

## RESPONSES TO ADVANCE NOTICE

Once a plant gives advance notice of a closing or layoff, what then? Assuming that the company is not in dire financial straits, it may provide its displaced workers with severance pay and other benefits that will ease the transition to a new job. Some companies do more, committing staff, space, and energy to efforts to find new jobs for their laid-off employees. In general, though, a comprehensive worker adjustment project, including counseling, assessment, job search assistance, and retraining, costs more than most companies are prepared to spend. Moreover, many companies have no experience with displaced worker services, and have no idea how to begin.

Government programs—mainly the JTPA Title III program—are intended to help organize and pay for the services displaced workers need; and the law provides that workers can begin to get services before layoff, as soon as they get notice of termination. Yet despite the consensus that the sooner displaced workers get help the better, delays in getting JTPA assistance seem to be the rule, not the exception. States are responsible for operating the JTPA Title III program; no one has systematically surveyed the States on their ability to respond rapidly and effectively to notice of plant closings or layoffs. On the available evidence, it is fair to say that, although most States are interested in providing a rapid response and many are improving, few are able to do it satisfactorily as yet.

Moreover, it appears that relatively few displaced workers ever get help from JTPA programs. OTA estimated that it is likely that about 1 out of 20 eligible displaced workers are being served.<sup>56</sup> A recent estimate from California's Santa Clara County (Silicon Valley) is that about 1 out of 35 workers losing jobs in the county's high-tech industries were getting JTPA-funded services in 1986.<sup>57</sup> This does not imply that all adult workers displaced from their jobs want or need reemployment and retraining serv-

ices. Some of them—especially the younger and better educated—have little trouble finding new jobs. But many others—hundreds of thousands a year—remain out of work for months or even years, or settle for part-time or low-wage jobs. Many of the people that government-sponsored displaced worker programs are designed to help are not getting helps\*

### Employer Responses

A substantial fraction of larger establishments report that they give some form of severance benefits to at least some of their employees who lose jobs in plant closings or major work force reductions. Employers more often provide help of some kind to white-collar than to blue-collar workers. The most common form of assistance is severance pay, which slightly more than half of employers provide to displaced white-collar workers; about one-third offer it to blue-collar workers. Other kinds of help, offered less commonly but still fairly often, are continued health insurance and placement assistance of some kind.

It is not clear that the majority of displaced workers receive severance benefits of any sort from employers. First, the information we have about services to displaced workers comes from larger establishments; smaller firms may not provide as much assistance. Second, blue-collar workers represent 60 percent of those displaced,<sup>59</sup> but are less likely to get help from employers than white-collar employees.

### National Patterns

The GAO survey of establishments with 100 or more employees that had a plant closing or

<sup>56</sup>U.S. Congress, Office of Technology Assessment, *op. cit.* ! p. 174.

<sup>57</sup>Sheridan, *op. cit.*, p. 23.

<sup>58</sup>For a broad discussion of worker displacement and an evaluation of programs to help displaced workers see U.S. Congress, Office of Technology Assessment, *op. cit.*

<sup>59</sup>Michael podgursky and Paul Swaim, "Labor Market Adjustment and Job Displacement: Evidence From the January, 1984 Displaced Worker Survey, " a report to the U.S. Department of Labor, Bureau of International Labor Affairs (Amherst, MA: University of Massachusetts, Department of Economics, January 1986). This report analyzed data from the Bureau of Labor Statistics' survey of adult workers displaced from their jobs between January 1979 and January 1984.

major layoff in 1983 and 1984 questioned company officials about severance benefits as well as advance notice. Table 4 shows the kinds of assistance given, and a breakdown by white-collar and blue-collar workers. The most common forms of financial assistance were severance pay (54 percent of the companies said they gave it to some or all workers), and continuation of health insurance benefits (43 percent). white-collar workers were much more likely to get both kinds of benefits—53 percent of employers said they gave white-collar workers severance pay, versus 34 percent for blue-collar workers; 42 percent provided continued health insurance for white-collar employees, versus 32 percent for blue collar.

The same pattern prevailed for placement assistance. Thirty-two percent offered job search assistance to white-collar workers, and 25 percent offered “administrative support,” which includes such things as secretarial help with resume writing. The comparable figures for blue-collar workers were 21 and 16 percent.

