Chapter 5

National Displaced Worker Programs

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ing by 55 percent. In proposing the cut in early 1985, the Administration cited a slow rate of spending due to lack of demand for extensive vocational retraining, and a large carryover of unspent funds. Several other factors contributed to the States' initial slow rate of spending: the inevitable delays in starting up a major new program and, in many States, a conservative approach in saving funds for contingencies. As States gained more experience with displaced worker programs, many spent at a faster rate, and most had fully obligated their Title III funds by the end of the 1984 program year (June 30, 1985). However, State reports for program year 1984, which became available in fall 1985, showed that the carryover of unspent funds was still large on an aggregated, nationwide basis.

In cutting funds for Title III, Congress expressed no intent to cut the level of program services; both House and Senate Appropriations Committees stated their expectation that the carryover funds, together with the new smaller appropriation, would be enough to maintain the same program level. It appeared, however, that because of differences in rates of spending and carryover funds among States, 23 States would have less money for services to displaced workers in 1986 than their 1985 allocation. States that got an early start in providing services and spent most of their allocated funds might have to cut services. Responding to this concern, Congress directed the Secretary of Labor to give first priority for discretionary Title 111 funds to States that would otherwise have to cut back services, and to keep Congress advised of the possible need for supplemental funds. What effect the funding changes will have on the stability, quality, and level of services to workers is not yet clear.

- A problem that became apparent as Congress considered fiscal year 1986 appropriations for Title 111 is that reports on State programs are neither timely nor adequate. The reports are due 6 weeks after the end of the program year (end of June), but are usually not complete until several weeks later. Thus, when Congress is considering the budget for the following year in the spring through the fall, the latest State reports on program activities are several months to more than a year old. Moreover, information in the reports is scanty. The Labor Department requires that States report only the amount of Title III funds spent during the year, numbers of workers served, numbers officially leaving the program, numbers placed in jobs, and a few characteristics of participants. The reports do not include information on obligation of funds, only on spending; nor do they state how many workers are receiving what kind of service (e. g., vocational skills training, remedial education, relocation assistance, job search assistance, and on-the-job training).
- Federal direction and oversight of the JTPA employment and training programs are minimal. While some State officials welcome the noninterventionist policy of the U.S. Department of Labor, others are fearful that, without guidance from the Department, some project services will be disallowed by Federal auditors. Some States have imposed tight regulations and considerable paperwork requirements on Title 111 projects to avoid trouble with audits later. One Labor Department service that many States would like is more exchange of information about Title 111 practices in other States, and about their successes and failures in providing services.

Other Federal Programs

Trade Adjustment Assistance (TAA) is a major Federal program open to displaced adult workers who lost their jobs due to foreign competition. Although much reduced from its 1979-80 peak, TAA was still funded at about $70 million per year and served some 30,000 workers annually in 1984-85. For eligible workers, TAA offers extended unemployment benefits, training assistance, and help with relocation to find a new job. Unlike the Title III program, TAA extends income support to workers in approved training, and it provides more generous relocation help than most Title III projects. TAA authority technically expired at the end of 1985, when Congress failed to pass the budget reconciliation bill that proposed a longer term reauthorization of TAA. A continuing resolution was passed, which allowed certified eligible workers to continue to receive relocation and retraining assistance through fiscal year 1986. However, the full TAA program may be revived, as the 99th Congress is expected to give it further consideration in the second session.

The nationwide network of federally funded Employment Service (ES) offices plays a substantial role in serving displaced workers. Most commonly, the local Title 111 project buys from the local ES office services such as placement or helping clients to learn job search skills. Without the funds from Title III projects, ES offices could not offer displaced workers such services as assessment, job counseling, job development, and referral to suitable training.

Congress has shown special interest in two services that the ES system can provide. First, JTPA, like other employment and training laws before it, calls for the Secretary of Labor to establish a computerized interstate system to pool ES job orders nationwide and match applicants with job openings. The Interstate Job Bank, in operation since 1984, goes some way toward the goal of linking the State ES networks into a national system. However, the bank's coverage is limited to hard-to-fill technical and professional jobs, and it is by no means fully automated. Technologically, the system could be fully automated, but first many State systems would have to be upgraded. The costs of a fully automated interstate job bank have not been carefully estimated.

It maybe questioned whether the benefits of fully computerizing the interstate job bank and extending its coverage to lower paid, lower skill jobs would be worth the cost, considering that an interstate job bank is useful only to workers who might want to relocate. However, such a system might encourage the relocation of a broader range of workers; if it proved effective it might also encourage more listings by employers and more applications by well-qualified workers. Information is scanty on both the costs and benefits of a fully computerized nationwide system, or on the intermediate step of upgrading State systems.

JTPA also calls on the Labor Department to help States provide detailed information about local labor markets. The weakest element in local labor market information is data on occupations currently in demand. One reason is that State ES systems do not have the expert staff and funds to analyze information that is currently collected. Cuts in Federal funding in the last few years have led some State ES offices to reduce research and analysis staff. Federal assistance to States for collection of occupational data on a State and substate basis may also be reduced. The Administration opposes Federal spending for labor market information that is not explicitly required by law or strictly related to national labor market information programs,

Non-Federal Programs to Help Displaced Workers

A number of States have set up their own programs to aid displaced workers. A few national collective bargaining agreements have established funds for the same purpose (e.g., the United Auto Workers' agreements with General Motors and Ford for retraining funds). A major element in both the State and private programs is retraining of active workers to avoid displacement. JTPA does not cover this kind of activity. The State and private preventive retraining programs are funded at tens of millions of dollars per year; by far the greater share of training and education of active workers is done by employers, who spend billions per year on these activities.

Some States and communities have also undertaken to help firms that are in danger of going out of business. The point is not only to avoid the costs of displacement for workers and their families, but also to preserve the economic life of communities. In a dynamic economy, some plant closings and labor shifts are inevitable, but not every closing is unavoidable. Key considerations for State governments or communities considering efforts to save threatened firms are: 1) Is there enough time to adopt a corrective strategy? 2) Are there realistic prospects for the firm's profitability that are likely to attract alternative investors? 3) Are management and labor willing to make sacrifices to create a more productive and profitable enterprise? In many cases, plants can be saved only at the cost of some jobs as productivity improves. States and communities can help troubled firms in several ways, including promoting labor-management cooperation; establishing continuing programs, such as rapid response teams, technical consulting services, and flexible financing; and, as needed, helping to find new financing or a new owner.

Labor Policies and Adult Worker Training in the United States and Other Industrial Democracies

Many industrialized nations have adopted labor policies that are designed to deal with employment problems and to improve the contribution of labor to national competitiveness. Among them are programs for the retraining and reemployment of adult displaced workers. Experience with such programs in other industrial democracies may provide useful lessons for the United States, keeping in mind that policies which succeed in other cultures do not always travel well.

An example is Sweden's large and costly labor programs, which account for 2 to 3 percent of the country's gross national product, and generally provide services to 5 or 6 percent of the labor force per year. The major services are wage subsidies, retraining, and public service employment. This combination has helped to keep Swedish unemployment rates below 3.5 percent even in the recession of the 1980s, when unemployment rates in large European countries and in the United States were 10 percent or more. Sweden's inflation rates since 1971 have been about average for European countries, and generally above those in the United States.

A Swedish Government agency operates what is generally considered a well-run adult training program and nationwide employment service. Business and labor are involved at all levels in determining the kind of training needed. Many laid-off workers, especially the less skilled, enter training; while in training they receive stipends roughly equal to unemployment insurance. The Swedish system also provides individualized job-hunting services for workers who do not require training. Rapid response, to avoid long layoffs, is emphasized. Mandatory advance notice of plant closings allows early action to assist displaced workers.

Major drawbacks to the Swedish system, besides its cost, are some untoward effects on equity and efficiency. Established workers are the main beneficiaries of the system, not those just entering the labor force. Also, the system probably depends in part for its success on having immigrant guest workers take less secure jobs. The system may discourage worker mobility, and industry innovation and entrepreneurship.

In Canada, labor policy is a less formal social partnership between business, government, and labor than a number of selective interventions by the national government to correct deficiencies in the private market. Nonetheless, Canadian labor programs are large; in fiscal year 1984, the national government spent $1 billion of its $89 billion budget for adult training programs alone. About 2.3 percent of the labor force took part in government-sponsored training. Training courses are usually lengthy (averaging 1 year) and trainees are eligible for extended unemployment insurance or allowances.

A point of practical interest to U.S. policymakers is the positive example of Canada's Industrial Adjustment Service (IAS). At modest expense to the taxpayer (about $108 per year for every worker served), this small federal agency gives effective reemployment assistance (not including expenditures for retraining) to workers displaced by plant closings. This is accomplished by efforts at the plant level to turn up jobs. In fiscal year 1982-83, the Canadian IAS program served about 36,000 workers displaced in plant closings and large layoffs–equivalent to approximately 350,000 workers in the much larger U.S. labor force. This suggests that more effective delivery of readjustment services to displaced American workers might stimulate higher levels of participation than the 4 or 5 percent currently served by JTPA Title III projects.

Despite Canada's active policies to help displaced workers find jobs and to provide retraining to adults, Canadian unemployment rates have been high relative to those of most industrialized nations in the past dozen years, and were somewhat higher than U.S. rates (an average of 6.8 v. 6.3 percent from 1970 through 1981). Canada was hit very hard by the recession and had not recovered in 1984, when its unemployment rate was still over 11 percent.

THE EVOLUTION OF DISPLACED WORKER PROGRAMS

U.S. displaced worker programs originated in the automation scare of the late 1950s and early 1960s, when unemployment was on the rise and thousands of workers were losing jobs in industries undergoing structural change. The Federal Government, some of the States, private business, and labor unions all became involved in helping displaced workers.

Federal Employment and Training Programs: 1960-83

The first Federal program for retraining and reemployment of displaced adult workers since the Great Depression was established in 1961, under the Area Redevelopment Act (ARA). During his West Virginia travels in the 1960 Presidential campaign, John F. Kennedy pledged Federal assistance to lift the Appalachian region out of its long decline and to help chronically unemployed workers of the area to find jobs. One result of this pledge was the ARA program, funded at $14.5 million and available only to unemployed or underemployed workers in depressed areas. It offered free 16-week training courses and provided allowances equal to unemployment benefits during training. Other Federal programs were combined with this retraining to bolster economic development in depressed areas, especially Appalachia.

The Manpower Development and Training Act (MDTA) of 1962 created a much larger displaced worker program. MDTA was adopted in response to a rising national unemployment rate (approaching 7 percent in 1961) and to growing fears that technological changes were radically and permanently altering American industry, reducing jobs, and displacing midcareer adult workers. Under MDTA, unemployed and underemployed workers could take retraining courses of up to 1 year and draw a weekly allowance equal to unemployment benefits. Originally funded at $100 million a year, the aim of the program was to retrain adults, especially those displaced by technological change.

Within a year or two, the focus of Federal training efforts began to shift. The unemployment rate dropped and fears about automation faded. Public and congressional concern turned from displaced adult workers to the disadvantaged—poorly educated, unskilled workers with unstable work histories, and youths with no job experience at all. Congress amended MDTA in 1963 to allow spending of one-quarter of the funds on training for youths under 22, and money was also provided for literacy training. The following year, President Johnson declared his War on Poverty, proposing new, bigger programs for job training and job creation, but now targeted to disadvantaged young people and unemployed heads of households, many of them welfare recipients.

Throughout the 1960s and 1970s most of the focus remained on disadvantaged workers. The Comprehensive Employment and Training Act (CETA), signed into law by President Nixon in 1973, changed the mechanisms but not the main goal of the program, namely to help people handicapped by poverty, race, age, disability, or limited education to get a job. CETA consolidated nine earlier programs (including MDTA); transferred the responsibility for running them from the Federal Government to 476 prime sponsors, broadly representative local committees acting under the direction of mayors, county officials, or in some cases governors; and added a large new public employment component. As unemployment rose during the 1970s, the CETA program grew from $1.4 billion in 1973 to $10.3 billion in 1979, and public sector employment became much larger than training, By the end of the decade, training accounted for only one-quarter of the money spent on the program. Box 5A briefly describes the results of government-sponsored adult worker training programs of past years—MDTA and the training component of CETA.

Programs to help adult displaced workers did not drop completely out of sight during the later 1960s and 1970s. Most of the programs were quite small and targeted specifically to groups whose jobs might be affected by particular congressional actions. For example, loggers, sawmill workers, and others who might be displaced when Congress established the Redwoods National Park got special benefits in the Redwood Employee Protection Program.[1]

By far the largest of these special programs was Trade Adjustment Assistance. It was established in 1962 to compensate and retrain workers who lost their jobs to foreign competition due to lowered tariffs. TAA reached few workers in the next 12 years because proving that job losses were caused by lowered tariffs and certifying the affected workers was too difficult. In 1974, after a new round of tariff reductions, Congress liberalized TAA, making eligibility easier and extending benefits.

The revised TAA offered a generous benefits package to groups of workers who lost their jobs as a consequence of foreign competition: income maintenance at a higher level and for a longer period than unemployment insurance provided, plus training and relocation assistance. In its first 4 years (fiscal years 1976-79) the revised TAA program cost about $844 million, providing assistance to about 500,000 displaced workers. But in 1980 and 1981, with. large layoffs in the auto industry, spending shot up to $3.1 billion. Over 800,000 workers received TAA assistance in those 2 years.

From 1976-81, TAA funds went mainly to income maintenance, with little spent for retraining or other forms of readjustment assistance. Only $43 million of $3.9 billion, or $11 of every $1,000 spent, went for training, out-of-area job search, and relocation. Of the 1.4 million workers eligible for TAA, only 48,000 (3,5 percent) entered training, and 10,000 (fewer than 1 percent) got job search or relocation assistance. Only about one-third of those eligible for training ever heard about it, and the funds for training had to be borrowed from CETA, which had many other groups to serve. Moreover, bureaucratic delays in certifying workers' eligibility were very long. The average worker waited 14 months after layoff before getting his first TAA check, and by that time, half the affected workers were back at work.

Congress undid most of the income maintenance provisions of TAA in 1981. Cash benefits were cut back to the level of unemployment insurance (UI) payments, and were allowed to begin only after UI eligibility was exhausted. The training component of the program was kept alive, and in 1982 Congress earmarked funds for it ($25 million) for the first time.

In the 1978 CETA amendments, Congress had included a small program for displaced workers, As CETA neared its expiration date in 1982 and Congress considered whether to renew it, displacement of experienced adult workers was once again an urgent issue. With the economy in the trough of the deepest recession since the 1930s, with millions of workers on the streets, and with the distinct possibility that many would never return to their old jobs in the mill or on the assembly line, Congress enacted for the first time in 20 years a broad new program to assist displaced workers. It is contained in Title III of the Job Training Partnership Act of 1982, successor to CETA.

[1]For a description of these special programs, see U.S. Congress, House Committee on Ways and Means, ***Federal Provisions for Special Employee income Protection Programs and the** Unemployment **Insurance*** Program, Committee Print 96-49, Feb. 15, 1980.

[illegible]

The Job Tra n ng Partnersh p Act

TPA wa a p odu o b pa an oope a on and omp om e n Cong e e a ned CETA p mary empha on ob a an e fo he d ad an aged bu w h ma o hange The new aw wa de gned o uppo a n ng Pub e e emp oymen wa d on nued The aw a o pu d e on o ob a n ng p og am n the hand o S a e Go e no a he han o a me pon o unde upe on of he Depa men of Labo n add on TPA ga e he bu ne ommun y n h fo m o P a e ndu y Coun P C ma o new e pon b e fo de gn ng o a p o g am den fy ng o a ob oppo un e and ak ng pa n ad n n e ng he p og am

Two other important changes responded to criticisms of CETA. First, income support for trainees was much diminished. Critics had charged that the training allowances under CETA were quite often higher than the wages trainees could earn in paid employment, thus encouraging people to enroll for the wrong reasons. Others argued that many workers simply cannot afford training unless some form of income support is available, even if not as much as CETA provided. In the end, JTPA did not explicitly prohibit income payments to trainees, but did specify that 70 percent of the Federal funds going to JTPA projects must be spent on training and related employment services, leaving no more than 30 percent for administrative costs and support services. A limit of 15 percent was set for administrative expenses. Even though the law does not impose a strict 15 percent limit on support services payments,[2] this level has served as a rough guide to PICs and State and local officials. In the first 2 years of implementation, JTPA projects spent much less than 15 percent on support services.

Finally, JTPA specifically mandates performance standards for evaluating job-training programs, with rewards for success and sanctions for failure. The criteria for success of displaced worker programs are "placement and retention in unsubsidized employ merit," CETA contained no such explicit statutory requirements for performance.

JTPA's Title III (the section directed to adult displaced workers) focuses, like the rest of the law, on training. But training "and related employment services" are broadly enough defined to include many forms of reemployment assistance, such as counseling and job search services. Relocation assistance may also be provided. Exactly what services are provided, how, by whom, and for whom, is left up to the States. The only restrictions the law imposes on eligibility are that workers receiving benefits must fall into one of the following categories:

1. they have been terminated or laid off or have received notice of layoff, are eligible for unemployment insurance or have exhausted it, and are unlikely to return to their old industry or occupation; or
2. they have been laid off or received notice of layoff in a permanent closing of a plant or facility; or
3. they are long-term unemployed and have little chance of finding a new job in their old occupation or one similar to it in the area where they live; this includes older people whose age creates a barrier to employment.

[2]Title I IA of JTPA, for disadvantaged workers, specifies the conditions under which a waiver may be granted for exceeding the 30-percent limit on supportive and administrative services, Supportive services may include needs-based income payments and services that enable workers to participate in training, such as health care, transportation, and child care. In Title 111, for displaced workers, there is a 30-percent limit on spending for supportive services, wages, allowances, stipends, and costs of administration. The limit applies to Federal funds provided by formula to all of the States, but not to discretionary grants made by the Secretary of Labor. In any case, the limit applies to no more than half the total amount of Federal and non-Federal funds available to Title 111 programs.

Title III accounted for $223 million of the $3.8 billion allotted to JTPA in program year 1984.[3] State contributions from non-Federal sources are required to match about three-quarters of the Federal Title 111 money. As much as half of the match, however, can be UI payments to participating workers; also, the match does not have to be in cash, but may be in kind (e.g., office space and overhead contributed by community colleges). Altogether, the Title III portion is a relatively small part of the the whole JTPA program. Yet compared with what was previously available in Federal, State, and private programs for displaced workers, it was a huge infusion of new money. Before JTPA, there were a handful of displaced worker projects. By mid-1985, even with the very slow startup under Title 111, hundreds of projects were in existence throughout the Nation.

The Employment Service and Unemployment Insurance

This brief history of Federal programs serving adult displaced workers would not be complete without a mention of the Employment Service. Created by Federal law during the Great Depression, it is the oldest government service available to displaced workers, or anyone seeking a job. It was intended to serve the entire Nation with clearinghouses to bring jobseekers together with employers trying to fill job vacancies. Today, the system is a combined Federal-State enterprise, with the Federal Government establishing standards, issuing guidelines, prescribing activities, and providing the funds. The States are in charge of running the ES offices, in 2,400 locations across the country,

In theory, an ES office can do nearly everything a displaced worker project can do, except pay for training. It can counsel clients, help them sharpen job search skills, test them to find out their vocational and educational skills, refer them to training, contact employers to turn up jobs for them (i.e., develop jobs), as well as perform the traditional role of matching jobseekers with requests from employers. In fact, for many reasons—not least that ES staff has been stretched thinner over the years as more duties were laid on and the labor force grew—the ES usually provides very few of these services. In 1981, 7 percent of all jobseekers coming to ES offices received counseling, 5 percent skills testing, 1 percent training referrals, and 12 percent special efforts to develop jobs. Twenty-three percent of applicants were eventually placed in jobs.[4]

A serious drawback to displaced workers using the ES for its most basic and traditional service—finding jobs—is that many of the jobs listed with the ES are not very good. About 38 percent of the job listings flowing into ES offices are in low-pay low-status occupations; these jobs represent only 11 to 15 percent of total U.S. employments Experienced workers accustomed to middle-class wages may not get much help from the ES in finding a good new job. Moreover, the jobs listed with the ES are few compared with jobs that may actually be open on the "hidden job market, " but are neither listed nor advertised. A Federal survey in 1973 showed that only 5.1 percent of people looking for work in the previous year found jobs through their local ES office.[6]

One of the principal extra duties ES offices perform, in addition to job matching, is administering UI benefits, (The fact that most workers call the Employment Service "the unem-

[3]Federal funds under JTPA are provided to States in program years lasting from July 1 to the following June 30, rather than in Federal fiscal years from October 1 to September 30,

[4]U. S. Department of Labor, ***Employment and Training Report of the President*** (Washington, DC: U.S. Government Printing Office, 1982). These figures, for fiscal year 1981, are the most recent published on ES activities. The President's Employment and Training Report has not been published since 1982.

[5]Nearly half the job cinders filled within 1-day by ES offices are for these occupations. They include domestic worker, restaurant worker, janitor, farm worker, unskilled construction laborer, and service station attendant. See U.S. Department of Labor, Employment and Training Administration, ***The Public Employment Service and Help Wanted Ads*** [Washington, DC: U.S. Government Printing Office, 1975), pp. 68-70,

[6]By comparison, 34.9 percent were placed through direct application to employers, 26.2 percent through word-of-mouth information from friends and relatives, 13.5 percent through newspaper ads, 5.6 percent through private employment agencies, and the remainder by various means. See U.S. Department of Labor, Bureau of Labor Statistics, ***Jobseeking Methods Used by American Workers,*** Bulletin 1886 (Washington, DC: U.S. Government Printing Office, 1975), p. 7.

ployment office" is a tribute to the prominence of this task.) The purpose of unemployment insurance, also created by Federal law during the depression, is to provide temporary income replacement for workers who have lost jobs through no fault of their own.

