

Chapter 6

Design and Performance of Displaced Worker Projects

Contents

	<i>Page</i>
overview and Findings	225
Common Ingredients of Success	225
Issues in Project Design	226
Areas for Federal Action	226
Introduction	227
A Pioneer Project: The Armour Automation Fund	227
Measuring Success	228
Common Ingredients of Success.. . . .	233
Plant-Centered Projects	234
Timing.	236
Employer Responsibility and Labor-Management Cooperation	240
Differences in Situation	242
Issues in the Design of Displaced Worker Projects	243
Getting Into the Program	246
Financial and Personal Counseling.	247
Job Search Assistance	248
On-the-Job Training	249
Vocational Skills Training	250
Remedial Education.	260
Relocation Assistance	261
Proposals to Assist Individual Retraining Efforts	265

List of Tables

<i>Table No.</i>	<i>Page</i>
6-1. Program Outcomes, Displaced Worker Demonstration Projects, 1982-83.	229
6-2. Costs and Placement Rates by Type of Service, Demonstration Displaced Worker Projects, 1982-83	245
6-3. Entered Employment Rate and Reemployment Wage by Type of Service, Sample of JTPA Title II Projects, July-March 1985.	245
6-4. class Size Training provided in Displaced Worker Projects.	252
6-5. Examples of Vocational Training Offered in JTPA Title III Displaced Worker Projects, 1984-85.	253
6-6. Class Size Training provided by the Ford/UAW Program at Milpitas, CA, 1983-84	255
6-7. Individual Retirement Accounts, by Size of Adjusted Gross Income, 1983	266

Figure

<i>Figure No.</i>	<i>Page</i>
6-1. Downriver Community Conference Economic Readjustment Program. .	244

INTRODUCTION

Experience with modern displaced worker projects is still quite limited. Few in this country have been in existence long enough to provide a good idea of whether they are working as intended, or whether some elements in them are more successful than others. But by putting together insights drawn from projects of the past, findings from the few evaluations of more recent projects, and observations of current ones, it is possible to sift out useful guidance to good project design. Of particular interest are findings that relate to government policies, and how they may help, or perhaps unintentionally hinder, the offering of employment and training services to displaced workers.

The findings discussed below are not conclusive: they are not based on irrefutable evidence. They are, however, something more than suggestions. They represent the collective wisdom of many experienced people, a few well-designed studies on what works best in helping displaced workers find productive new jobs, and early returns from the JTPA displaced worker program,

A Pioneer Project: The Armour Automation Fund

During the automation scare of the early 1960s, one of the best and most thoroughly documented efforts to retrain and reemploy displaced workers was the Armour Automation Fund. The product of collective bargaining in an industry noted for its stormy labor history, it established a cooperative tripartite committee made up of management (the Armour company, then the second largest U.S. meatpacking company), labor (the two unions representing the company's workers), and two impartial co-chairmen (Clark Kerr, then President of the University of California, and George P. Shultz, then Dean of the University of Chicago School of Business).

From 1950 to 1965, Armour overhauled its operations nationwide, closing big old plants and opening smaller, leaner ones with modern

equipment in new locations. Altogether, the company closed 21 plants employing 14,000 workers, and laid off almost half its workers. In 1959, halfway through, with nine plants employing 6,000 workers already closed, Armour announced plans to lay off 6,000 more workers and shut down six more major plants. At this point, in the course of negotiating a new labor-management contract, Armour and the two unions established the Automation Fund Committee. Armour supplied \$500,000 for the committee's operations. Its duties were to study the problems of displacement and recommend solutions.

A 1966 study by Shultz and Weber summed up 5 years' research and experience of the Automation Fund Committee. Twenty years later, the insights of this report have not lost their value.

Some major conclusions of the report:

- There is no single, simple approach to the problems of worker displacement. Different people have different needs. The adjustment program must provide a variety of options, including placement, training, transfer, and early retirement, together with careful and patient individual counseling,
- Advance notice of a plant closing or major layoff is a prerequisite for constructive action. Notice of at least 6 months allows time for recovery from the shock and then time for planning, choice, and action.
- Placement efforts should be on a special project basis; routine State Employment Service procedures are inadequate to handle the problems of mass layoffs.
- Workers with limited education can profit from retraining for occupations in demand; appropriate training can be found for most interested, motivated workers. Overly rigid screening can rule out good candidates.

¹ George P. Shultz and Arnold R. Weber, *Strategies for the Displaced Worker* (Westport, CT: Greenwood Press, 1966).

- Workers in training must have adequate income support, from unemployment compensation, part-time work, or a combination of sources. Without adequate financial support, trainees will be forced to drop out before training is completed.

The report recognized that no program for the placement, training, or transfer of permanently displaced workers—however well funded or energetically administered—can escape the dominating influence of the labor market. Where unemployment is high or the local labor market is thin, job opportunities for displaced workers simply may not exist. Another finding was that most displaced workers, even with help, lost ground. The Automation Fund Committee's performance must be judged in this context; its successes were only relative. It did help hundreds of ex-meatpackers to find new jobs, or get retraining, or transfer to other Armour plants. Although the record is incomplete, it clearly indicates that workers assisted

by the committee fared better in finding new jobs than those who had no such help. Even so, most of the displaced workers suffered losses. For example, workers who chose retraining made slightly better wages on new jobs than those who did not; yet their hourly earnings declined drastically from the level at Armour—25 to 35 percent for men and 50 to 60 percent for women.

Displaced worker programs, Shultz and Weber concluded, must cultivate a “sense of mobility”—an awareness on the part of the worker of opportunities and how to capitalize on them. This calls for a variety of services: counseling, instruction in job-seeking techniques, information about possible jobs in a wide market, and information about prevailing wage levels and occupational training. Government and private programs can help the jobless help themselves, but self-help starts with the knowledge the programs can impart.

MEASURING SUCCESS

Before discussing lessons from the successes or failures of more recent displaced worker programs, it is well to consider first what constitutes success. The most obvious answer is, simply, finding a new job. The Job Training Partnership Act adopts “placement and retention in unsubsidized employment” as the only measures of performance under Title III, which created the displaced worker program.

The purpose of writing this measure of performance into the law was to make operators of jobs projects accountable for their successes or failures. Projects that meet specific performance standards set by the States (based on the criteria in the law) are rewarded with continued funding. Those that fail must account for their failures, and bring their performance up to standard within 2 years or face loss of funding.

While job placements have the virtue of simplicity and ease of measurement as indicators of success, they are not without complications. First, there is the fact that the economic climate

is a predominating influence on the ability of any project to place workers in jobs. Also, the backgrounds and abilities of the workers served and the range of services provided may be important factors. These complexities are recognized in JTPA. The law allows States to vary their performance standards to take account of economic, geographic, and demographic factors, the characteristics of the populations served, and the types of services offered.

A few examples drawn from six displaced worker demonstration projects of 1982 and 1983, sponsored by the U.S. Department of Labor, illustrate the point. The projects, located in different regions and experiencing different economic conditions were in Alameda County, California; Buffalo, New York; Lehigh Valley, Pennsylvania; Mid-Willamette Valley, Oregon; Milwaukee, Wisconsin; and Yakima, Washington.² Table 6-1 summarizes some characteris-

²Material in this section on the six demonstration projects is drawn from evaluation reports conducted by Mathematical Policy Research, Inc., for the Employment and Training Administra-

Table 6-1.—Program Outcomes, Displaced Worker Demonstration Projects, 1982-83

Outcomes	Project site					
	Alameda	Buffalo	Lehigh Valley	Mid-Willamette Valley	Milwaukee	Yakima
1. Participants ^a	3,134	798	1,285	305	2,713	243
2. Placements	549	523	411	185	231	198
3. Recalls	610	27	26	0	0	0
4. Transfers to other programs	1,641	0	200	3	0	8
5. Placement rate ^a (2+1)	180/0	660/0	320/0	61 %	8.50/0	81 %
6. Entered employment rate [(2+3)÷1]	37 %	690/0	34%	61 %	8.50/0	81% ^h
7. Adjusted entered employment rate [(2+3)÷(1-4)]	780/0	690/0	40 %	61 %	8.50/0	830/0
8. Average placement wage	\$7.40	\$6.62	\$6.70	\$7.37	\$6.60	\$8.11
9. Percent decline	360/0	340/0	240/0	300/0	250/0	19 %

^aSee text for a discussion of the factors, such as screening of applicants, which affected the number of participants, and thus placement rates.

SOURCES: Mathematica Policy Research, *Case Study of the Alameda County and Southgate Dislocated Worker Demonstration Projects*, Jack Wichita, *Case Study of the Milwaukee Dislocated Worker Program*, *Case Study of Operation Jobsearch: The Lehigh Valley Dislocated Worker Demonstration Project*, and *Case Study of Project S. A. V. E.: The Yakima, Washington Dislocated Worker Demonstration Program*; L.M. Wright, Jr., *Case Study: Buffalo Worker Reemployment Center, Buffalo, New York* and *Case Study: Mid-Willamette Valley Job Assistance Network, Salem, Oregon* (Princeton, NJ: Mathematica Policy Research, 1984); Marcia Jerrett, et al., *Serving the Dislocated Worker: A Report on the Dislocated Worker Demonstration Program* (Cambridge, MA: Abt Associates, 1983); and Walter Corson, et al., *Process and Implementation Issues in the Design and Conduct of Programs to Aid the Reemployment of Dislocated Workers: Findings Based on the Dislocated Worker Demonstration Project* (Princeton, NJ: Mathematical Policy Research, 1984).

tics and results of these six projects, including placement rates and earnings on the new jobs compared with the old jobs,

Among the six projects, the one in Yakima attained the highest placement rate, 81 percent—a remarkable achievement during an economic recession and a credit to the project operator. But the high rate of placements also reflected Yakima's fast recovery from severe economic stress (at one time the local unemployment rate reached 16 percent, with the shutdown of construction of a nuclear power plant). It also reflected the character of the participants, who had been rigorously screened for motivation and "serviceability." Those considered hardest to place were weeded out in a

tion, U.S. Department of Labor: Mathematica Policy Research, *Case Study of the Alameda County and Southgate Dislocated Worker Demonstration Projects*; Jack Wichita, *Case Study of the Milwaukee Dislocated Worker Program*, *Case Study of Operation Jobsearch: The Lehigh Valley Dislocated Worker Demonstration Project*, and *Case Study of Project S.A. V. E.: The Yakima, Washington Dislocated Worker Demonstration Program*; L. M. Wright, Jr., *Case Study: Buffalo Worker Reemployment Center, Buffalo, New York* and *Case Study: Mid-Willamette Valley Job Assistance Network, Salem, Oregon* (Princeton, NJ: Mathematica Policy Research, Inc., 1984). See also Marcia Jerrett, et al., *Serving the Dislocated Worker: A Report on the Dislocated Worker Demonstration Program* (Cambridge, MA: Abt Associates, 1983); Walter Corson, Rebecca Maynard, and Jack Wichita, *Process and Implementation Issues in the Design and Conduct of Programs to Aid the Reemployment of Dislocated Workers: Findings Based on the Dislocated Worker Demonstration Project* (Princeton, NJ: Mathematica Policy Research, 1984).

series of interviews; of 1,350 applicants, only 243 actually enrolled. Many of the participants were skilled construction workers, accustomed to job changes and willing to relocate.

At the other extreme was the project in Milwaukee, which placed only 8.5 percent of participants (231 out of 2,713 enrolled). At the trough of the recession, Milwaukee's unemployment rate was 11.9 percent, well above the national average; but the area quickly rebounded in the recovery. Probably the local unemployment rate was not a major factor in Milwaukee's placement record. More significant was the fact that this project did no screening whatsoever; anyone who registered was enrolled. (About 1,200 workers completed job applications; if only these are considered participants, the placement rate rises to 20 percent.)

As discussed in chapter 5, the concept of "entered employ merit," which States use in reporting outcomes of JTPA projects, calls for even more cautious interpretation. Whereas "placement" counts only the new jobs found by participants, "entered employment" counts recalls as well. This sometimes produces puzzling results. For instance, the JTPA Title III program in Pontiac, Michigan, reported an astonishing entered employment rate of 93 percent in 1984; however, practically all of the jobs this figure represented were recalls of Gen-

eral Motors employees. Many of the workers enrolled in the project had been on layoff for 3 or 4 years, and were rightly regarded as displaced workers; the extent and rate of reemployment at General Motors took everyone by surprise.

Another aspect of the entered employment rate that could easily be misunderstood is that it is based on "terminations," people who have officially ended their participation in the projects. Placement rates that are based on total participants—everyone who enrolled in the project—are not comparable; they are almost always lower. More detailed discussion of the reported outcomes under JTPA appears in chapter 5.

Job retention, the other statutory measure of performance under JTPA Title III, can only be evaluated after the passage of time. Few displaced worker projects have followed participants systematically enough or long enough to find out whether clients keep their new jobs. "Entered employment" in JTPA reports refers to 1-day retention on the job. In an OTA telephone survey of State managers of Title III programs, conducted in 1984-85, only two (in Washington and Wisconsin) said they considered retention on the job as part of the standard of performance. Some projects do follow participants after placement, but usually for no more than 90 days. In the absence of a long-term followup, a possible indicator of whether jobs the displaced workers enter will be lasting is the quality of the job, including livable wages, chances for advancement, and reasonable job security.

The period of unemployment is another useful measure of success, but again caution is in order. Some displaced workers, especially if they are covered by extended supplementary unemployment benefits (SUBS), may not look for work seriously for a long time. Even the average worker, with only 6 months of UI to fall back on, may not begin the search for work immediately. An initial period of unemployment may simply be a period of adjustment. Prolonged unemployment or repeated bouts of unemployment are signs of more serious trouble.

A significant measure of success is earnings, in particular earnings on the new job compared with the old. Most displaced workers do not immediately find jobs that pay as much as their old ones; their skills and experience may not be very attractive to new employers. But programs that help workers find better jobs than they can find on their own, and help to keep earnings losses to a minimum, have achieved substantial success.

JTPA does not mention earnings as a measure of performance for Title 111 programs, although it does for Title 11A, for disadvantaged workers. s California's Employment Training panel, which provides reemployment and retraining services for displaced workers, emphasizes the importance of the earnings measure. It requires that trainers, unless they place their graduates in jobs paying at least \$5 an hour, do not get paid. A number of projects funded by JTPA Title III are making similar stipulations in their contracts with trainers. The average reemployment wage for participants in Title III programs in 1984 was reported to be \$6.15, and in most States was moderately lower than the wage on the old job.⁶

Measures of success, while taking benefits into account, cannot ignore costs.⁷The sim-

³Robert Cook (ed.), "Dislocated Worker Projects Under Title 111 of the Job Training Partnership Act," report to the U.S. Department of Labor Employment and Training Administration (Rockville, MD: Westat, Inc., 1985).

⁴JTPA directs the Secretary of Labor to establish performance standards for both Title 11A programs (for disadvantaged workers) and Title 111 programs (for dislocated workers). At the time of the OTA telephone survey, the department had not yet set numerical standards for Title 111 programs, but governors had been required to establish a standard for the entered employment rate for terminées for the 1984 program year (beginning July 1, 1984). The Labor Department is developing performance standards for Title 111, in consultation with representatives of business, labor, and States.

⁵JTPA states that "the basic measure of performance for adult training programs under Title 11 is the increase in employment earnings and the reductions in welfare dependency resulting from participation" (JTPA Sec. 106 (b)). In 1984, a wage of \$4.91 per hour was part of the national performance standard for Title 11 programs.

⁶See ch. 5 for details.

⁷JTPA mentions costs in connection with Title 11: "The Secretary (of Labor) shall prescribe performance standards relating gross program expenditures to various performance measures" (JTPA Sec. 106 (b)(4)).

plest way to include costs is to calculate them per placement. The drawback to this simple calculation, however, is that the only value, or benefit, weighed against the cost is that of getting a job, without regard for the quality of the new job, earnings both immediate and future, the breadth of choice offered to participants, the character of workers enrolled in the program, and local economic conditions.

The demonstration displaced worker programs of 1982-83 are again illustrative. The lowest costs per placement among the six projects were Milwaukee's (\$1,503); the next to highest were Buffalo's (\$3,014, or about twice as high).⁸ Milwaukee offered only two services, job development and placement—no testing and assessment, no job search skills training, no classroom training. Only 231 jobs were turned up for the 1,200 or so who completed applications and expected to get service from the project. Reemployment wages in Milwaukee were among the lowest of the six projects (\$6.60 per hour), but since pre-layoff wages were also comparatively low (about \$8.80 per hour), the decline in wages was 25 percent, not the largest among the projects. Although Milwaukee's unemployment rate was temporarily higher than the national average, the area recovered faster than the Nation as a whole.

