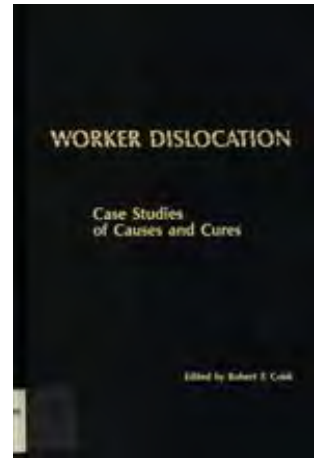


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The GM-UAW Metropolitan Pontiac Retraining and Employment Program (PREP)

Introduction

The Metropolitan Pontiac Retraining and Employment Program (PREP) is a joint union-management (GM-UAW) project. It was designed to provide assessment, job search, and training to 13,000 dislocated United Auto Worker members in the Pontiac, Michigan area who had been laid off from five General Motors plants. The project was originally funded out of fiscal year 1983 and transition year 1984 state Title III funds.

The Origin of the Project

The City of Pontiac, Michigan lies about 15 miles northwest of the city center of Detroit. Downtown Detroit is surrounded by white, prosperous suburbs on both the north and west sides. The Detroit SMSA and the labor market area consist of five counties arrayed in roughly a semicircle around downtown Detroit. The other part of the circle is Windsor, Ontario. Oakland County is the northwest quadrant of this labor market area and Pontiac constitutes a satellite center within the larger labor market.

Pontiac and Oakland County represent a microcosm of the Greater Detroit area in the sense that the City of Pontiac is heavily black and

very depressed, and it is surrounded in turn by very prosperous, white suburbs. This can be clearly seen in the unemployment rates for the relevant areas.

In 1982 and 1983, the entire Detroit area labor market was depressed due to the cyclical decline in the auto industry. The annual average unemployment rate in 1982 was 15.9 percent in Detroit, and in 1983 it was 14.6 percent. The City of Pontiac's annual average unemployment rate for 1982 was an astronomical 28.2 percent. This was due to a heavy concentration of auto installations in the Pontiac area. In July of 1984, when the total unemployment rate for the State of Michigan stood at 11.3 percent, the Detroit SMSA unemployment rate was 11.4 percent and the Oakland County unemployment rate was 10.2 percent. The City of Pontiac in July of 1984 suffered an unemployment rate of 20.2 percent, while the rates in such suburban communities as Farmington Hills, Royal Oak City and Southfield hovered around 8 percent. Labor market distress in Pontiac is worsened by the contrast to the prospering high tech- and service industry-oriented suburbs nearby. Pontiac is a pocket of black poverty in the midst of one of the highest income areas in the Midwest.

The general condition of the Pontiac labor market in the last few years has reflected large scale unemployment in the auto industry with up to 40 percent of production workers on indefinite layoff. At the same time, robotics and CAD/CAM suppliers are moving into the Southfield and Farmington Hills area to cater to the demand for such capital goods from the auto industry. This has led to an alteration in the job outlook for both blue-collar and white-collar workers. There is more demand than ever for highly skilled and highly specialized sales and service workers while there has been less and less demand for unskilled and semiskilled manufacturing workers. However, the last 12 months prior to this study in the fall of 1985 have shown significant improvement in employment, even within the manufacturing establishments, as the auto industry has recovered to more normal employment levels.

Among the many plant closings in the Pontiac area were two of the plants from which the eligible population for this project was drawn.

A Fisher Body plant in Pontiac has closed permanently. As will be discussed later, this is balanced in the current situation by the opening of the new General Motors plant within the City of Pontiac. In addition, a plant that was thought to have been closed permanently, Pontiac Plant 8, is now being refitted for G-Car production and will be hiring some 2,500 workers over the next few months.

State Organization of Title III

The Governor's Office for Job Training (GOJT) is the organizational unit responsible for Title III. It was created in response to JTPA. This office is part of the governor's executive staff, and the director of the Governor's Office for Job Training has direct access to the governor. The Bureau of Employment and Economic Development (BEED) in the Michigan Department of Labor has responsibility for contract administration, including the data reporting requirements imposed by the Act. This agency is also responsible for administering the Title IIA program in the State of Michigan.

