

Dislocated Workers

PHOTOCOPY  
PRESERVATION

THE WHITE HOUSE

WASHINGTON

April 7, 1993

MEMORANDUM FOR TASK FORCE ON DISPLACED WORKERS

FROM: BONNIE DEANE, NEC

SUBJECT: NOTES FROM WORKING GROUP ON TARGET POPULATIONS

OVERVIEW:

- I. BASIC PRINCIPLES
- II. POLITICAL REQUIREMENTS
- III. SPECIAL TYPES OF WORKERS
- IV. INNOVATIVE SOLUTIONS: POLITICAL
- V. INNOVATIVE SOLUTIONS: WORKERS

I. BASIC PRINCIPLES

We support an equitable offering of benefits to all displaced workers regardless of cause...

- ...provided the assistance meets minimum requirements specified under Section II. (Political Requirements)
- ...provided that there is some reasonable assurance that the target populations will receive their share of the benefits.
- ...provided that benefits can be obtained promptly and efficiently through the elimination of costly certifications.
- ...provided that the services offered are flexible enough to meet the needs of populations with special needs.

II. Political Requirements

NAFTA: "As good as" TAA and ASETS

- Must offer Training and Income Support
- Entitlement (capped or limited to income for training)
- No means test on income support
- At least \$335 million earmarked (as Bush did)
- Limits on access to and types of training will be difficult

DOD: Bias against wealthy or highly skilled cannot be tolerated  
Services must provide real assistance, not just money

EPA: Easier access than Clean Air Act

- Benefits for our group as good as for NAFTA and Defense
- Credible budget plan -- can't run out before our turn

### III. SPECIAL NEEDS FOR WORKERS

#### NAFTA:

Workers laid off when plants move to Mexico are more likely to be in low skill or skilled blue collar jobs. There may be high concentrations of non college degree holders out of work in an area where there are no other job sources.

The needs of such a population may include:

- ASSESSMENT/BASIC JOB ASSISTANCE--counseling to build a new, long term strategy.
- RETRAINING FOR A NEW OCCUPATION--industries moving to Mexico are not likely to expand in the U.S. Basic skills may be key.
- RELOCATION ASSISTANCE--help to move or search for jobs in other regions.
- ECONOMIC DEVELOPMENT--help workers or companies to use the pool of labor through retraining, loans, etc. Use coordinated federal services.

#### EPA:

Many employees will be in low skill or skilled blue collar jobs such as mining or logging. Industries impacted are also industries where technological advances have also impacted employment. Community disruption in large regional areas is a special concern. Advance notice may be feasible. This population may have more in common with the NAFTA population than the defense workers.

The needs of such a population may include:

- RAPID RESPONSE--Start early at bases. Maybe with more than information about the benefits program. If there is a challenge grant scheme, maybe a consultant can be lent to them to help them write a plan.
- ASSESSMENT/BASIC JOB ASSISTANCE--counseling to build a new, long term strategy.
- RETRAINING FOR A NEW OCCUPATION--industries seeking sustainable growth are not likely to expand at a later date. Basic skills may be key for low skill workers.
- RELOCATION ASSISTANCE--help to move or search for jobs in other regions.
- ECONOMIC DEVELOPMENT--help workers or companies to use the pool of labor through retraining, loans, etc. Use coordinated federal services. If a logging community could provide a plan to build an airport or industrial park. Can we create a challenge grant system that would allow them to use their training money in a creative way?

### III. SPECIAL NEEDS FOR WORKERS (continued)

#### DEFENSE:

These are likely to be the most diverse group: from deckhand to rocket scientist, poverty level to wealthy, privately employed and public payroll. Many will be highly mobile because their profession is specialized or because they have little attachment to the community at which they are stationed.

For base closings, rapid response can be used because the population is highly predictable. Early identification is difficult in the private-sector web of prime, secondary and tertiary contractors.

Needs may include:

- RAPID RESPONSE--Start early at bases. Maybe with more than information about the benefits program. If there is a challenge grant scheme, maybe a consultant can be lent to them to help them write a plan.
- ASSESSMENT/BASIC ASSISTANCE--Government officials that provide counseling may help the deck hands and assembly workers, but a rocket scientist may need more specialized basic assistance and job search. For example, professional testing services and high tech headhunters may be more appropriate.
- ECONOMIC DEVELOPMENT--What if a base could provide a plan to build an airport or industrial park. Can we create a challenge grant system that would allow them to use their training money in a creative way?
- RELOCATION--National networks of labor market information and job search assistance will probably be useful to both rocket scientists and privates that are willing to relocate.
- TRAINING--Why retrain a highly skilled worker for a new occupation? Skill upgrades, self-employment training, contributions toward a larger fee may be more appropriate for this group. It would be embarrassing to be turning programmers into truck drivers or leave scientists without any work at all.
- INCOME SUPPORT--provide an incentive to work while training. What about paying them to train others?

### IV. INNOVATIVE SOLUTIONS: POLITICAL

1. Present a formula allocation to the states that is based on historical unemployment statistics. Use an additional money to provide allocations based on anticipated dislocations. Base closings, NAFTA impacts and environmentally impacted states can receive extra allocations based on independent projections. The amount of money involved need not be large relative to the total, but politically we could take credit for giving extra money. No certification would be necessary to prove that the money was spent on those populations. It would be a state responsibility. This may be a way to deal more creatively with the \$335 million criteria.

#### IV. INNOVATIVE SOLUTIONS: POLITICAL (continued)

2. Instead of limiting special projects in impacted areas to demos, can we create a challenge grant system that allows us to fund creative community based projects? The criteria should be the ability to address the problems not whether it tests a new theory. We can offer coordinated services and waivers to communities (particularly with base closings or plants moving to Mexico) that offer well thought out plans. Workers could be allowed to invest their benefits package in the project as a supplement to discretionary funds.

To answer the question posed by USTR, this allows extra money to flow to NAFTA impacted workers without certification or differentials in the benefits package.

