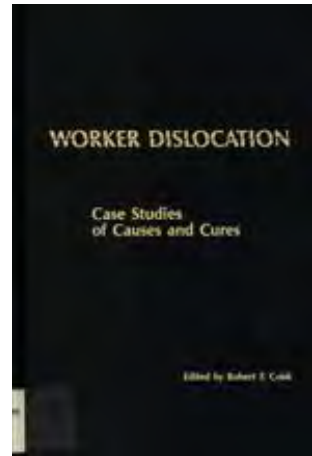

Upjohn Institute Press

The Cummins Engine Company Dislocated Worker Project

Duane L. Sorensen
Indiana State University



Chapter 2 (pp. 15-30) in:

Worker Dislocation: Case Studies of Causes and Cures

Robert F. Cook, ed.

Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1987

DOI: 10.17848/9780880996181.ch2

The Cummins Engine Company Dislocated Worker Project

Introduction

The grant recipient for this project is the Cummins Engine Company, a manufacturer of diesel truck engines located in Columbus, Indiana. The project was designed to provide job search and training to 850 dislocated workers laid off from Cummins and other firms within a three-county area in southern Indiana that surrounds Columbus. The Cummins Engine Company has manufacturing facilities in all three counties.

Background

In order to understand the context of this project, some background on the company and the community is appropriate. The Cummins Engine Company, the world's largest provider of diesel truck engines, was founded in Columbus in 1919. Although it has production facilities in a number of countries worldwide, the corporate headquarters are in Columbus, a city with a population slightly in excess of 30,000.

Two aspects of the Cummins Engine Company/Columbus, Indiana relationship are important to this context, one corporate and the other personal. First, the Cummins Engine Company is the largest employer in the three-county area. The company has a history of "progressive" management and, as a consequence, is often mentioned in the industrial relations literature. Independent unions represent its employees and wage rates are above those in this otherwise rural and nonunion area.

The personal side of this relationship is the former chairman of the Cummins Engine Company. The chairman, his family, and the Cummins Foundation have supported, directly and indirectly, the development of the Columbus environment. As an example, in the 1950s an agreement was reached between the Cummins Foundation and the school board by which, if the school board employed internationally known architects in the design of needed school buildings, the Foundation would provide the architectural fees. The local architectural tour now includes 47 public, religious, Cummins Engine, and other private facilities and works of sculpture. All of this is the result of corporate/individual citizen cooperation that emphasizes the development of the community.

The Local Labor Market

The local labor market (for the purposes of this project) comprises the following Indiana counties: Bartholomew, Jackson, and Jennings (all part of the larger Indiana Employment Security Division's Region 11). The City of Columbus, in Bartholomew County, is the largest urban center in the region. This area is part of a larger southern Indiana labor market, bounded by Cincinnati, Ohio; Louisville, Kentucky; and Indianapolis, Indiana, in which there is a substantial amount of commuting. Nearly 7,000 people commute to Bartholomew County, with nearly half coming from Jackson and Jennings Counties. The primary displacement in the region has occurred in these three counties.

When this project was being proposed (August 1983), the unemployment rates were 10.1, 12.2, and 12.2 percent for Bartholomew, Jackson, and Jennings counties, respectively. By the time the project started in January 1984, area unemployment was peaking for those counties at 11.2, 13.1, and 15.0 percent. Aided by a call-back at Cummins Engine Company in February-March 1984, the situation improved significantly. The June 1984 figures were 7.3 percent for Bartholomew, 9.0 percent for Jackson, and 9.5 percent for Jennings. This trend continued as the data for October 1984 show: Bartholomew, 6.3 percent; Jackson, 7.1 percent, and Jennings, 7.2 percent.

The most significant plant closing in the past two years (1984-85), at ITT-Thompson, left about 170 persons unemployed. Another firm, employing 60 persons, moved, and numerous small plant closings in the three-county area have left another 250 to 300 persons unemployed. Most significant to local employment have been layoffs, not closings. One firm, Golden Foundry (a supplier to Cummins), lost about 700 jobs. Three other firms account for another 250 jobs; Cummins still had approximately 1,500 workers on layoff as of the fall of 1985.