This description makes the situation sound somewhat more regular than it actually is, however. The Governor's Office for Job Training oversees contract performance in the areas of retraining and job creation. The BEED's responsibility is primarily on the fiscal management side. There are some obvious problems inherent in this division of responsibilities, which represents the outcome of an earlier dispute over control of JTPA within state government. With the recent turnover of the directors of both the Governor's Office for Job Training and the Michigan Department of Labor, it is anticipated that further rationalization of this organizational structure may occur in the near future.

There is no single focus to the Michigan Title III program. In general, the Michigan Job Training Coordinating Council (MJTCC) expressed an intense interest in the economic development goals of the state and set aside 25 percent of Title III funding for that purpose. However, it is also clear that the existing political and economic realities and the historic importance of the auto industry in the State of Michigan shaped the decisions of the MJTCC and GOJT.

In the first round of decisions for FY 1983 and transition year 1984 funds, the auto industry had a preferred position. Just over 50 percent of all Title III allocations for the first year went to three auto projects (\$5.74 million out of a total of \$10.98 million). The Chrysler Learning Project received \$1.5 million against \$3.38 million in matching funds to retrain 500 displaced Chrysler workers. The UAW-Ford National Development and Training Center received \$1.85 million against a \$1.6 million match to retrain 860 displaced Ford workers. The Pontiac GM-UAW PREP project received \$2.39 million against \$2.51 million in match to retrain 2,280 dislocated GM employees.

The Governor's Office for Job Training used an RFP process to distribute the Title III resources. This was not a regular procedure since this was a new agency and there was considerable delay in setting policies. In addition, the process was held up by the internal disputes between the new agency and the Michigan Department of Labor as to the roles each was to play in administering JTPA funds in the state. The result was that GOJT was overwhelmed with proposals before it ever actually released an RFP.

No funds were allocated on a formula basis; however, the auto industry obligations could be considered an informal set-aside for Michigan's largest industry which was in desperate trouble at that time. The Title III Subcommittee of MJTCC indicated in August 1983, that a "substantial majority" of the 75 percent of Title III funds remaining after the economic development priorities were satisfied would be available for joint and/or large management-labor Dislocated Worker Programs.

The original policy statement for Title III indicates that the state did not establish eligibility criteria beyond those in the Act. The state did establish priorities for funding; leveraged proposals, and those which included training for specific jobs with specific employers requiring specific skills were given the highest priorities. Further, both geographic and industrial diversity was sought.

There is no indication that the state tried to influence the mix of services for its Title III programs. Rather, the competitive RFP process was designed to help illuminate the needs of displaced workers in the state and the GOJT saw its task as choosing the winners from the competition. The governor's special services plan did not impose any service requirements on Title III operators.

The state does maintain performance standards for Title III projects. The overall goal is an entered employment rate of 55 percent, adjusted according to the expectations in the particular labor markets faced by the clients of the various projects. However, this does not constitute performance-based contracting and the standards are treated as goals rather than requirements.

The Nature of the Project

The GM-UAW Metropolitan Pontiac Retraining and Employment Program (PREP) is the recipient organization of the Title III grant. This is a joint labor-management effort with two equal co-directors, one from each organization. For the most part, PREP runs the program on its own. Some of the program has been subcontracted, but not a major share. As it was created for this purpose in 1983, PREP had no previous experience in operating employment and training programs. However, with a first year budget of \$4.7 million, it had no trouble hiring people with the requisite experience. It also hired some displaced auto workers for the PREP staff.

There are significant linkages between this project and other components of the employment and training system but this largely reflects the size of the PREP program. Nonfinancial agreements exist with the Michigan Employment Security Commission, the Department of Social Services, the United Way, the local Vocational Rehabilitation Office, and the two PICs in the area. For the most part, such agreements represent the outreach efforts by PREP to locate and inform eligible UAW members of its existence.

Virtually all local training organizations are in intermittent contact with the PREP personnel; this is because they are trying to tap into the PREP funding sources. PREP takes a careful approach to these initiatives, as it is unwilling to be seen as the source of handouts. The various employment and training programs are not coordinated at this point because they are serving different populations with different needs and with different objectives in mind.