To answer EPA, the challenge grant evaluation could be done by a panel including representatives from Labor, EPA, USTR, and DOD.

#### V. INNOVATIVE SOLUTIONS: WORKERS

1. EPA will be assembling an inventory of funding projects (e.g. sustainable growth investments, technology innovation and promotion) that could be used in economic development projects.

2. DOC has presented a list of economic development programs that could be coordinated with mass dislocations (attached).

3. DOD has a number of economic development program possibilities such as FAA funds for airport conversion. There are also resources to help with worker placement such as the DOD resume network. It is imperative that we coordinate with the DOD's community oriented "One stop shop."

4. HUD is also willing to coordinate services for economic development projects. (See attachment)

5. DOE also has funding that is not large, but could supplement challenge grant type projects for community transition. (See attachment)

OFFICE OF THE UNITED STATES  
TRADE REPRESENTATIVE  
EXECUTIVE OFFICE OF THE PRESIDENT  
WASHINGTON  
20506

April 4, 1993

Memorandum To Bonnie Deane, NEC

From Geza Feketekuty, USTR *gff*

You asked USTR to address the NAFTA constituency's needs with respect to a new comprehensive worker adjustment program.

USTR is not yet in a position to identify with any precision what we will need politically in the worker adjustment assistance area to assure Congressional approval of the NAFTA Agreement. More extensive contacts will be necessary with members of Congress and the labor movement before Amb. Kantor will be in a position to make the necessary political judgments.

In order to be as responsive to your request as possible under current circumstances, the following is designed to lay out the issues as we currently see them.

At the outset, it should be noted that USTR fully supports the common objective of developing a comprehensive worker adjustment assistance program that will deliver benefits to dislocated workers efficiently and promptly. A central requirement of such a reformed program is the elimination of the lengthy and costly certification procedure which now delays the delivery of benefits and adds to administrative costs.

As you know, the President identified worker adjustment assistance as a key area where improvements were necessary with respect to the NAFTA agreement. Since the Bush Administration offered to earmark \$335 million in worker adjustment assistance funds for NAFTA, this figure will inevitably serve as an important benchmark for evaluating proposals by the Administration in this area. Substantial improvements in the level of benefits offered in the new comprehensive worker adjustment program could well reduce the political need for a separately funded NAFTA program, though it may be difficult to eliminate the political need of many members of Congress to be seen as doing something special for NAFTA-impacted workers.

The unions and congressmen who are concerned about the availability of adjustment assistance benefits for NAFTA-impacted workers will also use another benchmark for evaluating Administration proposals on worker adjustment assistance, namely the current Trade Adjustment Assistance (TAA) program. TAA provides both better benefits than the current EDWA program, and more assured funding of

such benefits by creating an entitlement. To the extent that the Administration's new comprehensive program falls short of the level of benefits and the entitlement built into TAA, a political need is created for a NAFTA-related program that would provide both increased benefits and more assured funding of benefits for NAFTA-impacted workers.

Until the benefits and funding of a comprehensive worker adjustment program are determined, it is difficult to determine what kind of supplemental program for NAFTA-impacted workers will meet our political requirements. At one extreme, if the comprehensive worker adjustment program provides an entitlement to benefits comparable to TAA, a separate NAFTA program may not be necessary. At the other extreme, if the comprehensive worker adjustment program provides discretionary benefits comparable to the current EDWA program, there might be a political need to fund a separate NAFTA program that would provide an entitlement to supplemental benefits equivalent to TAA, with expanded eligibility criteria (covering secondary workers and workers displaced by U.S. investments in Mexico).

If, as is likely, a new comprehensive program provides levels of benefits and funding that are better than EDWA but not as good as TAA, we may need to consider how a supplemental program could provide supplemental benefits and funding without triggering the need for a firm or worker based certification process. One way would be to certify states or SMSA's as being impacted by NAFTA, and making such states or SMSA's eligible for improved benefits and funding.

In light of the above, any supplemental program for NAFTA-impacted workers will need to address two questions: #1 - what assurance can be provided that adjustment assistance funds will be available to all NAFTA-impacted workers not only during the next four years, but during the remainder of the period over which NAFTA will be implemented; and #2 - How can the benefits offered under a comprehensive program be enhanced so as to provide benefits comparable to TAA? A third question that flows from the first two is how can supplemental assistance be made available to NAFTA-impacted workers without triggering the need for a certification process?



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**  
**WASHINGTON, D.C. 20460**

**DRAFT**

**MEMORANDUM**

**OFFICE OF  
THE ADMINISTRATOR**

**TO: BONNIE DEAN**

**FROM: Al McGartland  
Alec Guettel**

**SUBJECT: The Department of Labor's Submission on the Administration's Initiative on  
Worker Adjustment**

You asked EPA for comments on the Department of Labor's (DOL) draft issue papers. Their submissions raise a number of issues for the interagency workgroup to consider. Our comments here, however, are not based on the assessment of eligible populations, unit costs, or an adequate analysis of the effect of eligibility restrictions because the relevant information was received from DOL after these comments were prepared. We will provide final EPA positions on most of these issues after we examine the data provided by DOL. Therefore, this memorandum only conveys preliminary indications of EPA's views on how the worker adjustment program should be designed.

EPA supports DOL's goal of establishing a comprehensive worker adjustment program by consolidating existing programs, including the one to serve displaced high sulfur coal miners codified in Title IV of the Clean Air Act Amendments of 1990. Combining all these programs into one comprehensive worker adjustment plan would improve efficiency.

However, it is important for the workgroup to meet the deadlines we accepted. The budget process will not wait for us and any delay may cause us to miss an important opportunity for change.

**ISSUES**

**(1) Eligibility**

Despite the dramatic increase in funding to \$2.7 billion, a program that services all displaced workers may not be adequate to guarantee that workers displaced by NAFTA, DOD budget cuts and other important Administration actions (i.e., endangered species protection) will be served. Resources may run out before these workers can be assisted and retrained. We would like to urge the interagency workgroup to consider limiting eligibility or setting priorities for subpopulations so that Congress and affected interests can be assured that important subpopulations will be assisted.



