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DISLOCATED WORKERS EXTENT OF BUSINESS CLOSURES LAYOFFS
AND THE PUBLIC AND PRIVATE RESPONSE(U) GENERAL
ACCOUNTING OFFICE WASHINGTON DC HUMAN RESOURCES DIV

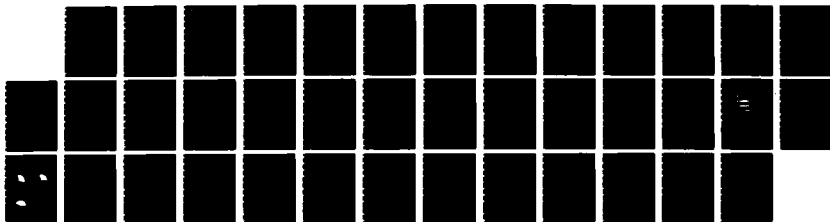
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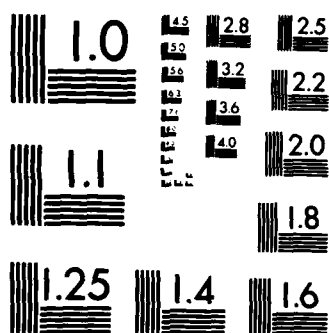
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United States General Accounting Office

Briefing Report to the Honorable
Lloyd Bentsen,
United States Senate

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July 1986

DISLOCATED WORKERS

Extent of Business Closures, Layoffs, and the Public and Private Response

AD-A171 335

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-223485



July 1, 1986

The Honorable Lloyd Bentsen
United States Senate

A-1	Special
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Dear Senator Bentsen:

→ This briefing report responds to your May 14, 1986, request for information on the extent of worker dislocation and efforts by the public and private sectors to assist dislocated workers. As requested we have summarized information from our ongoing assignments concerning (1) the number of dislocated workers, (2) the reasons for worker dislocation, including an analysis of industries that are affected by international trade, (3) the extent of employer assistance to dislocated workers, and (4) the federal assistance provided to dislocated workers. ←

Currently we are doing two reviews in this area. On one assignment, we obtained information on the extent of business closures and permanent layoffs from a random sample of 2,600 such establishments via a telephone interview. Information on the assistance provided to dislocated workers was obtained using a questionnaire mailed to establishments that closed or had a layoff. On the other assignment, we obtained information on most Job Training Partnership Act (JTPA) title III projects in operation from the program's inception in October 1982 through March 1985. Data were obtained from 563 projects. Information from these assignments provides the basis for this report.

**HOW MANY WORKERS HAVE BEEN DISLOCATED BY
BUSINESS CLOSURES AND PERMANENT LAYOFFS?**

Using Bureau of Labor Statistics data, we estimate that, on average, about 2.3 million workers were dislocated annually between 1979 and 1984. We further estimate that despite the economic recovery taking place in 1983 and 1984, over 16,000 establishments with 50 or more employees experienced a closure or permanent layoff affecting about 1.4 million workers in this 2-year period.

--The manufacturing sector was most seriously affected. It accounted for 66 percent of the dislocated workers and 60 percent of the closures and layoffs for establishments with 100 or more employees.

--While the East North Central region (Illinois, Indiana, Michigan, Ohio, and Wisconsin) had the most closures and layoffs (1,690), the West South Central region (Arkansas, Louisiana, Oklahoma, and Texas) had the highest rate of business closure and layoff (12 percent).

**WHAT ARE THE REASONS FOR
CLOSURES AND LAYOFFS?**

Businesses indicated that the major reasons for closure or layoff were not related to bankruptcy or financial reorganization, but to problems of competition in the marketplace. Although not estimated separately, some of this competition comes from imports.

--About 70 percent of the businesses indicated that reduced product demand and/or increased competition were major factors influencing their decision to close or lay off workers.

--Over 35 percent of the closures and layoffs for establishments with 100 or more employees were in industries in which the Department of Labor has certified workers as being adversely impacted by international trade. These closures and layoffs affected about 436,000 workers.

**TO WHAT EXTENT DO EMPLOYERS
ASSIST DISLOCATED WORKERS?**

The ability of the economy to reemploy dislocated workers has been of much concern. Important factors affecting their reemployment include the availability of both financial and placement assistance. Most establishments that experienced a closure or a permanent layoff provided some assistance to their dislocated workers.

--Slightly more than half of the businesses experiencing a closure or a permanent layoff offered their workers severance pay, about a third offered placement assistance, and 3 percent offered occupational training.

--About 37 percent of the establishments offered their employees both financial and placement assistance; however, 36 percent offered neither.

**TO WHAT EXTENT DOES THE FEDERAL GOVERNMENT
ASSIST DISLOCATED WORKERS?**

Two federal programs--Trade Adjustment Assistance and Title III of the Job Training Partnership Act--were enacted to address the problems of dislocated workers and their reemployment. We estimated that in 1984 these programs together provided assistance to at most 8 percent of the dislocated workers.

--Assistance to workers affected by international trade under the Trade Adjustment Assistance program has declined from \$1.6 billion in 1980 to about \$53 million in 1985.

--During the period October 1982 through June 1986, \$650 million in federal funds has been provided for the JTPA title III dislocated worker program. Substantial cutbacks in the program have been budgeted for program years 1986 and 1987.

JTPA title III allows states considerable latitude in designing and implementing dislocated worker programs. We found considerable variation in the size and design of title III projects as well as the types of assistance provided. While the average placement rate for JTPA title III projects was about 69 percent and the average placement wage was \$6.61, variations in these outcomes may be related to project characteristics. For example, projects with a greater emphasis on classroom training tended to have higher than average wage levels. Projects with more of an emphasis on on-the-job training tended to have higher than average placement rates. Projects operated by the private sector were more likely to have both higher than average placement rates and wage levels.

--Despite their relative success in terms of placement and wage rates, private sector involvement in operating or sponsoring title III projects has been quite limited. About 9 percent of the projects in our analysis were operated by the private sector.

--Generally, title III participants were white, male, of prime working age, with at least a high school education. Most have been unemployed for over 3 months. However, two groups of dislocated workers had lower representation in title III--those age 55 and older and those with less than a high school education.

--While over 80 percent of the title III participants received job placement assistance, less than half received skills training and less than a quarter received support services.

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As agreed with your office, we have not obtained agency comments on this briefing report. And as agreed, unless you publicly announce its contents earlier, we plan no further distribution of this document until 30 days after its issue date.

