

- o Contacting employers on behalf of applicants to promote job matching, and
- o Referring applicants to job training facilities if deemed necessary.

Constraints on the ES. In recent years, however, ES staff have found job development and placement activities constrained by fixed resources and growing numbers of responsibilities. Despite the expansion of responsibilities and a large increase in the labor force during the 1966-1981 period, ES positions funded under the Wagner-Peyser Act remained constant at 30,000.

Recent funding reductions would further limit the ES's effectiveness in aiding dislocated workers. Grants to states for provision of employment services were already reduced from \$799 million in fiscal year 1981 to \$735 million in fiscal year 1982; these monies will support 24,800 positions, a reduction of 5,200 from 1981. The Administration's proposed fiscal year 1983 funding of \$740 million would further reduce staffing to 21,800 positions. At present, about 7 percent of all applicants receive counseling, 3 percent skill testing, and 2 percent training referrals; 13 percent receive job development services, and 20 to 25 percent would eventually be placed in jobs. The reduced staffing would probably cause a sharp decline in the quantity of these services provided by the ES--which many critics already regard as too low for dislocated workers.

The effectiveness of the ES in aiding experienced workers is also limited by a current inability to build up employment listings--particularly for well-paying jobs. Firms and other private-sector employers rarely have need to recruit through the ES; most follow personnel policies that assure a continuous queue of qualified applicants. In addition, many employers are reluctant to list openings with the ES: the service has acquired a reputation for dealing largely with economically disadvantaged job seekers with low levels of skills. A Department of Labor survey reported that only one-fourth of all employers, representing 36 percent of all job vacancies, listed their openings with the ES.⁵ Finally, the same reputation might dissuade dislocated workers with solid employment histories from using the ES to aid in job searching.

5. See U.S. Department of Labor, Recruitment, Job Search, and the United States Employment Service, Employment and Training Administration, Research and Development Monograph No. 43 (1976).

The Comprehensive Employment and Training Act

Most federal employment and training activities are funded through the Comprehensive Employment and Training Act (CETA), which was enacted in December 1973. Through CETA, federal funds go to state and local governments that choose whom to serve and how to serve them within the context of the federal statute and related regulations.⁶ For 1982, CETA funds are divided among four training programs with different objectives:

- o Comprehensive training services under Title II-B and C;
- o Special national programs under Title III;
- o Targeted youth programs under Title III; and
- o Private sector initiatives under Title III.

Before 1982, there were several other specific CETA programs--including public service employment--which were eliminated in the Omnibus Reconciliation Act of 1981.

Training under CETA is generally provided to persons in families receiving public assistance or to other low-income families. The training programs currently offer three main activities: specific job-related or general educational classroom training, on-the-job training, and work experience--as well as other job-related services. Classroom training is generally in an institutional setting. On-the-job training is provided in actual job settings, generally in private-sector workplaces. Work experience offers a job setting to be used as a sheltered work environment for persons who have not worked recently.

Factors Limiting CETA's Use by Dislocated Workers. Even more so than the Employment Service, activities and facilities under CETA serve low-income persons, limiting the programs' usefulness to dislocated workers. In 1980, 95 percent of all CETA enrollees were economically disadvantaged.⁷ In the case of CETA in contrast to the ES, this situation is

6. See CBO, Improving Youth Employment Prospects.

7. See Michael C. Barth and Fritzie Reisner, The Role of CETA in Providing Services to Non-Disadvantaged Displaced Workers, prepared for ICF, Incorporated and submitted to the National Commission for Employment Policy (October 1981).

more the result of official guidelines than it is an accident of continuing circumstance. In addition, CETA Prime Sponsors (the local governmental units that administer the program) feel constrained in responding to unpredictable problems such as plant shut-downs and mass layoffs because of frequent changes in funding levels and the need to commit resources early each fiscal year.⁸ Finally, dislocated workers themselves have been reluctant to use CETA, because they feel it is intended for public-assistance recipients. Also, the availability of income-replacement payments may have reduced incentives to participate in such programs. Funding levels for job training under CETA were reduced by the Omnibus Reconciliation Act of 1981. Fiscal year 1981 spending was \$2.2 billion, compared to \$1.7 billion in fiscal year 1982--enough to serve an estimated 600,000 persons.