The UI system covers 97 percent of wage and salary workers, although only about 30 to 50 percent of unemployed workers have actually collected benefits in recent years. The rest were ineligible because they had been unemployed so long that they exhausted their benefits, or because they had never worked, or had not worked long enough to qualify, or had left their jobs voluntarily. The proportion of unemployed workers eligible for UI in the United States is low compared with other industrialized countries. For example, in August 1984, Sweden, West Germany, and Japan compensated over 60 percent of their unemployed, while the comparable figure in the United States was 31 percent.[7]

Regular UI benefits last 26 weeks. The permanent Extended Benefits program, the costs of which are shared equally by the Federal Government and by the States, can provide another 13 weeks of coverage when the insured unemployment rate in a State is high;[8] the triggers are high enough that not many States qualified throughout the entire 1982-83 recession. In January 1985 only Alaska and Puerto Rico were eligible. The temporary Federal Supplemental Compensation (FSC) program, authorized by Congress for September 1982 through March 1985 and phased out thereafter, underwrote UI extensions of 8 to 14 weeks in all States and was paid for entirely by Federal funds. Some displaced workers covered by union contracts can also collect supplementary unemployment benefits (SUBS); for the most senior workers, SUBS together with UI may replace as much as 95 percent of earnings and last as long as 2 years.

The two main objectives of UI are: 1) to provide a cushion for unemployed workers between jobs, and 2) to help stabilize the economy in recessions. For displaced workers who have little hope of ever returning to their old jobs, UI can serve another purpose as well: provide a source of income while the workers learn job search skills or retrain for a new occupation. However, the relatively brief duration of UI, the low level of compensation in some States, and the difficulty of collecting it during retraining in some States and some circumstances all make it a somewhat uncertain source of income for displaced workers who choose training and education.

[7]For a complete description of the UI system, see U.S. Congress, House Committee on Ways and Means, ***Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means,*** Committee Print 99-2, Feb. 22, 1985.

[8]The insured unemployment rate in a State is the percent of workers covered by unemployment compensation who are collecting benefits. This rate has been substantially lower than the total unemployment rate in recent years, reflecting the fact that half or fewer of unemployed workers were collecting benefits. In 1983, when the civilian unemployment rate averaged 10.1 percent, the insured unemployment rate was 4.3 percent. The comparable figures for 1984 were 7.8 and 2.9 percent. In 1985, in most States, the Extended Benefit program was activated if the current 13-week average insured unemployment rate was 6 percent or above. Some States with high total unemployment rates did not qualify for the program because their insured unemployment rates were much lower.

FEDERAL DISPLACED WORKER PROGRAMS OF THE 1980s

By 1985, displaced worker projects were numerous and diverse. Delays in gearing up the new JTPA Title III program were common, but even so, more than 700 project sites existed in 1985, either providing services or planning to do so.[9]

[9]U.S. Congress, General Accounting Office, unpublished information.

Status of Title III Programs

Participation

In the first 9 months of the Title III program's existence—the transition year from October 1983 through June 1984—some 96,100 displaced workers signed up for services; in the following program year, July 1984 through June 1985, 177,700 workers were served, including 132,200 who were newly enrolled during the year. How many of the workers eligible for services are taking part in Title III programs is not certain, but it appears that participation is below 5 percent. In calendar year 1983, 3.3 million adult workers lost their jobs because of plant closings or relocations, abolition of positions or shifts, or "slack work."[10] Some of the job losses due to slack work may have been cyclical, but most of the 3.3 million job losers probably would fit the definition of displaced workers that the States generally use to determine eligibility for Title III programs.[11] Taking 3 million as a rough estimate of eligible displaced workers in 1983, about 4 percent participated.

Of the workers terminating from Title III programs by June 30, 1985 (that is, officially leaving the program by that date), 65 percent were male, 70 percent were white, 80 percent were high school graduates, and 94 percent were over 22 years old. Minority workers were overrepresented in Title III projects. They accounted for 30 percent of participants, but only 14 percent of all displaced workers (following the Bureau of Labor Statistics definition) from 1979 to 1983 (see table 5-1 and refer to ch. 3).

Outcomes

Of the 177,700 displaced workers taking part in Title III programs in program year 1984, 113,600 were terminees at the end of June 1985 (the rest remained in the program past that date). Of the terminees, 74,200 (65 percent) were reported as having "entered employmerit."[12] This entered employment rate, achieved in a time of economic stability and moderate growth, is comparable with the placement rates of the MDTA programs for adult workers in the 1960s.[13]

[10] Unpublished information from the U.S. Department of Labor, Bureau of Labor Statistics (BLS), based on the survey of displaced workers described in Paul O. Flaim and Ellen Sehgal, "Displaced Workers of 1979-83: How Well Have They Fared?" *Monthly Labor Review*, June 1985. The figure of 3.3 million includes all adult workers who lost jobs because of plant closings and employment cutbacks, regardless of tenure on the job. According to the BLS definition of displacement, which includes tenure of 3 years on the job lost, about 1.5 million workers were displaced in 1983. The BLS definition is more restrictive than the definition of eligibility used by most States.

[11] See the section entitled Eligibility, this chapter, for a discussion of States' definitions of workers eligible for Title 111 services.

[12] U.S. Department of Labor, ***Highlights of JTPA Program performance for Titles IIA and III During the JTPA Program Year 1984*** (Washington, DC: Department of Labor, November 1985). The other major source for data in this section was an OTA survey of officials of State Title 111 programs. OTA conducted the survey by telephone from November 1984 through February 1985 and received information from 49 of the 50 States. Not all States were able to supply all the information requested. Despite some inconsistencies in the reporting and the incomplete data, the telephone survey yielded information not available elsewhere about the early implementation of Title 111 programs.

[13] Placement rates for displaced workers in MDTA projects were generally about 70 percent in the 1960s, also a relatively prosperous period. See Gerald G. Somers, ***Retraining the Unemployed*** (Madison, WI: The University of Wisconsin Press, 1968).

Table 5-1.—Enrollments, Outcomes, and Selected Characteristics of Terminees, JTPA Title Ill Program, October 1983-June 1985

	October 1983-June 1984	July 1984-June 1985
New enrollments	96,100	132,000
Terminations	50,500	113,600
On board at end of period	45,600	64,100
Entered employment:		
Number	36,500	74,200
Percentage of terminations	720/o	650/o
Selected characteristics of terminees:		
Male	68%0	620/o
Minority	30	30
22 years and older	95	94
High school graduate	78	80

NOTE: Figures are for 50 States, Puerto Rico, and Territories.

SOURCE: U.S. Department of Labor, Employment and Training Administration, "Highlights of JTPA Program Performance for Titles IIA and Ill During the JTPA Transition Year (October 1983-June 1984)," November 1984; and "Highlights of JTPA Program Performance for Titles IIA and III During the JTPA Program Year 1984 (July 19&-June 19S5).

Table 5-2 shows by State the number of displaced workers enrolled in Title III projects during the transition year, the entered employment rates for those who terminated, and wages on the old job and the new one (where these data were available). Twenty-nine States reported entered employment rates above the national average, which was 72 percent in the transition year; 10 States claimed entered employment rates of 90 percent or above.

Table 5-2.—Enrollment and Outcomes in JTPA Title III Programs by State, October 1983-June 1984

State	Enrollment	Total terminated	Entered employment rate[a]	Average hourly wage: Old job	Average hourly wage: New job
Alabama	2,713	1,538	78%	$5.15	$4.68
Alaska	0	0	0	NA	NA
Arizona	1,554	484	91	10.46	8.81
Arkansas	2,762	1,269	88	NA	NA
California	8,839	5,031	73	8.02	8.53
Colorado	286	256	90	7.00-20.00	6.50-10.00
Connecticut	527	386	89	7.23	7,46
Delaware	285	112	90	NA	NA
Florida	1,139	730	82	NA	4.20
Georgia	630	41	76	5.42	5.03
Hawaii	564	345	73	4.91	4.94
Idaho	228	136	77	NA	8.13
Illinois	7,567	3,051	65	NA	6.61
Indiana	3,628	975	81	NA	NA
Iowa	3,958	2,447	51	7.88	6.69
Kansas	698	376	89	6.11	5.64
Kentucky	828	291	59	NA	NA
Louisiana	361	309	60	NA	NA
Maine	246	126	94	NA	5.00
Maryland	2,406	1,250	66	NA	NA
Massachusetts	1,127	532	87	4.00-12.00	6.00
Michigan	3,524	1,737	95	NA	9.47
Minnesota	2,840	1,740	63	NA	6.25-7.00
Mississippi	1,894	1,242	71	4.44	4.18
Missouri	5,778	5,041	81	7.53	7.93
Montana	1,199	947	78	10.00	7,92
Nebraska	473	266	46	6.00	5.58
Nevada	1,478	848	66	6.84	5.78
New Hampshire	403	227	90	8.50	6.00
New Jersey	1,979	529	71	NA	NA
New Mexico	102	54	30	14.00-15.00	NA
New York	1,144	665	68	5.78	6.19
North Carolina	3,691	1,166	96	4.53-6.14	4.10-4.88
North Dakota	102	29	38	5.34	4.87
Ohio	4,699	2,256	74	NA	5.35
Oklahoma	166	62	53	3.00	5.00
Oregon	1,690	1,016	89	NA	6.14
Pennsylvania	5,875	4,135	49	7.11	8.80
Rhode Island	608	438	77	5.00-6.50	4,50-5.00
South Carolina	1,718	798	67	4.60	4.73
South Dakota	25	10	100	3.72	5.14
Tennessee	599	339	66	5.28	4.94
Texas	2,227	1,352	67	NA	NA
Utah	434	202	71	7.26	6.88
Vermont	94	39	85	4.60	5.54
Virginia	6,778	3,400	73	NA	3.87
Washington	2,293	1,124	90	NA	NA
West Virginia	1,385	876	89	6.24	7.71
Wisconsin	3,859	1,497	91	7.81	6.33
Wyoming	171	133	29	7.55	7.32

NA—Not available.

[a]The entered employment rate is the percentage of clients terminating from Title III programs who found jobs.

SOURCES: Fordataon enrollment, total terminated, and entered employment rates (except for Colorado), U.S. Departmentof Labor, Employment and Training Administration, unpublished data Foraverage hourly wages on old and new jobs, OTA telephone survey The OTA survey was also the source for total terminated and entered employment rates for Colorado. At the time Colorado reported to the Labor Department (June 30, 1984), no participants in the State's Title III program had yet found jobs. At the time of theOTA survey (from fait 1984 through winter 1985), 90 percent of terminees had entered employment

The term "entered employment" may be somewhat misleading as a measure of placement results of the programs. Since it is based only on those who terminated from the programs, it is higher than and not comparable with placement figures based on all participants in a program. (MDTA projects reported on this basis, showing placements as a percentage of all who enrolled; so did the national dislocated worker demonstration projects of 1982 and 1983, described in ch. 6.) In a new program, entered employment rates may temporarily overstate favorable outcomes, since the best qualified participants may find jobs first, and thus leave the project first. The entered employment rate for program year 1984 did in fact decline to 65 percent, from 72 percent in the transition year. In addition, anecdotal evidence suggests that some projects, trying to show good placement results, do not even list clients as enrolled until they are fairly certain the client will be placed,

Also, entered employment rates include recalls to old jobs as well as placement in new jobs. This helps explain Michigan's remarkably high reemployment rate in the transition year. The State's biggest Title III project at that time was the Pontiac Retraining and Employment Program, serving nearly 2,200 auto workers who had long been on layoff from General Motors plants. When auto manufacture picked up in 1984, most of these workers were recalled, and the project showed an entered employment rate of 93 percent. The recalls also shed light on Michigan's reported average reemployment wage of $9.47, the highest reported by any State for the transition year (table 5-2).

Not all States with high reemployment rates had the same experience as Michigan. Arizona, for example, reported a 91 percent entered employment rate, but it was not due to recalls, Sixty percent of the displaced workers served by Arizona's Title III projects had been connected with the copper industry, which was depressed in the mid-1980s and was not recalling many workers. Other Arizona clients, from a variety of manufacturing industries, also got new jobs, not recalls.

There may also be special reasons why some States show extremely low reemployment rates. New Mexico, for example, had just begun its displaced worker program at the end of the transition year; the State's entered employment rate of 30 percent was based on only 102 enrollees and probably is not representative.

The earnings data reported by States show only moderate drops in wages for the displaced workers who were reemployed with the assistance of Title III projects. Of the 30 States reporting average old and new wages of their clients, 19 reported lower reemployment wages.[14] Six States reported average wage losses of as much as 20 percent. Nine States reported higher average wages on the new jobs; four showed increases of 20 percent or more. In two States, the new average wage was nearly identical with the old. On the whole, reemployment wages were modest. According to a Labor Department survey of a sample of Title III projects, the average for participants finding new jobs by March 1985 was $6.15 per hour.[15] The average private sector wage was then $8.52 per hour.

Funding and Spending

JTPA provides that Federal grants for displaced worker programs may be given to States in two ways: by formula, or at the discretion of the Secretary of Labor. Formula grants are allocated to each State in accordance with its relative share of all unemployed workers in the country, its share of "excess" unemployed workers ("excess" being defined as more than 4.5 percent of the civilian labor force), and its relative share of people unemployed longer than 15 weeks. At least three-quarters of all JTPA Title III grant money must be allotted to the States by formula grants and, except where unemployment is high, the States must match

[14] OTA telephone survey.

[15] U.S. Department of Labor, Employment and Training Administration, Division of Performance Management and Evaluation, ***Summary of JTLS Data for JTPA Title IIA and III Enrollments and Terminations During January-March 1985*** (Washington, DC: Department of Labor, August 1985]. The report includes data for Title 111 programs for July 1984-March 1985.

the grants dollar for dollar, in cash or in kind, from public or private funds. Up to one-quarter of the Title 111 money can be reserved for the Secretary of Labor's discretionary grants, which go to benefit people affected by mass layoffs, natural disasters, or Federal Government actions (e.g., relocation of Federal facilities), or to people who live in areas of high unemployment or in designated enterprise zones. No State match is required for the discretionary grants.

In the 21-month startup period for JTPA programs, October 1982 through June 1984, the States received about $201 million of Federal money to support displaced worker projects. For several reasons, spending for the new Title III program started up rather slowly. For the first 12 months of that period (fiscal year 1983), displaced worker projects could apply for JTPA grant money, but State Title III programs had not yet begun. The projects that received Federal funds during that time were mostly ones already operating, such as six demonstration displaced worker projects that were originally funded by CETA and other Labor Department funds.

In October 1983, the JTPA program officially began. States began to implement both their Title 11A programs (for disadvantaged workers) and Title 111 programs (for displaced workers). Whereas Title 11A was in some respects a continuation of CETA, with experience behind it, Title III was brand new. Many States did not begin serving displaced workers until nearly the end of the transition year. By June 30, 1984, States had spent $74 million, about 37 percent, of the $201 million. More was in the pipeline, however, A survey of 20 States showed that they had obligated over 97 percent of their Title III funds for the year.[16]

At the end of program year 1984 (June 30, 1985), the carryover of unspent Title 111 funds was still larger—about $184.5 million—despite the fact that the pace of spending had picked up. During the year, States had $343.5 million in Federal Title III money available for spending (this included funds carried over from previous years plus new appropriations). Taken altogether, the States spent $159 million, or about 46 percent of the available funds. In a telephone survey by the National Governors' Association (NGA), 20 States reported on obligations as well as spending of their Title III funds. They had fully obligated their formula-funded grants, and had obligated 89 percent of all available money (formula and discretionary). States also reported to NGA that they had spent 71 percent of their formula allocations, and 31 percent of discretionary grants. *7

Location and Operation of Projects

Because of the flexibility JTPA affords, the 700-odd" current displaced worker projects vary greatly, ranging from projects centered around a single plant closing to services distributed throughout the State in local offices, available to any displaced worker who walks in. Operators of the projects are equally diverse. JTPA gives control of displaced worker programs to the States; in all but seven the Governor or State agencies kept control of the Title III program instead of turning it over to local entities, the Service Delivery Areas (SDAs).[18] Some States designated existing agencies (often State Employment Security Agencies, which operate the ES system) or a consortium of agencies (often including the State departments of labor, education, and economic development) to deliver displaced worker services statewide. More commonly, States decided that their existing agencies lacked the capacity to run the new projects, and instead appointed a State official to choose contract operators through

16 Robert F. Cook, et al., *Transition year Implementation of the Job Training Partnership Act,* report prepared for the U.S. Department of Labor, Employment and Training Administration (Rockville, MD: Westat, Inc., 1985].

17 National Governors' Association, ''Background Information Regarding JTPA Title III Funding,'' survey summary attached to memorandum entitled *Legisline* (Washington, DC: National Governors' Association, October 1985),

18 SDAs represent much the same kind of local governmental bodies as prime sponsors under CETA. Under JTPA, a good deal of authority over the job training programs for disadvantaged workers (Title 11A) remains with the SDAS and their associated PICs. Title 111 is different: States can keep full control of displaced worker programs if they wish to,

competitive bids.[19] The result is a melange of project operators, including State agencies, local governments, community colleges, vocational technical schools, SDAs, PICs, companies, unions, and community-based organizations.

Illinois, for example, established a network of 23 centers for displaced workers, mostly in community colleges, but a few run by such operators as a county agency, a city agency, a union council of building trades, and a community-based organization. The Illinois Department of Commerce and Community Affairs, which is in charge of the State's program, selected areas of high unemployment and economic distress in which to locate the centers.

Wisconsin has a different mix. In several counties, the local ES offices dispense a broad array of services to all eligible displaced workers. Other projects are targeted solely to workers displaced by technological changes in particular plants; they offer retraining to equip the workers for jobs that depend on the new technologies.

Some States are concentrating on economic development in using their JTPA funds, offering customized training to attract new businesses, or providing wage subsidies to employers in the form of 50-percent payment of on-the-job training expenses. In these States, the agencies responsible for economic development are likely to take a leading role in the planning, and sometimes the management, of Title 111 programs.

Service Mix

The different kinds of services that displaced worker projects customarily offer are briefly outlined in box 5B, with a rough indication of their costs. Reflecting different local needs and the different approaches that States have taken, projects vary widely in the mix and range of services they offer. In Maine, for example, the Franklin County Community Action Council operated a full-service project for workers displaced from two shoe factories, beginning with pre-layoff services. Workers received counseling, prevocational competency training (i.e., basic literacy and math), skills training, job development, support services, and relocation assistance. Other projects provide much more limited options. For instance, where States are using Title 111 programs for economic development, displaced worker projects tend to feature customized training or on-the-job training. Some of the projects in several States (e.g., North Carolina, Rhode Island, and Tennessee) offer only these services.

The mix of services now offered in all Title III projects is difficult to determine. The Department of Labor does not require reports on the service mix, although it does collect information on the subject from time to time on a study or sample basis. Nor do the States, which usually defer decisions on the service mix to local project directors, have very precise information on the number. of participants receiving various services or on the amount of funding devoted to each. Discussion of issues related to the service mix in Title III projects in 1984 and 1985 appears in the next section of this chapter.

Issues in Implementing JTPA Title III

It is premature to make definitive judgments about the sufficiency and effectiveness of the JTPA Title 111 program in responding to the problems of worker displacement. First, the program is still young. Most States did not even begin to organize their Title III programs until well into the transition year, which ended in June 1984. Second, information about the make-up and outcome of the programs is extremely scanty. The reports States are required to submit to the Department of Labor on the operation of their programs are brief and infrequent; they are submitted only once a year

[19] As of 1984, 17 States had chosen to operate statewide Programs; 16 used State agencies and 1 contracted with the AFL-CIO employment and training unit to run the program statewide. Thirty-two States used requests for proposals to select contractors for individual projects, Seven turned JTPA funds over to SDAs. (These numbers add to more than 50, because some States used more than one method of allocating JTPA resources.) See Wayne M. Turnage, et al., ***The Organization of Title II of the Job Training Partnership Act in 50 States,*** report to the U.S. Department of Labor, Employment and Training Administration (Rockville, MD: Westat, Inc., 1984).

Box 5B.—Major Types of Service Offered in Displaced Worker Programs

Once displaced workers are enrolled in a reemployment-retraining project, they may be offered different kinds of services, depending in part on their individual abilities and interests, but also in part on what the project has to offer. Not all projects offer a full range of services. The brief descriptions below cover the major services offered by a full-range project, at the point where workers are already enrolled and have been assessed for their skills, interests, background, and abilities. For a discussion and evaluation of these services, see chapter 6.

Job Search Assistance.—This may include both training for the individual worker in how to look for a job effectively and assistance from the project in finding a job. Training in job search skills—assessing one's own skills and experience, producing a resume, practicing interviews, identifying potential employers—is often done in groups, in 1- to 5-day workshops. In addition, some projects have staff job developers, who look for job openings that are not publicly listed in addition to compiling job listings from newspapers and the Employment Service. Job developers may also match applicants with job openings, sometimes using an automated job-matching system. Many projects have a resource center where clients can find job listings, make telephone calls to employers, and get encouragement and job counseling from project staff.

Most displaced worker projects strongly emphasize job search assistance. Some require every participant to take a job search skills workshop as a first step in the program. Some require clients to undertake a few weeks of job search before becoming eligible for training of any kind. Also, workers who take training may return to the project afterward for help in finding a job. Job search assistance is usually less expensive than other major services displaced worker projects offer; four demonstration projects in 1982-83 reported the cost of job search assistance alone as ranging from about $400 to $1,400 per participant.