Buffalo, by contrast, has been a distressed labor market for years, with unemployment persistently above the national average. Mainly serving displaced steel, auto, and rubber workers, the Buffalo project offered a full range of services, from outreach through assessment, training, and placement. Nearly half the participants took classroom or on-the-job training. Buffalo's placement rate was a creditable 66 percent (523 for 798 participants). Ultimately, the placement rate may have been still better; the project and recordkeeping ended when more than half the workers taking classroom training had only recently (within 90 days or less) completed their courses. Reemployment

wage rates in Buffalo were low, \$6.62 per hour on average, %1 percent below the pre-layoff wage of approximately \$10.00 per hour.

These vignettes make the point that no simple, single measure such as cost per placement fully captures the performance of a displaced worker program. Such measures are useful. They highlight achievements or disappointments that might not otherwise be apparent. But they are aids to understanding, not substitutes for it.

Long-term impact evaluations offer a more complex and sophisticated way to measure the success of displaced worker programs, by tracking results over several years, comparing earnings of workers who participated with those of similar workers who did not, and analyzing costs and benefits, to the individuals involved and to society. Judging by these measures, the training programs of the 1960s funded under the Manpower Development Training Act (MDTA) were by and large successful. Long-term followup studies showed that participants' earnings were substantially higher than those of comparison groups, and the return on public investment was large and rapid (see ch. 5). For modern displaced worker projects, the oldest of which date back to 1980, the results are not yet in. The U.S. Department of Labor intends to evaluate the impact of JTPA training programs, but first results are not expected until 1988.

Meanwhile, two large modern displaced worker projects have been studied for their overall effects: the Downriver Community Conference employment and training program and the Buffalo dislocated worker demonstration program. Downriver, the first to be studied, showed favorable results in 1980-81, but no positive impacts in 1981-83. Buffalo, operating for one year in 1982-83, showed large, favorable effects on both employment and earnings.¹⁰

⁸Of the six programs, the most expensive by far, in terms of placing workers, was that in Alameda County, California, serving mainly workers laid off from a General Motors assembly plant. Further discussion of the results in Alameda County appears at a later point in this chapter.

⁹For a helpful discussion of the evaluation of employment and training programs, see Michael E. Borus, *Measuring the Impact of Employment-Related Social Programs* (Kalamazoo, MI: The W.E. Upjohn Institute for Employment Research, 1979).

¹⁰Jane Kulik, D. Alton Smith, and Ernst W. Stromsdorfer, *The Downriver Community Conference Economic Readjustment: Fi* (continued on next page)



Photo credit: Downriver Community Conference

Drafting is one of the training courses offered to displaced workers by The Downriver Community Conference.

The Downriver Community Conference, a public agency serving 16 communities southwest of Detroit, began its displaced worker project in 1980, offering reemployment and retraining services to approximately 1,500 workers who lost their jobs in the shutdown of BASF and Dana, two auto supply plants. Results of this Phase One Downriver project, lasting from July 1980 to September 1981, were favorable. Compared with similar workers involved in two similar plant closings in the Detroit area, Downriver participants were reemployed at rates 13 to 20 percentage points higher, and with earnings \$77 a week more, than would be expected. In Downriver's Phase Two, lasting from November 1981 to September 1983 and serving about 600 workers laid off from the Ford Motor Co.'s Michigan Casting Center, no positive results were evident. The workers served by Downriver did no better, and in fact by one measure (reemployment rate) did worse, than would be expected if they had received no services.¹¹

(continued from previous page)

nal Evaluation Report, report to the U.S. Department of Labor, Employment and Training Administration (Cambridge, MA: Abt Associates, Inc., 1984); Mathematical Policy Research, Inc., *An Impact Evaluation of the Buffalo Dislocated Worker Demonstration Program*, report to the U.S. Department of Labor, Employment and Training Administration (Princeton, NJ: Mathematica Policy Research, Inc., 1985).

¹¹Kulik, et al., op. cit., and Jane Kulik, D. Alton Smith, Ernst W. Stromsdorfer, *The Downriver Community Conference Read-*

Several explanations have been put forward for these divergent results. One factor may have been that most of Phase Two took place in the depths of the 1981-83 recession, and that no displaced worker project, however well designed and well run, could make a difference at that time. Also, the Ford workers had more sources of financial support (supplementary unemployment benefits and Trade Adjustment Assistance, as well as UI) while they were unemployed than the Phase One workers did; they may have been less eager to accept the jobs available through the project. The most compelling explanation, the Downriver study concluded, was "unmeasured differences" between the workers in the first and second phases—factors such as "motivation, attitude, and maturity" that affect the morale of a plant's entire work force and shape their reemployment experience.¹² In any case, it is risky to draw general conclusions from the experience of one group of workers, from one plant, at a time when the local unemployment rate was 16 to 18 percent.

The Downriver study concluded, overall, that "it is indeed possible to design and operate effective programs for dislocated workers," that the programs "can produce positive impacts on participants' employment and earnings," and that "these benefits can exceed the costs of operating such programs."¹³

The results of the Buffalo project, also operating in conditions of deep recession, were unequivocally favorable. The project served 798 workers, the majority (510 people) from nine target plants, mainly in the steel and auto industries, plus a smaller, varied group (288 people) from several hundred area employers. The study estimated that in the 6 months after the project ended, participants from the target plants were employed, on average, 60 percent of the time instead of the 30 percent that would

justment Activity Program: Impact Findings From the First Phase of Operations, report to the U.S. Department of Labor, Employment and Training Administration (Cambridge, MA: Abt Associates, Inc., 1983). The authors of the impact study had no complete explanation of the negative impacts on the Ford workers' reemployment rates, but speculated that participants may have been more selective about job offers than the comparison group of workers.

¹²Kulik, et al., op. cit., 1984, pp. xv-xvi.

¹³Ibid.

be expected, based on the experiences of a comparison group. The participants worked an average of 24 hours per week, instead of the 10 hours a week expected, and had average earnings of \$174 per week, versus the \$59 expected (\$290 versus \$197, if only employed workers are included). In the nontarget plant group, the results were also uniformly positive, although the effects of participation were judged to be relatively smaller. In the 6-month period after the project ended, these participants worked, on average, 27 hours per week compared to an expected 19 hours, and were earning \$194 dollars per week versus \$96.

Summing up the overall net impacts of the project on employment and earnings, the Buffalo study concluded that “even in a poor economy, job-search assistance and retraining services can significantly facilitate the readjustment of dislocated workers.”¹⁴ A caveat was then added about the uncertainties of generalizing results from one area and one project. The authors pointed out that the Buffalo project not only offered a comprehensive array of services, but also had a strong organizational structure and a highly experienced staff.

The discussion so far has mostly concerned measures of success that are based on benefits to displaced workers. Also important are benefits to employers and to society at large. Employers benefit when publicly financed retraining programs supply them with workers who have learned special skills required for jobs that have to be filled. Employers also benefit from the worker screening and job matching that displaced worker projects can provide. Some of these benefits are hard to quantify, and may

not be explicitly counted in evaluating the performance of displaced worker programs. But they count for a good deal in public acceptance and political support for such programs, and are at least implicitly present in simpler measures of success.

The same is true of benefits to society. Successful performance of a displaced worker program implies a host of benefits, ranging from ones that can be quantified—e.g., reduced drains on unemployment insurance trust funds, lower payments for welfare or food stamps, and increased tax revenues from reemployed workers—to ones that cannot—e.g., fair treatment of workers who bear the heaviest burden of adjustment to technological change and world competition.

For the displaced worker projects of the 1980s, there has so far been very little investigation of the payback on the public investment in retraining and reemployment services. The Buffalo impact study looked at spending for four income support programs—unemployment compensation (UI), SUBS (which are provided by employers, not the public), food stamps, and public assistance—but pointed out that none of these programs were much used by the Buffalo workers. Many of the workers had been laid off for a year or more before the displaced worker project began, and had exhausted their UI and SUBS. The project tended to reduce the amounts that workers received from these two programs, but the impacts were not significant statistically, mainly because usage was low. Relatively few of the Buffalo workers received public assistance or food stamps either. However, for the participants from target plants, the study did find statistically significant reductions in food stamp and public assistance benefits as a result of taking part in the project.

¹⁴ IA Mathematica Policy Research, Inc., op. cit. (1985), p. 18.

COMMON INGREDIENTS OF SUCCESS

Several key ingredients of success seem to be common to many kinds of displaced worker projects, whatever the details of their individual designs. These common ingredients have to do with where and how soon services are

available and with the commitment of management, in cooperation with labor, to provide effective services. Finally, the best projects are designed specifically to fit their own economic situations, regions, and people.

Plant-Centered Projects

Some of the best-run displaced worker projects are those centered in plants that are closing or undergoing large layoffs, and are operated by people who work at the plant on both the labor and management sides. Plant-centered projects have several advantages in their favor: the people who run them have a personal stake in the outcome, know many of the individual workers involved, and are acquainted with the local business community where the hidden job market (openings that are never publicly announced) is found. Also, such programs fill a special need, which is to serve large numbers of workers with similar skills and work histories who are all dumped on the labor market at once. Even in good times, it is difficult for local labor markets to absorb a great many similar workers at the same time.

Several examples illustrate the worth of the plant-centered approach; one is the Johnson and Johnson project in Chicago in 1983, described in box 6A. In most of the plant-centered projects that have worked well, the companies involved were large, the workers were represented by unions, labor-management relations were good to excellent, and labor-management teams were in charge. In almost every case, the team leaders were exceptionally resourceful and dedicated. Can plant-centered programs work without these special assets?

Two decades of experience in Canada suggest that they can. Since 1963, a small Federal agency, the Industrial Adjustment Service (IAS, formerly the Manpower Consultative Service) has set up thousands of labor-management reemployment committees in virtually every major plant closing or layoff in Canada. IAS moves in quickly, usually before any layoffs occur, to establish the committees and provide them with technical advice, modest financial help, and experienced, independent chairmen. The committees' job is to mobilize community resources for reemploying the displaced workers. They get in touch with area employers in similar lines of work, unions that may know of job openings, and more distant employers who may need the laid-off workers. Most committees finish their work by the end of year, and go out of business. Typically, they

find jobs for two-thirds of all the workers displaced, and for most of the workers who sign up to participate in the program.¹⁵

There is no real analog of the Canadian IAS in this country. The closest are the rapid response teams some States have created in their JTPA Title III programs, which bring job search assistance services to plants where workers have been given notice of layoff. A few States, including Arizona and South Carolina, have put considerable effort into rapid response or pre-layoff assistance. They believe that by finding new jobs for many workers before they are laid off, and thus avoiding any interruption in employment and any payment of unemployment insurance, the effort more than pays for itself. (Ch. 5 discusses these efforts further.) However, some features of the Canadian IAS that contribute to its consistent success and low cost are not usually found in JTPA rapid response programs; that is, the establishment of labor-management committees within the plant, with the plant's workers and managers directing it, under the leadership of an independent chairman. The IAS-assisted committees usually stay in existence for at least a year, rather than disappearing or changing their locus and sponsorship when the plant closes, as is true of some of the rapid response efforts mounted by States,

Wherever they exist, plant-based labor-management committees can take advantage of JTPA Title III funds and, in some cases, can get additional support from State programs or the private sector. Sometimes employers laying off workers bring in consultants to advise them how to set up adjustment committees, often with union participation. These committees, once established, can apply for JTPA funds. However, as of 1985, none of the States had created an institutional mechanism under JTPA to help create labor-management adjustment committees in plants undergoing closure or layoffs.¹⁶ Part of the problem may be that

¹⁵A more detailed description of the Canadian Industrial Adjustment Service appears in ch. 5.

¹⁶In late 1985, the Department of Labor was considering a pilot project, in cooperation with selected States, to provide technical assistance to plant-based projects, possibly on the model of the Canadian IAS.

Box 6A.—Labor-Management Committee at Johnson & Johnson Plant Finds Jobs for Displaced Workers

When Johnson & Johnson decided in 1982 to close an antiquated Band-Aid plant in Chicago, it was faced with laying off half the plant's 700 employees in a deeply depressed labor market. (The rest of the workers were moved to a modern Johnson & Johnson plant nearby.) Under its contract with Amalgamated Clothing and Textile Workers Union, the company provided generous severance pay, extended health benefits, early retirement for those who wanted it, preferential hiring in other company plants, and at least 3 months' notice to any employee slated for layoff.

The company and union together also undertook to help the laid-off workers find jobs. At an earlier Johnson & Johnson plant closing in downstate Illinois, a consulting firm teaching job search methods had failed to help the hourly workers. This time, the plant's personnel manager and the president of the union local formed a committee to do the job themselves. "We decided not to pay a lot of money for people who didn't understand our employees as well as we did," said one of the committee co-chairmen.

The committee's job development efforts began with a lunch invitation to representatives of zoo companies and employment agencies, allowing them to get acquainted with the Johnson & Johnson employees. The response was uniformly positive; companies that were not hiring offered names of others that might be, and so the network grew. Another committee effort was a direct mailing to 500 companies, selected from business directories by location and type of business, which included brief sketches of categories of workers available from Johnson & Johnson. The recipients had only to check the category of workers they were interested in. This brought zoo replies within 4 weeks. In addition, Johnson&Johnson offered to train some of their workers to fit new employers' needs. In addition to job development, the committee also offered counseling and job search skills workshops.

A year later, 70 percent of the hourly workers seeking new jobs had them—and this included workers who had been laid off at least a year earlier and came back to take advantage of the program. Skilled workers were usually snapped up quickly with no loss in pay, but the semiskilled, on average, took pay cuts from about \$8 to \$6 per hour. Chicago's unemployment rate was over 12 percent at the beginning of 1983, when the reemployment efforts for Johnson& Johnson workers began, and was still 8.5 percent at the end of the year. In light of all the evidence (see ch. 3) that displaced workers experience unusual and prolonged unemployment—even in communities with low unemployment rates—this project achieved a good measure of success.

State administrative costs under JTPA are limited to 5 percent of Federal grants. Many States have no more than two or three officials working full time on the JTPA Title III program; often they are ill-equipped to give technical assistance to companies or unions that want to set up plant-based services for displaced workers.

The great majority of displaced worker projects in the United States are operated by continuing outside organizations, not by plant-based committees. In fact, JTPA's provision of rewards and sanctions for performance assumes that whoever is running the projects will

be back the next year. There is one important advantage to this approach, which is that a continuing project can serve a broad population. In most communities suffering mass layoffs or plant closings, other businesses feel ripple effects. For example, in Buffalo in 1981-82, more than half the worker displacement, following large layoffs and closings of steel and auto plants, occurred in numerous small establishments, especially retail stores. Workers who lose their jobs in twos and threes, or even tens, usually cannot be served effectively by a plant-based committee. Moreover, even when an effective plant-based effort has served workers in a plant closing or large layoff, a continuing

project can serve workers who have not yet been satisfactorily placed when the committee goes out of business.

Another advantage of a continuing organization is that, if it is effective in finding jobs and matching workers to them, it can build a reputation, both with area employers and with the workers it serves. This kind of reputation is self-reinforcing; employers list good jobs with projects that send them well-qualified workers, and workers sign up with projects that offer good training and list good jobs.

To sum up, plant-based labor-management committees have unique advantages in serving workers from their own plants; that is, personal acquaintance with the workers and their abilities, and personal networks for turning up job opportunities in the community. No Federal or State program is designed specifically to encourage the formation of such committees, although they can be supported under JTPA. Permanent displaced worker projects have a different major advantage, in that they can serve displaced workers both from target plants and from the wider community. Both kinds of projects are needed. There is no reason why they cannot coexist.

Timing

The best time to start a displaced worker program is before the layoffs begin. Although not every worker will take advantage of the program early, having it available is important to boosting morale, avoiding bitterness and apathy, enabling people to plan their future, and offering training to those who need it while they still have before them the basic 26 weeks of unemployment insurance plus any available supplemental programs.

An outstanding example of the value of early action was the displaced worker program at the Ford Milpitas plant near San Jose, California, described in box 6B. Other displaced worker programs also got off to an early start with good results. For example, in phasing down its Chicago Band-Aid plant, Johnson & Johnson gave every displaced worker at least 3 months' notice, and some as much as 2 years' notice.

The Brown & Williamson Tobacco Co. announced the coming closure of its Louisville plant, with the loss of 3,000 jobs, in 1979. As required by its union contract, the company gave 18 months' notice before the first layoff, but it was 3 years before the plant shut down. The idea of the 3-year lead time was to reduce the work force gradually, allowing a staggered influx of workers into the local labor market.¹⁷ It should be noted that in all these cases, early notice of a closing or layoff was accompanied by a program of high-quality adjustment services to the workers being laid off. Advance notice of layoff without the provision of such services is much less useful.