On a related matter, we understand that the interagency group wants to do away with the inequity among existing programs by offering one basic assistance package. However, given the importance of targeting affected workers, we would like to establish a consultant role for EPA and other agencies to help decide how those resources not allocated by formula should be distributed.

(2) Identification

Although we have no expertise in this area, we are persuaded by the workgroup discussions and written material that rapid identification and response should be high priorities. We would also recommend that a mechanism be available for other government agencies to inform DOL when possible regulatory actions place jobs at risk.

(3) Level of Services

We are comfortable with the written recommendation provided by DOL (page 15 of draft eligibility paper). However, many key issues were not raised. These include:

- Will the program provide vouchers? If so, will this be the only vehicle for training or will a hybrid system of government run centers and vouchers be used?
- What is the maximum value of the voucher?
- What about income support? Should this be tied to unemployment insurance benefits, or should a needs-based assessment be made? Perhaps all trainees should receive a uniform income support payment.

In short, we need to know what the \$2.7 billion can pay for given the importance of serving all displaced workers who qualify.

(4) Programs for Special Populations

DOL raises some troubling issues concerning older workers and displaced homemakers. A reasonable way to approach these issues is to adapt the eligibility criteria. Separate programs that offer a different benefits package from the one designed for the general population should not be established.

(5) Key Constituencies

EPA is undertaking a separate analysis of who our key constituencies are and how best to market this proposal. To the extent that EPA believes that this program can take care of workers who need to transition to industries that are more consistent with sustainable development and a healthy environment, we will be anxious to help market this legislation.

Finally, worker adjustment assistance and several EPA programs (e.g., technology innovation and promotion) could mutually benefit from better cooperation. EPA will be assembling an inventory of such programs and will discuss with DOL how linkages could be made.

**Date:** April 5, 1993

**Memorandum for:** Bonnie Deane, National Economic Council

**From:** Jim Landers, Department of Energy

**Subject:** Dislocated Workers Task Force Input

You asked for comments at our March 29, 1993 meeting. I believe I discussed earlier with you the fact that we have legislation which requires DOE to do workforce restructuring plans when changes are needed at our defense nuclear facilities.

That legislation allows (described as objectives) us to provide training to workers, outplacement assistance, support to local communities, etc. to minimize impacts on our workers. We have been coordinating with DOD (Office of Economic Adjustment), the Department of Labor, and the Department of Commerce to be sure our efforts are coordinated with other available programs. We did not receive any separate appropriation for these activities in FY 1993 (but have allocated \$25M) and we have identified a small amount relative to potential need in FY 1994 (\$100M), both of which have been shown in President's Defense Conversion Initiative. Therefore, we are looking outside the Department of Energy (to DOD, DOL, and DOC) for additional support to mitigate the impacts of our reductions in our defense workers as a result of the end of the Cold War. A copy of the elements of that legislation is attached.

Therefore, as we look to what our needs are above some baseline program in the working group, we believe that deferral to DOL or DOD would be appropriate given their vast experience in this area. We expect to impact only about 8,000 jobs which is clearly small compared to DOD cuts and other reductions in the economy. Obviously, we do feel that our workers deserve nothing less than other groups receive might receive (NAFTA, DOD, Clean Air, etc).

**Attachment**

## **SUMMARY OF WORKFORCE RESTRUCTURING LEGISLATION** **(SECTION 3161)**

**LEGISLATION PASSED ON OCTOBER 23, 1992; KEY  
FEATURES OF SECTION 3161:**

- **PLAN REQUIRED WHEN CHANGE IN THE WORK FORCE  
AT A DEFENSE NUCLEAR FACILITY IS NECESSARY**
- **CONSULTATION IS REQUIRED WITH DOL, UNIONS,  
STATE AND LOCAL GOVERNMENTS, INSTITUTIONS OF  
HIGHER EDUCATION, AND COMMUNITY GROUPS**
- **PROVIDE PLANS TO CONGRESS WITHIN 90 DAYS OF  
NOTIFICATION TO WORKERS OF WORKFORCE CHANGES  
OR 90 DAYS AFTER ENACTMENT OF LEGISLATION  
(WHICHEVER IS LATER)**
- **PROVIDE ANNUAL UPDATE OF PLAN INCLUDING  
EVALUATION OF IMPLEMENTATION DURING THE YEAR  
PROCEEDING THE REPORT**
- **APPLIES TO DOE FEDS, CONTRACTORS AND  
SUBCONTRACTORS**
- **SECTION HAS SEVERAL OBJECTIVES AS FOLLOWS:**
  - **120 NOTIFICATION BEFORE COMMENCEMENT OF  
CHANGES**
  - **USE RETRAINING, EARLY RETIREMENT,  
ATTRITION TO MINIMIZE LAYOFFS**
  - **PROVIDE PREFERENCE IN HIRING**
  - **PROVIDE OUTPLACEMENT ASSISTANCE**
  - **PROVIDE RELOCATION ASSISTANCE**
  - **PROVIDE LOCAL IMPACT ASSISTANCE**

4-1-93

**DISLOCATED WORKER TASK FORCE  
TARGET POPULATIONS WORK GROUP**

**CONSTITUENT NEEDS  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**1. Constituent Needs**

HUD represents and serves communities. In this context communities can be independent jurisdictions or subareas within jurisdictions. Employment dislocations become a community concern if the magnitude of the dislocations undermines the economic and social foundations of the community. Large scale job loss accompanied by substantial outmigration can lead to: (1) significant loss of wealth by all members of the community due to falling house prices, (2) loss of tax base due to falling real estate values, (3) deterioration of the housing stock and abandonment of the worst units, and (4) solvency problems for financial institutions which have invested in local businesses and real estate. Therefore, in areas where dislocations are concentrated, assistance to the individuals affected should be combined with other assistance to attract new jobs to partially offset the loss of old jobs.