The Unemployment Insurance System

The Unemployment Insurance (UI) system, administered jointly by the federal government and the states, provides cash benefits to workers for limited periods of unemployment. The states run the UI system according to federal guidelines, and the program is financed by federal and state payroll taxes levied on employers. In most states, eligibility for UI benefits is restricted to persons who have been involuntarily severed from their jobs. Thus, UI can provide temporary income replacement for experienced displaced workers. Eligibility is also contingent upon an applicant's being actively engaged in job hunting; as such, the program is designed to subsidize productive job search.

The UI system today covers 97 percent of all wage and salary workers. Because of work experience requirements, however, an estimated 50 percent of unemployed workers with recent job experience actually receive benefits. Workers with recent job experience are defined as those who held covered jobs and whose unemployment was caused by jobs' termination. Finally, because new entrants to the labor force and those who leave jobs voluntarily are generally ineligible, only about 30 percent of all unemployed people receive UI benefits.

The level and duration of weekly benefits are guided by the program's goals of providing temporary income support and subsidizing job search. The weekly benefit amount is generally intended to replace about half of former earnings before taxes. The states have various formulas for calculating weekly benefit amounts--usually a fixed proportion of earnings

8. See Barth and Reisner, The Role of CETA.

from a previous period. For example, many states base benefit calculations on a fraction of high quarter earnings. Many states also add dependents' allowances.⁹ Dollar amounts of benefits are constrained by state-established minimum and maximum amounts; the weekly maximums ranged from \$90 to \$202 in January 1980. How long a person may collect benefits generally varies with work experience or earnings; most states allow for a maximum of 26 weeks, though some grant four to ten weeks longer.

Shortcomings for Dislocated Workers. With respect to serving dislocated workers, the UI system has a number of potential limitations. First, people in this group, as with other groups served by UI, would face vastly different benefit amounts, depending on their states of residence. The portion of previous earnings replaced by UI benefits has been estimated to vary among individuals by 30 percentage points.¹⁰ Second, because many dislocated workers are at or near their peak earnings at the time of severance, UI would probably replace a lower portion of their earnings than of most other workers. The CBO estimates that 65 percent of dislocated workers would receive less than 50 percent income replacement. Finally, dislocated workers, being unprepared for job searching and facing limited job prospects, are likely to exceed maximum benefit durations in most states, particularly if they are enrolled in training programs. Only Massachusetts, California, and Michigan allow extensions of benefit periods for UI recipients participating in job training. Iowa permits benefits to be paid up to 13 additional weeks in cases of job terminations caused by employers going out of business. As stated earlier, the duration of joblessness resulting from plant closings exceeds a year in many instances.

Special Employee Protection Programs

Some unemployed workers may also receive aid from a handful of special employee protection programs. These programs were initiated to serve workers from specific industries unemployed for specific reasons.

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9. See U.S. Department of Labor, State Unemployment Insurance Laws.
 10. Statutory replacement rates ranged in 1980 from 41.6 percent to 66.7 percent if individual incomes did not exceed the maximum or fall below the minimum benefit amounts set by each state. When these constraints are added, rates ranged from 21.7 percent to 52.1 percent. See Wayne Vroman, "State Unemployment Insurance Replacement Rates in 1980," Urban Institute (August 1980).

Trade Adjustment Assistance. The largest of the special federal programs, Trade Adjustment Assistance (TAA) offers aid to displaced workers whose situation can be ascribed to import competition. In some respects, the intended beneficiaries of TAA can be said to offer the closest parallel to the dislocated workers of today. The TAA programs, initiated in 1962 in response to a liberalization of trade restrictions, offer cash benefits under Trade Readjustment Allowances (TRA), training and related services through the ES, and job-search and relocation cash allowances. The rationale for TAA was that certain workers were bearing a disproportionate burden of the costs of a federal policy--tariff reductions and the resulting trade expansion--while society as a whole was enjoying the benefits. Accordingly, TAA benefits were made available to anyone certified by the Secretary of Labor as having incurred damages as a result of foreign imports. The TAA programs were revised under the Trade Act of 1974 and the Omnibus Reconciliation Act of 1981.

Cash benefits for unemployed workers under the 1962 and 1974 TAA programs were more generous than those provided by the UI system. In addition to job search, training, and relocation subsidies, weekly benefits under the 1974 revisions were calculated at 70 percent of a worker's weekly wage or of the average manufacturing wage (whichever was lower) and had a potential duration of 78 weeks--a sharp contrast to UI's usual 26 weeks. The liberal nature of these benefits reflected the views that trade-affected workers differed from normally unemployed workers and that many would be seeking employment in less favorable job markets. Hence the possible parallel with today's dislocated workers.

