
CHAPTER V. PROGRAMMATIC APPROACHES TO AIDING DISLOCATED WORKERS

The types of aid the Congress may choose to make available to dislocated workers fall into two general categories:

- o Readjustment services to aid workers in making the transition to new employment, and
- o Income assistance to ease workers through the quite long periods of joblessness that often characterize dislocation.

In the bills now pending in the House and Senate, the focus is on adjustment services for dislocated workers. The bills would authorize several forms of job search assistance, training, relocation assistance, and pre-layoff assistance. If some form of special income assistance (beyond what is already available under UI) were also considered desirable, it could be linked directly to adjustment aid. Such a twofold approach has a partial prototype in the revisions of TAA now in force, according to which certain workers may have access to cash benefits provided they actively take advantage of adjustment services as well (see Chapter III).

READJUSTMENT SERVICES

Three basic types of readjustment services could be made available to dislocated workers:

- o Job-search assistance,
- o Training, and
- o Relocation assistance.

Such services could be offered one-by-one or in some combination. In addition, the Congress might wish to involve private-sector employers in the provision of such services. Ultimately, however, the success of any readjustment assistance would also depend largely on the performance of the economy and its effect on employment nationwide. Table 3, on page 52, summarizes the potential federal costs of these readjustment options.

Probably the most cost-effective approach to furnishing such adjustment services would be to sequence them from least to most expensive. More mobile workers would probably find jobs relatively easily by using lower-cost forms of job-search assistance; the services entailing greater costs--training and relocation--could be reserved for workers with more difficult problems. Sequencing would be less effective in containing program costs if eligibility were defined by the multiple criteria described in Chapter IV, however, since these tests tend to exclude more mobile workers. Indeed, sequencing of services might be an effective substitute for strict eligibility criteria.

Job Search Assistance

A number of services fall under this term: provision of job-market information, help to dislocated workers in accepting and adapting to new circumstances, improving workers' job-search skills. The mechanism of extending such services can include job counseling, individual job placement activities, and job clubs.

By providing information about the locations and skill requirements of jobs, as well as about the potential compensation available for a worker's present skills, counseling can smooth the adjustment process. Such information can hasten the job-search process by helping workers match their skills with employers' needs and by guiding career changes when necessary. Such advice can be particularly useful to workers with unrealistic aspirations of using their old skills or matching their old incomes in new jobs.

Job-search assistance can also be provided by the Employment Service through placement services and job development--that is, active cultivation of possible prospects. Development efforts can sometimes uncover jobs that would not be listed with the ES, and it can sometimes improve applicants' prospects for being considered in the future.

Job clubs--groups of job-seekers who meet regularly to aid each other's job search--can offer help to groups of dislocated workers, rather than to individuals. These clubs stress self-help by providing job-search materials and facilities, giving training in job-search and interview techniques, and providing peer support. The latter two features may be particularly helpful to dislocated workers, who are likely to have rusty job-hunting skills and to be demoralized.

The federal government's past job-search assistance efforts--both for dislocated workers and other unemployed people--have met with mixed

success. Evaluations of the TAA program (see Chapter III) have concluded that job-search assistance provided by the ES made little difference in participants' future labor-market success.¹ This finding may be partly attributable to staffing limitations at the ES--both in size and in ability to deal with dislocated workers. Preliminary results from a nationwide study of the ES, however, indicate that job-referral assistance may shorten the duration of unemployment by 1.7 weeks for men and 3.8 weeks for women.² The evidence on group job-search assistance (job clubs) seems uniformly to indicate high placement rates--for example, more than 50 percent of all displaced steelworkers in Ohio.³ Finally, counseling--which has been relegated to a minor role at the ES--was found not to have been effective alone but to have been useful as a supplement to other services.⁴

Although evidence on the effectiveness of job-search assistance for assisting dislocated workers is inconclusive, these services might well prove cost effective. The current level of such services is estimated to cost well under \$100 per person, while weekly UI benefits could be as high as \$160. Hence, if unemployment were shortened by periods ranging from 1.7 to 3.8 weeks, as the preliminary evidence suggests, each federal dollar spent on job-search assistance would be considerably more than offset by reduced UI outlays. A job club--which might cost about \$400 per person--would have to shorten unemployment by an average of less than three weeks per participant to recover its costs.⁵