The Conference Board survey asking similar questions found a larger proportion of employers providing assistance to laid-off work-

ers. Seventy-nine percent of the companies answering the survey questions said they gave extended health insurance benefits; 54 percent continued the benefits for 3 months or longer. Nearly 60 percent reported they offered salaried employees help in resume writing. Other forms of assistance in getting a new job were provided less frequently; these included contact with other companies, job search workshops, paid leave to look for another job or, in a few cases, retraining. For hourly employees, about half the companies contacted other companies on the workers’ behalf; a smaller number of employers reported that they offered other kinds of placement help to hourly workers.<sup>60</sup> As discussed in an earlier section, the different results from the GAO and The Con-

<sup>60</sup>Berenbeim, Op. cit., p. 9. Chart 3 in the published report indicates that over 60 percent of companies offered hourly employees outplacement assistance, but this figure is in error. The correct figure, according to the author (personal communication), is 39 percent. Outplacement assistance was provided to about 50 percent of salaried employees.

**Table 4.—Assistance Offered to White. Collar and Blue-Collar Workers**

Type of assistance	Establishments offering assistance to workers		
	White collar (N = 309)	Blue collar (N = 292)	Overall* (N = 315)
<b>Financial assistance:</b>			
Severance pay . . . . .	53	34	54
Continuation of health insurance . . . . .	42	32	43
Continuation of life insurance . . . . .	27	21	28
Early retirement . . . . .	15	10	16
Pay in lieu of notice . . . . .	14	10	15
Lump sum payment . . . . .	9	9	10
Supplementary unemployment benefits. . .	8	9	10
<b>Placement assistance:</b>			
Job search . . . . .	32	21	31
Administrative support . . . . .	25	16	26
Personal counseling . . . . .	19	14	19
Company transfer option . . . . .	21	10	21
Time off for job search . . . . .	21	9	20
Career counseling . . . . .	17	10	16
Relocation assistance . . . . .	15	5	15
Testing/assessment of worker skills. . . . .	5	3	5
Occupational training . . . . .	1	3	3
Job club . . . . .	2	2	2

\*Establishments providing assistance either to white-collar workers or blue-collar workers or both.

SOURCE: US. Congress, General Accounting Office, “GAO’s Preliminary Analysis of U.S. Business Closures and Permanent Layoffs During 1983 and 1984,” paper for presentation at the OTA-GAO workshop on plant closings, Apr. 30-May 1, 1986.

ference Board studies probably reflect differences in how the surveys were conducted.<sup>61</sup>

The quantitative information from these two surveys is not very detailed, and the kind and quality of services offered are usually not very closely defined. "Placement assistance," for example, might be anything from a full-service reemployment and retraining center, including energetic efforts to find job openings that are not publicly listed, to a bulletin board with postings from the local Employment Service office. Severance pay might be anything from 2 weeks to a year.

On an individual basis, there are many accounts of firms that have provided exemplary services to their displaced workers.<sup>62</sup> Some of the best displaced worker projects, in fact, have been those based in plants that were closing or laying off, and were directed by labor-management committees. Valuable contributions employers can make include space in the plant for employment and training centers and for suitable training courses (e.g., remedial education); paid staff, both from the union and management side, to run the centers; time off for employees to attend counseling and job search workshops; and personal contacts with prospective employers. Some companies keep employment centers located in plants open even after the plant closes. Some, as discussed below, advance most of the funds to operate employment centers while awaiting money from government programs. Among the company-union programs that have given outstanding service to displaced workers was the Ford-UAW program in an auto assembly plant that closed in Milpitas, California, in 1983. A labor-management committee created a retraining and reemployment center in the plant within

<sup>61</sup>The GAO study was based on a random sample of all U.S. establishments with 100 or more employees that experienced a plant closing or major layoff in 1983 or 1984. There was more self-selection in The Conference Board sample; it was made up of 224 companies that: 1) replied to a questionnaire sent to 1,900 large companies, and 2) had at least one plant closure in the period 1982-84.