At least partly because of relaxed certification requirements, TAA outlays grew rapidly. Under the 1962 act, workers were certified if imports were found to be a "major cause" of unemployment and could be directly linked to federal trade concessions. The 1974 revisions stipulated only that imports "contribute importantly" to unemployment; they also disconnected the link from trade concessions to unemployment. These changes may have led to certification of workers from industries in short-term or cyclical declines that were only partly attributable to foreign competition. Applications for TRA increased from 47,000 in fiscal year 1976 to more than 500,000 in 1980. Correspondingly, federal TAA outlays grew from \$70 million to \$1.7 billion in this period.

In general, the TAA program has been one of income maintenance rather than adjustment. Certified workers' use of employment services under TAA has been sparse. In fiscal years 1976 through 1980, hardly more than one-quarter of all TRA applicants also applied for employment services. Of those who received TRA payments during this period, about

13 percent received counseling, less than 3 percent were referred to training, and about the same share were placed in jobs.¹¹

Low levels of service use may have been caused by a combination of factors: staffing limitations at the ES; uncertain and erratic funding; and the fact that between 40 and 75 percent of workers were already reemployed at the time they applied for benefits--which were paid retroactively to the time of layoff. Moreover, many of these workers had returned to work with their former employers, reinforcing the view that TAA was not serving as an adjustment program. A recent General Accounting Office (GAO) study found that 67 percent of workers in a sample of those eligible to apply for TAA benefits through December 1977 returned to pre-layoff employment. Another survey, of workers who received their first TAA benefits in 1976, found that 72 percent returned to their former employment.¹²

The Omnibus Reconciliation Act of 1981 included several changes to limit benefits and emphasize readjustment services. Specifically, the reconciliation legislation capped TAA cash benefits at state UI levels, required that TAA become available only after state UI benefits had been exhausted, and limited the benefit duration (of UI and TAA combined) to 52 weeks. The act also authorizes the Secretary of Labor to require workers receiving TAA benefits for more than eight weeks in an area of high unemployment and no "suitable" employment to choose between training and job search outside the area. Under these limitations, CBO estimates that outlays for TAA income replacement benefits will fall from \$1.4 billion in fiscal year 1981 to \$118 million in fiscal year 1982. In addition, \$25 million has been allocated to states for employment and training services under TAA--a substantial increase from the \$3.5 million to \$17 million expended annually during the 1976-1981 period.

Other Efforts. The Congress has legislated a number of other special programs, such as airline employee protection, Redwoods employee protec-

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11. Richard A. Hobbie, Trade Adjustment Assistance for Workers: Program Growth and Possible Changes, Congressional Research Service Issue Brief, IB 80082 (August 1980).
 12. See General Accounting Office, Restricting Trade Act Benefits to Import Affected Workers Who Cannot Find a Job Can Save Millions (January 15, 1980). See also Mathematica Policy Research, Inc., Final Report Survey of Trade Adjustment Recipients (December 1979).

tion, and urban mass transit employee protection.¹³ These are generally separate from the UI system and share certain characteristics with each other, such as more generous benefits than are available under UI. A majority of the programs are directly tied to specific industries adversely affected by federal policy; the rest are aimed at workers unemployed for other causes (for example, Disaster Unemployment Assistance).

In general, outlays for these programs have been small. The Redwood Employee Protection Program--created in 1978 by an amendment to the Redwood National Park Act--is the largest of these, with fiscal year 1981 outlays of \$31 million and projected 1982 outlays of \$11 million (based on funding reductions proposed by the current Administration).

13. For a description of these programs see U.S. House of Representatives, Committee on Ways and Means, "Federal Provisions for Special Employee Income Protection Programs and the Unemployment Insurance Program," Committee Print 96-49 (February 15, 1980).

