

Getting Back to Work: New Public/Private Strategies for Laid-Off American Workers

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Methodology

The Heldrich Center developed the principles for workers, employers, and policymakers outlined in this report using several methodologies:

1. Review of existing research and data on dislocated workers, Unemployment Insurance, and the status of workers in today's volatile economy.
2. Eight focus groups with dislocated workers from across the nation to discuss the communication process by which they were informed of their layoff, the severance and services they received, and their emotional reaction to the job loss experience. A total of 84 individuals participated in these focus groups, which took place in social service agencies in seven cities including Austin, TX; Brooklyn, NY; Chicago, IL; Dover, NJ; Los Angeles, CA; New York, NY; Portland, OR; and Smyth County, VA. See Appendix A for a list of hosting agencies and Appendix B for the focus group protocol.
3. Structured interviews with seven human resources executives from various corporations, five outplacement firm executives, and five state dislocated worker service administrators from Florida, Massachusetts, New Jersey, Texas, and Wisconsin (see Appendices C and D for structured interview questionnaires). The Heldrich Center has withheld the names of the interviewees and firms that participated in the interviews to protect their confidentiality. Firms that are specifically mentioned in this report have given written permission to cite them.
4. A telephone survey of 192 dislocated workers to identify the services they received when they were laid off and the agencies that provided services. The survey also discussed workers' emotional reaction to the job loss experience. The follow-up survey was conducted by Braun Research, Inc. in Princeton, NJ from December 4, 2003 through December 17, 2003. The survey yielded a 54% response rate (see Appendix E for the survey instrument). This report also draws from the findings of two *Work Trends* reports entitled, *The Disposable Worker: Living in a Job-Loss Economy*, released in June 2003, and *Laid Off: American Workers and Employers Assess a Volatile Labor Market*, released in April 2004.

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Section I: Overview and Analytical Framework

Globalization and technological change have transformed the economy during the past few decades, reshaping the labor market along the way. But the high-tech advances and productivity gains have come at a high cost to workers. A bitter side effect of an ever-changing economy is permanent job loss, or dislocation, for millions of American workers.

No one is exempt from the risk of job loss. In the past, the typical dislocated worker was a blue-collar employee in the manufacturing industry. Today, dislocation affects workers in many occupations and industries, at all education levels. In fact, the greatest rise in incidence of job loss has been among white-collar workers and college graduates.

This report focuses on the experience of involuntary job loss among workers and employers bound together in traditional employer-employee relationships. Our research examines the consequences of job loss among laid-off blue-collar and white-collar employees. It is important to note, however, that displacement affects a broader range of workers.¹ When a company shuts a plant or shifts operations out of state, not only do a company's full-time employees lose jobs, but so do workers with less permanent and non-traditional employment relationships: consultants, temporary and part-time employees, and freelance workers.

The consequences of dislocation can be severe:

- Unemployed workers often have trouble finding new jobs and they endure significant drops in earnings when they do.
- Even during the strong labor market of the 1990s, the average earnings of college educated workers who were displaced were about 20% less than the earnings of college educated workers who remained employed.²

- Displaced workers earn 6% to 12% less than those who were not displaced as much as seven years following job loss.³
- Displaced workers are not all alike. They include highly skilled professionals and factory workers with limited education. Their needs vary widely. Some require only a brush-up on job search skills and information about available jobs. Others require counseling and training to move into a new field. Still others need basic skills training or instruction in English language skills before they can make a successful transition.

In today's economy, individuals bear the brunt of the costs of dislocation. Benefits and services offered by employers are not widely available or well coordinated to provide assistance needed at a vulnerable time. The availability of severance pay and transition services is tied to the size of a company and its culture and values. In addition, there is evidence that even large firms, which typically provide severance and transition services, are reducing their commitments because of cost pressures.

Company policies on notifying workers and handling layoffs, meanwhile, range from careful and considerate to insensitive and harsh. Some companies provide plenty of notice and communicate effectively with employees, but many others provide minimal notice and poor communication. Moreover, companies can easily circumvent the limited federal requirements for advance notification by conducting a rolling series of small-group layoffs that do not trigger notification requirements. Some dismiss the guidelines completely.

Government support for laid-off workers is uneven as well. This study finds that workers view Unemployment Insurance, job-placement assistance, job training, and extended health care as the most important services

¹ Throughout this report, we use the terms “displaced worker,” “dislocated worker,” and “laid-off worker” interchangeably.

² Henry S. Farber, *Job Loss in the United States, 1981-2001, Working Paper #471* (Princeton, NJ: Princeton University, January 2003), 32.

³ Lori Kletzer, “Job Displacement,” *Journal of Economic Perspectives* 12, no. 1 (Winter 1998): 126.

government can provide. Yet, these safety nets have become more porous. Unemployment Insurance, the principal support for unemployed workers for nearly 70 years, covers a declining share of workers due to demographic, economic, and other changes. Funding for programs for workers who lose their jobs due to international trade has risen since 2002. However, funding for programs that serve the majority of workers regardless of the cause of job loss has fallen since 2000. Government services are sometimes shunned by businesses and are seldom connected to employer-funded services in a way that serves the interests of laid-off workers.

Recent trends demand a critical rethinking of public and private policies toward displaced workers. Put simply, our public policies and private sector practices are out of sync with the realities of a changing labor market in which millions of Americans face layoffs every year, and millions more are at risk of layoffs.

Revamping current policies would:

- Provide more effective support to individuals who are not faring well in the labor market.
- Reduce opposition to expanded trade and other economic policies by offsetting the costs borne by displaced workers.
- Benefit the business community by ensuring more solid support for trade and by minimizing the burden of Unemployment Insurance payroll taxes.
- Improve the economy by facilitating the smooth transition of workers from less productive to more productive sectors.

Our research finds a dynamic competitive economy yields many benefits to society, but most of the costs fall on displaced workers. Workers, to be sure, have the primary responsibility for managing their job transitions, but employers and government also have important roles to play. This study provides recommendations on how to share the burden of dislocation more equitably among workers, employers, and government. Our recommendations are intended to stimulate a national dialogue about the policies and practices that are necessary to meet the challenges of a rapidly changing economy where few jobs are permanent.

The report's framework centers on the three stages of layoffs from the dual perspective of the worker and employer: the pre-layoff period, the handling of the layoff, and the post-layoff experience. Analysis of the pre-layoff period includes an examination of worker notification and preparation for layoffs, including steps employers may take to avert layoffs and when workers are made aware of impending job losses. The report also reviews the management of the layoff—how it is communicated to workers, and what assistance, if any, employers offer to the affected workers. The report considers both worker and employer perceptions of how layoffs are conducted. In examining the post-layoff stage, this report analyzes employer services to laid-off workers, and the extension of wages and efforts to help dislocated workers find new employment. Finally, the report analyzes the post-layoff experiences of workers who found new employment and those who did not.

The empirical foundation of our analysis is based on three main data sources: The Current Population Survey/Dislocated Worker Survey conducted by the federal government, three national telephone surveys of workers and employers conducted by the Heldrich Center and our partners at the Center for Survey Research and Analysis at the University of Connecticut, and eight focus group discussions with dislocated workers conducted in several communities around the nation. In addition, the Heldrich Center conducted interviews with human resource executives, outplacement firm executives, and professionals in state labor departments who are charged with responding to large-scale layoffs. The study draws upon all of these sources—personal stories from the focus groups, profiles of company policies, and survey data—to capture the experience of displaced workers and the current practices of employers.⁴

The report is divided into multiple sections. Section II provides a broad overview of the economic trends and patterns of worker dislocation. Sections III and IV focus on the layoff experience from worker and employer perspectives. Sections V and VI outline Heldrich Center principles to guide workers, the organizations that assist them, and companies that carry out layoffs. The report also identifies issues requiring additional research and analysis. Finally, Section VII presents a series of recommendations for policymakers.

⁴ See the beginning of this report for a detailed summary of our methodologies and data sources.

Section II: Trends in Worker Displacement

Numerous studies have documented how globalization, growing population diversity, and technological changes continue to reshape the U.S. labor market and generate a variety of economic and social benefits.⁵ Technological change has aided a resurgence in U.S. productivity growth. Globalization has opened new consumer markets abroad and domestically, and created new pools of labor. But these structural changes have a cost: the job dislocation that occurs due to the redeployment of labor. In the past three years, the economy has not created enough jobs to accommodate natural labor force growth.

Dislocated workers as defined in Kletzer and Fallick are workers who are not fired with cause. They not only lose their jobs due to the structural forces described above, but also due to changes in aggregate demand and government regulations. Kletzer and Fallick exclude job losses that occur unexpectedly or during recessions from the definition. Yet, our research shows that even those who lose their jobs due to structural forces lose them unexpectedly. Displaced workers have strong ties to the sector in which they are employed, but they typically do not have the opportunity to return to a similar job within a reasonable period of time because opportunities in the same industry, occupation, or geographic area are limited.⁶

Simply put, dislocated workers typically have established work histories, are involuntarily separated from their jobs by layoffs or plant closures, and have little chance of being recalled to jobs with their old employers.⁷ As a result, at the time of their dislocation, they possess a sizeable amount of firm-, occupation-, industry-, and community-specific knowledge.

Dislocation creates a break in an individual's labor force attachment, which can lead to difficulty in finding a new job, reductions in earnings, and the possible loss of health insurance or other benefits. For example, of the 5.3 million workers with considerable job tenure who were displaced from jobs during the period from 2001 through 2003, only about 65% were reemployed by the start of 2004. Displaced workers who were able to secure new jobs found no guarantee of wage recovery when they returned to work—57% of those who lost and then regained full-time jobs now earn less than they did prior to layoff. In addition, among workers making this full-time-to-full-time transition, more than a third lost more than 20% of their pre-displacement earnings.⁸ These income drops may coincide with the recent loss of employer-based health insurance, increasing the instability of the transition period. The spring 2004 *Work Trends* survey series indicates that this loss of health benefits is common—among the 46% of workers who had employer-sponsored coverage prior to layoff, only 41% were offered an extension of health benefits following displacement.⁹

For families, dislocation may mean the loss in the primary earner's financial and, possibly, emotional contributions. If dislocations are concentrated in a neighborhood, town, or region, the drop in income has ripple effects throughout the community. For individuals, dislocation creates problems when their specific skills are not portable to other industries. The challenge facing workers, their families, communities, and government is to increase dislocated workers' skill portability and to help workers find new employment with similar compensation—wages and benefits.