Should you wish to discuss the information provided, please call me on 275-5451.

Sincerely yours,

A handwritten signature in cursive script, reading "William J. Gainer".

William J. Gainer
Associate Director

CONTENTS

	<u>Page</u>
BACKGROUND	7
ISSUES ADDRESSED	7
OBJECTIVES, SCOPE, AND METHODOLOGY	8
HOW MANY WORKERS HAVE BEEN DISLOCATED BY BUSINESS CLOSURES AND PERMANENT LAYOFFS?	10
Number of workers dislocated	10
Regional differences	12
Manufacturing sector impact	14
WHAT ARE THE REASONS FOR CLOSURES AND LAYOFFS?	16
Reasons for closure or layoff	16
Effect of imports	17
TO WHAT EXTENT DO EMPLOYERS ASSIST DISLOCATED WORKERS?	18
Private sector assistance	18
TO WHAT EXTENT DOES THE FEDERAL GOVERNMENT ASSIST DISLOCATED WORKERS?	20
Federal assistance	20
Title III projects	22
Title III project operators	24
Title III participants	26
Factors influencing participation	28
Title III project activities	30
Type of assistance provided	32
Variations in level of assistance	33
Title III placement and wage rates	34
Variations in project outcomes	36

ABBREVIATIONS

BLS	Bureau of Labor Statistics
CETA	Comprehensive Employment and Training Act
GAO	General Accounting Office
JTPA	Job Training Partnership Act
OJT	On-the-job training
SDA-PIC	Service Delivery Area-Private Industry Council

DISLOCATED WORKERS

Extent of Business Closures, Layoffs, and the Public and Private Response

BACKGROUND

The U.S. economy is in a constant state of change, resulting in the dislocation of large numbers of workers--even during times of economic expansion and recovery from recession. The Congress has been concerned about the reemployment of these workers for some time. In 1974, the Trade Adjustment Assistance program was established to aid workers adversely affected by foreign trade. In 1982, the Job Training Partnership Act (JTPA) established a separate program under title III to facilitate through state and local projects the reemployment of workers dislocated by business closures or permanent layoffs.

Information on the extent of the problem and the adequacy of assistance from employers and the federal government to help dislocated workers find new employment has been limited. To give the Congress more data on the extent of the problem and the assistance available to dislocated workers, we are currently conducting two studies related to business closures and dislocated workers.

Information from these two assignments provides the basis for this briefing report.

ISSUES ADDRESSED

- How many workers have been dislocated by business closures and permanent layoffs?
- What are the reasons for closures and layoffs?
- To what extent do employers assist dislocated workers?
- To what extent does the federal government assist dislocated workers?

OBJECTIVES, SCOPE AND METHODOLOGY

In his May 14, 1986, letter, Senator Lloyd Bentsen asked us to give him information on business closures and dislocated workers. Specifically, he requested information in four areas: (1) the number of dislocated workers, (2) the reasons for dislocation, including an analysis of industries affected by international trade, (3) the extent to which employers assist dislocated workers, and (4) the extent to which the federal government assists dislocated workers.

We have two assignments underway that will provide the requested information. One assignment is designed to estimate the extent of dislocation resulting from business closures and permanent layoffs within individual industries and geographic regions and to provide information on the extent of notice provided to workers and the types of assistance employers offered to their workers.

Using data originally gathered by Dun and Bradstreet for determining credit risk, the Small Business Administration gave us a listing of establishments that appeared to have experienced either a closure or a permanent layoff involving 20 percent of their workers (or 200 employees for establishments with 1,000 or more workers) during 1983 or 1984. The Small Business Administration advised us, however, that this information likely included many establishments that would not actually have experienced a closure or a layoff. The findings of other researchers who have used the Dun and Bradstreet data also suggest that they overstate the number of such events. To verify, through a telephone survey, whether a closure or layoff had actually occurred, we selected a stratified random sample of 2,400 establishments with 100 or more employees and 200 establishments with 50 to 99 employees. Our telephone survey reached about 90 percent of the establishments. About 600 had actually experienced a closure or a permanent layoff that met our criteria.

To obtain information on the extent to which employers offered assistance to workers affected by these events, we sent questionnaires to officials of about 500 establishments with 100 or more employees. To date, we have received and analyzed responses from about 355 (or 70 percent) of the establishments.

The other assignment was designed to obtain detailed information on assistance provided dislocated workers under JTPA title III, including: (1) how states were using federal funds to help workers find new employment, and (2) how different approaches may influence project outcomes.

Using information obtained from state JTPA officials, we identified a universe of 715 projects. We asked project officials to respond to a questionnaire concerning their last 9 months of operation before April 1, 1985. Of these projects, 28 were eliminated from our survey because they were developing training materials for use in other projects or were using mass media and therefore had no participant information. Another 61 projects were eliminated for other reasons. Of the remaining 626 projects, 563 (or 90 percent) responded to our questionnaire, and their responses formed the basis for our analysis.

The 563 projects in our analysis were in various stages of operation as of March 31, 1985--the cut-off date used for collecting detailed project data. About 25 percent had completed their operations, while 75 percent were still active.

HOW MANY WORKERS HAVE BEEN DISLOCATED BY BUSINESS CLOSURES AND PERMANENT LAYOFFS?

NUMBER OF WORKERS DISLOCATED

<u>Number of workers per establishment</u>	<u>Number of establishments</u>	<u>Number of employees</u>
50 to 99	8,520	313,400
100 or more	<u>7,790</u>	<u>1,048,600</u>
Total dislocated workers for establishments with 50 or more employees	<u>16,310</u>	<u>1,362,000</u>

<u>Industry</u>	<u>Number of establishments</u>	<u>Rate of occurrence</u>	<u>Number of employees</u>	<u>Percent of total</u>
Total	7,790	7.8	1,048,600	100
<u>Manufacturing</u>	4,650	13.2	694,900	66
Durable	3,050	17.7	472,000	45
Nondurable	1,600	10.2	222,900	21
<u>Wholesale-Retail Trade</u>	690	3.6	69,200	7
Wholesale Trade- Durable	270	11.6	22,800	2
Wholesale Trade- Nondurable	100	4.4	12,500	1
Retail Trade	320	2.2	33,900	3
<u>Other</u>	2,450	5.4	284,500	27
Services	1,750	4.4	181,100	17
Other than services	700	12.4	103,400	10

NUMBER OF WORKERS DISLOCATED

Using Bureau of Labor Statistics (BLS) data, we estimate that on average, 2.3 million workers were dislocated annually between 1979 and 1984. Based on the preliminary projections from our sample, we estimate that despite the economic recovery during 1983 and 1984, about 1.4 million workers were dislocated nationally because of business closures and layoffs affecting about 8,500 establishments with 50 to 99 employees and 7,800 establishments with 100 or more employees.

