

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

The Study of the Implementation of the Economic Dislocation and Worker Adjustment Act (EDWAA) is designed to provide the U.S. Department of Labor (DOL) with information about how states and substate areas are implementing the key features of the EDWAA legislation and to assist DOL in guiding the development of EDWAA programs.

This report presents the findings of a survey of all substate areas conducted as part of this study. The period covered is Program Year 1990 (July 1990-June 1991). Using data from the survey, review of state EDWAA plans, and the Worker Adjustment Annual Program Report (WAPR), this report examines four sets of issues. First, it examines issues related to the way EDWAA programs are organized, including:

- How do substate areas organize and orient their EDWAA programs, and to what extent are the different patterns of organization consistent with the themes of the legislation?
- What affects the way substate areas organize and orient their programs, including the influence of state policies and characteristics of the local area and of the substate area?

Second, this report examines issues related to the types of dislocated workers served in EDWAA, including:

- What types of dislocated workers are served in the EDWAA program, including the recency of layoff, education levels, and barriers to employment?
- What affects the types of dislocated workers served?

Third, this report examines issues related to the services provided through EDWAA, including:

- What types of services are provided by EDWAA programs?
- How responsive are those services to the needs of dislocated workers?
- What affects the types and responsiveness of EDWAA services?

Finally, this report examines issues related to the outcomes achieved by the dislocated workers served in EDWAA, including:

- What outcomes did EDWAA participants achieve at termination and 13 weeks later?
- What affects the types of outcomes achieved?

### **CONCEPTUAL FRAMEWORKS**

In investigating these issues, we were guided by the conceptual frameworks developed for the first two phases of this study. First, in Phase I, which covered Program Year 1989 (July 1989-June 1990), we focused on whether substate areas organized their EDWAA programs in ways that were consistent with the themes of the legislation, which include:

- Building the capacity of substate areas to plan and administer dislocated worker services.
- Improving resource management practices and accountability for services and outcomes.
- Ensuring a capacity for rapid response to notifications of impending plant closures and large-scale layoffs.
- Promoting labor-management cooperation in designing and implementing services to dislocated workers.
- Ensuring coordination between EDWAA resources and other federal, state, and local programs to increase the effectiveness of services to dislocated workers.
- Extending program coverage to broad segments of the eligible dislocated worker population.
- Encouraging states and substate areas to take a long-term view of worker readjustment, including offering long-term training, where appropriate.

Phase II, which covered Program Year 1990, focused more directly on the services provided to dislocated workers. To guide our assessment of services, we developed a model that specifies the particular needs of dislocated workers and aspects of EDWAA services that are responsive to those needs. Although dislocated workers vary tremendously in their previous skills and reemployment goals, they tend to have special characteristics that need to be addressed by EDWAA services. These characteristics include:

- Significant psychological stress in response to being laid off.
- Little recent information about labor market opportunities.
- No recent experience in looking for a job.
- Substantial work experience and work maturity.
- Existing occupational skills that may be obsolete or not in demand in the local economy.
- Financial crisis due to lack of income and substantial household financial obligations.

To be responsive both to the diversity of experiences and to the common characteristics of dislocated workers, EDWAA services should include the following:

- Early intervention services, provided before or as soon as possible after layoff. These early intervention services include:
  - Rapid response worker orientations, held soon after notice of layoff is received, which provide information about EDWAA services, other community resources, and the local labor market.
  - Prelayoff services that are comprehensive and address the specific crisis needs of the affected workers.
  - Recruitment of affected workers into ongoing EDWAA services as soon as possible.
- Assistance in developing a plan for reemployment, which should include:
  - Assessment of the worker's basic skills, vocational aptitudes and interests, and the transferability of existing vocational skills.
  - Assistance in identifying immediate and longer-term career goals and development of a plan for services to help clients meet those goals.
- Basic readjustment services, including crisis adjustment assistance, training in job search strategies, and assistance in finding jobs. These services should be:
  - Provided to those interested in immediate employment as well as retraining participants.
  - Sensitive to the distinct characteristics of dislocated workers, particularly their work maturity and need for reemployment at high wages.

- Retraining services necessary to achieve reemployment goals, which should include:
  - A broad range of retraining options, including training for dislocated workers with limited basic skills and training in higher-level as well as entry-level occupations.
  - Training content and methods that are appropriate for adults who often have substantial vocational skills.
- A plan to address the need for income support and supportive services during receipt of EDWAA services.