CHAPTER IV. WHOM TO ASSIST--QUESTIONS OF ELIGIBILITY

Because the several current assistance programs seem ill-suited to the needs of dislocated workers, whose numbers appear likely to increase, the Congress may choose to take measures specifically designed to aid such workers. Any such initiatives would have to be influenced by the tight pressures now affecting the federal budget; these make the need to target aid toward people with the most severe adjustment difficulties particularly critical. For these reasons, identifying the characteristics of a possible program's participants, which would in turn determine the size of the eligible population, is of fundamental importance. This chapter analyses the numbers and occupational characteristics of potential participants that different programmatic definitions of dislocation--that is, eligibility criteria--would encompass. Various eligibility criteria are available, including:

- o Displacement in a declining industry,
- o Displacement in a declining occupation,
- o Residence in an economically declining geographic area,
- o Length of tenure in the job lost,
- o Age at the time of severance, and
- o Duration of unemployment.

Taking a broader approach, the federal government could simply offer aid to people whose joblessness resulted from mass layoff or plant closings.

A number of bills have already been advanced in the Congress which address the needs of dislocated workers. These include S. 2036 approved by the Senate, and H.R. 5320, reported by the House Committee on Education and Labor. Each of these proposals takes into consideration questions about whom to assist on the basis of criteria similar to those listed above.

Many of the possible criteria listed above would entail establishing firm cutoff points. Eligibility by age could be set at 45 years, tenure at ten years, duration of joblessness at 26 weeks. As in other federal programs, arbitrary thresholds can be especially problematic for people whose circumstances approach but fall short of the cutoff points. Setting them is

likely to be a delicate task for decisionmakers. These points have been chosen for this analysis because they seem to reflect the situations of many dislocated workers; they also have precedents in other major federal programs. The Congress might, however, wish to vary these cutoffs or provide flexibility for local areas in determining them.

The performance of the economy, and particularly the unemployment rate, can alter the size of the dislocated workforce regardless of what criteria serve to determine eligibility for federal aid. The CBO has estimated the dislocated population as of January 1983 under three possible projections of the pattern of unemployment--low, moderate, and high (see Table 2 included later in this chapter). In this chapter, the numbers of possible program participants under different eligibility standards are based on the moderate-unemployment projection.

SINGLE CRITERIA

As indicated in Chapter III, the order of magnitude of the potential eligible population is significantly affected by whether one considers criteria one by one or in combinations. Populations defined by single criteria tend to encompass more diverse groups.

Previous Employment in a Declining Industry

Eligibility could be granted to workers in industries that have been designated as declining for a specified amount of time--for example, two years. Under such a definition, workers from four of the industries thus far hardest hit by both cyclical recession and structural economic change--automotive manufacturing, primary metals, fabricated metals, and wearing apparel--would make up nearly half of the recipient population. Accordingly, more than 60 percent of all adjustment aid would go to residents of the Northeast and Midwest.

Overall, the CBO estimates that some 880,000 workers would be eligible as of early 1983 under this definition. Many would be among those most severely affected by dislocation--older workers with nontransferable skills and serious mobility problems. At the same time, however, many displaced workers in less acute predicaments would also become eligible, namely younger workers who may be more mobile and whom prospective employers may view as more advantageous to hire.

Thus, although this definition would extend aid to persons who do indeed need it, it would not meet the targeting requirement that budgetary stringency may place on the design of an adjustment program. In addition,

this criterion would exclude many workers whose occupations were declining and others adversely affected by the decline of major industries.

Previous Employment in a Declining Industry or Area

An industry's decline often has secondary effects within a geographic area. As an industry loses momentum, other people in its environs--merchants, service providers, construction workers, for example, as well as suppliers to the declining industry--may also lose jobs. Accordingly adjustment aid could be made contingent both on previous employment in a declining industry and also on residence in a declining area affected by those industries. As under the previous definition, recipients would be concentrated in the Northeast and the Midwest--in this instance, nearly 75 percent.

This definition would markedly broaden the potential recipient pool, to a possible 1.8 million people. The same 880,000 industrial workers designated eligible under the previous criterion would still qualify for aid, but another 920,000 workers--secondary losers--would also be granted eligibility.

Of the total, roughly one-fifth would be from the retail and service sectors; another 15 percent would be construction workers. The displacement problems of construction workers, though severe during an economic downturn, are generally regarded as cyclical. Recovery should reactivate the demand--with similar jobs at previous wage rates--for workers in the building trades. In addition, firm-specific skills and benefits are less prevalent in many parts of the service and retail sectors and hence, adjustment problems might be less severe. Thus, this dual criterion would extend eligibility to some people who might readily adjust without federal aid. In so doing, it would be less sharply focused than an adjustment aid program would probably have to be.