**2. Criteria for evaluating solutions to community needs**

The variables of interest are new job creation, real estate values (both residential and commercial), property tax receipts, and abandoned structures. However, the standards for success are difficult to specify. In cases of concentrated job loss, it would be unrealistic and probably inefficient to expect one-for-one job replacement and no decline in real estate values or property tax receipts. What is desired is moderation of the impact to allow growth in other sectors of the local economy to maintain a sound economic foundation for the community.

**3. Ideas for demonstrations**

Any demonstration ideas which attempt to attract new jobs would be a possible solution to community needs.

One possibility would be to provide assistance to groups of displaced workers who are interested in forming small businesses to use the skills which they carry over from their old jobs.

**4. Earmarks**

There is a one-time (FY '93) earmark of \$6 million of Community Development Block Grant discretionary funds to alleviate problems associated with base closings and defense plant closings.

Some of the EDA programs would be useful in this context and could be earmarked for use in communities with large-scale dislocations.

## 5. Linkages

HUD is considering a small Federal grant program to encourage large cities to do long run economic planning in the context of their overall metropolitan areas. Although this program aims at general economic planning, it would help some cities anticipate large scale dislocations and begin efforts to foster alternative employment opportunities.

## DOC ROLE IN A NATIONAL DISPLACED WORKERS INITIATIVE

### Thoughts on a Commerce Role:

The most powerful and general solution to the problems of displaced workers is steady and substantial economic expansion and a proliferation of good job opportunities. Thus, sound macroeconomic policy is the first answer to the problem of structural unemployment.

Though the most important solutions may be global or national, however, structural adjustment is problematic at the regional level. Adjustment is a problem because a regional economy is growing slowly or lacks diversity and cannot absorb large employment losses in key industries. As a Department chiefly concerned with the microeconomy--i.e., with promoting the economic strength of industries and regions--Commerce can and does address problems of regional adjustment.

The Department's capacities for supporting the present effort lie principally in the areas of problem analysis and influencing the regional distribution of employment growth. As such, Commerce programs can inform and complement efforts of federal agencies that specialize in providing training, job search assistance, and other reemployment services to displaced workers.

### Data and Analysis:

Commerce is a major source of data and analysis on industry and regional problems. We can anticipate and analyze regional difficulties so that resources can be concentrated in areas of greatest opportunity. For example:

- o In 1992, DOC's Economics and Statistics Administration prepared an analysis of industry and regional impacts of defense cuts assuming a 25 percent reduction between 1991 and 1996. We are revising this analysis based on current budget projections.
- o In cooperation with DOD, Commerce is also tracking defense program cuts and compiling a data base on affected production facilities and localities.

### Influencing the Distribution of Employment Growth:

DOC's major program tools for influencing the regional distribution of employment growth are concentrated in the Economic Development Administration (EDA). EDA's principal authorities (and FY 1993 resource levels) are as follows:

- o The Public Works and Development Facilities Program (FY 1993: \$147,435,000) helps distressed communities retain existing employers and attract new industry, encourage business expansion, diversify local economies, and generate long-term, private sector jobs through the construction of public works infrastructure and development facilities.
- o The Economic Adjustment (Title IX) Program (Long-Term Economic Deterioration Component) (FY 1993: \$11,038,000) helps areas overcome specific capital market gaps and encourage greater private sector participation in economic development activities by establishing or expanding revolving loan funds.
- o The Economic Adjustment (Title IX) Program (Sudden and Severe Economic Dislocation Component) (FY 1993: \$11,038,000) helps develop and implement local economic adjustment strategies designed to mitigate and prevent an economic dislocation or to reestablish employment opportunities and economic stability as soon as possible after a dislocation occurs.
- o The Planning Program for Economic Development Districts, Indian Tribes, and Redevelopment Areas (FY 1993: District Program \$17,353,000; Indian Program \$2,901,000) supports the formulation and implementation of comprehensive economic development programs designed to create or retain jobs.
- o The Planning Program for States and Urban Areas (FY 1993: State Program \$1,933,000; Urban Program \$2,583,000) assists economically distressed states, cities, and urban counties undertake specialized new economic development planning, policy-formulation, and strategic planning.
- o The Technical Assistance Program (FY 1993: National Program \$830,000; Local Program \$600,000) seeks to advance the state of the art of economic development and build and expand local organizational capacity in distressed areas.
- o The University Center Program (FY 1993: \$7,570,000) helps colleges and universities in using their own and other resources to address the economic development problems and opportunities in their service areas.

In addition, DOD transferred \$50 million to EDA in FY 1992 and will transfer another \$80 million in FY 1993 for defense conversion assistance activities under all EDA authorities.

EDA has the authority to make and guarantee business loans, though this authority is now unfunded and has not been exercised for more than a decade.

DOC's Technology Administration (TA)--especially through its Advanced Technology Program and Manufacturing Technology Centers

program--has a significant capacity to assist small and mid-sized defense firms to convert production to commercial uses. In theory, these capabilities can promote economic adjustment while keeping human and material resources more or less in place.

However, it should be emphasized that TA's main objective is to spur output and productivity growth in the economy at large by encouraging the development and diffusion of new technology. Any contribution the agency might make to solving the problems of dislocated workers should be consistent with its pursuit of this primary purpose.

PRODUCTION AND  
LOGISTICSASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301-6000

March 8, 1993

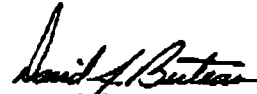
MEMORANDUM FOR BONNIE DEANE, NATIONAL ECONOMIC COUNCIL

SUBJECT: DoD Input for Inter-Agency Task Force on Displaced Workers

In response to your request, as the newly designated Defense Department representative to the Task Force, I wish to provide the attached suggested input to the White House Task Force on Dislocated Workers. It is based in part on the work of the Defense Conversion Commission.