#### **SUBSTATE AREA ORGANIZATION AND ORIENTATION**

This report examines several aspects of EDWAA organization. We found that:

- Overall about 45% of EDWAA services are integrated with comparable Title II-A services.
- At least one labor-management committee or similar cooperative arrangement was formed by 41% of the substate areas; among these substate areas, such committees were formed for an average of 45% of large-scale layoffs.
- Coordination with the Employment Services (ES) and Unemployment Insurance (UI) systems was well developed: 66% of the substate areas had nonfinancial coordination agreements with these agencies, over half contracted with the ES to provide some types of EDWAA services, and nearly 90% involved these agencies in their rapid response activities.
- Coordination with schools was primarily through contracts for retraining services.
- Coordination with Trade Adjustment Assistance (TAA) was less well developed. Only one-quarter of the substate areas include TAA staff in their rapid response efforts. Uncertainty about the requirements of TAA by EDWAA staff contributed to the lack of coordination.

Several state policies affect the way substate areas organized their programs, including:

- Allocation formulas. Substate areas in states that emphasize the extent of current dislocation are more likely to coordinate and recruit from dislocated-worker-specific sources such as rapid response. These substate areas are also less likely to integrate EDWAA and Title II-A services.

- Adoption of the wage rate standard, which encourages coordination and targeting to those most in need (perhaps to counteract unintended effects of the wage standard on clients).
- Incentives for longer-term training, which increase coordination and reduce integration of services. These incentives also reduce the use of labor-management committees, perhaps because such committees tend to emphasize basic readjustment services.
- Technical assistance, which reduces integration with Title II-A services and increases the focus on economic development goals.

Characteristics of the local area have less influence than expected on the design of EDWAA services:

- The differences in organization between urban and rural areas are relatively minor: rural areas and other areas serving more than three counties are somewhat more likely to coordinate services with other agencies.
- Indicators of the extent of dislocation--such as survey reports on the number of large- and small-scale dislocations and the unemployment rate--also have relatively few effects on the organization of EDWAA programs.
- The percentage of employment in manufacturing has substantially greater impact. High-manufacturing areas, which may have had more past as well as current dislocations, are more likely to coordinate services with both the schools and ES and are more likely to recruit from dislocated-worker-specific sources.
- Higher-wage areas are more likely to recruit from dislocated-worker-specific sources and to provide distinct rather than integrated services. They are more likely, however, to adopt a rapid reemployment focus, perhaps because higher-wage workers need less longer-term training.

Characteristics of the substate area itself have mixed effects on the organization of EDWAA services:

- Substate areas with less funding are more likely to integrate EDWAA and Title II-A services and to provide services in-house. Otherwise, the amount of total funding has little influence on EDWAA organization.

- The proportion of funding from discretionary sources is associated with greater use of labor-management committees and greater coordination, both of which we found to be more common in our case studies of special projects that receive discretionary funding.
- Although we cannot measure the effects of federal policies directly (because they do not vary across areas), those substate areas that reported being influenced by federal and state retraining policies were more likely to coordinate services and to focus on longer-term training rather than on rapid reemployment.
- Substate areas that were influenced by a desire to use existing systems were more likely to coordinate with other programs, integrate EDWAA and Title II-A services, and recruit from general community resources. Those influenced by limited occupational or retraining opportunities in their area were generally less likely to organize their programs in these ways. Both types of substate areas, however, tended to adopt a rapid reemployment focus.
- Substate areas that had difficulty meeting their expenditure requirement were less likely to organize their programs in ways consistent with the legislation: they were less likely to use labor-management committees, coordinate services, and recruit from dislocated-worker specific sources, and were more likely to focus on rapid reemployment.

Overall, the results indicate that external factors—such as population density, geographic size, amount of dislocation, and size of funding—do not preclude organizing EDWAA services in ways that are consistent with the EDWAA legislation. State policies can have an important influence on substate areas' organization. Further, substate areas that report being influenced by federal policies tend to organize their programs in ways consistent with the legislation. These results, therefore, point out the importance of state and federal leadership in the EDWAA program.

#### **CLIENTS SERVED IN EDWAA**

##### **Enrollment of Recently Laid-Off Workers**

During PY 90, substate areas placed more emphasis on enrolling recently laid-off workers from substantial layoffs and smaller-scale dislocations than they did on enrolling long-term unemployed workers. Enrollment of more recently laid-off workers appears to respond appropriately to local conditions. The enrollment of

recently laid-off workers was greater in areas with higher levels of dislocation, more large-scale dislocations, and a higher percentage of employment in manufacturing.