Most directors of displaced worker projects are convinced of the value of early intervention, not only in fairness to the affected workers, but also as a way to keep constructive action going. "People need structure," said one director. Without a program of services in place at the time of layoff, the usual sequence is "the first month, they complain. The second month, they take a trip with the family. The third month they fix up the house. The fourth month, depression sets in."

The employment and training project of the Downriver Community Conference found that if services are available before the plant closes, half the workers take advantage of them. Up to a year after closing, 35 percent sign up. After 2 years, 17 percent participate.¹⁸ Does this mean that workers simply find jobs on their own, without help, as time passes? Yes, of course, many do. The Buffalo impact study concluded that the majority of displaced workers interviewed [of whom 35 percent partici-

¹⁷Other projects that gave advance notice of layoffs and began services to displaced workers early include those of the Dana Corp. (Edgerton, WI, four-wheel drive axle plant); Empire-Detroit Steel (Portsmouth, OH, plant); and Goodyear Tire & Rubber (Lee Tire of Conshohocken, PA). All were plant-based projects operated by labor-management committees. For details of several of these projects see U.S. Department of Labor, Labor Management Services Administration, *Plant Closings: What Can Be Learned From Best Practice* (Washington, DC: U.S. Government Printing Office, 1982).

¹⁸Kathleen Alessandro and W. Robert Schnieders, "Case Study—Retraining Workers Displaced From the Automotive Industry Into Robotic Technicians," paper presented to the Society of Manufacturing Engineers (Dearborn, MI: Society of Manufacturing Engineers, 1984).

Box 6B.—Early Action at an Auto Assembly Plant Closing

At the Ford Motor Co.'s auto assembly plant at Milpitas, California, near San Jose, a labor-management team mounted an outstanding worker adjustment program within days of an advance notice plant-closing announcement. Months before the closing, an array of services, from in-plant training courses to personal counseling, was made available to the plant's workers. The quick response and wide range of services helped to maintain high worker morale until the day the plant closed.

The prompt action getting services to displaced workers underway was based on labor-management cooperation that already existed in the Ford Milpitas plant. Cooperation did not always exist. The 1970s were years of rocky labor relations for the Milpitas plant. In 1979, a new manager took over, committed to the idea of employee involvement which Ford and the United Auto Workers had just written into their national contract. Employees were encouraged to solve problems cooperatively with management, and supervisors began to listen to shop floor workers' ideas on improving quality and productivity. By 1981, when the plant was retooled to make Escorts, attitudes of both labor and management had changed. By 1982, the Milpitas plant was at the top of the Ford assembly division for productivity and quality.

But world competition was forcing Ford to retrench. Japanese success in capturing the small car market was greatest on the west coast, and headquarters decided the Milpitas plant could not survive. In accordance with the national union contract, Ford announced on November 18, 1982, that the plant would shut down the next May, with the loss of 2,386 jobs.

Within hours, a representative of the California Economic Adjustment Team was at the plant, laying out the State and community resources available to the workers. Within 4 days, a joint labor-management committee chaired by the plant's industrial relations manager and the UAW local bargaining chairman had set up an employee reemployment and retraining center in the plant. The same two men had co-chaired the plantwide employee involvement teams.

Before the plant closed in May 1983, these events had taken place:

- All workers in the plant received a detailed explanation of why it had to close and why there was no chance it would reopen.

- Every worker was given personalized information on his or her benefits and retirement situation.
- Testing began for every worker who wanted adult education or skills training courses.
- Starting in January 1983, adult reading and mathematics classes were held in the plant 4 days a week full time, while the assembly line was down; later, classes were scheduled at 3 p.m., just after the daytime shift.
- Job developers (who were all plant employees) began a sweep of the area for job openings. Anyone who wanted to take a job before the plant closed could do so without loss of severance pay.
- Skills training classes and on-the-job training were scheduled to start up the Monday after the plant closed on Friday.

Until the day the plant closed, quality and productivity continued to rise. On the official closeout date, September 1, 1984, 83 percent of those looking for work had found jobs; 1,460 were employed, 500 were retired or within a few months of retirement, 118 were still in training, and 308 were unemployed. The average wage on the new job was about \$8 per hour, compared to \$12 at Ford, but for many that was a starting wage with good prospects for advancement. The response of the Ford workers to training opportunities was exceptional; 748 of the workers took skills training courses (and most completed the training), 770 took adult education classes, and 175 took and passed the GED high school equivalency exam.

The Ford/UAW project at Milpitas cost between \$5.6 million and \$7.2 million, depending on how the resources provided by the Ford Motor Co. are valued. (These included staff time, office space, and other overhead, in addition to supplementary unemployment benefits for eligible workers who were in training.) Besides Ford money, other major sources of funds were training, education, and employment agencies of the State of California, JTPA Title III, the Ford/UAW nickel-an-hour fund, and Trade Adjustment Assistance. For the 1,997 workers who signed up for services, the average expenditure was roughly \$2,800 to \$3,600 per worker. No one has tried to account for the total benefits, to the workers and to society, of this particular project, but in the opinion of its co-directors, the services they offered were "cheap at the price."

pated in the reemployment/retraining project) found jobs on their own, but only after an average duration of unemployment after lay-off of 14 to 15 months, and at substantially lower pay than on the old job. The point of providing adjustment services, and providing them early to a larger number of workers rather than later to a smaller number, is to help the workers get jobs sooner, stay employed more steadily, and earn more than they would without such help. The Buffalo study, the Downriver study to some degree, and the earlier long-term impact studies of MDTA all concluded that readjustment assistance can indeed help displaced workers accomplish these things. Another argument for early intervention is based on anecdotal evidence, which suggests that many displaced workers who are long unemployed lose the habit of, and confidence for, work. Some get by on repeated cycles of working just long enough to be eligible for UI, then collect UI while working at odd jobs for cash or barter in the underground economy.

Employers, as well as displaced workers, can benefit from early intervention. A prompt start on reemployment can save outlays from the State's unemployment trust fund, which employers pay for through an earmarked tax. Also, it enhances a company's reputation both with the public and with their remaining workers (in cases where the plant does not shut down completely) if those who are laid off are seen to get effective help.

Having services available early for displaced workers does not imply that every participant must begin early. Workers themselves, one researcher observed, do a pretty good job of determining at what point after their layoff they are likely to gain from the program.¹⁹ The Canadian IAS has found that a program length of 1 year or a bit more is about right to serve most workers.

So far, research studies on the relation between advance notice and subsequent employ-

ment and earnings of displaced workers are limited and inconclusive. A study of Maine plant closings found that unemployment in localities affected by the closings was significantly lower when advance notice was given. This included indirect or ripple effects on employment in the community, as well as direct effects on workers laid off in the plant closure.²⁰ Another study, looking at 30 plant closings from 1969 to 1972, found that advance notice did not seem to reduce earnings losses significantly, but a number of shortcomings in the data were noted.²¹ Neither study took into account what services, if any, were offered to workers expecting to lose their jobs in the plant closings.

This point is critical. Advance notice of lay-off will be of less value if no services are offered to the workers during the lead time the notice provides. Without constructive action, morale can deteriorate during the notice period (although it can be argued that uncertainty, compounded by rumors, can be even more damaging to morale). Action either by a crisis intervention entity like Canada's IAS, or by existing labor-management committees, or by a project operating under JTPA auspices, can make positive use of early notice.

Another key point is that notice of a plant closing must be unequivocal if possible. Workers who have put in 15 or 20 years at a plant, and many times have gone through temporary layoffs, often find it incredible that the plant is really closing. The bad news is easier to believe when company managers disclose the reasons in detail, including information on the company's financial position. If a company announces, before layoff, that it will help provide services for displaced workers, that also helps to bring home the reality of the situation,

¹⁹Rebecca Maynard, "Lessons From the DOL-Sponsored Workers Demonstration Program," paper presented at the National Alliance of Business Conference on Displaced Workers, Detroit, MI, June 1984.

²⁰Nancy R. Folbre, Julia L. Leighton, and Melissa R. Roderick, "Plant Closings and Their Regulation in Maine, 1971-1982," *Industrial and Labor Relations Review*, January 1984.

²¹Arlene Holen, Christopher Jehn, and Robert P. Trost, *Earnings Losses of Workers Displaced by Plant Closings*, report to the U.S. Department of Labor, Bureau of International Labor Affairs (Alexandria, VA: The Public Research Institute, 1981).

JTPA provides that displaced worker services may begin before layoff, as soon as the workers are given pink slips. A number of State directors of JTPA Title III programs have expressed strong interest in an early warning system so they can offer pre-layoff assistance more readily.²² Some employ ingenious methods to find out in advance about plant closings and mass layoffs. For example, Rhode Island collects information via its business-retention program, in which State staff visit each firm in the State every year. Several States, including Arizona, Colorado, South Carolina, and Texas, encourage companies to give voluntary advance notice of impending layoffs; they also rely on newspaper accounts and word of mouth. Arizona program leaders, particularly active in pre-layoff assistance, encourage companies that benefit from this service to displaced workers to make it known to other companies.

An issue that concerns many States with respect to early warning is how and whether they can use Title III funds to prevent plants from closing. Some State-funded programs offer retraining and other kinds of assistance to try to prevent closings and worker layoffs.²³ So does the Canadian Industrial Adjustment Service. JTPA, however, defines displaced workers who may be served under Title III as those who are already unemployed, or have received notice of termination. A brief discussion of policies to prevent worker displacement appears in chapter 5.

Considering the advantages of early action, is it reasonable to require advance notice of plant closings and large layoffs by law? This proposal is highly controversial. The two main arguments against it are, first, that such a requirement overburdens business, forcing companies to keep ailing plants open longer than they otherwise would, and longer than is eco-

nomically efficient; and second, that the requirement can have a perverse effect, forcing the closure of some plants that might otherwise have remained open. It is argued that the announcement of a planned closing or mass layoff can seal the firm's fate, as workers take other jobs (or perhaps lose interest in their work), and creditors, suppliers, and customers change their terms of doing business. Opponents also say that government-imposed requirements for advance notice are quite different from such requirements in collective bargaining agreements, since in the bargaining the labor union presumably trades some other advantage for the advance notice.

Some European countries, most of Canada,²⁴ the State of Maine, and the city of Philadelphia require advance notice of plant closure or large-scale layoffs.²⁵ Proponents of plant closing legislation point to the compliance of business, including I-J. S.-based firms, with Canadian and European advance notice laws as evidence that the laws can work without being too burdensome. Mandatory advance notice laws usually include an escape hatch which allows firms not to give notice when business circumstances make it impossible,

Several States and some local governments are considering plant-closing legislation that requires advance notice. Some are deterred, however, by the argument that plant closing laws will drive business away to other States or localities. In addition, State and local plant closing laws might be challenged in court on grounds that Federal law preempts them, or the Constitution prohibits them.²⁶

²⁴Six of ten Canadian provinces, including the most populous, require advance notice of plant closings or layoffs affecting 50 or more workers; the notice required varies from 8 to 16 weeks, depending on the number of workers affected. The Canadian national government has a similar plant closing law covering certain classes of workers.

²⁵South Carolina requires advance notice of layoffs only from employers who require their employees to give notice of their intention to quit work.

²⁶A Pennsylvania State court invalidated a Pittsburgh plant closing ordinance in 1983, mainly on the grounds that a State law prohibits municipalities from imposing duties and requirements on businesses. The court also relied in part on the argument that the ordinance was preempted by a Federal law, the National Labor Relations Act, though the court did not thorough-

(continued on next page)

²²An OTA telephone survey of State directors of JTPA Title III programs, conducted from October 1984 to January 1985, found that pre-layoff assistance to displaced workers and early warning of plant closings were among the directors' top concerns. See ch. 5 for results of the survey and further discussion of the early warning issue as it affects JTPA programs.

²³Two examples are the California Employment Training Panel and South Carolina's Rapid Response Team, both discussed in ch. 5.

Michigan, Massachusetts, and Wisconsin have laws encouraging employers to give advance notice of layoffs and plant closings voluntarily. An earlier Wisconsin law, repealed in 1983, made advance notice mandatory; the new law establishes voluntary guidelines and incentives. The Massachusetts law, adopted in 1984, established a "social compact" that encourages companies to give 90 days' notice of a plant closing; firms that are financed, insured, or subsidized by quasi-public State agencies must agree to accept the "voluntary standards of corporate behavior" stated in the law, which include advance notice.

Relatively few American workers are covered by collective bargaining agreements that require employers to give advance notice of plant closings or major layoffs. Only about 18 percent belong to unions, and the percentage is declining. Moreover, in 1980, only 15 percent of major collective bargaining agreements (those covering more than 1,000 workers) contained language either requiring advance notice or authorizing union participation in the procedure of plant closing.²⁷ Some companies voluntarily provide advance notice of layoffs, but many do not. An example of the latter was a Silicon Valley firm which reportedly called employees off the afternoon shift, told them they were fired, escorted some off the property through back doors, and locked and chained the premises.²⁸ Of 5.1 million adult workers who were displaced from their jobs between 1979 and 1984,²⁹ 2.2 million reported that they

(continued from previous page)

ly explain its reasoning. No other court has yet ruled on the preemption claim, or claims that State and local plant closing legislation may be unconstitutional. For details of the arguments, see Richard P. Swigart (ed.), *Managing Plant Closings and Occupational Readjustment: An Employer's Guidebook* (Washington, DC: National Center on Occupational Readjustment, 1984), pp. 123-129.

²⁷U.S. Department of Labor, Bureau of Labor Statistics, "Major Collective Bargaining Agreements: Plant Movement, Interplant Transfer, and Relocation Allowances," bulletin 1425-20 (Washington, DC: U.S. Department of Labor, July 1981).

²⁸Tamar Lewin, "Workers' Rights in a Closing Tested," *The New York Times*, July 19, 1984.

²⁹These are people who lost jobs they had held for at least 3 years because of a plant or business closing, abolition of a position or shift, or slack work; the job losses occurred between January 1979 and January 1984. The data were collected in a special survey of the U.S. Census Bureau in January 1984 for the Bureau of Labor Statistics, U.S. Department of Labor. For details of the survey results, see ch. 3.

did not receive advance notice or expect the layoff. The rest (2.9 million), who said they got advance notice or expected the layoff, did not specify what "advance notice" amounted to.³⁰

plant closing legislation has been introduced into congress from time to time over the past 10 years, including, in addition to advance notice of layoffs, such features as mandatory severance pay, continued health insurance coverage,³¹ and transfer rights for workers. Other features sometimes included are Federal loans and technical assistance to communities, businesses, or groups of workers who may want to buy out a plant and keep it open. No bill with these other features has ever been reported out of a full congressional committee, although some have been the subject of hearings.

In March 1985, Rep. William Ford (D-MI) joined with Representatives William Clay (D-MO) and Silvio Conte (R-MA) to introduce a simplified, bipartisan plant-closing bill (H. R. 1616). It would require all employers to give 90 days' notice before laying off 50 or more employees, unless 'business circumstances make this impossible. The bill would also require employers to discuss alternatives to closure with unions (where they exist) during the notice period, and would encourage such consultation with employees in non-union shops. Plant closing notices would go to the Federal Mediation and Conciliation Service, which would be authorized to provide assistance in plant closing disputes. This bill was reported out of the full House Committee on Education and Labor in July 1985, and defeated by a narrow margin by the full House late in the year.

Employer Responsibility and Labor-Management Cooperation

A number of companies, faced with the necessity of closing a plant or permanently laying off large numbers of workers, have taken

³⁰Information provided by the Bureau of Labor Statistics.

³¹The worry uppermost in the minds of many workers faced with layoff is the loss of company-provided health insurance. A number of major union contracts call for 3-month to 2-year extensions of health insurance benefits for displaced workers, as well as severance pay, an early retirement option, and priority consideration for jobs in other plants owned by the company.

responsibility for tempering the impacts. Usually, in these cases, union contracts call for advance notice of a plant closing and provision of some kind of assistance for the displaced workers, with union participation if appropriate. Some companies fulfill these obligations rather perfunctorily, for example by hiring contractors to offer the workers a few days of counseling. Others have gone far beyond what the union contract called for.

At the Ford assembly plant in Milpitas, for example, the contract called only for advance notice, for a meeting between company and union to discuss the matter, for provision by the company of counseling and placement assistance, and for preferential hiring in other Ford plants. What the Ford Motor Co. did, however, was to give the plant's industrial relations manager a free hand to "do what was right." The plant was kept open for 16 months after production ended, housing all program services except for vocational skills training and thus giving the displaced workers a one-stop shopping center in familiar surroundings. A company-paid skeleton staff stayed onto run the services.

