

## Worker Displacement Continues Even in Good Economic Times



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### Summary

Budget surpluses and record low unemployment rates are clear signals that the economy is booming. Yet, surprisingly, the strength of the economy has not produced greater job security for American workers. The number of people receiving layoff notices has been constant in recent years. Approximately 3.6 million workers were displaced between January 1995 and December 1997, with displacement figures during the past decade sometimes approaching 15 percent of the U.S. workforce. Displaced or dislocated workers are people who are forced to leave their job for reasons other than job performance. For example, these workers may lose their jobs because the plant or company closes or relocates, there is insufficient work, or their position or shift is abolished. Displaced workers have established work histories, but often they possess job skills that are outdated or not transferable to another occupation or industry.

The simple solution to the displacement problem is to help dislocated workers find new jobs. However, reemployment alone may not address the larger issues confronting these workers. Dislocated workers typically suffer wage losses that are not easily recovered, and they may need to find a new occupation. It is estimated that the average dislocated worker loses \$80,000 in lifetime earnings and that retraining of at least two years is necessary to restore his or her previous earning power. Further, the type of job displacement affecting workers in the 1990s has changed significantly since the 1980s; older, more educated, and white-collar workers face a greater potential of job loss than ever before.

Displacement limits the earning power of workers and affects the quality and productivity of the workforce. In addition, long periods of unemployment for dislocated workers strain the employment security system. Job displacement needs to be countered with effective programs that help minimize the losses incurred by workers and the nation because of unemployment. This investment is critical to maintaining America's competitiveness in a global economy.

This *StateLine* highlights innovative state policies and practices to improve services for dislocated workers. States are working to improve services by:

- tailoring readjustment and retraining services;
- expanding access to services;
- encouraging labor-management cooperation;
- increasing state flexibility; and
- measuring performance.

Much of the information included in this *StateLine* is based on a survey conducted by the National Governors' Association (NGA) Center for Best Practices in April 1998. Forty-nine states and one territory responded to the survey. The appendix contains a list of survey respondents.

### Trends in Worker Displacement

In the past, dislocated workers were typically blue-collar workers. During the past ten years, the number of white-collar workers suffering job loss has risen steadily. The occurrence of job displacement has shifted from the goods-producing industries, such as manufacturing, construction, and mining, to the service-producing sector, such as banking, insurance, and telecommunications. Job displacement affects a larger number of workers in the manufacturing industries, but displacement has increased by a greater percentage in the service industries. Three fifths of all dislocated workers were in goods-producing industries during the 1980s. By the mid-1990s, less than two fifths of all dislocated workers were in goods-producing industries. During the early 1990s, the largest increase in job loss occurred in the finance, insurance, and real estate industries. This trend continued in the mid-1990s, and job displacement in the service-producing sectors has doubled since the early 1980s. A large percentage of the jobs lost during the 1990s occurred for workers with college degrees. However, highly educated workers continue to fare better than their less educated worker counterparts, and white men still comprise the largest proportion of dislocated workers.

### **State Strategies to Improve Services for Dislocated Workers**

States are taking numerous steps to prevent excessive job displacement and reduce the time workers are unemployed.

#### **Tailoring Readjustment and Retraining Services**

Readjustment services help unemployed workers cope with job loss. They include counseling, job search and placement, and relocation assistance. Retraining services help workers update their skills to make them more employable. The need for readjustment and retraining services varies greatly among the dislocated worker population. For example, a dislocated steelworker requires different readjustment and retraining services than a middle manager of a bank. States are using skill grant vouchers, tuition assistance, and professional services groups to tailor readjustment and retraining services to meet the needs of individual dislocated workers.

#### **Skill Grant Vouchers**

Historically, Job Training Partnership Act (JTPA)-funded dislocated worker programs contracted with providers to retrain a group of dislocated workers. Skill grant vouchers now give dislocated workers more freedom to choose education and training programs. They authorize dislocated workers to use a predetermined amount of money to cover the cost of the basic readjustment, support, or training services they desire. The workers typically must choose from a select group of training institutions or community colleges. The U.S. Department of Labor is funding a \$10 million demonstration project on the use of skill grant vouchers in thirteen states—Arizona, California, Florida, Georgia, Maine, Maryland, Massachusetts, Missouri, New York, Ohio, Oklahoma, Oregon, and Texas. The project-funded skill grants are called "career management accounts."