In spite of these and other negative examples, the local labor market has improved significantly in 1985, but still is not at prerecession levels. There are no major new areas or industries showing growth. The bulk of the improvement comes from rehiring. The largest growth area seems to be restaurants and some hotels. There is one small electronics/mechanical engineering firm that is increasing its business through development of new products, but this amounts to an increase of only about 35 jobs. Como, a plastics firm making styrofoam for the packaging of products, has increased employment by about 200 in the last 18 months. A food processing plant has increased employment by about 250, but these are on-call positions, not full-time employment.

Unionization is not very strong, although all the major plants have unions. Many workers are members of unaffiliated or local unions. There is not a strong pronoun feeling in southern Indiana.

Local average wage rates are fairly high, principally because of Cummins, where starting pay for a janitor is \$12.00 per hour. Arvin, a manufacturer of automotive exhaust systems, has an average pay scale of \$7.00 to \$8.50 per hour. Local wage rates are comparable to the state average manufacturing wage rate.

State Organization of Title III

The Indiana Office of Occupational Development is responsible for funding and program administration of both Title III and Title IIA. The executive director reports directly to the governor. Program emphasis

is directed within the framework of economic development, the major thrust of the governor during his first term in office beginning in 1981.

Early in transition year 1984, funds were allocated on a project-by-project basis. In essence, these were experimental projects. The criteria were major closings and/or layoffs and the total economic impact on the community. Subsequently, a statewide allocation formula has been developed, but it has no direct bearing on this project.

The state had no fixed criteria as there were different circumstances in different communities. The economic impact may differ depending on the size of the layoff/closing relative to the size and industrial structure of the community. Eligibility criteria had to be justified in the proposed plans.

The state did not try to influence the mix of services. State staff admit that they “really didn’t know the best way” of serving dislocated workers other than the feeling that there should not be a total reliance on job search given the industry-specific or rural setting of the projects.

Performance standards were negotiated with each project. Generally, there was a placement rate requirement of 50 to 70 percent; a cost per placement of less than \$7,000; and requirements that the project not be overly duplicative of other services, and that it provide for coordination with other agencies and service operations in place.

A dislocated worker was defined as a worker who was laid off or terminated from a private business establishment and who was eligible for unemployment compensation, or who had exhausted unemployment compensation.

The Cummins Company came to the state to inquire about possible assistance for the area prior to the implementation of JTPA at the state level. Cummins saw a need in the area, not only for their own dislocated workers affected by world competition, but for those of other firms as well. The project was chosen as a pilot project among others in the state. The interest from the state appears to be that there was a need and that

“something could be learned” working with a private firm—especially one with the favorable public relations image of Cummins.

Cummins staff prepared the grant proposal. Personnel from Cummins played a major role in identifying the problem and developing the proposal and the program concept. This included sending a team of people to examine the Downriver Community Conference Dislocated Worker Demonstration Project in Michigan. The Cummins program is operated under the auspices of an advisory board of 15 members. Five members are from Cummins, two from Golden Foundry, and the balance from the local Chamber of Commerce, the mayor’s office, the local vocational education agency, the Employment Security office, and the Indiana Office of Occupational Development. Consequently, there is a strong private sector influence.

The Nature of the Project

Cummins Engine Company is the grant recipient. The company, in turn, subcontracted program operation to Brumbaugh, Scott, & Associates, a private consulting firm. Brumbaugh, Scott, & Associates are responsible for all day-to-day operations of the program except the job clubs. This activity was subcontracted to Charles W. Jagers & Associates. Brumbaugh had experience with CETA and the human resource services field; Jagers also had some CETA and human resource development experience.

A contract with Employment Security provides a wage history on each candidate coming into the program. In addition, a staff member from Employment Assistance Service, a subsidiary of Brumbaugh, Scott, & Associates, is provided office space in the Employment Security offices in the targeted areas. These individuals also have access to the master employer file in the Employment Security office.