⁵ Lynn A. Karoly and Constantijn W. A. Panis, *The 21st Century at Work* (Santa Monica, CA: RAND, 2004); U.S. Department of Labor, *Futurework, Trends and Challenges for Work in the 21st Century* (Washington, D.C.: U.S. Department of Labor, 1999); National Research Council, *America Becoming: Racial Trends and Their Consequences*, ed. Neil J. Smelser, William Julius Wilson, and Faith Mitchell (Washington, D.C.: National Academy Press, 2001).

⁶ Bruce C. Fallick, "A Review of the Recent Empirical Literature on Displaced Workers," *Industrial and Labor Relations Review* 50, no. 1 (October 1996): 5-16.

⁷ Lori Kletzer, "Job Displacement," *Journal of Economic Perspectives* 12, no. 1 (Winter 1998): 115-136.

⁸ Bureau of Labor Statistics, Current Population Survey, "Displaced Workers Summary: Worker Displacement, 2001-03," news release, July 30, 2004. <http://www.bls.gov/news.release/disp.nro.htm>. The Bureau of Labor Statistics defines a long-tenured job as one held by the worker for at least three years.

⁹ K. A. Dixon, William M. Rodgers, and Carl E. Van Horn, *Work Trends, Laid Off: American Workers and Employers Assess a Volatile Labor Market* (New Brunswick, NJ: John J. Heldrich Center for Workforce Development, Rutgers University, April 2004).

If job dislocations have always been a key feature of the labor market's functioning, then why have the experiences of displaced workers since March 2001 emerged as a major political issue, but not a policy issue? First, the March 2001 to November 2001 recession and subsequent job loss recovery (November 2001 to January 2004) provided few opportunities for work. Second, social safety nets are more porous today. Third, the likelihood of displacement has shifted over time, with the biggest increases in the probability of displacement occurring among college graduates and those in white-collar jobs, people who are more likely to vote.

Along with providing evidence for these three claims, this section places current job dislocations into a broader structural discussion on how the workplace has been evolving. We also present evidence from the Heldrich Center's summer 2003 and spring 2004 *Work Trends* surveys that document the experiences of laid-off workers from 2001-2004. To our knowledge, the *Work Trends* surveys provide the most detailed quantitative evidence available to describe the experiences of laid-off workers during the most recent recession and job loss recovery. While some summary tables from the Bureau of Labor Statistics' Current Population Survey (CPS)/Dislocated Worker Survey (DWS) were released in July 2004, the microdata files necessary for detailed analysis remain unreleased as of this report's writing.

Even when the labor market rebounds, technological change and globalization will continue to generate job dislocations, warranting the continued attention of practitioners and policymakers. Employers and employees will still have to contend with the individual, family, and community costs that accompany job displacement.

The Job Loss Recovery

Why is dislocation back on the radar screens of many Americans, particularly public officials and politicians? The short answer is the absence of robust job growth dur-

ing the economic recovery, which started November 2001. It was not until the 28th month of the recovery that job growth began to exceed the needed monthly growth of between 100,000 to 150,000 to accommodate new entrants, such as college and high school graduates.¹⁰ During that period, there was a net loss of 594,000 jobs, although the net loss actually exceeded one million jobs between the 19th and 22nd months. (See Figure 1.) The economy was not able to create opportunity for the more than 17 million Americans who comprise an untapped pool of potential: the unemployed, those out of the labor force but who want a job, and individuals working part time for economic reasons. This number far exceeded the 13 million level reached at the peak of the economic boom in the spring of 2000.

Involuntary job loss cuts across all education and skill levels. For example, as of April 2004, 39% of the unemployed have either some college education or bachelor's degrees, 37% of individuals who are not in the labor force but say they want a job have completed at least some college or have bachelor's degrees, and 38% of individuals who are working part time but want full-time employment have at least some college experience.¹¹ The untapped pool is not necessarily comprised of the least educated Americans.

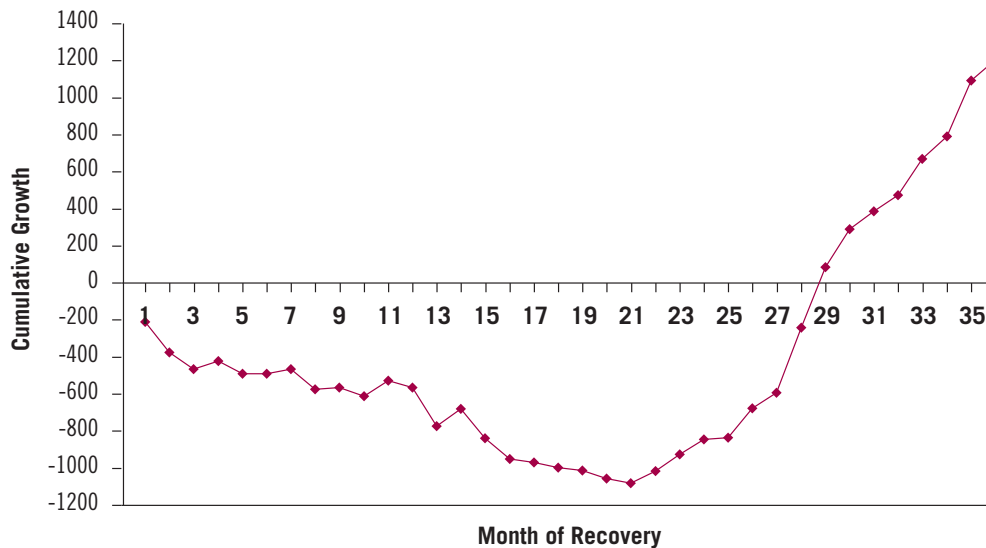
Employment growth that started in the last four months of 2003 and has continued into the first half of 2004 is clearly not enough to provide widespread opportunity for displaced workers, regardless of their reasons for unemployment. The U.S. unemployment rate has trended down since the fall of 2003, but during this period, the employment population-ratio fell or remained static. It is no surprise that after more than 27 months of searching and finding employment, many Americans became discouraged and exited the labor force. From May 2003 to May 2004, the number of discouraged workers as defined by the Bureau of Labor Statistics had only fallen from 482,000 to 476,000. This figure is still almost twice the number of discouraged workers in May 2000.¹²

¹⁰ If the economy had created an average of 150,000 new jobs per month starting in November 2001, this would amount to 5,400,000 new jobs created. As of December 2004, only 1,204,000 new non-farm payroll jobs had been created since the recovery started.

¹¹ Authors' tabulations from the April 2004 Current Population Survey.

¹² The slack labor market also contributed to a slowdown in the growth of nominal wages. Combined with increases in oil prices, education, and other items, inflation-adjusted wages have either fallen or stagnated.

Figure 1: Cumulative U.S. Job Growth Since November 2001



Source: U.S. Bureau of Labor Statistics

Consequences of the Job Loss Recovery

The erosion in job security has led to a growth in economic insecurity. Our April 2004 *Work Trends* survey found that worker confidence in the economy was at an extreme low: 51% were very concerned about job security and 44% were very concerned about the unemployment rate.¹³ (See Figure 2.) Both measures were at their highest levels since the start of the *Work Trends* series in 1998.

Although employers were less concerned about the economy than workers, a majority (53%) of them still believed that the spring was a bad time to find a quality job.¹⁴ (See Figure 3.) The consumer confidence and sentiment indices also showed a similar set of concerns. Figure 4 plots the Consumer Confidence Index for the peak of the

boom, the start of the recession in March 2001, the end of the recession in November 2001, the first month of job growth in excess of 150,000, and the most recent figure in November 2004. In recent months, confidence has improved, but it still remains below the March 2001 figure at the start of the recession.

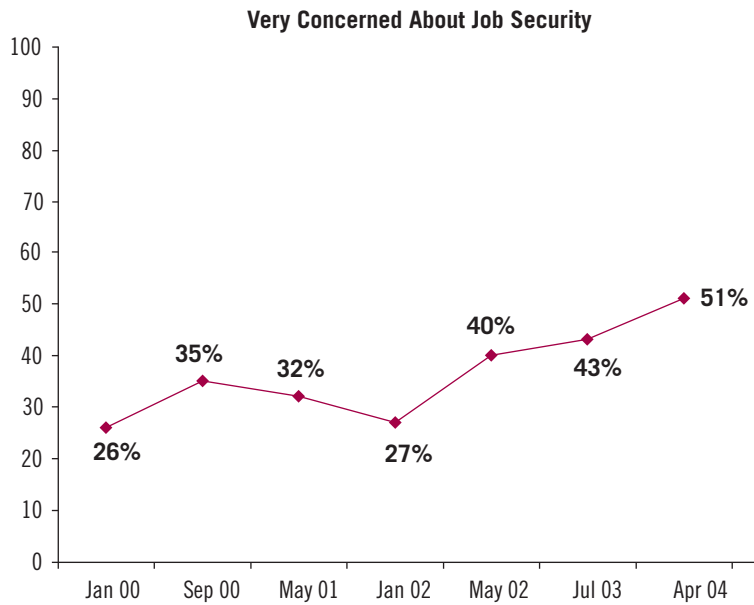
One consequence of the recession and job loss recovery has been an exacerbation in structural job dislocations, our primary focus. Figure 5 shows a clear trend toward unemployment periods that last 15 weeks or more. In 1969, unemployment lasting 15 weeks or more affected just 13% of the unemployed population. This increased to 20% in 1979, 21% in 1989, and 23% in 2000. Due to the job loss recovery, 38% of dislocated workers faced periods of unemployment of 15 weeks and beyond as of November 2004.¹⁵

¹³ Dixon et al., *Work Trends*, April 2004, 6.

¹⁴ *Ibid.*

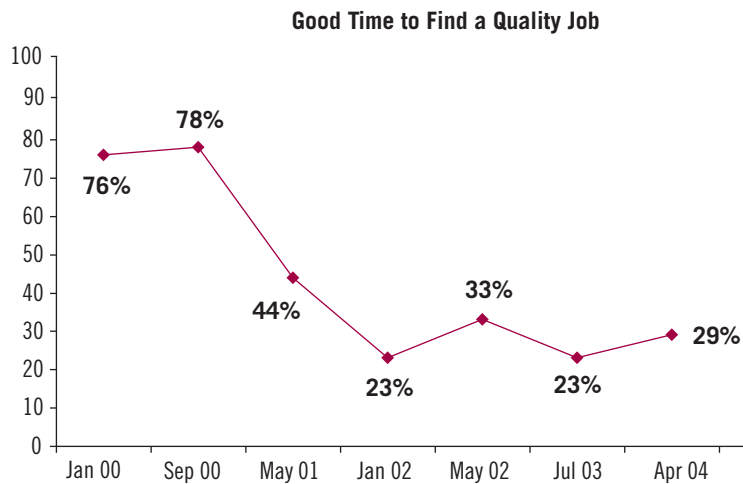
¹⁵ A segment of the job loss could be due to job dislocations.