Vocational Skills Training in Institutions.—Workers who need training in a new skill to get a suitable job and who have the requisite background may be offered formal courses in vocational schools, community colleges, or private institutions. Workers may sign up for existing courses, but often a project will develop special courses open only to their clients. Typically, in projects that are strongly committed to training, one-fifth to one-third of clients may enroll; the proportion may be higher in the trough of a business cycle when few jobs are to be had. Four demonstration projects reported costs of about $800 to $3,500 per participant for classroom vocational training in 1982-83.

On-the-Job Training.—Workers who possess general work skills but need to learn the skills required for a specific job may be offered on-the-job training (OJT). The displaced worker project pays a portion of the trainee's wage (usually one-half) for a limited time (usually 3 to 6 months), after which the employer is expected to keep the worker on. Many projects regard OJT as more a placement tool than as training in a transferable skill. Essentially, OJT compensates employers for the cost of training workers in skills specifically needed in their firms, and for the lower productivity of workers in training. Costs of OJT in four demonstration projects ran from about $1,000 to $2,500 per participant.

Remedial Education.—A substantial minority of displaced workers—20 percent or more of the participants in some projects—lack basic reading and math skills, and thus are seriously handicapped in finding a new job. A few projects have developed effective remedial education courses for their clients, achieving high rates of participation. Costs to these projects for remedial education courses averaged $100 to $250 per participant. Public school systems and Federal grants absorbed a major share of the costs, as they generally do for adult basic and remedial education; the projects paid for extras.

Relocation Assistance.— This may include gathering information about jobs and living conditions in other communities; referral to prospective employers out of the area; defraying the costs of travel for a job interview; and cash assistance with the costs of moving. Publicly funded displaced worker projects rarely if ever reimburse all the relocation costs to workers who decide to move. (Full costs might include, for ex-

[illegible]

as of the end of June and contain only minimal information on program activities. Supplementary studies sponsored or conducted by the Labor Department add some information to the annual reports, and OTA has collected some additional data from States, but the sum of information on how the Title III program is progressing remains quite incomplete.

A few major points have emerged. The Title III program, as noted above, served quite a small number (probably no more than 5 percent) of the eligible workers in the transition year. The number of workers served in the 1984 program year rose slightly, but estimates of the eligible population are not available for any year after 1983. The reasons for the low participation are not clear—whether it was due to a slow startup of the program, or whether workers did not know about Title 111 services, or thought they did not need them, or thought the services were not effective is unknown. The contrast with neighboring Canada in numbers of displaced workers served by a national program is considerable. As described later in this chapter, Canada's 2&year-old Industrial Adjustment Service brings reemployment and readjustment services to workers into plants hit by closings or large layoffs, usually before the layoffs begin. In fiscal year 1982-83, about 36,000 Canadian workers received these services; this translates to about 350,000 American workers, since the U.S. work force is nearly 10 times as large as Canada's. In the 1983-84 transition year, JTPA Title III programs in the United States served the annual equivalent of about 128,000 displaced workers.

A second point is that the Title 111 programs strongly emphasize prompt placement in a new job, with retraining playing a relatively minor role. Several factors influence this choice, including the stress placed by program directors and business advisors on quick placement as a goal, the low cost of this strategy, and the expressed desire of many displaced workers to get back to work as soon as possible. Data on how many workers are receiving training in new or upgraded vocational skills are fragmentary, but overall spending figures for the Title III program indicate that training is not a very prominent feature. Vocational skills training is relatively expensive, often the most costly choice in displaced worker projects. Individual projects that are strongly committed to retraining spend about $2,000 to $3,000 per worker. In the Title III program during the transition year, the Federal share of spending was $768 per worker, and in program year 1984, $895 per worker.[20]

Third, in several important respects, the Title III program is working in accordance with major emphases in the law. States are in overall charge of the programs, and the Federal role is minor. The influence of private business is strong, especially in the local PICs. Sixty percent of the PICs are reported to have a primary or dominant role in local policymaking, and another 18 percent are characterized as equal to local officials in importance. The business influence is felt in several ways, including an orientation toward placement, low costs, and marketing the program for greater credibility with employers.[21] The act's requirement for

[20] Although States are required to match about three-quarters of Federal Title 111 grants from non-Federal sources, a large part of the match comes from UI payments or in-kind contributions from State, local, and private sources. Thus it is difficult to estimate the cash value of' non-Federal contributions to the Title 111 programs.

[21] Cook, et al., Op. cit., pp. 12-13; Gary Walker, Hilary Feldstein, and Katherine Solow, ***An Independent Sector Assessment of the Job Training Partnership Act, Phase II: Initial Implementation*** (*New* York: Grinker, Walker Associates, 1985); U.S. Senate, Committee on Labor and Human Resources, ***Oversight—job Training Partnership Act,*** hearing before the Subcommittee on Em-

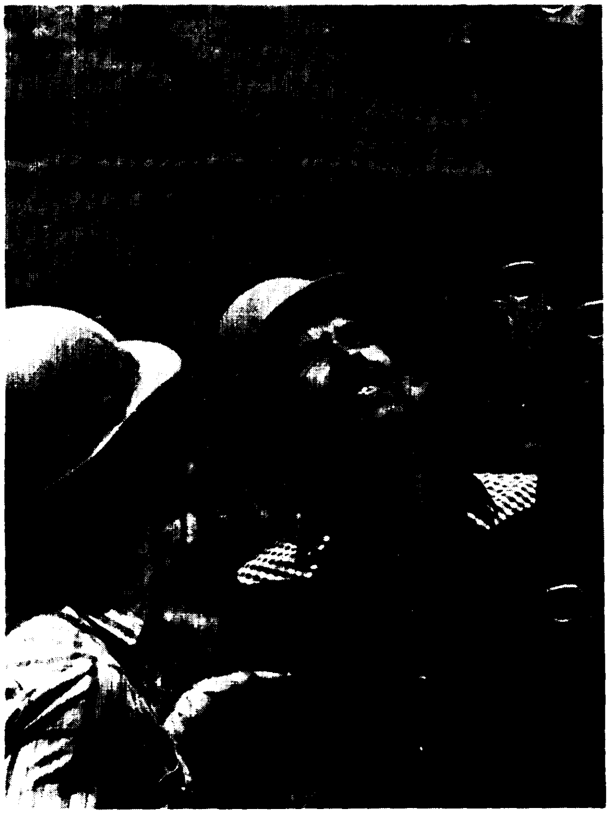


Photo credits: California Employment Training Panel

Retraining offers many displaced workers their best opportunity to get a new job with good pay and opportunities for advancement. Some training courses are in high-technology occupations (cable television, left) and some in traditional ones (cabinetmaking, right).

emphasis on training and related employment services, rather than support services and administration, has so far been satisfied. In the transition year, Title III projects spent 17 percent for administration and only 6 percent for supportive services; in program year 1984, 16 percent went to costs of administration and 7 percent to supportive services.[22]

ployment and Productivity, 98th Cong., 2d sess. (Washington, DC: U.S. Government Printing Office, 1984) and ***Preliminary Oversight on the Job Training Partnership Act,*** report prepared by the Subcommittee on Employment and Productivity (Washington, DC: U.S. Government Printing Office, 1984).

[22]U.S. Department of Labor, ***Highlights of JTPA Program performance During the JTPA Transition Year*** (Washington, DC: Department of Labor, 1984); and U.S. Department of Labor, ***Highlights of JTPA Program Performance During Program Year 1984,*** op. cit, 1984,

These achievements in carrying out major intentions of the law are accompanied by some concerns. The emphasis on rapid placement of participants in jobs and low program costs may tend to skew the service mix so that the individual needs of some participants are not met—such needs as training in new vocational skills and improvement of basic reading and math skills. Questions have been raised about whether the Federal hands-off approach has gone so far that States lack adequate information and technical assistance. Other issues arose with the 55 percent budget cut for the Title III program for fiscal year 1986. The discussion below considers issues such as these, concentrating on those of particular interest to Congress and other policy makers.

Service Mix

On the basis of overall program spending figures, it appears that retraining has not so far been a large component of the Title III program. The question arises whether the program emphasis on high placements and low costs might bias the mix of services offered to displaced workers. Does the program create incentives to pay too much attention to short-term outcomes and too little to the long-term needs of the individual worker? In particular, is skills training slighted simply because it costs more than job search assistance? Is on-the-job training (OJT) oversold because it virtually guarantees high placement rates, at least for one day after placement when the results are recorded? Are needs for remedial or brush-up courses in reading and math put aside, because these courses do not bring immediate payoffs in low-cost placements? Answers to these questions are not entirely clear, but a combination of factors, including the program stress on placements and low costs, and also client desires, influence the service mix in Title 111 projects.

The quantitative information available on the Title III service mix is not only limited, but may be misleading. In a survey of selected Title III projects, the U.S. Department of Labor found that 31 percent of clients are initially assigned to job search assistance, 25 percent to classroom training, 24 percent to on-the-job training, and 20 percent to "other services, " which include assessment, vocational or personal counseling, or "pre-employment skills" services. This breakdown very likely understates the number of participants receiving job search assistance, since it reflects only the client's initial assignment and does not include job search services offered later to those who completed classroom training or other services.[23] In view of the low overall per capita spending for the Title III program in the transition year and program year 1984, the figures may also overestimate those receiving classroom training. The definition of classroom training used in the Labor Department survey specified that it includes basic education, skills training, or a combination of the two, that it is usually conducted in a school-like setting, and that it provides the academic and/or technical competence required for a particular type of job.

In response to the OTA telephone survey, State Title III managers emphasized their uncertainty about the service mix their clients were receiving, but some did offer estimates. Table 5-3 shows the results for the four most frequently mentioned services: counseling, job search training, on-the-job training, and vocational skills training in schools and institutions.[24] Of the States that replied, half or more reported that at least 50 percent of participants in Title III projects received counseling and job search training. Most of the responding States said that fewer than 50 percent of clients received on-the-job training and fewer than 25 percent got vocational skills training in institutions.

A contract study for the Labor Department, looking at 23 local displaced worker projects run by Service Delivery Areas, also found an emphasis on job search skills training.[25] More than half the projects concentrated on training in such techniques as resume writing, methods for locating employment, and group job-finding efforts (job clubs). Some projects supplemented these activities with counseling and referral services. The study observed: "Project operators believe Title III participants need job search instruction more than institutional training." Seven projects required clients to attend job search training classes before they were eligible for any form of skills training. Five projects provided only assessment of clients' skills and experience, in addition to job search assistance.

[23] U.S. Department of Labor, ***Summary of JTLS Data for JTPA Title IIA and Title III,*** op. cit.

[24] In interpreting table 5-3, the reader should keep in mind that the States had different amounts of information about participation in various services. Thirty-eight States gave estimates for the percentage of their clients receiving on-the-job training, 34 for job search training, 31 for counseling, and 29 for vocational skills training in institutions. The rest of the States may have offered some of these services; in most cases where States did not respond, they simply lacked information.

[25] Cook, et al., op. cit.

Table 5-3.—Percentage of Participants in Title Ill Displaced Worker Projects Receiving Various Services, October 1983-June 1984

Percentage of participants provided the service	Number of States reporting			
	Counseling	Job search training	On-the-job training	Vocational training in institutions
≤ 24%	9	8	14	15
25 to 490/0	3	7	11	7
50 to 74%	4	7	5	6
≥ 75%0	15[a]	12	4	1
Totals	31	34	38	29

[a]Thirteen of these fifteen States reported that 90 to 100 percent of their Title Ill clients received counseling.

NOTE: Total States reporting may not include all the States that offer the service in question. States' information was incomplete on what services were provided to participants in local Title III projects.

SOURCE: OTA telephone survey

Nine of the twenty-three projects had designed specific skills training programs, usually short-term courses in educational and training institutions. Twelve projects offered some on-the-job training, but few relied on it as the major focus of their efforts. One SDA favored OJT because it provides income to trainees, and others were attracted by the high probability of placement once the OJT subsidy ends.

In its survey of State Title 111 managers, OTA questioned whether JTPA performance standards, required under the law, are having an effect on the service mix, JTPA directs the Secretary of Labor to set performance standards to determine whether a program meets the goals that Congress established. The Department of Labor issued such standards for the transition year for Title 11A programs, setting numerical values for seven measures of performance, including entered employment rates for adults, youths, and welfare recipients (e.g., the number of people finding jobs in relation to the number terminating from the program); positive termination rates for youths (which includes achieving higher competency in basic reading and math skills as well as finding a job); costs per participant who entered employment and costs per positive termination. States can modify the nationwide standards to accommodate local economic conditions and the character of participants served.

The Labor Department had not yet set numerical standards for Title 111 by mid-1985, but States were required to establish a standard for entered employment for the formula-funded portion of their Title III program. Forty States reported by early 1985 that they had adopted performance standards, eight of them using Title 11A standards and the others adopting separate Title III standards.[26] By and large, the standards were not overly demanding; only a few States had trouble meeting them. Table 5-4 shows the entered employment standard for the States reporting it and the actual entered employment rate in those States in the transition year. Only a few States include in their Title 111 performance standards anything beyond costs and entered employment rates. Eleven States reported that they have a standard for reemployment wages, ranging from $4.20 to $5.54 per hour; in two States (Massachusetts and Wisconsin) the new wage must equal at least 85 percent of the wage on the old job. Two States (Washington and Wisconsin) said they specify retention on the new job as a standard (e.g., 90 percent of workers placed must keep their jobs for at least 6 months to meet the standard).

Responses to OTA's survey indicated that pressure to achieve higher placements and lower costs probably issued less from the JTPA performance standards than from the informal goals that program managers and private sector policymakers were striving to achieve. One State, Massachusetts, reported that it had set qualitative goals as well as quantitative place-

[26]Four of the forty States reporting that they had established performance standards for their Title 111 programs did not specify what the standards were.

Table 5-4.—Performance Standards for Entered Employment Rates and Actual Entered Employment Rates, by State, October 1983-June 1984

State	Performance standard for entered employment rate	Actual entered employment rate
Alabama	65.0	78
Alaska	48.8	
Arizona	50.0	91
Arkansas		88
California	72.0	73
Colorado		90
Connecticut	55.0	89
Delaware	60.0	90
Florida		82
Georgia	58.0	76
Hawaii	55,0	73
Idaho	51,8	77
Illinois	d	65
Indiana		81
Iowa	55.0	51
Kansas	65.0	89
Kentucky	58.0	59
Louisiana	55.0	60
Maine	80.0	94
Maryland	55,0	66
Massachusetts	75.0	87
Michigan		95
Minnesota	58.0	63
Mississippi	60.0	71
Missouri	60.0	81
Montana	58.0	78
Nebraska		46
Nevada	68.0	66
New Hampshire	56.0	90
New Jersey	58.0	71
New Mexico	52.0	30
New York		68
North Carolina	72.0	96
North Dakota	58.0	38
Ohio	60.0	74
Oklahoma	58.0	53
Oregon	58.0	89
Pennsylvania	e	49
Rhode Island		77
South Carolina	65.0	67
South Dakota	63.1	100
Tennessee	58.0	66
Texas	58.0	67
Utah		71
Vermont	58.0	85
Virginia		73
Washington	60.0	90
West Virginia		89
Wisconsin	60.0	91
Wyoming	d	29

[a]No clients were served in Alaska's Title III program in the transition Year.
[b]No information available.
[c]Title III standard not established.
[d]Standard established but not specified in reply to OTA survey.
[e]In Pennsylvania, each Service Delivery Area sets Performance standards.

SOURCES: U.S. Department of Labor, Employment and Training Administration, unpublished data, for actual entered employment rates (except for Colorado)" OTA telephone survey for entered employment rate performance standards and actual entered employment rate for Colorado.

ment and cost goals. The qualitative goals included involvement of labor, PICs, community-based organizations, and community development corporations in Title III programs; encouraging program innovation; and a mandate for equal access to the program for "linguistic and cultural minorities."

Twelve of 42 State Title III managers said that the State's performance standards or goals had a dominating effect on the service mix in projects. Several volunteered that the effect was highly positive. Most saw no conflict between the interests of the clients and the goals of "getting people out quickly" and "stretching dollars." Like many of the directors of local projects, State Title III officials regard short-term, inexpensive job search assistance as best suited to the needs of experienced adult workers. Thirty States saw less influence from State performance goals or standards. A Connecticut official, for example, said the State's Title III program is "people oriented, not goal oriented." In Massachusetts, with its unusual qualitative performance standards, a Title 111 official reported that the State standards do have an effect, which is to ensure that minority group members receive services.

Officials in five States (Kansas, New Mexico, Oklahoma, Oregon, and Texas) explicitly stated that funding is the driving force behind the service mix in their Title III programs, and many other States alluded to this factor, remarking especially that the high cost of vocational skills training in institutions is a deterrent. Other principal factors determining the service mix were the requirement for State matching funds (which favors OJT, since most States count the employer's 50 percent share of the OJT wage toward the match) and the desire of many displaced workers to return to work immediately. In addition, projects operating in rural areas or small towns are often remote from institutes or community colleges that offer vocational skills training,

Costs to the client as well as to the program are seen as a deterrent to classroom skills training. JTPA discourages support payments and stipends; so far, 6 to 7 percent of Federal Title III funds have been spent for supportive services. Displaced workers who enroll in classroom training must have another source of income, such as unemployment insurance or another family member's earnings. In addition, courses in vocational-technical schools and community colleges are usually on a semester schedule, which may not fit the need of many displaced workers to begin training promptly.

One of the few States to emphasize classroom vocational skills training was West Virginia. With an unemployment rate of nearly 16 percent, the State was not required to match JTPA Title III funds, so that tuition assistance to displaced workers became affordable. With few jobs available, it appeared that clients were willing to invest the time in classroom training. In Ohio, too, with its pockets of high unemployment, officials mentioned considerable use of vocational skills training. Of 10 other States reporting that substantial numbers of clients (one-third or more) were enrolled in classroom skills training, three-Arizona, Colorado, and Utah—offered similar explanations. All three States targeted long-term unemployed miners for service and offered them a chance to train for new occupations.

On-the-job training is favored by State program managers over classroom skills training because it provides an easy match, and clients are reported to like it because they can begin to earn money right away. Nonetheless, the evidence so far indicates that OJT was not much more prominent in Title III programs in the transition year than was classroom training. The reasons must be speculative, but perhaps most displaced worker clients were able to find jobs in an expanding economy with brief, inexpensive job search assistance, without wage subsidies. OJT may in some instances cost less than classroom training, or at least provide a match more readily, but it costs more than job search assistance alone. As mentioned, some projects require clients to search for jobs for a few weeks before allowing them to apply for any kind of training. Other projects may have no such formal requirement but still may regard classroom training as the last resort. For instance, Arizona, with its commitment to retraining unemployed miners, still tried to keep the training brief and to concentrate on improving existing skills such as welding.

Remedial Education

In projects serving displaced workers, staff members often comment on the need many of their clients have for remedial education in basic skills–reading, math, and oral and written communication. It is not uncommon for 20 percent of participants in the projects to test at the sixth grade level or below in reading and math, even when the majority are high school graduates.[27]

Many of the State Title III program managers who commented on remedial education appeared to have a different perspective from that of project staff, who work directly with clients. Some State officials said there was little demand for the service because most displaced workers are not interested in more education. Others said their clients did not need the service because most were high school graduates. Still others said that since remedial education is already offered by local school systems, Title III projects do not need to provide it; rather, the projects should refer clients to existing programs. State officials expressed little interest in finding more effective ways to bring remedial education to workers who need it. Chapter 6 describes a few projects which have devised successful ways to deliver remedial education to displaced workers, overcoming the reluctance that a great many adults feel at exposing incompetence in basic skills.

Not all State officials gave remedial education low priority. States with large numbers of non-English-speaking displaced workers (including Arizona, California, Hawaii, Massachusetts, and Texas) offered training in English as a second language. Utah and Colorado both provided remedial education as a first step in vocational retraining of long-term unemployed miners or steelworkers.

Although 28 of 47 State Title III managers reported that remedial education gets some Ti-

[27] See ch. 6 for a more complete discussion of the needs of displaced workers for remedial education.

tle III funding in their programs (either in the form of independent courses or as part of skills training courses), the actual delivery of this service as part of Title III programs appears to be minimal. Only 23 States responded to a question about the number of displaced workers getting remedial education within the Title 111 program. Five of those States said none of their clients received the service; in the other 18 States, from 0.1 to 18 percent of participants were served. Of 18 States estimating how much Title III money they spent for remedial education, 8 said they spent nothing. No State spent more than 5 percent of its funds in this way, and spending of 2 percent or less of total program expenditures was typical (tables 5-5 and 5-6).

The emphasis in JTPA programs on job placements and program costs may discourage offering of remedial education. Witnesses at a Senate oversight hearing on JTPA in 1984 suggested that this might be so.[28] Most State Title III officials rejected this view. Two agreed that cost considerations were a deterrent. New Hampshire tries to refer clients to remedial education courses funded by non-JTPA sources, and New Jersey serves displaced workers with Title 11A educational funds, when possible. Massachusetts regards its qualitative performance standards as a positive inducement to provide basic education to workers who need it, to ensure equal access to skills training and reemployment services.

[28] The suggestion was made in connection with the Title IIA program, but could apply to Title 111 as well. See U.S. Congress, Senate Committee on Labor and Human Resources, *Hearings,* op. cit., pp. 102-105, and *Preliminary Oversight* report, op. cit., pp. 8-9.

Table 5-5.-Basic Skills Education Offered in Title III Programs: Percentage of Clients Served, 1984

Percentage of clients served	Number of States reporting
0	5
0.1 to 4.9%	7
5.0 to 9.9%	4
10.0 to 18.0%	7
Total	23

NOTE: States reporting may not represent all the States offering this service in their Title III programs. States' information on the services provided at the project level was not complete

SOURCE: OTA telephone survey.