For the purposes of the Pontiac Retraining and Employment Program, a dislocated worker was defined as a UAW member with contractual recall rights (90 days minimum employment) on layoff from one of five General Motors plants in the Pontiac area. As of the summer of 1983, this involved a potential eligible population of 13,000 displaced workers. At the beginning of the PREP program, it was anticipated that it would take three years to retrain and place all these auto workers.

The prior wage levels of the UAW members were above the average in the local economy. However, Pontiac is basically a GM town, so the wages were typical for UAW members. Most of the laid-off UAW members would be in the semiskilled category. Some of those with the least seniority who were included in the earliest layoffs could be regarded as unskilled. There would be few, if any, skilled trades workers among those laid off by GM who would not have been recalled by the summer of 1983.

When this program began in the summer of 1983, it was generally accepted that UAW members, some of whom had been laid off since late 1979, were permanently displaced from their jobs in the auto industry. The 1982 GM-UAW national contract agreement set up a fund for the retraining of such workers with an employer contribution of 5 cents for every hour worked by UAW members (the "Nickel Fund"). The GM-UAW PREP project was funded jointly by this Nickel Fund and by the GOJT allocation of JTPA Title III funds. Roughly half the total funding of \$4.7 million was expected to come from each source. Thus, the joint funding from the GM-UAW contract and the State of Michigan's Title III allocation seemed to provide the opportunity for

retraining some of those 13,000 displaced auto workers for other employment.

Even before state funding was finalized, a retraining program was begun for auto workers in Pontiac to be trained as industrial sewing machine operators for a GM trim plant in Grand Rapids. The training was subcontracted out and a total of 260 auto workers were eventually placed in the Grand Rapids facility. Since the contract was not yet finalized with GOJT, the workers were required to pay their own relocation costs in Grand Rapids. Reports indicate that a good deal of hardship resulted, but the feeling was that these auto workers had no future in Pontiac and the GM-UAW contract did not allow expenditures for relocation. The Pontiac workers who relocated to Grand Rapids were required to relinquish all recall rights to their original jobs. Base pay in Grand Rapids was \$9.63/hour, but still only one prospect in six was willing to relocate.

Because of the continuing delays in finalizing a JTPA Title III contract in Lansing, the PREP project began to go more slowly in planning retaining and reemployment efforts. At the same time, the fortunes of GM, and Pontiac in particular, picked up remarkably. The result was that the supposedly displaced workers were being recalled by GM more rapidly than they could be trained for alternative employment. In addition, since everyone understood that the best alternative employment might require wage sacrifices of one-third or more compared to their former auto industry jobs, few displaced workers were anxious to volunteer for retraining. In the final analysis, the delays in Lansing may have prevented attempts to retrain workers who, it turned out, were shortly to be recalled to their old jobs.

Changing Project Direction

When this observation of the PREP project took place in November 1984, they were testing and evaluating the last of the 13,000 project eligible laid-off auto workers in Pontiac. These workers were being prepared to return to work early in 1985 at the refurbished Pontiac G-Car plant. They had been laid off exactly five years previously in

November 1979 in the earliest wave of auto layoffs. Some had only a few months GM experience, as they were a part of the employment buildup in the auto industry in 1978 and early 1979. While this could not have been anticipated in the summer of 1983, it is nevertheless the case that the recovery of GM sales and the opening of two new Pontiac Motor Division plants in Pontiac (the Fiero plant and the G-Car plant) plus the GMAD-ORION plant nearby, served to effectively absorb the displaced auto workers in a relatively short period of time.

The current program, as it relates to the 2,500 G-Car employees, can be regarded as illustrative of the PREP mission at this point in time. The former auto workers are being assessed, tested, and re-enrolled as GM employees at the PREP facility. Those who require very basic remedial education are being targeted for a new program at the Wisner School which will provide remedial education required to make them functional in the new Pontiac plants upon their return.