Figure 2: Work Trends: Percentage of Survey Respondents Who Said That They Were Very Concerned About the Job Security of Those Currently Working



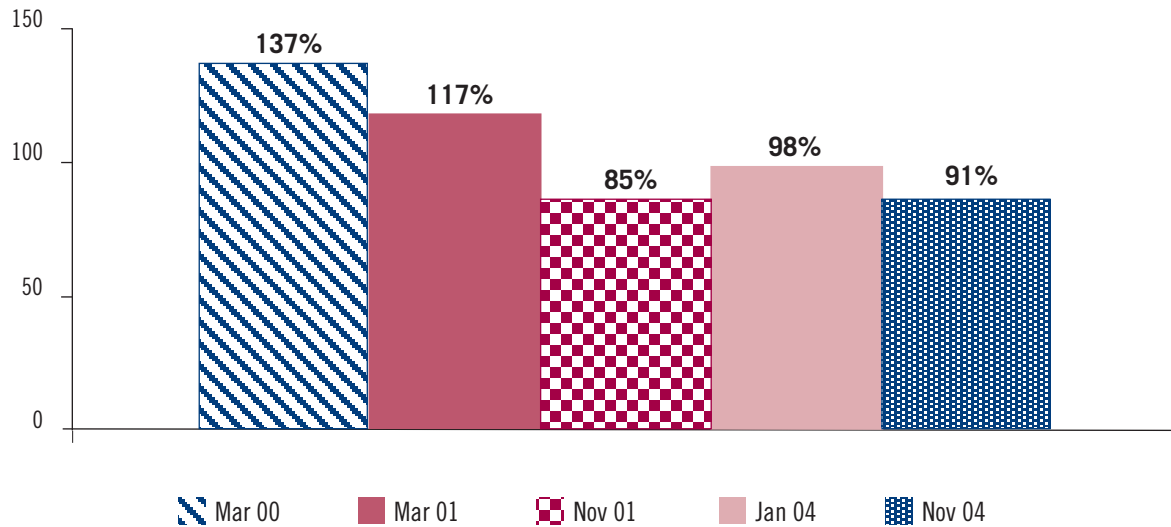
Source: *Work Trends*, April 2004

Figure 3: Work Trends: Percentage of Survey Respondents Who Said That Now Was a Good Time to Find a Quality Job



Source: *Work Trends*, April 2004

Figure 4: Consumer Confidence Since the Peak of the Boom



Source: The Conference Board
<http://www.conference-board.org>

Contours of Job Dislocation

The demographics of job displacement, reemployment, and wage recovery after reemployment have been carefully analyzed by other scholars, such as Fallick, Farber, and Kletzer. Fallick's work identified several facts about job displacement during the 1980s and 1990s. First, Fallick found no secular trend in the overall number of displacements.¹⁶ However, structural change did occur. Displacements due to plant closings increased. Manufacturing accounted for a smaller share of displacements, while finance, insurance, real estate, service, and retail trade industry displacements increased. At the same time, the average seniority of displaced workers rose.

The reemployment disadvantage that displaced workers face dissipates after approximately four years. Yet, the average earnings loss of at least 14% persists after four

years. These patterns stem from the fact that displaced workers have industry-specific skills and knowledge that are not easily portable to other industries. Workers with high pre-layoff tenure have greater difficulty finding new jobs. If they do find jobs, their wage losses are larger than the typical displaced worker's. Further, those who switch industries or occupations experience large wage losses.

Farber finds that workers with more than 20 years of tenure are much more likely than less-tenured workers to drop out of the labor force, rather than pursue other jobs. Farber also finds a "very strong relationship" between tenure of displaced workers and a change in earnings, including a drop of between 15 and 30 more percentage points for workers with more than 10 years tenure compared with workers with three or fewer years on the job. Our *Work Trends* data yield similar results: Between the past two surveys, 54% of reemployed workers with more

¹⁶ Fallick's weaker conclusion about the 1970s is based on utilizing data prior to the Dislocated Worker Survey was started in 1981.

Figure 5: Percentage of Unemployed Population Out of Work for 15 Weeks or More



than 10 years of tenure who lost jobs reported receiving lower wages when they returned to work.¹⁷

Laid-off workers are 50% more likely to take a significant pay cut if they switch occupations or industries. For those individuals who switch industries or occupations, 44% return to work making at least 5% less than they did before, while only 30% of individuals who do not switch industries or occupations return to work making at least 5% less than they did before.

Weak local labor markets and weak or contracting sectors explain a portion of the wage losses. An overall weak macroeconomic environment adds further to the deterioration in post-layoff employment opportunities. Fallick finds that there are no sizeable differences across age, race, or gender in the probability of displacement. If they do exist, the outcomes can be explained by differences in tenure, occupation, industry, or geography.

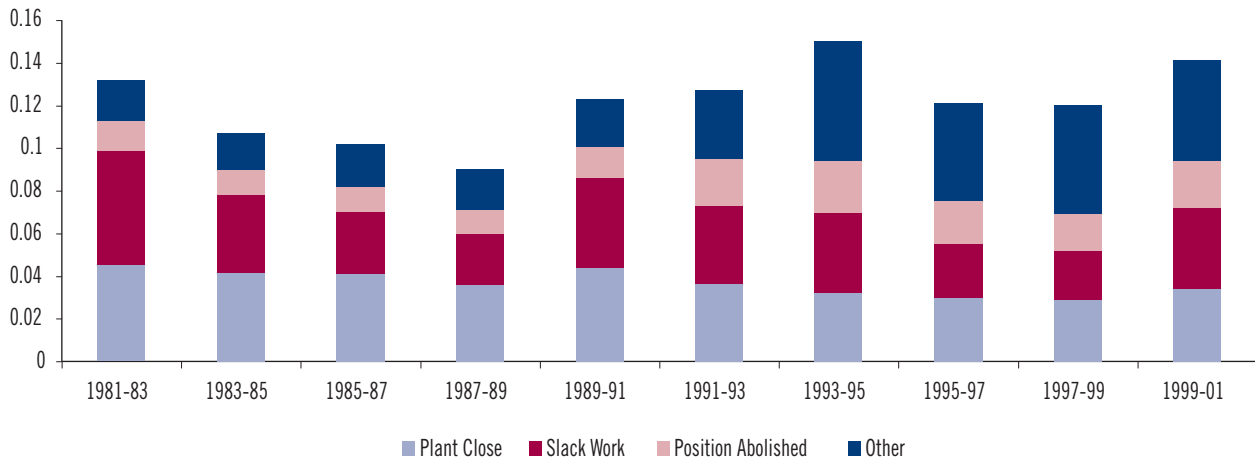
Kletzer’s review of the CPS/DWS extends through the mid-1990s. Figure 6 reports the reason for displacement from 1981-2001. The figures for 1981-1995 come from Table 1 of Kletzer and the figures for 1995-2001 come from Farber.¹⁸ Job losses due to plant closings and the abolishment of positions exhibit little change after 1995. The table indicates that the incidence of dislocation due to “slack work” has increased since 1995, but the source of the greatest increase is in the “other” category.

The recently released DWS refers to workers who lost or left jobs between January 2001 and December 2003. The data are not directly comparable to previous surveys because plant or company closings, moves, insufficient work, and the abolishment of positions or shifts are the only choices. The “other” category is not reported.

¹⁷ Dixon et al., *Work Trends*, April 2004 and Winter 2004.

¹⁸ Job loss in the Dislocated Worker Survey is categorized as plant closing, slack work, position abolished, and other. “Plant closing” and “position abolished” indicate that a job has formally ended and workers have no further ties with their employers. “Slack work” indicates that a job has ended temporarily due to insufficient work; however, workers maintain a formal relationship with their employers either through continuing wages or the existence of a date to return to work.

Figure 6: Three-Year Rate of Job Loss by Reason, 1981–2001



Source: Table 2a, Farber, May 22, 2003; Table 1, Kletzer.

From January 2001 to December 2003, 38% of layoffs were due to plants that closed or moved, 36% were due to insufficient work, and 26% were due to positions abolished or changed. If dislocated workers are limited to those with at least three years of job tenure, the percentage of layoffs due to plant closings rises to 43%, the percentage due to insufficient work falls to 28%, and the percentage due to positions abolished rises to 29%.

Figure 7 reports the demographics of displacement for selected years. Male high school graduates had approximately 9% higher probability of displacement than male college graduates from 1981-1983. The difference narrowed to 4% from 1991-1993.¹⁹ Our estimate for 1999-

2001 suggests a further narrowing to 1%. The difference between female high school and college graduates also suggests a structural narrowing in the gap. The published DWS statistics for 2001-2003 do not disaggregate the data by educational attainment.

With respect to occupation, job loss remains a burden most heavily borne by production workers. Dislocation rates for craftsmen, operatives, and laborers are considerably higher than for workers in other occupational categories. The pattern of industry displacement shifted from goods-producing industries to service-producing industries, such as trade, finance, insurance, and real estate.²⁰

Figure 7: Historical Layoff Data by Gender and Educational Attainment

	1981-83	1983-85	1985-87	1987-89	1989-91	1991-93	1993-95
High School Graduates							
Men	17	14	13	11	16	15	17
Women	12	10	9	9	11	12	15
College Graduates							
Men	8	7	7	6	10	11	12
Women	6	5	5	5	7	8	11

Source: Farber, 1997 and Kletzer, 1998

¹⁹ Henry S. Farber, John Haltiwanger, and Katharine G. Abraham, “The Changing Face of Job Loss in the United States, 1981-1995,” *Brookings Papers on Economic Activity. Microeconomics* (1997): 55-142.

²⁰ Ryan Helwig, “Worker Displacement in 1999-2000,” *Monthly Labor Review* (June 2004): 56 (Table 2).

The published data in the new DWS (covering the period from 2001-2003) presents the actual numbers of dislocated workers.²¹ At best, we can construct the distributions of dislocation by industry and occupation. When we compare these distributions to the distribution of employed workers to identify which occupations and industries have the highest incidences of layoffs, we find:

- 37% of all private non-agriculture layoffs were in mining, construction, and manufacturing, which is considerably higher than the share of jobs in these industries;
- 13% of all private non-agriculture layoffs were in natural resources, construction, and maintenance occupations; and
- 21% of layoffs were in production, transportation, and material moving occupations.