Table 5-6.— Basic Skills Education Offered in Title III Programs: Percentage of Funds Spent, 1984

Percentage of Title III funds spent	Number of States reporting
0	8
0.1 to 2.0%	7
2.1 to 5.0%	3
Total	18

NOTE: States reporting may not represent all the States offering this service in their Title III programs. States' information on the services provided at the project level was not complete

SOURCE: OTA telephone survey,

Projects that wish to offer remedial education may encounter difficulty in maintaining UI benefits for workers who take the courses. JTPA directs States to excuse displaced workers enrolled in skills training courses from the work test under UI, that is, the requirement that anyone collecting UI must be available for work and actively searching for work. Unless States specifically provide the same exclusion for remedial education, workers enrolled in intensive full-time courses to gain proficiency in reading and math would have to comply with the work test. In the OTA survey, 7 States reported that they do not allow UI for unemployed workers enrolled full time in remedial education courses; 19 said they allow UI benefits to continue; and 17 gave a conditional answer, that is, they excuse workers from the work test only if the State authorities specifically designate the courses as approved training.

The effect of either the UI work test or the JTPA performance standards on offering remedial education in displaced worker projects is not certain. In any event, most State Title III managers do not appear to give high priority to remedial education among the services available to displaced workers.

Funding

Citing the slow rate of spending of Title III grant money through June 1984, the Reagan Administration proposed in February 1985 to cut Federal funding for Title III by more than half. In its 1986 budget, the Administration asked for a rescission of $120 million from the $223 million appropriated for fiscal year 1985, and proposed a similar budget of $100 million for fiscal year 1986. The Administration also proposed to rescind $25 million of $26 million in Trade Adjustment Assistance training funds in fiscal year 1985, and to let the program expire at the end of September 1985, as it was scheduled to do. These proposals for deep funding cuts raised policy issues on the continuity of the Nation's displaced worker program and on appropriate levels of funding in different circumstances.

With the Job Training Partnership Act, Congress attempted to avoid the many changes in funding and program direction that had characterized CETA. JTPA allows an unusual degree of fiscal continuity; funds appropriated for the Federal fiscal year beginning in October are released to the States the following July (the beginning of the JTPA program year) and can be carried over for 2 more program years thereafter. Thus projects may keep Federal funds on hand for as long as 3 years after they are appropriated by Congress. This allows both for long-term planning and the ability to reserve some funds for contingencies. It also means that, since money is appropriated such a long time before it is spent, unexpected changes may occur—either in the economy or in the operation of the program—that would justify another look, and possible adjustments to the funding. This is especially true with a new, untried program like Title 111.

It is reasonable to conclude that the slow rate of spending for Title 111 projects through June 1984 and the carryover of $127 million was due largely to delays in starting up a major new program. Some States were quite deliberate about starting slowly, taking their time to put together high-quality programs and avoid wasteful mistakes. The method chosen by a number of States to establish projects—requests for proposals from contractors—has its own built-in lags. JTPA's requirements for the creation of Private Industry Councils and for their approval of project plans added to the delays. In addition, some of the State agencies charged with planning the programs were inexperienced, and on occasion got involved in time-wasting bureaucratic wrangles over control of the Title III funds.

As Title III programs entered their second year, some of the growing pains were over, and many States were allocating money to services for displaced workers at a faster clip. Others, however, were slower to organize effective services, or for other reasons did not serve a large number of displaced workers. In many of these States, the lump of unspent funds carried over from the past was pushed along through the new program year. Nationwide, the unspent funds continued to mount. Summary information from State reports on program year 1984 became available in late September 1985, indicating that the carryover as of June 1985 was about $185 million.[29] As congressional committees made their funding decisions for fiscal year 1986, Labor Department officials argued that the Administration's proposed cut in Title 111 funds would not affect levels of service, because of the carryover funds.

On the other side, the National Governors' Association, representing the States, strongly opposed the cut. It argued that most States had fully obligated their Title III allocations by the end of June 1985; that spending for displaced worker services was on a sharply rising curve, as States gained experience with the new program; and that the cuts would force sharp reductions in services to displaced workers in many States.[30] The General Accounting Office presented evidence that, because of differences among States in rates of spending and funds carried over, 23 States would have less money for services to displaced workers in 1986 than was allocated to them in 1985. Since the formula for allocating three-quarters of Title III money among the States is written in the law, changing the allocation would be difficult. a*

[29]The carryover would have been over $190 million but for the fact that the Secretary of Labor allocated $5,6 million in Title III discretionary funds to the Trade Adjustment Assistance (TAA) program in the spring of 1985. After the Administration proposed a rescission of nearly all TAA funds for fiscal year 1985, disbursal of TAA funds was frozen while Congress considered the rescission. Congress did not act on the rescission, but the Administration did not release the TAA funds until the legal time for Congress to act had passed. Meanwhile, the TAA program operated on JTPA Title III funds.

[30]National Governors' Association, op. cit.

[31]U.S. Congress, House Committee on Education and Labor, Subcommittee on Employment Opportunities, *Hearings* on the

(continued on next page)

In approving the Title III budget cut, the appropriations committees of both houses of Congress indicated that they did not expect a reduction in levels of service to displaced workers.[32] The House Appropriations Committee anticipated that the large carryover of unspent funds would make it possible to maintain the same program level in 1986 with substantially less budget authority. The Senate Appropriations Committee said the program's operating level is expected to remain constant nationally. The committee expected the Secretary of Labor to use discretionary funds to prevent serious program disruptions in individual States, and to keep it advised about the possible need for additional appropriations. The conference report on the continuing resolution, adopted by Congress on December 18, 1985, directed the Secretary of Labor to give first priority for discretionary funds to States that would otherwise have to cut back services, and to report on possible needs for added funds to maintain program levels.[33]

The effect of these funding changes on the stability, quality, and level of services to workers is not yet clear. States with large carryovers of funds may be little affected. States that started early with an active program serving displaced workers are likely to be without such a cushion. If a large share of the Secretary's discretionary funds is devoted to helping out these States, then less will be available for the original purposes of the fund—responding to contingencies such as mass layoffs or natural disasters, easing the effects of relocating Federal Government facilities, or giving extra help to areas of high unemployment. Another problem is that some States have fully obligated their fiscal year 1985 Title III funds; even though this money is not yet spent, it is not available for needs that may arise during the next year. In any case, it may be difficult for some States with active, established Title III programs to plan for continued high-quality services to their displaced workers.

A major reason for States to carry over some portion of their Title III funds is to keep contingency funds on hand. Plant closings do not occur on a predictable schedule. Although the law allows for tapping the Secretary of Labor's discretionary funds in case of unexpected plant closings, States cannot always count on this resource. Managers of 49 State Title III programs, taking part in conference calls sponsored by the National Governors' Association in February 1985, expressed serious concern about delays in receiving discretionary funds.[34] According to many States, the Department of Labor takes far longer than the prescribed 60 days to decide on applications. Disbursal of discretionary grants has been slower than spending from formula-funded grants, which are under State control. Twenty-two percent of the $51 million in discretionary funds was spent in the transition year, versus 42 percent of the $150 million in formula grants. In program year 1984, States reported to NGA that they had spent over 70 percent of their formula funds, but only about 30 percent of discretionary grants.[35] Nor can States be sure that their requests for discretionary funds will eventually be approved. For example, both Arizona and Rhode Island got an early start on unusually active Title III programs, and neither carried over large contingency funds. Both applied for discretionary grants to respond to major plant closings, but both were turned down on the grounds that their statewide unemployment rates were low. Both these States nevertheless had large numbers of displaced workers in relation to the size of their work forces. As discussed in chapter 4, significant displacement can occur even in prosperous times and areas.

(continued from previous page)

Job Training Partnership Act, Title 111, testimony of William J. Gainer, Associate Director, Human Resources Division, U.S. General Accounting Office, Nov. 8, 1985.

[32] U.S. Congress, House Committee on Appropriations, ***Report, Departments of Labor Health and Human Services, and Education, and Related Agencies Appropriation Bill, 1986,*** 99th Cong., 1st sess., House Report *99-289,* Sept. *26, 1985,* p. *9;* U.S. Congress, Senate Committee on Appropriations, ***Report, Departments of Labor, Health and Human Services,*** and ***Education and Related Agencies Appropriation Bill, 1986,*** 99th Cong., 1st sess., Senate Report *99-151,* Oct. *4, 1985,* p. 11.

[33] U.S. Congress, House of Representatives, ***Conference Report,*** House *Joint* Resolution 465, Further Continuing Appropriations ***for Fiscal Year 1986,*** 99th Cong., 1st sess., report 99-450, pp. 361-362.

[34] Evelyn Ganzglass, Memorandum to State JTPA Liaisons on the State Title III Conference held by the National Governors' Association Feb. 13-14, 1985, Mar. 7, 1985. Four 1-hour regional conference calls were held in the 2-day session,

[35] National Governors' Association, Op. cit.

In originally proposing the deep cuts in Title III funding, the Administration attributed the carryover from the transition year to a single reason: that few workers indicated a need for extensive retraining, generally the highest priced of authorized services, so that the program was much less costly than anticipated. Considering the other reasons for the initial low rate of spending, this reason probably was not dominant, although it may have had some effect.

Through 1985, Title, III programs operated in an economy that, nationwide, was expanding and adding jobs. (There were regional exceptions, such as the steel centers of Ohio, West Virginia, and western Pennsylvania.) yet worker displacement was still occurring, and the national unemployment rate remained above 7 percent. Most States, even prosperous ones, reported that restructuring of industry was continuing, plant closings were still numerous, and the number of displaced workers eligible for services was not declining,[36] Most States also reported that there was substantial demand for their displaced workers services in 1985.[37] Five States volunteered that their funding was not sufficient to take care of all the demands. There is evidence, however, that displaced workers are not as inclined to seek retraining when jobs are available as they are during recessions, when training is a constructive alternative to idleness. Moreover, the overall demand for employment and training services is higher during hard times.

As noted elsewhere in this report, vocational skills training is an indispensable part of a high-quality displaced workers program, no matter what the economic circumstances. For many workers displaced from semiskilled or unskilled factory jobs, the best hope for new jobs with chances for advancement, either in manufacturing or in service sectors, lies in vocational skills training. Many well-run projects make a strong commitment to vocational training for this reason. Even so, economic conditions do affect the demand for retraining and other readjustment services.

[36]Ganzglass, op. Cit.

[37]National Governors' Association conference call and OTA telephone survey.

Other changes also may influence demand. For example, improving the quality or delivery of services to displaced workers may stimulate increased participation. As discussed in chapter 6, projects that combine several key elements—bringing services to the workers in plants undergoing closure or layoffs, involving management and labor in delivery of services, starting services early (before layoff if possible), and offering a comprehensive range of services—are most likely to attract high levels of participation. If Congress wishes to encourage and support more States in adopting proactive programs of this kind, the result could well be a substantially enlarged demand for services. Thus, depending both on economic circumstances and program changes, demands for services may rise or fall, and Congress may wish to adjust funding for the national displaced worker program.

Information Collection: The Federal Role

As Congress considered both the proposed rescission of Title III funds for fiscal year 1985 and JTPA funding for fiscal year 1986, the lack of adequate, timely data on spending and services became a trying problem. The U.S. Department of Labor requires that States report on Title III activities only once a year, within 45 days after the end of the program year on June 30. In practice, the reports are usually not complete until several weeks after the due date. In both 1984 and 1985, the Labor Department did not publish data from the State reports until late November. The infrequency of these reports and the timing of their collection and publication is ill-suited to the needs of Congress, both for budget decisions and oversight of the program.

In spring 1985, for example, when Congress held hearings on the budget for the following year and considered the rescission proposal, the most recent State reports on their Title III programs dated from June 30, 1984. In mid-September, when congressional committees were marking up and voting on appropriations bills, these State reports—now over 1 year old—were still the latest on Title 111 activities. Summary information from the State reports on program year 1984 (ending June 1985) became available only in the last few weeks before Congress took final action on JTPA funding. In early November, at the request of the House Education and Labor Committee, Subcommittee on Employment Opportunities, the General Accounting Office obtained more detailed data showing program year 1984 spending by individual States, in order to analyze the effect of the 55 percent cut in appropriations state-by-state.

State reports on Title III activities are not only infrequent but very brief. The Federal requirements for information in the reports include nothing more than the number of people enrolled in the program, the number who terminated, the entered employment rate for those who terminated; a few items on the gender, minority status, age, and educational level of terminees; and the amount of Federal funds spent during the year—but not the amount obligated by the end of the year. This information is a slender basis for analyzing the performance of JTPA programs, for determining funding needs in relation to performance, for learning from experience, and for improving future performance.

The Labor Department has supplemented the annual reports with more frequent surveys of selected projects and other kinds of studies that provide richer detail. These studies, current and planned, will supply some of the information missing from the annual State reports. Quarterly and semiannual surveys of geographically representative Title 111 projects add limited information on the service mix (initial assignments to job search assistance, classroom training, OJT, or other services) and outcomes (entered employment rates and reemployment wages) by kind of service. The studies also provide information on how many clients participated and their length of stay in the program. These studies are useful, but incomplete. Data on some important kinds of services are not covered, for example, on remedial education and relocation assistance. Also, because of problems in finding representative Title III projects, the results are somewhat uncertain.

The Department of Labor also plans to carry out long-term studies comparing earnings of JTPA program participants and nonparticipants. This kind of study is uniquely valuable in showing the overall effects of employment and training programs and in helping Congress to evaluate their long-term worth. These studies will not, however, meet the need for timely information at shorter intervals.

Early Warning of Layoffs and Pro-Layoff Assistance

The need for an early warning system for plant closures and large layoffs, to allow assistance to workers before they are out of a job, is a leading concern of Title 111 program directors. State officials repeatedly raise the topic in conferences and surveys.[38] Some argue that early action to assist displaced workers benefits not only the workers but employers and society at large. With a reemployment program in place before the layoff, worker morale tends to stay high, to the advantage of employers as well as employees. Many workers can be helped to find a new job without interruption, thus saving themselves loss of income, saving outlays from the State UI trust fund, and saving employers payment of taxes into the fund. Other workers can plan for training in a new occupation while they still have their full UI eligibility ahead of them for income support.[39]

Several States attempt to collect information about impending layoffs, and bring reemployment programs to the workers early. Some try to encourage cooperation from employers in giving advance warning of layoffs. Few States have enacted laws to require advance notice, but about 20 have given them some consideration in the last few years. Chapter 6 discusses advance notice in the context of services to displaced workers and summarizes the arguments for and against legally requiring advance notice.

[38] Ibid.
[39] See ch. 6 for a detailed discussion of the possibilities and advantages of early action before layoffs occur.

Arizona, New Hampshire, Rhode Island, South Carolina, and Texas are some of the States that are active in rapid response. Arizona, for example, created a Pre-Layoff Assistance Coordination Team (PACT) to mobilize services of the State Title III program, the Employment Service, the UI program, and where appropriate, community block grants and community colleges, at the first announcement of a plant closing or layoff. The team brought services to the workers in the plant or at a nearby center; offered testing, counseling, job search workshops, and job placement; and requested that the employer give workers time off during the working day to attend the pre-layoff sessions. The employer was also asked to appoint a company coordinator to take charge of company activity and cooperate with the PACT; to let employees know what services were available; to host a Job Fair, if possible, and to try to place its laid-off workers with business contacts, suppliers, or even competitors. Arizona officials reported that in 10 months of operation (through February 1985, when Arizona's Title III funds were nearly fully obligated), the PACT team enrolled 1,275 workers. Of those, an estimated 250 to 300 were reemployed before layoff—generally in just a few days, since notice of the layoffs was usually brief. Once the plant was closed, the remaining clients were transferred to one of Arizona's permanent, continuing displaced worker centers for further service, until placement.

Although some States by 1985 had put substantial effort into pre-layoff assistance, others were not prepared to respond quickly and effectively when companies requested help in serving employees who were about to be laid off. Some companies, unable to get adequate technical assistance from local PICs or the State Title III program, hired private consultants to help organize services for their displaced workers, using Title 111 funds. As discussed in chapter 6, advance notice of layoff is much diminished in value if high-quality adjustment services are not offered promptly to the affected workers. According to some private consultants who help companies plan displaced worker services, PICs and State program officials are improving in their ability to respond to calls for help, but many still have a long way to go. The 5 percent limit on State administrative costs for JTPA programs may be partly responsible for some of the States' failings in providing technical assistance. The potential for building either a small Federal agency or State agencies capable of providing rapid response to plant closings and layoffs is discussed elsewhere in this report (chs. 2 and 6 and the section entitled Canada, this chapter).

Some States are interested in using rapid response teams for another purpose other than providing services to displaced workers; that is, to try to avoid a plant closing or layoff by offering assistance of various kinds to the company (see the section in this chapter entitled Community and Government Assistance to Prevent Plant Closings). A number of State managers of Title 111 programs have expressed the desire to use JTPA funds for retraining active workers, so as to avoid displacement in the first place. JTPA allows Title III services to commence when workers receive notice of layoff, but not before. A few States have begun to use Title 111 funds more preventively, authorizing retraining of active employees when employers announce that they will be laying off unless retraining assistance is forthcoming from a Title 111 project. A few States have adopted programs to assist in the retraining of active workers who would otherwise be displaced (see section in this chapter entitled Non-Federal Programs: Retraining of Active Workers).

Under the Carl D. Perkins Vocational Act of 1984, employers can get Federal assistance for retraining their active employees (see ch. 7). A special new program authorized under the Perkins Act would support education and training programs designed cooperatively with employers, and open to employed individuals who require retraining to retain their jobs, or who need training to upgrade their skills to qualify for higher paid or more dependable employment. Congress did not provide funding for this program in fiscal years 1985 or 1986.

Eligibility

JTPA's definition of displaced workers can be construed quite broadly. It encompasses most adult workers who have lost a job, or have received notice of termination, and are not likely to return to that job or a similar one, or have been unemployed for a long time and probably will not find employment in their old occupation and home area. (See table 5-7 for the JTPA definition of displaced workers.) States have some leeway to alter the definition, but most have not done so. Thirty-four of forty-nine States responding to OTA's telephone survey used JTPA's definition; another two added language that made the definition more explicit; and two more directed Service Delivery Areas to determine eligibility under the JTPA definition. Seven States added restrictions to the definition, four broadened it to cover more workers, and two States did both (table 5-7).

The alterations of the JTPA definition point out special problems that some of the States face—in particular, high local rates of unemployment and, in farm States, foreclosures. Six of the eight States that narrowed eligibility have unemployment rates higher than the national average. One, Illinois, explicitly stated that it had too many displaced workers to serve adequately with available funds. Its definition is one of the most restrictive: the displaced worker must have been in an occupation that is not growing (as determined by the State Depart-

Table 5-7.—State Definitions of Displaced Workers That Restrict or Extend the JTPA Definition

State	Restrictions and extensions
	Restrictions:
Alaska	Worker must be: 1. a resident of the State, and 2. attached to an industry for 3 years or more, and 3. terminated due to a closure or a reduction in the work force, and 4. unlikely to return to former occupation or industry.
Illinois	Worker must: 1. be in an occupational group that is not growing (as determined by State agency), and 2. have proof of a job search of at least 1 month.
Kentucky	Worker must: 1. have been laid off no more than 3 years ago, and 2. have worked in layoff job or occupation at least 1 year.
Kansas	Worker must have been laid off no more than 2 years ago.
Nevada	Worker must have been laid off no more than 3 years ago.
Pennsylvania	Worker must have been laid off no more than 2 years ago (waivers may be granted).
West Virginia	Worker must have been a victim of a complete closure of plant or mine or of another operational closure.
	Extensions:
Arizona	***Serves*** workers who: 1. have received or will receive notice of termination;[b] 2. were long-term unemployed (13 weeks) or have exhausted their UI benefits, and have taken ***stop-gap*** *employment* (at substantially lower pay or skill level than on the old job)[b]
Iowa	Serves self-employed people who have filed for bankruptcy or have a notice of foreclosure (including farmers)
Kansas	Serves self-employed people such as farmers or businessmen.
New Hampshire	Serves victims of plant closings or ***major layoff*** (25 or more people).[b]
Wyoming	Serves workers who are: 1. Victims of plant closings or ***substantial layoffs,***[b] 2. Eligible for retraining under Trade Adjustment Assistance, and 3. Unemployed and affected by economic or industrial changes that have resulted in loss or reduction of employment opportunities, as determined by State officials.

[a]The definition of dislocated workers in JTPA, Sec. 302, is as follows:
- Each State is authorized to establish procedures to identify substantial groups of eligible individuals who:
  —have been terminated or laid-off or who have received a notice of termination or layoff from employment, are eligible for or have exhausted their entitlement or unemployment compensation, and are unlikely to return to their previous industry or occupation;
  —have beerr terminated, or who have received a notice of termination of employment, as a result of any permanent closure of a plant or facility; or
  —are long-term unemployed and have limited opportunities for employment or reemployment in the same or a similar occupation in the area in which such individuals reside, including any older individuals who may have substantial barriers to employment by reason of age.

[b]Emphasis added to denote difference from definition in JTPA Sec. 302.

SOURCE: OTA telephone survey.

ment of Commerce and Community Affairs), and must show proof of a job search of at least 1 month. West Virginia limited eligibility to victims of plant and mine closings. In Alaska, where unemployment remained as high as 10.5 percent in late 1984, the State definition imposed such stringent restrictions that Title 111 officials found it difficult to apply. No clients were served in Alaska in the transition year.

Several States effectively ruled out service to the very long-term unemployed by restricting services to those laid off no more than 1 to 3 years ago (table 5-6). Maine, which does not have a high unemployment rate but does have a large pool of long-term displaced workers to serve, takes a different approach. It does not restrict eligibility, but does no outreach, to guard against being overwhelmed with clients. Arizona, on the other hand, broadened the definition of the long-term unemployed to include workers who took jobs at substantially lower pay and skill level than on their old jobs.