Several substate areas also have skill grant voucher programs for dislocated workers. A study conducted by the National Association of Counties in 1997 found that 136 of the 252 JTPA substate areas responding to the survey used skill grant vouchers to provide services to dislocated workers. Three fourths of the respondents that establish a ceiling amount for skill grant vouchers limit the vouchers to training services.

Although many substate areas are experimenting with skill grant voucher programs, only Georgia, Missouri, New Hampshire, and Wyoming reported in the NGA survey that they have or are developing a statewide program or policy on the use of skill grant vouchers for dislocated workers. Georgia permits substate grantees (SSGs) to decide whether a skill grant voucher program will be used. However, SSGs must follow certain guidelines, such as using state-approved service vendors. New Hampshire uses individual training accounts (ITGs). ITGs have a spending cap of \$3,600 per individual and can be used for a variety of skill training. Dislocated workers must redeem ITGs at service providers who have been granted approved training provider status by the state. Wyoming will soon implement a statewide voucher program, and Missouri is planning a pilot voucher program.

#### **Tuition Assistance**

States also are providing postsecondary tuition assistance to help dislocated workers pursue alternative career paths. For example, Washington funds tuition waivers for dislocated timber workers and commercial fisherman. State legislation requires community colleges, technical schools, and some four-year universities to reserve 750 student spaces for dislocated workers. Tuition waivers also can be used for state-sponsored distance learning programs. Dislocated worker students must apply for a tuition waiver for each academic year, and waivers are granted on a first-come, first-served basis. If a dislocated worker already is enrolled in a JTPA-funded program, the tuition waiver may be transferred to the dislocated worker's spouse.

### ***Professional Service Groups***

Professional service groups are a response to the increasing number of white-collar professionals who have lost their jobs. They are composed of management-level dislocated workers who volunteer to aid their peers by providing networking opportunities critical for reemployment and motivating them in their job search.

New Jersey has several regional professional service groups. These groups provide space and other resources for dislocated professionals to help other dislocated professionals with their job search. Dislocated professionals elected to a board of directors govern the regional professional service groups. An employment service counselor helps maintain the group during periods of high turnover. Members of the professional service groups volunteer at least three hours per week to run workshops and search for job leads for the group. Job openings found by the professional service groups are advertised to the group before being published in the employment services job pool. New Jersey is working to expand professional service groups to all fifteen workforce investment board areas in the state.

Nevada's Pro-Net is a self-help networking organization that assists job-seeking professionals by providing job-search technique workshops, retraining and networking opportunities, resume-writing and interviewing tips, and peer support. A professional resource center has phones, a fax, a copier, and computers with software to facilitate job search at a professional level. Staff provide guidance and oversight, but the daily functions are carried out by members. The program began in northern Nevada and, since its inception, three new offices have opened in rural Nevada. A similar program is being developed in southern Nevada.

### **Expanding Access to Services**

States are increasing their efforts to encourage early warning of dislocations to enroll dislocated workers in programs before layoffs occur. State dislocated worker units encourage rapid response for dislocated workers. Rapid response seeks to contact and engage employers and workers quickly to devise strategies to mitigate the impact of a mass layoff. For dislocated workers not involved in mass layoffs, states have designed early identification systems to enroll them earlier in services and curb the losses caused by unemployment. States also are using one-stop career centers, resource directories, and regional rapid response teams to increase services to dislocated workers.

### ***Early Warning***

States use early warnings of potential mass layoffs to jump-start the planning of specific readjustment and retraining services for workers at these sites, which typically involve fifty or more workers. The federal Worker Readjustment and Retraining Notification Act (WARN) requires a company planning a mass layoff or plant closure to notify the state dislocated worker unit (DWU) of the dislocation sixty days before the official layoff date. Wisconsin imposes fees on companies that fail to provide this notice. Companies are fined \$500 each day they fail to comply with the notification law. These penalties provide additional funds for dislocated worker services.

### ***Profiling***

Since 1993, all states use profiling systems to identify dislocated workers not affected by a mass layoff. Profiling is accomplished by using a statistical model that searches the unemployment insurance (UI) client database to identify people who possess key characteristics of long-term dislocated workers or by conducting a characteristics screen when a worker files for UI benefits. Profiling helps states identify dislocated workers who are most likely to exhaust their unemployment

benefits and need further assistance to find reemployment. Workers identified by profiling systems are referred to as "profiled workers."