Finally, a comparison of racial displacement rates indicates that at the beginning of the 1980s, African Americans had higher displacement rates than whites. However, during the 1980s and early 1990s, the disadvantage vanishes. The rates started at 7% and 4.9% for African Americans and whites respectively in the early 1980s, fell to 5.1% and 4.4% during the 1990s recession, and fell further to 4% and 4.1% in 1992-1993. More than two-thirds of the gap's narrowing was due to a closing in racial differences in occupation, educational attainment, region of residence, and industry of employment. Occupational shifts in displacement from lower skilled blue-collar jobs to higher skilled white-collar jobs also contribute to some of the gap's narrowing.²²

During the 2001-2003 period, African Americans comprised 13% of dislocated workers, which is quite similar to their share of the population. Hispanics comprised 13% of all dislocated workers.²³

Have these trends continued since 2001? In the absence of having dislocated rates in the latest published CPS/DWS data, this is a difficult question to answer. To provide a glimpse of workers' experiences since 2001, we utilize the Heldrich Center's two most recent *Work Trends* surveys. They were administered in summer 2003 and spring 2004. While these surveys cannot be used to make inferences about trends over time, they can be used to identify whether past patterns hold true.

Our national samples of respondents (900 in summer 2003 and 1,000 in spring 2004) indicate one out of every five workers was laid off from full-time or part-time jobs at some point during the past three years. Of those who escaped layoffs, one-third reported others were laid off from their companies during this period. The majority of laid-off workers reported that they received no advance notice, severance pay, continuing health care benefits, training, or career counseling from their former employers.²⁴

While most become reemployed (71% full time, 24% part time), half reported that they are earning less than before. For workers with at least some college education, full wage recovery is even more unlikely—58% of workers with some college education reported earning lower wages in their new jobs. The *Work Trends* survey also found that one in four laid-off workers return to work in part-time jobs.²⁵

It can be useful to estimate the influence of different demographic characteristics on the layoff outcome. For example, if a 28-year-old white male with a high school education reports that he has been laid off within the past three years, we can not draw any immediate conclusions about how much, if at all, his specific age, race, gender, or education level contributed to the probability of layoff.

²¹ Bureau of Labor Statistics, Displaced Worker Survey press release.

²² Robert W. Fairlie and Lori G. Kletzer, "Race and the shifting burden of job displacement: 1982-93," *Monthly Labor Review* 119, no. 9 (September 1996).

²³ Bureau of Labor Statistics, Displaced Worker Survey press release.

²⁴ Dixon et al., *Work Trends*, April 2004; K. A. Dixon and Carl E. Van Horn, *Work Trends, The Disposable Worker: Living in a Job-Loss Economy* (New Brunswick, NJ: John J. Heldrich Center for Workforce Development, Rutgers University, July 2003).

²⁵ Dixon et al., *Work Trends*, April 2004, 33.

However, by using the statistical technique of regression, we can develop some inferences about the relative influence each piece of his demographic information had on his layoff.

We performed regression analysis on one outcome—whether the respondent had been laid off in the past three years—and eight inputs—occupation, race, education, age, region of residence, gender, whether the individual resides in a battleground state, and an indicator that denotes from which survey the individual’s record comes.²⁶ For those familiar with experimental designs, the inputs (occupation, race, etc.) are the independent variables in this model, while the outcome (layoff) is the dependent variable.

The results of this analysis are presented in Figure 8. Column A indicates the change in the probability of having been laid off associated with specific demographic groups. Thus, non-whites were 4.8% more likely to have been laid off than whites,²⁷ while college graduates were 6.8% less likely to have been laid off than non-college graduates.

The second column splits out the share of the first column’s number that can be specifically attributed to the presence of that characteristic. For example, the non-white number in column B implies that when racial differences in occupation, education, age, region of residence, gender, etc. were held constant, non-whites had a layoff rate that was 3.9% higher than that of whites. That is, even when all other observed qualities are the same, non-whites were 3.9% more likely to have been laid off than whites.

When the percentage in the second column is close to zero, this implies that any difference in likelihood of layoff is due instead to a combination of other factors. For example, while women were less likely to be laid off than men,

this outcome can be explained by other demographic qualities associated with the females in our sample.

Respondents residing in the South, Midwest, and West U.S. Census regions had 4% to 6% higher layoff rates than Northern respondents, and adding the influence of the remaining inputs explained none of the regional differences. The layoff rates for manufacturing occupations were between 5% and 25% higher than those for the remaining occupational categories. Professional, managerial, clerical, and health care occupations had considerably lower layoff rates than workers in other occupations besides manufacturing as well.

Figure 8: Differences in Layoff Likelihood for Selected Demographic Groups²⁸

	Individual (A)	Overall (B)
Non-white (compared to whites)	4.8%*	3.9%*
College graduate (compared to non-college graduates)	-6.8%*	-2.9%
South	4.4%*	4.1%*
Midwest	4.2%	3.3%
West (compared to those living in the Northeast)	6.5%*	6.3%*
Female (compared to males)	-3.0%*	0.2%
Professional	-14.9%*	-13.7%*
Managerial	-5.1%*	-4.2%
Manufacturing	5.7%	5.4%
Clerical	-6.9%*	-6.7%*
Health care (compared to those with jobs in other occupations)	-21.2%*	-21.2%*

*Indicates estimate is significant at .05 level

²⁶ Battleground states were defined as states in which no candidate was believed to hold a clear advantage during the campaign for the 2004 Presidential election. These 19 states were Arizona, Arkansas, Florida, Iowa, Louisiana, Maine, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Mexico, Ohio, Oregon, Pennsylvania, Tennessee, Washington, Wisconsin, and West Virginia.

²⁷ The samples are too small to estimate models with disaggregated racial and ethnic dummy variables.

²⁸ Results from regression analysis on respondent data from 2003 and 2004 *Work Trends* surveys. The “Individual” model, whose results are reported in column A, used only one set of independent variables. The “full” model (column B) includes all independent variables, including race, education, region of residence, gender, age, age squared, occupation, residence in a battleground state, and date of survey. The “percentages” reported above are equivalent to the coefficient estimates from the regression equation. The complete regression results, including standard errors, are available upon request.

Social Safety Nets are More Porous Today

A variety of support networks for dislocated workers exist. The most notable is Unemployment Insurance (UI). Due to the background of displaced workers (e.g., above-average job tenure), a large share are eligible for benefits. However, it is well documented that the number of UI claims has fallen over time. Several studies find that tightened monetary eligibility requirements in the early 1980s may explain as much as 10% of the drop in UI claims that decade.²⁹ Wandner and Stettner assert that such tightening, along with workers' weaker understanding of monetary-eligibility standards, may explain why UI take-up rates fell.³⁰ There also has been a rise in the use of UI service bureaus, where employers can contest claims made by former employees.³¹ Finally, recent increases in average unemployment durations³² raise the question: Do unemployment services and income support last long enough to help dislocated workers regain full-time employment? Macroeconomic changes can help make provisions more stringent.

Other policies for displaced workers temporarily replace a fraction of the lost earnings or provide training and job search assistance to aid in the transition to new jobs. The first federal programs were the Trade Act and the Manpower Development Training Acts of 1962. The Trade Adjustment Assistance program authorized by the Trade Act provided comprehensive services to workers adversely affected by international trade. The Manpower Development Training Act targeted workers who were adversely affected by automation. Recent training programs for displaced workers include the Job Training Partnership Act, amendments to the Trade Act, and the Workforce Investment Act of 1998.

Another way workers are supported is through the Worker Adjustment and Retraining Notification Act (WARN), which we discuss in detail later in the report. WARN requires covered employers to give written notice more than two months before a layoff. Addison and Blackburn conclude that “available evidence shows that the WARN Act has not increased the provision of advance notice to displaced workers, partly because the requirements for giving advance notice are not very strict.”³³

Summary

This section shows that the 2001 recession and subsequent job loss recovery provided few opportunities for work. More Americans are falling through the social safety nets than during the 1970s and 1980s, and the likelihood of displacement has shifted over time. The biggest increases in the probability of displacement occur among college graduates and those in white-collar jobs. Collectively, these phenomena have catapulted the issue of job dislocation into the public spotlight. But the major reason dislocation is claiming its place in public discourse is its status as a prevalent issue in the 2004 presidential election.

Although job dislocations during the past three years reflect structural changes that have been occurring for several decades, a larger reconfiguring of how and where Americans work continues. The challenge is to keep the debate squarely focused on the facts, so sound and comprehensive policy responses can be developed. The remainder of this report provides information to help guide the debate.

²⁹ Walter Corson and Walter Nicholson, *An Examination of the Declining UI Claims During the 1980s, Unemployment Insurance Occasional Paper 88-3* (Washington, D.C.: U.S. Department of Labor, September 1988).

³⁰ Stephen A. Wandner and Andrew Stettner, “Why Are Many Jobless Workers Not Applying For Benefits?” *Monthly Labor Review* 123, no. 6 (June 2000).

³¹ Wayne Vroman, *The Decline in Unemployment Insurance Claims Activity in the 1980s, Unemployment Insurance Occasional Paper 91-21* (Washington, D.C.: U.S. Department of Labor, 1991).

³² Karen Needels and Walter Nicholson, *An Analysis of Unemployment Insurance Durations Since the 1990-1992 Recession, Unemployment Insurance Occasional Paper 99-6* (Washington, D.C.: U.S. Department of Labor, 1999).

³³ John Addison and McKinley Blackburn, “The Worker Adjustment and Retraining Notification Act: Effects on Notice Provision,” *Industrial and Labor Relations Review* 47, no. 4 (July 1994): 650-662.

Section III: The Workers' View of Displacement

Economic dislocation cannot be fully understood without examining the experience of workers affected by it. The previous section charted long-term trends in worker displacement. As the research shows, dislocation has become a more universal experience since the 1980s. Nearly everyone—from a factory worker to a corporate manager—faces the risk of a layoff. In addition, the costs of dislocation are heavy for workers who face a difficult transition to a new job and the prospect of lower wages upon reemployment.