<sup>62</sup>See, for example, U.S. Department of Labor, Labor Management Services Administration, *Plant Closings: What Can Be Learned From Best Practice* (Washington, DC: U.S. Government Printing Office, 1982); U.S. Congress, Office of Technology Assessment, op. cit., ch. 6; Berenbeim, op. cit., Part II.

days of the closure announcement, which was made 6 months in advance; the company kept a plant building open to house the center and paid a small staff to operate it for 16 months after production ended.<sup>63</sup>

Of course, not all employers are able to set up a full-service reemployment center for their displaced workers; however, many large companies that are closing plants in the course of restructuring their businesses can afford to provide top-quality assistance. But some do not know how. And some are rather perfunctory—for example, they may hire a consultant to run job search workshops for a few days. Some do almost nothing. The range of practice among different companies and different industries is wide.

### Case Study: Silicon Valley

In the high-tech industries of Santa Clara County, California, for example, the general pattern is that laid-off workers get little notice and few benefits; yet layoff practice varies greatly from one company to the next.<sup>64</sup> Quantitative information is sparse, but knowledgeable observers say that a typical package in Silicon Valley is 2 weeks' severance pay, no continuation of health insurance benefits, and little placement assistance from the employer.<sup>65</sup> Except for defense contractors, Silicon Valley is almost entirely non-union; here as elsewhere, non-union workers generally get less advance notice and fewer severance benefits than unionized workers.<sup>66</sup> There are striking differences among individual firms however. At one end of the spectrum are some of the circuit

<sup>63</sup>See Berenbeim, op. cit., pp. 51-57; and U.S. Congress, Office of Technology Assessment, op. cit., p. 237 and ch. 6, passim, for more detailed descriptions of the Ford-UAW Milpitas program.

<sup>64</sup>The definition used here for high-tech industries in Santa Clara County is rather narrow; it includes electronic equipment and parts (including semiconductors), computers and computer peripherals, and instruments.

<sup>65</sup>Sheridan, op. cit. Most of the material in this section, unless otherwise noted, is drawn from Sheridan's contract report to OTA.

<sup>66</sup>Richard Freeman and James Medoff, *What Do Unions Do?* (New York: Basic Books, 1984), pp. 64-65, cited in Sheridan, op. cit. The GAO plant closing survey also found that union blue-collar workers are more likely than non-union workers to get advance notice.

board assembly job shops, which employ less-educated workers (often illegal aliens), and which simply cut the workers loose with no notice and no benefits if business drops off. At the other end are companies like Hewlett Packard and Advanced Micro Devices, which laid nobody off in 1985, when tens of thousands of high-tech workers were losing their jobs.<sup>67</sup>

Thirty-seven percent of Santa Clara's 200,900 high-tech workers are employed by firms with fewer than 100 employees; in the smaller of these firms, failure rates—and displacement of workers—are typically high. However, many thousands of workers have been laid off from larger firms in recent years as employment in the industry has shrunk. For example, from 1983 to 1985, one company—Atari, the video-game and home computer manufacturer, owned at the time by Warner Communications—permanently laid off more than 5,000 people.<sup>68</sup> In 1985 alone, at least 10,000 workers lost jobs in 36 layoffs announced by high-tech firms employing 500 or more people.<sup>69</sup>

Some of the larger high-tech companies, while about equal to the industry norm in severance pay and other financial benefits, do offer more job-hunting help. For example, National Semiconductor, which had sales of \$1.8 billion and a worldwide work force of 38,000 as of 1984, laid off 1,600 employees in California, Utah, Connecticut, and Virginia in 1985. The company gave only 2 weeks' advance notice and 1 to 4 weeks' severance pay, but offered considerable placement help. It assigned a job counselor to every worker, provided job-hunting advice, held workshops on job search skills and financial planning, and kept a job resource center open for 4 months. While the placement assistance was useful to many white collar and professional workers, it proved less helpful to blue-collar workers, partly because the staff had

little experience with these workers.<sup>70</sup> Intel, another large company (21,500 employees), provided similar placement help to 2,000 employees who were laid off in 1985 to 1986; this company gave no advance notice but provided 2 to 9 weeks' severance pay.

Some companies offer much more than the industry norm to their displaced workers. For example, when Apple Computer, Inc., laid off 1,200 permanent full-time workers in 1985, all of them—even those just hired—got at least 6 weeks' severance pay. Apple's placement center was highly successful, helping 90 percent of the displaced workers find jobs before their severance pay ran out. Also, Apple gave its laid-off workers first chance at jobs in the company when it began to rehire. (About 1,500 temporary workers laid off at about the same time as the permanent workers did not receive severance benefits.)

