Chapter 3

Displaced Defense Workers

Contents

Boxes

Tables

Chapter 3
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INTRODUCTION

Jobs are at the heart of concern over adjustment to declines in defense spending. As with adjustment problems generally, employment concerns are most acute at the regional and local levels—in particular communities that bear the brunt of cutbacks in particular defense programs or of local military base closings. At issue are not only the hardships for individual job losers, but also losses to the economy from interruptions in using the talents and resources of trained, experienced people. Moreover, from the standpoint of equity, if displacement is part of the price for having a dynamic economy, then it seems fair for society to share in paying the price by providing assistance to displaced workers.

Reemployment for workers losing defense jobs could take several forms. Companies that have commercial as well as military business (e.g., manufacturers of aircraft and major components) might switch employees to the commercial side. Defense companies might change over to commercial production and employ some of their workers in the new enterprise. Communities might devise various ways to encourage the startup or expansion of businesses that offer productive new jobs. These possibilities are considered in following chapters of this report, on adjustment of companies and communities to defense spending cutbacks. This chapter examines the situation of people who actually lose defense jobs and have no immediate prospect of reemployment. It considers the probable extent of displacement due to defense cutbacks, and discusses the effectiveness of programs to help displaced workers find or train for new jobs. It concentrates on the prospects for defense industry workers and civilian employees of the Department of Defense (DoD), leaving for the next two chapters engineers and active duty military personnel.

THE DIMENSIONS OF DEFENSE-RELATED DISPLACEMENT

About 6 million people were employed directly or indirectly in national defense in 1991. Of these, some 2 million were active duty military service men and women, over 1 million were DoD civilian employees, and 2.9 million were workers in civilian defense-related industries, employed by prime contractors, subcontractors, or suppliers of goods (e.g., steel, food, semiconductors) or services (e.g., air travel, insurance, hotels).

OTA estimates that by 1995, defense employment could fall to between 4.6 and 5.0 million, eliminating 1.0 to 1.4 million positions, or an average of 250,000 to 350,000 a year. Some 396,000 positions would be eliminated in the active duty military service, 104,000 in civilian DoD employment, and from 530,000 to 920,000 in private defense-related employment (table 3-1). The lower figures for positions lost (1.0 to 1.1 million) are based on the President's budget proposal for fiscal year 1992, which projected a 19 percent reduction in defense outlays from 1991 to 1995.[1] The higher figures (1.3 to 1.4 million) are based on a trajectory that would cut defense outlays to $169 billion (in 1991 dollars) or 41 percent, from 1991 to 2001.[2] Between 1991 and 2001, defense employment might drop from 6 million to as low as 3.5 million later.

There is no guarantee that the rate of decline in defense-related employment will be gradual and evenly paced. First, estimates of defense cuts place more employment loss at the beginning of the decade than at the end. Assuming the faster paced reduction, an average of 330,000 to 355,000 positions a year will probably be lost between 1991 and 1995, but the rate is expected to slow later in the decade, with losses of 150,000 to 190,000 positions a year. Second, if major defense firms become convinced of the reality of a steep continuing slide in contract money, with no prospect of new pro-

[1] Within the two estimates, there are two ranges of numbers for the number of positions lost in industry. The higher number assumes a linear relationship between the percentage decline in DoD purchases and the percentage decline in defense industry jobs. The lower number assumes a slower decline in jobs and is based on a regression model of the historical relationship between defense industry jobs and the value of defense purchases.

[2] William Kauffman, *Glasnost, Perestroika and U.S. Defense Spending* (Washington, DC: The Brookings Institution 1990); William Kauffman and John Steinbruner, *Decisions for Defense* (Washington, DC: The Brookings Institution 1991).

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Table 3-I-Projected Defense Spending and Employment Levels

Year	Total defense outlays (051) (billions)	Active duty military (thousands)	DoD civilians (thousands)	Defense industry employment (thousands)	Total defense employment (thousands)
1991 DoD estimate	$287.5	2,049	1,044	2,900	5,993
1995 DoD estimate	$235.7	1,653	940	2,280 to 2,370	4,873 to 4,963
Loss from 1991	$51.8	396	104	530 to 620	1,030 to 1,120
Percent loss	18%	19“/0	10%	18 to 21940	17 to 19“/0
1995 faster paced reduction	$218.0	1,653	940	1,980 to 2,080	4,573 to 4,673
Loss from 1991	$69.5	396	104	820 to 920	1,320 to 1,420
Percent loss	24%	19%	10%	28 to 32%.	22 to 24%
2001 faster paced reduction	$168.6	1,340	697	1,500 to 1,620	3,537 to 3,657
Loss from 1991	$118.9	709	347	1,280 to 1,400	2,336 to 2,456
Percent loss	41%	35%	33%	44 to 48%.	39to41“h
Loss from 1995	49.4	313	243	360 to 580	916 to 1,136
Percent loss	23%	19%	260/o	18 to 28%	20 to 24%

NOTES: All dollars are constant 1991 dollars. Total employment in this table includes DoD civilian and military personnel stationed overseas.

SOURCES: DoD estimates are from the Office of the Assistant Secretary of Defense (Public Affairs), "FY 1992-93 Department of Defense Budget Request," News Release No. 52-91, Feb. 4, 1991, except defense industry employment, which is estimated by OTA based on DoD projection of defense purchases. Faster pace alternative budget estimates are from William Kauffman, *Glasnost, Perestroika and* U.S. *Defense Spending* (Washington, DC: Brookings Institution, 1990) and William Kauffman and John Steinbruner, *Decisions for Defense* (Washington, DC: Brookings Institution, 1991). The 2001 alternative uses projections of troop and civilian personnel levels given by Kauffman in *Glasnost, Perestroika and U.S. Defense Spending* (Kauffman's scenario D). Industry employment levels estimated by OTA from budget estimates given by Kauffman. The 1995 budget estimates are from Kauffman and Steinbruner *Decisions for Defense,* and reflect savings through reductions in procurement of new systems and a reduction in nuclear forces, assuming no additional reduction in the estimates of manpower given by DoD. Industry employment for 1995 was estimated by OTA based on level of defense purchases.

grams, they may decide to downsize quite radically and suddenly. Share prices of companies that shed employees often improve, so some firms may adopt this as an effective strategy for raising funds and beating out the competition.

The numbers of defense positions at risk appear rather moderate on a national scale. Peak year losses are not likely to exceed 400,000 positions; in 1991 that was about one-third of 1 percent of the U.S. civilian work force of 119 million. In addition, the number of defense positions eliminated will be larger than the number of defense workers who will actually be displaced. Perhaps as much as 75 percent of the decline in DoD military personnel will come from attrition as the armed forces simply accept fewer new enlistees (see ch. 5). DoD expects to handle much of the decline in its civilian personnel through natural attrition and a hiring freeze. In defense-related industry, some of the people whose positions are lost may never actually be laid off but will take up a new job in the same company, as the company replaces military with civilian customers. Some will not even see it as a "new" job because they will be doing exactly the same work (e.g., checking in customers at a hotel), but the wages and salaries that support their job will no longer come from defense. Offsetting this reduction, however, is some likely loss of pay-generated jobs in the relatively small number of communities that are hard hit by cuts.

Assuming the fast-paced reduction, it is possible that defense-related workers who will actually lose their jobs will number about 970,000 to 1.1 million in the 4 years 1991 to 1995, or 240,000 to 275,000 per year.[3] This assumes that one-half of the loss of civilian DoD positions will be actual job losses, one-quarter of military positions, and all of the

[3]This rough estimate is illustrative and should not be taken too literally. It includes an estimate of 99,000 military personnel and 52,000 civilians losing their jobs due to involuntary separations and reductions in force. It is not likely that all DoD industry position losses will translate into job losses, especially considering the fact that the model that calculates defense industry jobs includes jobs not just in large prime contractors, but in a long chain of subcontractors and suppliers. However, the OTA estimate assumes that loss of pay-generated jobs in highly defense-dependent communities will be an offsetting factor so that the number of defense industry job losers will be roughly equal to positions lost. 'I'he estimate for job loss from private defense industries is 820,000 to 920,000. The total for job loss in the three categories is about 970,000 to 1.07 million. The estimate for job loss 1991 to 2001 is 177,000 military, 173,000 DoD civilians, and 1.3 to 1.4 million for private industry, for a total of 1.65 to 1.75 million jobs.

Table 3-2—Employment in National **Defense, 1966-91**

Year	DoD military active duty employment (thousands)	DoD civilian employment (thousands)	Defense industry employment (thousands)	Total defense employment (thousands)
1966	3,094	1,254	*2,640*	6,988
1967	3,377	1,399	*3,100*	7,876
1968	3,548	1,406	*3,174*	8,128
1969	3,460	1,391	*2,916*	7,767
1970	3,066	1,364	*2,399*	6,829
1971	2,714	1,189	*2,031*	5,934
1972	2,323	1,159	*1,985*	5,467
1973	2,253	1,099	*1,850*	5,202
1974	2,162	1,110	1,860	5,132
1975	2,128	1,078	1,800	5,006
1976	2,083	1,046	1,690	4,819
1977	2,077	1,022	1,730	4,829
1978	2,067	1,016	1,765	4,848
1979	2,032	991	1,860	4,883
1980	2,073	991	1,990	5,054
1981	2,101	1,019	2,085	5,205
1982	2,130	1,028	2,310	5,468
1983	2,163	1,064	2,530	5,757
1984	2,184	1,085	2,785	6,054
1985	2,207	1,126	3,100	6,433
1986	2,233	1,112	3,315	6,660
1987	2,244	1,133	3,365	6,742
1988	2,209	1,105	3,310	6,624
1989	2,203	1,117	3,295	6,615
1990	2,144	1,073	3,150	6,367
1991	2,049	1,044	2,900	5,993

SOURCE: Department of Defense, Office of the Comptroller *National* Defense *Budget Estimates for FY 1992* (Washington, DC:1991)

private sector positions.[4] For these years, that would add about 12 to 14 percent to the decade-long average of 2 million workers a year losing their jobs through no fault of their own but because of plants closing or moving away, cutbacks in production, and slack works While these numbers do not appear overwhelmingly large, that many job losses could be a seriously aggravating factor in a weak or recessionary national economy. Numbers and concentration of displaced workers are a more important factor in regional or local economies. Even when the national economy is growing at a healthy pace so that defense-related displacement has little overall effect, those losses can still hurt seriously in places where many layoffs are clustered.

Displacement in Defense Industries

Some of the employment loss from the defense build-down has already happened. As shown in table 3-2, from 1987, the high point of defense industry employment in the buildup of the 1980s, to 1991, some 416,000 defense-related positions in private industry were lost.[6] The defense cutbacks called for in the President's budget would result in the

[4]It is possible that in one or two particular years displacement could surge upward, perhaps as high as 400,000, but this would mean that displacement in other years over the decade would be correspondingly less.

[5]Studies of the numbers and experiences of displaced workers rely mostly on data provided by the biennial Displaced Worker Survey conducted by the Bureau of the Census (Department of Commerce) for the Bureau of Labor Statistics (BLS) (Department of Labor). OTA reviewed findings from the January 1984 survey in U.S. Congress, Office of Technology Assessment, *Technology and Structural Unemployment: Reemploying DisplacedAdults* (Springfield, VA: National Technical Information Service, 1986). Later surveys were conducted in January of 1986, 1988, and 1990; each covered experience over the previous 5 years, starting in 1979 and going through 1989. The numbers of people losing their jobs each year for the causes mentioned were greater in the earlier years of the decade, which included the deep 1981-82 recession, and fewer later (varying from 2.2 million to 1.7 million per year). In its analysis, BLS defines as "displaced" only those workers who held the job they lost for 3 years or more and were aged 20 or older. That produces a number of displaced workers about half as large.

[6]OTA's figures for employment in private defense industries in 1990 and 1991 are based on DoD estimates made in 1989. Those estimates are based on the same methodology used in earlier years. New estimates released by DOD in 1991 use a different methodology that makes comparisons with earlier years impossible, DoD now estimates that there were over 3.1 million private sector defense-related jobs in 1991. In order to maintain comparability with estimates for earlier years, OTA has used the estimates DoD produced in 1989 using the older methodology.

Table 3-3-Defense-Related Employment by Industry, 1991

Industry	Defense-related employment	Industry as percent of total defense employment
Manufacturing	1,638,000	57%
Construction	81,000	3
Mining	43,000	1.5
Transportation, communication and utilities	191,000	7
Service-producing industries		
Services	591,000	20
Wholesale and retail trade	281,000	10
Finance and insurance	52,000	2
Agriculture, forestry, and fisheries	23,000	1
Total	2,900,000	100%

SOURCES: Industrial sector shares of total defense employment are for 1985, the latest year available, and are taken from David K. Henry and Richard P. Oliver, "The Defense Buildup, 1977-1985: Effects on Production and Employment," Month/y *Labor Review,* August 1987. These shares were applied to 1991 total defense employment from Department of Defense, Office of the Comptroller, *National* Defense *Budget* Estimates *for FY* 7992, (Washington, DC: March 1991), p. 151.

elimination of another 530,000 to 640,000 positions between 1991 and 1995, A faster paced reduction could eliminate from 820,000 to 920,000 positions (table 3-l).

A closer look at these figures shows why the number of job losers is likely to be less than positions lost. Estimates of defense industry employment are derived from input-output models of the economy and thus include not just firms that sell directly to DoD but also subcontractors and a whole host of firms that provide goods or services, For example, bank workers handling transactions for a big defense contractor are counted in defense industry employment. Whether such people will lose their jobs when defense companies shrink or close down depends entirely on whether the banks can find other customers to make up the lost business. And that does not depend on the bank's venturing into a new business, but on whether the local and national economies are robust enough to support the generation of new Firms that will take the place of the old defense firms in buying bank services.

Thus, when considering the fate of these 2.9 million workers, it is appropriate to view their level of risk of layoff on a continuum, with workers in some industries (e.g., missiles, submarines, tanks) as highly vulnerable from defense cuts, and workers in other industries (e.g, restaurants) as less vulnerable. For example, most of the 590,000 defense-related workers employed in mining, agriculture, wholesale and retail trade, finance and insurance, and transportation, communication, and utilities (table 3-3) are not doing jobs specific to defense production.[7] In the manufacturing sector, where 57 percent of defense-related workers are employed, some industries also make products that are relatively adaptable to either defense or civilian commerce. For example, the steel that goes into a tank might equally well be made into a truck (assuming a customer can be found). So long as other businesses arise to take the place of defense business, firms in these industries can provide the same services, and employ the same people, with very little disruption.

Without close, detailed analysis of the industries that contribute to defense production, it is not possible to make a quantitative estimate of the jobs that are not just defense-related but defense-specific. The point that can be taken from table 3-4 is that some substantial portion of these jobs are equally adaptable to the defense or civilian sides of the economy.

However, jobs in some industries are involved directly in defense work (table 3-5). For example, the tank itself has no customer other than the DoD or the defense ministry of a foreign country. Similarly, there are business services, such as engineering services for the design of weapons systems, that are tied just as tightly to defense production as anything

[7]These estimates are based on analysis done by David Henry, U.S. Department of Commerce, and Richard Oliver, U.S. Department Of Labor, of defense production and employment by sector. David K. Henry and Richard P. Oliver, "The Defense Buildup, 1977-1985: Effects on Production and Employment," *Monthly Labor Review,* August 1987.

Table 3-4-Defense-Related Employment
in Selected Non-manufacturing Industries, 1990

Industry	Defense-related employment	Defense as percent of total industry employment
Wholesale trade	136,000	2.2%
Educational services	107,000	6.8
Eating and drinking places	92,000	1.4
Hotels and lodging places	87,000	5.5
Motor freight	67,000	4.6
Personnel supply services	38,000	2.5
Maintenance and repair (nonresid)	37,000	5.2
Real estate	33,000	2.7
Total, all non-manufacturing	1,354,000	1.6%

SOURCES: Data on defense employment by industry is from Data Resources, Inc., cited in Linda Levine, "Defense Spending Cuts and Employment Adjustments" (Washington, DC: Congressional Research Service, June 27, 1990). DRI estimates of 1989 employment by industry were reduced by 8 percent to adjust for lower total defense employment in 1990. Data on U.S. employment by industry are 1990 annual averages from the Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (Washington, DC: Bureau of Labor Statistics, May 1991) p. 237 and Department of Labor, Bureau of Labor Statistics, unpublished data.

Table 3-5-Defense-Related Employment in Selected Manufacturing Industries, 1990

Industry employment	Defense employment	U.S. defense share of total industry jobs[a]
Radio and TV communication equipment	194,000	460/0
Aircraft	163,000	44
Shipbuilding and repairing	128,000	98
Guided missiles	120,000	90
Aircraft parts and equipment	86,000	49
Aircraft engines	64,000	43
Ammunition, excluding small arms	29,000	77
Other ordnance and accessories	16,000	68
Tanks and tank components	11,000	75
Total, all manufacturing	3,150,000	

[a]This is the share of total industry jobs dependent on DoD purchases. It does not include the share of jobs dependent on foreign military purchases. For example, 75 percent of jobs in the manufacture of tanks and tank components were dependent on DoD purchases, while the rest depended on foreign military purchases.

SOURCES Defense share of total employment by industry are OTA estimates based on defense share of output by industry, Department of Commerce, unpublished data, February 1991, and estimates by Data Resources, Inc. cited in Linda Levine, "Defense Spending Cuts and Employment Adjustments" (Washington, DC: Congressional Research Service, June 27, 1990). Data on total U.S. employment by industry are 1990 annual averages from Department of Labor, Bureau of Labor Statistics, *Employment and Earnings* (Washington, DC: February 1991) and unpublished Bureau of Labor Statistics Data.

in manufacturing. To avoid layoffs from defense spending cuts, these firms would have to remake themselves to serve commercial customers.

Some industries may be able to do this more easily than others, as some complete weapons systems have a good deal in common with commercial counterparts, ships and airplanes being the leading example. It seems that there would be at least some opportunity for workers displaced from these defense industries to get jobs making similar commercial products, for example, to move from building Navy destroyers to building oil tankers. However, commercial shipbuilding in the United States has almost vanished, having fallen victim to lower-cost competition in other countries, especially Japan and Korea.