In this section, a combination of quantitative and qualitative evidence presents the workers' view of displacement. In many ways, it mirrors the analysis in Section II. We find that the experience of laid-off workers sheds new light on the pervasiveness of layoffs in today's economy and the difficulty of finding new jobs in a rapidly changing labor market. Workers also describe what offi-

A woman in Marion, West Virginia lost both her job at a textile factory and her health insurance coverage. When her limited severance pay ran out, she collected Unemployment Insurance. Once the benefits ran out, she enrolled in a local college to get her bachelor's degree but has found it extremely difficult because she has no income and her husband receives minimal disability benefits due to a back injury he suffered at his factory job. On the advice of her pastor's wife, she now visits a free clinic several times a month to receive the necessary medication to treat her diabetes and high blood pressure, which she could not afford on the little income her husband receives. While she continues to get her medication, she cannot afford to visit a doctor to monitor her health. Her son, meanwhile, decided to go work for the factory, even though he was aware of how unsteady the work was, and got laid off. Now, she is competing with her own son for the few factory jobs there are left. (Focus group, Smyth County, VA)

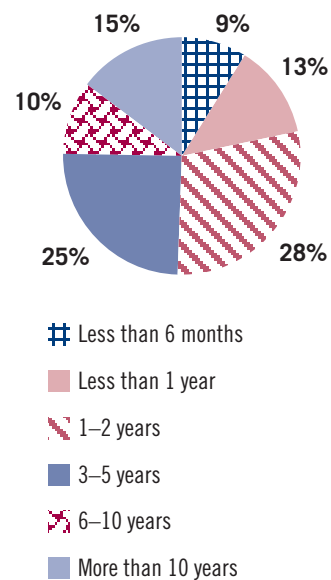
cial statistics cannot capture: the personal impact of job loss, including the emotional effects of unemployment.

Pervasiveness of Job Loss

A key feature of the recent downturn was the pervasiveness of job loss. Between 2001 and 2003, one out of five workers experienced a layoff. Still more people—just under half of those surveyed (44%)—felt the impact of unemployment because they or a family member had been laid off at some point in their lives.³⁴ The rising number of permanent layoffs cut across the boundaries of skill, income, and experience.

More than 30% of laid-off workers performed professional, managerial, or technical jobs—so-called white-collar workers. In addition, although the bulk of those laid off had been on the job for less than two years, a solid quarter had six or more years of job tenure.³⁵ (See Figure 9.)

Figure 9: Job Tenure of Laid-Off Workers



Source: *Work Trends*, April 2004

³⁴ Dixon et al., *Work Trends*, April 2004, 9. According to an October 2004 survey, more than half (57%) said that they or a family member had been laid off from a full- or part-time job at some point in their lives.

³⁵ *Ibid.*, 33.

Dislocated workers gave voice to what the official statistics demonstrated. In Oregon, a state that had the nation's highest levels of unemployment, a jobless woman described the sheer magnitude of job cuts:

"...Weren't your holiday parties full of unemployed people? It was the first time in years I don't remember any one-upmanship—you felt guilty asking what people were doing for fear they'd say they had been laid off."³⁶

Our research also pointed to the widespread impact of job losses. Human resource executives from several companies confirm that corporations were targeting the top of the corporate ladder as much as the bottom. For example, AT&T compressed 13 layers of management into 8 in a significant downsizing that affected senior executives as well as middle managers.³⁷ The workers we spoke with also sensed the equalizing effect of recent layoffs:

"I think the difference now is that unlike previous downturns, the crisis that the blue-collar people have always felt has come up the corporate ladder so that we're feeling it, when previously it was just the blue-collar (workers). Now it's the blue-collar and us."³⁸

The pervasiveness of layoffs seems to have subtly changed workers' and employers' perception of the unemployed. When downsizing first became a visible phenomenon 15 years ago, laid-off workers tended to bear a stigma that hindered their job search. Employers in a position to hire assumed that those laid off were the least motivated or least productive. However, that perception has begun to erode, according to our research. Outplacement executives we interviewed claimed that the stigma associated with layoffs has disappeared because so many workers are affected by restructuring. A focus group participant echoed that observation:

"When you say I was downsized, the response is not 'Why?' The response is usually, 'So was my brother-in-law and here's what he would have done.' So there's much less (of a) stigma because everybody's there."³⁹

A Rapidly Changing Labor Market

Although the stigma associated with layoffs may have diminished, the job market poses many other challenges for the unemployed. Nearly a third of those laid off between 2001 and 2003 were out of work for more than six months and about 50% settled for lower pay when they accepted a new position.⁴⁰ This, of course, is consistent with other data showing high levels of long-term joblessness and a historically high exhaustion rate for Unemployment Insurance. (See Figure 5 on page 8.)

According to the dislocated workers we interviewed, finding a job during the recent downturn was far more difficult than in previous periods of unemployment. People on both ends of the skill spectrum faced challenges. Less skilled workers, such as many of the former employees of Pillowtex Corporation, a North Carolina-based household textiles manufacturer, found a mismatch between their education and skills and those required by the fast-growing but more technically demanding jobs in health care, finance, and other fields. Manufacturing workers in southeastern Virginia who were laid off when textile mills closed discovered that the only job opportunities in their area were in health care, the legal field, or retail and food services.⁴¹

Skilled professionals also encountered a harsh and unforgiving job market. Participants in our focus groups observed that employers are ratcheting up requirements for education, experience, and other qualifications. As one individual put it, "Screening methods are [now] stricter and tougher."⁴² Employers, who can select from a large

³⁶ Focus group in Portland, OR, conducted by Anne Hill and Kristin E. Wolff, January 22, 2004.

³⁷ Interview with human resources executive at AT&T, conducted by Angie McGuire, January 12, 2004.

³⁸ Focus group in Chicago, IL, conducted by Harriet Kass, December 9, 2003.

³⁹ Ibid.

⁴⁰ Dixon et al., *Work Trends*, April 2004, 13.

⁴¹ Focus group in Smyth County, VA, conducted by Laurie Harrington, January 5, 2004.

⁴² Focus group in Dover, NJ, conducted by Angie McGuire and Laurie Harrington, January 14, 2004.

“Firms want people to come in and do their narrowly defined, heavily prescribed task—cheap—and preferably as a contractor rather than an employee so you can just finish and go away.”

A worker from Portland, Oregon

pool of qualified applicants, are not as willing to pay for job experience as they were in the past. At the same time, they seem unwilling to accept experienced workers with relatively high earnings for lower-level jobs. Indeed, workers describe the temptation to “dumb down” their resume and minimize their experience to get in the door. Others explained their willingness to aggressively pursue jobs that paid “half of what they were making.”⁴³ The new environment came as something of a shock to technology workers and other professionals who were used to the flush times of the late 1990s.

Dislocated workers also found that the methods of seeking new jobs had changed, leading to new challenges. Many of them faced lonely job searches carried out in an impersonal world full of electronic job banks, e-mail, and fax machines. A laid-off worker in Los Angeles eloquently described the pursuit of work in a wired world:

“It’s become a faceless transaction. I can call someone. I can e-mail someone. But 90% of the things I see

A 53-year-old project manager for a technology company in Chicago was laid off from his job, where he earned a six-figure salary, and has been unable to find a new job at a comparable salary. While he has gone on many interviews, he is consistently told that he has too much experience and the employer is looking for someone newer to the industry with lower salary expectations. With a mortgage and two kids in college, this laid-off worker is living off a severance for the time being but is struggling to come to terms with his situation. He feels he has a great deal more to contribute to an employer and is willing to work for much less than he earned when he was laid off. (Focus group, Chicago, IL)

right now is, ‘Just fax, just e-mail your resume.’ The responses I get are not from a real person. They are a digital form saying, ‘Thank you for your resume.’ It’s very distant and cold.”⁴⁴

The Emotional Consequences of Job Loss

As if looking for a job were not stressful enough, dislocated workers also experienced the intense stress of being laid off. A majority (56%) of laid-off workers caught in the recent downturn reported feeling depressed after losing their jobs. More than half experienced fear, and about 40% felt despair.⁴⁵ Not surprisingly, sole wage earners were more likely to have experienced fear and depression.

Many of the workers we interviewed described the psychological consequences of job loss. According to one participant, “You tend to beat yourself up and blame yourself” when unemployed.⁴⁶ Another worker described the shock of being laid off as “a box of rocks hitting you in the head, where your life flashes before you.”⁴⁷ Several workers likened being laid off to the stages of mourning because you have to feel shock, anger, and bitterness before full recovery can take place. As one worker put it, the emotional recovery from unemployment is “faster than death, slower than divorce.”⁴⁸

Workers also described the toll that unemployment took on personal relationships. For one worker, the hardest part about being unemployed was the detachment from friends who, after a period of time, stopped trying to understand how he was feeling. Many of the focus group participants pointed to the value of peer support groups in overcoming the isolation of unemployment and providing psychological support. As one worker commented, “At

⁴³ Focus group in Dover, NJ, and focus group in Portland, OR.

⁴⁴ Focus group in Los Angeles, CA, conducted by Richard W. Moore, January 16, 2004.

⁴⁵ K. A. Dixon and Carl E. Van Horn, *Dislocated Workers Study: Benchmarking and Best Practices* (New Brunswick, NJ: John J. Heldrich Center for Workforce Development, Rutgers University, Winter 2004), 7.

⁴⁶ Focus group in Brooklyn, NY, conducted by Angie McGuire and Laurie Harrington, January 23, 2004.

⁴⁷ Focus group in Chicago, IL.

⁴⁸ Ibid.

“Your self-confidence (gets) destroyed and you begin to realize how much your sense of belonging is attached to your work and workplace. The loss of confidence really affects productivity and motivation for a job search.”

– A worker from New York City

the [peer support group], we get validation from each other—people understand when I am feeling low and have self-esteem issues...[they] reinforce it's not my fault.”⁴⁹

One positive note is that the *Work Trends* surveys suggest that the stress of being unemployed does not have a major impact on a job search. About one-quarter (26%) report that their feelings of anxiety, depression, and despair affected their ability to concentrate on finding new work.⁵⁰ However, many participants in the focus groups expressed concern that their emotional reactions would get in the way of their search for new employment. For example, a Brooklyn man described the interviewing process as much more difficult because he had lost confidence. He felt that he was overly anxious and nervous to the point of seeming desperate and spoke of “wearing nervousness on your face where the employer can see it.”⁵¹

A limo driver from Jersey City is out of work because most of the financial companies that he provided airport shuttle services to have left lower Manhattan since September 11th and moved to Connecticut. With no customers and no money to market his services to new customers, he is reluctant to sell his limousine to a larger fleet company but has recently been considering it. Because this worker could not verify his employment, and most of his wages were “off the books,” he does not qualify for Unemployment Insurance or training funds. His wife has taken a second job to make ends meet and the couple has cancelled plans to visit family. (An amalgam of September 11th Fund focus group stories)

Summary

The stories told by members of the focus groups depict the reality of displacement on the ground. As we have shown, laid-off workers face a lonely and dispiriting search for work in a fast-changing labor market. At the same time, they must cope with the shock, depression, and anxiety associated with job separation. Although the stories come from the recent economic downturn, they capture many of the challenges that await any displaced worker in the current economy.