Further analysis of establishments with 100 or more employees for which more detailed data were collected showed that the manufacturing sector experienced the highest 2-year rate of closure and permanent layoff. We estimate that during 1983 and 1984, 13 percent, or about 4,600, of the 35,000 manufacturing establishments with 100 or more employees closed or experienced a permanent layoff. These closures and layoffs affected about 695,000 workers, or about 5 percent of the 13 million workers in the manufacturing sector employed in such establishments. In comparison, during 1983 and 1984, 4 percent of establishments in the wholesale-retail trade sector experienced a closure or layoff affecting about 1.8 percent of workers in this industry. About 4.4 percent of service sector establishments experienced a closure or a permanent layoff during 1983 and 1984, dislocating about 181,000 workers, or 1.4 percent of employees in these establishments.

In addition to the differences in closure-layoff rates between major industry groups, we found even more significant differences among subsectors of the various industry groups. For example, the closure-layoff rate for the manufacturing sector was 13.2 percent; however, the rate for manufacturers of durable goods was about 17.7 percent, while the nondurable rate was 10.2 percent. Within the durable goods manufacturing sector, some industries experienced even higher rates. The closure-layoff rate for the fabricated metal products industry, for example, was 19.6 percent, and the rate for machinery manufacturing was 29.2 percent. Dramatic subsector differences were also evident in wholesale-retail trade. While the overall closure-layoff rate was 3.6 percent for wholesale-retail businesses, the rate was 7.1 percent for wholesale trade, but only 2.2 percent for retail trade. Disaggregation of the wholesale trade sector reveals that establishments dealing in durable goods had a closure-layoff rate of 11.6 percent, while establishments dealing in nondurable goods had a rate of only 4.4 percent, thus mirroring the large differential in rates between durable and nondurable goods manufacturers.

REGIONAL DIFFERENCES

<u>Region</u>	<u>Number of establish- ments^a</u>	<u>Percent of total</u>	<u>Rate of occurrence</u>	<u>Number of employees</u>	<u>Percent of total</u>
Total	7,790	100	7.8	1,049,000	100
<u>Northeast</u>	1,880	24	7.6	227,000	22
New England	640	8	9.3	80,000	8
Mid Atlantic	1,240	16	6.9	147,000	14
<u>Midwest</u>	2,190	28	9.0	312,000	29
East North Central	1,690	22	9.6	227,000	21
West North Central	500	6	7.4	85,000	8
<u>South</u>	2,460	32	7.5	299,000	29
South Atlantic	850	11	5.2	76,000	7
East South Central	310	4	5.5	48,000	5
West South Central	1,300	17	12.0	175,000	17
<u>West</u>	1,260	16	7.0	211,000	20
Mountain	320	4	7.2	36,000	3
Pacific	940	12	6.9	175,000	17

^aEstablishments with 100 or more employees.

REGIONAL DIFFERENCES

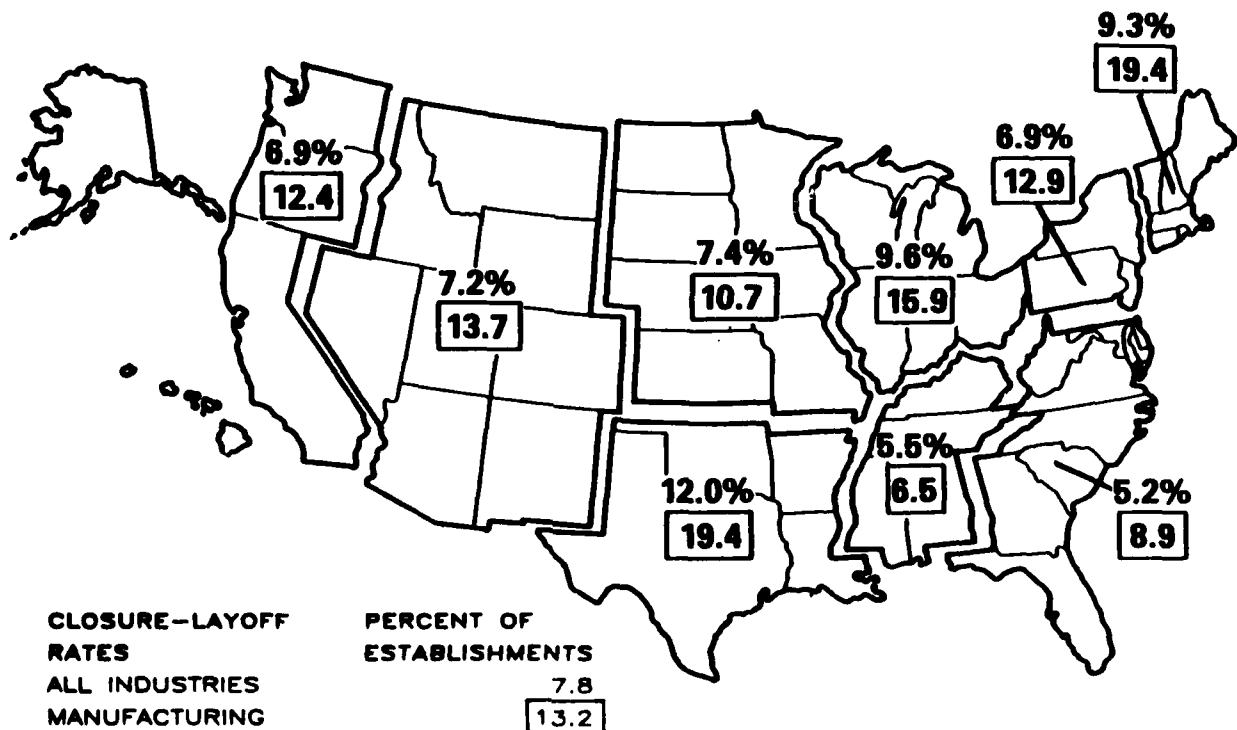
We estimate that over half of the establishment closures and layoffs in the United States occurred in the Northeast and Midwest regions. This is not surprising since about half of the business establishments with 100 or more employees are located in these two regions. However, the South and West regions also experienced significant numbers of establishment closures and layoffs. The Midwest had the highest overall rate of closure-layoff, 9 percent, while the West had the lowest rate, 7 percent. In the South, 7.5 percent of all firms experienced a closure or layoff, which was very close to the 7.6-percent rate in the Northeast. The number of workers affected by business closures and permanent layoffs in the Midwest and South were similar--about 300,000 workers for each region. In the Northeast and the West, slightly more than 200,000 workers in each region were dislocated.