The companies that have managed to avoid layoffs—such as Hewlett Packard and Advanced Micro Devices in California and Materials Research Corp. in New York—use an array of devices, including hiring freezes and attrition, reassignment of surplus workers to unaccustomed tasks (tending the flower beds, for example), pay cuts for managers and professionals, and a 4-day workweek for production workers. (California is one of the States with short-time compensation in the unemployment insurance program, so that workers on a 4-day workweek can collect UI for the fifth day.) Rolm Corp. (recently bought by IBM) was able to survive recessions and shifts in demand by changing the products it made and sold, and never laid anyone off in 15 years.

These kinds of benefits and job protection are exceptional even for regular employees, and in any case do not extend to the industry's many temporary workers. On the whole, high-tech workers in Santa Clara County appear to get modest severance benefits from employers, and temporary workers, whose presence in Silicon Valley is rapidly growing, get little or none.

<sup>67</sup>As noted above, Advanced Micro Devices announced in August 1986 that, after continuing financial losses, it would have to depart from its no-layoff policy.

<sup>68</sup>Telephone interview with Philip Shapira, doctoral candidate, Department of City and Regional Planning, University of California, Berkeley, July 14, 1986.

<sup>69</sup>Telephone interview with Rica Pirani, San Jose office of the California Employment Development Department, July 15, 1986.

<sup>70</sup>David Sheridan, personal communication, July 25, 1986.

## Government Responses

The main source of government help to displaced workers is the federally funded, State-run programs authorized by Title III of the Job Training Partnership Act of 1982 (JTPA). Title III programs can offer reemployment and retraining assistance to workers before they are laid off, so long as the workers have received notice of termination. Several States are putting a good deal of effort into prelayoff services. Title III programs can also support plant-centered projects, begun before layoff in cooperation with management and labor. It appears that few of the programs are doing so.

The observations in this section are based on anecdotes and partial reports, not on any systematic survey. They do represent a quite consistent sense among informed observers of the current state of government response. On the whole, it appears that most States have not yet organized their Title III programs in ways that make it easy to respond rapidly and effectively to plant closings and mass layoffs. Only a minority of Title III programs take the initiative to serve displaced workers, even when employers give early warning of a closing or layoff. Few if any States are organized to help employers and workers set up labor-management committees to operate plant-based displaced worker centers, despite the many advantages of this kind of project.<sup>71</sup>

More than 2 years after States officially began their Title III programs, many companies still do not know that the programs exist. If they do know, and ask for help for their workers, the response—either in the form of technical assistance or funds or both—is often slow in coming (though there are recent improvements among local JTPA agencies). Some delays seem built into the JTPA funding structure—especially in dispensing the Secretary of Labor's discretionary fund which, paradoxically, was designed in part for responses to unforeseen plant closings. Getting Title III funds to where they are needed, when they are needed, seems hard

<sup>71</sup> For a discussion of experience with plant-centered displaced worker projects see U.S. Congress, Office of Technology Assessment, *op. cit.*, pp. 234-236.

to accomplish; and the difficulties are compounded with the 1986 funding cut, which is hardest on States that started an active displaced worker program early and have little carryover of funds from previous years. The result is that many displaced workers who could use help do not get it.

Programs for displaced workers are quite new. State Title III officials believe their programs will improve as they gain experience, and point to a creditable placement record (65 to 70 percent nationwide) for the workers served in the program's first 2 years. Many States would welcome more technical assistance from the U.S. Department of Labor in how to run successful programs, possibly in the form of an information clearinghouse. States also emphasize the need for stable adequate Federal funding of the Title III program.

Most States are keenly aware of the need to improve their rapid response abilities. In the spring of 1986, when the National Governors' Association and the U.S. Department of Labor organized two conferences on how Canada's Industrial Adjustment Service works, 35 States signed up. The conference organizers had expected about 10. Clearly, the interest is there. Some States are already doing a fair job of rapid response to plant closings, and many others are improving or want to begin.