The attached paper provides a proposed government-wide approach to assistance for displaced workers. Within that context, the Department of Defense can help by:

1. Focusing attention on both the comprehensive and incremental solutions;
2. Helping develop strategies to implement those solutions;
3. Utilizing our data base resources both for workers and for program evaluation;
4. Offer as a model our success, in support of base closures, at pushing better program integration and community planning; and
5. Finally, supporting a pilot program in selected defense - impacted communities.

  
David J. Berteau  
Principal DeputyAttachment  
As Stated

## Aiding Dislocated Workers

### The Problem

Federal efforts to assist dislocated workers are hampered by several administrative and structural inefficiencies:

- the number of Federal agencies that communities must approach for the different types of assistance;
- the agencies' varying application procedures, selection criteria, and timetables for disbursement of funds;
- the time-consuming application process;
- the differing formulae used to determine the amount and types of assistance;
- the requirement that a preset minimum of EDWAA funds be spent on retraining;
- reliance on employment data that is out-of-date;
- the inability to integrate retraining needs with the future job market;
- the absence of a clear system of evaluation that establishes goals, an agreed baseline for comparison purposes, and measures of effectiveness.

Until these structural inefficiencies are addressed and resolved, assistance to dislocated workers, including but not limited to retraining, will continue to be more expensive and less effective than it should be.

### Proposed Responses

There are both comprehensive and incremental steps that can be taken to reduce or eliminate these inefficiencies.

#### Comprehensive

- *Integrate programs.* The current multiplicity of Federal, state, and local assistance agencies and programs should be replaced with a system of "one-stop-shopping" making it possible for the applicant to identify and gain access to all relevant programs through a single process.

#### Incremental

- *Pool local, state, and Federal resources.* Cost sharing is essential to promote community commitment. Federal funds should be matched by state and local funds.
- *Encourage planning.* The Federal Government should share costs with communities for developing integrated plans that prepare for economic dislocation and job creation. Sources of funding and technical assistance to implement plans should be identified as part of the planning process.
- *Improve EDWAA flexibility and timeliness.* Allocation of EDWAA funds should be based on current and broader data, and the application process should be simplified. The requirement that 50 percent of EDWAA funds be spent on retraining should be eliminated, because other services such as job search assistance or resume-writing instruction may be more appropriate.
- *Clear evaluation.* Clear goals and effectiveness measures need to be established and monitored.

**DISLOCATED WORKERS  
ESTIMATES OF POPULATIONS, PARTICIPANTS, AND COSTS**

**POPULATIONS:**

Estimates based on length of job tenure and adjustment for reporting bias range from:

1.2 million per year for individuals with 3 or more years of job tenure, to

2.2 million per year--CBO estimates corrected for survey bias, to

3.0 million per year for individuals with any length of tenure.

These numbers are derived from Bureau of Labor Statistics, Current Population Surveys January 1987 to January 1992.

CBO estimates for 1981-1990 comparable to 2.2 million above.

|      |             |
|------|-------------|
| 1981 | 2.0 million |
| 1982 | 2.7         |
| 1983 | 1.7         |
| 1984 | 1.9         |
| 1985 | 1.8         |
| 1986 | 1.9         |
| 1987 | 1.7         |
| 1988 | 1.5         |
| 1989 | 2.0         |
| 1990 | 2.2         |

**TARGET POPULATIONS:**

**NAFTA:**

Of 12 recent studies on the impact of a NAFTA, most conclude that NAFTA will have a modest, but positive, net impact on U.S. employment, while two reach the opposite conclusion. In every model, however, there is an assumption that some jobs will be lost.

The Institute for International Economics estimates 150,000 dislocations due to increased imports under NAFTA over a ten year period.

The Economic Policy Institute estimate, with a net loss of 1,264,000 jobs (including 500,000 high-wage jobs) over a ten year period, represents the greatest negative impact from NAFTA.

This translates to 100,000 low-wage and 50,000 high-wage dislocations a year.

The AFL-CIO issued a news release dated August 12, 1992, showing projected job losses at "some half a million jobs by the end of the decade."

For the period from 1994 through 1999, this is more than 83,000 job losses each year.

Annual estimate as a percent of CBO 1990 estimate:

15,000 per year = .68%, 150,000 per year = 6.8%

**SPOTTED OWL:**

30,000 at time of new forest plan--source:

Annual estimate as a percent of CBO 1990 estimate:

30,000 per year = 1.4%

**DEFENSE:**

The Defense Conversion Commission estimates that 960,000 jobs will be lost from 1991 to 1997 due to reduced DoD purchasing. Further, 60 percent of the losses are expected to occur in 10 States (CA, NY, TX, VA, MA, PA, OH, FL, CT, and NJ) In addition, the DoD expects to reduce the active force structure from 2.2 million in 1987 to 1.6 million by 1997. (Note: force levels may be further reduced.) The Commission estimates that two thirds of the original force reduction has already occurred.

Estimated loss per year @ 960,000 over 6 years is 160,000 per year.

Annual estimate as a percent of CBO 1990 estimate:

160,000 per year = 7.3%

**POPULATION SERVED:**

**ASSUMPTIONS:**

- \* **Forty Percent of potential workers will seek service.**

Basis: Experience with EDWAA discretionary grants indicates that approximately 40 percent of impacted workers will seek services.

BLS data (Source Employment and Earnings Report) indicate that 38.9 percent of job losers not on layoff were still unemployed after 15 weeks--an indicator that they were unable to find work on their own and "needed" readjustment assistance.

- \* **One-third of participants in comprehensive program will need training, two-thirds will receive transition assistance.**

Current EDWAA programs with limited resources and targeted to those "most-in-need" provide training to 60 percent of participants.

Average participation was 27 weeks [for those in training?] in PY 1991.

- \* **The cost per participant for basic readjustment services is \$250.**

PY1991 EDWAA data for readjustment services is \$335.