State policies that encourage enrollment of the recently laid-off include allocation formulas that emphasize measures of current dislocation (rather than unemployment), technical assistance, and incentives for longer-term training.

Substate area policies and practices also influence the proportion of recently laid-off workers served. Substate areas that form labor-management committees for large-scale layoffs and those that recruit clients through rapid response orientations and referrals from the UI/ES system serve higher proportions of recently laid-off workers than do other substate areas. These policies and practices are probably intended to increase service to recently laid-off workers. Substate areas with low or moderate EDWAA funding and those located in states with substantial discretionary funding also tend to enroll higher proportions of recently laid-off workers.

#### **Enrollment of Long-Term Unemployed Workers**

Service to long-term unemployed workers also appears to respond appropriately to the local economy, increasing with the unemployment rate. State allocation policies that emphasize the number of long-term unemployed, rather than the extent of local dislocation, also increase the enrollment of long-term unemployed.

Substate policies and practices that result in increased service to the long-term unemployed include recruitment of EDWAA clients from general community sources, such as media outreach or other existing recruitment sources, and the integration of EDWAA and Title II-A service delivery. Substate areas that want to target recently laid-off workers may need to reexamine whether these practices are shaping their program in unintended ways. Substate areas having difficulty expending their EDWAA funds also serve more long-term unemployed. These substate areas may be ineffective in reaching workers dislocated from recent layoffs.

#### **Services to Workers with Substantial Barriers to Reemployment**

In most substate areas, dislocated workers with substantial barriers to reemployment make up a relatively small proportion of all EDWAA enrollees. In a smaller number of sites, there are larger concentrations of EDWAA participants who have limited basic skills, have no high school diplomas, or are older workers.

State policies that encourage service to those with substantial barriers include incentives for long-term training and allocations based on unemployment. On the other hand, adoption of the wage standard and the availability of discretionary funds tend to discourage service to dislocated workers with barriers to reemployment.

Substate areas that integrate EDWAA and Title II-A services, that had previous experience under Title III, and that had policies to target the most in need served more dislocated workers with barriers to reemployment. In these instances, the greater service to dislocated workers with barriers to employment may be consistent with the intentions of policymakers. The integration of EDWAA service delivery with Title II-A service delivery also tends to decrease the proportion of EDWAA enrollees with limited basic skills, perhaps because those with greater deficiencies are enrolled in a Title II-A program.

Substate areas whose service providers had experience serving dislocated workers before EDWAA are less likely to enroll older workers. If this is not intended by substate area policymakers, greater policy guidance or monitoring of service providers by substate areas may be necessary. A substate area's desire to use existing service delivery systems also tends to reduce the proportion of older workers served.

#### **SERVICES PROVIDED IN EDWAA**

This report examined numerous influences on the types and responsiveness of services provided to dislocated workers. Below we highlight the key findings.

Three state policies had important effects on EDWAA services.

- Allocation formula. Emphasizing the extent of current dislocations in the allocation formula appears to be desirable. Weighting this factor increases provision of basic skills training, a service needed by many dislocated workers, and reduces the amount of OJT, a service that we found to be less appropriate for many workers in our case studies.
- Technical assistance. Providing technical assistance on EDWAA issues increased the provision of basic skills training and basic readjustment services and increased the responsiveness of early intervention services. In our case studies, we found that these areas needed more development in many sites.
- Incentives for long-term training. These incentives markedly increased the amount of basic skills training provided and

reduced the amount of short-term training, as intended. They had an unintended effect of reducing the responsiveness of basic readjustment services, probably because these incentives led substate areas to focus on developing retraining services.

Characteristics of the local area had only modest effects on the services provided. Basic skills training was more common in areas with high unemployment, perhaps because these skills were needed to compete for scarce jobs, and in high-earnings areas, perhaps because these skills were needed to compete for higher-skilled jobs.

The geographic characteristics of substate areas had an important effect on the responsiveness of early intervention services. Significantly more responsive early intervention services were provided by urban areas and areas with medium population density serving more than three counties. It appears that these areas were better able to provide prelayoff services to more layoffs and to provide more comprehensive prelayoff services than were either rural areas or areas serving fewer counties.

Characteristics of the substate areas, including funding levels, also had relatively modest effects on services. The amount of total funding had some influence: areas with more than \$750,000 in funding provided more responsive basic readjustment services. Of somewhat more influence was the size of EDWAA funding relative to Title II-A funding. Areas with a higher ratio of EDWAA to Title II-A funding provided more responsive classroom training and supportive services.