The Pillowtex Story

The end of the road for the Pillowtex Corporation came on a summer day in 2003. The towel manufacturer struggled for months against a surging tide of cheap imports and a soft retail market. Hoping to stay in business, the company cut production and furloughed most of its employees. Then, on July 30, the company shuttered its factories and filed for bankruptcy protection, throwing nearly 4,800 textile employees out of work in one of the largest layoffs in North Carolina history. (*Charlotte Observer* and *Washington Post*, August 9, 2003)

The shutdown of the Pillowtex factories marked the beginning of the struggle for the company's former employees. Most of them had spent their entire working lives at the company and had acquired few skills other than those they used on the factory floor. As a result, they were not ready to compete for jobs in growing but more technically demanding fields, such as health care and finance. To make matters worse, the layoffs were concentrated in a few counties, straining the local network of social services and weakening the local economy. (*Washington Post*, August 9, 2003)

Facts about the Pillowtex workforce in North Carolina:

- Between 40% and 50% had not completed high school
- Average age: 46 years
- Average job tenure: 17 years
- 500 non-English speaking
- 59% female and 41% male

⁴⁹ Focus group in Dover, NJ.

⁵⁰ Dixon et al., *Dislocated Workers Study*, Winter 2004, 8.

⁵¹ Focus group in Brooklyn, NY.

Section IV: Company Policies and Worker Experiences

Laying off workers has become a standard business practice. In today's economy, companies cut jobs not only in response to weak demand for products or services, but also due to organizational restructuring. Increasing reliance on restructuring or "downsizing," has undermined the traditional employment relationship between employer and employee.⁵² Large companies no longer offer secure employment in return for loyalty and commitment.

Since the 1980s, many firms have begun to emphasize that employees are fully responsible for their careers. The change in the employment relationship often is implicit; it shows up more as a shift in attitude than as a new practice. In some cases, however, the rewriting has been explicit: firms have revised their personnel manuals to take out references to lifetime employment and to emphasize employee responsibility for career management.⁵³

In this new environment, some companies have established an array of benefits and adjustment assistance for employees in transition. Several studies have examined this support infrastructure. The Society for Human Resource Management in 2001 conducted a study of severance packages and other services provided by member companies. More recently, the Conference Board looked at the extent to which mostly large companies offer severance pay, outplacement services, and other adjustment services.⁵⁴

Building on those studies, our research examines the range of benefits and services some employers offer and how companies handle layoffs. This report also examines the government programs that support laid-off workers. Interwoven with this analysis is a description of how laid-

off workers experience layoffs and the assistance available to them. This section combines quantitative data from national surveys with qualitative findings from focus groups and structured interviews to present a multifaceted view of displacement.

A key theme that emerges from our research is the wide range of layoff practices. Company policies on notifying workers and handling layoffs run the gamut from careful and considerate to clumsy and insensitive. Firms can easily bypass the limited federal requirements that require advance notification.

Another theme is the unevenness of the services available to unemployed workers after layoffs. The availability of severance pay and transition services hinges on the size of the firm and the culture and values of the individual firm. Even so, there are signs that large firms, which typically provide severance and transition services, are reducing their commitments.

Government services are uneven as well. The hodgepodge of public and private services available to laid-off workers received mixed reviews from our focus groups. In addition, the connections between public and private transition services tend to be patchy at best.

In this section, we first examine the policies companies have in place and the experience of workers before layoffs. We then focus on public and private services and supports available to individuals after being laid off.

⁵² Peter Cappelli, Laurie Bassi, Harry Katz, David Knoke, Paul Osterman, and Michael Useem, *Change At Work* (Oxford: Oxford University Press, 1997).

⁵³ Cappelli et al., *Change at Work*; Peter Cappelli, *The New Deal at Work: Managing the Market-Driven Workforce* (Boston, MA: Harvard Business School Press, 1999).

⁵⁴ Sophia A. Muirhead, *Compassionate Downsizing* (New York, NY: The Conference Board, 2003).

WARN

Federal legislation called the Worker Adjustment and Retraining Notification Act (WARN) requires employers with 100 or more employees to provide at least 60 days advance notice if they plan to lay off 50 or more workers, or more than one-third of the employer's workforce, whichever is greater.

Before the Layoff

Before a layoff occurs, employers can pursue alternatives to job reduction and prepare the workforce for an effective transition. Our research indicates that employers and workers have different perspectives on the extent to which firms attempt to avert layoffs. In addition, a substantial proportion of employers provide little or no notice to employees prior to separation. The limited federal requirements for advance notification are complex and easy to manipulate, offering little protection to workers affected by many large-scale layoffs, let alone small layoffs.

Alternatives to Layoffs

In a dynamic economy, business closures and layoffs are inevitable and difficult to prevent. A large majority of employers (71%) claim that they probably cannot avert future layoffs.⁵⁵ Most workers also are skeptical that they can reduce their chances of being laid off. Over half of those surveyed (53%) think there are few steps they can take to avoid layoffs in the next three to five years.⁵⁶

Before dismissing workers, employers can adopt a variety of strategies to avoid layoffs or to soften their impact. More than two-thirds of employers report taking specific steps, such as cutting the number of overtime shifts, reducing work hours, and implementing pay cuts or

freezes.⁵⁷ In some cases, collective bargaining agreements with unions include “job security” provisions that limit potential layoffs or require the company to take certain measures to prevent layoffs. For example, an April 2003 agreement encouraged Disney to cut the workweek from 40 to 35 hours to preserve jobs for skilled craft and maintenance workers.⁵⁸ Before shutting its doors, Pillowtex Corporation explored the feasibility of a new business model and considered a sale to a more financially stable firm.⁵⁹ Companies also can retrain existing workers to support other lines of business. A defense firm, for example, might retrain and shift workers from building military aircraft to assembling commercial jets.

Workers take a different view of firms' efforts to pursue layoff alternatives. Only 22% of workers say that their employers tried to avoid layoffs.⁶⁰ What accounts for the difference in opinion between workers and employers? Possibly, employers are not communicating their preventive plans to employees because they fear that employees will search for other jobs as soon as they learn about a potential layoff. In addition, the survey of employers captured mostly small firms, which may be more likely to consider alternatives to layoffs.

Advance Warning and Notification

Employees sometimes detect early warning signs of an impending layoff. A laid-off worker from New York City noted that, because his company was undergoing reorganization, everyone knew that jobs were at risk long before any announcement was made. Several individuals sensed that layoffs were imminent when their workload was reduced and another worker began to worry when his company lost a major contract.⁶¹ Some of the workers we interviewed blamed themselves for not paying sufficient attention to their company or industry before they lost their jobs.

⁵⁵ Dixon et al., *Work Trends*, April 2004, 29.

⁵⁶ Dixon and Van Horn, *Work Trends*, July 2003, 24.

⁵⁷ Dixon et al., *Work Trends*, April 2004, 28.

⁵⁸ Bureau of National Affairs, Inc., “Disney and USPS Extend Labor Contracts in Face of Uncertainty Over Economy, War,” *Collective Bargaining Bulletin* 8, no. 8 (August 21, 2003).

⁵⁹ Pillowtex Corporation, “Pillowtex Announces Employee Terminations and Plant Closings,” news release, July 30, 2003. <http://www.pillowtex.com/pr/pro30730.html>

⁶⁰ Dixon et al., *Work Trends*, April 2004, 9-10.

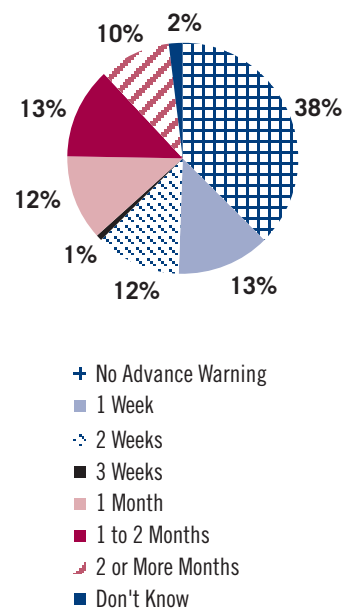
Once employers decide to carry out a layoff, they must decide when and how to notify affected employees. Advance notice of separation allows workers to prepare for the transition and begin the search for a new job. A General Accounting Office (GAO) study in 1993 found that about half of employers believed that workers found new jobs faster because they received early notice.⁶² Researchers have found that advance notice, whether provided formally or informally, increases the chances that individuals will avoid a period of unemployment.⁶³

Although advance notice provides benefits to workers, it causes concern for some employers. Firms fear that workers who are given extended notice will become anxious and less productive. The same GAO study in 1993 found that 29% of employers reported issues, such as declining productivity, after notice was given.⁶⁴ Some firms also fear that disgruntled workers will sabotage the company's operations.⁶⁵

Perhaps because of those concerns, a substantial proportion of employers provide little or no advance notice to affected employees. In our most recent *Work Trends* survey, nearly 30% of firms report that they provide no more than one week's notice.⁶⁶ Since the survey focused on small firms with few employees, the findings probably reflect the experience of companies that may lack a cushion of cash reserves and have a limited capacity to manage layoffs. At the same time, as shown in Figure 10, more than one-third of workers (38%) say they received no advance warning of job loss. Another 13% of workers received notice only one week before a separation.⁶⁷

The dislocated workers we interviewed gave vivid descriptions of being laid off without notice. Several individuals were told to pack up their belongings and were

Figure 10: Time in Advance Notice of Layoff



Source: *Work Trends*, April 2004

then escorted from buildings by security guards.⁶⁸ In another example, all of the people in one office were told to return to their desks where their computers had been disabled. They then waited for hours until they were informed of their separation.⁶⁹ These anecdotes admittedly may be extreme cases, but they convey the powerlessness that workers feel when they are simply shown the door.

Some laid-off workers described layoffs that were both unexpected and poorly communicated. When an individual from Delaware came home one day, he discovered a message announcing his termination on his answering machine. His work had been outsourced to India.⁷⁰

⁶² General Accounting Office, *Dislocated Workers: Worker Adjustment and Retraining Notification Act Not Meeting Its Goals* (Washington, D.C., February 1993), 4-5.

⁶³ Lori Kletzer, "Job Displacement," 133.