Estimated costs, per participant, for transition services reflect increased rapid response assistance and an economy of scale from the participation of a greater number of individuals who need less intensive services.

The estimated average cost of basic transition services assumes services available for all 1,200,000 participants.

Note: OMB using studies from the Manpower Development Research Corporation (MDRC) estimates job search assistance excluding evaluation costs, at about \$320 per participant, in 1988 dollars.

- \* **Training Cost per participant will average \$3000 per year for up to 2 years for those in training.**

EDWAA training costs for PY 1991 (July 91 through June 92) is estimated at \$1,296.

Estimated costs are higher based on initial proposals for comprehensive program.

The average cost for tuition for a full load for one year at a community college is ~~\$2,000~~ \$1,600

\* **Income Support**

Income support is assumed to be available for 75 percent of the participants in training would continue in training after UI had been exhausted.

Payments will equal the average weekly benefit amount (AWBA) of \$165 (paid under UI during the past year). Note: a higher AWBA may be a better estimate of dislocated workers with greater labor force attachment. The average maximum weekly benefit amount is about \$250 per week.

Training must begin by the end of the 13th week of UI.

**ESTIMATES:**

|                     |                        |             |
|---------------------|------------------------|-------------|
| <u>Total Costs</u>  | <u>\$2,700,000,000</u> | <u>100%</u> |
| Rapid Response      | 180,000,000            | 7%          |
| Transition Services | 300,000,000            | 11%         |
| Training            | 800,000,000            | 30%         |
| Income Support      | 1,120,000,000          | 41%         |
| Support Services    | 60,000,000             | 2%          |
| Administration      | 240,000,000            | 9%          |

|                                              |                |
|----------------------------------------------|----------------|
| <u>Average Cost (1,200,000 Participants)</u> | <u>\$2,250</u> |
| Rapid Response                               | 156            |
| Transition Services                          | 250            |
| Training                                     | 675            |
| Income Support                               | 922            |
| Support Services                             | 45             |
| Administration                               | 202            |

|                                 |                     |                  |
|---------------------------------|---------------------|------------------|
| <u>Average cost/Participant</u> | <u>Participants</u> | <u>Unit Cost</u> |
| Transition Services             | 1,200,000           | \$ 250           |
| Training                        | 400,000             | \$2,000          |
| Income Support                  | 300,000             | \$3,740          |

|                      |                                |                           |                                |
|----------------------|--------------------------------|---------------------------|--------------------------------|
| <u>Training Stay</u> | <u>Percent of Participants</u> | <u>Number in Training</u> | <u>Total weeks of Benefits</u> |
| 1 - 13 weeks         | 25.0%                          | 100,000                   | 0                              |
| 13 - 52              | 50.0%                          | 200,000                   | 2,600,000                      |
| 52 +                 | 25.0%                          | 100,000                   | 4,200,000                      |

PROGRAM YEAR 1991 EDWAA EXPERIENCE (Preliminary)

|                            |                      |             |
|----------------------------|----------------------|-------------|
| <u>Total Formula Costs</u> | <u>\$482,900,000</u> | <u>100%</u> |
| Rapid Response             | 20,800,000           | 4%          |
| Readjustment Services      | 108,200,000          | 23%         |
| Training                   | 257,400,000          | 53%         |

|                         |            |     |
|-------------------------|------------|-----|
| Needs Related & Support | 33,300,000 | 7%  |
| Administration          | 63,200,000 | 13% |

Average Cost (331,000 Participants) \$1,458

|                         |     |
|-------------------------|-----|
| Rapid Response          | 58  |
| Readjustment Services   | 335 |
| Training                | 773 |
| Needs Related & Support | 102 |
| Administration          | 190 |

NOTE: Since 40 percent of the participants did not receive retraining, the average cost of retraining for those 198,600 participants who in fact received retraining is \$1,296.

When looking at EDWAA experience for PY 1991, we have:

|                           |                |
|---------------------------|----------------|
| <u>Total Terminations</u> | <u>191,000</u> |
| <u>Average Weeks</u>      | <u>27</u>      |
| <u>Entered Employment</u> | <u>68%</u>     |

THE WHITE HOUSE

WASHINGTON

April 7, 1993

*Baseline Working  
Group*

MEMORANDUM FOR INTER-AGENCY TASK FORCE ON DISPLACED WORKERS

FROM: BONNIE DEANE, NEC  
456-2471 FAX: 456-2223

SUBJECT: NOTES FROM WORKING GROUPS

Please find attached a summary of the working group discussions on the basic benefits package and the needs of target groups. Feel free to provide written or verbal feedback at the 4:00 pm meeting.

Thanks for all the hard work everyone has been putting in on these tough issues.

(DRAFT)  
THREE POLICY PRINCIPLES  
FOR  
A COMPREHENSIVE DISPLACED WORKER PROGRAM

- The primary goal of a comprehensive dislocated workers program is GETTING PEOPLE BACK TO WORK.

We also are interested in teaching people to manage their careers and upgrading the general skill level of the workforce. These are however, secondary concerns and should only be pursued to the extent that they promote the primary goal: getting back to work. Training for career management and to upgrade the skills of employable individuals is properly the focus of other programs such as school to work and continuing education. Linkages across labor market initiatives can help to meet these broad based needs. For example, we can encourage less-skilled, dislocated workers to take ongoing training after starting work.

As far as possible, the dislocated worker program should be part of a larger strategy to promote high skill/high wage jobs, empowerment over careers and customer service oriented delivery. The dislocated worker program, however, cannot bear the entire burden.

- Dislocated workers need a WIDE RANGE OF SERVICES because they represent a cross-section of all types of unemployed people.

Dislocated workers include many populations served by other programs: disadvantaged workers, relatively new entrants, non-college degree holders, those near retirement, low income families and low skill workers. Also included are people who do not fit into the traditional categories served by government, such as white collar workers, middle management and aerospace engineers.