## Rapid Response Teams

Several States—among them Arizona, Connecticut, Massachusetts, New Jersey, Rhode Island, South Carolina, and Texas—have rapid response teams which attempt to find out about impending layoffs and bring services to the workers early. Since most States do not require advance notice of closings, the teams use various methods to learn about planned layoffs; often they try to get voluntary cooperation from companies in giving early warning, and a number say that they are increasingly successful in getting this cooperation. Typically, rapid response teams mobilize and coordinate responses from a number of State and local agencies. A team representative may visit the plant, bringing some services (such as testing, assessment,

and signup for unemployment insurance) to the site, and acquainting the workers with other services, such as job search assistance and referral to training.

A few States, coming closer to the Canadian model, try to enlist the company as cosponsor of displaced worker services, establish resource centers in the plant, and staff them as much as possible with company employees and laid-off workers. The Massachusetts Industrial Services Program, for example, has set up half a dozen centers in plants, and other centers in nearby sites such as union halls or community colleges, to serve everyone involved in a big plant closing or layoff. Within a day—often within hours—of a plant closing announcement, a top official of the State program meets with the chief executive officer of the company to plan services for the workers. Direct contact between a person with authority from the State and someone with authority from the company, said one State official, “takes off months” in getting the program going. Union representatives are also asked to participate.

Companies are encouraged to donate space and pay some staff for the center, and the Industrial Services Program provides funds for training and paying other staff members (usually hourly workers who have lost their jobs in the closing). Massachusetts officials report success in employing displaced workers as staff in these reemployment and retraining centers. One said: “We will not fund the program if there are not at least one or two of the displaced workers serving the people. I haven’t seen one smart, caring worker who can’t pick it all up in three months.” One of the 50 displaced worker centers established by steel companies and the United Steelworkers of America in the Monongahela Valley is directed by a former underground coal miner.

While the Massachusetts program strongly encourages participation by both employers and workers, it is not structured to help labor-management committees take charge of reemployment efforts, as the Canadian IAS does. No State, in fact, has an institution comparable to

the IAS, though some have shown a strong interest in creating such an agency.

### Technical Assistance for Plant-Based Projects

When companies and worker representatives go to a JTPA agency for help in setting up a comprehensive, plant-centered displaced worker project,<sup>72</sup> they usually get funds—though sometimes with a delay of several months or even more than a year. Most of the time, according to two experienced private consultants, the public funding is offered “passively or reluctantly but, in the long run, cooperatively,” although firms quite often complain about rigid bureaucratic requirements.<sup>73</sup> As a rule, however, the Title III programs offer only funds, not expert help, to plant-based projects. In at least two-thirds of the cases the consultants studied, the JTPA agency did little more than handle the mechanics of grant administration,

This passive public role is not characteristic of every State or local JTPA agency. Increasingly, some agencies are taking an active part in plant-based displaced worker centers, providing planning help, staff, or referral services. However, even the more active JTPA agencies are usually not geared toward educating and encouraging management and workers to help themselves. Typically, these agencies will come to a plant, explain the services they have to offer, market their expertise, assure companies that workers will receive high-quality professional help, and ask for referral of workers.<sup>74</sup> Sometimes they ask the company to help with match funding, but often they do not seek any contribution from the company.<sup>75</sup> In a few instances, JTPA agencies have opposed the creation of a plant-based project, on the grounds that a communitywide project under the agency’s direction already exists, and that scarce

<sup>72</sup>The JTPA agency is usually either a unit of local or State government or the local Private Industry Council, a body defined by the law which includes a majority of members from private business but also includes representatives from organized labor, education and rehabilitation agencies, economic development agencies, community-based organizations, and the Employment Service.

<sup>73</sup>Balfe and Fedrau, *op. cit.*

<sup>74</sup>*Ibid.*

<sup>75</sup>Ruth Fedrau, personal communication, July 18, 1986.

Title III funds should be used efficiently. Overall, it appears that few JTPA agencies are prepared to give companies and workers prompt expert assistance in setting up plant-based displaced worker projects. Companies that are determined to move ahead often hire private consultants to help get the project underway.

By contrast, the Canadian IAS has developed through its 20 years of experience a simple, inexpensive way of providing technical assistance to plant-based projects. First, a field officer of IAS calls on companies that are closing plants or laying off workers, nearly always within a day of the announcement, to offer help. The officer explains how a labor-management adjustment committee can be created, and offers government funds to pay half the costs; he is authorized to commit up to \$15,000 without consulting superiors. Once the company and workers agree to form a committee, IAS furnishes a list of experienced independent chairmen (many are retired businessmen) who can provide leadership and know-how. By all accounts, the independent chairman plays a crucial role. His technical expertise keeps the committee's work on track, and his impartiality gives the committee credibility with the workers. Chairmen are, in effect, in the business of getting displaced workers reemployed. If they succeed, they are likely to be chosen by the next committee. If not, their reputations decline and they are soon out of business.