The U.S. commercial aircraft industry, on the other hand, is doing well. Despite a falloff of orders during the Persian Gulf War and the 1990-91 recession, both U.S. producers of large commercial jet transports (Boeing and McDonnell Douglas) had large backlogs of orders in 1991. Even while jobs are

vanishing in the defense-related aircraft and parts industry, total output in the industry may well rise in the mid- 1990s because of growth in the commercial side of the business. This is not to say that workers making military aircraft will not be displaced. Many have been already. But if total aircraft industry output rises as projected in the next few years, some defense aircraft workers may eventually find new jobs in the commercial industry, especially if they are willing to move to where the jobs are. Even so, this shift will not be as easy as the switch from one military aircraft company to another in the balmy days of the defense buildup. For example, as many as 2,000 of the 6,600 workers laid off from Rockwell in Palmdale, CA when B-l B production ended between 1986 and 1988 simply "crossed the tarmac' in the same sprawling military production complex and went to work for Northrop on the new B-2 bomber.

Workers making electronic goods and components for the military may also find new jobs in the commercial electronics industry, since its output, too, is expected to rise in the next few years. Some electronic components are in fact similar for military and commercial applications, and whether there is displacement among companies making these goods depends entirely on economic growth in the commercial side of the industry (the same situation as in services such as banking or versatile goods such as steel).[8] Even electronics companies that specialize in making final products for the military might be able to switch to commercial products, assuming demand is strong enough and assuming company managers know how to produce for, and sell to, commercial customers (see ch. 7).

The upshot is that estimates of 820,000 to 920,000 defense industry positions to be lost over the 4 years 1991-95 overstate the amount of actual displacement to be expected in those industries. However, the estimates do not take into account the ripple effects on community employment due to loss of jobs generated by the pay of displaced defense industry workers. These ripple effects could be serious in communities that are exceptionally dependent on defense and do not soon find other sources of economic growth.

Two factors that distinguish displaced defense industry workers from displaced workers in general affect the former's reemployment prospects. On the one hand, they could find it more than ordinarily difficult to find good new jobs because defense employment is so concentrated in manufacturing. U.S. manufacturing employment has been declining since its peak at 21 million in 1979; it was about 19.1 million in 1990 and dropped to 18.4 million in the recession year of 1991.9 This means that, on the whole, manufacturing jobs outside defense could be scarce. It is not easy for displaced manufacturing workers, in particular blue-collar workers, to switch to comparable service sector jobs. For production and other nonsupervisory workers (i.e., blue-, pink-, and white-collar workers who are neither professional nor managerial), pay in the service sector is lower than in manufacturing jobs. Moreover, the education and skills required, the work environment, and the whole culture of many service sector jobs are different. Experience with displaced workers generally shows that those displaced from manufacturing take longer to find new jobs than those losing jobs in service industries.[10]

The loss of manufacturing jobs may aggravate the growing income inequality as family-wage manufacturing jobs are replaced by lower wage service jobs. This appears to be happening in Los Angeles, where for the last 10 years high- and low-paying jobs have increased while those in the middle have declined. Because the majority of defense jobs in Los Angeles pay middle wages, defense cuts may worsen the inequality and create a community increasingly polarized between haves and have-nots.[11] Los Angeles has a large and growing population of immigrants, many of whom begin in low-skill jobs. Without the good manufacturing jobs provided by defense (or other industries), opportuni-

[8]However, for *other* electronic component makers, DoD requirements regarding durability, @o rmance, and design make transfer to commercial markets more difficult.

[9]U.S. Department of Labor, Bureau of Labor Statistics, Employment *and Earnings,* September 1991, table B-1.

[10]For example, data from the 1988 displaced worker survey show that 1 to 5 years after layoff, unemployment rates for manufacturing workers were 15.9 percent as compared to 13.8 percent overall and 11.5 percent for workers unprofessional services. (Diane E. Herz, ' 'Worker Displacement in a Period of Rapid Job Expansion: 1983-87, " *Monthly Labor Review,* vol. 114, May 1990, table 3.) In 1990, 29 percent of displaced manufacturing workers were either unemployed or no longer in the labor force as compared to 21 percent of displaced service workers. (Diane E. Herz, "WorkerDisplacement Still Common in the Late 1980s," *Monthly Labor Review,* vol. 115, May 1991.)

[11]Los Angeles Economic Roundtable, "Attachment 8: Employment and Wage Trends in Los Angeles County," Feb. 22, 1991.

ties for the poor and immigrants to better themselves will become scarcer.

On the more positive side, there is some evidence that defense industry workers have more education and are more highly skilled than U.S. workers in general, and this bodes well for their prospects. Studies of displacement agree that professionals and skilled craftworkers find jobs sooner and take lesser pay cuts after displacement than semiskilled and unskilled blue-collar workers .12 One study, for example, found that, on average, displaced professionals had only a 3 percent drop in reemployment earnings (adjusted for inflation) and skilled blue--collar craftworkers had a 10 percent drop, while semiskilled and unskilled blue-collar operatives had 18 to 22 percent declines. Managers, however, were an exception; despite generally high levels of education, they had a 16 percent decline in average earnings after displacement.[13]

Defense industries have greater concentrations of engineers, scientists, technicians, and other skilled workers than U.S. industry in general, Table 3-6 shows the national picture. Other evidence on the same point comes from local studies. For example, a report to the Los Angeles Economic Roundtable found that 24 percent of defense workers in the area were in professional or technical specialties, compared to 16 percent of the Los Angeles work force in general. The same study found that defense workers were much less likely than the average Los Angeles worker to be classified as low skilled (33 vs. 44 percent) .14 In five avionics defense firms on Long Island, NY, 34 percent of the workers were engineers, compared to 3 percent in the area generally .15 And in Massachusetts, 57 percent of workers in defense-related manufacturing firms had some college, compared to 43 percent in other manufacturing firms.[16]

None of this is meant to play down the difficulties many displaced defense industry workers will face. Managers in particular, as well as less skilled blue-collar workers, could be in for some tough times. Managers and professionals are making up an increasing share of displaced workers, in large part because displacement has declined in blue-collar occupations over the decade, but also because automation and streamliningof management tasks is creating more displacement in the managerial ranks. [17] According to one report, five-sixths of the Nation's leading 1,000 corporations cut back on managerial staff in the 5 years 1986-90. As a result of the widening layoffs and recession, laid-off executives were taking more than 8 months to find a new position in 1991, compared to 3 months in 1988.[18]

Outplacement officials at GE Aerospace in Pittsfield, MA reported that low- to mid-level managers are having the most problems getting reemployed. [19] They said that displaced engineers and higher level managers have the credentials and education that allow them to move to other firms, and that their blue-collar workers have factory floor skills and lower wage demands. But their lower level managers without college degrees and with skills acquired for GE's specific needs are not easily transferred to new jobs.

Civilian Workers at the Department of Defense

DoD employed over 1 million civilian workers in 1991. Their jobs run the gamut from pipefitters in naval shipyards to secretaries and managers in the Pentagon. From 1991 to 1995, DoD plans to reduce civilian employment by about 104,000, for an annual average reduction of 26,000. About three-

[12]For a review of many studies of displacement, including results from the BLS biennial surveys, see U.S. Congress, Office of Technology Assessment, Technology *and Structural Unemployment,* op. cit., ch. 3. See also Michael Podgursky and Paul Swaim, ' 'Job Displacement and Earnings Loss: Evidence from the Displaced Worker Survey, " *Industrial and Labor Relations* Review, vol. 41, no. 1, October 1987, and "Duration of Joblessness After Displacement, " *Industrial Relations,* vol. 26, no. 3, 1987.

[13]Michael Podgursky and Paul Swaim, "Labor Market Adjustment and Job Displacement: Evidence from the January 1984 Displaced Worker Survey, " report prepared for the U.S. Department of Labor, Bureau of International Affairs, January 1986.

[14]Jennifer R. Welch, Robin Law, and Lois Takahashi, ''~fertse Industries, Workers and Communities in Los Angeles County, " a University Of Southern California research report prepared for the Los Angeles Economic Roundtable, September 1990.

[15]Pearl M. Kamer, ''Maximizing the Potential of Long Island's Defense Sector in an Era of Change, ' Long Island Regional Planning Board, 1988.

[16] Massachusetts Department of Employment and Training, Field Research Service, ' 'Defense Industry Profile, " June 1989.

[17]From 1979 to 1983, 13 percent of the workers displaced were managers and professionals, but from 1985 to 1989 their m&s accounted for 20 percent of displaced workers. (Herz, "Worker Displacement Still Common in the Late 1980s, " op. cit.)

[18]David Kirkpatrick, "The New Executive Unemployed, " *Forrune,* Apr. 8, 1991.

[19]Interviews with OTA staff, March 1991.

Table 3-6-Occupational Distribution in Defense Industries

Total category	Defense employment, 1985	Total U.S. employment, 1990
Administrative support	16.9%	16.2%.
Professionals, technical	15.1	17.3
Engineers, scientists, and technicians	10.3	3.9
Managers	10.9	12.8
Machine setters and operators	9.3	6.5
Services	9.0	13.6
Handworkers	8.4	1.7
Precision production	6.6	3.3
Mechanics, installers	4.6	4.2
Helpers	4.4	0.2
Transportation operators	4.3	4.2
Marketing, sales	4.0	11.9
Construction trades	2.7	4.1
Another	20.7	20.5
Total	100.O%	100.O%

SOURCES: Data on occupational distribution ofdefenseemployment are from DavidK.Henryand Richard P. Oliver, "The Defense Buildup, 1977-85: Effects on Production and Employment," *Monthly Labor Review*, August 1987. Data on defense engineers, scientists, and technicians are from Department of Defense, *Projected Defense Purchases Detail by State and Industry, FY 1991 to FY 1997* (Washington, DC: DoD, November 1991). Data on total U.S. employment by occupation are 1990 annual averages from U.S. Department of Labor, Bureau of Labor Statistics, *Employment* and *Earnings*, April, 1991.

quarters of these jobs are expected to disappear because of defense cutbacks, with the other one-quarter coming from improved management.[20] These numbers do not include the 27,800 positions to be abolished through Round Two military base closures.[21] Most of the job losses from Round Two, as well as Round One, will not occur until after 1995.

Given the significant decline in DoD employment and only limited growth in other government jobs, it might seem that DoD workers are in for a hard time. However, DoD expects natural attrition to exceed the number of positions eliminated, thus reducing the need for RIFs (reductions in force). In recent years, DoD has averaged 100,000 voluntary separations (retirements, quits, and transfers out of DoD) per year.[22] However, since the DoD hiring freeze instituted in late 1989, it appears that attrition may continue to be greater than positions lost.[23] The target for DoD civilian employment was 1,052,000 by the end of fiscal year 1991, but because of attrition the number was only 1,044,000.

While the aggregate numbers are favorable, individuals in some places and some occupations will still face displacement. For example, all eight naval shipyards are scheduled for RIFs in 1991, further significant cuts are expected throughout the 1990s (table 3-7), and at least one yard, the Philadelphia Naval Shipyard, is slated to close in the mid- 1990s. Similar cuts are planned for Air Force maintenance and repair stations. Many military bases are going to be closed. In certain areas and in some kinds of jobs, attrition is not likely to keep up with staff reductions.

THE COSTS OF DISPLACEMENT

As OTA has concluded in earlier studies, worker displacement is a serious problem that calls for a coordinated public and private response.[24] Although many displaced workers get right back to work with little trouble, many others, lacking the background

20. 'Pentagon Reports Progress of Management Improvements, ' News Release, Office of the Assistant Secretary of Defense for Public Affairs, Apr. 25, 1991.

21. Round Two base closures *will* result *in* losses of 50,951 positions at the closing or realigned bases. However, receiving bases are expected to gain 23,155 of these positions. (This number may be less as the Defense Management Review process eliminates more positions.) (Defense Base Closure and Realignment Commission Recommendations, *Closure and Realignment Impacts by Installation and State*, Washington DC: July 8, 1991.)

22. Data provided by the Assistant Secretary for Force Management and Personnel.

23. DoD units may add two external hires for every five separations.

24. U.S. Congress, Office of Technology Assessment *Technology arid Structural Unemployment,* op. cit.; *Plant Closings: Advance Notice and Rapid Response* (Springfield, VA: National Technical Information Service, September, 1986).

Table 3-7—Planned Reductions in Force at Naval Shipyards as of 1991

Shipyard	RIFs
Mare Island	1,100
Long Beach	1,000
Norfolk	800
Pearl Harbor	1,200
Puget Sound	1,000
Portsmouth	1,400
Charleston	1,200
Philadelphia	1,000
Total	8,700

SOURCE: Departmentofthe Navy, 1991.

or skills that are in demand, go through long spells of unemployment or have to settle for poorly paid dead-end jobs.[25] A small but significant minority of displaced workers can become discouraged and leave the labor force entirely,[26] and the longer workers are out of the labor force, the less likely they are tormenter it. Extended unemployment represents lost income for both society and the individual as national purchasing power declines. Moreover, the costs of unemployment compensation to displaced workers (and welfare payments if unemployment is lengthy) are borne indirectly by society as a whole.

The business tradition in the United States is to view employees as a variable rather than fried cost. More than in other advanced industrial nations, U.S. firms are likely to let workers go when technology or business conditions change, rather than try to find other work for the employees within the firm. In contrast, large Japanese companies customarily take responsibility for maintaining jobs for their workers through business declines, after providing retraining for new tasks (see box 3-A). In many European countries, both law and custom encourage companies to keep their work force employed if possible. In the United States, however, legal requirements that stand in the way of flexibility in hiring and firing are seen as burdens to business and the economy. U.S. Government programs are directed instead to helping workers recover from displacement by offering reemployment and retraining assistance.

The same reasons for government to assist displaced workers in general apply equally to defense workers. High-quality adjustment services can not only improve the displaced workers' chances, they can also help move people and other resources out of Shrinking defense industries into growing industries, and thus benefit the whole economy.

ASSISTANCE FOR DISPLACED WORKERS: WHAT WORKS

The elements that make up an effective displaced worker program are well known and long established.[27] The conclusions of a pioneering report on what works for displaced workers, written 25 years ago by George P. Shultz (later Secretary of State) and Arnold Weber, still hold good.[28] Their findings have been confined and enlarged by a decade of experience in the 1980s. The key factors are as follows:

- Early action is critical. The best time to start a displaced worker program is before layoffs begin. It is the best time for workers to get financial, personal, and job counseling, to explore options, and to find a new job without demoralizing delay.
- Cooperation among management, workers, and public service agencies is extremely helpful. No one is in a better position than employers to know when layoffs will occur and to contribute the basics--staff and space-at the beginning. Some of the best programs are those run by labor-management committees, chaired by a neutral experienced person. And public programs tailored to the needs of displaced workers offer money and experience not available anywhere else.
- Good worker adjustment programs should offer a full range of options to meet the differing needs of different people under different local conditions. The range of services should include everything from individual counseling to job search assistance to training.
- Retraining in a new skill or occupation is the best way for many displaced workers to get a

[25] Displaced workers are out of work from two t. four times longer than unemployed workers not displaced. (Podgursky and Swaim, "rkatiOn Of Joblessness Following Displacement' op. cit., p. 223.)

[26] Ibid.

[27] For detailed discussion of the elements in successful displaced worker programs, see U.S. Congress, Office of Technology Assessment, Technology *and Structural Unemployment,* op. cit., ch. 6.

[28] George P. Shultz and Arnold Weber, *Strategies for the Displaced Worker* (Westport, CT: Greenwood Press, 1966).

Box 3-A-Conversion and Retraining in the Japenese Steel Industry

The steel industry was a pillar of Japan's economic development for most of the 20th century. Only with the first oil crisis in 1974, and the following structural shift away from heavy industry, did steel's solid position begin to erode. The strong yen of the early 1980s handicapped Japan's steel exports, and fierce competition from newly industrializing competitors such as Korea aggravated the industry's difficulties.[1]

Japan's steel industry had to shrink The government, the companies, and the workers participated in managing the decline, attempting to mininize displacement of steel workers and disruption of steel-dependent communities. This included efforts by the major steel companies to diversify into new lines of business, convert plants, retrain some workers and find company-sponsored jobs for others; government financial support for the companies' efforts; and employee efforts to learn new skills.

In 1987, the Ministry of Labor designated steel a depressed industry under the Special Measures Law for the Stabilization of Employment m Specific Depressed Industries. This status lasted for 1 year, from July 1,1987 to June 30, 1988, and it allowed the government to compensate firms for some retraining costs-up to three-quarters of the wages of employees undergoing conversion training, or four-fifths in the case of small companies. The government offered similar subsidies to companies setting up retraining facilities in areas heavily affected by the industrial decline.[2]

In the face of debts and mounting losses, each of the big steel companies formed its own rationalization plan. The plans included the closure of furnaces and mills and reductions in personnel, but also the formation of new businesses that were apparently planned to serve two rather different purposes: first, to add new activities that would, if they succeeded, replace in part the declining steel business; and second, to launch (but not permanently support) new firms that could absorb company employees who were thought unlikely to succeed in the company's new activities.

The six largest Japanese steel makers set up over 500 new ventures from 1986 to 1989.[3] Those that the companies selected for diversification included high technology businesses such as videotape manufacture, semiconductor production, and software design. Not all of their choices turned out well. Fields such as videotape and semiconductor manufacture were already crowded with plenty of competitors more experienced in marketing of these products. Kawasaki Steel tried semiconductor production and found little support from other Japanese companies.[4] Minebea a maker of minaature ball bearings, canceled its venture in electronics in which it had invested 23.5 billion Yen

Software design appears to have been a more successful choice, since some steel company ventures in this field were still active in late 1991 (nonformation was available on whether they had yet turned any profits). Nippon Steel, in particular, having some experience in the use of computer systems in its production plants, set out to retrain some of its workers as systems engineers and programmers. The company selected younger employees (under 40) for retraining on the basis of aptitude tests, and provided courses in its own facilities with company training staff for half a year. Using idle iron foundries in Muroran, Sakai, and Yawata, Nippon Steel set up professional schools to prepare candidates for the information examinations.[5] Tne schools were originally supported cooperatively by the company and outside investors or a government agency, the Ministry of Labor's Employment Promotion Projects Corporation. At Muroran, the city was a joint investor, and at the Sakai foundry a regional development group contributed.

other steel firms also offered formal training, though often for shorter periods. But in all cases, a substantial share of the burden of acquiring new skills fell on the shoulders of the individual engineers. After the formal training,

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[1]Most of the material for this box was drawn from *a* series *of* brief *reports* prepared *by* Takashi Mashiko for the Office of Technology Assessment. In addition, some material comes from *Scott Davis and* Minoru Ito, Japan Institute of Labor, OTA interview, Nov. 13,1990.