Further disaggregation of the data provided some interesting results. For example, while the overall rate of closure-layoff for the South was 7.5 percent, the West South Central region (composed of Arkansas, Oklahoma, Louisiana, and Texas) had a rate of 12 percent, the highest of all regions. In contrast, the South Atlantic region (composed of Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia) had the lowest rate of any region--5.2 percent.

The East North Central region (composed of Illinois, Indiana, Michigan, Ohio, and Wisconsin) had the second highest overall closure-layoff rate at 9.6 percent. It also had the highest number of establishments that experienced a closure or a layoff, 1,690, and the greatest number of workers dislocated, 227,000.

MANUFACTURING SECTOR IMPACT

<u>Region</u>	<u>Closures and permanent layoffs</u>		
	<u>Number of establishments</u>	<u>Percent of total</u>	<u>Rate of occurrence</u>
New England	530	11	19.4
Mid Atlantic	780	17	12.9
East North Central	1,140	24	15.9
West North Central	245	5	10.7
South Atlantic	540	12	8.9
East South Central	180	4	6.5
West South Central	590	13	19.4
Mountain	125	3	13.7
Pacific	520	11	12.4
Total manufacturing	<u>4,650</u>	<u>100</u>	13.2



MANUFACTURING SECTOR IMPACT

To better understand the regional variation in closure-layoff rates, we analyzed the impacts of the manufacturing sector within regions. Regions that had the highest closure-layoff rates for the manufacturing sector had the highest overall closure-layoff rates. For example, the three regions that had the highest closure-layoff rate for manufacturing establishments--New England, West South Central, and East North Central--had the highest overall closure-layoff rates. Conversely, the regions with the lowest manufacturing establishment closure-layoff rates--South Atlantic and East South Central--had the lowest overall rates.

Thus, our findings reinforce the perception that worker dislocation and closure-layoff rates are dominated by events in the manufacturing sector. It is likely that higher manufacturing closure-layoff rates in some regions are related to the concentration of the highly impacted durable goods manufacturing firms in those regions.

WHAT ARE THE REASONS FOR CLOSURES AND LAYOFFS?

REASONS FOR CLOSURE OR LAYOFF

<u>Factors</u>	<u>Percent of establishments citing factor as significant</u>
Reduced product demand	70
Increased competition	69
High labor costs	57
Inflated value of U.S. dollar	32
Low productivity	29
Consolidation of product line or service	27
State and/or local regulations	27
Poor management	26
Federal regulations	24
Facility obsolescence	23
Limited access to foreign markets	18
Production automation	16
Product obsolescence	14
Industry deregulation	9

In general, businesses indicated that the major reasons for closure or layoff were related to the problems of competition in the marketplace. About 70 percent indicated that reduced product demand and/or increased competition were major factors influencing their decision to close or lay off workers. High labor costs were also cited by 57 percent of the establishments as a major factor in their decision.

Such factors as product obsolescence, facility obsolescence, and production automation were cited relatively infrequently as being major reasons for the closure or layoff. In addition, only 7 percent of the establishments we studied indicated that they had experienced a bankruptcy or financial reorganization before closure or layoff.

EFFECT OF IMPORTS

<u>Industry</u>	<u>Closure-layoff</u>		<u>Trade impacted</u>	
	<u>Establish- ments</u>	<u>Workers</u>	<u>Establish- ments</u>	<u>Workers</u>
Manufacturing	4,650	694,800	2,754	425,381
Wholesale- Retail Trade	690	69,200	22	1,937
Other	<u>2,450</u>	<u>284,600</u>	<u>89</u>	<u>8,347</u>
Total	<u>7,790</u>	<u>1,048,600</u>	<u>2,865</u>	<u>435,665</u>

Foreign competition is one factor that for some industries is increasing competition in the marketplace. Our analysis showed that over 35 percent of the 7,800 closures and permanent layoffs identified for establishments with 100 or more employees were in industries that had been certified by the Department of Labor or the International Trade Commission as impacted by international trade. These closures and layoffs affected about 436,000 workers.

TO WHAT EXTENT DO EMPLOYERS ASSIST DISLOCATED WORKERS?

PRIVATE SECTOR ASSISTANCE

<u>Type of assistance</u>	<u>Establishments offering assistance to workers</u>		
	<u>White collar</u>	<u>Blue collar</u>	<u>Overall</u>
	(N=309)	(N=292)	(N=315)
	----- (percent) -----		
Financial assistance:			
Severance pay	53	34	54
Continuation of health insurance	42	32	43
Continuation of life insurance	27	21	28
Early retirement	15	10	16
Pay in lieu of notice	14	10	15
Lump sum payment	9	9	10
Supplementary unemployment benefits	8	9	10
Placement assistance:			
Job search	32	21	31
Administrative support	25	16	26
Personal counseling	19	14	19
Company transfer option	21	10	21
Time off for job search	21	9	20
Career counseling	17	10	16
Relocation assistance	15	5	15
Testing/assessment of worker skills	5	3	5
Occupational training	1	3	3
Job club	2	2	2

PRIVATE SECTOR ASSISTANCE

Financial assistance and placement assistance provided to dislocated workers have been found to be important factors affecting the reemployment of dislocated workers. Most establishments that experienced a closure or a permanent layoff provided some assistance to their dislocated workers (64 percent). About 60 percent of the establishments provided financial assistance to their workers, and 40 percent provided placement assistance. However, 36 percent did not provide their workers any assistance.

The most common forms of financial assistance offered by employers to their workers were severance pay (54 percent) and continuation of health insurance benefits (43 percent). Few employers provided lump sum benefits or supplementary unemployment benefits. In comparison, the most common forms of placement assistance were job search assistance (31 percent) and administrative support for job search (26 percent). Occupational training, job clubs, and testing and assessment of worker skills were seldom offered.

Employers were more likely to offer financial and placement assistance to white collar workers than to blue collar workers. For example, 53 percent of employers offered severance pay to white collar workers, but only 34 percent offered it to blue collar workers. Another assistance measure shows that 42 percent offered continued health insurance to white collar workers as compared to 32 percent for blue collar workers. Similarly, three times as many employers offered relocation assistance to white collar workers as did for blue collar workers. Finally, twice as many employers offered company transfer options and time off for job search to white collar workers as compared to blue collar workers.