Options for providing job-search assistance specifically for dislocated workers--possibly as a requisite first stage in a sequence of readjustment services--include expanding the level of current job search assistance and

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1. See George Neumann, The Labor Market Consequences of Trade Displacement: Evidence from the Trade Adjustment Assistance Program of 1962, Institute for Policy Research and Evaluation, Pennsylvania State University (1978); see also Walter Corson and others, Final Report Survey of Trade Adjustment Assistance Recipients, Mathematica Policy Research, Inc. (December 1979).
 2. See Elise Bruml and John Cheston, "Placement Assistance in ES, WIN, and CETA" (March 1981).
 3. See Elise Bruml, "Self-Directed Group Job Search: The Results," U.S. Department of Labor, Assistant Secretary for Planning, Evaluation, and Research (July 1981).
 4. See Bruml and Cheston, "Placement Assistance," pp. 18,
 5. See Bruml and Cheston, "Placement Assistance," p. 24.

expanding the use of job clubs. In addition, other job-search assistance strategies, available to all unemployed workers might also be considered.

Raising the Level of Current Job-Search Assistance. The Congress could fund more intensive services for dislocated workers. Under current ES funding, few people receive such individual services as counseling and job development. Evidence suggests, however, that more such personal services could increase the number of job listings at the ES and ultimately benefit both employers and job seekers.⁶ For example, counseling and job development activities might be provided to half of all job applicants. The CBO estimates that this level of service could be provided at a cost of about \$90 per worker in fiscal year 1983--translating into total outlays of from \$10 million for the smallest category of eligibility (see Table 2 in Chapter IV) to \$161 million for the largest (see Table 3).

Expanding the Use of Job Clubs. Although the job-club method of job seeking is costlier than the ES' traditional methods, it may have potential to place more workers relatively quickly. In addition, traditional services such as counseling might be more effective if used in conjunction with job clubs. If participation in job clubs were required of all dislocated workers determined to be eligible for federal aid, fiscal year 1983 outlays could range from \$44 million to \$714 million. This wide disparity arises from the different possible methods of determining eligibility. The \$44 million would result from counting 110,000 as eligible; the \$714 million from counting 1.8 million as eligible.

Other Job Search Assistance Strategies. Another means of supplementing present job-search assistance would be to expand the Job Service Matching System (JSMS), a computerized matching process that lists applicants best qualified for job orders on file. At present, the JSMS is operated by 24 states and reduces ES staff time required for matching activities. The system may, however, be of only limited value for dislocated workers, who lack skills that are in demand and who therefore need to make career changes--a complex situation that the JSMS cannot address. Furthermore, initial evaluations indicate that computerization has done little to improve

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6. See Bruml and Cheston, "Displacement Assistance," pp. 16.
 7. The estimates are based on time requirements of one hour for application and screening, three hours for counseling and testing, and five hours for job development. One ES staff-hour, including overhead, is estimated to cost \$17.85 in fiscal year 1983. All eligible workers are assumed to participate in at least the initial application and screening process.

the ES' effectiveness.⁸ Nonetheless, costs of expanding this system to states where unemployment is now particularly high--such as New York, Michigan, California, Illinois, and Indiana--and assuring continued operation in states already using the system are likely to be relatively small and certainly under \$10 million.

Job Training

After an initial period of job-search assistance, workers who are still unemployed might be considered for job training. If effective, training can increase productivity and the value of future earnings. It is also likely to be particularly valuable for unemployed workers whose job-finding problems derive from skills that are firm-specific or in fact obsolete.

Training might have limited value for dislocated workers relatively close to retirement, however. Even with an augmented set of skills, retrained workers might have to start new jobs at entry-level wages. Although future wage growth might be greater than without training, workers with only a few years before retirement would have little time to return the investment of federal funds.