One analyst with experience in both the Canadian IAS program and JTPA programs in the United States described the two in this way:

The services offered are about the same—counseling, assessment, job development and matching, job search skills training, referral to remedial or vocational education. But there are two big differences. First, in Canada there is one place where you can get everything; there's no mumbo-jumbo about different agencies where the workers can go for services. Second, there is the personal commitment of the committee members [in Canada's IAS system]. The worker has an ombudsman, who goes to other employers or trainers on the worker's behalf.

## Funding Delays

Getting funds in time to set up a displaced worker project before the layoffs begin is often a difficult proposition. The two private consultants who reported to OTA said that, in their experiences, significant delays in obtaining Title III funds occurred more than half of the time—and this estimate probably understates the problem, because these consultants worked for big companies that usually paid the early-stage costs of establishing displaced worker centers.<sup>76</sup> A human resources manager of a firm employing about 5,500 people told the workshop that more than a year passed from the time his company started a project until the time it received Title III funds. The difficulties, he said, are not so great with large-companies; they have the money to start a project. His own company advanced \$1.5 million for its project serving more than 1,000 displaced workers. But small companies have no upfront money.<sup>77</sup>

At least one State, Massachusetts, uses State-provided funds to startup projects. The Industrial Services Program can commit \$10,000 to \$15,000 for 45 days to help create a plant-based center, have it open the day layoffs begin, and operate it for a time while awaiting a Title III grant. But few other States with rapid response teams have State funds available that are dedicated to displaced worker projects. Typically, rapid response teams offer prelayoff services from existing agencies, such as the Employment Service, the Federal-State vocational and adult education programs, and local JTPA agencies. Most have no source of funds to draw on to help set up plant-based centers as soon as a company gives notice of a layoff. In fact, much of the team's effort goes into putting a funding package together.

<sup>76</sup>Ibid.

<sup>77</sup>According to one experienced private consultant, small and midsize companies can make important contributions to getting adjustment services promptly for their displaced workers, even if they cannot provide startup funds for an adjustment center. They can make the essential contacts with Title III and other community agencies, speaking up for their workers and making sure they get attention.

Even if money is available for a 45-day startup period, as in Massachusetts, this is often not a long enough time to be sure that the project will get enough funding to last. As Title III programs mature and more States delegate money and decisions to local agencies, some of the delays in getting Title III grants are getting to be briefer; local agencies sometimes make funds available right away. Yet it is still not unusual to have a delay of 3 or 4 months from the time a JTPA agency commits to fund a project till it actually executes the grant.<sup>78</sup> Reasons for delay include revisions of the proposed project activities, time-consuming regulatory requirements, and bureaucratic holdups in getting the contract signed. Agencies may demand, for example, that a displaced worker center establish its own grievance procedures, or document its financial capability. In one case, a grant was held up when a State demanded that a firm provide a copy of its articles of incorporation.<sup>79</sup>

Three-quarters of the Federal Title III money appropriated by Congress is allocated to the States according to a formula in the law, based on the size of the State's work force and local unemployment rates. One-quarter is reserved for the Secretary of Labor to distribute at his discretion, to respond to such contingencies as mass layoffs or natural disasters, to ease the effects of relocating Federal Government facilities, or to give extra help to areas of high unemployment.

projects are likely to run into the longest delays when they apply for a Federal discretionary grant. The proposal usually has to run the gauntlet of local, State, and Federal approval, and only then does the State start the process (sometimes with heavy bureaucratic encumbrance) of executing the grant. Even with efforts by the U.S. Department of Labor to reduce delays at the Federal level, the long decision-making chain makes fast action very difficult. One State official told the workshop that there is no way to get a Federal discretionary grant

in less than 4 or 5 months—"it just doesn't happen"—and it can take much longer. The consultants' report to OTA said that months of delay could follow each stage, from local to Federal approval, and that even moderate delays at each stage results in several months of waiting. Meanwhile, even if the State has funds to commit, the uncertainty about whether Federal JTPA money will be granted makes it hard to plan the project, much less start giving service.