[2]Japan has many other laws dealing with government assistance to companies and industries involved in structural change, including a series of "Temporary Measures Laws," for which the Ministry of International Trade and Industry (MITI) is the lead agency. These laws provide that *state shall take necessary measures to prevent unemployment and to stabilize employment in industries that are designated for assistance. The Ministry of Labor also has a hand in preventing unemployment due to structural change, offering government support both for retraining and for targeted job creation in designated regions and industries.

[3]"Japan's Smokestack Firesale," *The Economist*, Aug. 19, 1991, pp. 51-52.

[4]Scott Davis and Minoru Ito, Japan Institute of Labor, personal communication, Nov. *13,1990.*

[5]"Nippon Steel Produces Systems Engineers Itself," *Nihon Keizai Shimbun (Nikkei)*, July 19, 1988.

the engineers were expected to fend for themselves, buying books for study at home, and learning on the job from an experienced group leader. The adjustment proved hard for some;[6] Nippon Steel's conversion project found that it had to relocate some individuals from their new placements when the change proved too great.[7]

A popular choice in quite a different field selected by several steel companies, was to build amusement resorts and housing; this choice took advantage of the companies' considerable real estate holdings. For example, Nippon Steel's closed mills and furnaces stood on 17,500 acres. Its best known real estate development is Space World, opened in April 1990 on the southern island of Kyushu. This Y30 billion space travel theme park is on spare land in the Yawata steel works in the city of Kitakyushu. It was once the site of the country's largest blast furnace, whose idle hulk now stands beside the park's main attraction--a full size replica of a space shuttle on its launching pad. Employment at the steel works has fallen from its 1%3 figure of 40,000 to 11,600. The city had hoped to emulate the high technology diversification successes of Pittsburgh. Kitakyushu officials feared that Space World would not benefit the city, but the company disagreed, and has closed its research center as well as production facilities. The park is attracting visitors,[8] but whether it will succeed as a profitable venture is not yet known.

By mid-1990, some 3,750 of Nippon Steel's employees--2,100 white-collar and 1,650 blue-collar-had been transferred to new businesses in electronics and communications, new materials, biotechnology, and urban development Another 950 employees-300 white-collar and 650 blue-collar-had been placed in Nittetu Business Promote (NBP) companies.[9] The central NBP was set up as an incubator and supporter of a variety of new businesses, established as separate regional companies in fields such as textbook marketing, soft drink marketing, manufacture of work clothes, and production of health foods (including a soya bean-based artificial ham).[10] Employment for Nippon Steelworkers who were thought not suitable for retraining and relocation in the company's high technology ventures, and support for local economies suffering from the closure of steel plants, were evidently the main purposes of NBP. In any case, Nippon Steel closed the program in the fall of 1990, and cut off its subsidiary NBP companies. Some of the companies have continued to operate independently.[11]

Meanwhile, steel production held up better than expected, as the Japanese economy recovered quickly and strongly from the rise of the yen. Demand for steel rose to 108 million tons by 1989, rather than the 90 million predicted.[12] With the number of blast furnaces in Japan down from 54 in 1986 to 47 and the production work force down 23 percent to 114,000, the industry found itself facing a shortage of skilled workers. The profits from steel-some Y800 billion among the big companies in 1989-compensated for losses in new businesses, estimated by some Tokyo analysts to be at least Y90 billion and possibly as high as Y215 billion.[13] Nonetheless, the big steel makers are maintaining their diversification programs, although failed ventures have been pruned and Nippon Steel has ended its support for the startup NBP companies.[14]

Nippon Steel's employment strategy for downsizing combined retraining and relocation to new spinoff businesses with reductions through attrition and retirement. After June 30, 1988, when the steel industry lost its status as a depressed industry and its eligibility for government support, the company continued its employment programs on its own at considerable expense. For example, Nippon Steel sent a number of managers to its new subsidiaries; they usually drew a lower salary at the new company, but Nippon Steel made up the difference until retirement age (typically age 60 in Japan) .13 Like other large Japanese steel companies, Nippon Steel honored the traditional Japanese commitment obliging the company to look after its workers, in return for workers' loyalty to the company.

6"Gruelling Work Beats No Work for Displaced Labor," *Nikon Keizai Shimbun*, July 13, 1987.

7Nippon Steel, Labor Planning Office representative, personal Communication October 1991.

8*Nihon Keizai Shimbun*, Apr. 28, 1990, p. 1.

9Nippon Steel, Labor Planning Office. Nittetu is a contraction of the word "Nippon" and "tetsu," the Japanese word for steel.

10In 1987, NBP Tohoku Corp., a subsidiary of Nippon Steel, was producing 100-120 tons of artificial ham, known as Tanpakki, every month for supply to schools, hospitals, and the Taiwanese export market. The firm employed 66 former steel workers. ("Grueling Work Beats No Work for Displaced Labor," op. cit.)

11"Nippon Steel to Liquidate Subsidiary," *Nikkei Sangyo Shimbun*, Oct. 26, 1990, p. 16. According to this newspaper, 1,200 former Nippon Steel employees were by this time working in NBP companies.

12Masahiro shine@ "Industry streamlining despite demand growth," *Nihon Keizai Shimbun*, *Oct. 28, 1989*, p. 4.

13"Virtue is its own reward," *The Economist*, Apr. 28, 1990, p. 79.

14"Nippon Steel scans horizons for growth; Metal corn, new businesses burgeon," *Nihon Keizai Shimbun*, Oct. *12*, 1991.

15Davis and Ito, op. Cit.

new job with good prospects, but it is not for everyone. The majority of displaced workers want to get back to work and make a living as soon as possible. But a good training program can attract and effectively serve a sizable minority-perhaps 20 to 35 percent.

The elements that work in helping displaced workers in general find new jobs or get training apply as well to displaced defense workers.

Advance Notice and Early Action

Early action is critical for several reasons.[29] First, displaced workers are much more likely to take part in adjustment projects that begin before a plant closing or major layoff than afterward .30 Some useful programs have been established months or even as long as a year after the layoff, but by that time people are hard to find, and if found are likely to be skeptical or disillusioned.

The evidence is that participation has positive results.[31] Several studies have concluded that about one-third of displaced workers handle the adjustment themselves-get new jobs, retire, or whatever is their choice-independently. For the other two-thirds, an effective assistance program makes a difference. It helps them find jobs sooner at better pay, or make better choices for training, than they would on their own, and it saves public expense (e.g., in unemployment insurance). For example, in 1989, when the Fort Carson, CO, Army Base announced 9 months ahead of time that 289 jobs would be abolished, the State displaced worker agency and the Army jumped into action (see box 3-B). By the time of layoff, all but one person on the RIF list had jobs. According to Colorado State officials, this prompt action saved $700,000 in unemployment insurance benefits.

Another major advantage is time for preparation. Peak demand for help in finding or training for new jobs usually comes in the first few days after layoff. It takes time to prepare worker adjustment services—ideally several months, although experienced people can set up some worthwhile services in less time, sometimes in a few weeks. Also, the best time to arrange help from the company or cooperative efforts by a labor-management team is before the layoffs.

Finally, individual displaced workers benefit in many ways from knowing well ahead that their jobs are going to disappear. It gives them time to come to terms with the loss, and may save them from financially disastrous decisions (e.g., buying a new house, deciding that a spouse can quit a job). It also gives them time to think about the option of training for a new skill or occupation and to get into training soon, perhaps even before layoff and certainly while they still have the maximum amount of unemployment insurance for income support.

Cooperation Among Companies, Workers, Public Agencies

Management and workers each have much to contribute to displaced worker projects, especially if they work as a team. On-site space for an assistance center, which many companies provide, is convenient and attractive as a place to go for service before layoff, and afterwards gives workers a familiar "office" to use while looking for a job. Another valuable service a company can offer is to invite prospective employers into a plant while it is still operating, so they can see the workers in action. Many companies hold job fairs, both before and after layoff. After eliminating some 4,000 jobs in St. Louis in 1990, McDonnell Douglas held two job fairs, one with over 100 firms from across the Nation attending, and another with about 75 local fins. There are even more energetic and ingenious ways to approach employers. McDonnell Douglas ran an ad on broadcasts of St. Louis Cardinal baseball games, calling attention to the skills and availability of their laid-off workers.[32] When a Westinghouse plant in Maryland laid off 1,100 workers after the A-12 was canceled, the company ran full-page ads in

[29] Detailed discussion of the advantages of early action are in U.S. Congress, Office of Technology Assessment, *Plant Closings: Advance Notice and Rapid Response,* op. cit., pp. 12-17.

[30] Several displaced worker projects have *reported* participation rates of 50 to 80 percent before layoff; rates after layoff range downward from 29 percent (in a project with an energetic outreach campaign, which included knocking on doors) to near zero. Ibid., pp. 13-14.

[31] See U.S. Congress, Office of Technology Assessment, *Technology and Structural Unemployment,* op. cit., pp. 225-233; also, Gary B. Hansen, "Layoffs, Plant Closings, and Worker Displacement in America: Serious problems That Need a National Solution," *Journal of Social Issues,* vol. 44, No *4,* winter 1988.

[32] Information provided by David Hutchins, Director of Employment, McDonnell Douglas Aircraft Corp. In *the* ad, *the* company announced a hotline number for employers to call to announce jobs or request resumes, and received calls from as far away as Tennessee and Arkansas.

the Baltimore Sun and the *Washington Post* promoting its workers.

A great advantage to having a labor-management team direct or participate in the assistance center is that a strong labor role contributes to workers' acceptance and trust.[33] Workers can be especially effective as staff in displaced worker assistance centers; they know the people involved and have a stake in the outcome. The Mare Island Naval Shipyard in California, for example, released a few of its own workers to spend their time calling local employers for job possibilities for the soon-to-be laid-off shipyard workers.

Despite its advantages, however, few defense firms have taken the labor-management approach to operating displaced worker services, possibly reflecting a tradition of adversarial relations between unions and aerospace industries. One firm that has embraced this approach is GE Aerospace in its Pittsfield, MA facility; a labor-management team there has operated successfully and won the confidence of displaced blue-collar workers.

No matter how dedicated and active the company and worker representatives may be, there are some services that only public agencies can provide. Few companies take on the expense of training; that is generally paid for with public funds. Government agencies, including displaced worker agencies and the Employment Service, have resources the companies lack for turning up job openings and matching them with qualified workers. Most important, State displaced worker agencies have the responsibility for organizing a rapid response to layoffs and plant closings. As we shall see, many State agencies are not yet doing a creditable job of rapid response, but that is their responsibility and no one else can entirely fulfill it.

A Full Range of Services

Projects that offer a broad range of services can best meet the needs of a diverse group of displaced workers under different economic conditions. A good program begins with one-on-one personal and financial planning and assessment of the worker's background and skills. At this stage, many workers can use help in choosing immediate job search, retraining, or, in some cases, early retirement.

Next, a full menu of job search assistance is essential. Many displaced workers, especially blue-collar workers, have been with the same company most of their working lives and have no idea how to look for a job; for example some of the workers laid off by McDonnell Douglas in Long Beach, CA were 20-year veterans at the company and had never written a resume. Most displaced worker projects offer 1- to 3-day workshops in resume-writing, interviewing (often with videotaped practice interviews), and locating jobs. The project itself can and should help with finding jobs, by employing job developers who canvas likely employers for unannounced openings; by tapping into job banks or professional job networks; and by matching qualified displaced workers with the job openings. Subsidies to employers for on-the-job training, used by many displaced worker projects, are probably more effective as a tool for job placement than for acquisition of transferable skills leading to long-term employment. Helping displaced workers who want real retraining in a new skill choose the right kind for themselves is a service of central importance, as discussed below.

Moving out of an area hit hard by defense industry cutbacks or a military base closing may be the best choice for many workers, though professionals and managers are far more likely *to* move than are blue-collar workers. For example, at the GE Aerospace facility in Pittsfield, MA, a town of about 50,000 people, some 4,800 positions were abolished between 1986 and 1991. Virtually all of the laid-off engineers and higher level managers moved elsewhere for work.[34] Very few blue-collar production workers moved, even though jobs are very hard to find in and around Pittsfield. Many of these people have roots in the area that go back several generations; moreover, moving is a high risk choice for workers who do not have distinctive resumes to present to prospective employers elsewhere, as professionals and managers often do. For many two-wage-earner families, moving entails considerable risk and uncertainty for the working spouse who hasn't been laid off. Finally, while relocation may help the displaced worker, it can weaken the

[33] Ruth H. Fedrau and Kevin P. Balfe, "Cooperative Labor-Management Worker Adjustment Programs," *Labor Law Journal*, vol. 40, March 1989, p. 143.

[34] Information provided by Ed Carty, director of the GE Professional Assistance Center, Pittsfield, MA.

Box 3-B--Civilian Transit&mat Colorado Army Bases

In 1988, the Fort Carson (CO) Army base announced that it intended to lay off 289 employees m the next 9 months. In addition, at the end of that year, the first Base Closing Commission announced that the Pueblo Army Depot in Pueblo, CO, was among the 86 installations slated for realignment or closure. Some 750 jobs would eventually be eliminated at Pueblo, with about 300 disappearing by 1992. In response, the Colorado Governor's Office of Job Training initiated an effort to help civilian employees at these two facilities make a successful transition to other jobs. The effort was named CETAP, the Civilian Employees Training and Assistance Program. Because the two DoD layoffs were announced in advance--the one at Pueblo had a warning time of more than 2 years--State and Army employment and training officials had **unusual opportunities to intervene well** before the layoffs.[1]

On hearing about the coming RIF at Fort Carson, Colorado's Rapid Response unit (the State unit responsible for implementing the Federal dislocated worker program) suggested to the Fort's Commander that they cooperate in providing services to the dislocated works. Working together, State and Army officials setup an outplacement center and held two workshops, one to describe services available to the workers and the other to train the workers in job search skills. While there was not enough time for extensive retraining in new occupational skills before the RIF, some workers were trained for typing positions that were opening up at the Fort.

The results at Fort Carson were highly favorable. Of the 289 workers affected, all but one had a job by the time of the layoff. About one-third were placed in other DoD jobs, through a computerized job placement pro-and the rest got non-DoD jobs through the center's efforts. Because nearly everyone had jobs before the layoff, no one drew unemployment insurance benefits. According to Colorado officials, that saved the State $700,000, while a total of $28,0(M) of the State's dislocated work assistance funds for the outplacement center were spent. Thomas R. Kalter, Director of Civilian Personnel at the F-praised the outplacement center as "one of the best tools I've ever used in effecting personnel drawdowns." He said it represented management's commitment to actively support adjustment services for workers and a commitment by labor and management to work together.

The effort at Pueblo was similar but more extensive. After the December 1988 announcement of the Depot's intended closure, the State worked with the Depot commander in setting up a labor management committee to

[1]**Information about the Fort** Carson **and** Pueblo **outplacement** program **was provided** by **officials** of Colorado's **dislocated** worker **program** and Army officials at Fort **Carson** and Pueblo.

community, particularly if those who leave are the more skilled and more educated, and are likely to be community leaders. Even so, displaced worker projects can collect information about out-of-area job opportunities and help people make realistic assessments of relocation **as** an option.

Retraining

The last 10 years of experience with displaced worker programs have taught that training is a centrally important feature of displaced worker programs, but it has to be well designed, with a careful matching of trainees' skills and background to the courses offered. Even **the** best of **training** programs cannot be expected to attract more than about one-third of displaced workers.[35] However, a displaced worker program that neglects training in the interests of getting the clients back to work quickly and cheaply is depriving many people of their best chance for a job with a future. It is especially important to have good training available in an economic slowdown or recession. When the national and local economies are thriving, most displaced workers will want to look for new jobs right away, and a large number will fiid something satisfactory. Training looks like abetter option when times are bad. Many workers would prefer to improve their skills instead of sitting idle.

Training is also important from the standpoint of producing the skilled workers that U.S. industry needs to keep up in a highly competitive world. But effective **retraining** of displaced workers can do only a minor part of that job. It depends much more on providing a good public school **education** for all our

[35]See U.S. Congress, Office of Technology Assessment, *Technology and Structural Unemployment*, op. cit., pp. 250-60 for descriptions of **some** unusually successful **training** programs in displaced worker projects, as well as some that failed dismally.

oversee the outplacement activities. State Representative Bill Thiebout, Jr. was appointed the neutral chairperson. An outplacement center began operations on the base in August 1989, and several workers were trained as peer counselors to work with their fellows.

By mid-1991, some 140 positions at the Depot had been eliminated, but no one had been laid off. Some workers retired some found private jobs, and some were placed in other military facilities in the region. About half of the workers found interim employment by transferring to other positions in the depot. According to Mike Guagliardo of the Colorado AFL-CIO Division of Employment and Training, the agency that oversees outplacement and training at the Pueblo center, the approach so far has succeeded so well that he hopes to avoid all involuntary layoffs throughout the process of closure. Some of the Depot's workers have taken advantage of job search skills training and other outplacement services, but many have seized the opportunity to improve their occupational skills. The long lead time before closure is a major benefit in this regard The State setup an extensive training program in which workers contribute half the time and get the other half in leave. (For example, in a 2-hour session, workers put in an hour of their own time and get the other half in release time). Over 400 workers have been trained at the center in computer use, including DOS, Lotus, D-Base, and WordPerfect. Pueblo has a large Hispanic work force, many of whom needed training in English as a Second Language, especially the written language. There were also some who needed to brush up on reading and math. English and remedial courses were offered to all employees who needed them; after a year in the program many have gone onto occupational skills training. One worker who completed the remedial education course said: "I have more self-confidence within myself and I am challenging and proving to the supervisors or bosses around that I can do the job. I'm not afraid to tackle what's given to me.

Some workers took training programs off the base. For example, one enrolled in a 22-week fast-track course in machining technology at the local community college and then got a machining job with a local firm. Another worker, who wanted to own a truck driving firm, took entrepreneurial training.

When first approached by State officials about setting up the program Depot managers were dubious. They were afraid that it might send a message to workers that the management had given upon them and wanted to let them go. Now, Depot managers are 100 percent positive toward the program. Chet Tutor, Civilian Executive Assistant at Pueblo, says that they "haven't made abetter decision." Productivity at the base has never been higher, even counting the "lost time" spent in training. The last three Army inspections of the Depot have given compliments to the Depot on the high state of morale despite the scheduled closure. One reason for the high morale, according to State officials, is that the workers themselves have been involved in the design and operation of the entire outplacement program.

children; creating productive school-to-work transition programs for the ''forgotten half'--our young people who are not college-bound; and promoting better training of adults in the active work force, starting with their frost jobs and continuing throughout their work lives.[36]

Many of the people losing their jobs in the first wave of defense-related layoffs are managers, engineers, software programmers, and other professionals who do not want or need retraining. Or if they do, the training that would interest them may be much more extensive and costly than the typical 4-month training courses offered in displaced worker projects.