Of the five States that broadened the definition of eligible workers, two (Kansas and Iowa) included self-employed people such as farmers. North and South Dakota did not explicitly extend the definition to farmers, but did set up special training activities for them under Title III. Some of the farm States extended training assistance to whole families who were losing their farms and livelihoods—to wives and older children who were now looking for nonfarm work, as well as to heads of farm households.

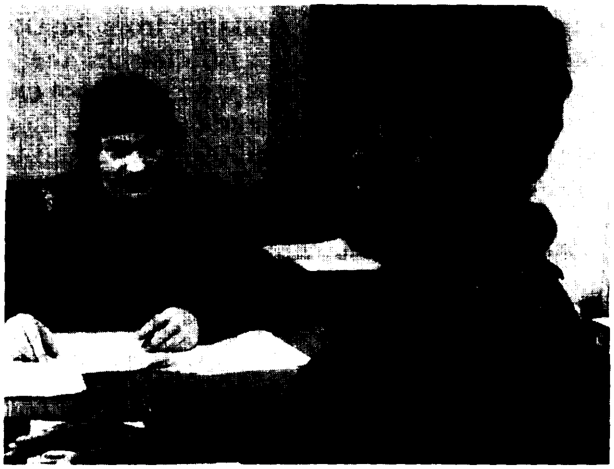
Three States (Florida, New York, and Pennsylvania) reported that they serve displaced homemakers in their Title III programs, even though these women often have limited experience in the job market and do not fit the usual definition of displaced worker. In these States, displaced homemakers were included as long-term unemployed.

Several additional States expressed interest in serving displaced homemakers under Title III, or the displaced self-employed, or farmers, or the underemployed who had taken stop-gap jobs; but they were unsure of their authority to do so. States that broadened eligibility did it on their own, without guidance from the Department of Labor. Some officials in these States, and others in States which did not expand eligibility but considered it, believed they were running a risk of disallowance in audits by the Labor Department's Inspector General.

Creaming in Participant Selection

The strong emphasis under JTPA on high job placements and low costs has led some people to question whether the workers who are most job-ready, and least in need of assistance, are being selected to participate. Early studies of Title 11A projects (for disadvantaged workers) indicate that this may be occurring,[40] but studies of Title 111 projects have found little evidence of creaming. In States where there are too many displaced workers to serve adequately (e.g., Illinois), eligibility restrictions do rule out some applicants, but not by screening out the less able. Some projects require participants to attend workshops for learning job search skills at the outset; they consider that workers who do not attend are not motivated enough to benefit from other project activities. The only evidence of overly rigid selection of participants in Title 111 programs is limited and anecdotal. A few reports suggest that contractors providing training on a performance basis (i.e., they do not get paid until the trainee is placed) are extremely selective in choosing their candidates. Since most Title 111 projects emphasize job search assistance, not training, this kind of creaming probably does not affect large numbers of displaced workers.

[40] Both the Westat study, commissioned by the Department of Labor, and the "independent sector" Grinker-Walker study reported extensive screening of applicants to Title 11A projects, both at initial intake by Service Delivery Areas and later for admission to on-the-job or classroom training. The issue was a recurring topic in oversight hearings of the Subcommittee on Employment and Productivity of the Senate Committee on Labor and Human Resources, in Jackson, Mississippi, on July 12, 1984. Some witnesses at the hearing pointed to the positive aspects of screening—that it helps to select those "able to benefit" as well as those "in special need" of JTPA services; both purposes are mandated by the law. The reports also pointed out that many demographic characteristics are the same for JTPA Title 11A participants as they were for CETA (e.g., as many minority group members are served). However, fewer high school dropouts are being served under JTPA. See Cook, et al., op. cit., ch. 6; and Walker et al., op. cit., pp. 50-69; U.S. Congress, Senate Committee on Labor and Human Resources, op. cit.



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Generally, it appears that most States have not imposed barriers to entering Title III projects, as long as displaced workers meet the broad criteria set forth in JTPA. In fact, a number of States confronted with severe displacement problems that were not very evident when the act was passed (e.g., farm foreclosures) seem willing to stretch the definition to serve the affected workers.

Federal Guidance

Federal direction and oversight of the national employment and training program is minimal. JTPA gave the States the primary role of oversight, and they have assumed it—so much so that one JTPA State director said of the Department of Labor: "It's as if they dropped off the face of the earth."[41] The question that arises is whether the Labor Department has carried the hands-off approach so far as to cause difficulties in the program.

The problem, as some State officials see it, is that Federal auditors (mainly, the Labor Department's Inspector General) will not be as "noncommittal and noninterventionist" as the Department itself has been. The practical effect is "paranoia" in some States.[42] To avoid later trouble with audits, they have imposed strict regulations and paperwork requirements on Service Delivery Areas and other service providers. A study of Title 11A programs reported that 36 of 57 SDAs (63 percent of the sample) found State reporting and other administrative requirements more burdensome under JTPA than under the federally directed CETA.[43] Anecdotal evidence suggests that some Title III projects are also suffering from excessive caution and bureaucratic delays at the State level. one director of a project that received Title 111 funds said it took 6 months to get State approval of a $1,500 invoice.

Areas of uncertainty mentioned by some State Title 111 managers include the definition of eligibility for Title III services and the acceptability of some kinds of funding as State matches for Title III funds. Not all States complain of too little guidance from the Labor Department, however; and some complaints may reflect the inevitable problems and uncertainties in taking charge of a new program.

There is little dispute that it is entirely appropriate for the Federal Government is to help States and individual projects exchange information about their practices, successes, and failures. For several years, the Labor Department's Bureau of Labor-Management Relations and Cooperative Services has collected information, published reports, and held workshops on model displaced worker projects, particularly those sponsored by employers or by labor and management together. In 1985, the Labor Department commissioned a report on model Title 111 projects.

In addition, the Labor Department provides funds to organizations such as the National Governors' Association and the National Alliance of Business to support informal, direct exchanges of current information among the

[41] Walker, et al., op. cit., p. 135.

[42] Ibid., p. 138; see also U.S. Congress, Senate Committee on Labor and Human Resources, ***Preliminary Oversight,*** op. cit., pp. 7-9.

[43] Ibid.

State, local, and private parties who are providing employment and training services. A number of States hold regional JTPA conferences for the same purpose. Except for the small labor-management bureau mentioned above, the Labor Department itself is not much involved in activities of this kind. The State Title III officials interviewed in OTA's telephone survey stressed the importance of exchanging information about their programs; in fact, some of them sought information about other States' practices from the interviewer.

Some States reported considerable difficulty in managing information about their programs for their own internal planning. A number of States, afraid of exceeding the 5-percent limit imposed by JTPA on State administrative costs, do not have adequate staff to operate their management information systems. According to some States, for example, the spending limit rules out hiring data entry clerks. In some, local service providers enter data in their own systems, but there is no hookup to the State administrative agency that is supposed to monitor the information. One State, West Virginia, reported that local information is being delivered to the State system but the technical expertise to gain access to it is lacking. Some of these problems may be worked out with time, but some States might benefit from more technical assistance from the Labor Department in setting up and operating management information systems.

The State Match

One aspect of the JTPA Title III program with which States report substantial dissatisfaction is the requirement to match formula-funded grants dollar-for-dollar. In a few States, including California, Delaware, Iowa, Nebraska, and New York, legislatures have provided funds that Title III programs can use for part or all of the match, but the majority of States assemble a variety of in-kind contributions (e.g., donated private or public facilities, machines, time of instructors at community colleges, employer-donated staff time), and the employer's half of OJT wages. UI benefits are an important component; JTPA allows the States to meet up to half their match obligation with UI payments. This extremely varied way of putting together matching funds, most State officials agree, imposes quite a bookkeeping burden. Another criticism is that most sources for the match do not really add anything to the Title III program, since they would be provided anyway; they only add to the paper work. This criticism applies especially to UI benefits.

More important, the match requirement biases the shape and content of the States' programs. Several States commented on the attraction of OJT, because it automatically provides a match. Vermont officials, for example, said they use OJT almost 100 percent for this reason. One State JTPA director commented that State programs use OJT more than may really be desirable; less costly job search assistance might suffice for many clients. He said: "Our first question should be 'how can we help?' not 'how can we match?' "

The match requirement may determine who delivers services. In fact, 22 of 46 States reported that this factor affected their selection of project operators. For example, most Illinois Title 111 projects are located in community colleges, which generate a match with in-kind contributions. This may be as good a choice as any other. But the match consideration does tend to rule out such project operators as labor unions or nonprofit community-based organizations. It may also determine to some degree who gets service. Seventeen of forty-five States said that the matching requirement leads to targeting of services to workers eligible for unemployment insurance. The State of Washington explicitly requires that half of the participants in Title III projects be recipients of UI benefits, thus providing a match. One State, South Dakota, simply avoided the problem in the transition year by spending only funds left over from the Emergency Jobs Bill of 1983, which did not require a match.

At least one State, Arizona, tries to ensure service for the most workers by designating unusual sources as matching funds, including the severance pay employers provide to laid-off workers, release time that employers give workers to attend activities in Title III projects, and the money workers spend in relocating that is not repaid from Title III funds. Such adventurous States may be risking disallowance of their matches on audit. So far, no matching funds have been disallowed.

As States gain more experience with the Title III program, difficulties with the matching requirement may recede. Some States with budget surpluses may consider enacting their own displaced worker programs, thus providing a reliable source of matching funds. In general, States have a good deal of experience with matching many kinds of Federal grants, and have come to terms with the requirement. Possibly, the very flexibility JTPA allows States in providing a match—with public or private funds, in cash or in kind—has caused some initial confusion. But this flexibility is a positive feature in that it helps poorer as well as richer States offer services to displaced workers. Another positive feature of JTPA is its forgiveness of part or all of the match in States with unemployment rates above the national average, thus ensuring services in States where needs are likely to be great and the States' ability to contribute small.

Trade Adjustment Assistance

The once large and costly TAA program was much reduced by the mid-1980s, but still provided substantial benefits to eligible displaced workers, In 1984, about 30,000 workers were certified by the Department of Labor as having lost their jobs due to foreign competition and therefore qualifying for assistance. By comparison, at the height of the program in 1980, over 585,000 workers were certified as eligible (table 5-8). Not only did the number of certified workers decline after 1980, but extensive income support payments for unemployed workers were also sharply cut. In 1985, the TAA-eligible worker could receive income support payments, or Trade Readjustment Allowance (TRA) only as a continuation of, and at the same level as, his basic UI benefits, and only up to 1 year of UI and TRA combined. Payments could be extended for another 6 months if the worker were in approved training.

Table 5-8.—Workers Certified for Trade Adjustment Assistance, Calendar Years 1975-84

Year	Workers certified
1975[a]	54,842
1976	143,578
1977	143,700
1978	164,407
1979	221,082
1980	585,243
1981	32,820
1982	21,127
1983	53,366
1984	29,800
Total	1,451,965

[a]Data for April through December.

SOURCE: U.S. Congress, House Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee* on Ways *and* Means, 99th Cong., 1s1 sess., Committee Print WMCP: 99-2, Feb. 22, 1985, p. 264.

As table 5-9 shows, outlays for TRAs dropped from a high of $1.6 billion in fiscal year 1980 to $35 million in fiscal 1984; outlays were expected to be about $45 million in fiscal year 1985.[44] The TAA appropriation for training, out-of-area job search, and relocation assistance was $26 million in fiscal year 1985. A parallel TAA program of assistance to firms provided technical and financial assistance to firms in trouble because of foreign competition. The 1985 appropriation for TAA assistance to firms was $25 million; from 1975 to 1984, the program cost $300 million.

With the reduction of the TAA program, the delays that once characterized it were also much reduced. The Employment and Training Administration of the Labor Department, which administers the program, reported that in 1985 petitions for certification from workers were virtually all acted on within 60 to 90 days.

As of 1985, the emphasis in the TAA program for workers was on training and, to a considerable degree, on helping eligible unemployed workers look for work in more promising areas and relocate. What TAA provides for workers in training that JTPA Title 111 does not is income support, up to 1 year after the basic 26 weeks of unemployment benefits are

[44]Trade Readjustment Allowances are funded as part of the larger Federal Unemployment Benefits Assistance Account and do not receive separate line-item appropriations. Therefore outlays, not appropriations, are reported for TRAs.

Table 5-9.—Trade Adjustment Assistance, Participants and Services, Fiscal Years 1975-84

Fiscal year	Workers receiving TRAs (millions of dollars)	Outlays for TRAs (millions of dollars)	Number of workers: Entered training	Number of workers: Job search	Number of workers: Relocation	Outlays (millions of dollars): Training	Outlays (millions of dollars): Job search	Outlays (millions of dollars): Relocation
1975 . . . . . (4th quarter)	47,000	71	463	158	44	. . . .	. . . .	. . . .
1976	62,000	79	823	23	26	2.7	. . . .	. . . .
1977	111,000	148	4,213	277	191	3.8	. . . .	0.2
1978	156,000	257	8,337	1,072	631	12.0	0.2	0.6
1979	132,000	256	4,458	1,181	855	12.0	0.3	1.2
1980	532,000	1,622	9,475a	931	629	5.2	0.1	0.7
1981	281,000	1,444	20,386[a]	1,491	2,011	1.9	0.3	2,0
1982	30.000	103	5,844	697	662	18.4	1.0	. . . .
1983	**30,000**	**37**	11,299	696	3,269	33.0	3.0	. . . .
1984	24,000	35	6,538	757	2,382	18.5	0.2	2.3

[a]Of workers entering training in 1980, 5,640 (59 percent) paid for their own training costs; in 1981, 18,940 (94 percent) paid for their own training Trainees were eligible forTRA living allowances.

NOTES' Trade Readjustment Allowances (TRAs) provide income support during unemployment or or training Job search expenditures are for job searches outside the worker's commuting area In 1976, 1977, 1982, and 1983, not all outlays for training, job search, and relocation were reported separately

SOURCE U S. Congress, House Committee on Ways and Means, *Background Material and Data on Programs Within the Jurisdiction of the Committee* on Ways and *Means, 99th* Cong.1st sess , Committee Print WMCP:99-2, Feb. 22, 1985, pp 267-269

exhausted. Once groups of workers are certified as eligible for TAA, the local Employment Service office deals with individual workers, trying to place them in suitable jobs or, failing that, arranging for training. The ES offices may approve training only if no suitable employment can be found, if the training is likely to lead to a job, and if the worker is qualified for the training. On-the-job training is favored, but classroom training may also be approved. In fiscal year 1983, the number of TAA-eligible workers enrolled in training amounted to more than one-third of those receiving income support payments and to over one-quarter in fiscal year 1984 (table 5-9).

Helping workers to relocate is a significant part of the TAA program. Eligible unemployed workers who cannot find suitable jobs in their commuting area can conduct out-of-area job searches and collect reimbursement for 90 percent of necessary expenses up to $800. They can also collect 90 percent of reasonable and necessary moving expenses for themselves and their families, up to $800. This allowance of $1,600 for out-of-area job search and relocation is far above what is available in most JTPA Title 111 programs. Although JTPA can pay for both services, funds must be shared among many other activities. Some States consider relocation assistance a support service, so that the money to pay for it has to come out of the JTPA funds allocated for nontraining expenses (roughly 30 percent). This puts a strict limit on funding.

In Arizona, for example, where 60 percent of Title 111 clients had lost jobs in the deeply depressed mining industry or mining towns, relocation to such thriving areas as Phoenix and Tucson is a much-favored option; 15 percent of participants are reported to receive relocation services. The State JTPA program officials feel they cannot afford more than a $650-per-worker allowance for out-of-area job search and relocation, even though they would like to encourage more clients to consider this alternative.

The continued existence of the TAA program is in question. In its 1986 budget, the Administration opposed extending TAA past the expiration date of September 30, 1985; a proposed rescission for 1985 (which Congress did not agree to) would have removed all but $1 million from the $26 million already appropriated for training, job search, and relocation for fiscal 1985, on the grounds that JTPA served the same purpose and TAA was not needed. In September 1985 Congress passed, and the President signed, a temporary extension of TAA, and there were reports that the Administration was reconsidering its position of trade adjustment assistance. Meanwhile, at least 13 bills had been proposed in Congress to extend or modify TAA. One approach was to create a trust fund to finance TAA, supported by a small uniform import duty. The Senate adopted this idea in its budget reconciliation bill, reauthorizing TAA and providing earmarked funding from the import duty. As Congress adjourned at the end of 1985, it had not passed the budget reconciliation bill, which contained authorization of TAA. Thus, TAA authority expired, at least for the time. However, it maybe revived, since Congress has shown a strong interest in the program. As this report was written, certified workers can continue to receive allowances for retraining and relocation through the end of fiscal year 1986, according to a continuing resolution passed in late 1985.

TAA has been criticized for its cause and effect approach–an "over-preoccupation with pinpointing the cause of dislocation''—leading to inconsistencies in certifying workers for eligibility.[45] As discussed in chapters 8 and 9, it is difficult-often impossible—to disentangle trade from other causes of displacement, such as technological advance and changing consumer preferences. On the other hand, it can be argued that it is equitable to give special adjustment assistance to workers who can be identified as directly paying the costs of a government policy—in this case, the lowering of trade barriers—which is intended to benefit society as a whole. For eligible workers, TAA provides significant benefits in addition to those available under JTPA Title III: extended income support for people in training and more generous relocation assistance.

The Employment Service

The nationwide network of Employment Service offices is playing a substantial role in serving displaced workers. The State Employment Security Agencies, which administer the ES offices, provide services for fees to Title III projects in 33 States. In 10 States, they provide services at no fee to the JTPA program, and in three there is a mixture of free and for-fee services. Ten States have put their Employment Security Agencies directly in charge of Title 111 programs, establishing basic testing, counseling, job search assistance, and training referral services in local ES offices throughout the State, and then adding other elements such as OJT contracts with local businesses. In other States, local ES offices submit proposals to the State JTPA officials to operate displaced worker programs. The most common arrangement is that the local Title III project buys from the ES office services such as job development and placement or helping to run a job search workshop. There are only seven States or territories in which the ES system takes no part in Title III programs.[46]

The extra money furnished by JTPA has made possible most of the contributions from the ES system. With only its own resources, the ES system could hardly provide the assessment, testing, job counseling, development of job opportunities with employers, help with self-directed job search, and referral for suitable skills training that a good displaced worker program offers. For years, the ES system did not grow, despite large increases in the work force and despite special responsibilities imposed on the system by Federal and State laws (e.g., the duty to make special efforts for disadvantaged workers and other target groups). From 1966 to 1981, the staff level for basic ES services was kept at 30,000 positions while the civilian work force increased 45 percent.

In fiscal year 1982, Congress cut the ES system staff to 24,800 positions, and there it remains. Most State agencies have responded to the cuts not by closing offices but by stretching staff thinner and cutting services—usually the more politically acceptable solution. There were still some 2,400 ES offices nationwide in 1985, about the same number as in 1981. But counseling services, which had reached only 7 percent of clients in 1981, dropped by 40 percent during the same time. Testing, previously available to 5 percent of ES clients, declined by 30 percent.[47] By and large, it is only in JTPA projects, with their infusion of extra funds, that ES staff are able to offer such individual services.

[45] Paula Duggan and Virginia Mayer, ***The New American Unemployment: Appropriate Government Responses to Structural Dislocation*** (Washington, DC: The Northeast-Midwest Institute, 1985).

*Information provided by the Interstate Conference of Employment Security Agencies.

[47] Ibid.

Automation

Since the late 1960s, the ES system has tried to compensate with automation for the limited time the staff can devote to individual clients. Today, the entire system has more-or-less automated job banks serving every metropolitan area and, in some cases, entire States. The job bank is a current listing of new and unfilled job orders, collected in a central office from every local office in the area. Some local offices still send in their job orders overnight by courier and receive an updated list the next morning, but about 20 States have an intrastate computer network, and can update listings throughout the workday.[48]

The job banks have the obvious advantage of opening to applicants in every local ES office the job listings from all other ES offices in the area. Their main drawback is that they weaken personal links between ES staff members and employers who may be long-standing clients. Some offices hold their job bank listings closely, disclosing them only in individual interviews with jobseekers. Others release a censored version of the listings, with the employer's name removed, to other institutions (such as to Title III projects) or to jobseekers themselves. The idea is to protect the employer from unwanted calls from unscreened applicants.

A more complex use of automation is in job matching. The jobseeker's skills and experience are described and coded, and then compared with the characteristics of jobs on order to find a good fit. The key to the usefulness of the system is in the choice of descriptors and their application to individual cases. Two descriptor systems have been developed for the Department of Labor, one based on the detailed job descriptions in the *Dictionary of Occupational Titles*, the other on key words that cut across job titles. Applying the descriptors is more than a routine task. It calls for human effort, skill, and time. These requirements, plus the costs of computers and telecommunication, are constraints on the widespread adoption of automated job matching. In 1984, 16 States were using job-matching systems that were at least partially automated in at least some of their labor market areas. For their job-matching systems, as for their job banks, some offices still used courier deliveries instead of direct computer communications.

Although nearly every State has job banks that are at least partially computerized, fully automated job order and job-matching systems are still the exception. Missouri provides an example of such a system. All 48 local ES offices within the State, and 12 more in Kansas and Illinois, are linked by microwave or land lines to the State Employment Security Agency's mainframe computer. Current information about applicants and job orders is fed into the system throughout the day. When a local office refers an applicant, this information is entered into the system; when the desired number of applicants (determined by the employer) has been referred, that fact instantly shows up on all the State's ES computer terminals.

For 20 years, Congress has expressed a continuing interest in creating a nationwide job bank and job-matching program within the national ES system. Both CETA and JTPA authorized the Secretary of Labor to establish a computerized national program, using electronic data processing and telecommunication as much as possible. The Interstate Job Bank, developed by the New York State labor department for the U.S. Department of Labor, and operating out of Albany since July 1984, has made progress toward the congressional goal. Building on the Interstate Clearance System, which had been established a few years earlier, the interstate bank listed 44,700 job openings in 1984—up from 1,500 per year in the older system.