Training does not seem to have been successful in the TAA program. Recent studies of workers certified for TAA benefits find no appreciable effects of training either on the length of time spent unemployed or on workers' subsequent wages.⁹ Though perhaps attributable to data limitations, this finding of apparent failure may also be a result of the type of training provided. Workers under TAA have generally received the same type of training as is provided in the major federal programs that primarily serve disadvantaged people. Because this training is often designed to prepare people for first jobs, it may not be applicable to dislocated workers with long histories of satisfactory job performance.

Specific options for providing training for dislocated workers, which could be used separately or in combination, include:

- o Expanding vocational training programs;
- o Implementing on-the-job training; and
- o Subsidizing higher education programs.

8. See Bruml and Cheston, "Placement Assistance," pp. 11.

9. See Neumann, The Labor Market Consequences, pp. 5-15.

Expanding Vocational Training Programs. One option for training dislocated workers is for the federal government to offer vocational and technical education. Vocational training in skills for particular industries (for example, welding or data processing) is provided by private vocational and technical schools, as well as in programs in community colleges.¹⁰ Some states, such as Minnesota, also support such schools. This approach may offer several advantages for dislocated workers. For one, older experienced workers would likely benefit from direct training in a particular skill.¹¹ Postsecondary vocational education has been found to increase the future earnings of both older men and older women, possibly because workers with basic work skills and family responsibilities are better able to take advantage of skill training. In addition, many dislocated workers may already have basic skills that would allow them to exempt portions of the vocational curriculum, so training time could be reduced. Depending on what eligibility criteria were applied, fiscal year 1983 outlays for vocational education would range from \$132 million to \$920 million.¹²

Subsidizing On-the-Job Training. Another option for providing skills to dislocated workers would be to subsidize the costs of private-sector on-the-job training. This approach might have several advantages. Dislocated workers have already demonstrated that they are trainable and reliable, so employers might be willing to hire and train these workers with the help of subsidies that are smaller than the full cost of other types of training. In addition, many productive skills are learned on the job in any case, and as discussed earlier, firm-specific training promotes long-term relationships between firms and their workers. The latter element could lead to future

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10. Other than elementary and secondary vocational education, which would not usually be relevant for dislocated workers.
 11. See CBO, Improving Youth Employment Prospects: Issues and Options.
 12. For the remainder of the chapter, numbers of recipients are estimated at 82,500 to 575,000. This assumes that 50 percent of workers eligible under single criteria and 75 percent under multiple criteria would remain unemployed after initial job search assistance. This range does not include the largest group (declining industry along with the other unemployed workers in declining areas). Costs for this group can be calculated as roughly twice the estimate for declining industries.

The cost estimate is based on \$3,200 per training slot--the average cost for TAA trainees. For all training options, it is assumed that 50 percent of dislocated workers still unemployed following the initial job search period would participate.

employment stability as well as wage and benefit growth. Because of older workers' limited remaining work life, however, employers might be reluctant to hire and provide on-the-job training to older workers, despite government subsidies for training. This is likely to be the case if it is expected that the labor market for younger workers will be tight in the future. That is, firms might prefer to hire and train younger workers now, since they will be more costly in the future. An on-the-job training program that subsidized 30 percent of earnings for six months would cost between \$90 million and \$650 million in fiscal year 1983, depending on the characteristics and size of the recipient population.¹³

Subsidizing Higher Education Programs. Finally, dislocated workers could get further training at higher education institutions such as community colleges. Some workers--particularly those with high school diplomas--might make use of college-level courses or programs in order to change careers. College-level course work in computer programming, for example, could qualify workers for job openings--and often, for further on-the-job training--in a rapidly growing occupation. College-based training would likely be of particular benefit to younger, more educated workers, but it might be less beneficial to older, blue-collar workers. If 10 percent of the dislocated workers who undertook training were to use higher education institutions, federal outlays for fiscal year 1983 could range from \$4 million to \$25 million.¹⁴

Using a Combination of Training Methods. The Congress might also wish to make all three types of training available to dislocated workers. Depending on each worker's current skill, experience, and employment aspirations, one particular type of training might be more appropriate than the others. Such a choice might add flexibility to an adjustment program and increase the chance of successful results. The CBO estimates that providing vocational education, on-the-job training, and higher education opportunities in community colleges would require fiscal year 1983 outlays of between \$103 million and \$717 million, depending on the numbers of qualifying recipients.¹⁵

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13. Based on an estimated average weekly earnings of \$288 in 1983.
 14. Federal costs of providing higher education are calculated at \$433 per trainee--the estimated one-year cost for public, two-year institutions.
 15. The estimate is based on 10 percent of those undertaking training being placed in higher education institutions, with the remainder split between vocational and on-the-job training.