The experience at Milpitas and other outstanding projects in which the companies took leading parts highlights several unique contributions that private employers can make. They can make space in plants for employment and training centers and for suitable training courses (e.g., remedial education); provide staff to run the employment and training centers; allow employees time off from work to attend counseling and job search workshops; and possibly keep the employment centers open after the plant is closed. Of course, not all employers can provide such a full range of services. Independently owned companies that are forced to close probably cannot afford most of them; but many large companies that are closing branches in the course of restructuring their businesses can help to provide top quality services for their ex-employees.

In several cases of best practice in closing a plant, the union was involved as actively as the company in planning and running the serv-

ices for displaced workers. In most instances, these joint efforts were built on preexisting labor-management cooperation. For example, the Dana Corp.'s four-wheel drive axle plant in Edgerton, Wisconsin, closed in 1980, had never had a strike in 8 years, and had an employee turnover rate of 1 percent. Both the Dana Corp. and Johnson & Johnson, as well as the Ford plant, had employee involvement teams actively cooperating in improving the plants' productivity and product quality. The Brown & Williamson Tobacco Co. was a pioneer in establishing, together with its two unions (the Bakery, Confectionery and Tobacco workers Union and the International Association of Machinists and Aerospace Workers), joint labor-management committees to handle the phase-out of 3,000 jobs and the creation of employment and training services.

Labor-management cooperation is a strong plus, Workers are likely to trust and use services that are planned, directed, or endorsed by their unions or representatives. Where labor-management teams do not already exist at the time a plant is closed, cooperative direction of the services can still be developed, as the Canadian IAS experience shows. This was the case at the Ford Motor Co.'s Oakdale, Ontario assembly plant, where more than 2,000 workers were laid off in two stages, in November 1979 and May 1980. A task force appointed by the president of Ford of Canada called in IAS (then called the Manpower Consultative Service, or MCS). The labor-management committees formed at Oakdale under MCS turned up jobs so effectively that within 8 months 94 percent of participants were placed. Of all the laid-off workers, (participants and nonparticipants) 80 to 85 percent had found jobs.

In the United States, government support for labor and management efforts to create effective displaced worker programs is mostly in the form of information sharing. A small office in the Department of Labor, the Bureau of Labor-Management Relations and Cooperative Programs, publishes material on best practice in plant closings, holds workshops, and responds

to calls for help from States, companies, and unions .32

On the private side, both business groups (e.g., the National Alliance of Business and the National Center on Occupational Readjustment, Inc.) and labor (e. g., the Human Resources Development Institute of the AFL-CIO) are active in collecting and imparting information on practical ways of helping workers and communities hurt by plant closings.

Differences in Situation

The nature and condition of the local economy are dominating influences on the success of displaced worker projects, and also on their design. Projects that offer a full range of services are generally desirable; they are best able to meet the needs of the whole spectrum of displaced workers, not just those easiest to serve. However, different services may need special emphasis, depending on the local economic situation,

In a diversified urban industrial economy, most displaced workers will find jobs, given effective job search assistance that helps them crack the hidden job market, and training in new skills for those who want it and can benefit from it. Except in the troughs of recessions, there are usually jobs to be found in a deep, diversified labor market, even though it may take some time to find them. For example, even in Buffalo, with its long history of unemployment rates above the national average, the displaced worker project operating in 1982 and 1983 was able to place two-thirds of its clients.

³²Publications of the Bureau (formerly the Labor-Management Services Administration) include U.S. Department of Labor, Labor-Management Services Administration, *Plant Closing Checklist: A Guide to Best Practice* (Washington, DC: U.S. Government Printing Office, no date), and *Plant Closings: What Can Be Learned From Best Practice* (Washington, DC: U.S. Government Printing Office, 1982).

More isolated urban centers with very narrow industrial bases—one-plant or one-industry towns—are in worse trouble when the plant closes or the industry declines. Steel towns like Youngstown and Portsmouth, Ohio are examples of industrial areas with shallow labor markets that have not come back to robust life with the resurgence in the economy. Rural areas dependent on mining, such as the Appalachian coal country or eastern Utah since the coal and uranium mining bust, may be very resistant to the best efforts of displaced worker projects. In areas that show no evidence of economic revival and seem too hopeless to provide new jobs, vigorous relocation programs may help some displaced workers,

In a prosperous local economy, many workers fare quite well with nothing more than relatively brief, inexpensive assistance in searching for a new job. In addition, a thriving economy may favor the acquisition of new skills. Opportunities are plentiful, so that displaced workers, with only modest retraining, can move in to entry positions as more experienced skilled workers move up. The advantages of forgoing an immediate job in favor of training may not be obvious, however, to adult workers accustomed to bringing home paychecks. Where there is a choice between training and a job, displaced workers often benefit from help in realistically estimating their earning potential with and without training,

In a depressed economy displaced workers may be more inclined to opt for training in new skills. When there are few jobs to be had, many workers find retraining more productive than idleness. From the perspective of public policy, funding needs for displaced worker programs may rise and fall with the state of the economy, not only because more workers apply for services during hard times, but also because training—the most expensive service—will likely be in greater demand,

ISSUES IN THE DESIGN OF DISPLACED WORKER PROJECTS

A brief description of a typical displaced worker project will serve to introduce the elements of project design. Because Downriver is the oldest of current projects and has often served as a model for others, it is chosen for illustrative purposes here,

The first step is outreach: making project services known to displaced workers and inviting them to participate. Then, those who sign up must attend orientation, take a series of basic education and aptitude tests, and take part in a 4-day job-seeking skills workshop. The workshop helps workers identify their own skills and experience, learn to identify potential employers, produce resumes, and practice job interviews. The sequence in this first phase of Downriver's program is mandatory. Those who do not follow it are dropped. The intention is to screen out workers who are not committed to a whole-hearted job-seeking effort.

Once they are enrolled, participants follow different paths depending on their abilities and interests. Those who have salable skills may need only some sharpening of their abilities to search for jobs, or they may take advantage of job openings that the project's job developers find. Others, with good reading and mathematics skills, but without job skills that are currently in demand, may be referred to training courses. The idea is to reserve training for those who need it most and can benefit from it. A third choice is on-the-job training (OJT), in which employers receive a subsidy for hiring new workers, usually amounting to 50 percent of wages, and lasting for 1 to 6 months. At Downriver, OJT is not considered training—the acquisition of new skills required for a new occupation—so much as a placement tool,

The hardest workers to serve are those who lack marketable skills and are seriously defi-

cient in basic educational abilities. For these workers, Downriver has experimented from time to time with remedial education, or looked for suitable OJT slots. Finally, Downriver includes in its package of services relocation and out-of-area job search assistance, for those who are able and willing to move.

The Downriver program follows a sequence in which the least expensive services are offered first, putting the job search workshop early in the sequence tests participants' commitment and enables them to look for a job promptly, if they do not want or need the more expensive training or relocation services that come later in the program. Figure 6-1 shows the sequence of Downriver services, as presented to participants.

The hundreds of displaced worker projects recently created under JTPA Title III differ substantially; not all include the complete menu of services outlined above, although all these activities can be funded under the law. Nor do all of the projects follow the same sequence as Downriver, or require the same mandatory steps. Some, for example, require all participants to spend a few weeks in job search before they become eligible for any form of training. Some (probably a minority) do not require attendance at a job search workshop. Some offer financial and personal counseling as an integral part of project activities.

The experience of the six demonstration projects of 1982 and 1983 is a guide to comparative costs of the different services offered to displaced workers. These projects recorded outcomes as well as costs by type of service. In addition, the U.S. Department of Labor collected data on outcomes (entered employment rates and reemployment wages) by type of service from a sample of JTPA projects serving dis-

Figure 6-1.— Downriver Community Conference Economic Readjustment Program^a

—How The Program Will Work With You—

Step by step	Activity	Explanation
You have been scheduled for a group kick-off session with DCC Staff	Orientation 2 hours	To expose you to general information and services this program can and cannot provide
You have been scheduled for group testing—we call it "Assessment For Experienced Workers"	"Assessment for Experienced Workers"	These tests will give our staff an idea of your interests and abilities
Individual appointments have been set up for each person. We know a lot of information is required—thanks for your cooperation	Intake and Enrollment Certification 1 for each participant	This session verifies your eligibility and formally enrolls you into the program
You will be scheduled for a specialized group workshop to fine-tune your Job Seeking Skills	Job Seeking Skill Workshop 4 days 8:30-4:00 p.m. Monday-Thursday	This workshop will expose you to the labor market. Tells you how to use resource material. Helps you to prepare for an interview. Helps you to develop a resume.
You get a day off—DCC Staff meets to review your case files	Assessment Then, an individual or group meeting with you will be scheduled this week	Counselors and job developers will review your skills, interests and aptitude and schedule an individual or group session to meet with you to discuss your options
Classroom Training	On-the-Job Training (OJT)	Resource Center Direct placement into jobs

^aProgram handout at orientation.

SOURCE: Jane Kulik, et al., *Reemploying Displaced Workers: The Implementation of the Downriver Community Conference Economic Readjustment Program*, report to U.S. Department of Labor, Employment and Training Administration (Cambridge, MA: Abt Associates, Inc., 1982).

placed workers in the 9 months from July 1984 through March 1985 (tables 6-2 and 6-3).

Results reported by type of service must be judged with a good deal of caution. As discussed previously, placement rates and entered employment rates are not the only measures of success, nor always the best. For the demonstration projects, most of the outcomes were recorded soon after classroom training had ended, so that reported placement rates for this service may be too low. In addition, the favorable effects of classroom vocational training on earnings should become more apparent over time—not necessarily in the first job after training.

Conversely, reported placement rates for OJT may overstate the effectiveness of the service, because they are early reports; OJT contracts

often *require* employers to retain the trainees for 30 days or more in order to receive payment. In the case of the Labor Department data, all outcomes are reported for just 1 day after placement. Another important caution, in comparing results by type of service, is that many projects (like Downriver) send their most job-ready clients directly into the job market, reserving training for those who need more help.

Keeping these caveats in mind, the results indicate that of the major types of service, job search assistance is least expensive; both OJT and classroom training cost considerably more per participant. Costs per placement for classroom training were far out of line in two demonstration projects, especially in Alameda County, where the project placement rates

Table 6-2.—Costs and Placement Rates by Type of Service, Demonstration Displaced Worker Projects, 1982-83

Major type of service	Project site					
	Alameda	Buffalo	Lehigh Valley	Mid-Willamette Valley	Milwaukee	Yakima
Placement rates (percent):						
Job search assistance only	17.2	62.4	27.1	68.0	5.3 ^a	80.8
Job search assistance and on-the-job-training	32.4	75.8	47.5	NA	87.0	92.5
Classroom training	16.5	57.1	38.9	47.7	—	46.7
Total	17.5	65.5	32.0	60.7	8.5 ^a	80.7
Cost per participant:						
Job search assistance with and without on-the-job training	\$1,132	\$1,697	\$ 533	\$1,133	\$ 128 ^b	\$1,882
Job search assistance only	NA	851	407	1,133	73 ^a	1,387
On-the-job training only	NA	2,319	975	—	1,387	2,481
Classroom training with job search assistance	4,117	3,282	1,303	1,935	—	4,851
Classroom training only	NA	2,431	896	802	—	3,464
Total	\$1,951	\$1,975	\$ 720	\$2,349	\$ 128 ^b	\$2,009
Cost per placement:						
Job search assistance and on-the-job training	\$ 6,389	\$2,521	\$1,716	\$1,665	\$1,503	\$2,198
Job search assistance only	6,234	1,363	1,499	1,665	1,384	1,716
On-the-job training	11,219	4,181	2,829	—	1,678	4,181
Classroom training	25,671	5,744	3,309	4,052	—	10,396
All participants	11,306	3,014	2,256	2,349	1,503	2,504

^aThis figure is not comparable with those for other sites, because the only services offered in Milwaukee were job development and on-the-job-training.

^bThis figure is driven by the large number of workers in the placement pool (See footnote a).

NA= Not available.

— =Service was not provided.

SOURCE: Walter Corson, et al., *Process and Implementation Issues in the Design and Conduct of Programs to Aid the Reemployment of Dislocated Workers Findings Based on the Dislocated Worker Demonstration Project* (Princeton, NJ: Mathematical Policy Research, Inc., report to the U S. Department of Labor, Employment and Training Administration, 1984).

Table 6-3.—Entered Employment Rate and Reemployment Wage by Type of Service, Sample of JTPA Title III Projects, July-March 1985

Major type of service	Entered employment rate ^a	Average hourly reemployment wage
Classroom training ^b	650/0	\$6.31
On-the-job training	84	5.92
Job search assistance	70	6.42
Other services ^c	62	5.80
Overall	70%	\$6.15

^aThe entered employment rate is based on participants terminating from the project's services.

^bClassroom training includes basic education, vocational training, or a combination of the two, conducted in schools or training institutions.

^cOther services include vocational or personal Counseling, assessmentservices, preemployment skills training, and support services such as transportation.

SOURCE: U.S. Department of Labor, Employment and Training Administration, "Summary Of JTLS Data for JTPA Title II A and III, Enrollments and Terminations During January-March 1985, " August 1985.

were extremely low. In the other, Yakima, only 15 out of 243 participants were enrolled in classroom training, probably too small a number to yield meaningful results. The results of job search assistance, in terms of immediate placements and wages on the new job were good; for many displaced workers, this service appears to provide effective reemployment help at modest cost. OJT shows high placement rates but lower reemployment wages than the other major services. This may reflect a selection factor (e.g., participants who are most job-ready get job search assistance and those who score well on aptitude and basic skills tests are selected for classroom training); or it may simply mean that OJT is used more heavily in lower wage sections of the country.

The discussion that follows does not cover every element of program design in a detailed or comprehensive way; instead, it treats issues that are of most interest to policy makers at all levels of government.

Getting Into the Program

Outreach

Often, displaced workers who could profit from reemployment and retraining programs never hear about them. Many adults with steady work histories are not accustomed to applying for government help (except for unemployment insurance), and may not be aware it exists. The surest way to reach the eligible workers affected by plant closings or mass layoffs is to offer assistance at the plant site before the layoffs begin. Other methods for reaching eligible workers include notices in the media, letters to individual workers, and personal contact. For example, when the LTV Steel Co. acquired a closed-down Crucible steel plant in Midland, Pennsylvania, it offered reemployment and retraining services to former Crucible workers, many of whom had been out of work for 2 years or more. The outreach method the Midland project chose was to knock on doors.

In times of prolonged economic distress, displaced worker projects may have no trouble reaching applicants. In fact they may be overwhelmed. In 1982, the Buffalo demonstration project was so swamped with applications that participants had to be chosen by lottery. Delaware had the opposite problem when it opened its displaced worker program in 1984. Displaced workers were scattered, rather than concentrated in large plant closings, and it took time for workers to become aware of the services. The local Employment Service (ES) rarely referred unemployed workers to the program. Not until the displaced worker project staff made positive recruitment efforts (e.g., placing posters, application cards, and drop boxes in ES offices) did eligible workers discover the services available to them. Delaware's Department of Labor has since established closer links between the ES and its displaced worker program,

Orientation

workers are introduced to the project's expectations at orientation. This is the time to make clear what the project can and cannot offer. No one can offer assurance of a new job with as good pay and benefits as the old one. A fortunate few workers, usually the highly skilled, will do as well or better, but most will have to start new jobs at a sacrifice, even after retraining. If this fact is not clearly understood to begin with, everyone suffers; participants are disappointed or bitter, project staff are frustrated, and placement rates are low as workers wait for good jobs that do not materialize.

It should also be clear from the start that not everyone needs or can benefit from training. Some of the most disappointing outcomes of recent displaced worker projects were those in which training was oversold, or where participants were not tested and carefully matched with training opportunities.

At the same time, the project must offer workers better prospects than they have on their own. Downriver emphasized the staff commitment to finding jobs that offer acceptable wages to participants, keeping loss of earnings to a minimum. The Ford Milpitas project, in the heart of California's high-tech Silicon Valley, emphasized opportunities for advancement with retraining. One co-director (management) said:

We told them, you'll start at lower wages (than the \$12 an hour Ford paid). Your ability to rise will be based on your own skills; it won't be collective, through the union.