The remainder are being slotted into a three-week G-Car orientation program at the Wever School facility, which is maintained by PREP. This is not a traditional skill training program, but an attempt to change the attitudes of both supervisors and assembly workers. The purpose is to mold the "new auto worker," one appropriate to a more participative and cooperative labor-management environment. The trainees are being exposed to statistical process control and other quality control concepts but the primary objective of the training is to produce a new winning attitude among the employees of the Pontiac Motor Division. PREP is performing these services under a \$1.5 million contract with the Pontiac Motor Division. Some enrollees and some services can be funded with Title III money, but most of the activity is funded privately.

The GM-UAW PREP project was really never fully implemented as proposed because of the rapidly changing employment situation described earlier. The project expected to conduct skill training and outplacement services for displaced auto workers and instead ended up being an intake and assessment service for recalled auto workers. This accounts for a placement rate of 93 percent overall with very low cost per entered

employment. On the other hand, it also presents a problematical future for PREP itself, which is exploring two different future modes. The first is reflected in the expansion of the eligible population to the statewide base of displaced auto workers. This would give PREP the possibility of reaching out to Flint, Saginaw, or Detroit to channel displaced auto workers in those sites into GM or other jobs. It also is possible that PREP will develop a mission within Pontiac Motor Division as the locus of intake, assessment, training, and retraining for Pontiac's workers.

The only adjustment in the population to be served concerns the treatment of the more senior and the less senior UAW members. Originally, the most senior GM employees were targeted for services. But as the recalls overwhelmed the ability of the project to prepare people, the focus eventually switched to the least senior. The concept was to move to the end of the recall list to find those auto workers with the least chance of returning to their former jobs.

The private sector involvement in the PREP program is dominant. While the original budget was roughly half private money, of the funds expended through October 31, 1984 only about 28 percent are public monies with roughly 72 percent being GM-UAW nickel-per-hour contract funds. In fact, this is one of the major complications of the Pontiac program since there are two funding sources and two bookkeeping systems, but really one integrated program. Charges are allocated according to the eligibility of the particular dislocated worker being treated and according to the program activity.

The PREP program is definitely a joint union-management program. The co-directors represent the two constituencies and the board of directors of PREP is divided equally between the company and the union. The Nickel Fund itself was an item negotiated between the union and the company in the 1982 contract.

Service Provided

The service sequence has varied with the needs of the individuals and to some degree the needs of the company. There have been three broad

types of treatment: the original industrial sewing training group (n=342), an employability skills training group (n=75) for those who did not want to return to GM, and the OJT group (n=1,749) representing those who have been recalled to GM facilities. Since the major emphasis of the program to date has been on this last group, that service plan will be described.

The PREP program for the Pontiac G-Car recalls is as follows. The first major task is to locate the prospective dislocated workers. These people have been laid off for almost five years and locating them is by no means easy. As an example, in the Grand Rapids sewing machine project, letters were sent to 1,800 UAW members, of whom 700 (39 percent) could not be located.

Second in the sequence are two one-day sessions involving intake, assessment, and feedback to the clients. Prospective enrollees are assessed for eligibility for JTPA assistance under Title III, and the Michigan Occupational Data Analysis System is administered to determine their skill level. The Test of Adult Basic Education is also administered. It is interesting that the GM-UAW PREP project will be able, as a result of the testing, to help the company design training projects appropriate to the general skill level of the workers. This may not be possible in the absence of the joint union-management administration of this program. One week later, enrollees return to get the results of the testing and to be assigned to treatment groups. Counseling is also administered at this time to motivate the clients to consider their worklife preferences.

Stage three is the orientation program mentioned earlier. Some workers are slotted for basic remedial education classes at the Wisner School but the bulk of them go directly to the three-week orientation in the G-Car program at the Wever School. The emphasis is on team building, learning to trust your fellow workers, and understanding the importance of a quality product (a "world class" car). Workers coming out of this program understand that their personal prosperity is tied to the success of the product in the marketplace.

The services are quite basic. The training at the Wever School is classified as OJT, but is primarily an orientation to the new product and the new attitude required of Pontiac Motor Division employees. The remedial classroom training had not yet commenced at the time of this observation. Basic reading and arithmetic are planned. The various classes of clients throughout the first year of operation of the Wever School orientation program received training varying from three to five weeks in length. At the time of the observation, the standard was a three-week stint. The question of specific skill training is made much more difficult because of the simplicity of the job classifications in the new General Motors plants. There are two blue-collar job classifications at the GMAD-ORION plant and three at the Pontiac Fiero plant. One part of the new General Motors strategy is to eliminate the former complex and rigid job hierarchy within the plant.