Previous Employment in a Declining Occupation

Instead of granting eligibility on the basis of industry or region, adjustment aid could be linked to previous employment in a declining occupation. Qualifying occupations might include various machine and transportation equipment operatives, nonfarm laborers, service workers, and some white-collar professionals, although the former two groups would constitute 75 percent of the total eligible population.

The population of eligible persons this criterion would delineate would be comparable in size to that determined by the standard discussed just previously. Some 1.2 million workers would be designated eligible, but fewer than 240,000 (20 percent) would have been displaced from the currently hard-hit automotive, metals, and wearing apparel industries. Because of the composition of the workforce itself, roughly half of the eligible population would be younger than 35. Thus again, assistance would be less narrowly focused on dislocated workers most in need than budgetary pressures might make optimal.

Length of Previous Job Tenure

Linking eligibility to length of service in the job lost--for example, to ten years' tenure--would somewhat correct the previous criterion's flaw of extending aid to displaced workers in less than the most serious straits. It would concentrate eligibility in the Northeast and North Central regions (about 70 percent) but would spread eligibility among a variety of industries and occupations.

At an estimated 710,000 persons, the size of the eligible population determined by this criterion would be close to the population delineated by the declining industry standard. The composition of the group would be markedly different, however, in that only about 30 percent of all persons meeting the tenure test would be from declining industries. Most eligible workers would be older than 50 years; fewer than 1 percent would be younger than 35. In this respect, a program with eligibility based on this criterion would be better targeted than the other choices previously examined. At the same time, however, perhaps one-fourth of the eligible population would be white-collar persons with perhaps less severe adjustment problems than their blue-collar counterparts.

Age at Severance

Exclusion of all younger workers, if their inclusion were considered a flaw, could be accomplished by basing eligibility on age--for example, 45. The actual overlap would be about 70 percent; that is, about that proportion of all dislocated workers over age 45 also have at least ten years' tenure in their previous jobs. In terms of both geographic and industrial distribution, the effects of an age criterion would closely mirror that of a tenure standard.

Persons qualifying on the basis of age would be somewhat more numerous than those meeting the ten-year tenure standard--890,000 instead of 710,000. Many of the additional 18,000 would be secondary losers in

declining areas (discussed above under "declining areas"). Half of all workers meeting the age test would come from service, retail, and construction businesses, and roughly one-fifth would be white-collar workers. Thus, although an age criterion would pare down the size of the eligible population, it would not improve the targeting of federal assistance.

Duration of Unemployment

Adjustment aid for dislocated workers could be treated as an adjunct to Unemployment Insurance, which in most states is available only for 26 weeks after a worker's severance (see Chapter III). According to this approach, the new program's benefits would take up when UI benefits leave off. This would assure that the recipient population was made up entirely of people with relatively long-term unemployment. The geographic effects of using this standard would be similar to the criteria described above and include fewer workers from declining industries.

Persons meeting the 26-weeks'-unemployment test would number about 560,000--a comparatively smaller population than any of the other single criteria discussed here would delineate. Some 190,000 (about one-third) of all eligible workers would be from retail or service businesses, and roughly 20 percent would be white-collar workers--managers, professionals, clerks, and sales personnel. To whatever extent this latter group is thought not to be the most severely affected by dislocation, this criterion would fall short of meeting strict targeting goals.

MULTIPLE CRITERIA

Following the example of several other major benefit programs that the federal government operates, an adjustment assistance program might be based on applicants' satisfying a combination of criteria. Receipt of UI benefits, for example, is usually contingent on an applicant's having lost a job involuntarily, or his having worked in his previous job for a certain period, and on that job's having been covered by the program. Likewise, eligibility for adjustment aid might be made dependant on applicants' meeting multiple criteria.

The rationale underlying the imposition of multiple criteria is limiting the recipient population to those individuals with the most severe adjustment problems. The single criteria, although related to adjustment, tend to encompass many people whose dislocation difficulties may not be among the worst. The combination standards examined here were selected as being particularly descriptive of dislocated workers' circumstances. Four possible dual criteria are described below:

- o Previous employment in a declining industry and length of job tenure,
- o Previous employment in a declining industry and age,
- o Previous unemployment in a declining industry and duration of unemployment, and
- o Previous employment in a declining occupation and either length of tenure, age, or duration of unemployment.