The other co-director (labor) said:

Workers were hammered with the reality of facing options. You don't have to take training if you want an assembler's job at \$4.50 an hour,

Screening

Some displaced worker projects, like the one at Ford's Milpitas plant and the Midland project sponsored by LTV, try to serve every worker who signs up. (In fact, the Midland project serves displaced workers' families as well as the workers themselves.) Others, like the dem-

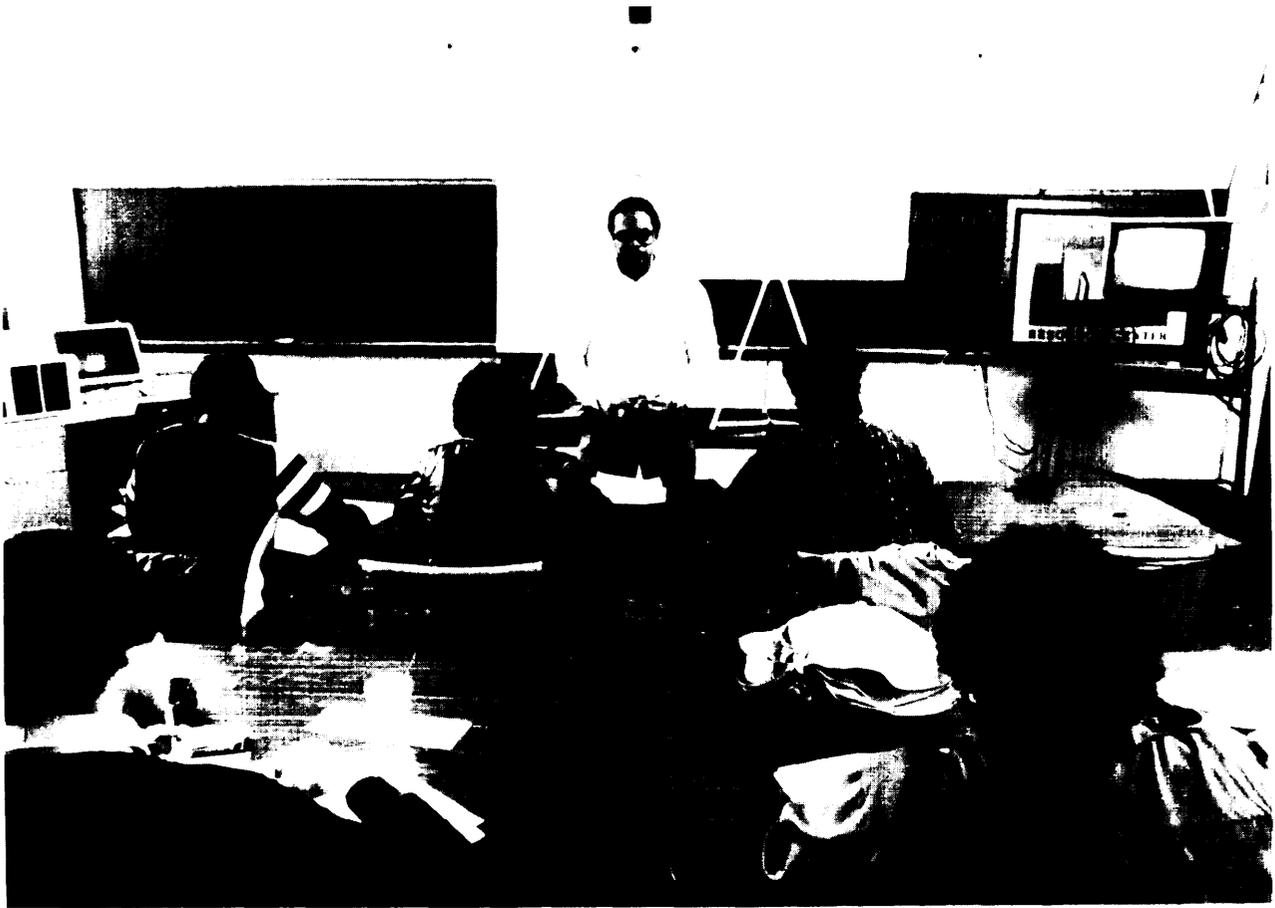


Photo credit UAW-Ford Employee Development and Training Program

The UAW-Ford Employee Development and Training Program has established several centers that offer a range of testing, job placement, and training services to displaced workers. Here, laid-off workers are attending an orientation session at a Detroit center.

onstration project at Yakima, Washington, screen applicants rigorously, saving their efforts for those considered most able or motivated to find jobs. Downriver and the projects modeled on it take an in-between position, weeding out applicants who do not attend the mandatory initial steps of the program.

Rigorous selection of participants has sometimes been criticized as creaming, that is, selecting for service the workers best prepared and most likely to get jobs on their own. The performance standard set forth in JTPA Title III—placement and retention in the job—might be thought to encourage creaming, but there is little evidence of this so far in JTPA-funded displaced worker projects, except for entry into

some highly selective skills training courses. (See ch. 5 for further discussion of this issue.)

Financial and Personal Counseling

Many displaced workers benefit from counseling on their financial and personal situation as early as possible after losing their jobs. People who have worked all their adult lives may have little idea how to cope with the emotional shock of losing a job or the financial adjustments they have to make. Typically, displaced workers are unaware of what community social service programs have to offer, and are reluctant to ask for help. Counseling can acquaint workers with community resources that

they may need, and can help them make financial plans to avoid losing their homes or other irreplaceable assets.

Displaced worker projects do not commonly provide personal or financial counseling themselves, but may refer clients to community agencies that do offer counseling. In a recent survey of 120 displaced workers at 10 sites in the northeast and midwest, the workers commented that not enough projects offer them help in contacting creditors, reorganizing their finances, and seeking financial aid to carry them through till they find a new job.³³

Job Search Assistance

Job search assistance is offered in two forms: 1) job development and job matching, which are provided by the project staff; and 2) training the individual worker to find his or her own job. Job development by the project is valuable because so much of the real job market is hidden; jobs are filled by word of mouth or network, not through newspaper ads, private employment agencies, or the public Employment Service. Training for workers in finding their own jobs is valuable because so many displaced workers do not know how or where to look. Often, displaced workers have had just one job in their lives, and they got it by showing up at the plant gate.

Building Workers' Job Search Skills

Job search workshops are intended to give people skills in finding their own jobs, an asset that will last throughout their working lives. The aims of the workshops are to build confidence and motivation, as well as to teach practical job-hunting skills. Typically, the workshop lasts 20 hours, over 4 or 5 days, with the first session often spent in "skills identification." This exercise, in which workers list all the tasks they have performed and skills they have developed in their worklives, is intended to give people an emotional jump start, helping to raise

the low self-esteem that so many workers feel after being laid off. The rest of the workshop sessions are devoted to learning skills in resumé writing, job interviewing, and locating potential employers,

Following the workshop, most programs provide a resource center for self-directed job search, outfitted with a telephone bank, telephone and business directories, newspaper classified advertising sections, and a bulletin board with listings of job openings from local government offices and the local Employment Service, and often from program participants who wish to share information they have uncovered. Resource centers work best when they are located on the same premises as the rest of the program, and when they have a full-time knowledgeable staff.

Highly structured job clubs, often the subject of favorable publicity, did not work very well for the demonstration projects that tried them. They were expensive and usually not very popular. In the most rigid version of the job club approach, a group of a dozen people meet 8 hours a day for 4 weeks, spending the first 2 weeks in classroom preparation and the next 2 intensively working the phones. Members of the club continuously cold call employers for job leads, relying on support from each other to keep going through discouragements,

Downriver tried job clubs, found they diminished the participants' initiative, and abandoned the high-pressure system in favor of a lower key, self-directed job search, using the help of the resource center. One demonstration project, Lehigh Valley, also reported good results with a more relaxed version of the job club.

Job Development

One of the most useful forms of assistance a displaced worker project can offer is to discover job openings that are never publicly announced. Plant-based projects, as the Canadian IAS experience demonstrates, are especially effective in finding jobs in the hidden job market. In the United States, the sweep of area employers performed by the Johnson & Johnson

³³Gale Zahniser, William L. Ashley, and Lawrence W. Inks, *Helping the Dislocated Worker: Employer and Employee Perceptions* (Columbus, OH: The National Center for Research in Vocational Education, Ohio State University, 1985).

team (see box 6A) was typical; the Dana Corp. team, the Ford Milpitas team, and a number of others have used similar techniques,

Plant-based job development is especially helpful to unionized displaced workers looking for jobs in a non-union environment. Dislike and fear of unions can be a powerful deterrent to hiring. This was true in Plainfield, New Jersey, in 1961, when the Mack truck plant closed. It was true in Cortland, New York, in 1977, when the Brockway truck plant closed (indeed much of the town blamed the union for the closing); and it was true in Edgerton, Wisconsin, in 1981, and in Chicago and San Jose in 1983.³⁴ The Johnson & Johnson team invited neighboring company managers to lunch to meet displaced workers “to show them,” said the co-director of the team, “that our union folks are not ogres,”

Continuing displaced worker programs can also achieve good results in job development, especially when they earn the confidence of local employers in their ability to screen workers for job openings. Successful job developers keep in personal touch with local employers, selling their services by offering to save employers the trouble and expense of interviewing numerous applicants. With the project doing the screening and referral, the employer need see only a few well-qualified people.

Faced with a depressed job market (either cyclical or structural), some displaced worker projects have tried unconventional ways of finding jobs. Lehigh Valley, in the depths of the recession, hired advertising agencies to market the program to the business community. The staff believed that this marketing effort did elicit calls from employers. Several projects considered enlisting private employment agencies, but only Buffalo tried it. Unfortunately, it produced no jobs. Possibly, the agencies' in-

³⁴John W. Dorsey, “The Mack Truck Case: A Study in Unemployment,” *Studies in the Economics of Income Maintenance*, Otto Eckstein (ed.) (Washington, DC: The Brookings Institution, 1967); Robert Aronson and Robert McKersie, *Economic Consequences of Plant Shutdowns in New York State* (Ithaca, NY: Cornell University, New York State School of Industrial Relations, 1980); and OTA interviews with directors of reemployment programs of the Dana Corp., Johnson & Johnson, and the Ford Milpitas assembly plant.

experience with blue-collar workers accounted for the lack of results. In 1982, when unemployment in the Detroit area was above 18 percent, the Downriver project staff attempted to create jobs. They provided assistance to small and medium-sized plants in getting military contracts—the only new business available at the time.

Job Matching

This essential service can be provided in a number of effective ways, from simple hand-sorting of files to elaborate computerized systems. For example, Downriver is experimenting with a highly automated keyword system, which breaks down job titles into relevant skills, codes participating workers' skills, and then matches workers with job openings on the basis of the skills match. While preparing to adopt the automated system, Downriver job developers simply sorted clients' forms into 27 occupational categories, and stored them in file folders.

Some projects have found that modest home-made automated systems work quite well. The Ford Milpitas project, for example, began by entering every worker's test scores, interests, and background on the plant's large mainframe computer. When the plant closed and the mainframe was moved out, project staff found they could store enough information on a small personal computer to sort and pick out likely candidates for new jobs or training courses. Similarly, the Mid-Willamette demonstration project found a personal computer quite adequate for storing and sorting clients' files.

On-the-Job Training

In practice, on-the-job training is often an effective tool more for placement (and sometimes for economic development) than for the acquisition of new transferable skills. The typical subsidy to employers for trainees is 50 percent throughout the training period, which may last from 1 to 6 months. Often, OJT contracts require that the worker remain on the job for 30 to 90 days, with some of the payment contingent on retention; in some cases, how-

ever, there is simply an understanding that workers are to be kept on.

High initial placement rates make OJT an attractive option to many service providers, and also to workers who want to get back on the job as soon as possible. In the JTPA Title 11A program, OJT is increasingly popular.³⁵ Information is less complete for Title III. Most State programs report that OJT is included in their service mix; probably about one-fourth of clients use it.³⁶ Some projects do not offer it at all.³⁷ Possibly the reason is that the experienced adult workers served by Title III programs can often be placed without an OJT subsidy. The subsidies seem to be most effective in placing workers in small and medium-sized businesses.

Vocational Skills Training

For 25 years, many experts have prescribed training as the sovereign remedy for structural unemployment of displaced workers. With the computer revolution of the late 1970s, and the simultaneous increase in worker displacement, prescriptions for training became more insistent. The idea gained currency that if people were being displaced by robots, they had better learn to tend the robots.

A few years of recent experience with displaced worker programs have made the point that the training idea, in this form, was oversimplified and oversold. Whatever part technological advance may have in the displacement of workers (there are other factors of at least equal importance, as discussed elsewhere in this report), new jobs to replace those permanently lost are not necessarily high technology and do not always involve retraining.

Experience so far also teaches that a minority of displaced workers—perhaps 20 to 30

³⁵Gary 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), pp. 25-26.

³⁶See ch. 5 for details.

³⁷Robert F. Cook, et al., "Transition Year implementation of the Job Training Partnership Act," a report prepared by Westat, for the U.S. Department of Labor, Employment and Training Administration, 1985, pp. 9-40 to 9-41.

percent in well-run projects—are likely to choose and to benefit from vocational skills training. This is not, however, an inconsiderable number. While vocational training may at times have been overemphasized, it remains an essential part of the service mix for displaced workers. For many semiskilled blue-collar workers whose old jobs have permanently disappeared, training in new skills is the best chance to recapture the ability to command good wages. Displaced worker projects can open that opportunity to many people who would not find it on their own.

Course Selection

One of the most demanding tasks in setting up a skills training program is choosing the right courses—ones that teach skills that are in demand. As chapter 5 discusses in more detail, information about the occupations in demand in local labor markets is likely to be incomplete.

In the six demonstration projects, despite attempts by the staff to choose training courses realistically, most graduates did not get jobs related to their training. These projects were all short-term, lasting just 1 year, so there was no time for a survey of employers to discover what occupations were locally in demand. Typically, the project staff first tried to identify occupations in demand by using State labor market information, which usually turned out to be insensitive to local job markets and somewhat out-of-date. By necessity, most of the projects then turned to information from the project's job developers, training providers, and Private Industry Councils, which represent local business. The fact that trainees in these projects graduated in the depths of the recession was no help.

Downriver had time for a more systematic approach. The planning staff studied trade journals, reviewed economic forecasts from local universities, and analyzed labor market data collected by State agencies to identify local trends. Job developers checked the planners' results, interviewing local employers and querying trade associations. Downriver did not report specifically on training-related placements, although the overall record for placements



Photo credits Downriver Community Conference

Training courses for displaced workers include a wide range of occupations, from repair of electronic equipment to landscaping.

after classroom training appeared favorable in Phase One. (In Phase Two, nothing worked very well.) High-technology training, however, did not come off very well. Workers who took specially designed programs in numerical control machine operation and electronics fared substantially worse in finding jobs than trainees in more traditional skills. One reason may have been that the high-technology courses were new and the trainers inexperienced. In addition, however, Downriver program staff believed they may have been ahead of the market in developing some of their classroom programs. Demands for some skills grew more slowly than anticipated.

In Buffalo, results of three out of four high-technology training courses were dismal. In courses on copy machine repair, microprocessor/microcomputer repair, and digital telephone maintenance, placements related to training were below 20 percent. Training-related placements for medical word processing, on the other hand, were nearly 60 percent.

Table 6-4 summarizes the subjects offered in class-size training (i.e., courses set up especially for the displaced workers) in the six demonstration projects and Downriver's Phases One

and Two, More than half the classes offered were in some kind of repair and maintenance, both traditional (e.g., truck engines) and high-technology (computers, microprocessors, robots). Training in the high-technology area was prominent in all the projects. These skills were thought to be in demand, and also to offer the best chances for advancement. In addition, there was probably an element of fashion in the course selection. In the absence of any very certain knowledge about the labor market (especially while the economy was stalled in deep recession), planners tended to select something new.

With more experience, projects are changing their course selections. Downriver has dropped its highly demanding robotics course, finding that the auto manufacturers are mostly training robotics technicians drawn from among their own active work forces.³⁸ Simpler, but still

³⁸In fact, much of the worker training involved in the use of new technologies may be occurring in the workplace, with active workers (not new hires) the trainees. The California Employment Training Panel, which helps the State's employers retrain active employees as well as supporting training projects for unemployed workers, reports that more than half the projects it funded in 1983 and 1984 involved some form of computer technology.