Depending upon the interest of the candidates (they are not referred to as participants or clients) in skill upgrading or skill retraining, coordination and cooperation exists among all educational facilities within the region.

Candidates may work through the Area 11 Agency on Aging if they are 55 or older and desire to do so. This agency also operates a job club for candidates over the age of 55. Outside of the specific contracts, coordination depends on the nature, interests, and requirements of each candidate.

Two advisory board members from Cummins represent unions. There was no mention of any problems associated with the unions, nor was there any mention of strong union support. It must be remembered that the world headquarters of Cummins is located in a southern Indiana town of approximately 30,000 people.

No particular group is targeted for a service other than the previously stated criteria for eligibility. The initial contact must come from the individual (i.e., either walking through the door or sending in a postcard in response to newspaper advertisements). Participants come from many varied industries in the area. The major industries, in terms of percentage of participants, include Cummins (17 percent), Golden Foundry (3 percent), ITT (4 percent), and Stadler Packing (11 percent). One reason Stadler (a relatively small firm) accounts for such a high proportion of participants is that the workers were contacted within three weeks after the doors shut. In most other cases, the closings or layoffs took place up to two years before the program was started.

No particular firms or industries are targeted for placement. This is primarily because there is no single or small set of industries experiencing substantial growth in the area.

Services provided include assessment, job search skills, job club, classroom training, OJT, and placement. Placement is the ultimate goal. The project has been implemented as proposed except that the eligibility requirements can be satisfied by either residence in the three counties or being laid off from an industry in any of the three counties. This is in response to the recognized commuting patterns within the larger labor market area.

The Eligible Population

Workers targeted for the Cummins project were laid off from one of several sources in the Bartholomew, Jennings, and Jackson county area. They included: Cummins, 1,500; Golden Foundry, 700; ITT (North Vernon, factory closed), 170; Amoco Containers (Seymour, factory closed), 200; small factories closing in Jackson County, 200; Arvin, Cosco, and Reliance, 170; and, other small businesses (fast food, grocery stores, manufacturing firms, and small retail firms), 500. This comes to a total of 3,440. These estimates were prepared by the Employment Security Division.

Only workers who meet the following two general criteria were considered for enrollment:

- (1) They have been or will be laid off or terminated from a private business establishment located in Bartholomew, Jackson, or Jennings County. (This was later modified to include residents of the three counties who may have been laid off from firms outside the counties.)
- (2) They are or will be eligible for unemployment compensation, or have exhausted their unemployment compensation.

The specific selection criteria to determine who will enter the program are as follows. Eligible individuals:

- have experienced long spells of unemployment from a “base” job within the past four years;
- want to work in a high demand occupation and have skills or are trainable in those skills;
- attend and participate in pre-enrollment sessions;
- are unemployed from a “base” job in a business that has been closed;
- have no recall rights or seniority in their former job; and
- have no notification of being recalled to their former job.

The total project population included union and nonunion members as well as skilled and unskilled individuals. However, the bulk of the workers in the area are characterized as semiskilled to unskilled. Golden Foundry, which laid off 700 individuals, is noted for hiring the unskilled and uneducated. Prior wage levels were above the area average in some instances and below in others. Generally speaking, prior wage levels for project participants (aside from those at Cummins) are in line with the average in the area.