TO WHAT EXENT DOES THE FEDERAL GOVERNMENT ASSIST DISLOCATED WORKERS?

FEDERAL ASSISTANCE

<u>Trade Adjustment Assistance</u>					
<u>Year</u>	<u>Outlays</u>	<u>Workers receiving benefits</u>	<u>Number of workers receiving other assistance</u>		
			<u>Job training</u>	<u>Job search</u>	<u>Relocation</u>
	(millions)				
1977	\$ 149	111,000	4,339	277	191
1978	261	155,000	8,626	1,071	631
1979	264	132,000	4,835	1,181	855
1980	1,631	532,000	10,294	931	629
1981	1,449	281,000	20,651	1,491	2,012
1982	109	30,000	5,750	697	662
1983	54	30,000	11,303	697	3,291
1984	54	16,000	6,821	799	2,220
1985	53	20,000	7,424	916	1,692

<u>JTPA Title III Funding</u>			
	<u>Formula</u>	<u>Discretionary</u>	<u>Total</u>
	----- (millions) -----		
Oct. 1982-Sept 1983	\$82.5	\$27.5	\$110.0
Oct. 1983-June 1984	70.7	23.5	94.2
July 1984-June 1985	167.3	55.7	223.0
July 1985-June 1986	<u>167.3</u>	<u>55.7</u>	<u>223.0</u>
Subtotal	<u>\$487.8</u>	<u>\$162.4</u>	<u>\$650.2</u>
July 1986-June 1987	\$127.3	\$42.4	\$169.7 ^{a, b}
July 1987-June 1988	<u>75.0</u>	<u>25.0</u>	<u>100.0^b</u>
Total	<u>\$690.1</u>	<u>\$229.8</u>	<u>\$919.9</u>

^aIncludes supplemental request of \$74 million.

^bEstimates for program years 1986 and 1987.

FEDERAL ASSISTANCE

Several federal programs provide assistance to unemployed workers, including those dislocated by business closures and permanent layoffs. The Trade Adjustment Assistance program, authorized under the Trade Act of 1974, provides assistance to those who have lost their jobs due to import competition. This program offers income maintenance benefits, training, relocation, and job search assistance. However, most workers received only income maintenance benefits.

In recent years, the extent of assistance available to workers under the Trade Adjustment Assistance program has declined significantly. In 1980, the program had outlays of \$1.6 billion. In contrast, in 1985 outlays for the program totaled \$53 million.

With the enactment of JTPA, the Congress created a program specifically directed at helping dislocated workers find new jobs. Title III of JTPA provides funds to state governments for establishing dislocated worker programs tailored to meet their specific needs. Administered by the Department of Labor, title III provides assistance in the form of training, job placement, worker relocation assistance, and supportive services, such as child care and transportation assistance.

During the period October 1982 through June 1986, \$650 million in federal funds has been made available for the title III program. About \$488 million of this was distributed to states by formula, and the other \$162 million was distributed by the Department of Labor for specific dislocated worker projects through the Secretary's discretionary fund.¹ However, substantial cutbacks in the program have been budgeted for program years 1986 and 1987.

A relatively small percentage of the workers dislocated by business closures or employment cutbacks received assistance from the title III program. For the 5-year period from January 1979 through January 1984, BLS estimated that 11.5 million, or an average of about 2.3 million workers a year, lost their jobs because of business closures or employment cutbacks. About 5.1 million had worked at least 3 years on their jobs. The title III program served about 178,000 participants, including 132,000 new enrollees, during program year 1984 (July 1, 1984, through June 30, 1985).

¹JTPA permits up to 25 percent of the funds appropriated for title III to be reserved for allocation to states at the discretion of the Secretary of Labor.

TITLE III PROJECTS

**Over half of the title III projects enrolled
100 or fewer participants...**

<u>Number enrolled in project</u>	<u>Percentage of projects</u> (N=534)
Under 26	23
26 to 50	15
51 to 100	20
101 to 200	16
201 to 500	16
501 to 800	5
Over 800	<u>5</u>
Total	<u>100</u>

**The majority of title III projects were open
to all eligible dislocated workers...**

	<u>Percentage of projects</u> (N=543)
Nontargeted projects	62
Targeted projects	19
Partially targeted projects	<u>19</u>
Total	<u>100</u>

<u>Targeted population definitions</u>	<u>Number of projects</u>
Industry specific	62
Union specific	36
Plant or company specific	141
Demographic characteristic specific	28

TITLE III PROJECTS

JTPA title III allows states considerable latitude in designing dislocated worker programs, and the Department of Labor has implemented the program to allow maximum state flexibility. Thus states have been free to develop programs that they believe best meet the needs of their dislocated workers. The result has been considerable variations in local title III projects. These include differences in the types of operators as well as the size, focus, and other variables, resulting in many different appearances among local title III projects. These differences not only can influence how projects look but may affect their implementation, administrative costs, and outcomes.

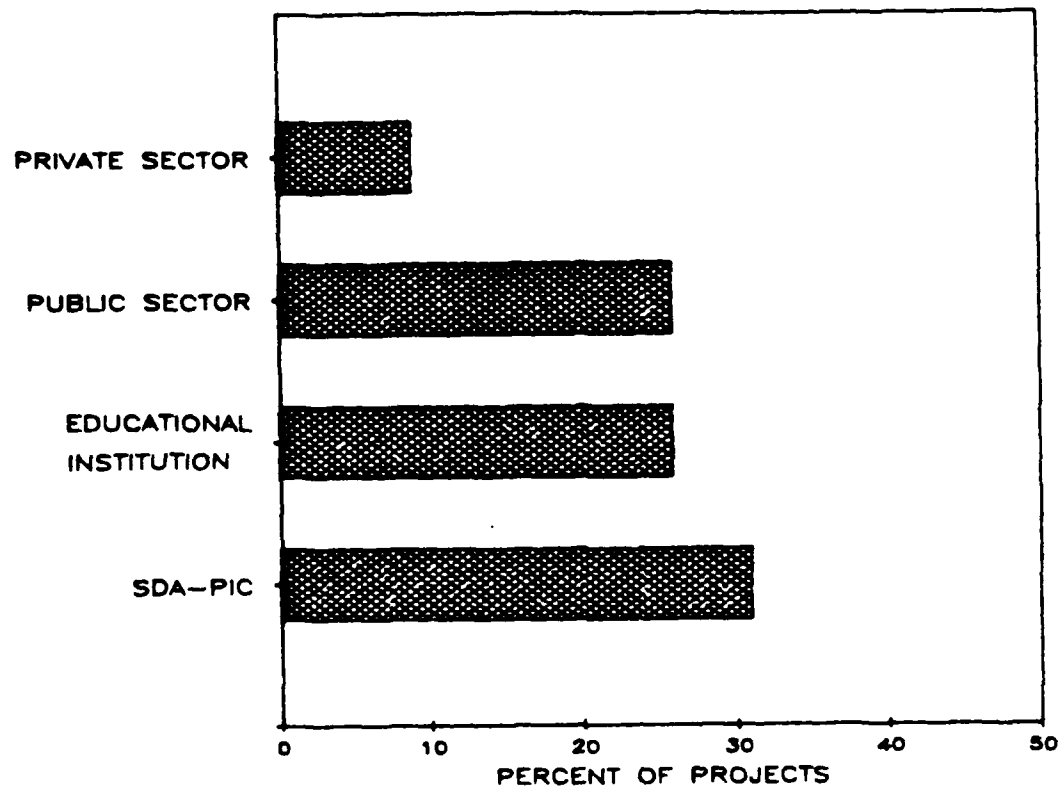
Our analysis showed that most title III projects were (1) limited in the number of workers served, (2) not targeted to specific populations, and (3) operated by the public sector and educational institutions.