When production runs end for the last orders of certain military airplanes, missiles, and tanks, and are not replaced by other orders, more blue-collar workers will be laid off from defense industries. These workers will probably seek retraining in about the same proportions as other displaced workers. Again, the success of retraining will depend on suiting the training to the particular skills and background of the workers. A successful example comes from the United Nuclear Corp. of Mountville, CT, which in 1990 began closing down a plant that made nuclear engines for submarines and started laying off its 1,100 workers. Many of the workers at UNC were trained in dealing with nuclear materials and could potentially help fill the large demand for cleanup technicians at Department of Energy facilities around the country. To provide them with the special additional skills needed, the UNC displaced worker project joined with the local technical

[36]For consideration of what this country lacks and what it needs to do in training of workers, see U.S. Congress, mice of Technology Assessment, *Worker Training; Competing in the New International Economy,* OTA-ITE-457 (Washington, DC: U.S. Government Printing Office, 1990).

college to create a l-year associate degree program in environmental cleanup, with a certificate at the end of the year, for UNC employees.

Remedial training in basic reading and math skills is another essential piece of complete services for displaced workers. Studies in the 1980s showed that while as many as 20 to 25 percent of displaced workers needed this training, most displaced worker projects neglected it, although such projects could be an excellent place to provide it. Because the frost wave of defense layoffs has hit many managers, professionals, and other white-collar workers, the need for remedial basic skills training has been less evident. At least one example, however, of an outstanding basic skills program for defense-related displaced workers is at the Pueblo Army Depot in Colorado (described in box 3-B).

Much more could be said about the elements that make up a good displaced worker program. Only the briefest of summaries has been offered here. It is worth emphasizing, however, that two great virtues are early action, before people get dispersed, discouraged, and disillusioned; and enough flexibility to meet the needs of different people and respond to different circumstances.

PUBLIC PROGRAMS TO HELP DISPLACED DEFENSE WORKERS

Most of the public programs to help displaced defense workers find or train for new jobs are available more broadly either to all displaced workers or to the public generally. The following discussion briefly covers some of the more important government programs that are open to anyone but provide essential help to displaced workers. It then concentrates more closely on the Federal program that is designed for displaced workers in particular, the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program in Title III of the Job Training Partnership Act (JTPA) of 1982, as amended in 1988.

Unemployment Insurance and the Employment Service

The U.S. unemployment insurance (UI) system is a Federal-State program, with Federal law applying a tax on employers that is largely offset if States provide some UI coverage through payroll taxes on employers. States manage their own tax rates, trust funds for payment of benefits, and rules of eligibility. The Federal Government has a backup trust fund account from which States may borrow. The system has three reasons for existence: frost, to tide workers over temporary layoffs and keep them from penury; second, by maintaining some spending power even among the unemployed, to help an economy in recession recover; and third, to help businesses retain their trained workers during temporary layoffs. The UI system in the United States was never very generous compared to that of many other developed nations, and in the 1980s its value as a safety net declined further.

Only a portion of unemployed workers are eligible for UI. New entrants or re-entrants to the labor force are not eligible. Workers who voluntarily quit their jobs may have to wait for many weeks to qualify, or may not be eligible at all. Generally speaking, workers out of work more than 6 months do not qualify for additional UI benefits.

The share of unemployed workers covered by UI was close to or over 50 percent through much of the 1970s (and climbed above 70 percent, with Federal help, in 1978). In 1990, the percentage of unemployed workers covered was 32 percent (see table 3-8). The reason for the decline was twofold. First, States ran through their UI trust funds in the 1981-82 recession. They then passed laws to make UI eligibility stricter; in the anti-tax environment of the 1980s and early 1990s, they declined to raise employers' payroll taxes sufficiently to loosen eligibility rules once the fiscal crisis was over. Second, under laws Congress passed in 1981, the U.S. Government became much less supportive of UI benefits than before.[37] One of the changes allowed the Federal Government to charge States high interest rates (up to 10 percent) for borrowing from the Federal UI trust-which discouraged States' borrowing and was a factor in tightening eligibility.

Another change almost brought to an end the once-important program of extended benefits (EB), which allow an extra 13 weeks of UI in times of high unemployment, and the costs of which are shared equally by the Federal Government and the States. EB were rarely triggered in the 1990-91 recession. In June 1991, despite a total unemployment rate of 6.9

[37]Gary Burtless, "The Tattered Safety Net," *The Brookings Review, spring* 1991.

Table 3-8-Unemployment, UI Covered Unemployment, and UI Coverage

Year	Unemployment rate	UI covered unemployment rate	Percent of unemployed covered by UI
1970	4.9%	3.4%	48%
1971	5.9	4.1	42
1972	5.6	3.0	41
1973	4.9	2.5	48
1974	5.6	3.4	52
1975	8.6	6.1	45
1976	7.7	4.4	41
1977	7.1	3.7	50
1978	6.1	2.8	75
1979	5.8	2.8	67
1980	7.1	3.9	56
1981	7.6	3.5	43
1982	9.7	4.7	42
1983	9.6	3.9	50
1984	7.5	2.7	41
1985	7.2	2.8	45
1986	7.0	2.8	44
1987	6.2	2.3	34
1988	5.5	2.1	34
1989	5.3	2.0	33
1990	5.5	2.4	32

SOURCE: Department of Labor, Unemployment Insurance Service.

percent, only 6 states qualified for EB; in the 1980 recession, with an unemployment rate of 7.0 percent (annual average), all 50 states offered EB.[38] In November 1991, after two attempts by Congress that were nullified by President Bush (on grounds that Congress had failed to provide funding), Congress and the President agreed on an amendment to the UI law that eased the terms for EB, making the program available to millions of workers who had been unemployed for more than 26 weeks .39

Still, the tighter eligibility for UI remains in effect in many States. Also, the benefits are less generous. UI benefits became fully taxable in the 1986 tax reform law, but nominal amounts were not raised in compensation, so their value has declined about 20 percent.[40] What all this means for displaced defense workers is that UI benefits are a declining source of support for a prolonged job search or, perhaps more importantly, for training. This makes it less likely that the workers will opt for training, especially longer-term training in higher level skills. However, some states, such as California, extend UI benefits for an additional 26 weeks for displaced workers enrolled in approved training courses. Massachusetts extends benefits for some kinds of training, but not for degree programs.

The Employment Service (ES) manages the UI system at the State level. Its other job is to help match people seeking jobs with employers offering them. State governments have the primary responsibility for design and operation of ES. While the ES can provide necessary services to displaced workers, the charge is much broader, extending to any worker looking for a job. With this responsibility, the ES system has so much to do and so many people to serve-and its budgets have been in such long-term decline-that it is hard-pressed to offer help tailored to the needs of displaced workers. In establishing JTPA Title III (also called EDWAA), Congress created a program that would focus specifically on displaced workers and thereby ease structural changes in the economy.

Worker Adjustment and Retraining Notification Act (WARN)

Since the WARN legislation took effect in February 1989, any company with 100 or more full-time employees has been required to give at least 60 days' notice to workers in plants that are closing or planning "mass layoffs." The WARN requirement is triggered when, during any 30-day period, a closing causes a loss of at least 50 jobs, or a layoff causes a loss of 500 or more jobs, or 50 to 499 jobs if they comprise at least 33 percent of the employer's work force. In these situations, the employer is also required to notify the State 'dislocated worker unit and the chief elected official of the local government. Employers who violate the advance notice requirement are liable for back pay and benefits for each day of violation up to 60 days.

[38] The reason for the difference lay in the 1981 law, which raised the State triggers for extended benefits (EB) and eliminated the national trigger that could activate EB in all states. In addition, the 'insured unemployment" rate, which is the percent of workers who are collecting benefits, was the trigger for EB and in recent years it has been much lower than the total unemployment rate, reflecting the fact that a declining share of workers get UI (table 3-8). Using the insured unemployment rate as the trigger for EB not onty continuously raised the trigger throughout the 1980s (as UI coverage declined) but also led to some anomalous results. Because the rate leaves out all the people who are not eligible for UI, including those who have exhausted their benefits, some States with high total unemployment did not qualify, while other states with much lower rates did. For example, in May 1991, Oregon, which had a total unemployment rate of 5.8 percent, qualified for EB while Massachusetts and Michigan, with a rates of 9.2 percent and 9.0 percent (highest and second highest in the nation) did not.

[39] Under the amended law, the total unemployment rote, not the insured rate, triggers EB.

[40] Burtless, op. cit.

The WARN law includes several exemptions besides the ones for small business and relatively small layoffs. These include cases in which a temporary facility is closed, or a particular project that employed people specifically for that project is completed, or where there is a strike or lockout that is not simply intended to evade the early warning requirement. The notification period maybe reduced if the closing or mass layoff is due to natural disaster or business circumstances that were not foreseeable, or if the employer has been actively seeking capital or business that could reasonably be expected to postpone the shutdown or layoff.

Dislocated worker officials interviewed by OTA were unanimous in their praise of WARN.[41] They say that early warning has benefited both the assistance programs and workers individually. In some cases it has helped the company, too. In 1988-89, when Lockheed of Marietta, GA laid off over 8,000 military aircraft workers, EDWAA and WARN combined were an aid to the company in managing the layoffs without disrupting production requirements.[42] Union rules Of seniority still operated, but they also permitted merging of labor units as assembly functions were finished.

WARN's main value to service providers, of course, is in helping to identify closures and layoffs that are about to happen. In Los Angeles, local employment and training officials used to rely on informal means, such as newspaper accounts and reports from individual workers. Since WARN, they get from the State fax notices of impending layoffs and can move into action. The Missouri Department of Labor credits the WARN-mandated 60-day notice that McDonnell Douglas provided in its 1990 round of layoffs with reducing the number of unemployment insurance recipients from an expected 80 to 90 percent to about 70 percent. Some of the displaced workers found new jobs before the layoff or very soon after. Others moved away. In contrast, after the January 1991 A-12 cancellation, 85 percent of the 5,000 workers laid off from McDonnell Douglas with less than 2 weeks notice applied for unemployment insurance.[43]

While WARN is a big improvement over the past, it has some problems. The requirement that at least one-third of the work force must be laid off to trigger WARN means there can be sizable layoffs (up to 499 workers) at large plants that do not trigger WARN, while the same size layoff in smaller plants would. In a 1990 report prepared for the U.S. Department of Labor, SRI International found that one large corporation was able to lay of[f] nearly 500 workers without giving a WARN notice because less than one-third of the work force was affected.[44] SRI also found that several employers phased down their work force without triggering WARN by repeatedly laying off just under 50 workers in each 30-day period. Further confirmation of this practice came from the human resources director of one large defense company, who told OTA quite frankly that it was his company's policy to manage layoffs in this way; the company opposes the whole idea of advance notice but does give laid-off workers severance pay depending on length of service (though not necessarily in compensation for 60 days' notice).

Overall, in the 15 States examined in the SRI report, displaced worker officials in 3 States reported widespread noncompliance with WARN, and in several others officials reported that many employers were giving less than 60 days' notice.[45] On the other hand, EDWAA officials in a few States told OTA that the WARN legislation seems to have brought home to some employers the value of early warning, and that some have voluntarily provided notice of layoffs when the law did not require it.

Another problem with WARN is that no agency is assigned to enforce it. Eligible workers who have not been given notice, their representatives, and units of local governments can take the company to court, but it is unclear how effective this provision is in encouraging companies to comply.

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[41] This section is drawn largely from OTA interviews with directors and staff of 21 assistance projects serving workers displaced by defense industry cutbacks and military base closings, and from Linda Kravitz, ''The Wages of Peace: Community and Industry Experience with Military Cutbacks," contractor report prepared for the Office of Technology Assessment, July 1990.

[42] Interviews with Hugh Gordon, former Director of Personnel at Lockheed, and Edward Van Stedum, Director, Derson Group, Ltd., the private firm that managed outplacement services, ibid.

[43] E. Terrence Jones, 'The Layoffs at McDonnell Douglas: A Survey Analysis,' prepared for the St, Louis County Economic Council, October 1991.

[44] SRI International, ''Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act,'' report to the U.S. Department of Labor, Employment and Training Administration, October 1990.

[45] Ibid., p. VI-20.

Economic Dislocation and Worker Adjustment Assistance (EDWAA)

A Federal program of assistance to displaced workers was created in 1982 in Title III of the Job Training Partnership Act.[46] Amended in 1988 and now referred to as EDWAA, this is the main Federal program offering assistance to displaced defense workers. The program is funded and supervised at the Federal level, but operated by States and local agencies.

In its earlier years the program was usually funded at about $200 million a year, but was given more generous funding after the EDWAA amendments (table 3-9). Regular appropriations rose to an all-time high of $577 million in fiscal year 1992; in addition, Congress has directed DoD to transfer an extra $150 million to the Department of Labor (DOL) for EDWAA services earmarked for dislocated defense workers in fiscal years 1991-93. After several months' delay, the funds were transferred in June 1991. In program year 1990 (July 1, 1990 to June 30, 1991), the first year under EDWAA, a record number of displaced workers were served; there were 282,089 participants, including 186,888 new enrollments and 95,201 holdovers from the year before (table 3-10).

In its frost few years, the original Title III program had some modest accomplishments, placing participants at rates of about 65 to 70 percent. However, the program was reaching only around 5 to 7 percent of eligible workers.[47] Several other shortcomings also surfaced: most State Title III programs were slow in responding to layoffs, which was one reason for the low participation rates; some States were carrying over large amounts of unexpended funds from one year to the next; and many projects were not giving enough attention to training, possibly reflecting overemphasis on low cost per worker served. Congress amended the Title III program in 1988, renaming it the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) and redesigning it to put more emphasis on rapid response to layoffs, give more attention to training, and set up incentives for spending appropriated funds, thus serving the needs of more displaced workers.

Table 3-9--JTPA Title III (EDWAA) Appropriations

Fiscal year	Appropriations (million dollars)
1984	216.5
1985	222.2
1986	95.5
1987	195.6
1988	286.6
1989	278.6
1990	463.6
1991	527.0
1992	577.0

SOURCE: Department of Labor, Office of Work Based Learning.

At this writing, only 21/2 years have passed since the Title III program started to operate under the EDWAA amendments, so it is still too early to judge their full effect. One visible, positive change is that the proportion of eligible workers served has risen (and was rising even before EDWAA), partly because fewer workers were displaced in the prosperous 1985-89 period than previously, but also because absolute numbers of new enrollees rose in program years 1988 and 1989. The proportion of eligible workers served was nearly 9 percent in program year 1989 (July 1989 through June 1990).[48]

However, in quality of service provided, there remains a wide disparity among the States. A few States provide excellent services to displaced workers, but most fall considerably below that level and some do very little at all. A major, persistent

[46] Title IIA and IIB of JTPA is directed to the employment and training needs of disadvantaged and low-income workers and youth. It is a much bigger program than Title III, typically funded at about $2.5 billion per year.

[47] OTA put the percentage served at about 5 percent of eligible workers as of 1985 (U.S. Congress, Office of Technology Assessment *Technology and Structural Unemployment,* op. cit.), and the General Accounting Office (GAO) estimated it at 7 percent as of mid-1986 (U.S. Congress, General Amounting Office, *Dislocated Workers: Local Programs and Outcomes Under the Job Training Partnership Act,* GAO/HRD-87-41 (Washington DC: March 1987). Both OTA and GAO compared the number of workers enrolled in the program each year with the total number of workers losing jobs per year due to plant closings or relocation, cutbacks in production, and slack work, as reported in the biennial BLS/Census survey of displacement. GAO compared the 145,000 new enrollees served in the JTPA Title III program from July 1, 1985 to June 30, 1986 with the BLS estimate of 2.16 million workers losing their jobs each year from January 1981 to January 1986 for the reasons described above. Note that BLS defines as ''displaced' only those workers who had held the jobs they lost for 3 or more years; however, eligibility for Title III or EDWAA services is not limited to displaced workers with 3 years tenure on the job.

[48] According to the BLS/Census survey, 9.2 million workers were displaced from their jobs in the *5* years *198S-89* because of plant closings or relocations, production cutbacks, or slack work. New enrollees in EDWAA were 162,834 in program year 1989, or 8.8 percent of the average of 1.85 million workers displaced annually in the 5-year period ending in 1989. These are the latest available figures on numbers of displaced workers.

Table 3-10-Enrollments and Outcomes in JTPA Title III (EDWAA), Program Years (PY) 1983-90

	PY 1983[a]	PY 1984	PY 1985	PY 1986	PY 1987	PY 1988	PY 1989	PY 1990[b]
New enrollments	96,100	132,000	145,773	143,335	116,142	151,507	162,834	186,888
Terminations	50,500	113,600	149,692	149,692	129,984	135,566	139,642	164,856
On board at end of period	45,600	64,100	76,287	69,910	56,068	72,009	95,201	117,233
Entered employment								
Number	36,500	72,200	92,287	102,111	91,591	93,929	91,999	115,721
Percent of terminations	72%	65%	69%	68%	70%	69%	66%	70%
Wage at placement	na	na	na	$6.93	$7.11	$7.54	$7.58	$7.73

[a]Program years cover July through June, except 1983, which covers October 1983 through June 1984, the first period of the program.
[b]Preliminary.

SOURCES: U.S. Congress, Office of Technology Assessment, *Technology* and *Structural Unemployment: Reemploying Displaced Adults,* OTA-ITE-250 (Washington, DC: U.S. Government Printing Office, 1986), p.174; and Department of Labor, Office of Work Based Learning, unpublished data.

shortcoming is that rapid response is far from universal and often is nonexistent. Problems are apparent in the quality and mix of services, especially those provided by organizations whose primary purpose and experience is in employment and training services for disadvantaged people, not displaced workers. Requirements for training under the law and DOL policy have sometimes had perverse effects. DOL's information sharing and technical assistance to States and localities is still scanty, resulting in part from a small budget and a bare bones staff at headquarters. The lack of Federal guidance is a principal reason for the continuing gap between best practice and typical practice among the States.

The following discussion concentrates on aspects of the EDWAA program that could be improved, especially on changes in the law made in 1988, some of which are not working out exactly as hoped. However, the fact that over 1.1 million displaced workers entered this program from October 1983 through June 1991, and that over two-thirds of those leaving it had jobs, is a respectable record for a big public employment and training program, bettered by the fact that the last few years have seen arise in participation, both in numbers and in share of eligible people served. EDWAA is not a giveaway program. It requires effort from its participants. If more people participate, it is reasonable to conclude that they are getting something out of it.