Table 6-4.—Class Size Training Provided in Displaced Worker Projects^a

National Demonstration Projects, 1982-83	Lehigh valley:	Downriver Community Conference, 1980-82:
Alameda:	Computer services	Phase One (1980-81):
Air-conditioning/refrigeration services technician	Computer technician	Electronics
Automatize technician	Computers and business systems marketing	Energy auditor
Cable TV installer	Floor covering	Heating and cooling
CAD/CAM drafting technician	Mid-Willamette Valley:	Machinist
Certified welding	Computer-assisted drafting	Numerical control
Computer technician	Computer operations	Pipe welding
Digital technician	Electronics technician	Screw machine
Electronic technician	Welding	Phase Two (1981-82):
Microwave technician	Southgate:	Accountant
Welding technician	Air-conditioning and refrigeration repair	Building operations management
Word processing	Automotive and diesel mechanics	Computer/data processing
Buffalo:	Cable TV installer	Drafter detailer
Computerized numerically controlled machines	Computer operations and service	Electronic technician
Copy repair technician	Dietetic technician	Industrial sales
Floor mechanic	Industrial computer maintenance	Machine tool
Heating, ventilation, air-conditioning repair	Machining	Robotics
Microprocessor/microcomputer technician	Motorcycle mechanic	Technical preparation
Small engine repair	Yakima:	Welding/welder-fitter
Telephone repair	Industrial computer maintenance	Word processing management
Truck mechanic		
Word processing (medical)		

^a"Class size training" is training in classes that are designed especially for participants in displaced worker projects.

^b"Technical preparation" was a 4-week course in reading and math, to prepare workers for skills training courses.

SOURCES: Mathematical Policy Research, *Case Study of the Alameda County and Southgate Dislocated Worker Demonstration Projects*, Jack Wichita, *Case Study of the Milwaukee Dislocated Worker Program*, *Case Study of Operation Jobsearch: The Lehigh Valley Dislocated Worker Demonstration Project*, and *Case Study of Project S.A. V. E.: The Yakima, Washington Dislocated Worker Demonstration Program*; L.M. Wright, Jr., *Case Study: Buffalo Worker Reemployment Center, Buffalo, New York* and *Case Study: Mid-Willamette Valley Job Assistance Network, Salem, Oregon* (Princeton, NJ: Mathematical Policy Research, 1984); Marcia Jerrett, et al., *Serving the Dislocated Worker: A Report on the Dislocated Worker Demonstration Program* (Cambridge, MA: Abt Associates, 1983); and Walter Corson, et al., *Process and Implementation Issues in the Design and Conduct of Programs to Aid the Reemployment of Dislocated Workers: Findings Based on the Dislocated Worker Demonstration Project* (Princeton, NJ: Mathematical Policy Research, 1984).

exacting courses in repair of electronic devices (office computers, copiers, vending machines, radios and TVs) are being offered in a number of projects with good placement results.

For example, the Delaware Technical Community College offers an 18-week concentrated course in electronic repair that begins with basic electrical circuitry and proceeds to electronics. In a graduating class of 15 displaced workers in 1984, all had jobs within a month at an average wage of \$7.02 (the average wage on previous jobs was \$10.33). Both large and small firms were hiring these graduates of a short, intensive course, at lower wages than they would pay a graduate of a 2-year associate degree course, and then training them further on the job with possible pay advances in the future. One reason for the success of this course is that the director was careful not to train too many candidates at once. It would be

easy to flood the receptive but limited local market for these modestly trained technicians. Short courses in telecommunication installation and repair are also working out well. With deregulation of the telephone system, there is a proliferation of small telecommunication firms, many of whom are willing to take on graduates of short courses at modest wages.

Downriver, though it is now emphasizing high-technology training less than in its earlier days, continues to offer a 27-week training course in electronics and computer repair. Graduates generally make no more than \$4.50 to \$6 an hour to start, but usually can work up to \$8 or more within a year.

Several projects in addition to Buffalo have found that training in high-technology clerical skills appears to pay off. For example, in 1983, when the San Francisco Blue Cross-Blue Shield

office decided to move 400 jobs (mostly claims processors) to low-cost, low-wage towns in California's central valley, a labor-management adjustment committee arranged several options for training the laid-off workers. Thirty workers selected a 4-month course in word processing, offered by a private training contractor. All graduates were placed, at wages averaging \$7.44 per hour, compared with \$7.46 to \$9.55 per hour on the old jobs.

The vocational training offered in JTPA Title III projects for displaced workers covers a very broad range of skills and occupations, some high-technology but many in quite traditional fields. State directors of Title III programs, surveyed in 1984-85, mentioned 50 or more kinds of training as examples of what their programs were offering.³⁹ As table 6-5 shows, the list ranges from landscaping and upholstery to data processing and computer repair.

JTPA's statutory requirement of performance standards has led some projects to adopt a new mode of course selection. Project staff make the initial choice of courses, either together with the local Private Industry Council (PIC) or with the PIC's approval. Then, the training contract is put out for bids, with the proviso that trainers themselves must meet performance standards. In a sense, this transfers the performance requirement to the trainers. A typical contract may require that, for the trainer to receive final payment, 75 percent of graduates find full-time jobs, with all but 10 percent of the job training-related; that the starting wage be no lower than \$4 to \$5 per hour; and that trainees be retained on the job for at least so days.⁴⁰

About half the States (24 of 46 responding to the question in OTA's telephone survey) use performance-based contracts in their JTPA Title III programs, and 11 use them predominantly. Reliance on this kind of contract appears to be growing. In a sample of 40

³⁹See ch. 5 for further discussion of survey results.

⁴⁰Contracts requiring 100-percent placements are rare. The California Employment Training Panel requires them, but in practice allows some flexibility. If the 100-percent rule is rigidly enforced, trainers must include some leeway in their contract price.

Table 6-5.—Examples of Vocational Training Offered in JTPA Title III Displaced Worker Projects, 1984-85

Aircraft mechanical operations	Golf course mechanic
Airline attendant	Health and medicine
Air-conditioning and heating mechanic	Heavy equipment operator
Asbestos handler	Hotel-motel manager
Auto mechanic	Industrial maintenance
Bank teller	Industrial sewing
Boat building	Institutional attendant
Bookkeeper	Iron pourer
Cabinet maker	Lab technician
Cable splicing	Landscaping
Carpentry	Machine tool and die
Casino worker	Machinist
Chemical operator	Mechanical, electrical engineer
Clerical and office work	Office machine service
Computer repair, maintenance	Printing and publishing
Construction	Real estate
Culinary arts	Retail trade
Data processor	Security guards
Day-care worker	Statistical process control
Drafting	Telephone technician
Diesel mechanic	Truck driving
Electronics	Tourism occupations
Energy conservation work	Upholsterer
Fisherman	Welding
	Xerox technician

SOURCE OTA telephone survey

Service Delivery Areas providing JTPA Title III services to disadvantaged workers, 27 reported in late 1984 that they used performance-based contracts to ensure accountability of training institutions. Six of the twenty-seven said they had only recently adopted this kind of contracting.⁴¹

So far, it appears that performance-based contracting is an effective way to make sure that skills taught in training courses are in demand, and that the trainers do a good job of teaching the skills. It also reassures students of the worth of the program. It also has a pronounced effect on selection of students. Trainers who do not get paid if they do not find jobs for their graduates have a powerful incentive to select students with care. Both common sense and experience teach that it is a great mistake to admit people to training if they lack the necessary basic educational skills or aptitudes. Yet selection that is too rigid amounts to creaming. Some projects try to guard against too-rigid selection criteria by requiring trainers

⁴¹Cook, et al., op. cit., p. 10-21.

to explain their reasons if they reject applicants who were approved for training by the project counselors.

Selection of Trainees

In most projects, selection criteria for people going into training are that they need it (do not have marketable skills), can do the work (have passed the requisite tests), and will not have to drop out for lack of income support. Some well-financed projects do not impose the first requirement. The Ford Milpitas project, for example, encouraged everyone to take appropriate education or training, whether English as a second language, remedial reading or mathematics, or a demanding 9-month course in mask design (computer-aided etching of circuits on microchips, through the sequential use of stencil-like masks).

Projects that drop the second requirement—testing for appropriate placement—do so at their peril. This does not mean that only a select few can be admitted to training. Some projects that are committed to training have been able to devise an array of vocational training courses—combined, where necessary with remedial courses in reading and math—that suit a broad range of skills and aptitudes. Nor does it mean that projects must immediately confront displaced workers with a battery of tests. Academic tests can be extremely intimidating to adult workers who are years away from classrooms. Projects that are successful in providing training first orient their clients to all aspects of the project, including an explanation of why testing is necessary for proper placement of workers who are interested in vocational skills training.

An example of training with little attention to selection was the Southgate project in the Los Angeles area. Begun with the best of intentions, the project ended in stress, waste, and for many workers, bitter disappointment.

The General Motors assembly plant in Southgate closed in March 1982, laying off 4,300 hourly workers. A modest retraining and re-employment project, begun a few months after the closing, was greatly expanded in September

1982, when General Motors, the United Auto Workers, and the State of California signed an agreement to underwrite the project.

Training **was a** major element of the expanded project; 45 percent of the 1,682 participants enrolled in the 28 classes offered. But it was hurriedly put together, in an attempt to complete training while workers still had unemployment insurance and Trade Adjustment Assistance (TAA) income maintenance. As a result, classes started with teachers unprepared and books and equipment missing; at least 10 of the classes had to be extended. Most of the courses were technical, in fields in which employers require credentials such as work experience or a certificate from a credible training institution. Southgate's program was not able to provide either.

The demanding content and fast pace of many of the courses required substantial homework and good basic skills in reading and mathematics. Unfortunately, most of the students, although hard working and highly motivated, were unprepared. They had not been screened for their basic educational skills; furthermore, trainers were eager to enroll students and were not very selective.

In the end, 30 percent of classroom trainees dropped out. Few of the trainees who stuck with it got jobs related to their training. Altogether, by September 30, 1983, the Southgate project had placed only 60 workers in jobs—3.6 percent of the participants. (Another 366, or 22 percent, were recalled to other GM plants.) This may not be a fair indication of the project's results, since it continued past that date. However, it had been in existence for 12 months at the time the results were reported.

In a project in Alameda County, California, serving mostly workers displaced from the GM assembly plant at Fremont, the dropout rate from training courses was even higher than Southgate's—50 percent. Like Southgate, the Alameda County project was not selective in placing workers in training courses; the courses also were set up hurriedly, and trainers were not required to place graduates.

Alameda County's placement rate was 17.5 percent, with another 19 percent getting recalls. Other factors probably contributed to the poor results: the GM workers had high supplementary unemployment benefits during the life of the project, and rumors persisted that the plant would reopen. In fact, GM and Toyota did eventually form a joint new venture (New United Motor Manufacturing, Inc., or NUMMI), which opened a refurbished assembly plant at the Fremont site in 1985.

According to State of California records, the Southgate and Alameda County projects combined spent \$8.3 million in the year November 1982 through October 1983.⁴² During that time, 511 of 3,448 participants found new jobs; another 983 were recalled to other GM plants. The cost per placement in both projects combined (omitting recalls) was approximately \$16,000. This compares with a range of \$1,500 to \$3,000 per placement in five demonstration displaced worker projects operating at approximately the same time in other parts of the Nation.⁴³

The Southgate and Alameda County experiences are sometimes cited as evidence that "training doesn't work" for displaced workers, especially semiskilled workers. This conclusion is not warranted. It can only be concluded that training was ineffective under the circumstances of those projects. One of the major circumstances was failure to test and screen participants adequately.

Experience in the Ford Milpitas project points to some quite different lessons. This project

⁴²For data comparing the Alameda project with the five other demonstration projects, the period October 1982-September 1983 is used. Sources are reports by Abt Associates and *Mathematica Policy Research*. See table 1. A different source, records of the State of California cited below, provides details on costs of both the Alameda and *Southgate* projects; these records cover a slightly different time period (November 1982-October 1983), and show slightly different figures for participants and outcomes.

⁴³State of California, Health and Welfare Agency, Employment and Development Department, "General Motors/United Auto Workers/State of California Reemployment and Retraining Program, November 1, 1982-October 31, 1983," report prepared for Joint Legislative Budget Committee (Sacramento: 1984). See also *Mathematical Policy Research*, op. cit.; and Jay Mathews, "Retraining '83—The Class in Room E221," *The Washington Post*, Nov. 6-9, 1983.

was just as committed to training as Southgate, but took pains to match workers with suitable training. Everyone who wanted training was tested. Those adequately prepared could go directly into skills training, but still had to be selected by trainers. Most of the training was under performance-based contract, and trainers could be highly selective. For example, when San Mateo Community College offered a course for microwave technicians, more than 100 people applied for it; 25 were selected. The project staff later established another microwave technician class in a private technical institute.

Table 6-6 summarizes the skills courses offered by the Ford Milpitas program. Not all the courses required a high level of basic education; for example, courses in landscape gardening did not. Some were high-technology (such as mask design and CAD-CAM drafting), but many were in more traditional areas. Silicon Valley has a great many small metalworking job shops doing work to order for high-technology firms; the shops were willing to hire entry-level machinists, trained in the project's 6-month course, at \$6 per hour. With experience and further training, many of these machine tool operators could expect to work up to very good wages (the better paid machinists in Silicon Valley make upwards of \$18 per hour).

Table 6.6.—Class Size Training Provided by the Ford/UAW Program at Milpitas, CA, 1983-84^a

Auto service technician
Bus driver
CAD drafting
Computer repair
Electronic technician
Heating, air-conditioning, refrigeration
Heavy equipment operator
Landscaping
Machinist
Microwave technician
Plant maintenance mechanic
Semiconductor mask design
Truck driver
Welding

^a"Class size training" is training in classes that are designed especially for participants in displaced worker projects.

SOURCE: The Local UAW-Ford Employee Development and Training Committee, Milpitas, CA.

participants in the project who did not get into skills courses at first had another chance. Of the 770 people who took part in the project's unique remedial education program, 341 later went into skills training. Altogether, 748 people, or 37 percent of all those who signed up to participate in the program activities, took vocational skills training courses.

Although overall placement results of the training program are not all recorded, the drop-out rate for training courses was low—about 8 percent, and most of those left to take jobs. Only about 2 percent were real dropouts from the program. Project staff were satisfied that most trainees would be placed in training-related jobs. The only failure they knew about was a welding course; placements from it were low, possibly because of the recession.

The Ford Milpitas project demonstrates how it is possible to be selective in assigning people to training courses without being overly exclusive. The extensive range of courses offered, and the excellent remedial courses for people who lacked basic skills, made it possible for workers who wanted training to get it,

Design and Scheduling of Courses

Many displaced worker projects try to offer some skills training courses that are compressed into periods of less than 1 year. Displaced workers are adults, and most are responsible for earning a living for themselves and their families. Few have the luxury of more than the standard 6 months' eligibility for UI to spend in full-time training courses—less the time it takes for admission to a displaced worker project before training, and placement afterwards. It is for this reason that Downriver persuaded a local community college to compress its 2-year associate degree in electronics into 9 months; that the standard training course for displaced workers in Illinois is 22 weeks; and that the Delaware Technical Community College has created an 18-week course in electronics repair.

The shortening of technical courses generally means that the trainee cannot cover as much ground as a full-time student can in the

usual 2-year course for an associate degree or a technical certificate. Displaced workers finishing brief courses usually cannot command entry wages as high as young technicians armed with degree or certificate, but they can get back to work sooner.

A common observation by the staff in several projects and in several training institutions is that displaced workers do better with their peers, in class-size courses designed specifically for them, than in established classes with youths just out of high school.⁴⁴ The displaced workers tend to go at a slower pace, need more explanation and repetition, and appreciate the rapport with and support of their coworkers from years past. In addition, class-size courses designed for displaced workers may be more conveniently scheduled than academic courses. A number of community colleges, however, now offer training modules which individual students can enter once a month or even more often.

In the Ford Milpitas project, which had much greater participation in training than most projects, workers definitely preferred class-size over regular courses. This was not a foregone conclusion. Community colleges abound in the San Jose area. Factory workers do not seem intimidated by them; often their sons and daughters go there. Tuition was not a problem; it was mostly free at that time in California and where there were fees, the project had money from the Ford/UAW fund to pay them. However, of the 1,997 workers who signed up for services, only 205—about 10 percent—chose established courses in educational or training institutions; 543 or 27 percent, chose class-size courses offered either by private trainers or local community colleges.

Income Support

JTPA programs discourage stipends for trainees. Even though stipends are mentioned in the law as an allowable expenditure, they are

⁴⁴Class-size courses are established for workers in displaced worker programs and are open only to them. They are usually designed for about 15 to 25 students; trainers generally require an agreed-on minimum enrollment before offering the courses.



Photo credit:

Displaced workers in California are learning to repair tractors.

rarely provided in Title III programs. Adult displaced workers who desire training must find some other way of supporting themselves; indeed, in most projects one of the criteria for selecting displaced workers for training is that they have income to see them through. Other family members, or part-time jobs, may provide some of the necessary support. For the displaced workers who are eligible for it, UI is usually an essential part of the package. Few can count on more than the basic 26 weeks of UI. Extended benefits, providing an extra 13 weeks, were in effect in 1985 only in Alaska, West Virginia, and Puerto Rico. Federal supplemental compensation, enacted during the recession, has been ended. Moreover, for the average worker, UI may provide less than a bare minimum income, considering that in 1984 the average weekly benefit was \$119.