The results offer suggestive evidence of the influence of federal policies. Substate areas that reported being strongly influenced by federal and state policies provided substantially more basic skills training and more responsive early intervention services.

A consistent pattern in this report is that substate areas reporting trouble expending their resources are less likely to have implemented their programs consistently with the intent of the legislation. The results indicate that these substate areas have significantly less responsive early intervention and basic readjustment services and that their retraining services are much more likely to consist of OJT.

The way substate areas organized their programs had a larger influence on services. Key factors include:

- Integration of EDWAA and Title II-A services. Substate areas that integrate their services provide significantly more longer-

term training, consistent with the intent of the legislation. On the other hand, they also provide fewer basic readjustment services only and less responsive early intervention services, suggesting that substate areas that integrate services may de-emphasize crisis assistance and assistance in developing job search skills that may be needed by many dislocated workers. Further, although these substate areas provide more OJT, their OJT services are less responsive to the needs of dislocated workers. Although our case studies indicate that integration of services does not preclude responsive EDWAA services, integration does pose challenges that must be addressed.

- Labor-management committees. Labor-management committees (LMC's) are associated with more responsive early intervention and basic readjustment services.
- Coordination. The legislation's emphasis on coordination seems well founded. Substate areas with more nonfinancial linkages provide more responsive early intervention and basic readjustment services; those with more financial linkages provide more responsive classroom training by offering a broader range options.
- Active recruitment strategies. Although the direction of causation is not clear, substate areas that actively recruit dislocated workers, rather than waiting for them to seek out services on their own, also have more responsive services in most areas.

In examining the relationship between the types of clients served and the types of services provided, we found a strong relationship between the recency of layoff and the types of services provided. Substate areas that enrolled more UI recipients provided more occupational classroom training and less OJT. Those that enrolled clients who had been unemployed 15 weeks or more provided less basic skills training, more short-term training in OJT, and less occupational classroom training. It is likely that these differences occur because those recently laid-off have more resources available, including UI benefits, to support themselves during training, while the longer-term unemployed have a greater need for immediate income.

Substate areas that enrolled more dropouts provided more basic skills remediation, consistent with those participants' needs. Unfortunately, this is not the case for clients reading below the 7th grade level. Substate areas serving more clients with substantial basic skills deficiencies provided more OJT. These results are consistent with our case study findings that, when basic skills training was provided for

dislocated workers, it was often limited to GED preparation. This finding emphasizes the need for a wide range of remediation services to address the diverse needs of dislocated workers.

#### **OUTCOMES ACHIEVED BY EDWAA CLIENTS**

Although several state policies affect outcomes, most of these effects occur because these policies influence the way substate areas organize their program, the types of clients served, and the types of services provided. When these indirect effects are accounted for, the remaining direct influence of state policies on outcomes is relatively small.

Nonetheless, an important pattern of effects for performance standards policies was found. Although substate areas held accountable to a wage standard achieve higher wages, much of this result occurs because they serve individuals with higher previous wages. If states adopt a wage standard, therefore, they should be strongly encouraged to adjust for participants' previous wage levels in setting standards. Providing incentives for better performance, however, does improve the outcomes achieved for dislocated workers, even controlling for any effects on clients and services.

Not surprisingly, characteristics of the local area, as measured by existing data sources, affect the outcomes achieved by substate areas. In addition, substate areas with high levels of dislocation, as reported in the survey, achieve significantly lower entered employment rates. This finding suggests that collecting information on the extent of dislocation on an ongoing basis could help improve the ability of performance standards models to adjust for differences in the local economy.

Substate areas that receive low levels of funding achieve the same outcomes as those with higher levels. However, substate areas that have a lower ratio of EDWAA to Title II-A funding achieve lower outcomes for dislocated workers, particularly lower wage rates. Thus, the problem does not appear to be low levels of funding, per se, but low levels of funding relative to the Title II-A program, which may lead substate areas to focus less on their EDWAA program.

As we found in all the other analyses, substate areas that report difficulty in expending their funds are substantially less likely to meet the intent of the EDWAA legislation. These substate areas achieve lower outcomes for their clients, particularly lower follow-up wage rates, even controlling for the less responsive services offered by

these substate areas. These substate areas clearly need further assistance in developing effective EDWAA services.

The way substate areas organize their EDWAA programs had relatively small effects on the outcomes achieved. Although we found evidence that integration of Title II-A and EDWAA services reduced the responsiveness of services, the integration of services did not significantly affect the outcomes achieved by dislocated workers. The one consistent pattern we found is that substate areas that provide more services in-house achieved higher employment rates but lower wage rates for dislocated workers. Consistent with this finding is that substate areas that contracted with providers experienced in serving dislocated workers achieved significantly higher wage rates.

