested interest and is very difficult to move.

One of the ideas that SEFRO throws out on how to change the educational system, is to move toward a voucher system. In other words, the government collects the taxes, puts vouchers together, and then parents and individuals and so on decide where to use those vouchers on the basis of privately-provided education which would then be much more geared to changing the marketplace requirements because these relatives could respond much more quickly than a publicly-organized system. I would be interested to the reactions of both speakers as to whether that is part of the answer to the education problem.

ANSWER, *Mr. Hughes*: I guess that just as we are starting to have some second thoughts about applying the Chicago School in industry, many want to apply it in education.

As a parent of three children this is not only a professional interest but a personal passion. I have thought a lot about a competitive system. I see some elements of it in the Greater Washington area where maybe thirteen to fifteen percent of the children are in private schools. Where there is a neighborhood that has a significant private school population combined with the prospect of school closings you have seen very responsive local schools. So there is a sense in which the public sector responded the way your motto would suggest. On the other hand, I think what most people expect in a school — even a grade school, is a physical plant with a gym and a playing field and so forth. All of that makes entry very difficult. Despite the demand for better education, and Greater Washington being a relatively affluent area, you have not

seen a surge of new private schools. In any case, the type of vouchers that are generally talked about, twenty-five hundred dollars or so, will not pay for most private schools. I just think the entry problem is very difficult.

If we wanted to do something on a pilot project basis I would think of, say, a partial deregulatory model. I suspect in Cleveland there are suburbs that are growing where new schools could be publicly owned but privately managed. See how that experiment works. Let us see what Boston University is doing with the Chelsea District that it is managing. I would be very leery about leaping into a voucher system without trying some of these pilot projects first.

QUESTION, Ms. Wince-Smith: We have heard a lot today about the importance of quality and the relationship to innovation and jobs and wealth creation. One of the things that I am concerned about, from the technology perspective of this, is that we know that organized labor has to be a stakeholder. You have described how labor has come into your work in Canada, but is this not a real fundamental issue? Are they going to relinquish the power that they hold now in the work force to move into these new systems? For instance, I know DuPont's labor union has a suit before the National Labor Relations Board against total quality management programs because it removes the traditional shop-floor steward control over that particular group and takes away their almost *raison d'être*.

Another area I understand that traditional labor is not too keen about, certainly in the United States, are apprentice programs. How are the labor unions going to deal with this in terms of pure political power negotiating strength, et cetera?

ANSWER, Mr. Thibault: There are many parts in answer to that question. First of all, I think that part of the answer is that people have to travel the same path together. And that is what we are doing here. Potentially, you could see a lot of division on the issue of training between labor and management, but we have tried to avoid that by saying from day one we were partners and we are going to do this together. So that whatever we end up doing we were both buying in all the way through. We do the same analysis, we share the same information, and we dialogue and then, if we arrive at a consensus that is what we do. So that part of the answer, I think, is not to leave groups out. I suspect much of the problems that companies and other groups have with their employees, whether they are unionized or not, is that they are not brought into the picture. They do not understand what is happening and why they have to do things and, so, part of the answer is to get people to understand the change that has to occur. I am very happy to say in Canada, at the sectoral level, there are really very positive and very exciting things happening where business and labor are sitting down trying to understand the forces at work concerning their industry

and jointly acting on the actions they have to take. A good example is steel. Someone talked about the Canadian Steel Trades Employment Congress where business and labor are in the process of jointly reducing employment by tens of thousands of people. With the support of the federal government, they are looking after the people quite well. In other sections it is a growth challenge. I think there are good approaches to overcome the traditional antagonism.

ANSWER, *Mr. Hughes*: I really would like to second what Larry said. The Council on Competitiveness has chief executives from business, organized labor, and higher education sitting on its board. We are attempting to work on just those kind of problems. Two examples. The Saturn plant: the UAW sat down with General Motors and helped design the work stations that the individual workers were going to use. Another good example would be Xerox: top company, Malcolm Baldrige Award winner, and organized by the Amalgamated Textile Workers Union. They work very closely on quality, innovation, technology and so forth. In many ways organized labor is well down the path in looking for a new cooperative relationship with management.

COMMENT, *Mr. Howard*: I just wanted to reinforce what Deborah Wince-Smith said. Let me give you a couple of illustrations on how the unions react in the real world.

I had a grievance on my desk a couple of years ago. A young person who put in four years of an apprenticeship program had to go out and do the fifth year at a college. During that fifth year there was quite a bit of unemployment in the plant. When that employee came back, the union would not permit the year that the person spent in college to be counted for seniority time. That young person, who was a highly-desirable employee, was bumped out of the work force. We lost an employee in whom we had a huge investment. That is the real world.

To give another example, we have a very distressed plant that we are trying to put \$200 million into now to change the technology altogether. What we need more than ever is a lot of cooperation from the union in terms of getting rid of the work loads. This will mean that a pipefitter will do various tasks instead of just one. This will get rid of those jurisdictional work groups. We have also stated that we are putting up five million dollars to train the employees, but we need a six-year No-Strike clause. First, we cannot risk that kind of money on the new technology if there is a real threat of a strike in the interim and we cannot have our customers left hanging. The union will not give that. They are risking losing the entire plant rather than give in on that point. Now that is the real world.

COMMENT, *Mr. Vujevich*: I am a union representative at United Auto Workers Local 1050, a local plant here in Cleveland. You mentioned the Saturn plant and you mentioned the UAW having to

produce a work station. One thing we need to keep in mind is the person who knows the most about doing the job is the person who does that job. We have been telling management for years, ask us, and we will tell you how you can be more efficient and make more money. They are starting to come and listen to us now and we welcome them in doing that.

This gentleman mentioned seniority. Production and industrial workers rely on their mechanical skills to earn a living. Seniority is the only way we can make sure that everything is fair.