The Interstate Job Bank is not *a* complete, fully computerized interstate clearance system. The bank's coverage is deliberately limited. State and local ES offices are asked to select job orders that have remained unfilled for a cer-

‘Sources for material in this section include David W. Stevens, “Public- and Private-Employment Agency Roles in Providing Labor Market Information and Job Search Assistance: Past, Present, and Future,” contractor report prepared for the Office of Technology Assessment, August 1984; Linda LeGrande, Library of Congress, Congressional Research Service, “The National Job Bank System,” March 1985; and information provided by the U.S. Department of Labor, Employment and Training Administration.

tain number of days, are in certain hard-to-fill professional and technical occupations, and are above a specified salary level. The rationale is that these kinds of jobs have a national market; the purpose of the interstate bank is to serve people considering relocation, and lower level jobs are not very likely to attract such people. It is argued, moreover, that most blue-collar and clerical workers without special skills do not usually consider relocation. Within the guidelines suggested by the U.S. Department of Labor, each State ES system has discretion over which job orders to report, at what time and by what means, and also when to remove them from the bank's listings.

The Interstate Job Bank has no job matching feature. This was dropped on the grounds that it duplicated services offered at the State and local level. Finally, the system is by no means fully automated. In 1985 only five States outside of New York sent in job orders by telecommunication; the rest used the mail. Most send computer tapes, but seven still send paper copies. Nearly all States receive the bank's listings back by mail, on microfiche cards (three receive computer tapes), Except for local ES offices in New York State, only Nevada has two-way telecommunication links with the Albany center. The turnaround time for most States, allowing time for mail deliveries and updating the listings, is 8 to 10 days. The one-way telecommunications link that five States now have with the bank allows a turnaround of as little as 2 or 3 days. With Nevada's two-way link, same-day communication is possible.

In proposals to improve the Interstate Job Bank, two specific issues are involved: 1) faster communication, so that job orders are listed quickly and removed quickly when the jobs are no longer open; and 2) broader coverage. More fundamentally, questions of improving the national job bank relate to its central purpose, which is to help workers move from places where they cannot get jobs to places where they can. How much can improvements in the interstate system contribute to this goal?

Technologically, it is feasible to make the Interstate Job Bank both comprehensive in coverage and instantly interactive. An important consideration, however, is matching technology with the most likely needs and uses. The main argument against a comprehensive Interstate Job Bank is that many of the job orders flowing into ES offices are for low-pay, low-skill jobs, and that few clients would be interested in applying for these jobs in distant places, Professional and technical hard-to-fill jobs that might have a national market are already entered into the Interstate Job Bank (though not instantaneously). However these jobs may not attract workers considering relocation either, since the jobs are often hard to fill because their pay is relatively low.

The argument on the other side is that many blue-collar and less educated workers have in fact chosen to relocate when given practical help in getting jobs at the other end, including financial help with out-of-town job search and moving expenses. In a pilot project conducted by the ES system from 1976 to 1980, blue-collar workers took advantage of these kinds of relocation assistance in large numbers; 38 to 44 percent relocated, compared to only 13 to 16 percent of professional workers taking part in the project (ch. 6 provides details). The pilot project was conducted in one geographical region (the southeast), not nationwide, and 80 percent of the relocations were within that region. Some other relocation projects that succeeded also involved moves within a region.[49] These results suggest that computerized exchange of job bank information might proceed by steps, first within States, then among neighboring States, and finally, if it seems desirable, nationwide.

From the standpoint of technology, the upgrading of State systems is a necessary first step. Statewide job bank systems vary a great deal in degree of automation, and the existing systems are not always compatible. If more States develop fully computerized systems, and if some degree of commonality is designed into all the systems, communication among them on job openings and qualified applicants could be accomplished in several ways. For example, each State system could be available for elec-

[49] See, for example, the discussion of the relocation of Armour meatpacking plant employees in the 1960s, ch. 6.

tronic query by an office in another State or, at a more sophisticated level, selected systems could be linked by networking. These intermediate steps, less complex and costly than a fully interactive national system, might still prove a practical, effective help to workers considering a move.

In a time of general budgetary stringency and reduced ES budgets, it may be questioned whether State ES agencies will allocate enough funds to automate or revamp their statewide job bank systems. Congress might choose to appropriate funds for this purpose from the trust fund account that supports the State employment systems. One bill in the 99th Congress (H.R. 1036) would provide $50 million each year for 4 years for the purpose of fully automating State job bank and job-matching systems.

No one has made a detailed estimate of the costs either of a comprehensive, computerized interstate system or of an intermediate system. Complete costs would include not only the hardware (computers, terminals, and telecommunication lines), but also software systems and staff time for training, operation, and maintenance, In 1984 the Data Processing Committee of the Interstate Conference of Security Agencies estimated that the costs of bringing all State employment security data-processing equipment up to date would be about $241 million.[50] This figure covered only the costs of modern mainframe computers, desk terminals, and disk technology, but not telecommunication lines, software, or staff time.

A more optimistic indication of the costs of upgrading the automation of State systems comes from Missouri, which has a fully automated system. Officials of the Missouri Employment Security Agency report that the agency borrowed $1.6 million from the U.S. Department of Labor in fiscal year 1984 to upgrade their system's hardware. The State expects to pay back the loan within 4 years, mostly from savings on operation and maintenance of the up-to-date equipment. Missouri has about 2.4 percent of the U.S. labor force; thus according to the Data Processing Committee's estimates, upgrading the Missouri system might have been expected to cost about $5.6 million, not $1.6 million. Without a detailed cost study, it is not possible to resolve the apparent discrepancies in these figures.

Altogether, understanding of both the costs and benefits of a broader, more fully automated exchange of job bank information among States is limited. A study of these costs and benefits, including a consideration of several technical options for linking State systems, is needed as a reasonable basis for decisions on upgrading the Interstate Job Bank.

Other applications of new communication technology, besides automated job banks, have been suggested to improve ES service to clients and possibly to save staff time as well. For example, one State administrator is exploring the use of telephone recordings combined with a redialing system, to reach clients outside of regular office hours with news about job openings. (The U.S. Internal Revenue Service and catalog order firms are already using this technology.)

Labor Market Information

Much has been said about the difficulty of forecasting the demand for occupations as a basis for planning education and training.[51] In fact, in many States it is difficult to find good information even about current openings in local labor markets. CETA and JTPA both directed the Secretary of Labor to develop current employment data, by occupation and industry, for the Nation, States, and local areas; and Governors were given responsibility for overseeing and managing statewide information systems on labor markets and occupational supply and demand.

The weakest element in this information system is detailed, up-to-date estimates of occu-

[50] Interstate Conference of Employment Security Agencies, Data Processing Committee, "A Report on the Data Processing Financing Needs of the Employment Security System" (Washington, DC: ICESA, 1984).

[51] Ch. 8 discusses the Bureau of Labor Statistics system of occupational forecasting.

pations in demand in local labor markets. The ES job banks do not provide it, because they generally contain only a small portion of the jobs that are available in their areas, and low-pay, low-skill jobs are overrepresented. Potential beneficiaries of better information on occupations in demand are individual workers looking for jobs or considering retraining, JTPA project staff, Private Industry Councils, State economic development planners, and the ES offices themselves.

Some States do a good job of providing estimates for occupations in demand in local areas. State Employment Security Agencies (SESAs, which administer statewide ES systems, routinely collect a great deal of labor market information to meet the data needs of national programs. Under the technical guidance of the Bureau of Labor Statistics (BLS), they amass data on local unemployment rates, insured employment and wages, levels of employment and earnings by industry, and occupations within industries, much of which is used to produce national employment estimates and occupational forecasts. Box 5C summarizes the purposes and content of these four Federal-State cooperative programs.

Some States collect extra occupational data to show in more detail the patterns in local industries. Putting together industry and occupational data, SESA analysts are able to form a rough picture of which occupations are growing, static, and declining in the State and in some local labor markets. The same data can serve as the basis for State and local projections of occupations in demand. According to BLS officials, about 20 States provide reasonably current, detailed estimates of occupations in demand for at least some local areas. In the States that do not, a principal difficulty is lack of funds and expert staff to analyze the data that are available. With the cuts in funding and staff for ES systems since fiscal year 1982, some States have chosen to allocate fewer resources to research and analysis divisions, thus weakening their ability to provide local labor market information.

State and local labor market information may now be in jeopardy for another reason. The BLS has announced plans to give the Occupational Employment Survey (OES) lowest priority among the four Federal-State cooperative statistical programs, partly because the data are of greater interest to States than to the Federal Government.[52] The Administration wishes to reduce Federal support for local labor market information that is not directly needed for national purposes, such as determining eligibility or fund allocation for Federal programs like JTPA, or producing national labor force statistics. JTPA states, however, that the Secretary of Labor "shall develop and maintain for the Nation, State, and local areas, current employment data by occupation and industry, based on the occupational employment statistics program."[53] The Administration also proposed a cut in the Federal Government's small program of local planning grants to States, covering a broad range of needs for local labor market information. In fiscal years 1984 and 1985, funding for these grants was $7.3 million. The 1986 budget proposed $4.3 million for fiscal year 1986, and Congress appropriated this amount.

Some JTPA projects seek information on occupations in demand by commissioning surveys of local employers to determine their recent hiring patterns. The results may be more or less useful depending on the sophistication of the survey. Many projects use performance-based contracts, which put the responsibility for knowing what kinds of skills are salable on the trainer.

A new idea for improving information about local occupational demand is under development in Colorado and is attracting interest from several other States. Employers in most States are already required to file quarterly reports for unemployment insurance purposes, showing the number of their employees at the beginning and end of the period and the wages paid the employees. The reports also identify the employer's detailed industrial classification. When data from the reports are aggre-

[52]U.S. Congress, House Committee on Government Operations, An *Update on the Status of Major Federal Statistical Agencies, Fiscal Year 1986*, 99th Cong., 1st sess., a report prepared by the Congressional Research Service (Washington DC: U.S. Government Printing Office, 1985), p. CRS-38.

[53]Job Training Partnership Act of 1982, Sec. 462(a).

Box 5C.—Federal-State Cooperative Labor Market Information Programs

All the State Employment Security Agencies collect data, under the supervision of the Bureau of Labor Statistics (BLS, U.S. Department of Labor), which are needed for four national labor market information programs. Funds for collection and analysis of the data come partly from the Unemployment Trust Fund, which is supported by employer-paid taxes, and partly from general appropriations.

- **Current Employment Statistics (CES).** Every month, over 195,000 business establishments, with more than 35 million employees, voluntarily provide payroll reports to State agencies on employment, hours, and earnings of their employees. The CES covers nearly all wage and salary employment in nonagricultural establishments, by industry (3- to 4-digit SIC code detail) and geographic location. The State agencies mail the same form to each establishment each month, so the respondent can compare the current month's figures with the last month's, for accuracy and comparability. The States use the reported data to prepare State and area series, and also send the data to BLS, to be used in the national data series. The flash gross national product estimates are based on the CES, and the program provides employment and earnings estimates for many industries and regions within a few weeks of the date of the reports. Occupations are not included in this series. In fiscal year 1985, the CES program had a budget of $17.9 million.
- **Insured Employment and Wages.** State unemployment insurance laws require all covered employers to file quarterly reports on numbers of people employed and wages paid, by detailed industrial classification (4-digit SIC code). In 40 States, employers must report the period of employment and earnings for each invidual employee by Social Security number; in the other 10 States, employers may submit employment and earnings totals. Individual employer reports are confidential, but the data are aggregated to produce a picture of employment by industry and region. In some States, analysts use these aggregated reports to supplement the CES data, which may lack detail for some local areas. The employers' quarterly reports, like the CES, do not include occupational titles or classes. Federal funds for this program in the 1985 budget amounted to $13.1 million.
- **Local Area Unemployment Statistics (LAUS).** Under several Federal laws, including the Job Training Partnership Act and the Public Works and Economic Development Act, benefits to different States and areas are determined in part by local unemployment [illegible] statistical program that estimates the emp[illegible] of American workers each month, and many personal and occupational characteristics of people both in and out of the labor force, is the Current Populati[illegible] Survey (CPS). CPS is not one of [illegible]eral-State cooperative programs; it is conducted for the Bureau of Labor Statistics by the Census Bureau and is based on a sample of about 60,000 households. For 10 populous States and two metropolitan areas (Los Angeles-Long Beach and New York City), the CPS sample is large enough to provide reliable monthly estimates of the local labor force and unemployment rates. For the rest of the States and local areas, labor force and unemployment [illegible] are derived from several sets of data, includi[illegible] the monthly CES establishment survey and current unemployment insurance claim[illegible]. The LAUS budget was $8.9 million in 1985.
- **Occupational Employment Statistics (OES).** In this cooperative program, approximately 800,000 employers voluntarily report on the occupations of their employees, by industry (2- and 3-digit SIC code). Industries are surveyed on a 3-year cycle, manufacturing industries one year, wholesale and retail trade the next, and services the next. OES results show the number of workers in about 800 occupations by industry, for the Nation as a whole, for the States, and for some local areas. OES forms part of the basis for the projections BLS makes of employment in various occupations. In order to *provide detail for State and some local labor markets,*

[illegible] States pay for these additional surveys of [illegible] grams. The Federal part of the OES budget in 1985 was [illegible] million.

gated and compared across quarters, they can show hiring flows by local area and industry—but not by occupation. In the Colorado pilot project, the employer is asked to add occupational titles for all employees. Thus, if the project succeeds, the raw data will be available for showing quarterly hiring flows not only by industry and locality, but also by occupation.

The technical and financial difficulties of this kind of project could prove formidable. The first hurdle is that some employers report only for central offices, not for branches. More fundamentally, employers might find it very troublesome to classify their workers' occupations by title, which could at the least delay submission of UI reports and taxes. The request for such detailed reports might also erode employers' willingness to respond to long--established surveys sponsored by BLS for national purposes, most of which rely on voluntary cooperation. The costs to the States of aggregating and analyzing the data from millions of employers might be high enough to exceed the benefits of this procedure considerably. However, many analysts and managers in the employment and training field are interested in testing the idea, because the potential benefits are substantial.

Some of the demands from vocational educators, employment and training managers, and Private Industry Councils for more or better occupational information concern forecasts more than recent or current data. Occupational projections, like other forecasts, are uncertain by nature. Their value quickly diminishes with the number of years they try to look ahead. Recent, detailed information on hiring in local labor markets is of immediate use, however, and can also keep short-term projections up to date. Given a choice, policymakers might want to spend scarce funds more on collecting and analyzing current data than on constructing sophisticated models for projections.

NON-FEDERAL PROGRAMS

In the late 1970s and early 1980s, before JTPA, there were a few dozen State, local, and private displaced worker projects, usually supported by some Federal funds.[54] Many of these non-Federal projects have by now run their course or have been folded into JTPA projects. A few of the larger statewide and nationwide programs still exist independently, sometimes contributing funds to individual displaced worker projects in combination with JTPA, and sometimes providing a different kind of service than JTPA does.

In addition to their supplementary role in funding services for displaced workers, non-Federal job training programs are often designed for related purposes: 1) retraining active workers, both to avoid layoffs and to help

[54] For a brief summary of some of these projects, see John A. Hansen, Andrew Martin, and James Maxwell, "Retraining Displaced Adult Workers for Jobs in the 1980s and 1990s: A Review of Past Programs, Current Proposals and Future Needs," contractor report prepared for the Office of Technology Assessment, August 1983.

keep firms competitive; z) underwriting the costs of training the initial work forces of new and expanding businesses, to encourage economic development; 3) providing community or State government assistance (e.g., guaranteed loans or technical assistance) to firms that are in trouble and in danger of closing, to avoid worker displacement. Some programs undertake all of these activities, and one activity may merge into another—often there is little distinction between them.

Supplementing the Job Training Partnership Act

The largest of State programs to assist displaced workers is California's Employment Training Panel (ETP). Founded in 1982, it has about $55 million a year to spend for retraining workers who are unemployed and collecting UI benefits, or have exhausted UI and are still out of work, or are in danger of losing their jobs and going on the UI rolls. The source of the funding is a small tax imposed on employers who pay unemployment insurance, and are not currently in debt to the UI system (positive reserve employers). At the same time the tax for ETP was imposed, the UI tax was lowered by the same amount.[55] (California's trust fund, unlike that of many States, has run a surplus for a number of years.)

In its first 18 months, from January 1983 through July 1984, ETP authorized training for 21,000 people. About 70 percent of these people were unemployed when they entered training, and many qualified for services under JTPA Title III. A number of displaced worker projects have received training funds from both the JTPA Title 111 and the California ETP programs; for example, an outstanding project in Milpitas, California, directed by a labor-management team at the site of a closed Ford assembly plant, received about $2 million from each. (See ch. 6 for a description of the Ford-United Auto Workers project at Milpitas,)

Photo credit.' *Ca/ifornia Employment* Training Panel

The California Employment Training Panel provides retraining both for displaced workers and for active employees who need training to avoid displacement.

With its annual budget of $55 million, ETP is not a supplement to JTPA but is far larger. California received a formula allotment of $7.9 million for its Title III program in the 9-month transition year (the equivalent of $10.5 million annually). Nor is the ETP program a duplicate of Title III. ETP strongly emphasizes the retraining of active workers to prevent displacement and the use of job training to promote economic development.[56]

[55]Under current Federal and State laws, money collected by UI taxes cannot be diverted but must be used for UI benefits. Legally, the ETP tax is not a diversion, but the UI tax collection system is used to collect it.

[56]Information on ETP is drawn from The Employment Training Panel, *Annual Report 1984* (Sacramento, CA: State of California, 1984], ETP's monthly newsletters, and interviews with California State officials, institutional trainers, and directors of displaced worker projects.

The Employment Training Panel is structured for fast action with a minimum of red tape. Training projects typically begin with a telephone call from a business or training agency to one of ETP's three regional offices, followed by a meeting with ETP staff to discuss and outline the training. There are no application forms to fill out; ETP staff take care of the paperwork. When speed is important, a project outline and formal agreement with the Panel can be concluded in less than a month. In the early days of JTPA, when most State programs were not yet organized and long delays in approving project funds were common, this kind of fast, nonbureaucratic response was especially helpful in getting projects started.

ETP is strongly committed to training that leads directly to jobs. Employers who accept wage subsidies to provide on-the-job training must assure that they will keep the trainees on as regular employees, and training institutions offering classroom courses must place trainees in jobs related to their training, or they do not get paid. The panel asks for 100-percent" placement, although some flexibility is allowed in practice. ETP also demands that training be for lasting jobs with a future, paying at least $5 per hour to start (more in higher cost areas).

ETP gives priority to customized training that prepares workers to perform specific jobs for specific employers who agree to locate or expand in California. According to the panel, California must offer this kind of service to compete with other States for new business and new jobs. For example, ETP training funds were used to attract Integrated Device Technology (a silicon wafer fabrication company) to Salinas, an area hard hit by factory closings. The company had considered locating its plant and 275 jobs in Idaho instead.

Some other States are showing interest in training programs funded by the equivalent of a small portion of the UI tax, in much the same fashion as California. Delaware was the first to follow suit, with its "Blue Collar Jobs Act," passed in 1984 and funded at $1.6 million a year. In Delaware's case, the new tax was enacted when the State finished paying back a loan to the Federal Unemployment Account. (Delaware's UI trust fund ran a deficit during the recession.) The special employer tax dedicated to paying back the loan was lifted just as the new tax, equal to a portion of the special tax, was imposed. The practical effect was a UI tax reduction for employers, while the State got funding for a new job-training program. As in California, most of the training funded by the program will be offered to unemployed or displaced workers, but one-quarter of the funds are reserved for "industrial" training, including the retraining of active workers.

Another source of supplementary funding for displaced worker projects is private funds, primarily the jointly administered management-labor training accounts provided in some union contracts. The largest of these are the nickel-an-hour and dime-an-hour funds negotiated by the United Auto Workers (UAW) in their national contracts with Ford and General Motors. Built by contributions of 5 or 10 cents for every hour worked by union employees, collections for the Ford-UAW fund amounted to about $10 million a year, and for the GM-UAW fund to approximately $50 million a year, in 1985.

Both programs operate their own retraining and reemployment centers, open to any laid-off worker with recall rights, and both have contributed to displaced worker projects based in plants that were closing. The nickel and dime funds, like California's ETP fund, were essential to giving several projects a prompt start. Similarly, a retraining fund provided by the agreement between the LTV steel company and a United Steelworkers of America union local in Midland, Pennsylvania, helped the Midland project for displaced workers get off the ground in 1983, while delays of more than a year followed applications for JTPA money.

Flexibility remains a principal advantage of these private funds. Because JTPA-funded services are open only to unemployed workers, someone in the midst of a remedial education or skills training course as part of a Title 111

Photo credit: UAW-Ford Employee Development and Training Program

Flanking their instructor, two laid-off Ford workers are learning machining skills in a retraining course offered under the UAW-Ford Employee Development and Training Program.

project cannot continue once he gets a job. The nickel- and dime-funded programs serve active as well as unemployed displaced workers, and so do not suffer from this drawback. Moreover, the privately funded training centers are able to serve underemployed workers who have taken a stopgap job as well as those out of work. As the condition of the auto industry improved in 1984 and 1985, the emphasis in the employer-union training programs serving auto workers shifted to include active employees as well as the unemployed.

Retraining Active Workers

Programs that emphasize retraining of currently employed workers usually have several goals in view. The California Employment Training Panel, for example, emphasizes that retraining workers who are threatened with layoff can save the workers' jobs, save employers the costs of personnel turnover, and save outlays from the UI trust fund. The panel also states that a principal goal of active retraining is to encourage the adoption of new technologies, thus helping California businesses to stay productive and competitive. The effect, besides avoiding the immediate loss of jobs, is to make future employment more secure.