Substate areas that enrolled more clients who were unemployed for 15 or more weeks achieved substantially lower outcomes. Although this pattern may be due to unmeasured characteristics of the clients themselves (e.g., motivation), it provides support for the importance of recruiting workers soon after they are dislocated.

The types of services provided had perhaps surprisingly little influence on outcomes. Although some differences in entered employment rates were evident for basic readjustment services only, short-term training, and long-term training, these differences were not significant at follow up. However, substate areas that emphasized OJT consistently achieved higher employment rates but lower wage rates, perhaps because of the difficulty in developing OJT positions for high-wage jobs.

The responsiveness of services did affect outcomes. Specifically:

- Prelayoff services to a larger number of large-scale layoffs increased follow-up wage rates.
- Responsive basic readjustment services, especially crisis management services, increased entered employment rates.
- Responsive classroom training services increased wage rates.
- Providing responsive services overall substantially increased both entered employment rates and follow-up wage rates.

These results provide strong evidence that responsive services result in better outcomes for dislocated workers.

## CONCLUSIONS ABOUT THE THEMES OF THE LEGISLATION

Phase I of this study examined how EDWAA programs were designed to address the themes of the legislation. This report provides substantial evidence both about the extent that programs are organized in ways consistent with the legislation's themes and about how features called for in the legislation affected services received and outcomes achieved by EDWAA participants. Below we summarize these results for each of the seven themes in the legislation.

### **Building a Substate Delivery System**

The EDWAA legislation requires states to create an ongoing substate delivery system, which was intended to result in broader and more timely coverage of dislocations throughout the state. This report examined several issues related to the substate delivery system, including the effects of the way states distributed funds to their substate areas, implications of designating Title II-A SDAs as substate entities, and the effect of states' effort to assist their substate areas in developing services for dislocated workers.

### **Targeting Funds to Areas in Need**

**Allocation Formulas.** The formulas that states use to allocate funds to their substate areas vary widely in the emphasis placed on the extent of recent dislocations, the amount of unemployment, and the number of long-term unemployed in the area. The relative emphasis placed on these major factors affected all facets of EDWAA design and operations. State formulas that emphasized the extent of recent dislocations (instead of one of the other two factors):

- Increased the development of nonfinancial coordination linkages.
- Increased recruitment from dislocated-worker-specific sources.
- Increased service to workers from substantial layoffs.
- Increased service to more recently laid-off workers.
- Increased the amount of basic skills training and reduced the amount of OJT provided, although the responsiveness of classroom training was higher in states that emphasized the long-term unemployed.
- Reduced the wage rates attained, presumably because of the higher levels of dislocation in communities receiving more funding.

In our case studies, we found that an important reason that states did not weight the amount of current dislocation more heavily in their allocation formulas was the lack of data. If the current proposal to develop a system for tracking layoffs is approved, it would enhance the ability of states to target funds to areas experiencing the greatest levels of dislocations.

**Discretionary Funding.** The effects of discretionary funds on EDWAA design and operations are somewhat mixed. Substate areas that received more discretionary funding tended to organize their services in ways more consistent with the legislation—for example, establishing more labor-management committees and developing more nonfinancial coordination linkages. These substate areas also enrolled more workers from substantial layoffs and fewer longer-term unemployed. These results suggest that discretionary funds are being used for large-scale layoffs.

State policies that made discretionary funds available seem to have led substate areas to provide a wider range of services, such as basic skills training and more basic readjustment services, perhaps because these substate areas were less conservative in holding funds in reserve for unexpected events. However, some of these services appeared to be less responsive to the needs of dislocated workers. Nonetheless, substate areas in states that made discretionary funds available achieved higher wage rates for their participants.

These results suggest that policies to hold funds in reserve for substate areas in need can help substate areas manage their programs and increase their ability to serve workers dislocated from large-scale layoffs.

### **Designating Substate Entities**

Most states designated Title II-A SDAs as EDWAA substate entities, for the most part to take advantage of the existing training capacity at the local level. This report investigated several issues relating to this choice.

**Funding Levels.** Because states usually selected all their SDAs as EDWAA substate areas, some substate areas received relatively small amounts of EDWAA funding. We found that the level of funding had some influence on EDWAA organization: substate areas that received less funding were more likely to integrate their EDWAA and Title II-A services and to provide services in-house. The level of funding, however, had relatively few effects on the types of clients served or the types of services provided, although areas receiving high levels of funding provided more

responsive early intervention services. The level of funding did not significantly affect the outcomes achieved by EDWAA participants.