Most states find profiling systems useful in helping them serve dislocated workers earlier in their unemployment spells. In 1997 nearly all states contacted UI claimants identified through profiling within a two-week period and immediately scheduled them for reemployment services. Two thirds of the states require a core set of services for profiled workers. Profiling also helps states target special services for dislocated profiled workers. Hawaii provides profiled UI claimants with more intensive and structured reemployment services than are typically provided to nonprofiled claimants. Profiled workers in New Jersey may participate in special readjustment services.

### ***One-Stop Career Centers***

One-stop career centers provide universal access to customer-driven government programs and services. Their goal is to integrate categorical, government programs and services into a comprehensive workforce development system with a single access point.

About one third of the states report that one-stop career centers have improved services to dislocated workers by providing a more efficient delivery system and streamlined access to comprehensive programs and services. Services include resource rooms with career information, computer terminals with data on services, and registration for programs. One-stop career centers in Missouri link five major service delivery systems—JTPA, employment security, social services, elementary and secondary education, and higher education—through computer networks at forty-one locations or colocation of JTPA and employment security staff at twenty-seven sites.

States also link one-stop services at specific dislocation sites. Some state dislocated workers units have implemented onsite readjustment centers where dislocated workers can immediately enroll and participate in readjustment services. With the help of laptop computers, portable printers, and modems, Utah is establishing mobile career centers to provide one-stop access and improve onsite services to dislocated workers.

Although many states implementing one-stop center systems indicate that services have changed, the types of services offered to dislocated workers at these centers do not necessarily differ from those offered to other economically disadvantaged individuals, such as welfare recipients. In most one-stop centers, services are based on a needs assessment.

### ***Resource Directories***

States are increasing communication between the public and private sectors to better coordinate services to dislocated workers. Resource directories provide information on government employment and training programs and identify ways employers can participate in these programs. The resource directory of North Dakota's DWU lists available government, organized labor, and business organization services to help respond to plant closings and layoffs. The state tries to provide rapid response services more efficiently by maintaining an ongoing working relationship with employers and organized labor. Texas has a similar initiative. Its statewide vendors' list facilitates local areas' quick procurement of vendors to help provide rapid response services. Massachusetts' automated management information system captures all company and client information collected from initial job referral contacts. These data are then linked to the state career and worker assistance centers to promote rapid response.

### ***Regional Rapid Response Teams***

States are using regional rapid response teams to provide information about employment resources, better coordinate government services, and assist employers in a timely manner. For example, Louisiana is developing eight regional rapid response teams. The teams will focus on employers' needs in a specific region and respond accordingly. Team members will be trained to provide information to employers about the public resources available to help them prepare and improve their workforce and avert dislocation, including Economic Dislocation and Worker Adjustment Assistance and welfare-to-work programs.

### ***Encouraging Labor-Management Cooperation***

States are encouraging labor-management cooperation to assist with their efforts to enroll and serve dislocated workers. They are promoting the establishment of labor-management committees, the use of peer counseling, and ongoing involvement with labor organizations.

### **Labor-Management Committees**

Employers and workers may choose to establish a labor-management committee (LMC) to facilitate rapid response efforts at specific dislocation sites. LMCs provide information about services, programs, and the labor market; promote early delivery of services; and encourage responsiveness to the specific needs of dislocation sites. They also assist with overall program coordination by increasing company, employee, and labor involvement during the transition period. This leads to greater job placement efforts and improved communication between employers and employees. Typically, LMCs are composed of workers and managers affected by the dislocation and are governed by a chair.

State dislocated worker units help create LMCs and advise them on operations. Often LMCs are established by a formal written agreement that can be terminated at any time by the workers, company managers, or Governor. Typically, the state and the participating company share the financial costs of establishing and operating a LMC.

Thirty-six states responding to the NGA survey report that they promote labor-management cooperation through the use of LMCs. States vary on when a LMC should be created, often considering whether the time constraints and the size of the dislocation will allow the LMC to play an active and meaningful role in the layoff. Some states, including Kentucky, encourage the use of LMCs at all dislocation sites, regardless of size. Other states favor the use of LMCs at larger dislocation sites because of the cost and time required to form a successful LMC. Some state strategies to build strong LMCs include the following.