⁶⁴ General Accounting Office, *Dislocated Workers*, February 1993, 6.

⁶⁵ Carl E. Van Horn, *No One Left Behind* (New York, NY: The Twentieth Century Fund, 1996), 96.

⁶⁶ Dixon et al., *Work Trends*, April 2004, 17.

⁶⁷ Dixon et al., *Work Trends*, April 2004, 10-11.

⁶⁸ Focus group in Portland, OR.

⁶⁹ Focus group in Austin, TX, conducted by Daniel P. O'Shea, January 7, 2004.

⁷⁰ Focus group in Dover, NJ.

Another individual received a message about his layoff on his cell phone while he was on vacation.⁷¹ In a few cases, conduct was not just clumsy and insensitive but misleading. When a woman who worked for a high-technology company asked her supervisor point blank about her job security, she was told her job was safe. A few weeks later, she received a pink slip.⁷²

Although employers have wide latitude in notifying workers of a layoff, they are sometimes bound by collective bargaining agreements that require notification. For example, an agreement signed in 2000 called for Bridgestone/Firestone to notify the union at least six months prior to a plant closing.⁷³ Employers also are subject to federal legislation, called the Worker Adjustment and Retraining Notification Act (WARN), which sets minimum requirements for advance notice. This law requires companies with 100 or more employees that lay off 50 or more workers (or more than one-third of their workforce, whichever is greater) to notify employees at least 60 days in advance. However, the law contains numerous exemptions and is enforced through the courts, not by any federal agency.

Recent studies by the GAO suggest that the complexity of the law leads to widespread confusion among employers and disregard of WARN requirements. A 1993 study found that most major layoffs were not subject to WARN, and that employers provided notice to the state for less than half of the layoffs that met the threshold for a WARN notice.⁷⁴ A more recent study found similar results. Most major layoffs in 2001 were not subject to WARN, and employers issued a WARN notice for only 36% of the layoffs that required it. However, some of the firms that did not give notice offered pay in lieu of notice.⁷⁵

Our research suggests the reasons employers are not filing notices. Because of WARN's complexity and ambiguity, firms can easily circumvent the federal notification requirements. According to the human resources executives we interviewed, firms can adopt one of two strategies to avoid issuing a WARN notice. First, firms can issue an "open notice" that identifies a group of employees in a specific geographic region as subject to a potential layoff. The open notice makes it unnecessary to issue more targeted notices later. Second, companies organized into multiple lines of business can carry out small, rolling layoffs that do not meet the threshold that triggers a WARN notice.

Not all firms, of course, provide a minimal amount of advance notice. Nearly one-fifth of employers surveyed during the past year report giving employees one month's notice and a quarter say they offer more than one month's notice.⁷⁶ More than a third of workers report receiving at least one month's notice.⁷⁷

We found examples of firms that demonstrate a commitment to offering employees plenty of time to prepare for job loss. AT&T offers 60 days of notice to all employees affected by an involuntary layoff. When Ticona, a business of Celanese AG, announced it was closing a facility in New Jersey, the company informed the facility's 220 employees even before the closure was announced. Employees also received a 60-day WARN notice. Company officials held town hall meetings with employees to clarify the timeline of the site closure and to provide information and answer questions. Human resources staff then met with each worker who was being laid off.⁷⁸

⁷¹ Focus group in Portland, OR.

⁷² Focus group in Austin, TX.

⁷³ Bureau of National Affairs, Inc., "Bridgestone/Firestone, USW to Bargain Over Likely Closure," *Collective Bargaining Bulletin* 6, no. 14 (July 12, 2001).

⁷⁴ General Accounting Office, *Dislocated Workers*, February 1993, 3-4.

⁷⁵ General Accounting Office, *The Worker Adjustment and Retraining Notification Act: Revising the Act and Educational Materials Could Clarify Employer Responsibilities and Employee Rights* (Washington, D.C., September 2003).

⁷⁶ Dixon et al., *Work Trends*, April 2004, 17.

⁷⁷ *Ibid.*, 11.

⁷⁸ Interview with human resources executive at Ticona, conducted by Angie McGuire, January 16, 2004.

As our research shows, employers provide a wide range of notice to affected employees. A substantial proportion of companies provide a minimal amount of notice. Laid-off workers in the focus groups described the impact of losing jobs without warning and, in some cases, reported that their firms handled layoffs without sensitivity. In addition, federal requirements for advance notice afford limited protection to workers caught in most layoffs. Still, a large proportion of companies, recognizing the benefits of early warning, offer plenty of notice to those being laid off.

Post-Layoff Benefits and Services: The Employer Side

When layoffs are announced, employers can ease the transition with a range of benefits and other assistance. We found a wide variation in employers' provision of severance pay, outplacement services, and other assistance. Availability of such assistance varies by company size and reflects a company's culture and values. In addition, there is some evidence that large firms, which are more likely to provide supports to displaced workers, are limiting their commitments.

The wide variation in the availability of employer-funded assistance reflects a divided view among company officials. On one hand, some firms view workforce reductions as a move to minimize costs and thus consider outplacement assistance as a business decision driven by cost. As an outplacement executive said, officials in those firms view layoffs as "waste removal" that must be quickly and efficiently carried out.⁷⁹ On the other hand, some firms take the view that former employees should be "happy alumni" and thus value job placement assistance as a service that keeps the alumni satisfied. Even companies that continue to spend on outplacement services are experiencing a profound "push-pull" between human

resource executives, who wish to maximize services for affected workers, and procurement officials, who seek to minimize costs.⁸⁰

Types of Employer Services: Severance and Transition Assistance

Severance pay provides workers with financial support following separation. It is typically based on years of service at a company and may be tied to level of responsibility. For example, Bank of America offers separated employees two weeks of pay for every year of service, and the minimum amount of the payout varies by rank within the company. In some cases, collective bargaining agreements with unions require companies to offer severance or supplemental wages. A 2002 agreement required Johnson Controls, Inc., the Michigan-based automotive interiors manufacturer, to pay former workers 90% of their after-tax wages for 26 weeks following separation.⁸¹

Beyond severance pay, employers may offer outplacement assistance that typically involves counseling, resume preparation, workshops on how to search for a job, and placement assistance. Firms may offer services only to senior executives, different services to different levels of employees, or a single package for any employee.

In recent years, outplacement firms have increased the availability of self-directed and Internet-based services. They have deployed an extensive array of online tools and services, including online assessments of worker skills, state-of-the-art research on interviewing, and electronic databases containing resumes and job leads. One firm we interviewed has created an online career center with 24/7 access to an employer database, news services, and other resources.⁸²

⁷⁹ Interview with outplacement executive, conducted by Harriet Kass, 2003.

⁸⁰ Interview with outplacement executive at Lee Hecht Harrison, conducted by Harriet Kass, December 30, 2003.

⁸¹ Bureau of National Affairs, Inc., "UAW Addresses Job Security in First Contract at JCI Plants," *Collective Bargaining Bulletin* 7, no. 13 (June 27, 2002).

⁸² Interview with outplacement executive at Ayers Group, conducted by Harriet Kass, November 13, 2004.

Most leading firms also provide individualized, face-to-face services, especially for senior executives. They offer structured workshops led by trained counselors and have counselors on hand to assist laid-off people with developing an individual reemployment plan. Since 2001, some firms have introduced networking groups composed of jobless professionals and facilitated by outplacement staff. These groups are intended to generate job leads and provide mutual support. Another trend visible since 2001 is an increased emphasis on the active development of job leads that goes beyond individualized counseling and job search skill development.

When asked about outplacement services offered by their former employers, individuals shared strong, but decidedly mixed, views on the quality of the services. A few focus group participants found the services helpful. Several individuals specifically mentioned the firms' networking expertise and the databases of employer contacts as useful resources.⁸³ An aerospace engineer in California said the availability of outplacement services at his work site brightened employees' attitude toward the company and provided a psychological boost to those who were about to be laid off.⁸⁴

Others felt that the outplacement services they received were "a waste of time."⁸⁵ Technology workers in Texas agreed that the reemployment counselors provided by their companies did not understand their specialized work or how to prepare resumes for technical positions.⁸⁶ One laid-off worker commented that the services he received were mostly self-help and that outplacement staff members designated to assist them were not particularly responsive. Another worker thought that the environment created by the outplacement firm encouraged competition, pitting jobseekers against one another.⁸⁷

Outplacement assistance is the most widely known transition service. Firms may offer other services, such as counseling and education and training benefits. Ticona, a business of Celanese AG, is an example of a firm offering intensive counseling to workers affected by a major layoff. Company officials anticipated the emotional difficulties that its employees would experience and brought in crisis management counselors who were psychiatrists. The firm made the trained counselors available to advise managers and to provide support during staff meetings. In a few instances, counselors worked with a few employees to help them cope with the facility closing. Some firms provide workers with retraining or other assistance to facilitate transition to new jobs. Fleet National Bank (now merged with Bank of America) supported laid-off workers with a 12-week internship with any organization that was not a Fleet competitor. Former employees would identify an opportunity that matched their approved job search and then proposed the internship to Fleet. If accepted, Fleet would pay \$10 per hour in wages during the course of the internship, which could not exceed 240 hours.

Patterns in the Provision of Severance Pay and Transition Services

Our research reveals the limited availability of severance packages. Only 21% of laid-off workers surveyed in the past year were offered any form of post-layoff compensation.⁸⁸ Those earning less than \$40,000 per year were less likely to receive such compensation than higher-income workers. Less educated workers also were not as likely to obtain severance pay as college educated individuals.⁸⁹

⁸³ Focus group in Dover, NJ.

⁸⁴ Focus group in Los Angeles, CA.

⁸⁵ Focus group in Dover, NJ.

⁸⁶ Focus group in Austin, TX.

⁸⁷ Focus group in Dover, NJ.

⁸⁸ Dixon et al., *Work Trends*, April 2004, 10.

⁸⁹ *Ibid.*, 10-11.

