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I.B.M. Plan Ties Training and Accounts

By [STEVE LOHR](#)

In today's economy, corporations freely roam the globe for the most efficient, lowest-cost sources of supplies and labor, while American workers are told that the way to compete is constantly to improve their skills with training and education.

Paying for it is usually up to beleaguered employees, which only adds to their sense of economic insecurity.

[I.B.M.](#), often a trendsetter in business practices, is taking a step to address the workers' economic problem — a step it hopes other companies will follow and help encourage a change in tax policy.

I.B.M., at a conference in Washington today, is announcing that it will begin offering its employees in the United States specialized savings accounts for training and education. The “learning accounts” will be modeled on 401(k) retirement accounts, which began in the late 1970s. Workers will put up to \$1,000 a year into the accounts, and I.B.M. will contribute 50 cents for every dollar put in by the employee.

Under the I.B.M. plan, the employee decides how and when to spend the money, held in an interest-bearing account. When an employee leaves I.B.M., the individual takes the account.

Companies have long paid for employee education and training. Indeed, I.B.M. spends more than \$600 million a year on worker education programs. Yet such spending is typically to upgrade a person's skills for their next job with the company.

“This is truly path breaking,” said Rosabeth Moss Kanter, a professor at the Harvard business school. “The significance is that it's controlled by the individual. I'm not aware of any other major corporation doing that, as opposed to programs that are part of some career scheme that the company has in mind.”

The I.B.M. move, Professor Kanter said, is part of a broader evolution in corporate-worker relations. “This is reinventing how a company develops the social contract with its workers in a highly mobile, global economy,” she said.

A key message in that new social contract, I.B.M. executives said, is that whether a person stays with the company for a long career or just for a few years, I.B.M. is a place where people can enhance their skills and

be more competitive in a labor market buffeted by globalization and rapid technological change.

Investing to create that kind of corporate climate, they say, should eventually give the company an edge in attracting and retaining talented workers.

In an interview, Samuel J. Palmisano, the chief executive, emphasized that the program was inspired in part by corporate self-interest, noting, "I.B.M. will be more competitive."

Mr. Palmisano pushed for the learning accounts and the 401(k)-style arrangement, which he said recognized the "dual set of responsibilities in today's world" of both the individual and the corporation. "It puts the right balance of motivation into the system," he said. "Everyone has some skin in the game."

Besides encouraging other corporations, I.B.M. plans to talk with universities, urging them to consider tuition discounts for workers seeking new skills.

A tax change is needed, according to I.B.M. and some economists, to help workers to invest in their own education in new fields. Currently, workers can deduct the cost of education and training in their own occupation, as defined by government job classifications, but not in new careers.

For example, if a software engineer wanted to learn a new programming language, the training costs would be tax deductible. But if that person wanted to train to be a business consultant, that would generally not be tax deductible, even though the new job required related technology and skills. If the programmer wanted to become an emergency room nurse, the education expense would not be tax deductible because it is a different line of work.

Mr. Palmisano would also prefer the law to be changed to allow the new accounts to use pretax dollars, as a 401(k) does.

I.B.M. is by no means alone in pushing for tax change. A policy paper last month by three academics — Grant Aldonas of the Center for Strategic and International Studies, Robert Z. Lawrence of Harvard's Kennedy School of Government, and Matthew J. Slaughter of the Tuck School of Business at Dartmouth — recommended, among other measures, that Congress approve full deductibility for training expenses by individuals, "even when directed at preparation for an entirely new career."

The report, "[Succeeding in the Global Economy: A New Policy Agenda for the American Worker](#)," was sponsored by the Financial Services Forum, an organization of chief executives of the largest commercial banks, investment banks and insurers.

The I.B.M. move, said Mr. Slaughter, an economist and a former member of the [Council of Economic Advisers](#) in the [George W. Bush administration](#), is "precisely the kind of policy we'd like to see throughout

the economy.”

Many policy groups have recommendations to increase the opportunities for workers to upgrade their skills continually.

Last month, for example, the Third Way, a research organization aligned with centrist Democrats, called for the federal [student loan](#) program to be extended to adults seeking new skills to climb the occupational ladder.

The I.B.M. learning accounts fit into the larger policy debate about how to cope with an economy of increasing dynamism but one that creates a lot of churn in the labor market. Four million jobs a month, or 25,000 an hour in a business day, are eliminated in the American economy. But more than that are created.

I.B.M., a classic global enterprise, deals with plenty of job churn itself as its worldwide employment has increased in recent years, American employment has declined slightly, with steady hiring and layoffs. In the second quarter of this year, 3,500 I.B.M. workers worldwide were told their jobs were being eliminated. A third of the displaced employees typically find jobs elsewhere in the company.

Steps like the I.B.M. learning accounts could well help some people make transitions to new jobs, but they will do little for many workers, said Jared Bernstein, an economist at the Economic Policy Institute, a liberal research group.

“This is a pretty forward-thinking move, but it’s wrong to think that you can always train your way out of the box that globalization puts many of these workers in,” Mr. Bernstein said. “That larger problem is where the federal government ought to be.”

I.B.M.’s learning accounts will initially be available in 2008 to workers who have been with the company for at least five years in the United States, where the company employed 127,000 people at the end of last year.

The company has earmarked \$40 million over the three years for contributions to the learning accounts, which is in addition to its \$600 million training budget. And \$20 million will be spent on two other new programs — one to send employees to developing nations to work on environmental and educational projects, and the other to train people who want second careers in nonprofit organizations, government and schools.

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