Finding a job poses dramatically different problems across this spectrum. Perhaps the only problem unique to the dislocated and not served by other government programs is the need to change occupations, industry or community. Not all dislocated workers, however, need this unique service. Trying to offer a standard dislocated worker package to all individuals is an effort to fit square pegs into holes of many shapes.

The benefit of a comprehensive approach to dislocation is not that the same set of services can be offered to all. A COMPREHENSIVE PROGRAM CAN PROVIDE SERVICES THAT MATCH INDIVIDUAL SITUATIONS INSTEAD OF THE CAUSES OF DISLOCATION. We don't want universal solutions. We want universal access to tailored solutions.

*universal Access to tailored services*

(Policy principles, continued)

- A comprehensive displaced worker program must play a role in the movement to reinvent government.

**AVOID DUPLICATION OF OTHER GOVERNMENT PROGRAMS** and administrative structures. We want to foster empowerment and accountability at the state and local level. This implies a need to coordinate our efforts with all of the programs we are at risk of duplicating: one-stop shopping, the employment service, PELL grants and the UI system. We should provide leadership to streamline these systems and reduce the paper burden on individuals and the localities that serve them.

Furthermore, a new style government program will have a greater focus on achieving **MEASURABLE RESULTS** and the dollars invested per result.

Time, in this matter, is our enemy. We must balance the need to reorganize against the urgency of change. The new program must be judged on **TIMELINESS** and **ABILITY TO SUSTAIN CONTINUED IMPROVEMENT** as well as its **PROGRESSIVE DESIGN**.

**DECISION #1 INCREMENTAL REFORM OR SYSTEMIC REFORM:**

Incorporating the fragmented displaced worker programs of the past into a **COMPREHENSIVE PROGRAM** is an incremental improvement. Within this framework improvements can be made that will stimulate the supply of better training, provide more service to those in need and streamline the program administration.

Systemic reform would mean taking more time to harmonize the current labor market initiatives: Dislocated workers, one stop shopping, school to work, and welfare to work. Rather than a vertical approach to providing services, we can create a **WORKFORCE INVESTMENT STRATEGY** and the infrastructure to support it.

The key market failures that stymie dislocated workers are the same ones that block new entrants and the general unemployed population. Information costs are too high regarding job openings and job trends. Signals regarding payoffs to short term training are weak and confused. The market under invests in training because of the free-rider problem and the limits of human capital ownership.

Taken together, the infrastructure of the labor market is not functioning well. The labor market mechanisms for cyclical unemployment don't work any better than the mechanisms for structural adjustment. Thus, general unemployment problems will drag down the dislocated worker program unless we build up a solid labor market infrastructure.

Discussion:

**SYSTEMIC REFORM IS TOO MUCH TO BITE OFF.**

Systemic reform of general labor market problems would require more time than the parallel development strategy currently underway. Delaying the introduction of legislation may mean losing the funding earmarked under the budget resolution if Members are not completely cooperative with this strategy. (Of course, Members may not cooperate with the worker programs on reconciliation either.)

If staying on a reconciliation timetable is essential, there are other ways to introduce creative proposals. A challenge grant system, for example, could provide waivers to statewide programs that proposed a comprehensive, labor market system.

**SYSTEMIC REFORM IS SUBSTANTIATIVELY AND POLITICALLY BETTER.**

On the other hand, there are benefits to promoting certain systemic policies on a national scale. For example, performance measures, Individual Training Accounts and opportunity cards may be policies better pursued nationwide and across labor market programs. By taking the time to step back and review all the linkages we can use more creative, customer service oriented approaches.

Without systemic reform, we may end up with something that looks a lot like EDWAA or ASETS plus a few bells and whistles. During the campaign, the President asserted that his dislocated worker program would be far more visionary than the ASETS plan proposed by Bush. Politically, we need to live up to the President's challenge.

Furthermore, spending more time planning a Workforce Investment Strategy would be a popular move with all the Members who want more time to participate. Although careful management of the timing relative to NAFTA is essential, later than reconciliation may be a better legislative strategy.

**DECISION #2 WE ARE STILL IN DANGER OF RUNNING OUT OF MONEY IF WE USE A COMPREHENSIVE ELIGIBILITY DEFINITION AND PROVIDE JOB SEARCH ASSISTANCE, TRAINING AND INCOME SUPPORT. SHOULD WE REDUCE GENERAL ELIGIBILITY, USE AN ELIGIBILITY FUNNEL OR RELY ON LOCAL EMPOWERMENT OF ASSESSORS?**

REDUCING GENERAL ELIGIBILITY is politically difficult. A FUNNEL APPROACH would offer the inexpensive basic job search aid to all dislocated workers but apply a tighter filter for the more expensive services such as training.

POTENTIAL FILTERS

- JOB TENURE - Reducing the population requires 2-3 yr tenure restriction. Politically tough. Male, union bias.
- UI ELIGIBILITY - Politically tough. Not a large effect.
- MASS CLOSINGS - Arbitrary distinction? Male, union bias.

Alternatively, state or local programs could be allowed to continue to set their own PRIORITIES BASED ON LOCAL REALITIES. Front line workers may assess the value of training on a case by case basis. If local assessments are used as a filter, front line administrators must be allowed to deny training to workers who may want it.

Discussion:

**RESTRICT ELIGIBILITY**

We must explicitly restrict eligibility to increase the credibility of the comprehensive program. Either a general restriction or a funnel would conserve funding. Local assessments will not guarantee that Clean Air, NAFTA and Defense populations receive services. Besides, assessments should be used as a counseling tool, not as a weapon to deny services to workers.

A screen such as tenure or quarters of social security contribution would be consistent with the philosophy of providing more assistance to those who have contributed more. How can someone be dislocated from an occupation to which they cannot show a minimum degree of attachment?

**LOCAL ASSESSMENT IS BEST**

Empowerment of front line workers is more consistent with quality outcomes. Tenure and other screens produce arbitrary results hinging on as little as a one month difference in job tenure. Training and support for empowered local administrators will result in the highest quality outcomes.