Title III projects generally do not enroll large numbers of participants. Over half the title III projects had enrollments of 100 or fewer participants. The average project size was 78 enrollees. However, a few larger projects (5 percent) served over 800 participants.

The majority of the projects in our analysis were open to all eligible dislocated workers who applied for assistance. About 38 percent of the projects were designed at least in part to serve a specific group of dislocated workers, such as those from a specific factory or industry that experienced large numbers of layoffs.

Another difference in the way projects are structured was the extent to which projects were linked to potential employers. Some projects were more closely tied to potential employers than were others. For example, in 10 percent of the projects, potential employers selected individuals to participate in the project, and in 5 percent of the projects, potential employers assigned participants to specific activities. Further, in 47 percent of the projects, on-the-job training slots were identified early in the project before the selection of participants, and participants were later selected or screened to fill these slots.

TITLE III PROJECT OPERATORS



TITLE III PROJECT OPERATORS

Title III projects are operated by various organizations, including Service Delivery Area-Private Industry Councils (SDA-PICs), educational institutions, public organizations, and the private sector.

SDA-PICs were the major operators of title III projects, operating about 31 percent of the 563 projects in our analysis. Some of these operators were former Comprehensive Employment and Training Act (CETA) prime sponsors, and they also operate JTPA programs for the disadvantaged.

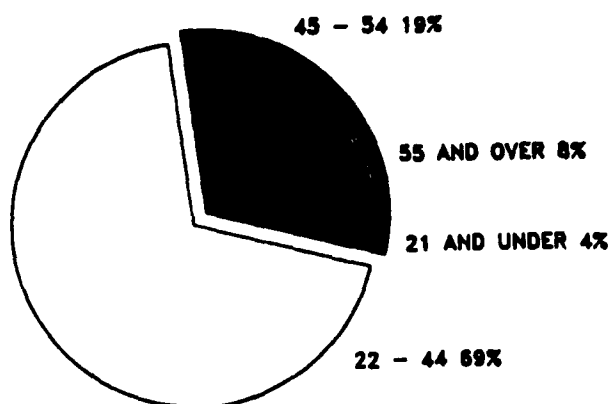
Educational institutions operated about 26 percent of the projects. For the most part these providers were vocational technical schools and community colleges. However, a few universities also operated title III projects.

Public organizations operated 26 percent of the projects, including community-based organizations, state employment services, locally operated service centers, and other state agencies. Nonprofit community-based organizations operated 13 percent of the projects. State employment service agencies operated 9 percent.

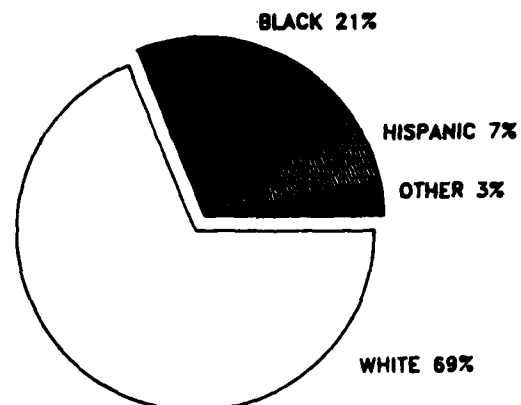
Private sector organizations operated about 9 percent of the projects in our analysis. Of the 563 projects, 22 were operated by unions, 16 were operated by former or potential employers, and 14 were operated jointly by unions and employers.

TITLE III PARTICIPANTS WERE GENERALLY...

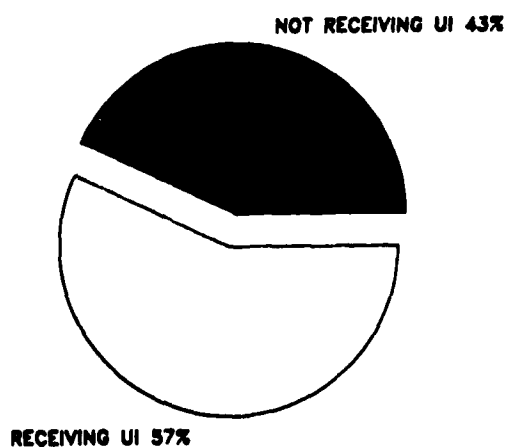
BETWEEN 22-44 YEARS OLD...



LIKELY TO BE WHITE...



MORE OFTEN RECEIVING UNEMPLOYMENT INSURANCE BENEFITS...



HIGH SCHOOL GRADUATES...

LESS THAN HIGH SCHOOL	22%
HIGH SCHOOL GRADUATE	55%
EDUCATION OR TRAINING BEYOND HIGH SCHOOL	23%

AND FROM THE MANUFACTURING SECTOR.

MANUFACTURING	60%
SERVICES	9%
MINING	7%
CONTRACT CONSTRUCTION	6%
RETAIL TRADE	5%
TRANSPORTATION/COMMUNICATION/UTILITIES	4%
OTHER	9%

TITLE III PARTICIPANTS

Overall, title III projects responding to our survey had enrolled over 170,000 dislocated workers from the beginning of the program through March 31, 1985. Our analysis of participant characteristics focused on the 121,000 enrolled during the most recent 9 months of activity for the projects in our survey.