The PREP project also has a two-week employability skills component with an optional extension to three weeks. This component is for those who prefer not to return to GM. The first week involves resume preparation, coping skills, etc., while the second week involves job search skills. However, virtually all the current clients are being recalled to jobs with General Motors, so it is not clear which clients will be going through the employability skills program in the future. Basically, this element of the PREP program has been undermined by the recall to employment for these clients.

Characteristics of Participants

As indicated earlier, the participants in the PREP program are former General Motors employees and UAW members. For the most part, they held assembler jobs in the auto plants. Eligible participants were enrolled according to seniority lists until it became clear that most unemployed auto workers in Pontiac would be reemployed by the G-Car project. Then the priority was switched to those who were about to fall off the five-year recall cliff and lose all rights as former General Motors employees. Individuals without the requisite level of reading and

arithmetic skills are slotted for additional training but will be recalled to the plants as well.

Table 3-1
Characteristics of Participants in the GM-UAW Metropolitan Pontiac Retraining and Employment Program through October 30, 1984

Characteristic	Number	Percent
Total	2,189	
Sex		
Male	1,493	68
Female	696	32
Age		
Youth (under 22)	12	1
Adult	2,177	99
Race		
White	1,482	68
Black	567	26
American Indian	21	1
Asian	13	1
Hispanic	106	5
Employment barriers		
Veteran	139	6
Handicapped	15	1
Receiving assistance		
UI recipient	37	2
Welfare recipient	248	11

These displaced GM workers are an entirely different population from those eligible for Title IIA. They are older, more male, less minority, and much less likely to be UI recipients at the time of enrollment. The latter is due to length of layoff as most are UI exhaustees. Table 3-1 shows the client characteristics reported from the start of the project in September 1983 through the end of October 1984. These characteristics reflect the fact that these are experienced workers who had held good jobs in the primary labor market at some point in the past.

Program Outcomes

As described above, the participants are being placed back into the General Motors plants in Pontiac, so this arrangement is most similar to prior agreements with particular employers to hire program participants. But in fact, this program goes far beyond that. In a real sense, the PREP program is a location, assessment, and reorientation program operating at the request of and for the benefit of a private employer. The bulk of the money expended to date on the program has also come from the coffers of that private employer. In a narrow sense, the program is extremely effective, since low cost and high placement rates have been secured. However, it **must** be pointed out that the challenge has not been anything like what was expected. While all anticipated that these GM-UAW workers had been permanently displaced, in fact it turned out they had not. The challenge for PREP has been to carve out a new mission for the organization in the face of a vanishing clientele.

Interestingly, relocation expenses are not allowed in the GM-UAW contract for workers who have lost their seniority recall rights. Thus, Nickel Fund money cannot be used for these purposes. One of the possible missions for the PREP program in the future is to act as the relocation allowance grantor for the General Motors employees who do need to be relocated to other plants. The fact that all Pontiac UAW members who could be located have gone back to work may end up benefiting GM employees in other sites where all workers have not been so lucky.

Wage data at original layoff were not available on an individual basis. The average wage at placement is the GM entry wage of \$8.50 to \$9.00 per hour, so there is probably little or no wage loss. Costs per placement are estimated at \$900 to \$1,000. To date, the overall placement rate is 93 percent.

However, as discussed earlier, the placements are back into General Motors facilities into the same kinds of jobs from which these workers were laid off four or five years earlier. The project has a state-imposed entered employment rate standard of 70 percent. There is also a clear recognition that performance will play a role in the allocation of funds for the next fiscal year.

Overall Assessment

The Pontiac GM-UAW PREP project experience raises some very difficult policy issues that occur in Displaced Worker Programs. The ultimate issue is, "When is a worker on layoff from a cyclical industry truly displaced?" When this project began operation in September of 1983, very few observers believed that the UAW members who had been on layoff in Pontiac for three to four years would ever return to their jobs. That was the reason for the JTPA Title III award in the first place.