The cut in Title III funds for fiscal year 1986 could add to these difficulties (note that the JTPA program starts in July, 9 months after the fiscal year begins). Congress reduced Title III funding from \$223 million in fiscal year 1985 to \$100 million in 1986. The reason was that, nationwide, the Title III program had a large carryover of funds—\$185 million as of June 30, 1985. There are big differences among States, however, in rates of spending and funds carried over. Some States got a slow start with this new program (initiated in October 1983), but others undertook an active program more quickly. The General Accounting Office found that, with the budget cut, 23 States would have less money for services to displaced workers in 1986 than was allocated to them in 1985.<sup>80</sup> Since the formula for allocating three-quarters of Title 111 money among the States is written in the law, changing the allocations would be difficult.

In making the budget cut, Congress indicated that it did not expect a reduction in levels of service to displaced workers. The conference report that approved funding for the program directed the Secretary of Labor to give first priority for discretionary funds to States that would otherwise have to cutback services, and to report on possible needs for added funds to

<sup>78</sup>Balfe and Fedrau, *op. cit.*, p. 8.

<sup>79</sup>*Ibid.*

<sup>80</sup>For further discussion of Title 111 funding, see U.S. Congress, Office of Technology Assessment, *op. cit.*, pp. 186-189. See also U.S. Congress, House Committee on Education and Labor, Subcommittee on Employment Opportunities, Hearings on the Job Training Partnership Act, Title III, testimony of William J. Gainer, Associate Director, Human Resources Division, U.S. General Accounting Office, Nov. 8, 1985.

maintain program levels. States that started an active program early, and had less carryover of funds, are now more dependent on Federal discretionary grants—and thus may be subject to greater delay in funding individual projects.

There is some evidence, too, that despite the law's provisions for flexible responses to unforeseen layoffs, workers in industries and areas that are hard hit may not be adequately served. For example, according to a local JTPA agency spokesman, about 800 workers in Santa Clara County, California, are getting Title III services in 1986. An official of the State Employment Development Department estimated roughly that half of those being served were displaced from the high-tech industries, and that about one-quarter of the 55,200 unemployed workers in Santa Clara County in February 1986 were displaced high-tech workers. On the basis of these estimates, approximately 1 in 35 displaced high-tech workers were getting JTPA-funded assistance.

In essence, the Santa Clara County JTPA official said that the county did not have the money to serve more—that it had already applied for, and received, as much extra money from the State as could be expected to serve workers from the distressed high-tech industries. This local agency counted high-tech workers as eligible for assistance only if they were displaced in plant closings. Yet thousands of workers lost their high-tech jobs in mass layoffs, not closings. The definition of displaced workers in the Job Training Partnership Act is broad, and allows States a great deal of leeway in applying the definition; it does not confine eligibility to workers displaced in plant closings, but includes others who are not likely to get their old jobs back. The reasoning of the Santa Clara County agency was that if the plant still existed,

the workers might be recalled. However, research on what happened to 177,000 workers displaced from high-tech industries in California from 1979 to 1984 shows that only 24 percent of them were reemployed in those industries.<sup>81</sup> Thus, many high-tech workers who are in all likelihood permanently displaced from their old jobs are not getting retraining and reemployment help.

### Knowledge About Government Programs

One problem with bringing services to displaced workers is that many people do not know the JTPA Title III program exists. In the GAO survey of establishments that had closed plants or laid off large numbers of workers in 1983 and 1984, 80 percent responded that they had not heard of the Title III program. (The law was passed in 1982, and State JTPA programs officially got underway in October 1983.) In the OTA-GAO workshop, a human resource manager from a large multinational firm said he had not known about the Title III program until a consultant he hired to help plan displaced worker services introduced him to it. There is no real effort, he said, to promote Title III services in the private sector. Another participant said that even the unions in his part of the country do not know about the Title III program—the information is not getting out. Likewise, human resource managers in the corporate headquarters of forest product companies said, in interviews with OTA staff, either that they did not know the program existed, or that they had barely heard of it.

<sup>81</sup>Philip Shapira, "Industry and Jobs in Transition: A Study of Industrial Restructuring and Worker Displacement in California," unpublished doctoral dissertation, Department of City and Regional Planning, University of California, Berkeley, 1986, p. 7-27.