With an eligibility funnel, it will be obvious to workers who don't pass the funnel that they are not being offered benefits with substance. With a local assessment the federal program has the appearance of offering valuable benefits to all. Assessment also transfers the political problem to the states.

**DECISION #3 TO SERVE THE VARIED POPULATION OF DISLOCATED WORKERS, INCREASE THE RANGE OF SERVICE OPTIONS.**

**THE FOLLOWING SUGGESTIONS WERE PROVIDED:**

- Allow states to use some funds for economic development
- Provide relocation assistance
- Subsidizing employer based training--buying a job
- Allow payments for reorganizations to avoid dislocation
- Finance employee buy outs of closed plants
- Use local boards with workers to oversee training programs
- Pay contingency fees to placement organizations
- Use training technology standards to drive wider options
- Allow dislocated workers to apply their funds to other programs such as National Service or Apprenticeships

**Discussion:**

**WE NEED MORE SERVICES**

Dislocated workers are not a homogeneous group. There are young and old, rich and poor, skilled and unskilled. Providing an enriched version of the employment service and a ticket to community college will help only a small segment of the population.

The benefit of a comprehensive approach to dislocation is not that the same set of services can be offered to all. A comprehensive program can provide services that match individual situations instead of the causes of dislocation. We don't want universal solutions. We want universal access to tailored solutions.

**LET'S KEEP IT SIMPLE**

While a wider range of services is a worthwhile goal, in practice it will be too expensive, too complicated and wide open to abuse. Most of the services listed above will only swell the costs of an already costly program because attractive services will increase take up rates. Quality control and oversight of these fragmented programs will be impossible. To date we have little data on the sorts of training that can help dislocated workers. Why don't we try to keep it simple and find out what works and what doesn't? We won't get any better at helping dislocated workers if we can't evaluate our performance.

-----Food for Thought-----  
**A COMPREHENSIVE DISLOCATED WORKER PROGRAM**  
or  
**THE EMPEROR'S NEW CLOTHES?**

**WHY ARE WE PROVIDING THE SAME SERVICES THAT OTHER PROGRAMS PROVIDE?**

The services under consideration duplicate other government programs. (Employment service and one-stop shop, PELL, community colleges, unemployment insurance, welfare to work, apprenticeships, etc.)

**DO WE PROVIDE THESE SERVICES TO A GROUP WITH NEEDS THAT DIFFER FROM OTHER GROUPS?**

No. We serve a group with needs that overlap with other programs. Displaced workers include young and old; rich and poor; skilled and unskilled; college educated and high school drop outs. Labor market programs already exist to provide job search assistance and training to low income, disadvantaged and young workers.

One unique type of need not served elsewhere is the need to train for a new occupation or industry. However, the population traditionally served by displaced worker programs is much broader than those in outmoded occupations or industries.

The needs of this group are not unique, why create a separate service delivery system? If it is not politically acceptable to limit our services to those not served elsewhere, we must rationalize the areas of overlap.

**WHY IS THE DISLOCATED WORKER PROGRAM TRYING TO DO EVERYTHING FOR EVERYONE?**

The key market failures that stymie dislocated workers are the same ones that block new entrants and the general unemployed population. Information costs are too high regarding job openings and job trends. Signals regarding payoffs to non-college education are weak and confused. The market under invests in training because of the free-rider problem and the limits of human capital ownership.

Taken together, the basic infrastructure of the labor market is not functioning well. The labor market mechanisms for cyclical unemployment don't work any better than the mechanisms for structural adjustment. Solve these basic problems for the majority of the unemployed through a dislocated worker program may not be the best approach.

# Dislocated Worker Mtg 4-7-93

~~Voucher system?~~

In a Universal System ~

- Must be careful not to over-promise your pot of \$ to special populations (Loggers, defense workers, etc)
- Must be attuned to large pops. that are affected by structural shifts in economy (NAFTA, etc)

Decision 1 - Incremental reform or Systematic Reform

- Need view of what whole system should look like.

\* - Recommend different strategies or timing for this group's outcomes (2 weeks is too soon)

- Common delivery system is important. can live with different pots of \$ if delivery systems are common & integrated

- One-stop shopping is the key to changing delivery systems.
- Possibility of merging this effort with one-stop shopping effort.  
(Considering this now)  
(Career Development Centers)
- Presumptive delivery issue --  
do we leave it up to states to decide on delivery system?
- Infrastructure important, should use this as means to developing stronger infrastructure.
- Need some transitional program that helps existing infrastructure absorb new \$ increase.
- People who wait until their UI benefits are exhausted to access training & development are problem, ~~will experience~~ more expensive.
- Majority of segregated workers today are white collar - skilled. - hard to serve.

- Increase in UI tax rate is likely to fund this project -- Secure source of funding
  - Do we:
    - Put forth old program in 2 weeks
    - ~~Put forth old program~~
    - Put forth 1st step program (in 2 weeks) with vision for more comprehensive program
    - ask for more time
- 

- Are we spending \$2.7 Billion on "nothing for everyone"?

---

- Transition Job Search Centers in Defense plants having great impact
- Income Maintenance important during jobless period.
- Do local counselors make decisions on whether or not person gets # for training, or does individual make his/her own decision after being assessed.

✓ - look at models that are working -- encourage / fund them - fix / discourage models that are not working.

- One stop shopping aspect will be included in package. Cit is on May / deadline too

\* will have specs & options in Frankfurt we are working in now (2-week deadline).  
→ also have vision for more innovative program -- work on that in longer term with different process.

\* vision goes into report from this Task Force  
- call Bonnie Dean for input on this vision

(innovations could include opportunity cards, wage subsidies, skill standards, etc)

+ Part of vision may be outlining next steps -- next process to add to this program.

- <sup>our message</sup> Here's Plan, Here's how we plan to build on this. -- Hill will like this approach

Next step -- Have options for group  
to review & comment on.

By a week from Monday  
(Monday 14th)

Meeting after that.