Changes in EDWAA

Congress left major features of the previous JTPA Title III program unchanged in EDWAA. It remains an employment and training program especially designed for and targeted to displaced workers. It authorizes a range of services, including job or career counseling, testing and assessment, job search skills training and placement assistance, support services, and many forms of training (including remedial education, on-the-job training, entrepreneurial training, and even out-of-area job search and relocation, as well as occupational skills training). The criteria for eligibility are quite broad, extending to all workers who have been laid off or received notice of layoff in permanent closures or substantial layoffs of any facility or enterprise; workers who have been laid off or received notice of layoff, are eligible for or have exhausted UI benefits, and are unlikely to return to their previous industry or occupation; and workers who are long-term unemployed and have limited chances of reemployment in a similar occupation, including older workers for whom age may be a barrier. EDWAA added to the list self-employed people (specifically including farmers and ranchers) who are unemployed because of general or local economic conditions, and displaced homemakers.[49]

As noted, a significant change in EDWAA is its emphasis on rapid response. Under the 1988 law, each State must establish a Dislocated Worker Unit with the duty of providing rapid response after a closure or layoff announcement. The rapid response team is supposed to reach employers and employee representatives, usually within 48 hours, to offer comprehensive information on what public programs are available to help the workers; encourage the prompt formation of labor-management committees under the direction of a neutral, experienced chairman; coordinate a broad array of services; or otherwise help line up comprehensive services quickly, to be offered in one convenient place.

[49]Displaced homemakers, defined as ''additional dislocated workers, '' can be served as long as doing so would not reduce services for other dislocated workers.

A second major change in EDWAA introduces new incentives to bring services to more displaced workers and avoid carrying over unspent funds. This change addressed a situation in which only a small percentage of displaced workers were receiving services, yet on a nationwide basis unspent funds grew every year except 1986, when Congress cut the Title III appropriation in half because of the carryovers. The problem was an uneven one; some States were spending all their allocated funds (with a prudent amount for carryover), but many were not. States may now carry over 20 percent of their allocated funds at the end of each program year,[50] but the Secretary of Labor must reallocate to other States the surplus from any State that failed to spend at least 80 percent of its EDWAA allocation from the immediate previous program year, plus all unexpended funds from any prior year.

EDWAA also removed the predominant authority over the displaced worker program originally given to the States under Title III, and split it between States and local authorities. Of the total EDWAA funding, 80 percent is allocated among States under a formula based on unemployment rates. The States may reserve up to 40 percent of the funds for their own activities, including rapid response, coordination, technical assistance, and administration. At least 50 percent of the States' share is distributed up front, by formula, to substate areas with populations of at least 200,000, and the States must distribute up to 10 percent to substate areas during the first 9 months of the program year on the basis of need. The State selects a grantee in each substate area to provide services to displaced workers, either directly or through contracts. The law allows a wide choice of substate grantees; possibilities include nonprofit organizations, educational institutions, labor organizations, local or State government agencies, and private industry councils. In most cases, however, the grantee is the Service Delivery Area (SDA), which also administers the much larger JTPA program for low-income and disadvantaged workers under Title III.

As under the previous Title III, some discretionary funding remains in the hands of the Secretary of Labor-20 percent of the total EDWAA appropriation. Known as the "national reserve fund, " this discretionary money can go for services to workers caught in mass layoffs (including those caused by Federal actions or by natural disasters), for industry-wide and multistate projects, and for supplements to the 80 percent of EDWAA money allocated to the States.

Rapid Response

Despite the emphasis Congress placed on rapid response in the 1988 EDWAA amendments, it is still more an ideal than a reality. SRI International and Berkeley Planning Associates, in a recently completed study of EDWAA for DOL found that of the 15 States examined, 5 had rapid response procedures that "were well established and working well," 6 were "experiencing some problems," and 4 had a "low commitment to rapid response."[51] Further, SRI reported that 19 of 30 substate areas investigated ''narrowly viewed the purpose of rapid response as providing information on the availability of services . . . and did little, however, to ensure that such individuals eventually applied for or received EDWAA services. ''[52] SRI recommended that DOL and States stress the importance of using rapid response activities to practical effect, making sure that displaced workers receive appropriate EDWAA services.

A report by the National Governors' Association, the National Association of Counties, and the United States Conference of Mayors presented similar conclusions. These organizations found in every case examined a lag of at least 2 months between layoff and provision of services.[53] OTA's investigation of 21 defense-related layoffs, although based on a small number of cases, supports these findings. In only 7 of the 21 cases were adequate EDWAA funds (sufficient for complete, continuing services) available before layoff. All seven had advance notice of at least 3 months, and four of the seven had 1 year or more (see table 3-1 1).

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[50]In each fiscal year (October 1 through September 30), Congress appropriates EDWAA funds to be spent in the following program year (July 1 through June 30). The delay is intended to give State and local agencies time to plan the next year's EDWAA program.

[51]SRI International, Op. Cit., p. VI-19.

[52]Ibid.

[53]The National Governors' Association, The National Association of Counties, and The United States Conference of Mayors, *EDWAA Financial Resource Management: Issues and Strategies* (Washington DC: February 1991), p. 20.

Table 3-1 l—Provision of EDWAA Services in Selected Defense Layoffs

Firm or installation	Months of notice before layoff	Months before or after (–) the layoff EDWAA services provided
Rockwell (CA)	3	-l o
Mac-Douglas, Hughes, Northrup (CA)[a]	na	-7
Grumman (NY) (1969)	0	-7
Lockheed (GA)	3	-6
GD Electric Boat (CT)	2	-6
General Dynamics (TX, A-12)	0	-5
Lockheed (CA)	7	-4
Fairchild-Republic (NY)	0	-4
Mare Island Naval Shipyard (CA)	5	-3
UNC Naval Products (CT)	3	-3
General Dynamics (TX, 1990)	3	-2
McDonnell Douglas (MO, A-12)	0	-1.5
GE Aerospace (MA)	4	-1
McDonnell Douglas (MO)	2	0
Portsmouth Naval Shipyard (NH)	9	0
Grumman (NY) (1991)	4	2
Fort Carson (CO)	3	2
Kelly AFB (TX)	4	2
GE Guidance Systems (MA)	12	6
GE Jet Engines (MA)	24	12
Pueblo Depot (CO)	20	12
Chanute AFB (IL)	53	34

[a]Southern California SDAs applied for National Reserve Funds to serve multiple layoffs in defense aerospace.

SOURCE: Office of Technology Assessment, 1991.

Advance notice does not guarantee rapid response by EDWAA agencies, however. In 10 of the other 14 cases, there was at least 2 months' advance notice, usually more. For example, in 1990, the Portsmouth, NH Naval Shipyard gave 9 months' notice that 890 positions would be abolished, but an EDWAA-funded displaced worker center did not open until the week the workers were laid off. Meanwhile, the Navy had provided several kinds of reemployment services, including four job fairs and extensive offers of relocation to other Navy facilities, but not retraining, an option with considerable appeal to the shipyard's work force. The only training offered was a 3-week course in welding for 40 workers, paid for by the union. As for EDWAA, SDAs from two States (Maine and New Hampshire) were involved. Because the project resulted from a Federal action and was multistate, and because the States and SDAs had little money on hand to serve the workers, they applied for a national reserve fund grant. It took 6 months for the SDAs in the two States to get the application written. (One reason is that EDWAA services cannot be provided until workers get notice of layoff, and notices in this case were delayed.) There was a further, although briefer, delay at DOL.

State agencies have the primary responsibility for rapid response, and while some do a good job, others are not as committed to or adept at providing it. In 1990, 22 States made fewer on-site visits (the first step in rapid response) than the number of WARN notices they received, while 22 made more. The variation is substantial: one State responded to only 30 percent of their WARN notices, while another responded to over four times as many sites as the WARN notices they received.[54]

Several causes for the spotty and still unsatisfactory record of rapid response under EDWAA are discussed below, in connection with other aspects of the program. It is worth emphasizing, however, that most State and local EDWAA agencies still need a freer understanding of the pivotal role of rapid response, and there is an important Federal responsibility in supervision and guidance to further this understanding.

Discretionary Funds

One hindrance to rapid response arises from the way EDWAA funds are distributed, both among States and between States and substate areas. Because most of the money is allocated by formula

[54]Data provided by the Employment and Training Administration U.S. Department of Labor.

before the program year starts, and because displacement is hard to predict in advance, the money simply may not be where the displaced workers are. Under an ideal system, places with a rash of large layoffs would get generous funds for adjustment services right away, while places with trivial layoffs would get little or no money.

Recognizing that it is impossible to predict where displacement will occur, EDWAA provides for reserve funds at both the national and State levels. Throughout the year, States and local EDWAA agencies in need of additional funding can apply to the Secretary of Labor for grants from the national reserve. The trouble is that it takes time to write applications and get approvals at both the State and Federal levels for these discretionary funds-often so much time that response to the workers' need is long delayed.

The Secretary of Labor attempts to rule on proposals for grants from the national reserve within 45 days. Although longer delays were reported in 1990, DOL stated in mid-1991 that it was turning proposals around in an average of 38 days. However, 38 days added to the time it takes to prepare the application is still too long to allow rapid response.

Several factors contribute to delays. DOL requires detailed information about the layoff in the grant application; this takes time to review and even more time to collect. Service providers must state, for example, in which occupations displaced workers are likely to be trained and what jobs they are likely to take. Getting accurate and useful information on questions such as these is a formidable, not to say impossible, task. States often simply guess. After the States spend weeks collecting such detailed information, DOL may return the application for more specifics. As one State EDWAA official commented, only somewhat facetiously, ''If the idea is rapid response, we can't know everybody shoe size up front.

If rules for applying to the fired are unclear, that further delays the process. While DOL does publish rather voluminous and detailed reserve grant application guidelines each year in the *Federal Register,* many States, according to the National Governors' Association, have a hard time determining DOL's criteria for judging proposals.[55] For example, a Washington State official reported applying for a discretionary grant only to be told that 60 percent of the workers must be enrolled in retraining. Since this requirement was in neither the law nor DOL regulations, the official was puzzled as to how it could be known ahead of time. Another State official compared the DOL grant process to ''shooting into a dark room—you might hit something but you're not sure why, or if you could do it again. ' DOL's view is that it strictly adheres to the guidelines in evaluating proposals for possible funding, but State managers are less sure of what is expected and many doubt their ability to comply. A number of States were in danger of running out of EDWAA funds in 1991 because the recession greatly increased displacement and demands for services, yet most States were choosing not to apply for reserve funds, because the process is simply too obstacle ridden. According to one DOL official, many State EDWAA managers cannot handle the complexities of the grant application, and those that do know how are too busy responding to client's urgent needs to write demanding, detailed grant proposals.

In many cases, the longest delays in the application process are not at the Federal level, but elsewhere along the way. As mentioned, in the Portsmouth Naval Shipyard layoff, it took half a year for the two SDAs from two different States to complete an application for a DOL grant. SDAs within States can delay applications, too. For example, when Secretary of Defense Richard Cheney canceled the Navy's A-12 fighter aircraft because of delays and cost overruns, 3,400 General Dynamics employees at Fort Worth were laid off without notice (legal under the WARN law, since the cancellation was unanticipated). DOL has a special set of emergency procedures for streamlining approval of national reserve fired grant applications in certain crisis situations, and this was one of them. Yet, mainly because of delays at the local level, Federal money was not received for 4 months.

An example of delay at the State as well as the Federal level comes from California, where local agencies waited more than 7 months in 1990-91 for funding to deal with mass layoffs in the timber, electronics, and defense aerospace industries. The State frost sent in a proposal that DOL rejected on grounds that it did not contain adequate detail. The State took 2 months to amend the proposal; according to State officials, the application was more than

[55]Interview with John Lederer, Senior Policy Analyst, Human Resources Policy Studies, National Governors' Association, March, 1991.

3 inches thick-the volume necessary to respond to DOL's requirements. It then took nearly 3 months more for DOL to approve the proposal. Another 2 months went by before the State made the DOL funds available to the local agencies. The agencies received the funds in mid-March 1991. The terms of the grant, ironically, precluded service to workers laid off after March 31, 1991.

There are also problems in getting discretionary State money to localities that need funds for rapid response. Some States distribute most of their EDWAA allocation to substate areas at the outset, leaving little for emergencies.[56] With those that do have a reserve, there are often delays. Many States use formal Requests for Proposals to distribute the reserve funds, which delays the process significantly.[57] Others simply fail to get the money out to the substate areas quickly. Some States have streamlined their review process and are approving funds within 10 days. Still others provide startup grants out of their reserve funds so the local service provider can get in early and begin to offer the first, most basic adjustment services. For example, in Massachusetts, substate areas can get up to $10,000 from the State within 48 hours. Not all States have such policies.

This leads to another major sticking point in tapping into the national reserve fund. Virtually every State EDWAA offlcia1 interviewed by OTA said that delays in services are aggravated by the DOL rule that prevents States and substate areas from paying for services up front with their own money and then getting reimbursed for their share if and when the national reserve fired comes through. Some DOL officials defend the rule on the grounds that if States (or substate areas) have the money to spend in the first place, then they don't need Federal reserve funds, and therefore should not be reimbursed. While this may make a certain amount of bureaucratic sense, the practical effect is to delay provision of services to displaced workers. States that respond rapidly by spending their own money up front risk not being able to respond to layoffs later in the year. If subsequent reimbursement from Federal discretionary money were allowed, that would decrease the risk.

These delays and restrictions mean that if services for displaced workers depend on discretionary funding, chances are that the services will not be ready until after workers are already laid off and collecting unemployment insurance.58 It might be reasonable to decide that if States are trusted to administer 80 percent of the EDWAA funds, they could be given more leeway in using the reserve funds. There is a choice to be made: either require detailed time-consuming applications and prohibit reimbursement, or contribute to rapid response, but don't expect to have it both ways.

Quality of Services

One reason for uneven quality of service in EDWAA programs is that, very often, the substate area grantees are more accustomed to and interested in serving disadvantaged workers than displaced workers. JTPA includes two distinct programs serving two quite different populations: Title IIA for low-income and disadvantaged people and Title III for displaced workers. In many substate areas, the local EDWAA authority is the Service Delivery Area (SDA), which also has responsibility for serving disadvantaged clients under JTPA Title IIA.

In some cases where the SDA is the grantee, programs for displaced workers take second place. For example, one employment and training official in St. Louis commented that many of his colleagues resent the attention paid to laid-off McDonnell Douglas workers. Their attitude was that those workers do not need help. In Connecticut, when the United Nuclear Corp. approached the local SDA about its impending layoff, it got no response for more than 2 weeks because the staff was busy on Title IIA matters.

Some SDAs seem content to let workers be laid off before they begin to provide services. According

[56] OTA's discussions with State EDWAA officials support SRI's findings that States with considerable rapid response experience predating EDWAA devote a large share of their 40 percent funds to responses to specific closings that the substate areas' formula funds do not adequately cover. In contrast, States with little previous rapid response experience are giving more of those funds, which they could reserve for distribution as need@ directly to the substate areas by formula SRI International and Berkeley Planning Associates, "Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Review of State EDWAA Plans and First Quarter Expenditures," February 1990, pp. II-8.

[57] Texas Association of private Industry Councils, *Laid Off: The Texas Response to Plant Closings and Layoffs* (Austin, TX: 1990), *p.* 18.

[58] National Governors' *Association* National Association of Counties, United States Conference of *Mayors, EDWAA FinancialResource Management Issues and Strategies (February* 1991), p. 20. An example of the paperwork involved was California's 3-inch thick application for reserve funds for three different industry-wide grants.

to one State official, a lot of SDAs in his State ''still wait for people to come out the door with their pink slip before providing them services."[59] Some deliberately postpone action until just before the layoff date because they believe that workers do not benefit from services provided earlier; one waited 4 months after advance notice of a layoff for this reason.[60] Some State agencies share in this misconception. SRI reported that one State deliberately holds orientation meetings at plant closings near the actual time of the layoff.[61]

Another problem, according to SRI, is that reliance on SDAs for running displaced worker projects usually means less use of labor-management coremittees. Although some SDAs rely on labor-management committees, more traditional approaches are the norm.[62]

The needs of disadvantaged workers and displaced workers often differ significantly. Displaced workers usually have stronger work histories and often higher skill levels; some need little more than adjustment assistance administered promptly and effectively. An SDA that has specialized in serving disadvantaged workers may have trouble serving displaced workers, especially the professional, managerial, and other white-collar workers being laid off in defense industries.

Thus it is not surprising that the Title IIA service system may be ill-suited to displaced workers. SRI found that of 15 State displaced worker programs studied, only 8 gave higher priority to recently laid-off workers than to long-term unemployed. (The law defines long-term unemployed workers as eligible for EDWAA services, but emphasizes the factor of displacement in all other categories of eligible workers.) In fact, one State, with few large scale layoffs, targeted its EDWAA activities to long-term unemployed. Similarly, of the 30 substate areas SRI examined, only 13 gave priority to recently dislocated workers, while 9 gave long-term unemployed the top priority.[63] Apparently, some SDAs saw the EDWAA program as an opportunity to supplement Title IIA services. Given their orientation, many SDAs see no need for specialized readjustment services for displaced workers. In 20 SDAs studied by SRI International, 8 provided no stand-alone basic readjustment services beyond initial assessment, while the remaining 12 provided the same readjustment services that Title IIA clients received.[64]

Some of the problems with SDAs might be solved if State agencies were to do a better job of educating them on the needs of displaced workers, the value of early action, and the usefulness of labor-management committees. However, this is not simply a job of education. Several State officials told OTA that it is politically difficult to deal with the SDAs; they have their own longstanding, well-established power bases.

The quality of services for displaced workers might be improved if States were to pursue more aggressively options to use service providers other than SDAs. Nonprofit organizations are another choice. For example, in 3 of Massachusetts' 15 substate areas, educational institutions have been designated as service providers. Many of the State's dislocated workers in other substate areas are served in on-site centers, run either by labor-management committees or by experienced service providers who specialize in assisting displaced workers. Massachusetts officials find that services involving the company and work force in centers designed specifically for dislocated workers function well.[65] One of the best projects OTA staff visited was at GE Aerospace's Burlington, MA facility, where GE is now providing the services after receiving startup help from the State. (GE is using a State nonprofit organization as a financial administrator.)

[59]SRI International, "Study of the Implementation of Economic Dislocation and Worker Adjustment Assistance Act, Draft Final Report,'' 1990, p. VI-15.

[60]Ibid., p. VI-15.

''Ibid.

