Introduction

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Does Training Work for Displaced Workers?: A Survey of Existing Evidence

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Introduction

For more than 25 years the federal government and individual state governments have provided retraining programs to ease the labor market adjustments required of workers directly or indirectly displaced from their jobs by a mass layoff or plant closure. Displaced workers are usually defined as persons on layoff who possess a stable employment history. In addition to their work experience, the main distinction between displaced and other laid-off workers is that the displaced have little chance of being recalled to jobs with their old employer or even in their old industry. Displaced workers are therefore said to be "permanently" laid off.

The report of the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation (1986: 13–16) presents a useful capsule description of the characteristics of displaced workers. Drawing on the information available for individual displaced workers in the 1984 and 1986 Displaced Worker Surveys (DWS), the report points out that almost 50 percent of displaced workers had lost jobs in manufacturing, mostly in durable goods manufacturing industries such as primary metals and transportation equipment. Only 20 percent of all employed workers and about 23 percent of all unemployed workers, in contrast, are associated with manufacturing. In addition, the displaced were disproportionately blue-collar workers concentrated in the Midwest and other sections of the country with a heavy manufacturing base.

As compared to the workforce as a whole, the Task Force report also notes that displaced workers endure significantly longer spells of unemployment following layoff. In particular, there is a much smaller fraction of the displaced in the 1- to 4-week unemployment duration category and a much larger fraction in the 15- to 26-week category. Because layoffs tend to be permanent rather than temporary,
moreover, occupational mobility is higher for displaced workers than for other workers. About one-half of those displaced workers reemployed as of January 1984 had made a major occupational change. Using 1984 DWS data, Flaim and Sehgal (1985) also point out that about 30 percent of displaced workers reemployed in full-time wage and salary jobs suffered an earnings loss of 20 percent or more and that nearly one-quarter of reemployed displaced workers failed to regain the group health insurance coverage they enjoyed on their lost job. Not to be overlooked, finally, are the severe emotional adjustments required of workers abruptly displaced from jobs they perceived as "good jobs" and expected to retain into the foreseeable future.

The need to seek reemployment in a new occupation or industry may require that displaced workers tool up in the vocational skills required to qualify for jobs in expanding industries. A stable work history suggests, moreover, that the job search skills of many displaced workers are likely to have grown rusty from disuse because of a lengthy attachment to the pre-layoff employer. For the second of these reasons, retraining is defined broadly to include the enhancement of job search skills in addition to the traditional focus on vocational training. The principal roles for publicly sponsored retraining programs are twofold: (1) to reduce the private and social costs associated with unnecessary delays in the reemployment process, and (2) to assist in the replacement of specific human capital lost when a permanent layoff unexpectedly takes place.

Questions to be Answered

The purpose of this monograph is to answer the following research questions involving government training assistance to displaced workers:

1. Do some types of training work better than others?

2. Do some groups of workers benefit more from training than others?

3. To the extent that training improves reemployment prospects, does it work by increasing post-training wage rates or by reducing the duration of unemployment?
4. Referring specifically to vocational training, how do we know what to train workers to do?

Question 1 raises the possibility that the major types of training—classroom training (CT), on-the-job training (OJT), job search assistance (JSA), and remedial education—may differ in the benefits they offer displaced workers, as well as in their costs. The premise of CT is that the specific skills of displaced workers have been made largely obsolete, but that skills of potential interest to a number of employers can be developed through intensive, formal training in a classroom setting. OJT, on the other hand, is appropriate in the acquisition of firm-specific skills that can most efficiently be learned on the job. The objective of JSA is basically to assist job-ready workers to develop effective job-seeking skills. Finally, remedial education programs are designed to assist the perhaps 20 percent of displaced workers who have a deficiency in reading or problem solving skills severe enough to retard reemployment or even the acquisition of new job skills.