As with the choice of single eligibility standards, setting cut-off points for multiple criteria would entail the Congress' establishing some arbitrary thresholds. The age cut-off could be set at 45 years, duration of unemployment at 26 weeks, and length of tenure at ten years. Such choices are inevitably difficult to make and may disappoint certain numbers of people whose circumstances are marginal.

Three of the multiple criteria considered here are analyzed according to two possible applications: first, as they would affect only primary losers resulting from industrial or occupational decline, and second, as they would encompass secondary losers in declining areas as well.

Declining Industry and Length of Tenure

People who have lost jobs in declining industries after, say, ten years' employment make up a large share of the dislocated workforce with the bleakest prospects of returning to their old jobs and the most acute adjustment difficulties. If aid were granted on this dual basis, the CBO estimates that some 225,000 workers would qualify in January 1983. Most would be semi-skilled laborers and most would be from the automotive, primary metals, textile, and wearing apparel industries. Most would be 50 years of age or older, and 140,000 (75 percent) would be residents of the Northeast and Midwest.

If the definition were broadened to include not only the primary losers from declining industries but also the secondary losers in the same areas who fulfilled the tenure requirement, eligibility would expand by 50 percent, to some 355,000 people. About one-quarter of this population would be workers from the construction, service, retail, and wholesale industries. The broadening of this standard would somewhat diminish the close targeting achievable by excluding secondary losers.

Declining Industry and Workers' Age

Substituting an age threshold--for example, 45 years--in place of the tenure element in the above dual criterion would yield much the same geographic and industrial patterns of benefit distribution, but it would slightly decrease the size of the eligible population to 205,000. This difference is due to the fact that workers in these industries tend to accumulate substantial job tenure at younger ages.

Including secondary losers as well, however, would markedly widen eligibility, perhaps to as many as 395,000 workers. This increase is 60 percent larger than the effect of including secondary losers under the definition that considers tenure. Moreover, the proportion of service and construction workers, retail workers, and wholesalers would nearly double--to more than 40 percent. This is because, although many such jobs are held (and lost) by older workers, length of service with a single employer in these areas tends not to be particularly long.

Declining Industry and Duration of Workers' Unemployment

As under the single standard considering joblessness beyond the UI allowable period of 26 weeks, a multiple test combining this feature with displacement from a declining industry would open eligibility to applicants of all ages. As a result, younger workers (below age 35) would initially predominate among recipients because of the last-in-first-out layoff practices that most employers follow (see Chapter III). Over time, however, if economic change continues to erode employment in traditional manufacturing, this age pattern would shift. The prime beneficiaries would be automotive workers, and 80 percent of beneficiaries would be residents in the Northeast and Midwest. The overall population of eligible workers would number 110,000 in early 1983.

As under the two other multiple criteria discussed above, expanding eligibility to include secondary losers in declining areas would markedly increase the possible recipient population. The number could more than double--to more than 255,000--again, to encompass service and construction workers, merchants, and wholesalers. The ages of this additional recipient pool would be slightly lower.

Declining Occupation and Either Tenure, Age, or Duration of Unemployment

Detaching eligibility from industrial decline per se and linking it instead to occupations for which demand is falling off would immediately

TABLE 2. ESTIMATED NUMBERS OF DISLOCATED WORKERS IN JANUARY 1983 UNDER ALTERNATIVE ELIGIBILITY STANDARDS AND ECONOMIC ASSUMPTIONS (In thousands)

Eligibility Criteria	Number of Workers		
	High Trend ^d	Middle Trend ^e	Low Trend ^f
SINGLE CRITERIA			
Declining Industry ^a	1,065	880	835
Declining Industry and Other Unemployed in Declining Area ^b	2,165	1,785	1,700
Declining Occupation ^c	1,360	1,150	1,095
Ten Years or More of Job Tenure	835	710	675
More than 45 Years of Age	1,050	890	845
More than 26 Weeks of Unemployment	760	560	535

MULTIPLE CRITERIA			
Declining Industry ^a and Ten years' job tenure	275	225	215
45 or more years of age	250	205	195
26 weeks of unemployment	145	110	100
Declining Industry Including Other Unemployed in Declining Areas ^b and Ten years' of job tenure	430	355	340
45 or more years of age	490	395	375
26 weeks of unemployment	330	255	245
Declining Occupation and ^c Ten years' job tenure	235	195	185
45 or more years of age	335	280	265
26 weeks of unemployment	165	120	105

SOURCES: Congressional Budget Office estimates based on tabulations from the March 1980 Current Population Survey. Other sources cited in notes opposite.