The ratio of EDWAA to Title II-A funding had a greater influence on services and outcomes. Substate areas with a higher ratio of EDWAA to Title II-A funding provided significantly more responsive classroom training and supportive services. Furthermore, EDWAA participants in these substate areas achieved significantly higher wages at termination and at follow-up. These results suggest that substate areas focus less on the distinct needs of dislocated workers when EDWAA is only a small part of their program operations.

**Integration of EDWAA and Title II-A Services.** On average, substate areas integrate about half of their EDWAA services with similar Title II-A services. Integration is more likely in areas receiving less EDWAA funding and areas that served dislocated workers in the previous Title III program.

Substate areas with greater integration of services tend to:

- Serve dislocated workers who are more similar to economically disadvantaged clients. For example, these substate areas serve more longer-term unemployed and clients with lower previous wages.
- Provide more long-term training and fewer basic readjustment services only.
- Serve more clients in OJT but provide OJT services that are less responsive to the needs of dislocated workers.
- Provide less responsive early intervention services.

In general, integration of EDWAA and Title II-A services tends to result in enrollment of clients more similar to Title II-A clients and provision of services more similar to Title II-A services. Substate areas that integrate more services appear to focus less on services that are distinct to the EDWAA program, such as basic readjustment and early intervention services. The JTPA Amendments require that Title II-A services be more individualized than before to the need of each client. These changes may enhance the responsiveness of EDWAA services as well in substate areas that integrate EDWAA and Title II-A services.

These results do not imply that the current substate delivery system should be abandoned. In our case studies, we found many examples of substate areas that

integrated services and yet provided services (including early intervention services) very responsive to the needs of dislocated workers. Thus, integration of services does not preclude responsive services. These results do imply, however, that integration of EDWAA and Title II-A services poses several challenges that substate areas must address. Technical assistance efforts, including the technical assistance guide that we are preparing for Phase III of this study, should disseminate models of responsive services in both integrated and separate settings.

### **Providing Technical Assistance**

The results of this study provide substantial evidence that states can influence the EDWAA programs in their states through technical assistance. Substate areas in states that provide technical assistance:

- Developed more coordination linkages with other programs.
- Provided EDWAA services that were less integrated with Title II-A services.
- Enrolled more recently laid-off workers and fewer long-term unemployed.
- Provided much more basic skills training to dislocated workers, and less short-term training.
- Developed more responsive early intervention services.
- Achieved higher wage rates for their participants.

In our case studies, we found that many substate areas were developing services for dislocated workers without much information about practices and programs in other areas. These results strongly indicate that provision of technical assistance and the sharing of information about EDWAA services can pay off in terms of more responsive services and better outcomes for dislocated workers.

### **Improving Accountability**

The EDWAA legislation gives states responsibility for holding substate areas accountable for their performance and for timely expenditure of program funds. This report examined several issues relating to these provisions.

### **Performance Standards Policies**

**Wage Rate Standard.** Although not required, 16 states adopted the wage at placement as an EDWAA performance standard, and an additional 5 states adopted it as a goal. Adoption of the wage rate as a standard or a goal had some beneficial effects:

it led substate areas to increase their nonfinancial coordination with other agencies and to develop more responsive basic readjustment services.

Although substate areas in states with the wage standard achieved higher wage rates, much of this is due to their enrolling easier-to-serve clients, including more clients with higher previous wage rates, fewer dropouts, and fewer clients reading below the 7th grade level. The wage standard may have had these unintended effects on the types of dislocated workers served because about half of the states do not adjust the wage standards for differences in the characteristics of clients served.

If the wage standard is adopted, states should be encouraged to adjust standards using the optional DOL model or another approach that adjusts for clients' previous wages and other characteristics. Technical assistance should also be provided to help substate areas understand that, unlike the Title II-A models, the level of their wage standard depends on the previous wage rates of the clients served.

**Incentives for Performance.** Only four states awarded incentive funds for EDWAA performance in PY 90. However, substate areas in those states achieved significantly higher employment rates and wage rates for their participants (even controlling for any differences in clients served or services provided). Incentives for performance appear to increase substate areas' efforts to obtain positive outcomes for their EDWAA clients.

### **Expenditure Policies**

The EDWAA legislation sets an 80% expenditure requirement for states, and most states established expenditure requirements for their substate areas of 80% or higher.