Generally, their participants were primarily white, male, of prime working age, with at least a high school education. Over half were unemployed for 3 months or more and were receiving unemployment insurance (UI) benefits. While they came from a variety of industries, most participants (60 percent) came from the manufacturing sector.

A comparison of the title III participants' characteristics identified in our analysis with those of dislocated workers identified in the BLS analysis of the supplement to the January 1984 Current Population Survey showed significant differences in their demographic characteristics. Our comparison showed that workers 55 years of age and older and those with less than a high school education had somewhat lower representation in the title III projects, while females and minorities had higher representation. While all of these groups have experienced greater difficulty finding reemployment, our analysis focused on those who had lower representation in title III projects--specifically those age 55 and older and those with less than a high school education.

BLS found that of the 1.3 million dislocated workers not working but seeking employment in January 1984, about 20 percent were 55 years of age and older. In contrast, we found that about 8 percent of the workers enrolled by title III projects were in this age group. In addition, the BLS analysis showed that 32 percent of the dislocated workers had less than a high school education, while 22 percent of the title III enrollees were in this category.

Further analysis of individual title III projects showed that most projects served relatively few dislocated workers that were 55 years of age or older or who had less than a high school education. Over two-thirds of the projects included 8 percent or fewer workers who were 55 years of age or older. Similarly, over two-thirds of the projects served 22 percent or fewer workers with less than a high school education.

FACTORS INFLUENCING PARTICIPATION

<u>Factors</u>	<u>Percent of participants</u>	
	<u>Age 55 and over</u>	<u>Less than high school education</u>
OVERALL	8	22
OPERATOR:		
Private	9	19
Public	7	25
SDA-PIC	9	20
Educational institution	7	18
TARGETED:		
Yes	12	27
No	7	19
JOB LINKAGE:		
Yes	4	24
No	7	17
REMEDIAL TRAINING:		
Over 80%	2	15
21-80%	7	25
20% or less	8	20
CLASSROOM TRAINING:		
Over 80%	5	17
21-80%	9	21
20% or less	9	22
ENROLLED ALL ELIGIBLE APPLICANTS:		
Yes	9	23
No	7	18

FACTORS INFLUENCING PARTICIPATION

Our analysis of project-level data showed that several factors may influence the participation levels of dislocated workers 55 years of age or older or those with less than a high school education. These include (1) project design, (2) job linkage, and (3) types of training.

For example, the overall participation level of dislocated workers 55 years of age or older was 8 percent. However, the participation level for these workers in projects that targeted specific populations was somewhat higher (12 percent). In contrast, projects that had an early identification of job opportunities before participants were selected for the projects (job linkage) or high participation in remedial or classroom training had lower participation levels for these workers (4 percent, 2 percent, and 5 percent, respectively).

For workers with less than a high school education, we found a similar pattern. The overall participation level for these workers was 22 percent. However, their participation level in projects that targeted specific populations was somewhat higher (27 percent). In contrast, projects that had high participation in remedial or classroom training had lower participation levels for those with less than a high school education (15 percent and 17 percent, respectively).

Some of the explanations offered by program officials and project administrators for the lower representation of dislocated workers age 55 and older or those with less than a high school education include the following:

- Some older or less educated dislocated workers may be apprehensive about participating in remedial or classroom training activities.
- Some older or less educated workers may not meet the minimum qualifications to take advantage of the training activities.
- Some older or less educated dislocated workers may be screened out by projects because they have less potential for reemployment.
- Some older workers may have received assistance from other programs, such as the JTPA older worker set aside.

TITLE III PROJECT ACTIVITIES

Activity	Percent of projects offering activity	Role	Median length
<u>Training</u>			
Remedial	30	Basic skill training	2 weeks
Classroom	77	New job skills	9 weeks
On-the-job	69	New job skills in work environment	15 weeks
<u>Placement assistance</u>			
Job counseling	84	Orientation, assessment, and identification of employment options	Ongoing
Job search	84	Enhance job search skills	No fixed time frame-44% 2 weeks or more-35% less than 2 weeks-21%
<u>Support services</u>	67	Assist participants while enrolled in title III	

TITLE III PROJECT ACTIVITIES

About 94 percent of the projects in our analysis offered training to their participants. Classroom skill training was offered in about 77 percent of the projects, while 69 percent offered on-the-job training and 30 percent offered remedial training. About 86 percent of the projects also offered their participants job placement assistance, and 67 percent offered support services.

Remedial training activities primarily teach dislocated workers basic skills, such as reading and mathematics, or help non-English-speaking workers improve their use of the language. Generally, it was offered in association with classroom and on-the-job training as a part of more extensive training efforts. In most instances, remedial training was provided to participants by local education agencies (64 percent) and project staffs (24 percent). The median period for remedial training was about 2 weeks.

The purpose of classroom skill training was to provide dislocated workers with new job skills or to enhance their existing skills. For the most part, title III projects used existing classroom training programs and facilities. Overall, classroom training involved a longer training period than remedial training. The median training period for classroom programs was 9 weeks; however, about a third of the classroom programs lasted for 5 weeks or less.

On-the-job training (OJT) was to provide title III participants with new job skills in a work environment. About 41 percent of the OJT slots were identified early in the project, and participants were selected to fill these slots. The remaining OJT slots were not identified until after participant needs and skills were assessed. The median OJT training period was about 15 weeks; however, over 20 percent of OJT training programs ran for 10 weeks or less.

Most projects offered their participants job placement assistance. Of the 563 projects in our analysis, about 92 percent offered either job counseling or job search assistance, and 76 percent offered both. Job counseling was generally offered to participants on an ongoing basis and was given by project staff; however, in some instances participants were referred to sources outside the project. Job search assistance generally consisted of training programs to improve participant skills in interviewing techniques, resume writing, and other skills designed to enhance the effectiveness of participants in searching for new jobs. Support services were provided to dislocated workers to enable them to participate in title III projects. The most common forms of support services offered were transportation, help with child care, and personal or financial counseling.

TYPE OF ASSISTANCE PROVIDED

Relatively few participants received training or support services...

<u>Activity</u>	<u>Percent of projects offering</u>	<u>Percent of participants receiving</u>
<u>Training:</u>		
Remedial	30	6
Classroom	77	26
OJT	69	16
<u>Placement:</u>		
Job counseling	84	84
Job search	84	66
<u>Support services</u>	67	23
<u>Relocation assistance</u>	14	2

Despite the mix of activities offered by title III projects, relatively few participants received training or support services. Less than half the participants received any form of training, and less than a quarter received support services. In contrast, most participants received job placement assistance. Over 80 percent of the title III participants received job counseling, and over 60 percent received job search assistance.

