

*Plant Closing: Advance Notice and Rapid
Response*

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**Plant Closing:
Advance Notice
and Rapid Response**

Special Report



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Foreword

In February 1986 OTA released Technology and *Structural Unemployment: Reemploying Displaced Adults*, an assessment of the causes and outlook for worker displacement, the performance of programs to serve displaced adults, and options to improve service. One finding of the assessment was that an early start is a key element in helping displaced workers find or train for new jobs. An important policy question related to this finding is whether advance notice of major layoffs or plant closings ought to be required by law.

As a followup to the study of worker displacement, Representatives William Clay, Silvio Conte, and William Ford asked OTA to hold a workshop on advance notice of plant closings and permanent layoffs. Senator Orrin Hatch endorsed the request. The General Accounting Office cosponsored the workshop. This special report, drawn from the workshop and research by OTA and GAO, assesses the benefits and costs of advance notice and examines issues in the debate over mandatory advance notice.

There is widespread agreement that it is beneficial to employers, employees and the community for companies to give advance notice of plant closings or permanent mass layoffs. Advance notice allows time to get programs of worker assistance ready by the day layoffs begin, when demands for help in finding new jobs are at a peak. Also, employers who give their displaced workers advance notice and help in finding a new job are likely to keep the loyalty of workers who stay, and to enhance the company's standing in the community.

Although many agree that advance notice is beneficial, the average worker receives little notice, and there is no consensus on whether it ought to be required by law. In general, business representatives oppose mandatory advance notice, arguing that it would be too rigid to take differing circumstances into account, and could cause problems with creditors, customers, and key employees. Proponents argue that an advance notice law could include exceptions to provide flexibility.

The report also assesses the ability of public agencies to provide worker adjustment services rapidly and effectively when employers do give notice. Much of the benefit of advance notice depends on the prompt provision of effective services. The ability to respond rapidly is not well developed in the United States. One reason is that the major program for assistance to displaced workers is new (Title III of the Job Training partnership Act); officials responsible for the program are still experimenting and learning. Despite disagreements on whether advance notice should be required, business, labor, and community leaders do agree on the need to improve responses to plant closings.

The viewpoints of people in business, State and local government, academia, and labor unions were sought in conducting this study. OTA thanks the many people who provided data and advice—workshop members, government officials, reviewers, and consultants—for their assistance. As with all OTA studies, the analyses and findings of this report are solely those of OTA.



~ JOHN H. GIBBONS
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NOTE: The workshop members provided advice and comment on the special report, but the members do not necessarily approve, disapprove, or endorse the report for which OTA assumes full responsibility.

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