TABLE 2. (Notes)

- a. The declining industry category includes all job losers from industries with declining employment levels from 1978 to 1980. See Marc Bendick, Jr. and Judith Radlinski Devine, "Workers Dislocated by Economic Change: Is There A Need For Federal Employment and Training Assistance?"
- b. If a declining industry was located in an area defined as declining, all other job losers in the area were included. Declining areas are defined as those experiencing declines in population from 1970 to 1980 or with an 8.5 or higher percent unemployment rate in March 1980.
- c. The declining occupation category includes all job losers from occupations with declining employment levels from 1977 to 1980.
- d. High trend assumes continuation of March 1980 to December 1982 growth rates in the number of unemployed workers in each category. Specifically, the number of workers unemployed from declining industries increased by 32 percent in this period--a monthly average of 1.4 percent.
- e. The middle trend assumes that the number of dislocated workers will remain constant from December 1981 to January 1983. The number of dislocated workers in December 1981 is estimated by adjusting March 1980 Current Population totals for changes in the level and composition of unemployment through December 1981.
- f. The low trend assumes that the number of dislocated workers in each category decreases proportionately with the projected change in the aggregate number of unemployed workers between the first quarter of 1982 and the first quarter of 1983, a reduction of nearly 5 percent.

eliminate most white-collar workers. At the same time, though, workers in a number of industries that are not undergoing decline at all might become eligible for aid. (For example, key punch operators could be included, although the computer industry is thriving.) When used in combination with either more than ten years of job tenure, age over 45, or unemployment longer than 26 weeks, the occupation criteria yields geographic and industrial effects which would roughly mirror the effects of using these criteria one by one (discussed above).

The total number of potential recipients under variations of this approach could range widely from 120,000 to 280,000 (see Table 2). If either age or duration of unemployment were attached to declining occupation, only about one-fourth of all recipients would be workers from the hard-hit traditional manufacturing industries. If the variable chosen instead were length of tenure, less than 40 percent of all recipients would be from that sector. In terms of regional distribution, the combinations using age or tenure would direct 55 and 65 percent of all aid (respectively) to the Northeast and Midwest; the combination using duration of unemployment could direct as much as 80 percent of all aid to those regions.

A FUNDAMENTAL DEPARTURE--LINKING AID TO MASS LAYOFF OR PLANT CLOSING

To differing degrees, all the possible criteria examined above could pose certain equity problems. Some would extend aid to workers with less severe dislocation problems while withholding it from needier people. Many would entail establishing arbitrary and sometimes unfair cutoff points. In addition, some of these criteria might be perceived as unfair, since they would provide aid to some workers involved in particular plant closings but not others. Being nationwide in scope, none could fully take account of regional differences in labor market conditions. To avoid these possible failings, aid could instead be linked to specific situations that are direct reflections of industrial or occupational decline.

Defining eligibility according to a specific cause of unemployment--either plant shutdown or mass layoff--might have several advantages. (An employment reduction might be defined as a mass layoff if the number of job losers exceed some percentage of local employment.) First, if assistance were directed to workers in particular plants, aid could begin before the workers became unemployed. In addition, the involvement of employers would be facilitated and advance notice of layoffs encouraged. Finally and perhaps most important, eligibility would be limited to those workers who are clearly affected by dislocation.

This approach has some limitations, however. For one, assistance might sometimes go to workers who would otherwise be relocated by their employers. Furthermore, when assistance was provided to workers involved in mass layoffs, not plant closings, their employers would have to give assurance that there was no possibility of workers' being rehired. Finally, the Congress would probably want to devise methods that avoided giving employers incentives to expand the numbers of workers laid off in order to qualify all of them for federal assistance.

Although data on the extent of unemployment attributable to plant closings and mass layoffs are unavailable, the number of eligible workers in early 1983 might be approximated by the 880,000 estimated as the number of people unemployed from declining industries. If all workers who were on indefinite layoff or lost their job from a plant in a declining industry were considered as being involved in a mass layoff or plant closing, the number eligible for assistance would be 760,000 in 1983.