Question 2 is posed in recognition of the fact that not all displaced workers may benefit equally from retraining services and, moreover, that not all of these workers are equally in need of adjustment assistance. The analysis of 1984 DWS data by Podgursky and Swaim (1987a) shows that the distribution of completed spells of joblessness is highly skewed to the right. While nearly half of the respondents in their sample found jobs within 14 weeks of displacement, a substantial minority faced a high risk of being jobless for a year or more. It is this minority to whom adjustment assistance efforts should be targeted. Podgursky and Swaim loosely identify these individuals to include workers displaced from blue-collar occupations, workers with below-average levels of education, racial minorities and women, and residents of communities with above-average unemployment rates. In a parallel paper also using DWS data, Podgursky and Swaim (1987b) report that a sizable minority of displaced workers—mostly workers with substantial specific human capital investments—experienced large and enduring earnings losses upon reemployment.

The distinction made in Question 3 is intended to separate the effect of vocational training on labor productivity as measured by a
higher post-training hourly wage from its effect in speeding up reemployment by providing a credential that moves workers up in the queue for vacant jobs. Question 4, finally, focuses attention on the issue of how to identify growth occupations and develop appropriate curricula so that successful program graduates have a reasonable chance of being hired and retained in training-related jobs.

The policy relevance of these research questions is brought out clearly in the provisions of the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) passed by Congress and signed into law by President Reagan in August 1988. This act amended the existing Title III of the Job Training Partnership Act (JTPA), and sharply increased the level of federal funds to be used by the states in establishing programs to meet the adjustment assistance needs of displaced workers. Program services, many of which were recommended by the Secretary of Labor's Task Force report (1986), are described in the enabling legislation under the headings of "basic readjustment services" and "retraining services." Basic readjustment services are defined to include such JSA services as outreach and orientation, job and career counseling, testing and assessment, provision of labor market information, job clubs, job development, and supportive services such as child care and commuting assistance. In addition to CT and OJT programs and remedial education, retraining services include relocation allowances, literacy and English programs for non-English speakers, and entrepreneurial training. The act also specifies that funds are not to be spent on public service employment (PSE) programs, but that needs-related payments may be provided to an eligible displaced worker who does not qualify or has ceased to qualify for unemployment compensation in order that he or she may participate in training or education programs.

EDWAA thus allows a great deal of latitude in the types of displaced worker programs eligible for federal funding. It is my intention that the answers to the four research questions posed in this chapter will be of assistance to state and federal government officials charged with the responsibilities of designing, implementing, operating, and monitoring the displaced worker programs called for by the new legislation.
Organization of the Study

The monograph begins in chapter 2 with an overview of the existing evaluations of federally funded Comprehensive Employment and Training Act (CETA) programs. CETA predated JTPA and provided funding for training and PSE programs during the 1973–82 period. Although CETA programs were not limited to training assistance or to serving displaced workers, the CETA evaluations are a good starting point for two reasons. First, they provide baseline quantitative estimates to which the impacts of later programs and demonstration projects can be compared. Second and more important, a discussion of the CETA evaluations represents an opportunity to introduce some of the main methodological issues involved in program evaluation.

Chapter 3 is in many respects the heart of the monograph. Here the large volume of quantitative evidence generated by four major demonstration projects funded by the federal government during the 1980s is examined in detail. These projects are the Downriver program, the Buffalo program of the Dislocated Worker Demonstration Project, the Texas Worker Adjustment Demonstration (WAD), and the New Jersey Unemployment Insurance (UI) Reemployment Demonstration project.

Chapter 4 follows with an analysis of the largely qualitative evidence on the design and implementation of statewide continuing programs in California and Minnesota. California's Employment Training Panel (ETP) provides classroom training to displaced workers and employed workers at risk of displacement, while the Minnesota Employment and Economic Development (MEED) program is targeted wage-subsidy initiative. Considered also in connection with the Minnesota program are results from the federally funded Dayton targeted wage-subsidy experiment. This chapter is particularly helpful in providing insight into Question 4.

In chapters 5 and 6, the discussion moves from domestic retraining programs to a consideration of programs provided displaced workers by other nations. Examined in chapter 5 are the training programs presently in place in Canada and the available quantitative evaluations of the National Institutional Training Program
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(NITP) and the Canadian Manpower Industrial Training Program (CMITP). Similarly, chapter 6 discusses Australia's federally funded displaced worker programs and presents the main results of an evaluation of the Labour Adjustment Training Arrangements (LATA) program.

Chapter 7 concludes the monograph with answers to the four policy questions and an agenda for future research.