[62]SRI International and Berkeley Planning Associates, ''Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Issues in promoting Labor Management Cooperation" 1990, p. V-3; Texas Association of Private Industry Councils, *Laid Off*, op. cit., pp. *37-38.*

[63]SRI International, "Study of the Implementation of Economic Dislocation and Worker Adjustment Assistance Act, Draft Final Report," op. cit., III-5 and IV-9.

'Ibid., , p. VIIi-12.

[65]Interviews with Suzanne Teegarden, Director, Industrial Services Program, State of Massachusetts, and Barbara Baran, Director of Employment Services, Industrial Service Program State of Massachusetts.

An advantage of the Massachusetts approach is that it introduces competition into the system. Giving SDAs money automatically on a formula basis creates a monopoly and inhibits this quality-enhancing public sector competition.

As noted, EDWAA does allow State Governors and local leaders to designate many kinds of organizations as substate grantees, but in most States Title IIA SDAs are chosen,[66] either because of inertia at the State level, or because of the considerable political clout that many SDAs possess.

Division of Funds and Responsibilities Between States and Substate Areas

The mandatory division of funds between States and substate areas adopted in EDWAA has, in some cases, resulted in underfunding and understaffing of local EDWAA agencies. Substate areas are numerous and becoming more so. In 1990, there were 638 substate areas, up from 605 in 1989. In some States, EDWAA funds are spread so thinly that individual substate areas can hardly marshal enough resources to exist.[67] For example, in program year 1989, 12 of Florida's 24 substate areas shared EDWAA funds of less than $155,000 (an average of $13,000 apiece), while in North Carolina, one substate area received $11,771.[@] Such limited funds make it virtually impossible for smaller substate areas to mount a program targeted to displaced workers, including fast response to layoffs. In the words of one State EDWAA director, there maybe little choice in these cases but to "just lump it into the Title IIA program and serve any long term unemployed worker who comes wandering in the door. '

One State found a creative solution to the problem of reconciling the formula allocation to substate areas with targeting EDWAA resources to displaced workers. Nothing in the law says that States must fund all substate areas equally. In Program Year 1989 (before the recession caused high levels of displacement in nearly all parts of the State) Massachusetts funded only 7 of its 15 substate areas, directing the funds to those that appeared likely to have the most displacement. Most States, however, fund all their substate areas.

Another drawback to giving substate areas equal control with the State over EDWAA programs is that it adds a layer of bureaucracy. Before EDWAA, only one agency and one set of officials were needed to serve displaced workers. Now service delivery contractors must not only deal with the State, but also with the local substate area-in a big metropolitan area, often with more than one. An experienced contractor involved in a layoff that crossed lines of three substate areas commented that dealing with several bureaucratic layers ''saps your energy. "

Some States, especially big ones like California, probably need to rely on established public sector organizations at the substate level to share in the tasks of administration. Los Angeles alone has more defense-related worker displacement than many entire States. A permanent professional staff assigned to this area can establish procedures for responding promptly to the layoffs. In fact, some of Los Angeles County's SDAs, as well as those in neighboring Long Beach, do specialize in services to displaced workers. However, many smaller States are well able to manage EDWAA themselves, offering services through the State dislocated worker unit and through grantees that specialize in helping displaced workers.

Training

EDWAA requires that at least 50 percent of a project's funds must be spent on training; individual projects may get a waiver from the Governor to reduce this to 30 percent, but few do it. The law's training requirement was a response to weaknesses in the Title III program in the early years, when many service providers focused most of their resources on relatively cheap and simple adjustment services, such as job search skills workshops. While the change in the law reflects laudable goals, it does rob some projects of the flexibility needed to serve various kinds of clients. It can be difficult to meet the requirement in layoffs of highly skilled defense industry workers with few needs for retrainin g. Most

66 SRI International and Berkeley Planning Associates, Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Review of State EDWAA Plans and First Quarter Expenditures, op. cit., p. II-3.

67 SRI International and Berkeley Planning Associates, ''Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Substate Issues," April, 1990, p. 37; also interview with Barbara Baran, Director of Employment Services, Massachusetts Industrial Services Program, March, 1991; also, Hansen, op.cit.

@Da@ supplied by the Employment and Training Administration, U.S. Dep..rtment of Labor (May 13, 1991).

of the engineers, computer programmers, and middle managers losing jobs in the big aerospace layoffs of 1990-91 did not want training; but if they had, the training was likely to be so expensive that a project would find it hard to justify spending so much on a handful of clients.

More generally, not all displaced workers need or want training. Some need little more than information about resources available to them; others need job search skills training and job leads. These cost-effective adjustment services can help displaced workers find jobs quickly, reducing unemployment and its costs to the government. However, in programs that offer a good selection of training choices and careful matching of candidates with the available courses, a sizable minority of displaced workers will make the commitment to retraining.

Adjustment services are critical in helping people choose whether they need training and if so, what kind. When workers are not counseled about the kinds of training they may need, they may choose courses that are inappropriate and unproductive.[69] One State EDWAA director gave the example of tractor trailer driving. "Hundreds of guys want it," she said, "but the course is expensive and there are no jobs. ' Before it learned better, one center trained 20 people in tractor trailer driving, but only 1 found employment. "With that money," she said, "we could have owned a tractor trailer. '

Prior to EDWAA, service providers could count expenditures on training-related counseling as training, but no longer. The law itemizes many activities as training, including some that are fairly far afield (relocation expenses), but not counseling. Unless it is specifically and narrowly defined as training-related counseling, DOL has ruled it out as a training expense.

Sometimes, the 50 percent training requirement has unintended consequences. SRI found that the rule can create a perverse incentive for service providers to seek out higher cost training, or to avoid using sources of training funds outside EDWAA (including Trade Adjustment Assistance training funds and vocational education resources) .70

There are other difficulties with EDWAA training, some of them longstanding and with no obvious solution. One is the fact that few displaced workers can afford to take off much time for training. Up to 25 percent of EDWAA funds may be spent on income support (''need-related payments") and other supportive services for workers in training, but only rarely do projects provide such payments.[71] Nationwide, spending for this purpose has ranged between 5 and 7 percent of total funds; it was 6 percent in program year 1989. Income support for displaced workers in training is limited mostly to UI, which typically covers no more than 26 weeks (and not even that if the worker fails to start training at the time of layoff). This means that most EDWAA training courses are short, usually 12 to 16 weeks—only enough for narrow, specific courses such as word-processing for clerical workers. A complicating factor is that skills training courses are often open only twice a year, which may not match the time slot available to displaced workers. Some community colleges have begun to offer courses with open enrollment, beginning every week or two. For example, Jackson Community College in Jackson, MI has an open-entry 6-month course in manufacturing technology that is designed specifically for displaced workers.

Another hindrance to productive training is that DOL policy and regulation discourage the use of EDWAA funds to train workers for advanced skills in their same occupation. The reason DOL officials give for opposing such training is that limited EDWAA funds should be focused on workers most in need. Since laid-off electricians, for example, already have a marketable skill, they are not the clients most in need--even if they could benefit greatly from further specialized training in electronics. The law itself does not demand distinctions between training in a new skill and upgrading existing skills, particularly for workers laid off as a result of plant closings or mass layoffs-nor does DOL regulation state the distinction explicitly. However, DOL policy does not, in general, support upgrade training. When this policy is applied, it may not only lessen a displaced worker's chances of getting a good replacement job but may also defeat

[69] National Governors' Association et al., op. cit., p. 11; also Interview with Barbara Baran, Massachusetts Industrial Services Program, October, 1990.

[70] SRI International and Berkeley Planning Associates, "Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Substate Issues in the Implementation of EDWAA," p. 24; also National Governor's Association et al., op. cit., p. 12.

[71] To be eligible for these payments, displaced workers need to be enrolled in training by the end of their 13th *week* of unemployment and have exhausted their UI benefits. Workers are sometimes not made aware of this requirement and do not get into training in time to qualify for income support.

the purpose of improving the skills of the American work force and thus contributing to better competitive performance.

The DOL policy on training in the same occupation and the reasoning behind it arise from a certain vision of the EDWAA program. DOL officials responsible for EDWAA say they see the program as one of three legs: financial support provided by the UI system; adjustment services (e.g., job search skills training, job development) provided by the Employment Service; and training, particularly for lower-skilled workers, provided by EDWAA. There are problems with this view, not the least of which is that Title III was designed as the primary adjustment program for dislocated workers. The language of the law is explicit on this point, listing not only training but also many ''basic adjustment services" among those to be provided, although funds for such services are limited by required levels of expenditures for retraining.[72] To expect the Employment Service to offer all adjustment services other than training to displaced workers is unrealistic; as discussed above, it is already hard-pressed to serve unemployed workers in general and is in no position to offer help tailored to the needs of displaced workers.[73] Moreover, it lacks the resources for rapid response to layoffs. If EDWAA does its job and provides service very shortly after notification of layoff, many workers will not even need UI, services from the Employment Service, or even training, because they will be employed.

Federal Responsibilities

A central challenge to a decentralized system such as EDWAA is to see that best practice becomes common practice. At present, best practice is not always emulated; worse, it is often not even known.[74] Some States respond rapidly, provide pre-layoff services, and see that service providers do a good job of offering training and services. Many others—probably the majority---do not. As steward for the system, DOL is responsible for systematically helping States advance to a more consistent high level of service. States are not now getting adequate policy leadership and technical assistance to help them advance.[75]

Better information sharing is the first essential. Many service providers are simply not aware of the latest developments in the field and find themselves floundering or duplicating the efforts of others.[76] For example, the manager of a dislocated worker center for laid-off blue-collar defense workers in California told OTA visitors that the center was a real breakthrough and a one-of-a-kind experiment. The manager seemed unaware that many similar centers have been set up around the nation over the past 10 years (and that models from as long as 25 years ago are still useful). This manager was learning from scratch what has become common knowledge elsewhere. The frequent turnover of personnel in State EDWAA agencies leaves little institutional memory of how to deal with displaced workers and thereby compounds the problem.

A rather simple way of getting more information on variation in program quality among the States might be to require reports on rapid response. Reporting requirements for EDWAA are minimal; very little data that might form the basis for indicators of program performance is required from EDWAA managers. One of the few reporting requirements is for placement rates (percentage of workers leaving the program with jobs), but that is a crude measure, subject to creaming (selecting only the most job-ready applicants) and misleading reporting (enrolling people only when there is a job ready for them). Variation in local conditions also creates difficulties in comparing service providers by such measures as placement rates or wage rates at placement. A better measure of program quality that is less subject to misinterpretation or manipulation might be the average time it takes to provide a set of key adjustment services (e.g., personal counseling, skills assessment and career counseling, job search skills training) after the announcement of a plant closing or mass layoff. This measure could help identify both States that are doing poorly and need help to improve and those that are doing well enough to serve as models.

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[72] Public Law 100-418, Subtitle D-Employment and Training for Dislocated Workers, sec. 314 (c).

[73] As long ago as 1966, Shultz and Weber (op. cit) concluded that placement efforts for displaced workers should be on a special project basis; routine Employment Service procedures are inadequate to handle the problems of mass layoffs.

[74] See Hansen, op. Cit.

[75] Ibid.

[76] Ibid.

Some consideration might be given to using incentives, in addition to technical assistance and information sharing, to raise the level of States' practice. The EDWAA funding allocation system gives the same amount of formula funds to a State regardless of the kind of job it does.[77] States might perform better if there were some link between funding and performance.[78] For example, States with a good record of rapid response might be rewarded with a modest increase in funding.

DOL efforts to help States improve their programs have included demonstration programs of rapid response and labor-management committee operation of services for displaced workers, modeled on Canada's Industrial Adjustment Service; planning for a second round of rapid response training; development of an EDWAA financial management guidebook for substate areas; and occasional roundtables convened by DOL regional offices. However, many State officials have suggested a need for more constant and systematic sharing of information about what is working where.[79]

Insufficient funding and staff is the first reason why DOL has not done more. The Office of Work Based Learning, which is responsible for EDWAA, simply does not have the resources to do much more than send out money and minimally monitor what happens to it. The staff comprises just 12 people, too few to manage a decentralized nationwide dislocated worker system effectively and also keep in close touch with State and local program staff. Another reason for weakness in leadership is that DOL's relations with the States and local service providers tend to be more adversarial than enabling. DOL does monitor State performance, but more for rule compliance than for service quality. Moreover, some DOL officials treat the States as an interest group rather than as a policy-making partner.

Systematic, frequent contacts between DOL and the States and localities could help to promote the active, continuing adjustments that any public program needs for success. Some of this does occur. At the initiative of the National Governors' Association State JTPA Liaisons Group, DOL participates in focus groups with selected State JTPA providers to discuss specific issues in detail. More of these interactions could be helpful.

Formulas for Allocating EDWAA Funds

Any system that allocates funds by formula to anticipate future events is bound to overfund some places and underfund others. Beyond this, however, the formula for allocating EDWAA funds to States does not adequately recognize the past record of displacement. EDWAA requires that DOL use three different unemployment measures in the allocation formula.[80] Because dislocation is not necessarily strongly correlated with unemployment, the EDWAA formula system awards too little money to some States and too much to others.[81]

States with very similar rates of displacement get widely varying amounts of funds per capita. For example, in 1991 the State getting the most EDWAA funds per capita, West Virginia, received $10.23 per employed person while the lowest-funded, Hawaii, received 92 cents.[82] Yet, according to data collected by the Bureau of Labor Statistics (BLS) on mass layoffs in 1989,4 workers per 1,000 were laid off in Hawaii while West Virginia had only slightly more,

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[77]The Secretary of Labor does set a performance standard for substate areas, based on entered employment rate (64 percent employed), but the measure is not used to allocate funds to States. If a substate area fails to meet the performance standard, the State Governor is required to provide technical assistance to the service provider. After 2 years of failure to meet the standard, the Governor may designate another service provider. Because the standard is fairly recent and relatively easy to meet, this seldom happens in practice. Governors are also allowed to use a portion of the State's 40 percent funds to reward substate area performance.

[78]The effectiveness of raising or lowering funding as an incentive to improve program performance is uncertain. Past attempts to use such a reward system for the State Employment Services were not carried through far enough to allow a fair evacuation of the results; devising a reasonable measure of performance is difficult for the Employment Services. EDWAA's rule limiting carryover of funds greater than 20 percent has apparently motivated more spending by nearly all States, including the former laggards, but it is probably easier simply to spend money than to improve program quality.

[79]Hansen, op. cit.; OTA interviews with State EDWAA officials.

[80]One-third of the 80 percent of EDWAA allocations is allotted among the States on the basis of the relative number of unemployed individuals in the State compared to unemployed in the U. S., one-third on the basis of number of unemployed in excess of 4.5 percent, and one-third on the basis of relative number who are unemployed more than 15 weeks.

[81]See James F, Ragan, Jr. and Daniel J. Slottje, "Alternatives to Unemployment-Based Funding Formulas in the Allocation of Federal Grants," *Growth and Change,* winter, 1989, pp. 17-33.

[82]Data supplied by the Employment and Training Administration, U.S. Department Of Labor.

5 per 1,000.[83] In one of its evaluation reports on EDWAA, SRI found that States with low unemployment rates (and hence low EDWAA funds) were spending their limited funds faster than States with high unemployment rates and higher EDWAA allocations.[84] This indicates that despite their low unemployment rates, these States had moderate to high dislocation rates.

This problem was anticipated in EDWAA. The law mandates that as soon as mass layoff data being developed by BLS are satisfactory, they shall be used in the formula. It is not clear, however, when or even whether these data will ever be satisfactory. Although BLS has developed mass layoff data for most States, several, including California, have resisted adapting their UI systems to collect the data.[85] Because of their reluctance, the system is on hold and cannot be used. Another problem is that although many States, particularly the smaller ones, have very few mass layoffs, they have many smaller layoffs that the BLS system does not count. Finally, it is unclear just how accurate the system is in reporting mass layoffs. Several States commented to OTA that they had serious doubts about the validity of the numbers for their States.

The distribution of EDWAA funds within States is also troublesome. EDWAA requires that in allocating half the funds by formula to substate areas, States must use at least six factors, including data on unemployment, plant closings and mass layoffs, and declining industries, but the States can weight the factors in any way they choose. According to SRI, many States repeat the mistake of the national formula, giving too much weight to unemployment rates.[86] Most States, SRI found, either do not have good information about declining industries and plant closures, or do not use it in their formulas. Among States that did not use dislocated worker data in their allocation formula, only 16 percent of the substate areas had appropriate funding, while among States that used the data, 55 percent of the substate areas had appropriate funding.[87]

Spending Rules

There was good reason for the change Congress made in Title III spending rules when EDWAA was enacted in 1988. This was the fact that States had continuing, and mounting, carryovers of unspent Title III funds under the old regime. The first attempt to fix the problem, urged by the Reagan administration and adopted by Congress in fiscal year 1986, was simply to cut the Title III appropriation in half. But this penalized the States that had created vigorous, functioning displaced worker programs more than those that had done little or nothing and were the very ones carrying over most of the excess funds. Carryovers began to rise again the next year, after the Title III funding level was restored.

Under the original Title III, the Secretary of Labor could, at his or her discretion, reallocate obligated funds from one State to another, but this never actually occurred. Under EDWAA, the reallocation became mandatory. It is difficult to evaluate the full effects of the new spending rule. It certainly has cut the carryovers. According to DOL officials, there was virtually no carryover of more than allowable 20 percent of formula funds allocated to States in 1990 or 1991.[88] The fact that participation, both in numbers and percent of eligibles, reached an all-time high in program year 1989 reflects not only the increased program funding, but also the pressure to spend more of the allocated funds. Whether this pressure is all to the good is hard to say until local programs are better evaluated. States and substate areas under pressure to spend may find creative ways to do so. Some States and substate areas have spent

[83] Calculated on the basis of data in the 1989 Mass Layoff Survey, U.S. Department of Labor, Bureau of Labor Statistics, *Mass Layoffs in 1988* (Washington, DC: Government Printing Office, 1990).

[84] SRI Inter-national and Berkeley Planning Associates, ''Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Review of State EDWAA Plans and First Quarter Expenditures," op. cit., pp. II-4.

[85] Some States have resisted because of the increased cost in adapting their systems to collect this information. In addition, some view the use Of UI data narrowly and oppose using it for the purposes discussed hem.

[86] SRI International and Berkeley Planning Associates, "Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Substate Issues in the Implementation of EDWAA,'' op. cit., 37.

[87] SRI International, ''Study of the Implementation of Economic Dislocation and Worker Adjustment Assistance Act, Draft Final Report,'' op. cit.