Through June 1984, 30 percent of the California workers benefiting from ETP training were active employees. To qualify for ETP funds, employers had to certify that, without retraining, their workers would be laid off and replaced with people who already had the skills that employers now required. Employers often cited the need for workers who could use computerized equipment and systems. According to an ETP report, at least half the job training the panel has funded involved some form of computer technology, ranging from office automation to wafer fabrication in semiconductor plants.

A number of ETP's active retraining projects serve small and medium-sized businesses. For example, 173 drafters working for 46 Los Angeles architectural firms were retrained in computer-assisted drafting and other automated processes, which cut the time required for producing architectural drawings by 50 to 75 percent. In another Los Angeles project, ETP helped to pay for the retraining of 148 employees of 15 apparel firms. These employees learned to operate computerized equipment that designs patterns, adjusts pattern sizes, and determines the placement of patterns on fabric. No other such training program existed in the Western United States. Without the training, employers reported, they would have pirated trained workers from the east coast, or they would have exported work overseas to low-wage countries. Either way, current employees would have lost their jobs.

Large businesses are also taking advantage of ETP-funded training. The Hughes Corp., California's biggest single employer, used ETP funds to retrain 990 workers, some of them current employees in danger of layoff, some former workers eligible for recall, and some new hires, to operate a sophisticated new inventory control and production management system. So far, the largest of the ETP-aided projects for retraining active workers is $5 million of assistance to the Bank of America. The bank is closing branch offices and plans to retrain 2,000 former tellers, operations assistants, and clerical workers for such jobs as special loan officers, personal banking officers, and computer-banking assistants.

Some uneasy questions arise about the use of public funds by large, financially healthy firms to train their workers. California ETP staff argue that many firms adopting new technologies would find it simpler and cheaper to replace current workers with newly hired people who have trained themselves at their own expense, and that ETP retraining saves the financial and emotional costs of displacement. Moreover, the availability of ETP funding for training allows firms to spend more for investment in capital equipment, thus improving their competitive position. In any case, since the ETP program is funded directly and solely by what amounts to a portion of the UI tax, paid by employers, the panel believes that it is appropriate to support any training that reduces UI-covered unemployment, current or potential.

Altogether, the public share in retraining of active workers is minute compared to the private. As chapter 7 discusses, spending by employers for formal training and education of their employees probably amounts to at least $10 billion per year and possibly much more. Informal training in the workplace, while almost impossible to quantify, is certainly of great importance as well. Public assistance for preventive retraining, mostly funded by States, probably adds up to no more than tens of millions per year, compared with the billions spent by employers. Clearly, the public sector cannot take the place of the private in this activity. It is the private sector that now provides, and will continue to provide, by far the most retraining of current employees that a changing and competitive economy requires.

Private programs such as the nickel and dime funds are structured ways of obtaining employer-funded training for currently employed blue-collar workers. For the union, a principal goal of the retraining programs for active workers is to bolster job security. For example, the 1984 UAW-General Motors contract calls for a job bank, supported by the dime fund, that will provide retraining and General Motors employment for workers whose jobs are lost due to technology or productivity improvements or to outsourcing (purchase of auto components abroad). This contract provision does not apply to jobs lost because of changes in consumer preference. People assigned to the job bank may be trained to serve in a roving team of substitutes, but in any case are supposed to be offered training to upgrade their skills. The job bank program has not yet had a real test. In mid-1985, auto sales and production were strong enough that only 41 people had been assigned to it, and they stayed only 2 weeks before getting new General Motors jobs.

In 1984 and 1985, nearly all the retraining of active General Motors employees that the dime fund supported was preparation for work in redesigned, modernized plants, not a response to elimination of jobs. For some employees—for example, the hundreds of workers assigned to two technologically advanced steering gear plants, or the skilled technicians and repair crew in assembly plants—the retraining is technical and fairly demanding. For others—for example, assembly line workers in the modernized Pontiac, Buick City, and Hamtrack assembly plants—much of the retraining consists of a 3-week course emphasizing team building, learning to trust fellow workers, and understanding the importance of quality. For those who need it, short courses in remedial or brush-up education in reading and math is offered. A key element in the success of the attitude training received by assembly line workers, stressing the connection between the worker's own welfare and the success of the product in the marketplace, appears to be the joint union-management administration of the program.

Another privately funded national program for retraining active workers was negotiated in a 1983 contract between AT&T and the Communications Workers of America. In anticipation of rapid technological change in the telecommunications industry, the contract called for the company to spend up to $36 million over 3 years for retraining employed workers. With the breakup of AT&T, the regional Bell companies as well as AT&T itself have taken over the training obligation.

In each of these companies, a labor-management advisory board approves training that it believes will help the employees fit into other company slots, as jobs and the organization of work evolve with changing technology—or, failing that, will help them find other jobs in the local economy. In 1985, thousands of AT&T and Bell employees took advantage of training. The Northwestern Bell joint advisory board, for example, approved training in individually selected community college courses, and 3,300 (25 percent) of employees signed up. The Bell South board emphasized correspondence courses, in subjects ranging from basic math and English to typing, business-letter writing, algebra, and digital electronics. some 5,000 employees enrolled. Of 76,000 nonmanagerial employees of AT&T's communications division, 10,000 were taking home study courses in mid-1985, chiefly in electronics, accounting, computer-related skills, and arithmetic.

The joint advisory boards responsible for framing the training programs have emphasized the importance of improving broad, generic skills, and many employees are seeking this kind of training. When it comes to more specific technical skills, the advisory boards have little to go on. They have received relatively little information from the company managements on the jobs and skills expected to be in demand in the future, partly because union members have complicated bumping rights based on seniority, and it is hard to foresee what jobs will be open. Also, some companies consider information on their future job skill needs proprietary. As for employment outside the companies, the advisory boards face the same difficulties many others do in finding readily available, detailed information on job demands in the local labor market. To anticipate what jobs will be in demand in a few years is still more chancy.

The company-provided retraining did not extend to workers who lost jobs in the largest layoff in AT&T's history—the cutback of 24,000 of 117,000 jobs in the company's Information Systems division, announced in August 1985. AT&T did provide reemployment assistance, however. Besides offering ex-employees help with resumé writing and job search skills, the company set up a central labor exchange information program with a free long-distance telephone number. Employees were asked to list their job skills and interests, and employers to list job openings. The initial response from employers seeking skilled employees was brisk; some 1,700 employers listed nearly 6,000 job openings in the next few days after national advertisements publicized the information exchange. The company planned to keep the exchange active at least through the end of the year.

Comunity and Government Assistance to Prevent Plant Closings

Plant closings and large labor force shifts are an inevitable part of economic growth and change, an aspect of the "creative destruction" of capitalism. This does not mean, however, that every threatened plant closing is unavoidable. In some cases, troubled companies are able to adopt effective strategies to enhance their competitiveness, with or without public assistance, and thus avoid the necessity of closing down. Even though the strategy for survival may involve sacrifice, such as trimming the work force, the massive worker displacement and community distress of a complete closing is averted.

Some firms, because of technological obsolescence, strong foreign competition, loss of product demand, or plain poor management have little chance to survive. In others, the changes required for survival are so far reaching, and time and resources so limited, that closing down is the only reasonable option. Efforts to keep these firms in business and save jobs will, in the long run, be wasted. Not all decisions to close down a firm are clear cut, however. The reasons for resorting to a shutdown are various, and some are more compelling than others. Some firms have reasonable prospects for long-term success if they can weather a short-term crisis and at the same time do what is necessary to enhance their long-run competitiveness and profitability.

"Doing what is necessary" often means the loss of jobs. Restoration of a firm's competitiveness often depends on improving productivity, that is, achieving more output per hour of labor. Unless sales rise enough to compensate, saving the company costs some jobs—but not as many as if the company went out of business. For example, in 1974 the Japanese company Matsushita bought Motorola's money-losing Quasar operation, which made television sets, Matsushita invested heavily in labor-saving equipment and also moved some of its operations to Mexico, where wages were lower. At the same time, the company redesigned the product and reorganized work to improve quality and encourage employee participation. With all this, some jobs were lost. Yet if the company had failed, several thousand more U.S. workers would have lost their jobs.[57]

Because local communities often have a large stake in the survival of a threatened plant, they may become involved in efforts to save it. State or Federal Government agencies may also be drawn into the efforts. Public or community agencies considering this course will make wiser decisions if they first size up the reasons for the closing and the longer term prospects of the firm. The following questions are among the key considerations.

Is there enough time? Early detection of problems so that there is time to adopt a corrective strategy is essential. Also, both management and labor must clearly recognize that short-term measures (e.g., temporary work sharing) will seldom be effective unless they are combined with a long-term strategy to improve the company's competitive position. often, it takes several months to conduct a feasibility study just to determine whether there really are practical alternatives to shutting down, and several more months may be needed to negotiate the necessary changes.

Are there realistic prospects for profitability that are likely to attract other investors? Some modestly profitable plants are slated for closure because they do not provide the rate of return that meets the goals of corporate managers or stockholders. These plants may be good candidates for acquisition by other investors, although in some cases the parent company will not want to sell out to a potential competitor. Other firms may have reasonable prospects for profitability if capital is invested, costs are cut, or management is generally improved. More rarely, companies may have the potential to convert to a different product line with better prospects for profit, if the physical plant and employee skills are suitable for the new product.

Are both management and labor willing to make sacrifices to create a more efficient, productive, and profitable plant? Often, successful turnarounds depend on reforging relationships between labor and management, with give and take from both parties in devising an effective plan of action. Management has to be able and willing to commit capital funds to a risky endeavor, and often to share some decisionmaking power with labor. Long-term wage concessions may be required of both managers and workers, and labor unions may have to accept changes in work rules, occupations, and staffing.

Communities can sometimes play a critical role in helping to save threatened plants. Their contribution may be in the form of encouraging labor and management to work together for the company's survival, finding alternative investors or new owners, providing training for the work force in a modernized plant, or upgrading public facilities or services. Even when the prospects for saving plants look favorable, communities also need contingency plans for assisting displaced workers. The plant may after all close, or if it survives, it may need a smaller work force or a different kind of work force. A certain amount of displacement is likely in any event. Some communities have permanent local organizations that can undertake these responsibilities. In others, less formal efforts are undertaken as needed, usually in response to specific plant closings.

[57]U.S. Congress, Office of Technology Assessment, *International Competitiveness in Electronics*, OTA-ISC-200 (Washington, DC: U.S. Government Printing Office, November 1983), p. 338; J. A. Alic and M. C. Harris, "Employment Lessons From the U.S. Electronics Industry," in *Proceedings of the 2d International Conference on Human Factors in Manufacturing*, H. J. Bullinger (cd.), Stuttgart, West Germany, June 11-13, 1985.

Most States do not have specific programs to channel assistance to troubled industries or plants in danger of closing. Their efforts to help are likely to be ad hoc or directed more toward the general goal of economic development and job creation. A few States, including California, Massachusetts, and South Carolina, have established continuing programs to help firms and industries in distress.

Promoting Labor-Management Cooperation

A recent innovation, the Area Labor-Management Committee (ALMC) is intended to foster cooperative solutions to company-worker problems that may threaten the company's existence and the prosperity of the community. ALMCs have been tried most commonly in communities plagued by poor labor-management relations, where firms have closed or fled, and new ones cannot be attracted, Since the 1970s, a score of communities have established ALMCs.

One of the oldest and best known of these organizations was founded in 1970 in Jamestown, New York, At that time, this small manufacturing town (population 40,000) in the far western part of the State had entered a condition of economic decline, brought on in part by very poor relations between management and labor. After a major employer went out of business, the town's mayor (Stanley Lundine, now a member of Congress) convinced local business and labor leaders to forma voluntary, community-wide labor-management committee. Co-chaired by representatives from labor and business, the committee also includes the mayor, the city ombudsman, and someone from the Federal Mediation and Conciliation Service as ex officio members.

Jamestown's ALMC adopted a strategy of local economic renewal, attempting both to retain local firms and attract new ones. The committee offers a cooperative program to assist local industry, better labor relations, develop human resources, and improve productivity. A key element of the program is in-plant labor-management committees, which look for cooperative solutions to problems that affect the firm's ability to compete. The ALMC keeps the committees supplied with technical assistance from the local community college, consultants, and local and State agencies. One study credited the ALMC with saving 1,708 jobs from 1972 to 1981.[56] Many of these jobs were in plants that would have closed or relocated had productivity not improved. The same study concluded that ALMC had helped to create 2,500 new jobs in the community, many of them in firms that would not have located or expanded in the area, had the old negative image of labor-management relations persisted. In 1985, 12 in-plant committees were operating in Jamestown area plants, including 9 under ALMC sponsorship.

A modest-sized Federal agency employing the same approach as that of the ALMCs is the Division of Cooperative Labor-Management Programs, U.S. Department of Labor. Its mission is to foster joint efforts by labor and management to improve productivity and enhance the quality of worklife. Its assistance to business, labor, and public organizations includes information services, workshops, technical assistance, and provision of resource materials.

State Programs to Help Troubled Firms

Massachusetts is one of the few States with a permanent, established program to help troubled firms. Created by law in 1984, the State program includes several different services. One is the Massachusetts industrial service which, at a firm's request, offers help in improving outmoded technologies and poor management, or in searching for a new owner if necessary. Firms may take advantage of a consulting service which can develop an adjustment strategy to be followed by the present owner or, failing that, to serve as the basis for attracting a new owner. The industrial service is also authorized to assist communities hit by plant closings, either by looking for new uses

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Christopher B. Meek and William F. Whyte, "Community Economic Revitalization: The Jamestown Model of Cooperative Labor-Management Problem Solving, " in Gary B. Hansen and Marion T. Bentley, ***Problems and Solutions in a Plant Shutdown: A Handbook for Community Involvement*** (Logan, UT: Utah State University Center for Productivity and Quality of Working Life, 1981), pp. 291-308.

for idled plants or by trying to attract new business (the more conventional economic development strategy). The service is also charged with developing an early warning system, identifying the kinds of industries that are vulnerable to plant closings and to significant losses of employment.

Another program created by the same law is a stabilization trust, the purpose of which is to provide "flexible high-risk financing" to troubled firms that are deemed economically viable. The financing is intended to make possible a change in ownership, or corporate restructuring, or a turnaround plan that could avert plant closure. The trust is designed to supplement financing by private sources and other public agencies, not to replace them. The program is new, and how it will work in practice has yet to be proven. The difficulty in such programs is evident: how to select companies that have a good chance of becoming productive and competitive, and to avoid wasting time and money on ones that do not.

South Carolina's Rapid Response Team shares some features with the Massachusetts program. The Governor established this coordinating body in the summer of 1983, to deal with the large number of textile mill and manufacturing plant closings occurring in the State. At first, the team was seen as a temporary recession measure, but in the fall of 1983 a task force of the Governor recommended making it permanent, to play a part in the State's strategy for economic development. The State Development Board was put in charge, with other State agencies responsible for education, training, employment security, and development financing also serving on the team. Additional agencies can also be tapped when needed.

The missions of the team are to identify problems related to plant closings and to coordinate State and local assistance when closings occur. Two specific goals are aversion (helping plants avoid closings when possible) and conversion (when the closing is inevitable, helping to convert the work force to new employment and the plant back to productive use).

The State Development Board has a central clearinghouse to collect as much early warning of plant closings as possible from such sources as local development boards and councils of government, chambers of commerce, banks, and local ES offices. When notified of an actual or probable closing, the team arranges a site visit. If its evaluation suggests economically sound alternatives to closing the plant, the team works with the plant management on an aversion strategy package that may include provision of business information, financial assessments, loans and tax incentives, assistance in research and marketing, and technological assistance, including retraining workers for jobs using automated equipment.

By mid-1984, the team had visited 12 plants threatened with closure, affecting 3,485 workers. One of the plants—Anderson Mills in the town of Anderson, employing 450 people—seems to have been saved through a combination of financial and management assistance. Two plants were successfully converted. The Racine Glove Co. in Manning and the Sunbeam small appliance plant in Denmark were both sold to new owners making similar products, and both are back in production. All 85 workers at the glove company were rehired. Employment at the appliance plant, formerly 250, was expected to reach 200 two years after the new owner took over.

Helping to Find New Financing or New Buyers

One of the strategies that States, local governments, and communities use to help troubled firms is to arrange financing for improvements that may pull the firm through. Community officials or local citizens sometimes serve as intermediaries in getting technical or financial assistance from State or Federal agencies. Rarely, local governments may themselves provide direct financial help or incentives to a threatened firm. If the current owner cannot or will not stay in business, community representatives may seek a buyer. Sometimes a local government serves as a middleman between a troubled firm and new investors or a new owner. When it works, this approach is very cost-effective for local taxpayers. Even after a plant has closed and the workers have been laid off, community and State action sometimes succeeds in finding a new owner to reopen the plant. In rural or isolated places, where one plant can make a critical difference to the economic life of a community, local leaders and government officials have compelling reasons to try persistently to revive the plant. Such an instance is described in box 5D.

Worker ownership of a failing plant is another option, much publicized but not very often accomplished, to avoid plant closure. Employee stock ownership plans are widespread in U.S. businesses (in part because of tax advantages conferred under the Employee Retirement Income Security Act of 1974 and its amendments), but the National Center for Employee Ownership knows of only about 35 instances of worker buyouts to avoid plant closings since about 1970. Because of incomplete reporting, the actual number of such buyouts may be twice as great, perhaps 70 cases, but this is still only about 1 percent of all employee-owned operations. State and Federal agencies on occasion offer some help in worker buyout efforts, sometimes by sharing the costs of feasibility studies to determine if worker ownership is viable. State assistance has not played a prominent part in most buyouts, however.

The largest and best known worker buyout so far was the one negotiated between the National Steel Corp. and employees at its Weirton, West Virginia, Steel Division in 1983. A year earlier, the company announced that it would consider employee ownership a viable alternative to its plans to gradually reduce new investments in the plant as a prelude to closing it. Consultants hired by the company and employees to explore the feasibility of worker ownership found that the long-term prospects for the company's steel products were favorable, on the condition that employees take significant wage cuts.

Pensions and benefits accrued under National Steel's tenure were another key negotiating point. If the plant closed while National owned it, the company's closure costs would swell to hundreds of millions of dollars for such items as early pension payments and severance pay. At the same time, workers were concerned that they could lose all benefits if the company failed after they took it over. In the final agreement, the employees accepted a 20-percent wage cut, while the company agreed to continue its pension and benefit obligations for 5 years after the buyout. During its first year as an employee-owned firm, Weirton made a profit of $60.6 million.

The Weirton worker ownership agreement depended very little on direct spending of government funds. The West Virginia Economic Development Authority provided $125,000 for an initial feasibility study, and two counties in the area contributed an additional $35,000. At one time, the city applied for a Federal urban development action grant to help with in-plant improvements, but its application was rejected.

LABOR POLICIES AND ADULT WORKER TRAINING IN THE UNITED STATES AND OTHER INDUSTRIAL DEMOCRACIES

Labor Policy

Government policies specifically designed to deal with labor adjustment are relatively new. In most industrialized countries, active (or selective) labor policies date only from the 1960s. Before that, governments relied on three kinds of policies to affect employment and unemployment: 1) general macroeconomic policy, 2) employment insurance and welfare, and 3) economic development policy. Adult training and retraining programs also existed for years in many industrialized nations, but only in the 1960s did the OECD countries begin to use these programs systematically to meet the employment needs of selected groups, regions, and economic sectors; that is, to make them a part of active labor policy. The active labor

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policies in modern industrial democracies center on three objectives: 1) developing human resources and adjusting the labor force to structural changes, with the goal of fostering economic growth; 2) improving the employment opportunities of marginal groups, thus contributing to social equity; and 3) ameliorating the trade-off between inflation and unemployment, by stabilizing employment during cyclical downturns and removing labor market bottlenecks during periods of growth.

Adult retraining and reemployment assistance is one of a range of policy tools that governments now use to deal with specific labor problems. The ways other industrialized countries have structured this assistance, and fit it into their broader labor policies, are highly varied, These varieties of experience may offer insights to U.S. policy makers, keeping in mind that not all foreign experience can translate easily into the political and economic culture of the United States.

For example, the combined classroom learning and apprenticeship in vocational skills that most German young people acquire in their high school years provides West Germany with an able work force, to the benefit of the nation's productivity and competitiveness. Japan's system of lifetime employment favors continued retraining of active workers, at least for the one-quarter or so of Japanese workers included in the system. Employers who are able to keep their workers and retrain them as markets and technologies change contribute both to their own and to the nation's adaptability and competitiveness.

The labor policies and adult training programs of two industrialized democracies have been selected for brief discussion here. The Swedish system has attracted notice as an example of a stable social partnership between business, labor, and government, with both full employment and business efficiency as major goals. Canada exemplifies a more laissez-faire approach, combined with a substantial commitment to training and adjustment programs for workers displaced by trade and technology changes.

Sweden

Sweden's retraining and reemployment programs and other labor measures are the largest and most costly in the world, accounting for about 5 to 8 percent of government expenditures in recent years, and 2 to 3 percent of gross national product. These programs typically provide services to 5 or 6 percent of the labor force in the course of a year. Although expensive, the Swedish system is considered well run and effective. To a substantial degree, it has met the three goals set for it: 1) facilitating structural adjustment; 2) keeping employment high while holding inflation down (i.e., stabilization); and 3) promoting social equity by giving job skills to as many citizens as possible.