The Trade Adjustment Assistance (TAA) program provided income support for workers in approved training for up to 18 months, but was open only to workers certified as having lost their jobs because of foreign competition. TAA authorization lapsed in 1985, and may be revived (see ch. 5). A minority of workers are eligible for supplementary unemployment benefits (SUBS) under union contracts, but even those eligible sometimes do not collect. SUBS are paid only until funds set aside for them run

out, which has happened in a number of instances when plant closings were preceded by long layoffs.

It is not easy to set up worthwhile training courses that coincide with the 6 months that UI benefits last. Participants have to enter the displaced worker program early; assignments to training must be made expeditiously; courses often have to be truncated or compressed. Some projects, managing to do all this, were still beset by additional problems of keeping workers on the UI rolls, at least in the early days of the Title III program. JTPA unequivocally directs States to maintain UI benefits for displaced workers who take advantage of "training opportunities" the States have identified; the Department of Labor has underscored this mandate with one of its few directives to States on JTPA. Most, if not all, States understand the plain meaning of the law and directive, which is that workers enrolled in a training course underwritten by JTPA funds do not have to be "available" for work but are eligible to keep on receiving UI while in training. Still, in some cases, local ES offices misunderstood the directive and cut trainees off the UI rolls.

When JTPA funds are not involved, the situation is not so clear. In the 1970 amendments to the Federal Unemployment Tax Act, Congress directed States to maintain UI eligibility for workers attending training courses approved by the State. Some States escape the requirement by not approving training courses that are paid for by non-JTPA money—private sources such as the 5-cents-an-hour funds that are set aside for training under GM and Ford/UAW contracts, or possibly the workers' own funds. Other States, while they do not positively deny UI benefits to workers in training, do not draw the workers' attention to the fact that they may be eligible. Of 44 State Title III program managers responding to OTA's telephone survey, 20 said their States allow UI eligibility for unemployed workers in full-time training not funded by JTPA, 17 gave a conditional answer, and 7 said their States do not allow it.

Some States are reluctant to approve UI eligibility for workers in full-time training

because they believe they must be conservative in managing their UI funds. During the three recessions of the past 10 years, many States went heavily into debt to the Federal Government to keep their trust funds solvent. At the beginning of 1985, 21 States still owed \$9.8 billion in Federal loans (down from \$13.2 billion a year before). Congress has directed the States to repay their loans expeditiously.

A bill (H.R. 1947) to encourage States to approve training for workers collecting UI benefits was introduced by Representative Kennelly and four cosponsors in the 99th Congress. The bill would allow UI payments made to workers in training to be credited against any interest a State owes the Federal Government for loans to their UI trust funds. The bill would also direct the Secretary of Labor to help States develop criteria for approval of training programs open to people receiving UI benefits.

Unlike many States, California has had a surplus in its unemployment trust fund for years. For a time, California workers enrolled in training courses were permitted to receive UI benefits for 52 weeks, so long as they were in approved training courses. Taking advantage of these extended UI benefits, plus SUBS, the ex-Ford Milpitas workers taking a tough 9-month class in mask design were able to stay the course. Twenty-two of the original 24 graduated. A bill in the 99th Congress (S. 395) would allow any State to extend unemployment insurance for workers in training an extra 10 weeks, at Federal expense.

prolonged income support can, however, also have perverse effects. A common observation by project staff is that workers who are expecting recall, or are collecting generous SUB payments, are not likely to participate in displaced worker programs. Instead of using the time that income supports last for an intensive job search or retraining, some workers simply wait for something to turn up. Depending on the jobs available, some workers have to make quite a financial sacrifice in going back to work. Consider, for example, the situation of a worker who formerly made \$10 or \$12 per hour, can now find nothing better than jobs

paying \$4 to \$6 per hour, and is covered by UI and SUBS that replace (for a time) 90 percent of his old wage.

Some collective bargaining contracts include a provision that makes it less costly for such a worker to start a new low-paying job. The Ford UAW contract, for example, allows workers to collect SUBS to make up most of the difference between their old wages and the lower wages in new jobs, until their SUBS run out. This arrangement has the advantages of getting people back to work, giving them experience in new jobs from which they can advance, and allowing them time to recoup some of their earning power. Directors of the Ford Milpitas project urged workers to use this strategy, and they believed that it worked, since participation in training was so high. Similar in purpose is a suggested scheme for a new worker insurance system, to compensate workers for a part of the difference between wages on old jobs and lower wages on new ones. The compensation would last only for a fixed transition period, and participation might be limited to older, more experienced displaced workers.⁴⁵

In the 99th Congress, a bill (H.R. 758) introduced by Representative Stark would allow various forms of extra income support from the UI system for workers in training. First, it would authorize States to pay partial UI benefits to part-time workers enrolled in approved training courses: this "short time" compensation would be available only to workers in industries with declining employment. If the worker in training were on the job half time, for example, he would be eligible for half his full weekly UI payment. The bill would also allow States to extend the amount and period of UI payments, for workers who elect to take approved training. In addition, it provides for supplemental payments from the UI fund to workers who take jobs at a lower wage than is required under the State's UI law. The payments could amount to as much as 80 percent

⁴⁵Alice M. Rivlin (ed.), *Economic Choices 1984* (Washington, DC: The Brookings Institution, 1984), p. 150. See ch. 2 for a discussion of this and similar proposals.

of the total UI benefits the worker could collect if he were unemployed, and could last as long as 1 year. The aim of the last provision is to ease the transition from a higher paying job to one that pays less, but gets the worker back on the job and, possibly, in a position to recoup earning power.

Another approach to income support for displaced workers in training was proposed by Malcolm Lovell, a former undersecretary of labor and guest scholar of the Brookings Institution.⁴⁶ His proposal is, first, to define displaced workers as laid-off employees who have 4 years of employment covered by a State UI system and is certified by their former employers as being unlikely to return to work for that company in the next 6 months. Then, the certified displaced worker would be offered a choice between proceeding independently to find a new job (in which case he or she would be eligible for regular UI benefits and other State or private assistance plans) and taking part in a new displaced worker program. The worker would have 4 weeks to decide between the two options,

The new program would consist of a required sequence, in which the worker would first go through several months of job counseling and job search assistance and training. If no suitable job were found during this period, the participant could then go on to education or training, with a voucher providing full tuition for short courses and partial tuition for longer ones. Some extended income support would be provided beyond regular UI; it would be paid from a special trust fund, supported by a 1-cent-an-hour tax on employers and employees. Income assistance would be limited by the amount in the trust fund.

An approach tied more closely to existing systems was proposed in a staff paper of the National Commission for Employment Policy.⁴⁷

⁴⁶Malcolm R. Love], Jr., "An Antidote for Protectionism," *The Brookings Review*, fall 1984.

⁴⁷Stephen E. Baldwin and Ann Donohue, "Displaced Workers: New Options for a Changing Economy," paper presented at the Fifth Annual Research Conference, Association for Public Policy Analysis and Management, October 1983 (Washington, DC: National Commission for Employment Policy, 1983).

It suggested that by the 13th week of covered unemployment all UI claimants should be interviewed, and those identified as displaced workers would enter a sequence of services structured to encourage reemployment. Workers determined to need training could enter training courses any time after the assessment, and would be eligible for 13 weeks of extended UI benefits for income support—even if the State's unemployment rate was not high enough to trigger the extended benefit program.

The potential of government-provided financial aid to students to help provide income support for displaced workers, or other adults who need to prepare for job or career changes, is discussed briefly in chapter 7.

Availability of Jobs

Some projects have observed greater interest in skills training during economic hard times than in prosperity. For example, in Downriver's Phase One (1980-81), 45 percent of participants entered training. In Phase Two, during the 1982-83 recession, 75 percent signed up for courses. Participants in the two phases differed little in age and education. With recovery, in 1984, the proportion of Downriver clients taking skills training dropped to about 30 percent. There may well have been other reasons for the changing service mix at Downriver, but anecdotal evidence from other projects tends to confirm that, when no jobs are available, many workers are more inclined to consider training.

What this suggests for Federal policy is that, in recession, displaced worker projects may encounter an upsurge of requests for vocational skills training by clients. Since classroom training tends to be more expensive than other services, higher funding would be needed to serve the same number of workers, assuming that requests for training were granted for all the workers able to benefit from it. It may well be in society's interest to grant such requests, Displaced workers who spend a period of unemployment learning new skills—or in remedying basic skills deficiencies—rather than simply collecting UI benefits, may considerably im-

prove their chances of finding a satisfactory new job when the economy recovers.

Remedial Education

In Downriver's first two phases, 60 percent of participants had a high school or post-high school education; at the same time, 20 percent of the participants scored below sixth-grade level on standard reading and mathematics tests. Likewise, in the Alameda County program, most participants were high school graduates, but their scores on a standard education test were comparable to those of sixth- and seventh-grade students. At the Ford Milpitas plant, 11 percent of those tested were below sixth-grade level, and another 16 percent below eighth-grade level.⁴⁸ Some of these test scores indicate rustiness; some people can gain considerably in tested ability in relatively brief brush-up courses. For others, the scores reflect a more fundamental lack of educational competencies. People who lack basic reading and mathematics skills are not just unprepared for skills training. They are often seriously handicapped in finding new jobs; even filling out application forms can be a formidable task.

The staff of many displaced worker projects recognize the needs of their clients for remedial education. A few projects, notably the Milpitas project, have provided it very effectively. Another with a strong emphasis on remedial education is the Midland, Pennsylvania project, operated jointly by LTV Steel and Local 1212 of the United Steelworkers of America. The Midland center sponsors special refresher classes, daytime and evening, open to community members as well as displaced workers and their families. Classes are held in the union hall, where all the other project activities except vocational skills courses take place. In addition to an instructor who spends full time on the adult education program, teaching classes and offering individual help when needed, the center provides a self-paced audio-visual tutorial system. This unusual program,

⁴⁸See Kulik, et al., op. cit., 1984 for the Downriver project, and Mathematical Policy Research, op. cit., for the Alameda project; for Milpitas, data provided by Milpitas Adult Education department, Milpitas Unified School District,

termed a refresher program by the project staff, has evoked an exceptional response. Of 590 displaced workers and family members participating in the Midland project from October 1983 through March 1985, 88 took adult education courses. In addition, 36 members of the community took part.

Both the Midland and Milpitas projects relied strongly on group support and esprit de corps in their successful adult education courses. These, plus skilled teaching, helped to overcome the reluctance—even shame—that many adults feel about admitting the need for help in basic skills.

Not many displaced worker projects have been able to fill the need for remedial education as successfully. At Downriver, for example, staff members refer clients with low mathematics and reading scores to the adult education courses available in public school night courses. Some go, but many do not. In its early days, Downriver worked with community colleges to add 4 weeks of technical preparation, (i.e., a refresher course in mathematics and reading) for clients entering skills training. Today, like a number of other projects, Downriver relies mostly on performance-based contracts. Contractors are not required to spend time on remedial education. Most do offer a few hours of brush-up in the basics at the beginning of a technical course, but workers selected for admission to these courses have already tested at the ninth- or tenth-grade level in mathematics.

In Illinois, where most displaced worker projects are based in community colleges, vocational training courses are typically designed with 4 weeks of brush-up in technically oriented mathematics and reading at the beginning. Many project staff feel that 4 weeks is not enough, but this is all the State allows under its definition of training for JTPA purposes. Moreover, the vocational training courses are already compressed into 22 weeks; if any more time is spent on the basics, the vocational training suffers.

Directors of State Title III programs surveyed by OTA in 1984-85 added evidence that reme-

dial education, thus far, plays a relatively small part in projects serving displaced workers. Although 28 of 47 States reported that remedial education gets some Title III funding (either as an independent course or as part of another course such as vocational training), the percentage of workers receiving this service is small, and the share of funding going into the service is still smaller.⁴⁹

Relocation Assistance

Relocation has long appealed to policymakers as a way of assisting displaced workers. In fact, the option has not been used much so far in displaced worker programs. The reasons are several, but a leading one is that many workers tend to view moving away as the last resort. For middle-aged and older workers, the costs of moving can be particularly high: selling one's home at a loss in a depressed market, uprooting families and abandoning community ties, embarking on an uncertain venture in an unfamiliar town where high prices may quickly wipe out whatever assets are left after the move. Even assuming things go well in the new location, older workers have relatively few working years ahead in which to make up the losses of moving with higher earnings. In recent years, with the increase in two-income families, the loss of a spouse's job is another deterrent to relocation.

Blue-collar workers generally are more hesitant to move than managers or professional workers. Usually they do not have a job waiting at the other end, and most have little practice in finding one. Because layoffs are such a common feature of semiskilled workers' lives, they are less inclined than professionals to give up the positive values of community and roots for the uncertainties of new jobs in distant places. Another important difference is that the individual qualities of workers applying for semiskilled blue-collar jobs are not likely to be so decisive as those of people applying for tech-

nical and professional positions; this makes relocation a more chancy proposition for semiskilled workers.

Downriver, for example, encouraged relocation in its early days, but later came to regard it as a high-risk, low-payoff approach. Only 8 percent of participants in Downriver's first two phases relocated, and one-fifth of those returned. Of the six demonstration projects in 1982 and 1983, four offered relocation assistance. Only 51 workers, or 3.8 percent of placements in the four programs, moved to new areas. By far the highest proportion of workers opting for relocation—amounting to 11 percent of placements—were in Yakima and Mid-Willamette Valley, both small projects in the Pacific Northwest. Many of the projects' participants in these projects who moved went only as far as the nearest city (Salem or Portland). Most were young, or were graduates of high-technology skills training courses, or were construction workers, accustomed to moving to find new work. It should be recalled, however, that the demonstration projects took place during the recession, when workers probably had reason to doubt that they would find jobs if they moved.

Under the most favorable circumstances—that is, transferring to a new job within the same company—a substantial number of displaced blue-collar workers may elect to move. The Armour Automation Fund, in its pioneering displaced worker program in the 1960s, initially found that only 4 of 1,200 workers transferred from plants closing in Birmingham and Fort Worth to other plants in distant cities. Results were quite different, however, in the later closing of Armour's Sioux City, Iowa plant. The company offered its employees jobs at new plants only 50 to 200 miles away. Workers who transferred were able to take their seniority rights with them, and also were given the option of going back home within 6 months with no loss of severance pay (so-called flow-back rights). Under these circumstances, 234 of 1,150 displaced workers opted for the transfer and stuck with it.⁵⁰ more recent example is

⁴⁹Forty-nine of fifty States replied to the survey, but not all of them answered all the questions. For some questions, especially on details of the various services provided, information was scanty. More detailed discussion of the results of the survey appear in ch. 5.

⁵⁰Shultz and Weber, *op. cit.*

that of the Brown & Williamson Tobacco Co., which set aside 350 noncraftsman and 45 craftsman jobs in its new Macon, Georgia, plant for workers laid off in Louisville and Petersburg, Virginia, in the early 1980s.⁵¹

A number of large companies, such as General Motors and Ford, help workers to relocate by offering preferential hiring, under their collective bargaining contracts with unions. This gives displaced workers first priority for jobs opening up in existing plants, but usually does not allow the workers to bring with them full seniority rights for layoffs and recalls. It does allow transfer of seniority for benefits such as pensions and SUBS. The lack of seniority in the new location is a major deterrent to many workers in weighing the costs of moving. However, flow-back rights, which preserve severance pay if the worker quits or loses the new job, may make the venture more attractive. Circumstances differ, but if employees are given some financial assistance and assurances of seniority, as many as 20 percent may accept interplant transfer offers.⁵²

In situations other than transfer, it may take exceptional effort to encourage a substantial portion of displaced workers to relocate. The effort can be worthwhile when the displaced workers live in isolated, shallow labor markets, where the prospects of new job opportunities are poor even with a prosperous national economy. In some severely depressed areas, relocation may be the most promising alternative to prolonged poverty, and perhaps to welfare dependency.

The Portsmouth, Ohio, displaced worker project, which started up in 1980 after the closure of the Empire-Detroit Steel plant, was an outstanding example of effective relocation. The company, the union local (of the United Steelworkers of America), and Federal, State, and county agencies underwrote the effort. The cooperation of the State and local governments

was exceptional; more often, local government leaders want to rebuild their community, not send away stable, experienced workers. Ordinarily, it is not a politically palatable choice to concede that workers will be better off in another State or community than the one that State and local government officials represent.