[88] Total carryovers reached a high of $209 million and 94 percent of allocations to States in mid-1986 (the end of the 1985 program Y@; in mid-1990 carryovers were down to $114 million and 34 percent of the year's allocation to States. However, these amounts include carryovers of funds from discretionary grants from the national reserve fund, which are often made very near the end of the program year. Carryovers of the States' own allocations were not more than 20 percent.

EDWAA funds on projects for drug addicts, the homeless, or welfare mothers, defining them as long-term unemployed.[89] While employment and training projects may be valuable for these clients, they can be served by the much larger JTPA Title HA program. Another drawback to the spending rule is that it encourages substate areas to spend their money quickly early in the program year so they are sure not to have to give any back. If layoffs occur late in the year, many substate areas have already spent their money, and the only recourse is to apply for discretionary funds, which usually means delay.

Where the spending rule might create a serious problem for some States is in giving too little cushion for higher spending in recession years. Demands for EDWAA services rise in recessions, when layoffs are increasing and job openings are few. Moreover, when no jobs are available, displaced workers are more inclined to choose training in order to make constructive use of their time, and training is the most expensive of EDWAA services. EDWAA funding is not countercyclical. Congress appropriates the annual funding for EDWAA long in advance. Appropriations bills are timed with the fiscal year, which begins October 1, and EDWAA's program year, in which those funds are spent, begins 9 months later, on July 1 of the following calendar year. The level of funding thus has little to do with business conditions at the time States and substate areas start spending the money.

Although EDWAA funding rose from $283 million in fiscal year 1988 to $527 million in 1991 and $577 million in 1992, these increases were for growth in the program, not for meeting greater demands due to recession. With the 1990 recession and persistent high unemployment in 1991, many States found themselves running short of funds. In 1990, some States told their substate areas to 'put on the brakes' and not enroll too many people, so as not to run out of money halfway through the program year. In October 1991, only 3 months into the 1992 program year, DOL officials reported that many States were spending their formula allocations at such a rapid pace that their funds would not last out the year. However, as noted above, in 1991 requests were coming in slowly for grants from the national reserve fund and for the special $150 million fund earmarked for displaced defense workers. The problems of getting access to these discretionary funds are apparently deterring States from using them for their intended purposes.

DOL cannot set aside unexpended funds for tough times, and the carryover rule means that States and substate areas cannot set aside more than 20 percent of their formula allocation each year. Lacking the ability to save for a ' 'rainy day reserve, the program may fall short of meeting needs during recessions.

DEPARTMENT OF DEFENSE TRANSITION PROGRAMS FOR CIVILIAN EMPLOYEES

All displaced DoD civilians are eligible for EDWAA services, but DoD provides extra services as well. The Department itself has developed programs, as have the individual services and some individual facilities and bases. Many of these efforts to help civilians are less than 1 year old, and some are still being established.

As with most other matters related to the armed services, civilian transition policies are handled in a somewhat decentralized and uncoordinated reamer. The Secretary of Defense sets overall policy but leaves each service to manage its own layoffs. As a result, the services differ considerably in their progress toward handling civilian layoffs. Within each branch, there is still more variation. Some commands are quite active, while others have done little. Similarly, some bases slated for closure are at the forefront, while others lag. Although this allows a certain amount of flexibility at the local level, it also means that assistance to laid-off workers varies. Nevertheless, the range of services offered to DoD civilians adds up to considerably more than the average defense industry worker receives, particularly blue-collar workers and workers in small fins.

Advance Notice

The WARN act requires private employers to provide at least 60 days' notice to workers affected by mass layoffs. A new rule from the Office of Personnel Management (OPM), taking effect November 6, 1991, now requires the same for all Federal employees, including DoD employees. Even before the rule took effect, all the military services

[89] SRI International and Berkeley Planning Associate-s, ''Study of tbe Implementation of the Economic Dislocation and Worker Adjustment Assistance Act: Substate Issues, ' op. cit., p. 38; OTA interviews with State and local EDWAA officials.

except the Navy required a minimum of 60 days' notice. (The Navy required that each facility establish some kind of outplacement effort and sign up workers for DoD's internal placement program before the RIF, and individuals had to be given an additional 30 days' notice if they asked for it.) According to a General Accounting Office (GAO) study of 16 defense installations undergoing RIFs, one gave 44 days' notice while the other 15, including 3 of 4 Navy installations, gave 60 days or more .90

DoD- Wide Placement Programs

DoD concentrates its efforts on computerized employee placement programs, primarily the Department's Priority Placement Program (PPP), but also the Displaced Employee Program of the OPM (available to all Federal employees) and an automated resume referral service. These programs supplement the outplacement efforts that each service operates independently.

The Priority Placement Program

The centerpiece of the Department's efforts is the PPP, established in 1965 to respond to a number of base closures at that time. It is an automated system, matching employees who are scheduled to be separated or downgraded with vacant DoD positions for which they are fully qualified.[91] The system not only benefits employees but also yields savings to DoD in severance pay, unemployment compensation, and lump sum annual leave payments. All DoD employees who are scheduled to be separated and are entitled to severance pay are automatically registered in PPP. At the time of registration, participants may specify the locations they are willing to accept (which must include, at a minimum, the employee's own geographic area).

PPP's computerized listings contain the grade level of participants and as many as five skills for which they are qualified. The listings are sent biweekly to every DoD Civilian Personnel Office in the world. Personnel staff are responsible for matching eligible candidates on the list with vacancies in their organization. If the new job requires a move to another location, moving costs are borne by the government.

The key to PPP is that when a vacant position matches the skill and grade of a PPP registrant, all recruiting action stops and that job must be offered to the registrant. However, the registrant typically has only 24 hours to decide; a registrant refusing a job in a location he or she has previously selected as acceptable is removed from the system and does not qualify for additional benefits such as severance pay.[92]

From 1965 to 1990, over 90,000 registrants found jobs through PPP; the number in 1990 was 3,159. In many cases, PPP gives a significant boost to outplacement efforts. For example, in layoffs from the Pueblo (CO) Depot, nearly one-third of those laid off found jobs through PPP. In the Portsmouth Naval Shipyard layoffs, one-quarter of RIFed employees were placed through PPP. Local DoD outplacement officials interviewed by OTA were unanimous in their belief that PPP works well. In fact, most claimed that any employee willing to relocate would find alternative DoD employment with PPP.

When PPP finds a position for a registrant, it does so quickly. In 1990, one-third of the total placements were made within 30 days of registering, and nearly two-thirds within 60 days.[93] Since most DoD civilians get at least 60 days' notice, the program apparently finds jobs for most people before they are laid off. Note, however, that contractors and non-civil-service employees are not eligible for PPP. In some cases, these people make up a significant number of employees on a base.

While PPP has apparently worked well in the past, there is some question as to whether it can take care of the large number of people threatened with RIFs in the defense build-down. The rate of PPP usage has recently increased, with registrations in the first 4 months of 1991 already surpassing total registrations in 1988. At the same time, the placement rate

[90]Testimony on Advance Notice: Public and Private Sector Policy and Practice, by Franklin Frazier and Bernard L. Ungar, GAO, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service, Apr. 18, 1991.

[91]DoD is streamlining the PPP regulations and also making it possible for personnel offices around the world to enter the data directly onto PCs and upload the data directly to the PPP data center in Dayton, OH.

[92]According t. DOD spokesmen, this requirement is applied with some flexibility. For example, a registrant whose situation has changed (say, through illness in the family) so that a previously selected location is no longer acceptable might not be removed from the PPP system or forfeit severance pay.

[93]Office of the Assistant Secretary of Defense for Force Management and Personnel.

for PPP declined, falling from a high of 48 percent placed in 1989 to 35 percent in the first 4 months of 1991. However, not all registrants stay in the system; some retire, some decline a PPP offer, and in many cases, RIFs are canceled. Given the rate of natural attrition from DoD and the current hiring freeze, it is likely that PPP will continue to provide placements for a significant number of DoD civilians. A helpful factor is that people hired through PPP do not count against the hiring unit's freeze, which provides an incentive to hire from PPP. In addition, the fact that layoffs from Round Two of base closings will not begin until 1995 means that some of the big layoffs will be spread out over time, thus increasing the chances of PPP placement.

PPP works best where there is a large concentration of civilian DoD jobs, such as Washington, DC and San Diego, CA. In areas with few DoD jobs, people may be unwilling to move to get a job through PPP. For example, one reason for setting up an aggressive outplacement program at the Mare Island (CA) Naval Shipyard was the belief that few employees would want to leave the San Francisco Bay area, but DoD jobs there were relatively scarce, Similarly, PPP was of only limited use in the RIF of 890 positions at the Portsmouth Naval Shipyard in 1990. About 600 employees registered with the PPP and 95 got placed. Forty declined offers, primarily because they did not want to move out of the area. According to base officials, PPP was able to place everyone willing to move out of the region.

OPM Placement Program

The Office of Personal Management also operates a placement program, the Displaced Employee Program (DEP), for all Federal employees who are involuntarily separated or notified of separation. OPM prohibits agencies from filling positions from outside the government when qualified DEP registrants are available, but it does allow them to cancel vacancies or fill them internally. In a 1983 study, GAO concluded that the OPM program can provide some placements but is less effective than DoD's PPP because it does not require hiring from the list.[94] In fiscal year 1990, the program placed only 25 of the 724 priority referrals in permanent Federal Positions.[95] Notwithstanding the program's limited record of success, DoD makes this program available to displaced DoD civilians.

Defense Outplacement Referral System

As discussed in chapter 5, DoD is establishing an automated resume referral service. This system primarily targets private sector firms (although other Federal and State agencies can use it) who, by calling a 900 number, can receive resumes of DoD military personnel. While the system was originally designed for military personnel, DoD has made the system available to civilians. DoD civilians also have access to a computerized Transition Bulletin Board that allows employers to list employment openings.

Severance Pay and Unemployment Insurance

Displaced DoD employees may receive severance pay of up to 1 year's salary, depending on age and length of service. In many States they are also eligible for unemployment insurance benefits, usually for up to 26 weeks after severance pay runs out, although in some States, UI benefits are reduced by the amount of severance pay received.

As structured at the moment, DoD transition benefits sometimes offer perverse incentives to their civilian employees, and to military separates as well. Because employees departing voluntarily are not eligible for severance pay, incentives for leaving early before a formal RIF are mixed.[96] Those expecting a RIF might want to get a jump on the process of finding a new job; on the other hand, they might never have to leave if enough others depart voluntarily before the RIF. And if they wait until they are formally RIFed, they can collect severance pay, DoD civilians around the Nation have recommended that DoD provide some type of bonus to individuals who voluntarily leave before a RIF, on the grounds that this not only would save DoD money but also would reduce the number of people involuntarily separated. However, because of the costs involved and because legislative action would be necessary, DoD believes that at this time adminis-

[94]GAO found that in 1983, agencies canceled or filled internally almost half of the 5,183 vacancies for which OPM had referred registrants and that OPM placed only 648 (9.9 percent) of the 6,569 registrants. Statement of Rosslyn S. Kleeman, Associate Director, General Government Division, GAO, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service, Oct. 2, 1984.

[95]Frazier and Ungar, GAO testimony, op. cit.

[96]Voluntary job leavers are not eligible for UI either, but severance pay is set at the level of the employee's salary, with UI benefits limited to a rather low level. Thus the incentive to collect UI is less,

trative measures such as the hiring freeze and outplacement efforts are sufficient.

Another problem is that DoD civilian workers are not eligible for employee assistance programs after they have been separated. These include access to personal and financial counseling. DoD is working with OPM to modify the rule so that laid-off civilians will be eligible for these programs up to 6 months after separation.

Job Search Assistance Programs

In addition to the job referral systems described above, DoD is encouraging each of the services to establish more active assistance programs. For example, DoD is providing a handbook and policy manual on downsizing and base closures to be distributed to its civilian personnel offices in fall 1991. Among the issues discussed is how to work with State and local EDWAA service providers and how to set up outplacement centers. DoD is also preparing a pamphlet to answer questions frequently raised by affected employees.

The only DoD-wide assistance program is TAP, a 3-day workshop providing soon-to-be-displaced civilian employees and separated members of the armed services with training to assess their occupational skills, conduct job searches, develop resumes, and prepare for interviews. TAP was designed for departing military personnel, but DoD allows civilians to participate. TAP is described in chapter 5.

Use of labor-management committees to operate transition services at DoD installations undergoing a RIF varies considerably. While some have used the committee structure and found it beneficial, others have resisted the idea. Successful examples such as the experience at Pueblo help overcome this resistance.

Army Assistance Programs

The Army is perhaps the furthest along of the three services in establishing servicewide assistance programs. In 1990, it established the Army Career and Alumni Program (ACAP) to help both military and civilians make the transition out of the Army. The Army plans to set up 61 ACAP centers at its larger bases around the world. ACAP is also described in chapter 5.

In addition to ACAP, a number of installations have established their own programs. For example, at the urging of the Colorado Governor's Office of Job Training and the DoD civilian workers, two installations in Colorado, Fort Carson and the Pueblo Depot, developed aggressive outplacement efforts in cooperation with the state EDWAA program. These programs formed part of the model for ACAP (see box 3-B).

Air Force Programs

The Air Force has been slower than the Army in developing outplacement efforts and has decided not to mandate a program from the ''corporate" level since there is so much variation among bases. The Air Force Command sees its role as disseminating information on what is going on at bases around the Nation and how best to support transitions.

Toward that end the Air Force is examining administrative and legislative changes that might improve transition programs. For example, it is considering rule changes to allow employees time off work for job interviews, which is permitted and encouraged by the Office of the Secretary of Defense. The Air Force also recently put together a guidebook and held training sessions for personnel offices on how to manage large RIFs and base closures. The guidebook makes little mention of the possible need for an outplacement center.[97] However, a Transition Assistance Plan that the Air Force is distributing to its bases encourages the family support centers at each base to conduct outplacement services, including job banks, resume writing, and interviewing skills. Bases have also been given authority to hire one specific person to do counseling and be the outplacement project officer.

Even without a specific mandate from the Air Force, some bases have developed their own displaced worker projects for civilians. For example, Chanute Air Force Base in Illinois established its outplacement effort, called Project Choice and modeled after the Colorado base closure projects, for the 2,000 civilians working there. In May 1990, base officials met with the local SDA and the state Rapid Response Team, and soon after established a labor-

[97] The guide does discuss briefly the need for some kind of outplacement efforts when the base is closing, but gives little guidance on what kinds Of efforts tight be helpful. (''Air Force Guide to Conducting a Reduction in Force or Transfer of Function,'' prepared by Headquarters, USAF, Directorate of Civilian Personnel, 1991.)

management committee with a lieutenant colonel from the base as neutral chair. The committee opened an outplacement center, staffed by the local SDA, in November 1990; the center will remain open until June 1994, 9 months after the closure. To pay for the center, the State of Illinois is providing some of its 40 percent EDWAA. funds and is also applying for a DOL discretionary grant of $3.2 million for 2 years.

The center trained some employees who are to be RIFed as Project Choice advisers; they do peer counseling and make referrals to the center. All employees can use the center as much as needed during the work day, provided they get release time from their supervisors. Clients first undergo a skills assessment and receive a full course of job search skills training. By mid-1991, 537 had enrolled in the program and 232 had taken training courses.

Chanute is part of the Air Force's Air Training Command (ATC), which is promoting the Chanute model to three other bases undergoing closure. The Training Command has written and distributed a guidebook and held a conference on how to set up transition programs.[98] The ATC has briefed other Air Force Commands and Navy personnel staff on their experiences. Mather Air Force Base in California has already developed a similar project and other bases, such as Lowry in Denver and Williams in Arizona, are following suit.[99]

Navy Programs

Of the three services, the Navy has perhaps done the least to set up servicewide civilian assistance programs. The Navy is encouraging its installations to establish outplacement programs, but the decision to do so is left up to the local commanding officer. Guidance may be inadequate; one base personnel officer told OTA that many bases are unsure how to go about setting up transition centers.

Nevertheless, several Navy installations have set up their own outplacement efforts. One of the earliest was at Mare Island Naval Shipyard, in Vallejo, CA. Because several ships due for overhaul were decommissioned, Mare Island expected work load dropped significantly. Employment at the shipyard dropped from 10,000 in 1988 to 7,100 in 1991. Throughout, Mare Island base officials have tried to cutback in ways that would avoid mandatory RIFs, For example, when 200 engineering and technician positions were eliminated in October 1988, the base held a job fair attended by 24 companies. Afterwards, enough people voluntarily took outside jobs that the RIF was canceled. Similarly, when 600 blue-collar jobs were slated for abolition in summer 1989, another job fair, attended by 40 companies and open to all shipyard employees, helped to avoid the RIF. However, many workers with needed skills left during the 1989 effort, so in 1990 participation in job fairs and other outplacement activities was limited to certain occupational groups. In both years, an outplacement center supplemented the job fairs and trained workers in job search skills.

In 1990, Mare Island had to make much bigger cuts, reducing employment by 2,000. The base again organized job fairs, which 154 employers attended, and 19 other employers were brought in to conduct interviews. These efforts resulted in offers of jobs to 434 people, 350 of whom accepted. Besides the job fairs and the outplacement center, the base organized some 130 job clubs, in which 1,300 people participated. PPP was able to place 200 of the 800 who enrolled, but many of the other 600 were not willing to accept jobs outside the San Francisco Bay area. The result of all these efforts was that only 459 people were laid off, while over 1,500 got outside jobs and left voluntarily.

Because the local economy worsened in the 1990-91 recession, Mare Island developed more aggressive efforts for its planned 1991 layoffs. Base officials sent newsletters to employees' homes to inform them of base efforts, and they gave 25 employees training and release time both to lead job clubs and to spend 4 hours a day calling companies to turn up positions for Mare Island workers.

Mare Island, like other DoD installations, has a problem of free riders-people who will not leave voluntarily in the hope that others will leave and the RIF will be canceled. One way service providers have dealt with the problem is to conduct a mock RIF, identifying those likely to be laid off. These people are then informed them of available services.

Another problem encountered by Mare Island is that the local EDWAA agencies declined to work

[98] *Civilian Training Assistance Program (CTAP)*, Air Training Command, Civilian Automated Training Office, Lackland AFB, TX, 1991.