For the 9-month period used for our analysis, about 121,000 individuals enrolled in title III projects. About 6 percent of title III participants received remedial training, 16 percent received OJT, and 26 percent received classroom training. Because data for our analysis was collected at the project rather than participant level, we cannot determine precisely the total number of title III enrollees who received training. However, by accumulating the number who received each type of training--remedial, OJT, and classroom--we estimate that the maximum percentage of title III participants who could have received training was about 48 percent.

VARIATIONS IN LEVELS OF ASSISTANCE

<u>Percentage of Projects Providing Various Forms of Assistance to:</u>				
	<u>None of the participants</u>	<u>1 to 25 percent of participants</u>	<u>26 to 80 percent of participants</u>	<u>Over 80 percent of participants</u>
<u>Training:</u>				
Remedial	68	24	5	3
Classroom	22	27	22	29
OJT	33	35	16	16
<u>Job Placement:</u>				
Job counseling	12	4	10	74
Job search	16	7	23	54
<u>Support services</u>	42	19	16	23

Further analysis of title III project activities suggests that some types of projects have high levels of participation in certain activities, while others have little or no participation. Overall about 6 percent of the participants received remedial training; however, 68 percent of the projects did not provide remedial training to any of their participants. About 8 percent of the projects provided remedial training to over 25 percent of their participants.

Similar variations were found in other forms of training. More participants received classroom training (overall about 26 percent); however, 22 percent of the projects did not provide classroom training to any of their participants. On the other hand, 29 percent of the projects provided classroom training to over 80 percent of their participants. We also found considerable variation in the level of participation for OJT. About 33 percent of the projects did not provide OJT to any of their participants, but about 16 percent provided OJT to over 80 percent of their participants.

TITLE III PLACEMENT AND WAGE RATES

Job placement rates often exceeded the overall average of 69 percent...

<u>Placement rate</u>	<u>Percent of projects</u> (N = 463)
40% or less	14
41 - 69%	28
70 - 80%	24
Over 80%	34

However, wage levels were often at or below the average of \$6.61.

<u>Wage levels</u>	<u>Percent of projects</u> (N = 502)
\$5.00 or less	28
\$5.01 - \$6.61	40
\$6.62 - \$7.00	7
\$7.01 - \$8.00	11
Over \$8.00	14

TITLE III PLACEMENT AND WAGE RATES

Overall, the average reported placement rate for title III projects was 69 percent. This was considerably higher than was anticipated by some observers and was higher than the placement rates experienced in other federally sponsored employment and training programs, such as the Work Incentive program and those programs operated under CETA.² In addition, the Office of Technology Assessment reported that for the period October 1983 through June 1984, of 36 states setting expectations for title III participants entering employment, 30 had exceeded their expectation.

The average entry-level wage reported for the jobs found by title III participants was \$6.61 per hour, which was generally lower than their prior wage and considerably below the private sector average hourly wage for nonsupervisory workers in the United States. Over half of the projects in our analysis reported that participants went to jobs that paid less than their previous jobs. Information developed by the Office of Technology Assessment showed similar results. It reported that of the 30 states with data on average wages for old and new jobs, 19 reported lower reemployment wages.

As of March 1985, the cut-off date used for our analysis, BLS reported that nationally, the private sector average hourly wage was \$8.52. While the national hourly wage provides a basis for comparison to the title III average starting wage, it includes higher wages received by senior employees as well as lower entry-level wages. This may account for a portion of the 22-percent difference between the \$6.61 average wage for title III participants and the national average hourly wage of \$8.52.

The contrast in the success of title III projects in helping workers find jobs but at relatively lower wage levels carried over into the results for specific projects as well. Over half (58 percent) of title III projects reported placement rates that exceeded the 69-percent average. However, over two-thirds of the title III projects reported estimated wage levels at or below the overall average of \$6.61.

²The Work Incentive and CETA programs primarily served economically disadvantaged workers. In this regard, they represent populations different from dislocated workers served by title III.

VARIATIONS IN PROJECT OUTCOMES

		<u>Average placement rate</u>	<u>Average wage level</u>
<u>OVERALL</u>		69%	\$ 6.61
<u>Operator</u>	Private	71	\$ 7.62
	Public	69	5.93
	SDA-PIC	66	6.70
	Educational Institution	70	5.88
<u>Targeted</u>	Yes	65	7.03
	No	69	5.91
	Mixed	74	6.67
<u>Job linkage</u>	Yes	78	5.44
	No	68	6.24
<u>Percent in classroom training</u>	Over 80%	66	6.66
	21 - 80%	70	6.02
	20% or less	71	6.17
<u>Percent in OJT</u>	Over 80%	78	5.69
	21 - 80%	74	5.80
	20% or less	66	6.52

VARIATIONS IN PROJECT OUTCOMES

Our analysis of project level data suggests that while certain project factors were generally associated with higher average placement rates, the same factors were also generally associated with lower average wage levels. Projects that were not targeted to specific populations, for example, reported a higher placement rate, but an average wage level of only \$5.91 compared to \$7.03 for projects that targeted the population to be served.

Some possible explanations for the private sector's higher placement rates and wage levels may be related to its knowledge of the job market, contacts with other employers, and the fact that many of these jobs probably were identified in advance.

One possible explanation for targeted projects reporting lower placement rates may be that these projects were less selective in enrolling participants. Over half of the projects that targeted enrolled all eligible individuals who applied. Similarly, targeted projects frequently had higher percentages of older or less educated participants. While this may explain why targeted projects had lower placement rates, it is unclear why they were associated with high wage levels.

Job linkage by definition implies the early identification of job opportunities before participants were selected for the project. This early identification may result in the number of participants in the project being limited to the number of job openings identified, which could explain the higher placement rates for projects with job linkage. However, the association of job linkage with lower wage levels is less clear.

Outcome patterns for classroom training are less pronounced than for OJT, and it is unclear why wage levels show less variation for different levels of participation. However, one possible explanation for the lower percentage of high placement rates for high classroom participation may be that operators with high classroom participation were frequently educational institutions, which may not assure placement of participants at the completion of training.

Because of the strong job ties between OJT and employment opportunities, higher placement rates for projects with high participation in OJT is not surprising. However, the relationship between high participation in OJT and low wage levels is less obvious. This relationship may reflect lower wage levels paid during the training period.

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