- **Granting priority for the Governor's reserve funds to rapid responses involving a LMC. Idaho uses this strategy.**
- **"Selling" the benefits of LMC formation to the company experiencing the layoff. Ohio includes information promoting the creation of labor-management adjustment committees in its marketing materials distributed at all initial rapid response meetings. Kentucky also provides fact sheets to explain the LMC concept at initial rapid response meetings. These fact sheets often include success stories as well as strategies for forming a responsive LMC.**
- **Using a neutral leader to coordinate the activity of a diverse and representative LMC. Illinois, Michigan, Ohio, and Texas emphasize the importance of a neutral chair for the LMC. A diverse and representative LMC that can help assess the specific needs of a dislocation site can be more responsive. Many states include representatives of the employer, labor organizations, and employees as equal partners in developing strategy and in decisionmaking. New York uses rapid response specialists, community services center managers, and department of labor staff to access information about companies that may be interested in forming LMCs. The LMC concept often sells best with an engaged audience.**
- **Structuring the functions of LMCs. Mississippi has developed a *Rapid Response Operating Procedures Manual* to facilitate LMC development. The manual lists procedures, outlines roles and responsibilities, and includes sample documents.**
- **Allowing flexibility in the functions of LMCs. Some states indicate that the most successful LMCs are not guided by specific roles and procedures. For example, Indiana attributes its large number of operating LMCs partly to the fact that it does not require neutral chairs or formal written commitments.**
- **Training dislocated worker staff to build effective LMCs. Montana finds that training dislocated worker staff on how to operate an effective LMC helps them quickly build responsive LMCs.**

- **Forming areawide LMCs.** Areawide LMCs are permanent committees composed of business, labor, government, and school representatives that coordinate labor-management training workshops and conferences on topics such as conflict resolution, child care, and retirement. The size and composition of the areawide LMCs vary depending on the needs of the area they serve. Often areawide LMCs work with plant-specific LMCs during the rapid response period to determine the best strategy to serve affected workers and the community. Iowa has used areawide LMCs successfully to provide labor-management training in certain areas of the state.

### ***Peer Counseling***

Although almost all rapid response services rely on counselors, peer counselors familiar with the workers affected at specific dislocation sites can be very effective. Peer counselors assist their coworkers by sharing information about programs and services and encouraging early enrollment. Peer counselors help dislocated workers fill out forms, monitor their program attendance, and refer them to other services. They help maintain lists of all affected workers and track workers following termination.

Illinois has found that involving dislocated workers affected by layoffs in the rapid response service delivery process as peer counselors increases enrollment levels in available programs and promotes labor-management cooperation. The Illinois AFL-CIO Manpower Assistance Peer Counselor Program provides assistance to the affected local union at the dislocation site by identifying and selecting appropriate peer counselor candidates to refer to the service delivery areas (SDAs). Peer counselors must be affected workers at the dislocation site who have an established rapport with other dislocated workers. Selected peer counselors are appointed for three months in full-time, paid, temporary positions; an extension may be granted depending on the status of the layoff and the level of participation. During an intensive training session, peer counselors learn about SDA programs and services and service deliverers. In one dislocation event where peer counselors were used, the participation rate of affected workers increased to more than 90 percent.

### ***Ongoing Involvement with Labor Organizations***

Getting organized labor to cooperate at a dislocation site may be easier when the state promotes ongoing involvement with labor organizations. Twelve states—Alaska, California, Colorado, Idaho, Illinois, Indiana, Massachusetts, Missouri, New York, South Carolina, Wisconsin, and Wyoming— noted their ongoing relationship with the state AFL-CIO to involve labor in outreach and rapid response services. In California the AFL-CIO acts as an agent for SDAs in labor disputes and also provides technical assistance to LMCs. In Wisconsin the AFL-CIO is represented on the state Dislocated Worker Subcommittee and the Council on Workforce Excellence. Unions often advise rapid response teams. In Indiana the AFL-CIO assists with outreach and rapid response services at sites where collective bargaining occurs. In Kansas, although the initial rapid response meeting is conducted with the employer, unions are alerted to all rapid response meetings and are invited to help with rapid response activities.

### ***Increasing State Flexibility***

State employment security agencies and state dislocated workers units often use federal funds to provide programs and services to dislocated workers, though they must comply with federal requirements on the use of these funds. States can apply for federal waivers of Job Training Partnership Act and Wagner-Peyser Act provisions to help them provide services more effectively. These waivers can help create state funding mechanisms that complement federal programs but permit flexibility in program design. They also help states improve the organization and capacity of programs to serve dislocated workers.