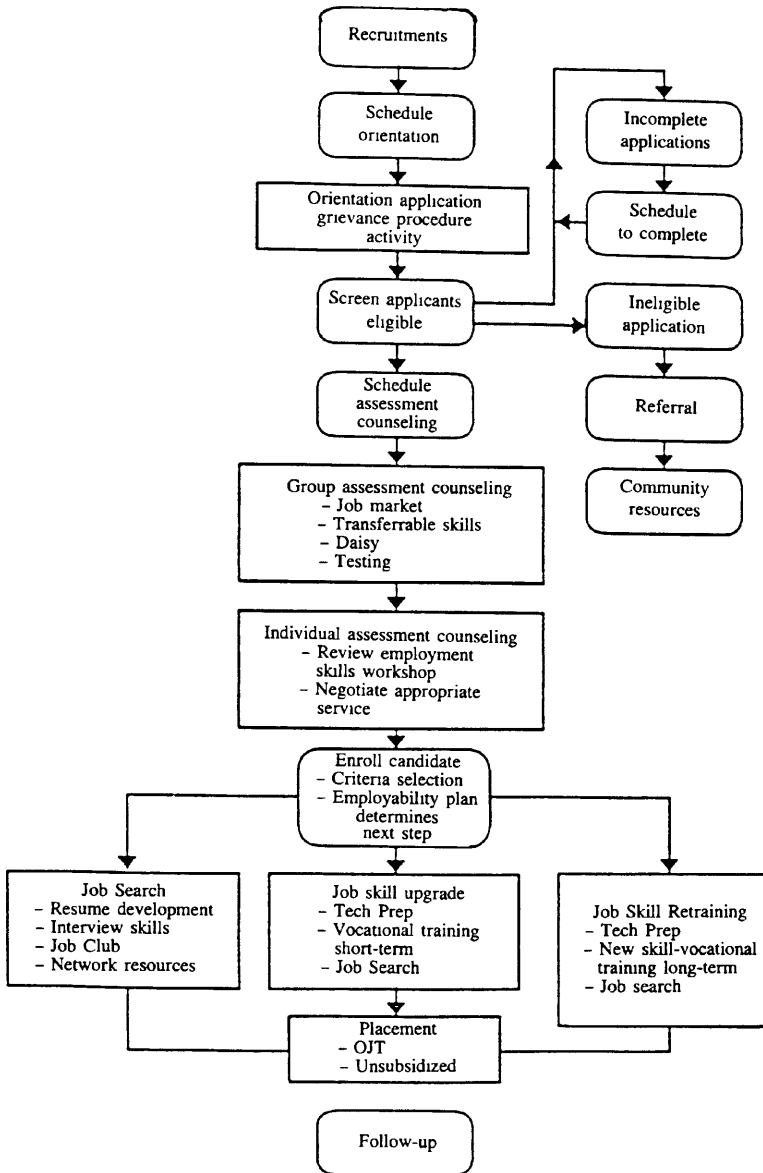
Program Services

Once an inquiry is received from a potential candidate, a half-day orientation workshop is scheduled. At this workshop, an overview of the program is explained along with the eligibility requirements. If the individual is interested, an application is filled out. All applications are checked through Employment Security to verify eligibility, i.e., employment and wage history.

At this point, a three-day workshop is scheduled for eligible applicants for group assessment and individual assessment counseling. The group assessment includes discussions on the job market, transferrable skills, self-evaluation and testing. Individual assessment includes a determination and negotiation of an appropriate service package.

The responsibility is always on the individual. It is up to the individual to make the initial contact, to attend the orientation, to attend the three-day workshop and, finally, to decide to enroll in one of the three basic alternatives. He or she must show motivation within the framework of "What do I want to do?" A basic philosophy of the program is that the candidate is a "well" being, with a history of being responsible, going to work, supporting a family, and paying taxes. With dislocation, he or she loses a meaningful routine of life. Therefore, the program is designed around the individual and his or her decisionmaking capabilities and not the individual molded into a specific program function. Exhibit 2-1 shows the decision points and flow through the program.

**Exhibit 2-1
Cummins Project Participant Flow Chart**



At the third (enrollment) stage, the candidate may decide whether or not to continue in the program. Even if the decision is to not continue, the individual still leaves with something in hand. The process of group and self-evaluation, including goal-setting, has been completed. The participant who decides not to continue has considerably more information about him or herself and the job environment than before contact was made. The reason for this procedure is that an original requirement of the Advisory Board was that "everyone goes away with something."