As it turned out, however, most of those workers *were* recalled. With the benefit of perfect hindsight, it is now apparent that the displaced auto workers were not permanently displaced, but were simply on longer term cyclical layoff than had been experienced in the auto industry previously. Whether this is a new cyclical pattern or an historical anomaly will not be known for many years. The policy question is "What is the optimal intervention strategy for workers in this situation?"

Retraining is the usual response, but it is probably not realistic to try to retrain auto workers to a point where they can attain equivalent earnings in other sectors of the economy. It would not be cost effective to try to do so. There is also some question whether it makes sense to retrain laid-off auto workers for other jobs and then in a year or two train entirely new auto workers when employment returns to former levels. Thus, one might argue that the most appropriate intervention for many of these workers may have been more generous income maintenance programs (either public or private) to tide them over longer layoff periods. But, then, how are the workers (or policymakers) to decide when it is time to give up and look for some other opportunity?

There are two lessons to be learned from this experience. The first is that we should make every effort to be sure that displaced workers *are*, in fact, displaced and they themselves understand that they are displaced. It is possible that some of the GM workers had a more accurate assessment of their future recall chances than did employment and training authorities. This is not to denigrate the efforts of those who

were trying to assist them. It is not an easy matter to determine when a worker is truly displaced. But it is also not easy to retrain workers for lower wage jobs when they believe they still might be recalled.

The second lesson is that the attitude of the displaced worker may be the most important factor of all. Some displaced auto workers chose to leave the industry, never to return, rather than wait to be recalled. With each severe cyclical employment drop, some workers lose heart and decide a more certain income stream, even though more modest, may be a better strategy. It seems clear that there could be a need for a program to retrain and place such "volunteers." Moreover, such a program should be much more individually oriented. The individual should be assisted in choosing training appropriate to his or her situation without attempting to enforce class-size or larger treatment groups.

While it is easy to second guess a program design after completion, it does appear that there were two different kinds of displaced workers in Pontiac. One group simply wanted income maintenance to keep body and soul together until the inevitable (in their mind) recall to their old jobs. The other group, who wanted to leave the area or the industry, probably did not receive assistance in time and made their own way as best they could. This suggests the necessity for a program with a broader focus to accommodate the diverse needs of the participants.

It is to the considerable credit of the PREP program operators that they did not persist with their original design in the face of a rapidly changing world. While they may have been assisted by resistance on the part of the clients, they nonetheless showed a clear orientation to the best interests of both General Motors and the UAW members by declining to engage in training simply for the sake of spending the funds.

Over a period of six months or so, the program found a new need under the General Motors umbrella and reoriented itself to providing the workers with the attitudes required to help build the new General Motors. The fact that this is being done under the aegis of a joint union-management program is probably critical to its ultimate success. Clearly, the typical production worker in the auto industry does not trust the

company to look after his interests. But when the company and the union together fund a program that urges him to come back to work with a fresh new approach, tremendous changes in attitude are possible.

The enthusiasm and commitment of the instructors at the Wever School are inescapable testament to this kind of new beginning in the auto industry. Their stories illustrate that at least some, and perhaps a majority, of participants in the PREP project are going back to work with new attitudes and a new approach to the acquisition of new skills in the plant.

The testing and assessment being done at PREP could prove invaluable in designing effective training programs for employees in the plant after recall. It is no exaggeration to say that this kind of information could not have been accumulated on an experienced unionized labor force by the company acting on its own. Once again the joint union-management administration emerges as the key element to the success of the program.

The original contract for the PREP project was written to run from September 1983 through the end of November 1984. It has been extended twice and now will run through the end of March 1985. At the time of this observation in mid-November 1984, only about 23 percent of the Title III allocation had been expended. (Nearly 60 percent of GM-UAW Nickel Funds had been spent, however.) With pressure exerted from the U.S. Department of Labor on the State of Michigan to ensure that these monies are expended in a timely fashion, it is possible that the contract will not be renewed. In the sense of serving the needs of the original Pontiac displaced workers, this is probably appropriate. The company and the union may continue funding this program out of their own funds in any event. If this scenario develops, the GM-UAW PREP project may become one of the few JTPA Title III projects to become a permanent self-sustaining activity in the private sector.