Stabilization has been partially achieved, with more success in controlling unemployment than inflation. More than any other Western country, Sweden uses active labor policies to keep unemployment down. In 1980, for example, when the U.S. unemployment rate was over 7 percent, Sweden's was 2 percent. Sweden's annual unemployment rate never rose above 3.4 percent even in the depths of the 1980s recession, when the U.S. unemployment rate reached 9.7 percent and the average rate for Western European countries was over 11 percent. International comparisons are tricky, however, because Swedish policy deliberately provides government subsidies for wages, training, and public sector jobs to keep people off the unemployment rolls when private business activity is depressed.

Sweden's recent record of inflation control is only mediocre. In the decade 1971-80, the average annual rate of inflation in Sweden was 9.6 percent, a little below the average for Western European countries, but above the U.S. annual rate of 7.9 percent for the decade. As inflation moderated in the 1980s, Sweden stayed about even with the rest of Western Europe, but U.S. inflation rates were much lower (i.e., a 3-year average of 9.9 percent for 1981-83 in Sweden, versus 6.6 percent in the United States).

As a small, trade-dependent country, Sweden is conscious of the need to stay competitive internationally. The nation's labor policy is intended to help individual workers adjust to structural economic change, not to prop up declining industries indefinitely. Nonetheless, wage subsidies, which indirectly support declining industries, are a prominent part of Swedish policy.

The National Labor Market Board (AMS), an independent tripartite body that includes government, business, and labor representatives, formulates the broad outlines of Sweden's labor policy, under the guidance of the government and Parliament. All Swedish labor programs, including job training, placement, wage subsidies, relocation assistance, and job creation, are coordinated under AMS. AMS is also the only legal employment service in Sweden. This enables local AMS offices to gather a great deal of information about worker needs and job vacancies in their areas; at the same time they are part of a nationwide agency with ready access to job listings throughout the country. Despite the centralizing role of AMS, its local offices have ample discretion and can act quickly. The government-run adult training program in Sweden has the dual function of providing new skills and helping to reduce unemployment during downturns in the business cycle. Bottleneck training, directed toward preventing skills shortages, is also supported to a limited degree as an anti-inflation measure. The training centers, administered by AMS, provide courses to a large number of workers; approximately 1 percent of the 4.4 million people in Sweden's labor force are in government-sponsored training each year. Apparently, the training courses are well chosen and reasonably effective. About three-quarters of graduates have jobs within 6 months, mostly in the work the students were trained for, and dropouts are reported to be few.

The training courses are free and are open to adult workers who are unemployed, in danger of becoming unemployed, or hard to place. (Bottleneck training is open to employed workers.) The AMS Employment Service determines eligibility. Courses range in duration from 2 to 72 weeks, commonly lasting about a year, and are scheduled to admit students at frequent intervals. Throughout training, the student workers receive a stipend that approximately equals the unemployment benefits they qualify for. Workers in training are generally the less skilled and less educated and formerly held jobs in occupations for which there is declining demand. Remedial education is offered to those who need it before they begin skills training. Quite a few older trainees have no more than 6 or 8 years of formal schooling.

Other selective labor measures administered by AMS include special placement assistance, which is all that many displaced workers need. The Swedish system puts special emphasis on an immediate response, on the grounds that long delays between layoff and employment assistance hurt motivation and make successful retraining or placement less likely. Swedish law requires advance notice of impending layoffs of five or more workers, so that an early response is possible. Circumstances vary, but in a large layoff, the AMS Employment Service often moves into the workplace immediately, trying to match workers with job openings. For workers who do not find jobs, the service usually recommends either training or a subsidy to the firm, to encourage it to retain the workers at least temporarily.

Wage subsidies to employers, like government-sponsored training, are a major feature of the Swedish system. A third sizable element is counter-cyclical public employment. Altogether, 90 percent of Swedish labor program expenditures go to what are called active measures to combat unemployment, with 10 percent going to passive unemployment insurance and other cash assistance to the jobless.

The Swedish approach is in many ways a huge transfer program in which the employed pay taxes—at very high rates—that are used to keep other workers in a variety of training and subsidized labor schemes. Foreign analysts sometimes describe the extensive wage subsidies, training expenditures, and public sector employment in Sweden as masking what would be counted as higher unemployment in other countries. A different view—one which the majority of Swedes evidently share—is that the country's labor policies are more cost-effective and socially productive than leaving the workers to collect unemployment insurance. Wage subsidies, for instance, encourage companies to keep marginal workers at less cost to the government than paying full unemployment benefits to laid-off workers. Even when workers in training have no immediate prospect of jobs, because of recession, they are learning useful skills while costing the government only a little more than unemployment benefits,

The system has its limitations in treating all kinds of workers equitably. During the late 1970s, despite Sweden's low unemployment rate, the duration of unemployment for those without jobs was longer than in earlier decades. Also, since the late l970s, unemployment rates have been considerably higher for younger and older workers (those in age groups 16 to 24, and 55 to 64) than for workers in the middle age brackets. In addition, some Swedish unemployment must be regarded as exported. Guestworkers from Finland and other poorer countries are returned home, or no longer are allowed to immigrate, when the demand for labor declines.

Indeed, a certain degree of inequity seems built into the system. There is a growing welfare gap between those who established themselves in the labor market and will get continuing protection and those who are not in this fortunate position. The latter are less likely to get good jobs, partly because the system is designed to protect those already employed. This arrangement also makes it harder for workers who dislike their current jobs to change them.

There is also concern in Sweden about the implications of the job-protection policy for structural adjustment to changing economic conditions. By 1980 the government and some analysts began to speak of the declining adaptability of job applicants and employers. Comfortable with staying where they were, workers showed an increasing preference not to move from their companies or regions. Employers, too, found it easier to accept wage subsidies and keep workers in old lines of business than to enter new activities. The 1980 Conservative government responded with new measures, including new grants to encourage more geographical mobility. Whether the present Social Democratic government will continue these measures, and whether they will have any real effect, remains to be seen,

Several observations can be drawn from the extensive Swedish experience with training, wage subsidies, and other active labor policies, First, a wide range of policies can be used to prevent and, when necessary, respond to industrial dislocation. Retraining is one option, not necessarily the most effective for all situations or individuals. Nor do all of the options involve subsidies. Some are simple but prompt measures to help displaced workers find new jobs, before layoff if possible. Other policies, including early retirement and agreements to transfer laid-off workers to other company plants, can be used to limit the number of workers facing dismissal.

Second, the Swedish experience suggests the value of considering alternatives to unemployment benefits as the main response to joblessness. In terms of society's interest in improving skill levels, and in terms of the dignity and productivity of the individual, simply putting people on unemployment may not necessarily or always be the best option.

Third, Swedish experience shows that bureaucratic does not necessarily mean rigid, inflexible, and wasteful, The Swedish system of training centers is run by a government agency, and it works. One reason it works is that business and labor are involved at all levels, particularly in identifying what kinds of training are needed. They provide valuable contacts, information, and support, AMS also has a unique source of current information in its network of employment service offices. Joining a comprehensive employment service with the authority to plan training, along with a mandate to adjust courses to changing clients and jobs, makes for a flexible and effective training system.

This leads to the complex issue of how much of the Swedish system could be successfully transferred to other countries, particularly to the United States. Clearly, the fact that Sweden is a small homogeneous country in which government officials are trusted helps make the system accepted and successful. So does the overwhelming public support for the goal of full employment, even if it means very high taxes and high government spending. Equally important is the genuine, if sometimes overstated, cooperation between labor and business, at all levels of society, which has existed for half a century. Related to this last point is the powerful political role of organized labor in Sweden. Eighty percent of Swedish workers belong to labor unions. Many of the work force reduction methods used in Sweden are inconceivable without very strong unions in all industries and very strong, prolabor laws concerning employee rights and prenotification requirements.

Very few of these supporting conditions exist in the United States, An attempt to emulate the entire Swedish system would surely fail. Some elements of the system, such as the government monopoly on placement services, are most unlikely to travel well from a small homogeneous country to a large, highly varied and individualistic one. A more practical approach is to select elements of the system—for example, commitment of extra resources to training during recessions, provision of individual effective counseling for displaced workers, and advance notice of and early response to layoffs—and tailor them to this nation's needs and constraints.

Canada

Canada has an active, varied labor policy. The Canadian approach is less a formal social partnership between government, business, and labor, on the Western European model, than a series of selective interventions by the national government to correct what are seen as deficiencies in the private market. The labor programs are meant to support a national policy of lowering world trade barriers, making Canadian industry competitive, fostering technological advance, and thereby promoting economic growth. Elements of Canada's labor policy include an extensive, well-funded job-training program for adults, with income support for trainees; wage subsidies and public sector job creation, especially in communities with heavy job losses due to structural economic change; and a small, flexible, highly efficient placement program for workers hit by plant closings or large layoffs.[59]

Canada's national government supports two kinds of job training for adults: tuition-free institutional courses, in community colleges and vocational schools run by the provinces; and industrial training, supplied by employers in plants and classrooms and paid for cooperatively by the employer and government. Both have the dual purpose of improving individual workers' employability and earning capacity and of meeting the skill needs of the labor market. As of 1979, studies of program results showed that 75 percent of trainees (institutional and industrial) obtained jobs after training, but only about one-half of these were in jobs for which they had been trained. With a change in the law in 1982, both parts of the National Training Program began to emphasize "critical skills" training, in occupations designated as nationally important and in which shortages are anticipated. This new approach tips the balance somewhat from the individual worker's needs to the nation's needs, but priority is still given in some training programs to workers who are considered disadvantaged in the labor market, including women workers and Natives.

In fiscal year 1983-84, the Ottawa government spent $1 billion on job training for adults (defined as people who are past the age of re-

[59] Much of the material in this section was provided by officials of the Canadian Ministry of Employment and Immigration, including AlIan Jacques, Director General, Labour Market Planning and Adjustment, and his deputy Blair Lopes; Pierre Leclerc, Director, Industrial Adjustment Service (formerly the Manpower Consultative Service); and Norman Allison, Director, Human Resources Development Branch, Ontario Region, In addition, see Abt Associates of Canada, "Evaluation Study of the Industrial Adjustment Service (IAS) Program, " report prepared for Employment and Immigration Canada, Program Evaluation Branch, November 1984.

quired school attendance).[60] With a national budget of $89 billion and a labor force of 12 million, this is a substantial sum, Some 277,000 people, about 2.3 percent of the labor force, participated—again, quite a sizable number, compared with approximately 1 percent of the work force who are in job training in both Sweden and West Germany.[61] The Canadian figure is probably somewhat overstated, because about 43 percent of the trainees were young people (24 years of age and under), a higher percent than in other countries, Nonetheless, job training for adults in Canada is impressive in its size.

Despite a national policy favoring more reliance on industrial training, Canadian job training in 1983-84 was still quite strongly classroom-oriented. The great majority of adult workers starting government-sponsored training were in institutional training (231,000 people); nearly three-quarters were enrolled in vocational skills courses, some 20 percent in remedial education or language training, and the rest in some form of job readiness training. Almost everyone in full-time training courses received government-financed income support, either UI benefits (which can last as long as 2 years for trainees), or small training allowances, sometimes with supplements for day care or transportation. The number of people in industrial training was about 46,000—higher than in 1982-83 but sharply down from the 80,000 or so of recent years, probably because the continuing recession in Canada made employers unwilling to take on trainees.

The critical skills training program, which the government now emphasizes so strongly, has begun to grow, In 1984, 82 job titles were on the government list of ''occupations of national importance. " These received priority in government subsidies to training facilities as well as in assignment of candidates to industrial and classroom skills training, About 12,500 (27 percent) of the workers who began industrial training in 1983-84 were learning critical skills occupations, and the government devoted over one-third of its spending for classroom skills training to the designated occupations. By no means all the occupations on the list could be regarded as high-technology; the list included machinists, tool and die makers, welders, offshore drillers and derrick workers, millwrights, and chefs as well as robotics technicians and computer hardware specialists. Typically, industrial trainees in the critical skills program were high school graduates who already had jobs before training, and nearly all were men. In more traditional types of government-funded training, disadvantaged workers, unemployed people, and those threatened with unemployment get first chance, and about one-quarter of participants are women.

Canada has a variety of other labor programs besides job training. The free, nationwide system of Employment Centres, which make the assignments to government-supported adult training, is similar in many ways to U.S. Employment Service offices—including having private competition and having a relatively small share of available jobs in their job listings. The national government has recently targeted both regional economic and labor policies toward assisting communities seriously weakened by the loss of industries or plants. For selected communities, the Industry-Labor Adjustment Program offers special loans and grants to industries, encouraging firms to stay in the area or move into it. To workers, the program offers temporary public service employment (limited to 2 years), portable wage subsidies (transferable from one employer to another) for those over 40, early retirement for those over 55, and relocation subsidies, as well as training.

An outstanding Canadian program that targets services to adult displaced workers is the Industrial Adjustment Service, or IAS (formerly the Manpower Consultative service). Since 1963 this small federal agency has offered several kinds of assistance to employers and workers in individual firms: placement assistance for workers displaced in plant clos-

[60] Government of Canada, Ministry of Employment and Immigration, ***Annual*** *Statistical Bulletin: National* ***Training Program,*** *1983-84*, WH-3-488E, 1985.

[61] In previous recent years, participation in training was even higher, closer to 3 percent of the work force. Participation fell off during the recession because of a steep drop in numbers of workers in industrial training,

ings or large layoffs; work sharing (part-time unemployment insurance) and technical assistance, to tide plants over a temporary crisis and avoid layoffs; retraining workers in plants undergoing technological change; training skilled workers for companies that are opening or expanding and that would otherwise face labor bottlenecks. About half of the IAS workload relates to plant closings and permanent layoffs.[62] This part of the IAS program is described in box 5E.

Canada's labor programs, while more extensive than those in the United States, still bear some resemblance to ours. There are differences; for instance, government intervention in particular industries and areas of social welfare is more common in Canada than in the United States. However, these differences are considerably less than those between the U.S. system and the systems of the Western European social democracies.

Canada's emphasis on training in critical skills is of particular interest. It is too early, only 3 years after the passage of the National Training Act which established the emphasis, to judge how it is working out. Already, it is clear that identifying what skills are in demand—let alone what will be in demand a few years hence—is no simple job. When the 1982 law was passed, some anticipated that the Canadian Occupational Projection System would be able to pinpoint the occupations in demand for the next 5 to 10 years by using an elaborate econometric model. But, not surprisingly, the Canadian researchers have not yet been able to provide such projections. What the training branch of the Ministry of Employment and Immigration actually does in designating demand occupations is to rely on information provided by its regional economists, including job order and unemployment data from Canada's 450 Employment Centres, information solicited from employers and labor organizations, and figures on how many people are already in training. Regional offices of the Ministry now make additions to and deletions from the national list, since it has become obvious that regional differences are considerable. Also, it is clear that many of the occupations in demand are quite traditional ones (e.g., chef and assistant cook) and are not all in novel high-technology occupations.

Another interesting point about the Canadian experience is that quite a large proportion of the adult work force is in free, full-time government-sponsored training, including remedial education in basic skills for those who need it. Training courses tend to be fairly lengthy (1 year is typical), compared with the average 15-to 23-week period spent by trainees in JTPA projects in the United States, and government income support is relatively generous. Nearly all full-time adult trainees in Canada have some form of support.

Finally, a point of practical interest is the positive example of Canada's IAS. At modest expense to the taxpayer (roughly $107 per worker served)[63] this small federal agency is able to give special, effective placement assistance each year to tens of thousands of workers hit by plant closings, even in plants characterized by poor labor-management relations. This is accomplished by efforts at the plant level to turn up jobs, without the use of a mandatory national job-listing service like Sweden's.

Canada's labor policies, unlike Sweden's, are not designed for the specific purpose of reducing unemployment during downturns in the business cycle. Despite its active employment and training policies for displaced and disadvantaged workers, and its program of special assistance to communities undergoing structural economic change, Canada's unemployment rate for more than two decades has usually been higher than the average for industrial countries, and somewhat higher than, but comparable with, the U.S. rate. (In the 11 years 1959 through 1969, the U.S. and Canadian unemployment rates both averaged about 4.8 per-

[62] A detailed description of the IAS job placement program may be found in William L. Batt, Jr., "Canada's Good Example With Displaced Workers," *Harvard Business Review*, July-August 1983.

[63] If the contributions of the private as well as the public sector are included, IAS program costs per participant in 1982-83 were about $171.

Box 5E.—Placement Assistance for Displaced Workers: The Canadian Model

Anywhere in Canada, whenever there is a plant closing or layoff involving more than 50 workers, help in finding new jobs for the displaced workers is readily available from a small, unobtrusive federal agency, the Industrial Adjustment Service (IAS). Soon after learning that a layoff is imminent (usually within a day), IAS offers to establish a labor-management reemployment committee, whose job is to place the laid-off workers as promptly as possible—often before the layoff occurs. The committees cast a net through their communities, to area employers in similar lines of work, to more distant employers, and to cooperating unions. The strategy is to tap the hidden job market, the jobs that are never publicly announced but are filled by word-of-mouth.

From 1971 to 1981, labor-management committees formed with IAS assistance found 66 jobs for every 100 workers affected by the plant closings, usually within a year or less.[1] An exact count of the workers served per year is not available, but partial records indicate that IAS committees offered adjustment services to about 35,900 displaced workers in fiscal year 1982-83.[2] This is an impressive number, considering that in the United States, where the labor force is nearly 10 times as large, about 96,100 displaced workers were served in JTPA projects in the 9-month 1983-84 transition year (equivalent to about 128,000 in a full year); 132,200 were served in the 1984 (12-month) program year.

The IAS offer of help can be refused; in most provinces, participation is voluntary. Ninety-five percent of the time, the offer is accepted, and IAS is a participant in virtually all major plant closings. Its role is to facilitate, not to direct. It provides an independent chairman, whom the reemployment committee may select from a roster of experienced people (often retired businessmen). An IAS adviser may serve ex officio, but keeps a low profile; the committee is a labor-management team, not labor-management-government. IAS pays half the committee's costs, with the company usually picking up most of the other half, although the provincial government and employee groups may make contributions. In unusual circumstances, such as company bankruptcy, IAS pays for all costs. The costs have historically been low, about $10,000 to $20,000 per agreement. Typically, the committees finish their work and go out of business in about 1 year.

IAS is lean and flexible. With 66 field staff members and annual budgets in recent years of $6 to $8 million, IAS has helped to arrange 400 to 600 labor-management agreements per year.[3] These agreements cover other IAS activities besides placement services to laid-off workers, including responses to threats of layoff, adjustments to technological change in the workplace, and responses to other problems such as plant expansions and high labor turnover. In 1982-83, the IAS spent roughly $3.9 million for its services to workers displaced in total or partial plant closures. Additional private contributions brought the total funding for these services up to about $6.1 million. Per worker, the IAS portion of the cost was about $108; total spending, public and private, averaged about $171 per worker.[4]

Canadian officials attribute much of the agency's success to its nonbureaucratic style. Individual field officers have a great deal of authority to act on their own, without waiting for approval from superiors. A related feature is the prompt offering of services, as soon as a company gives notice of a layoff. Six of the ten Canadian provinces (including the most populous) have plant closing laws that require advance notice of layoffs affecting 50 or more workers, the notice being 8 to 16 weeks depending on the size of the layoff. The national government has a similar law covering certain classes of workers. In

[1]In the recession year 1982-83, when Canada's unemployment rate was about 12 percent, placement rates were apparently lower. In one firm served by IAS, 721 of 791 workers received a notice of layoff, and 612 left the firm. Of those who left, 406, or 66 percent, got at least one job after layoff. But 17 months after layoff, many of these people had left their first, or even their second, reemployment job; of the 791 originally at the firm, only 439 were employed. See Abt Associates of Canada, "Evaluation Study of the Industrial Adjustment Service (IAS) Program," report prepared for the Employment and Immigration Canada, Program Evaluation Branch, November 1984.

[2]The IAS served approximately 133,000 workers in 1982-83, but agreements that dealt total or partial closures of individual plants covered 35,910 workers. See Abt Associates of Canada, op. cit., p. 83.

[3]This omits 25 temporary field officers engaged solely in arranging work sharing during the recession, and over $2 million for their salaries and administrative costs.

[4]This estimate is based on spending figures given in Abt Associates of Canada, op. cit., and additional information provided by officials of the Ministry of Employment and Immigration, Canada.

the provinces without advance notice requirements, employers often volunteer information to IAS about impending large layoffs, or IAS may attempt to collect information by word of mouth or by following the newspapers. These efforts are not always successful. However, in the majority of cases, the committee's work can begin before the layoffs start.

Traditionally, the committees have concentrated on prompt reemployment, not on training. They do not arrange or pay for training, nor do they offer counseling or relocation assistance. (These services are offered through Canada's free, publicly financed Employment Centres, and the national government pays for training tuition.) IAS committees can refer participants to Canada's extensive adult vocational training system, but in the past they typically have not. With the prolonged recent recession in Canada, when very few good jobs were available, interest in retraining has picked up. For example, after the closure of a General Electric turbine plant near Toronto late in 1983, 160 hourly employees registered with the labor-management committee for reemployment assistance. Initially, only one asked for retraining. By the following summer, 40 more were interested. Government-sponsored places in training courses are limited, but if all of the seats are filled, labor-management adjustment committees can sometimes succeed in getting funds for a few more, to meet the displaced workers' needs.

cent; from 1970 through 1981, the U.S. rate averaged 6.3 percent and the Canadian rate 6. percent.) However Canada was unusually hard hit by the recession of the 1980s and slow to recover. In the 3 years, 1982 through 1984, Canada's unemployment rate was between 11 and 12 percent—a worse record than that of the United States and many European countries.

As discussed in chapter 4, the relation between unemployment and displacement is not simple. Programs that help displaced workers get retraining or find jobs more quickly than they would on their own should have some effect on the unemployment rate; but this effect may be quite small compared with major influences on a country's employment situation from factors such as macroeconomic policy, trade policy, and the dependence of the country's economy on natural resources.