[99] Letter t. OTA from E. Jene Liaci, Air Training Command, Civilian Automated Training Office, Lackland AFB, Oct. 9, 1991.

with employees until they were actually displaced. (Under the law, EDWAA services maybe provided to workers who have received notice of termination but are not yet actually laid off; EDWAA does not cover any services for active workers who have not received notice of layoff.) One local SDA official justified withholding services until workers are actually ''out on the street' on grounds that the RIFed employees might be recalled. The result, however, is that laid-off workers who may want training or other EDWAA services must wait weeks or months to get them. Base officials also complained that because there were four SDAs in the affected area, coordination was difficult. Each SDA worked differently, and the result was a ''pretty unmanageable' process. As noted above, the Portsmouth Naval Shipyard also had trouble dealing with multiple SDAs.

Links to EDWAA

DoD outplacement programs do not appear to have strong links to EDWAA. Several DoD officials involved in managing the downsizing (at both the service and base levels) told OTA they were either not aware of EDWAA or were not sure how to get access to it. GAO reported similar findings: of 16 DoD installations GAO contacted, 11 were aware of the services available under EDWAA, but only 5 used them.[100] Even when DoD installations provide adjustment services, EDWAA is important as the principal source for retraining funds. But institutional bonds between DoD and State displaced worker units remain undeveloped. For example, there appear to be no formal links between the Army's ACAP centers and EDWAA. Similarly, the Air Force's guide to conducting a RIF makes only scant mention of public programs, suggesting that ''visits from state employment offices, other federal agencies, and so forth should be scheduled . . . .' '[101] Informal relations are equally lacking. As mentioned, base personnel offices don't really know where to start in approaching EDWAA providers.[102] DoD hopes to remedy the situation through its downsizing handbook, which will discuss EDWAA and provide State contacts. However, DoD does not want to mandate that the programs link with EDWAA; rather it is hoped that installation commanders will work voluntarily with State and local officials.

Another reason for the lack of collaboration is that until November 1991 Federal agencies were not required to notify the State displaced worker unit of impending layoffs. However, the new rule requires such notification.

INDUSTRY EFFORTS

Some defense industry companies have active programs to help their displaced workers get new jobs or enter training. From the company point of view, adjustment programs enhance the company's reputation as a responsible employer. Companies seen as simply throwing away their laid-off workers might have a problem keeping existing workers or attracting good ones when they hire again. Moreover, morale and productivity often improve if workers see that the company is trying to help them. Outplacement efforts can also reduce a company's UI and other separation costs.

From a public policy perspective, company participation is key to success. First, companies know their plans for layoff, even before the WARN notice is given, thus enabling them to plan for services before the layoff is announced.[103] Second, many companies are able to put up some funds of their own while waiting for EDWAA money to arrive, which means that services can be provided much earlier. Conversely, the fact that EDWAA funds will become available is often an important factor in getting companies to contribute their own resources.

Not all companies go to the same lengths to help their departing employees. According to a 1983-84 GAO survey, the benefit most often provided to displaced employees by businesses experiencing a closing or permanent layoff was severance pay; 45 percent of the firms offered it to at least some of their workers. Thirty-one percent offered some placement assistance, while 30 percent provided no assistance

[100] Frazier and Ungar, GAO testimony, Op. cit.

[101] USAF, Directorate of Civilian personnel, Op. Cit.

[102] Director, Staffing and Career Development, Office of the Deputy Assistant Secretary Of Defense, Civilian Personnel Policy/Equal Opportunity.

[103] Fedrau and Balfe found that corporate planning for adjustment programs often begins shortly before the announcement of a downsizing. Fedrau and Balfe, op. cit., pp. 138-149.

of any kind.[104] Because larger firms often have greater financial resources, they are more likely to offer services to their displaced workers than are smaller ones. And companies are more inclined to provide services to their salaried workers—managers, professionals, and white-collar employees—than to their hourly workers. The GAO survey found that for every kind of assistance companies offered displaced workers—income maintenance, continuation of health insurance, job search assistance, counseling, or a comprehensive benefits package—considerably more went to white-collar workers than to blue-collar workers.[105]

Most of the large defense contractors interviewed by OTA provided at least some services to their laid-off workers (see table 3-12). Like businesses in general, defense firms are more likely to offer services for salaried personnel, especially executives, than for hourly staff, although a few defense companies made no such distinctions, providing much the same services for all. GE Aerospace is a leading example; its company-operated projects in Pittsfield and Burlington, MA are open to all employees, salaried and hourly alike.

Many large defense firms set up outplacement centers; some go further and offer extensive benefits and programs. Many companies provide severance pay equal to 1 week's pay for each year of employment. A few provide training stipends. For example, white-collar employees at General Electric have $5,000 to use over 2 years for training. Blue-collar workers get $2,000 per year to use over 5 years for either classroom or on-the-job training. At Texas Instruments, defense workers with over 15 years' experience may receive $6,000 for training, additional severance pay, and relocation assistance, including reimbursement of realtors' commissions and moving costs.

Some defense firms have provided a full menu of outplacement services. For example, in moving from Burbank, CA to Marietta, GA, Lockheed Aeronautical Systems laid off most of its 8,000 defense employees in Burbank. Lockheed used its own funds to hire Drake, Beam, Morin (DBM), a professional outplacement firm, to set up a spacious and well-appointed on-site outplacement center for salaried managers, engineers, and other white-collar workers. The center opened 6 months before the first layoffs and provided a full range of services, including resume preparation, interview skill training (with videotaped mock interviews), job development, and counseling. Before using the outplacement center, salaried personnel must take a company-paid 3-day course covering skills assessment, career goals, resume writing, and job search skills. Each worker is then assigned a case manager for individual counseling and advice. The center has a full complement of facilities, including workstations, free long-distance phone and fax service, word-processing, newspapers and other publications, and various directories and other resource materials. The center also employs a full-time job developer who provides listings of job leads and makes monthly mailings of resume books to employers nationwide. In addition, the California Employment Development Department has a person on site, with access to the State's computerized job match program. This center is heavily used. One year after it opened, it had served about 1,300 clients, and was still handling about 85 users per day.

For hourly workers, Lockheed established a center run by DBM and funded by the local SDA. Located about a mile from the plant in the local International Association of Machinists offices, the center did not open until 5 months after the initial layoffs because of delays in EDWAA funding. It is equipped with area newspapers, work tables, and typewriters. In addition, workers can receive career counseling. This center is much less used than the one for salaried employees.

The GE Aerospace Division center in Pittsfield, MA serves both hourly and salaried workers and is run jointly by union and company officials. Initially, GE planned to establish two separate centers but decided to provide services for both in the same building, although a wall was put up dividing hourly from salaried workers. To the surprise of GE management, the hourly and salaried workers enjoyed having services provided together, and now use the services in any part of the center, regardless of ' 'what side of the wall they are on.

[104] U.S. General Accounting C) ffice, *Plant Closings: Limited Advance Notice and Assistance Provided Dislocated workers, GAO---87-* 105 (Washington, DC: 1987), pp. 46, 82.

[105] Ibid., p. 48.

Table 3-12—Selected Defense Layoffs: Worker Services Provided

Firm	Size of layoff	Placement center	Firm Dollars	EDWAA Dollars	out-placement firm	Salaried and hourly served together
General Dynamics (TX)	9,000	x	x	x	x	
Lockheed (GA)	8,000	x	x	x	x	
Lockheed (CA)	8,000	x	x	x	x	
GE Aerospace (MA)	5,500	x	x	x		x
GE Jet Engines (MA)	2,200	x	x	x		x
United Nuclear (CT)	1,100	x	x	x		x
GE Aerospace (MA)	600	x	x	x		x
Electric Boat (CT)	582	x	x	x		x
Texas Instruments (TX)	1,600	x	x		x	
Westinghouse (MD)	1,232	x	x			x
McDonnell Douglas (MO)	7,900	x		x		x
Rockwell (CA)	6,600	x		x	x	
McDonnell Douglas (CA)	5,000	x		x		x
Grumman (NY)	1,800			x		

SOURCE: Office of Technology Assessment, 1991.

Firms organize and pay for their programs in different ways (see table 3-12). Some, such as Lockheed, hired a professional outplacement firm. Others, such as Electric Boat and UNC of Connecticut, setup, managed, and paid for their own centers but used EDWAA funds to pay for retraining services. Several firms, including GE Aircraft Engines and two GE Aerospace facilities in Massachusetts, established centers jointly funded by the company and EDWAA. Some companies, such as McDonnell Douglas, provided staff support and space for a center but relied primarily on EDWAA to pay for and provide services to their laid-off defense workers.

Many defense firms work closely with State and local EDWAA programs to set up outplacement centers on the plant premises; Rockwell's North American Aircraft plant in California and Lockheed in Georgia are examples. This arrangement allows workers to receive counseling, job search skills training, and other assistance right in the plant before layoff. The presence of career centers at the plants can serve as a psychological cushion to workers who have received notice of layoff and others who may anticipate getting a pink slip.

Not all large defense firms have cooperated with EDWAA providers. For example, on grounds of protecting the privacy of its employees, an aerospace contractor on Long Island, NY declined to give EDWAA service providers either the names of its laid-off workers or the job classifications of those dismissed.[106] After laying off about 1,800 workers in early 1989, the firm held a small job fair to which all four local Employment Services were invited and seated at one table. However, the company refused to allow either the local or State EDWAA agencies to hold briefings at the plant to describe available services. According to a company official, the firm regards offers of retraining and placement assistance from the county governments as 'solutions in search of a problem. ''107 The EDWAA project thus had difficulty locating the laid-off workers eligible for assistance. The SDA local ultimately asked the company to mail to its former employees letters containing information on the assistance available. More than a year later, only about 260 of these workers had received service from the Oyster Bay and Suffolk County retraining program.

Smaller defense companies are less likely to have the resources to fund outplacement efforts. For workers laid off from these fins, top quality EDWAA services become all the more important.

From the defense companies' perspective, working with EDWAA service providers has been a mixed experience. Most defense firms felt that State and local service providers were helpful. Some had high praise for EDWAA organizations. For example, GE officials at three separate defense plants in

[106] Kravitz, op. cit.

[107] Ibid.

Massachusetts credited the State's Industrial Services Program (the State EDWAA agency) with providing critical financial and technical assistance that enabled them to organize their centers. Following a 1988-89 layoff from Lockheed's plant in Marietta, GA, both Lockheed officials and a private company that operated services for the displaced workers (the Derson Group) were emphatic in their support of the EDWAA program. They praised it for helping the company conduct orderly layoffs while filling production needs.

In other cases, firms were less positive. One common complaint was that the process is too slow. A number of firms waited long periods of time to receive DOL discretionary grants. As noted above, General Dynamics laid off 3,400 workers on January 8, 1991 following the A-12 cancellation. Although some of these workers received limited services from their local SDAs, a $6.9-million EDWAA discretionary grant from the Secretary of Labor was approved on February 8, but did not begin until May because of delays at all levels. General Dynamics' 1990 experience with an anticipated layoff was not much better. The company approached State and local EDWAA officials in early 1990 to ask for help in dealing with layoffs due to begin in June, but it was not until 60 days after the WARN notices were delivered that the State was able to provide services. UNC (CT) reported similar frustrations in trying to work with its local SDA. Because the SDA was quite small and had little experience with plant closings, it was ill-prepared for a 1,100-person plant closing. This was why UNC requested that the company, rather than the SDA, manage a $1 million DOL discretionary grant for retraining UNC's displaced workers.

HOW ARE LAID-OFF DEFENSE WORKERS LIKELY TO FARE'?

In some ways, defense workers displaced in the 1990s may be better off than displaced workers generally were in the 1980s. In contrast to layoffs of the early 1980s, which were predominantly blue--collar, defense layoffs encompass a broader spectrum of occupations and levels. Displaced defense workers in professional and technical occupations are in a better position than most to find satisfactory new jobs, in part because they tend to be more geographically mobile than production workers, and in part because they are more educated and more highly skilled than the work force as a whole. Particular sub-groups, such as minorities, older workers, and blue-collar workers with low skills, may have a more difficult time. The fact that 57 percent of defense jobs are in manufacturing, compared to 17 percent in the economy at large, adds to their problems. Manufacturing workers, especially those in semi-skilled blue-collar jobs, have a harder time than other displaced workers in finding new jobs. The continuing decline in U.S. manufacturing employment diminishes the chances for less skilled workers displaced from defense jobs. Also, lower and midlevel managers could be caught in the squeeze of streamlining production and automation of many of their tasks.

On the positive side, public and private efforts to assist displaced workers are more developed than in the early 1980s. The WARN law will give many displaced workers 60 days' notice of layoff (though loopholes in the law limit its coverage). Notwithstanding problems with EDWAA and the unwillingness or inability of some firms and defense installations to provide transition assistance to laid-off workers, the majority of defense workers now have outplacement services available to them. Many fins, particularly larger ones, provide at least some kinds of services themselves. Most DoD civilians have a somewhat broader package of outplacement services than defense industry workers. However, workers in smaller defense firms usually have few if any company services and must rely on publicly provided services. And public services may not be offered so promptly or reliably for small layoffs from small companies as for large ones, since these layoffs get less publicity and may not trigger WARN notices.

Notwithstanding problems related to rapid response and quality of services, EDWAA has gained from nearly a decade of experience and is helping defense workers. The additional $150 million allocated to EDWAA for defense workers for fiscal years 1991-93 could be very helpful, provided that States and localities can get past the obstacles to access to these DOL discretionary funds. These extra funds could pay for services for approximately 75,000 defense workers,[108] not enough for about

[108]OTA estimates EDWAA costs per participant at approximately $2,000 in program year 1990. The estimate is based on spending in the program year per new enrollee in that years.

Table 3-13-Workers' Experience Following Selected Defense Layoffs, 1990-91

Site	Percent white collar	Months since layoff	Employed			Looking for work	Retired	In training
			Total	Locally	Moved			
Texas Instruments (TX)	90%	9	59%	40%	19%	34%	3%	4%
UNC Nuclear (CT)	66	9	80	40	40	5	9	6
GE Aerospace (Pittsfield, MA)	20	8.5	38	31	7	12	10	38
McDonnell Douglas (CA)	na	7	65	36	29	26	5	1
GE Aircraft Engines (MA)	90	6	23	7	16	54	20	3
Portsmouth Naval (NH)	76	2	35	20	15	26	20	18
GE Aerospace (Burlington, MA)	50	3.5	19	11	8	35	12	22
Pueblo Depot (CO)	na	na	72	36	36	0%	28%	0%
McDonnell Douglas (MO)	50	8	45	39	6			
Westinghouse (MD)	47	5	19	17	2	60	18	4

NOTES: In some cases, layoffs occurred over a period of several months. In these cases, the average date of layoff was used to determine the number ofmonthssince layoff.

SOURCE: Office of Technology Assessment, 1991.

12-13 percent of the 600,0000 or so defense workers expected to be displaced in those 3 years. However, not every displaced worker needs or seeks assistance. Currently, about 9 percent of eligible workers receive EDWAA services.

Despite these positive factors, the nationwide 1990-91 recession and still tougher times in several regional economies have interfered with the immediate job prospects of displaced defense workers. Compared to the economic situation in some earlier periods of defense cutbacks, conditions for displaced workers are worse today. In the most recent of these periods, the late 1960s and early 1970s, when defense spending for the Vietnam War was declining, the labor market was strong, except for the brief 1970-71 recession. Even though defense workers are now better situated in some ways, the state of the economy could cancel out these advantages, at least temporarily.

Even if the national economy were thriving, displaced defense workers in unusually defense-dependent communities could have a hard time getting back on their feet. Unfortunately, the 1990-91 recession hit exceptionally hard in some of the regions that are most defense-dependent, in particular Los Angeles-Long Beach, where the unemployment rate was 9.4 percent in September 1991, and Massachusetts, where unemployment rates varied from 8.4 to 12 percent--compared to a national rate of 6.9 percent.

Evidence, albeit scanty, does exist on how well displaced defense workers are faring. It is difficult to obtain complete and current data on the experiences of dislocated defense workers, and generalizations are risky because of variations in local conditions, the state of the national economy, and the types of workers laid off from various places. For data collected by OTA on what is happening to defense workers laid off at a number of sites around the nation, see table 3-13.

The effect of poor economic conditions on post-layoff experience can be seen in Massachusetts, where after 6 months only 7 percent of the workers laid off from GE Jet Engines in the Boston suburb of Lynn were employed locally. To be sure, some (16 percent) have relocated, many to GE facilities elsewhere, and a number have retired. However, the poor job market in Boston (unemployment 8.0 percent in September 1991) makes finding a job there difficult, even for highly skilled engineers who have been given top quality outplacement services. Former GE Aerospace workers in Pittsfield, MA were in an even tougher situation, since unemployment there was 9.5 percent.

Where the local economy is stronger, there is greater success. For example, over one-third of the workers laid off from McDonnell Douglas in Long Beach, CA in mid-1990 were reemployed locally 6 months later, in a labor market that was weakening but still stronger that of Massachusetts. Similarly, after 9 months, nearly 60 percent of workers laid off from Texas Instruments in Dallas were reemployed. Workers laid off from GE in Lyre, MA in 1988-89, when the local economy was still strong, had a much easier time finding jobs than those laid off in 1990-91.

Workers willing and able to relocate often have better expectations than those staying put. For

example, 2 months after layoff, three-quarters of the workers who had lost jobs at the Portsmouth (NH) Naval Yard, and wanted new jobs, were employed. But many were placed through the Priority Placement Program and moved to other areas. According to outplacement officials at Electric Boat, which is located in the highly defense-dependent area of southeast Connecticut, about 90 percent of the displaced white-collar workers who found jobs had relocated. About 40 percent of workers laid off from UNC (in the same area) relocated; only about 5 percent of all the workers losing jobs at UNC were out of work in November 1990, 9 months after the layoffs. Of those moving out of state, all were professionals. In part because of the defense dependence and poor condition of the local economy, the rate of reemployment for hourly workers is much lower, and unless they enrolled in retraining, they have tended to take pay cuts. It took an average of 4 months for laid-off UNC workers to find jobs, assuming that they actively looked for work beforehand.[109]

These data do not suggest that it is easy to come through loss of a defense job unscathed. For example, a 34 percent unemployment rate for Texas Instrument workers 9 months after layoff is not exactly desirable. However, an example such as Fort Carson, CO, where all but one of 289 displaced defense workers had jobs by the time they were laid off, shows what can be done with enough lead time and with active, dedicated reemployment, relocation, and retraining services.

Overall, displaced defense workers are probably better positioned than other displaced workers, both in terms of skills and services provided to them, However, the significantly uneven quality of EDWAA services, unless remedied, will hinder adjustment success. Finally, the health of the U.S. economy and regional economies, will remain a critical factor in determining the success of displaced defense workers.

[109]Information provided by Holly Ellis, director of UNC's outplacement effort, November 1990.