If the decision is to continue, the candidate will choose from one of three alternatives; job search, job skill upgrade, or job skill retraining. Job search includes resume development, interview skills development, joining a job club, and networking sources. Job skill upgrade is typically technical preparation or short-term vocational training. Job skill retraining also includes technical preparation and long-term new skill vocational training. The desired result is placement in OJT or unsubsidized employment.

At the end of December 1984, the distribution of participants was 20 in assessment, 108 in training, 263 in job club, and 26 in OJT. Given the voluntary nature of the program and participation in various program services, this represents a clear preference on the part of candidates for immediate job search over training. The program is candidate driven; that is, it depends upon the interest of the candidate after the group and individual assessment.

In terms of OJT, the general breakdown is approximately 50 percent in manufacturing and 50 percent in services. Manufacturing encompasses primarily production, tool and die, and job shop finish work. The service element ranges from office work to restaurant jobs.

Classroom training or skill upgrading is open. Anything available in the area, or outside it for that matter, can be selected by the candidate as long as it is related to the individual's preference and has potential for job placement. Four specific programs were established locally in the areas of nurse aid/home care, food service, industrial training, and

business education. Enough participants were interested in each of these four areas that special programs were developed. Program length varies with the participant and his/her needs.

Counseling is an important component of the total program. The emphasis is primarily on job search skills. This is true regardless of whether the participant moves directly into job search and the job club or selects job skill upgrade or job skill retraining.

Counseling with regard to wage level expectations begins as soon as a potential participant comes through the door. All aspects of group and individual assessment are couched in the framework of the reality of the job market compared to the particular interests and reasonable salary expectations of each candidate. Individuals who offer information or are identified as having other unemployment-related problems (e.g., financial or psychological) are referred to other appropriate agencies.

Program Participants

Most participants come from manufacturing industries in production work. There are exceptions including such occupations as food service, truck drivers, and employees of a car dealership, a cocktail lounge, a remodeling business, an engineering firm, and the Navy. No groups are given priority or selected for specific program services. Any individual meeting the eligibility requirements and with the interest and desire to undertake the program is enrolled. The characteristics of the participants are shown in table 2-1.

Job placement takes a dual approach: (1) individual job search and networking, and (2) industrial representatives on the program staff looking for jobs to match to candidates and passing on discovered job openings. Much of the emphasis is on individual job search through the job clubs. The industrial representatives are responsive to the candidates, their interests and requirements. If the representatives discover openings, they are automatically passed on. There are a few instances of a prior agreement with an employer to hire a candidate and to provide specific training to that candidate.

Table 2-1
Enrollment and Participant Characteristics
for Calendar Year 1984, Selected Characteristics

Selected characteristics	Number	Percent
Total participants	708	
Total terminations	294	
Entered employment	245	83
Other positive terminations	49	17
Other terminations	—	—
Sex		
Male	201	68
Female	93	32
Age		
14-15	—	—
16-19	2	1
20-21	11	4
22-44	210	71
45-54	48	16
55 and over	23	8
Education		
School dropout	89	30
Student (H.S. or less)		
High school graduate or more	205	70
Race		
White	284	97
Black	7	2
Hispanic	2	1
Native American	1	*
Asian		
Employment barriers		
Limited English	1	*
Handicapped	1	*
Offender	25	9
Other		
Benefit reciprocity		
U.I. claimant	145	49
U.I. exhaustee	149	51
Public assistance	51	17
AFDC	5	2
Youth AFDC	—	—
Labor force status (prior 26 weeks)		
Unemployed 1-14 weeks	110	37
Unemployed 15 or more weeks	184	63
Not in labor force	—	—

*Less than .5 percent.

Candidates 55 or older have the option to participate in the Area 11 Agency on Aging program. Other than those who choose this option, the placement process does not significantly differ for particular groups or by program activity.

Program Outcomes

The process appears to be relatively successful in that 245 placements have resulted from 294 total terminations (an 83 percent placement rate). Again, the program is candidate-driven and no particular firms/organizations are targeted for placement. Relocation is an almost insignificant part of the placement process.