Relocation Assistance

For some dislocated workers who remain unemployed beyond the initial period of job-search assistance, geographic relocation might be considered the best adjustment option. In areas with high unemployment, there could be only a limited number of positions that even retrained workers could fill. In addition, many workers may already have the skills to take jobs in other regions. Both the financial and nonfinancial costs of moving, however, may make workers reluctant to relocate.

Past relocation efforts have had mixed success. Under the previous TAA program, although relocation allowances and a portion of reasonable moving expenses were paid, fewer than 1 percent of workers who applied for employment services took advantage of these provisions.¹⁶ On the other hand, in an experimental Department of Labor job-search and relocation project conducted between 1976 and 1980, local employment offices that provided a combination of inter-area job information, job search grants, and financial assistance to cover moving expenses were successful at encouraging applicants to relocate to accept employment.¹⁷ Moreover, moves to high employment areas were made to a substantial degree by groups not ordinarily disposed to mobility.¹⁸

Specific options for providing relocation assistance include subsidizing moving expenses and job-search costs, and expanding programs that provide inter-regional labor-market information.

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16. See Richard Hobbie, "Trade Adjustment Assistance for Workers."
 17. See Westat, Inc., Job Search and Relocation Assistance Pilot Project (JSRA): Final Report, prepared for the Office of Policy, Evaluation, and Research, Employment and Training Administration, U.S. Department of Labor (August 1981).
 18. Evidence presented in Chapter II implies that workers with less education or who held blue-collar jobs were less likely to relocate. Among enrollees in the DOL program with less than 12 years of education, however, 45 percent relocated, as compared with 16 percent of college graduates. Furthermore, relocation rates for nonfarm laborers and craftsmen (44 percent) and operatives (38 percent) were substantially higher than for professional technical, and managerial workers (16 and 13 percent, respectively). See Westat, "Job Search and Relocation Assistance."

Subsidizing Moving Expenses and Job Search Costs. Encouraging workers to move to jobs in other geographic areas could be done either by extending the existing TAA relocation provision--which pays 90 percent of reasonable job-search expenses up to a maximum of \$600, plus an additional relocation allowance of up to \$600--or by authorizing a new subsidy program. Assuming that 5 percent of all dislocated workers would relocate, these provisions could cost between \$5 million and \$35 million in fiscal year 1983, under a range of assumptions regarding the criteria that would qualify recipients.¹⁹

Expanding Inter-Area Labor Market Information Programs. Expanding inter-area job information could also facilitate relocation by reducing uncertainty about employment prospects in other areas. Computerized listings of job openings in other labor-market areas and other related information could help advisers to match workers with jobs--and possibly diminish the perceived risks of relocation.

The Department of Labor now has available an interstate clearing system--operating by mail between state agencies and a central office in Albany, N.Y.--that attempts to match employees willing to relocate with employers willing to recruit out-of-area workers. This system might operate more efficiently if state offices were linked directly to Albany by computer. A lower-cost alternative might be to connect a selected number of states that are designated labor-shortage areas with those selected as labor-surplus areas. Although the exact cost is uncertain, this choice would probably cost less than \$5 million in fiscal year 1983. Either method would be limited, however, by the willingness of employers to list their openings with the ES.

Table 3 summarizes the potential federal costs of these possible adjustment assistance efforts.