About 1,000 workers were still employed at the Empire-Detroit plant when it closed. They received an unusual and innovative array of relocation services, from job development out of town and out of State to modest assistance with the costs of moving. The project looked nationwide for jobs, especially in the South and West; each response got a followup request for information on stability of employment, wage rates, local acceptance of workers from out of the area, and information about the community.

A unique feature of the project was group relocation. For the primary relocation site, Longview, Texas, the project staff arranged for group interviews through the local Employment Service office, and hired a bus to take the workers to Texas. The group move that resulted had some drawbacks; if one worker became dissatisfied and went back to Ohio, others returned too. But most stayed, enjoying the advantage of comradeship and a transplanted community. By mid-1982, 2 years after the project began, about 200 workers and their families had moved from the Portsmouth area, mostly to east Texas.

Another successful experiment in the relocation of blue-collar workers was more extensive and longer lasting, but was not targeted to displaced workers.⁵³ For 4½ years, from 1976 to 1980, the U.S. Department of Labor sponsored the Job Search and Relocation Assistance pilot project, to see whether various kinds of assistance encouraged unemployed workers to make worthwhile moves for jobs in new locations. Local Employment Service of-

⁵¹U.S. Department of Labor, Labor-Management Services Administration, op. cit., pp. 37-41.

⁵²Marc Bendick, "Worker Mobility," *Managing Plant Closings and Occupational Readjustment: An Employer's Guidebook*, Richard P. Swigart (ed.) (Washington, DC: National Center on Occupational Readjustment, 1984).

⁵³Material on the relocation experiment is drawn mostly from John K. Herzog and Cilla J. Reesman, *Job Search and Relocation Assistance Pilot Project (JSRA)*, report prepared for the U.S. Department of Labor, Employment and Training Administration (Rockville, MD: Westat, Inc., 1981).

fices in eight southeastern States took part in the experiment. After an initial phase in which eligibility was restricted to long-term unemployed, eligibility rules were relaxed so that the project was open to any unemployed or underemployed person registered with the ES office who could not find, or could not be expected to find, suitable employment within reasonable commuting distance from home. From beginning to end, 6,644 applicants were enrolled; 1,858 (28 percent) relocated.

Remarkably, relocation rates were highest for workers usually considered least likely to migrate. Of those with less than 12 years of education, 45 percent moved, compared with 16 percent of the college-educated. Blue-collar workers such as nonfarm laborers, craft workers, and operatives had the highest relocation rates among occupational groups—38 to 44 percent, compared to 13 to 16 percent for professional, technical, and managerial workers. Although older workers relocated at lower rates than younger ones, their rates were still far higher than among workers in general. Experienced workers who relocated showed earnings gains of about \$2,500 a year; their counterparts in a comparison group, who were not offered special assistance and did not relocate, suffered losses of about \$1,000 a year.

Workers eligible for relocation assistance in the experiment were applicants registered with their local ES office who could not find suitable jobs within commuting distance of their homes. Different groups were offered special assistance at three different levels: 1) information about out-of-area jobs and long-distance telephone referral to prospective employers; 2) the same as Level One, plus up to \$500 to cover the costs of traveling to a job interview, with no limit on the number of job search grants; and 3) the same as Level Two, plus a maximum of \$2,000 cash assistance toward the costs of relocating to a new job in a new community,

Overall, benefits to participants in the pilot project—i.e., increased earnings in the first 12 months after relocation assistance, over and above what would have occurred without the assistance—were 2.3 to 3.3 times the total cost of the program. In addition, the tax payback

was extremely rapid. Federal taxes paid by participants on their additional first year earnings were estimated at 66 and 83 percent of total program costs. The whole cost to the taxpayers, according to the estimate, was paid back in about 18 months—and this does not take into account savings in income transfer programs, or in unemployment compensation.

In most ES offices, Level Two was the most effective service, delivering benefits to participants that were at least 60 percent greater than the cost. But in two very high-volume low-cost offices, Level Three was the best performer, with benefits to participants of at least three times the cost of these quite generous services, Level One—information and telephone referral only—was not effective. Although these services cost the least, they did not produce many placements.

Results of this pilot project cannot be generalized in a simple way to the ES system as a whole, or to displaced worker projects. The relocation experiment operated in just one region (the Southeast), which at that time had substantial immigration and centers of economic prosperity. Eighty percent of the relocations took place within the region, which tended to limit job search and relocation costs and to reduce culture shock for participants. Still, the pilot project achieved remarkable success in encouraging relocation among groups of workers who are usually reluctant to move, and did so at costs well below benefits, both to participants and, in a remarkably short time, to the taxpayers.

One of the less satisfactory aspects of the relocation project was an attempt to use the Employment Service's monthly summary of job orders throughout the Nation to find job openings out of the area. This did not work well. The sheer bulk of listings was overwhelming, and even with a special effort to update them weekly in the Southeastern region, many of the job orders were out of date, having been filled or canceled. As authorized by JTPA, the U.S. Department of Labor has improved the system of interstate job clearances in recent years. An Interstate Job Bank, located in Albany, New York, and beginning operations in July 1984,

is intended to serve workers considering relocation.⁵⁴ However, listings in the interstate bank are far from complete, being limited mostly to higher paying and hard-to-fill professional and technical jobs; nor is the system fully automated. Listings may or may not be current, and they are available only in the ES offices that pay to get them. Currently, about 47,000 job orders appear in the Interstate Job Bank per year.

Displaced worker projects may be able to improve on out-of-area job information by establishing good working relationships with ES offices elsewhere, as the Portsmouth, Ohio project did with the Longview, Texas ES office. However, with 25-percent cuts in ES staff, the likelihood of special services by a distant ES office to displaced workers out of its own area has probably declined. As for more general information about employment opportunities, some States' ES systems have good detailed data about occupations currently in demand in local labor markets, but many do not. Workers considering relocation also need up-to-date information, which displaced worker projects may be able to provide, on costs of living, housing availability, schools, amenities, and crime rates in other communities.

Financial assistance for out-of-area job search and moving costs is allowed under JTPA Title III; but relocation assistance is expensive, and it has to compete with other program activities. So far, it is playing a minor part in the mix of Title III services. In OTA's telephone survey of State managers of Title III programs, 22 provided information about relocation assistance. Thirteen reported that none of their clients received the service, and only three said that as many as 5 percent of clients received it, or that as much as 5 percent of program funds were spent on relocation assistance.

Even in the States that emphasize relocation, financial assistance is modest. In Arizona, for example, where 60 percent of Title III clients lost jobs in the deeply depressed mining indus-

try, relocation to such thriving areas as Phoenix and Tucson is a much-favored option; 15 percent of participants are reported to receive relocation services. Program officials feel they cannot afford more than a \$650-per-worker allowance for job search and relocation costs combined, even though they would like to encourage more clients to consider this alternative.

The Trade Adjustment Assistance program provides much more explicitly for relocation assistance, and sets relatively generous levels for funding it—up to \$800 for out-of-area job search and another \$800 maximum for moving expenses. These limits are less, however, than the Labor Department's relocation project in 1976 to 1980 allowed. In fact, assistance from public funds rarely covers the full costs of relocating. In the Portsmouth project, workers who relocated got \$100 a week for up to 4 weeks, plus a modest \$100 for moving expenses. By contrast, Empire-Detroit Steel paid full relocation costs for employees (mostly managerial) who were transferred to new jobs within the company; the average payment was \$25,000.⁵⁵ The costs of transporting people and household goods are only a small fraction of a relocation allowance this generous. The big financial costs involved in relocating from a depressed area are low sales prices for homes owned by the workers, and high mortgage rates for a new home, compared with low rates on old mortgages. Only where employees are exceptionally valuable are companies willing to pay for all these costs of relocation.

The Federal income tax law and regulations make substantial allowance for moving costs. Even taxpayers who do not itemize their deductions, but take the standard deduction, may

⁵⁴See ch. 5 for a more complete description and evaluation of the interstate Job Bank system and a discussion of local labor market information.

⁵⁵This cost seems to be fairly typical of payments for employer-paid moves. For example, costs were about \$25,000 per worker when the American Electric Power Co. moved 800 employees from New York to Columbus, OH, in 1983. The Employee Relocation Council of Washington, DC, estimated the cost of relocation per worker at \$26,000 to \$30,000 in 1983. This estimate includes very generous benefits, such as compensation for the difference between the sales price and assessed value of the worker's home or interest-free loans for a down payment and compensation for higher mortgage rates in the new home for a few years.

adjust their taxable income by subtracting costs of moving expenses when the move is related to a new job, or a change in job location. Moving expenses can include travel for househunting, temporary living expenses in the new location, and travel, meals and lodging during the move, as well as transportation costs for household and personal goods. A deduction from taxable income is of course worth more to people in higher tax brackets than to workers of low or average income. Tax credits, applied against the tax bill itself, are a greater benefit to all taxpayers, but proportionately more to people in the lower brackets.

For many workers, the financial and social losses in moving from a depressed area may be so high that even generous relocation allowances or tax deductions are not adequate recompense. For workers to undertake relocation, they must be convinced that potential returns from the new jobs are worth more than attachment to the old communities. Most displaced workers, even in very stressed communities, probably will not make that calculation. Given effective assistance, however, as many as 20 percent have done so, and that is a considerable number.

PROPOSALS TO ASSIST INDIVIDUAL RETRAINING EFFORTS

Some of the retraining proposals introduced in recent sessions of Congress could be of significant benefit to people who, on their own initiative, seek training for career changes; the extent to which they would help displaced workers faced with the necessity of finding a new job is less clear. An example is the idea of Individual Training Accounts (ITAs) as proposed in H.R. 26, introduced by Representative Durbin with many cosponsors in the 99th Congress. S. 934, introduced in the Senate by Senator Hart and cosponsors, is similar.

The ITA plan is to establish a semivoluntary program of special accounts, to be used for training or relocation expenses for anyone who is unemployed through no fault of his own and is eligible for unemployment insurance, or whose employer certifies that he will be discharged permanently within 6 months. The accounts would be setup in State UI systems, and would be financed by matching tax-deductible contributions from workers and employers. Employees could choose whether to set up an ITA; employers who did not choose to contribute would be subject to an extra tax.⁵⁸ The ITAs

would mount up to a modest limit (\$4,000 in H.R. 26) but could continue to accumulate interest. Unemployed workers could tap their accounts for payment of tuition and fees to certified training facilities, after getting job counseling in local ES offices. The accounts could be also used to defray a limited portion of relocation expenses. If the workers never used their accounts for training, they could collect what they contributed on retirement, and employers could recover their shares.

Proponents argue that an ITA system would provide an assured source of funding for the retraining of displaced workers in an economy undergoing rapid structural change, and would assign the financial responsibility to the three most interested parties—government, employers, and workers. Critics contend that the system could cost the U.S. Treasury substantial amounts in lost revenue, with benefits going only to the workers actually displaced—who could amount to a much smaller number, or a different group of people, than those participating. The risk of displacement differs among firms and industries, so that a generic approach may be inappropriate.

⁵⁸Under H. 17, 26, employers with 25 or more employees would be required to contribute to ITAs, or be subject to a continuation of a \$14-per-employee surcharge on their Federal Unemployment Tax, imposed in the 1970s to replenish one of the UI system's trust funds and due to expire about 1987. States would have to make authorization of ITA a part of their UI legislation

to qualify for the employer tax credit against the Federal Unemployment Tax. Loss of the credit (\$378 per employee as of Jan. 1, 1985) would approximately triple the average employer's UI tax bill.

The ITA proposal is essentially a plan for financing adult education and training, on an individual basis, for involuntarily unemployed workers. It might supplement, but would not replace a comprehensive displaced worker program such as JTPA Title III, which offers an array of services for the majority who do not undertake retraining as well as for the minority who do. Nor would it take the place of the training component in Title III programs. For the workers most vulnerable to displacement—unskilled and semiskilled manufacturing workers—the most effective means for delivering training is probably a skillfully administered displaced worker project. The unmet need in training for displaced workers is not so much training expenses (tuition, fees, books and so on), which can be provided under JTPA, as income support during training. ITA proposals, as currently drawn, would not allow use of the accounts for income support.

The people most likely to take advantage of ITAs are those who already are inclined to seek adult education and training on their own initiative—i.e., those who are more educated, more affluent, and more often in professional, managerial, and administrative jobs. (See ch. 7 for a discussion of who participates in adult education.) For higher income people, favorable tax treatment of contingency savings accounts could be a useful way to encourage retraining. Tax deductions are worth less, however, to lower income workers. In addition, many low and middle income people may feel that they cannot afford to put money aside for a contingency that may never arise. In fact, low and middle income taxpayers hold much less than their proportionate share of tax-sheltered Individual Retirement Accounts (IRAs). As ta-

ble 6-7 shows, half of the 96 million people who filed Federal income tax returns for 1983 reported \$15,000 or less in adjusted gross income, but they accounted for less than 8 percent of all the money put into IRAs that year. Another 20 percent of taxpayers reported adjusted gross incomes of \$15,000 to \$25,000; their contributions to IRAs amounted to 15 percent of the total.

Another aspect of the ITA plans as proposed is that they put most of the responsibility for choosing appropriate training on the individual worker. Neither full-time project planners nor local PICs have found it easy to determine what skills are currently in demand, much less what will be in demand a few years hence. One experienced project director, in fact, opposes training vouchers that give displaced workers too much choice. "We can't leave clients to their own devices," says this director. "People tend to pick courses in a vacuum. We make no bones about helping them make better decisions." Whether overburdened ES offices could fulfill this counseling function adequately is questionable. Currently only a very small portion (7 percent in 1981, lower thereafter) of job-seekers coming to ES offices receive job or career counseling.

Another proposal to cover training expenses (H.R. 759, Representative Stark) would allow workers eligible for unemployment insurance to take training or education allowances in lieu of UI payments. A bill to encourage readjustment of displaced workers in a different way (H.R. 1690, Representatives Wyden, Gephardt, and Schumer) proposed a demonstration program in 5 or 10 States, in which displaced workers could take a lump sum equivalent to

Table 6-7.—individual Retirement Accounts, by Size of Adjusted Gross Income, 1983

Size of adjusted gross income	Number of returns		Individual Retirement Accounts	
	(thousands)	Percent	Amount (thousands)	Percent
<\$15,000	48,435	50.3	\$2,492	7.7
\$15,000 to \$24,999	19,662	20.4	4,960	15.3
\$25,000 to \$49,999	22,939	23.8	15,692	48.5
≥ \$50,000	5,257	5.5	9,205	28.5
Total	98,294	100.0	32,348	100.0

SOURCE: U.S. Treasury Department, Internal Revenue Service, "Preliminary Income and Tax Statistics for 1983 Individual Income Tax Returns," *Statistics of Income Bulletin*, winter 1984-85, p. 28.

their maximum UI benefits to go into business for themselves. The amounts involved per worker would probably be modest. The average weekly benefit for UI claimants in 1984 was \$119; at that rate, a lump sum payment for 26 weeks would amount to \$3,094.

H.R.1219, introduced by Representative Johnson and 45 cosponsors in the 99th Congress, would give favorable tax treatment to training accounts for displaced workers but, unlike the ITA plan, would require no contribution from employers. Instead, it would allow displaced workers to make early withdrawals from their IRAs with no back taxes or tax penalty, if the money were used for tuition, fees, book expenses, and the like in training programs approved by the Secretary of Labor. Workers who used their IRAs for training expenses would have less from that source when they retire. There is a precedent for allowing early withdrawal from tax-deferred retirement funds for other purposes. Retirement funds set up under Section 401(k) of the tax code may be tapped for several purposes, including payment of college tuition, purchase of a home, or payment of unreimbursed medical costs,

Because it is based on the existing IRA system, the plan proposed in H.R. 1219 would not require any new system for collection of contributions, and would not remove additional

revenue from Federal income taxes. Another part of H.R. 1219, however, would provide a 25-percent tax credit to employers who spend more on training employees than their 5-year historical average. This tax credit, which could reduce Federal tax revenues, is patterned after the existing research and development tax credit, and is intended to encourage employers to invest in upgrading the skills of their active workers on the job. (See ch. 2 for further discussion of the proposal.)

Under both H.. 1219 and the ITA proposals, only workers who have lost their jobs (or received notice of layoff) would be eligible to withdraw funds from their training accounts. It may well be that these training voucher systems would serve best to encourage lifetime education and retraining, rather than as a crisis response to the needs of displaced workers. To work most effectively for the purpose of encouraging worklife transitions, tax-exempt training accounts might be open to employed as well as unemployed workers. For people who are planning ahead, foreseeing the necessity of training for a new job or career, setting up a fund to draw on later for tuition could be a major help—especially if they could use it whether or not they are employed, whichever is most feasible in their own circumstances.