### ***Waivers***

Waivers of certain federal provisions enable states to streamline service delivery processes. States with federal waivers report that they are using them to reallocate funds and provide new services not

included in federal law.

Eight states report that the waiver of cost category limitations helps improve services to dislocated workers. For example, Kentucky has a waiver that allows additional funds to be spent on analyzing customer satisfaction. New Jersey received a waiver to direct more funds to basic readjustment and support services. New Mexico has a similar waiver that permits additional funds for basic readjustment services.

Some states use waivers to provide previously unauthorized services to dislocated workers. For example, Mississippi, Ohio, Oregon, and Utah use waivers to provide posttermination services for dislocated workers. Missouri has a waiver to exempt eligible dislocated workers from reading and math tests that might preclude their participation in onsite, prelayoff job workshops. South Dakota has requested a waiver to allow stand-alone work experience for dislocated workers. Under a waiver in Vermont, an employer may hire an applicant for a period not to exceed two weeks to enable an evaluation of occupational suitability prior to executing an on-the-job training contract.

### **Supplementation of Federal Funds**

Although state dislocated workers units try to avert dislocations, it is impossible for a state to foresee all dislocations that may occur during a program year. Consequently, providing services in the most cost-effective manner is crucial. To prevent possible funding shortages, some states use state funding mechanisms to augment federal funds. Four years ago, only Indiana, Minnesota, Oregon, and Wisconsin chose to augment federal funds with state funds. Currently, sixteen states use state funding mechanisms to provide services to dislocated workers—Alaska, Delaware, Florida, Georgia, Indiana, Maine, Massachusetts, Minnesota, Montana, New Jersey, North Carolina, Pennsylvania, Rhode Island, Utah, Washington, and Wisconsin. States are using these mechanisms to provide additional training services, extend benefits, or promote timely notification of layoffs.

During the recession of the early 1990s, the Governor of Minnesota created a commission to determine how the state could raise additional funds to support dislocated worker programs. Based on the recommendations of the commission, Minnesota has secured additional funding specifically for dislocated workers by assessing a .01 percent additional reemployment insurance tax since 1991. This tax is capped at \$17.20 per worker per year. This mechanism supplies more funds for dislocated worker programs than the funds allotted to the state by the federal government. In New Jersey the Workforce Development Program is funded by reallocating a portion of employer and employee contributions to the Unemployment Insurance Fund. The New Jersey Workforce Development Board offers retraining grants of up to \$4,000 per individual.

State funds also are used to extend benefits to dislocated workers. In Pennsylvania state funds provide income support payments to dislocated workers who fail to meet the timeframe of the thirteen-week enrollment period. Washington extends UI payments for up to 104 weeks—less the original claim—if the dislocated worker is enrolled in a training program and is showing satisfactory progress.

### **Measuring Performance**

Independent of federal mandates, states are using multiple measures to assess the performance of dislocated worker programs. Federal regulations require only one performance measure—the entered employment rate. Twenty-seven of the states responding to the NGA survey evaluate program success by using a followup entered employment rate. The followup entered employment rate examines the employment status of dislocated workers typically at thirteen and twenty-six weeks after placement in a new job. Twenty-one states use a followup hourly wage. Sixteen states use a wage recovery rate, ranging from 75 percent of previous earnings in Maryland to 100 percent in North Dakota. Nine states use the average wage at placement.

States also incorporate feedback from firms and workers. Forty-three survey respondents report that they use a survey to gauge customer satisfaction with the programs and identify strategies that are working or need improvement. As trends in job displacement change during the next decade, states can build on proven strategies as well as experiment with new ones to assist all dislocated workers.

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## **Appendix: Survey Respondents**

Alaska	Montana
Alabama	North Carolina
Arizona	North Dakota
Arkansas	Nebraska
California	New Hampshire
Colorado	New Jersey
Connecticut	New Mexico
Delaware	Nevada
Florida	New York
Georgia	Ohio
Hawaii	Oregon
Iowa	Pennsylvania
Idaho	Rhode Island
Illinois	South Carolina
Indiana	South Dakota
Kansas	Tennessee
Kentucky	Texas
Louisiana	Utah
Massachusetts	Virginia
Maryland	Vermont
Maine	Virgin Islands
Michigan	Washington
Minnesota	Wisconsin
Missouri	West Virginia
Mississippi	Wyoming