Private Sector Involvement in the Adjustment Process

Another approach to aiding dislocated workers would be to involve private employers--particularly those conducting layoffs--more heavily in the adjustment process and in providing adjustment services. Employers know their workers' skills and talents and could aid the ES's counseling and placement activities. Employers might also be instrumental in gaining the cooperation of other area employers who might absorb some of the unemployed workers. Finally, involving employers might encourage advanced notice of layoffs or plant closings--allowing readjustment activities

19. The estimate assumes the subsidy would equal the maximum of \$1,200.

TABLE 3. FEDERAL COSTS OF PROVIDING READJUSTMENT SERVICES TO DISLOCATED WORKERS DEFINED BY SELECTED ELIGIBILITY CRITERIA (Fiscal Year 1983, in millions of dollars)

Eligibility Criteria	Expand Job Search Assistance	Expand the Use of Job Clubs	Subsidize Relocation Expenses ^a	Expand Job Training ^{a,b}
Declining Industry	79	352	26	549
Declining Industry and More than ten year's job tenure	20	90	10	210
45 years of age or older	18	82	9	192
26 weeks unemployment or more	10	44	5	103
Declining Industry Including Secondary Losers	161	714	54	1,113
Declining Industry Including Secondary Losers and More than ten years' job tenure	32	142	16	332
45 years of age or older	36	158	18	369
26 weeks unemployment or more	23	102	11	239
Declining Occupation	104	460	35	717
Declining Occupation and More than ten years' job tenure	18	78	9	182
45 years of age or older	25	112	13	262
26 weeks unemployment or more	11	48	5	112
Plant Closings and Mass Layoffs	68	304	23	474

SOURCE: Congressional Budget Office.

- a. Assumes that 50 percent of workers under single eligibility criteria and 75 percent of workers under multiple criteria would remain unemployed after the initial period of job search.
- b. Assumes 10 percent of trainees in community colleges, 45 percent in vocational education, and 45 percent in subsidized on-the-job training.

to begin before separation and shortening the length of time workers spend unemployed.

Past adjustment efforts involving the cooperation of business, labor, and government agencies have achieved some success. For example, in 1967, the Armour Company extended from three to six months the period between announcing the closing of an Omaha meat-packing plant and the actual shut-down. During that six months, the company provided office space for counseling and aided the ES in retraining and placement efforts. The workers from this plant were generally successful in finding new jobs--partly because of Armour's efforts and partly because of a generally good economic climate in Omaha.

Canada's Manpower Adjustment program provides another model for private-sector involvement in readjustment assistance. The Canadian program pays up to 50 percent of research and planning costs undertaken by business and labor for the purpose of meeting adjustment needs; it also provides assistance through a government manpower consulting service. Evaluation of this effort has generally been favorable, although the program encountered less success where there were large numbers of unemployed workers--particularly older, industry-attached workers--in regions with poor economic conditions. From February 1965 through January 1977, the program assisted 1.3 million workers at a cost of roughly \$4 million.

Finally, an experimental program in Michigan provides a model for including the private sector in an adjustment assistance program that has met with initial success. The Downriver Community Conference Economic Readjustment Program has operated since July 1980 to reemploy workers displaced due to plant closings in southeastern Michigan. The program enrolled 2,000 employees from five plants which were made eligible. The administering agency, the Downriver Community Conference, is a public nonprofit community service agency. The program was funded through CETA Titles II-B and II-C and by a Title III National Demonstration grant (see Chapter III).

In order to meet the goal of "returning these workers, as expeditiously as possible, to high quality jobs in the labor market," the program staff worked extensively with local and some out-of-area employers. These employers were viewed as customers who purchase the program's products--already skilled or retrained workers. Taking this perspective, private employers were involved in several ways. For one, employers were contacted continually to determine their current and future needs for skilled labor. For another, the private sector was involved in program operations such as review of curricula for classroom training and provider capability, and assessment of skills in demand.

Services under the program were sequenced in order to concentrate resources on those most in need. Participants were required to attend both initial orientation, enrollment, and aptitude testing sessions, and a four-day job-search training session. Following these sessions, program staff attempted to screen participants into the most appropriate types of placement, training, and relocation activities.

The program has met with initial success. Approximately 70 percent of participants' terminating from the program during the first phase (July 1980-October 1981) have been reemployed.²⁰ Again, reemployment rates were somewhat higher for more educated and younger workers.