Substate areas that indicated they had difficulty in meeting their expenditure requirements differed from other substate areas in many ways. Specifically, substate areas having difficulty expending their funds:

- Established labor-management committees for fewer of their large-scale layoffs.
- Recruited less often from dislocated-worker-specific sources, such as from rapid response activities.
- Were more likely to focus on rapid reemployment of participants than on providing long-term training.

- Enrolled fewer clients from substantial layoffs and more long-term unemployed.
- Provided OJT to more clients.
- Provided significantly less responsive early intervention and basic readjustment services.
- Achieved lower follow-up wage rates for their clients (even controlling for the types of services provided).

These results strongly suggest that the legislation's concern about expenditures is well founded. Having difficulty expending funds is more than an indicator of having more funds than needed; it is also an indicator of general management problems. Clearly, substate areas reporting difficulty meeting their expenditure requirements have much less well-developed EDWAA services, resulting in poorer outcomes for EDWAA participants. These substate areas appear to require substantial assistance in developing effective EDWAA programs.

#### **Promoting Labor-Management Cooperation**

The legislation encourages cooperation between labor and management in planning services for dislocated workers, including the development of labor-management committees. In the survey, 41% of the substate areas reported establishing at least one labor-management committee or other cooperative arrangement in PY 90; these substate areas established such committees for 45% of their substantial layoffs, on average. Labor-management committees were more common in substate areas with previous experience in serving dislocated workers and in areas receiving discretionary funds.

Our case studies found that labor-management committees helped in recruiting workers into EDWAA and helped tailor services to the needs of workers from specific layoffs. This report found that indeed substate areas that established more committees enrolled more workers from substantial layoffs and provided significantly more responsive early intervention and basic readjustment services. However, we found that substate areas forming more labor-management committees tended to have lower follow-up employment rates. This unexpected result may be due to differences in labor market conditions that we did not measure.

#### **Increasing Coordination**

The legislation calls for EDWAA programs to coordinate with other programs serving dislocated workers to increase efficiency and improve service quality. Substate

areas with previous experience serving dislocated workers under Title III established more financial and nonfinancial coordination linkages with other agencies, suggesting that it takes some time to develop effective coordination.

Coordination linkages had substantial effects on the responsiveness of EDWAA services. Substate areas with more nonfinancial linkages provided more responsive early intervention services and more responsive basic readjustment services. Those substate areas with more financial linkages provided more responsive classroom training. These effects occur primarily because coordination allowed substate areas to provide a broader range of services and training options. These results indicate that the legislation's emphasis on coordination is well founded.

### **Promoting Long-Term Training**

The EDWAA legislation emphasizes the importance of long-term training through the requirement that substate areas expend at least 50% of their funds on retraining and by encouraging states to establish incentives for long-term training.

Eight states provided substate areas with financial incentives for providing long-term training in PY 90. Substate areas in these states established more coordination linkages and were less likely to integrate EDWAA and Title II-A services. These substate areas enrolled significantly more dropouts and those reading below the 7th grade level, clients for whom long-term training is particularly appropriate.

Substate areas in states with incentives for long-term training provided much more basic skills training and less short-term training of less than 26 weeks. A similar pattern of increased basic skills training was found for those substate areas that reported being strongly influenced by federal and state retraining policies. Thus, incentives and other policies to increase long-term training had the intended effect of increasing the intensity of training provided to dislocated workers.

Perhaps because of their focus on retraining, however, these substate areas offered less responsive basic readjustment services to dislocated workers. In our case studies, we found that several substate areas were struggling with a trade-off between providing long-term training and providing dislocated workers with the early intervention and basic readjustment services needed to deal with the immediate crisis of being laid off.

### **Serving a Broad Range of Workers**

Aspects of the legislation encourage service to a broad range of dislocated workers, including the recently laid off and longer-term unemployed. This report examined several issues concerning the types of workers served, including the effects of targeting and recruitment policies and the relationship between the types of clients enrolled and the services provided.

### **Targeting and Recruitment Policies**

Targeting and recruitment policies have a strong relationship to the responsiveness of services, although the direction of causation is not clear. Substate areas that actively recruit workers, rather than waiting for them to seek out services on their own, provided more responsive services in many areas, including early intervention, basic readjustment, and classroom training. It may be that active recruitment brings in a broad range of workers, and the substate areas responded by providing more diverse services. Alternatively, well-managed substate areas may both actively recruit workers and provide responsive services.