Performance standards were incorporated as goals, rather than as terms of the contract, with a target of 850 enrolled and 440 placed. Performance levels were included in programs established subsequent to the Cummins project.

Aside from the 83 percent placement rate of terminees mentioned above, the calculated cost per placement to date is \$3,732. Both the placement rate and the cost per placement figures may be biased upward by the fact that only 294 of the 708 people in the program have been terminated. The program was to continue to operate through June 1985.

The average wage on the "base" job (the one from which the candidate was originally laid off) for those terminated was \$8.07 per hour. The average wage of those placed is \$5.60 per hour. This represents a 69 percent wage replacement ratio.

Exhibit 2-2 shows the distributions of occupations entered by those placed at termination.

Overall Assessment

No real problems came to light during the review of this project. However, a few points of interest are worth emphasizing.

Exhibit 2-2
Cummins Placements, Occupations Entered
 (Percentage distribution)

	Percent
Executive, administrative, and managerial occupations	6
Engineers, surveyors, and architects	6
Natural scientists and mathematicians	6
Social scientists, social workers, religious workers, lawyers	6
Teachers, librarians, counselors	6
Health diagnosing and treatment practitioners	6
Registered nurses, pharmacists, dietitians, therapists, etc.	6
Writers, artists, entertainers, athletes	6
Health technologists and technicians	6
Technologists and technicians, except health	6
Marketing and sales occupations	11
Administrative support occupations, including clerical	7
Service occupations	16
Agricultural, forestry, and fishing occupations	1
Mechanics and repairers	7
Construction and extractive occupations	1
Precision production occupations	18
Production working occupations	18
Transportation and material moving occupations	8
Handlers, equipment cleaners, helpers, and laborers	8
Miscellaneous occupations	4

During the initial stages of the project, it appeared that the state did not know exactly what to expect of a project funded to a private entity. In some ways, it appears the state expected much more than it got, but didn't know explicitly what it wanted.

There was some infighting among the local SDA and the PIC, local training organizations, and Cummins and the private consultant retained to operate the program. The problem appears to be securing turf. Some of the actors were from CETA backgrounds and the CETA philosophy was evident. This did not go over well with the Cummins project people who saw their "candidates" as quite different from the CETA—JTPA Title IIA "clients."

There was also some misunderstanding and/or misinformation early on as to who was going to handle the day-to-day operation of the program. The fact that Cummins did not “run” the program caused some consternation at the state level. The fact that a private consulting firm did run the program caused even more.

Apparently, based on past history, the state expected Cummins to actually operate the program “with its usual public relations flair.” The Cummins executives and the advisory board saw the problem as a community problem and wanted the project set up as a community project outside of Cummins. In fact, the original project proposal indicated that program operations would be subcontracted.

A Cummins representative stated that “we probably wouldn’t do it again knowing what we do now.” There may be some insight here in terms of the potential for public/private partnerships in programs of this nature. On the one hand, there is the public sector which is process-oriented and, on the other, the private sector (in this case an international corporation) which is results-oriented. The latter is interested in getting in, getting it done, and getting out. The former more oriented to regulations, reports, meetings, and processes.

It was recognized that the eligible population for the project differed from those eligible for Title IIA. There was also recognition of the cultural background associated with a long-time southern Indiana resident. The project was well designed for the local area and the local population.

The self-selection process of candidates and the timing of the program may have limited its total potential impact. Many individuals had been laid off for some time before the project was in place. Some of these people had found their own employment, moved, or given up and left the labor force before assistance was available.

Given the nature of the local economic base, the local employment scene and the associated problems of layoffs and plant closings, the program seems to be adequate to the problem. It would not be socially or politically feasible to target a specific firm or industry for a dislocated

30 Cummins Engine Company

worker program in this region. It would also not be operationally feasible to target specific industries or occupations for retraining and re-employment. The economic base is neither that large nor that diverse.