INCOME REPLACEMENT

Because the difficulties of dislocated workers may differ from those of other unemployed people, the Congress might wish to consider altering the present income assistance system to provide special aid to dislocated workers. Because this group might exhaust regular UI benefits before becoming reemployed and would likely have a smaller portion of their previous earnings replaced by UI than other unemployed workers, the Congress might consider benefits of longer duration or more generous in amount. These benefits would help cushion the financial impact of dislocation, so that individuals could participate in job training or other adjustment programs. The major disadvantage is that such benefits could reduce job-search incentives and lead to longer spans of unemployment, as has apparently occurred in past programs.²¹

Options for altering the UI system for dislocated workers include extending the duration of benefits and implementing a uniform benefit formula.

20. See J. W. Frees, and others, Reemploying Displaced Workers: The Implementation of the Downriver Community Conference Economic Readjustment Program, Abt Associates, Inc. (May 12, 1982).

21. Increased benefit levels and longer eligibility periods may have caused one to three weeks of additional unemployment under TAA. See Neumann, The Labor Market Consequences of Trade Displacement, and Mathematica Policy Research, Inc., Survey of Trade Adjustment Assistance Recipients.

Extending the Duration of Benefits

One option for altering the income replacement system for dislocated workers would be to extend the time over which UI benefits were available. For example, UI benefits might be extended for 26 weeks (as occurs now under TAA) for a total duration of one year. Extending benefits would raise federal outlays substantially. If dislocated workers received ten additional weeks' benefits, on average, federal outlays in 1983 would increase by between \$132 million and \$920 million.²²

Implementing a Uniform Benefit Formula

For some dislocated workers or all, UI benefits could be supplemented so that a uniform, nationwide minimum earnings replacement rate was achieved--as was the case under past TAA programs.²³ To curb costs and work disincentives, the Congress might set this level somewhat lower than under past programs.

Depending on the replacement rate chosen, a national benefit level could require federal supplements to a majority of dislocated workers; this would, however, raise outlays considerably. If, for example, the program replaced 50 percent of previous weekly wages up to a maximum set at the average manufacturing wage, about 50 percent of all dislocated workers would receive supplements to their UI benefits. Federal UI outlays for fiscal year 1983 would increase by \$182 million to \$1.3 billion.²⁴

INCOME REPLACEMENT LINKED TO ADJUSTMENT SERVICES

Eligibility for special unemployment benefits could be made contingent on an applicant's participation in adjustment services. For example, the program might require applicants to undertake job training or relocation--if deemed necessary by the ES or some other administering agency--in order to receive extended or supplemental benefits.

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22. The estimate is based on an average weekly payment of \$160. To the extent the regular federal/state extended benefits were in effect, this estimate would be reduced.
 23. Depending on what uniform level was set, some state UI benefits might be higher than at present.
 24. The estimate is based on a projected average weekly manufacturing wage of \$350 in fiscal year 1983.

Linking income replacement to adjustment services might have several advantages. For one, it might reduce work disincentives and increase the use of adjustment services; it would offer financial incentives--that is, special benefits could only be obtained by participating in these services. For another, linking special cash benefits to adjustment services would aid in targeting assistance to workers with more serious adjustment problems. Workers who could find jobs in their local area at wages higher than the UI benefit amounts, would be less likely to undertake training and relocation, and hence, they would not receive special unemployment benefits.

Such linking might further focus income replacement benefits on workers with the most severe adjustment problems if only extended benefits--not higher benefits--were provided and more extensive employment services were delayed for some time after layoff, as would be the case if these services were sequenced. Workers who could adjust easily on their own or with the aid of low-cost job-search assistance would have little incentive to remain unemployed in order to collect income replacement benefits, since these benefits would be contingent on participation in training or on relocation.

That some people unlikely to gain from employment services would be induced to participate in order to receive income replacement benefits is a potential drawback. The resulting increase in costs for adjustment services, however, would probably not exceed the reduced costs from discouraging those who could find jobs from applying for cash benefits.