Substate areas that explicitly targeted dislocated workers in financial need or with barriers to employment indeed served clients with lower previous wage rates, with less education, and with fewer basic skills. Importantly, these substate areas also provided significantly more responsive classroom training, including a wider range of training options, and provided more responsive supportive services to help those with greater need support themselves during training. Thus, substate areas targeting the most in need tend to have developed services responsive to the needs of their clients.

### **Relationship Between Clients and Services**

Although the direction of causation between clients and services is ambiguous, this report found several important relationships. Substate areas serving more workers unemployed 15 or more weeks provided:

- Less responsive early intervention services.
- Less responsive basic readjustment services.
- Fewer basic readjustment services.
- Less basic skills training.
- More OJT.
- More short-term training.

This pattern supports the hypothesis that substate areas with less responsive early intervention services and fewer services to help clients overcome the immediate crisis of being laid off are less successful in enrolling clients soon after layoff. As a result, when these clients do seek help, they have fewer resources to support themselves during training. These clients are thus more likely to receive OJT and shorter-term training, with less basic skills remediation.

In contrast, areas serving more UI recipients provide more classroom training and less OJT, perhaps because these clients have more resources to support themselves during training.

Substate areas that serve more dropouts provide more basic skills training; Unfortunately, this is not the case for substate areas serving more clients reading below the 7th grade level. These substate areas provide more OJT but not more basic skills training. This pattern is consistent with our case studies, where we found that, when provided, basic skills training in EDWAA focused primarily on GED preparation. Few options were available for those with more severe basic skills deficiencies. Technical assistance is needed to help substate areas develop appropriate training options for dislocated workers with substantial basic skills deficiencies.

### **Encouraging Rapid Response**

The findings of this report support the legislation's emphasis on rapid response. As discussed above, clients who enter EDWAA soon after layoff, before their resources are exhausted, can choose among a wider range of services, including basic skills remediation and occupational skills training; those who have been unemployed 15 weeks or longer before entering EDWAA are more likely to receive short-term training, particularly OJT.

Further, substate areas that provide prelayoff services to more large-scale layoffs achieve significantly higher wage rates for their participants; substate areas providing more crisis adjustment services achieve higher entered employment rates. This evidence suggests that prelayoff and crisis adjustment services can help participants adjust more rapidly to being dislocated and help them develop reemployment plans that lead to higher wage rates.

## **RECOMMENDATIONS**

### **Developing Responsive Services**

1. Substate areas should be encouraged to provide prelayoff services, which tend to increase the ability of workers to find high-wage jobs. In particular, rural areas and medium-density areas serving relatively few counties would benefit from technical assistance in developing prelayoff and other early intervention services.

2. Substate areas should be encouraged to actively recruit dislocated workers and enroll them in services soon after being laid off. Workers who have been unemployed 15 weeks or more before enrolling in EDWAA tend to enroll in short-term, less intensive training, probably because they lack resources to support themselves during longer training.

3. Provision of basic readjustment services that go beyond job search assistance should be encouraged. Crisis adjustment services, in particular, increase the proportion of participants who find jobs after leaving the program.

4. Substate areas should be assisted in developing basic skills remediation options, in addition to GED preparation, for dislocated workers with more severe basic skills deficiencies.

5. Substate areas should be encouraged to provide a wide range of classroom training options to meet the diverse needs of dislocated workers. Providing a wider range of retraining options results in higher wage rates for dislocated workers.

### **Organization of Services**

6. To increase their understanding of the distinct needs of dislocated workers and how they differ from the needs of economically disadvantaged clients, technical assistance should be provided to substate areas that integrate EDWAA and Title II-A services and those where EDWAA funds are low relative to Title II-A funds.

7. Technical assistance in developing effective EDWAA programs should be targeted to substate areas having difficulty expending their funds. These substate areas tend to have substantially less well-developed services.

8. Coordination between EDWAA and other programs should continue to be encouraged because of its strong effects on the responsiveness of services.

9. Labor-management cooperation in designing prelayoff and basic readjustment services should continue to be encouraged because of its effects on the responsiveness of these services.

#### **State Policies**

10. States should be encouraged to develop allocation formulas that place greater weight on factors measuring the amount of current dislocation in each area. Better data on the incidence of major dislocations would help this effort.

11. Because they substantially improve outcomes, financial incentives for performance should be encouraged, but only if standards are adjusted for client characteristics, especially previous wage levels.

12. States that desire to increase the amount of long-term training provided should be encouraged to provide incentives for such training. It should be recognized, however, that such incentives may lead substate areas to focus less on developing responsive basic readjustment services.