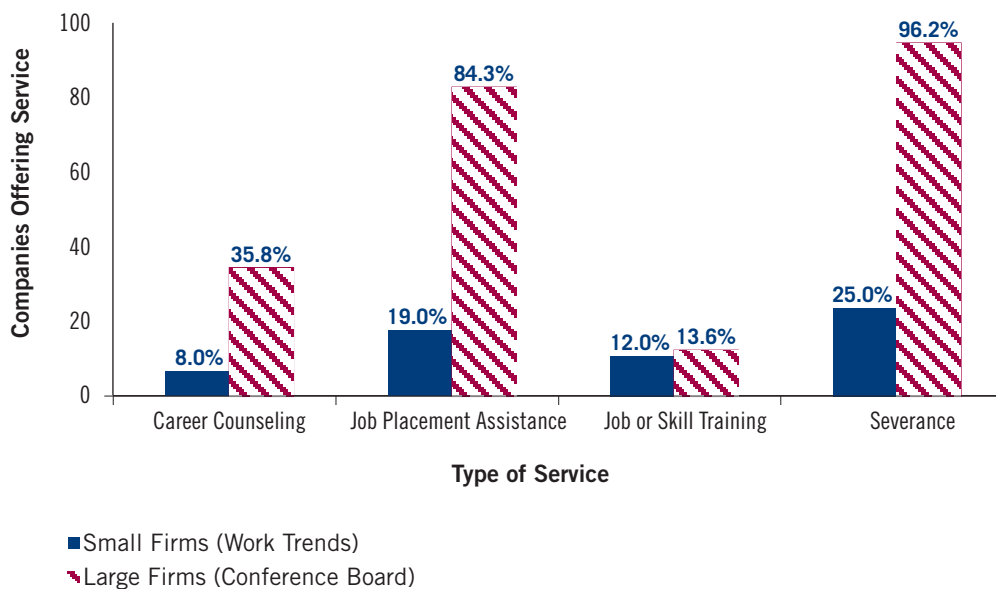
We also find a sizeable gap between what large and small employers provide to laid-off workers. The *Work Trends* survey found that a large majority (75%) of the smaller firms in the sample offer no severance pay or other compensation to those leaving the companies. Only 17% offer a severance package to all employees and 8% give it to some workers.⁹⁰ (See Figure 11.) In contrast to the *Work Trends* findings on small firms, a Conference Board survey found that nearly all of the large employers surveyed provide severance pay.⁹¹

What is true for severance pay is also true for other types of post-layoff assistance. The *Work Trends* survey, which captures the experience of small firms, finds that nearly one in two (49%) do not offer former employees any form of post-layoff assistance. Only one in five (19%) say they offer job placement assistance, 8% provide career counseling, and 12% offer job or skill training programs.⁹² The Conference Board survey, which tracks the experience of large corporations, tells a different

story. The majority (84%) sponsor job placement or outplacement assistance, more than a third offer career counseling, and about 14% offer education and retraining benefits.⁹³ Interestingly, both surveys suggest that only a small percentage of firms—large or small—offer any education and training assistance to laid-off workers.

Another striking pattern is that even large firms that currently offer severance pay and post-layoff services appear to be reducing their support. During the past five years, a number of the large companies we examined have decreased the amount of severance pay per years of job tenure or trimmed the amount of the maximum payout. Cost pressures also are leading companies to trim the level of outplacement services they provide. The outplacement executives we interviewed observed that companies are spending less per worker on service packages than in previous years, despite the increased need for adjustment assistance after 2001.

Figure 11: Small vs. Large Firm Layoff Assistance



Sources: *Compassionate Downsizing*, 2004; *Work Trends*, April 2004

⁹⁰ Ibid, 17. *Work Trends* categorizes employers as 5–24 employees, 25–100 employees, 100–250 employees, 250–500 employees, and more than 500 employees.

⁹¹ Muirhead, *Compassionate Downsizing*, 11.

⁹² Dixon et al., *Work Trends*, April 2004, 18.

⁹³ Muirhead, *Compassionate Downsizing*, 11.

Participants in our focus groups also observed a reduction in post-layoff support from employers. Technology industry workers in the Portland, Oregon metropolitan area observed that the severance packages offered after 2001 became less generous as companies struggled to contain costs.⁹⁴ Workers in the California entertainment industry also noted a change in the level of services employers were offering. As one worker said:

“In the past, it seemed that companies did more for you with training and retraining. Now they just let you go. We no longer need you, thank you very much, here’s your paperwork...Then they escort you off the lot.”⁹⁵

What our research reveals is a vast unevenness of services available to workers after layoffs. Availability of severance pay, outplacement assistance, and other adjustment services is tied to the size of the firm as well as to the attitudes of company leaders. And there is some evidence that large firms are trimming their support for workers in transition.

Post-Layoff Benefits and Services: The Government Side

Whether laid-off workers receive benefits from their former employers, many Americans are eligible for a variety of federal and state government programs. Our research suggests that workers view key government services as valuable for those in transition. However, some laid-off workers criticize some publicly funded services as excessively oriented to blue-collar or less skilled individuals. Employers tend to be less likely than workers to view government programs as an important source of support. We find that companies interact with government in different ways that reflect their values and culture. As a result, employer-based services often lack strong connections with government services.

Types and Funding of Government Programs

Government programs, summarized in Figure 12, can be divided into three categories:

1. Benefits, such as Unemployment Insurance payments and health insurance credits, which provide temporary financial support.
2. Reemployment services, including counseling, job search assistance, and information.
3. Training to retool individuals for new jobs or new fields.

In the past, funding for these programs tended to rise as the need for benefits and services grew. During the recession and slow economic recovery of the early 1990s, for example, government support for transition services and training grew steadily. Funding available for the broad pool of laid-off workers rose from \$463 million in 1990 to more than \$1.1 billion in 1994. Spending for workers who lost jobs due to foreign trade and other specific causes also grew. In addition, funding for Unemployment Insurance benefits expanded as a growing number of workers filed claims.

A different pattern emerged during the recent economic downturn. Not surprisingly, funding for Unemployment Insurance benefits increased dramatically as it typically does during a recession. However, funding for transition services and training moved on a different path. On one hand, federal support for workers who lose jobs due to foreign trade rose sharply. In fact, funds allocated for training workers affected by trade doubled between 2002 and 2004. On the other hand, federal funding available for the broader population of laid-off workers declined. Allocations to serve laid-off workers under the Workforce Investment Act dropped from \$1.59 billion in 2000 to \$1.45 billion in 2004. (See Figure 13.) The reductions occurred throughout a period when Republicans controlled the U.S. House of Representatives and Democrats and Republicans alternated control of the U.S. Senate. The upshot of congressional decisions was a drop in program resources in the midst of a slumping economy.

⁹⁴ Focus group in Portland, OR.

⁹⁵ Focus group in Los Angeles, CA.

Figure 12: Government Programs for Dislocated Workers

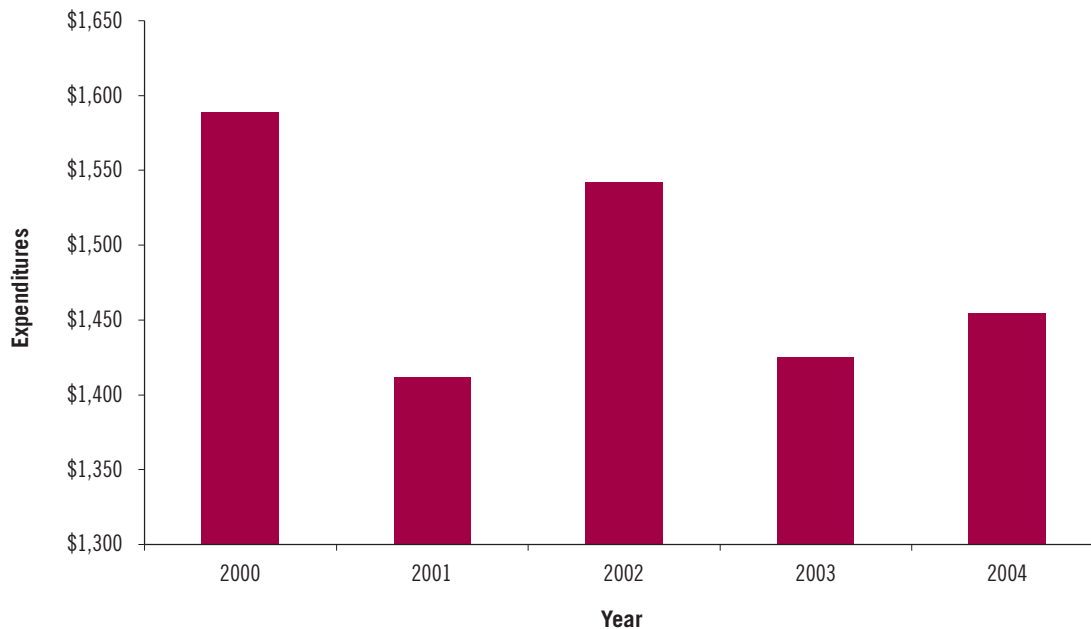
	Eligibility Requirements	Key Services	Funding 2004
Unemployment Insurance (UI)	<ul style="list-style-type: none"> ● Individuals who have left a job through no fault of their own involuntarily or for a reason considered “good cause,” which in some states includes sickness in immediate family, domestic violence abuse issues, or relocation of a military spouse ● Individuals meeting certain income requirements and have been working for a certain period of time (varies from state to state) ● Individuals who continue searching for employment during period in which they are receiving UI benefits 	<ul style="list-style-type: none"> ● Cash benefits ● Screening to determine likelihood of exhausting UI benefits, which can lead to eligibility for other services 	\$42 billion ⁹⁶
Workforce Investment Act (WIA)	<p>Dislocated Worker Programs:</p> <ul style="list-style-type: none"> ● Individuals who have lost their jobs and are not likely to return to their industry or occupation of previous employment, formerly self-employed individuals, and homemakers who can no longer depend on the income of a spouse 	<p>Dislocated Worker Programs:</p> <ul style="list-style-type: none"> ● Job search and placement assistance ● Employment counseling and career planning ● Individual training accounts enabling individuals to participate in certain authorized training programs ● Rapid response services: Government personnel provide on-site reemployment services to newly laid-off employees 	\$1.45 billion ⁹⁷
Trade Adjustment Assistance (TAA)	<ul style="list-style-type: none"> ● Individuals who have lost jobs because of increased imports that compete directly with the products of their company ● Individuals who have lost jobs because of employer’s decision to shift production abroad ● “Secondary workers,” individuals who work for a company on the same supply chain as another company that has been directly affected by competition from imports 	<ul style="list-style-type: none"> ● Rapid response services: Government personnel provide on-site reemployment services to newly laid-off employees ● Training services: Up to 104 weeks of approved training in occupational skills, basic or remedial education, or training in literacy or English as a Second Language ● Cash benefits: Up to 78 weeks of income support in addition to the standard 26 weeks of support 	\$1.34 billion ⁹⁸

⁹⁶ Department of Labor, Employment Training Administration, UI Outlook Mid-Session Review, <http://workforcesecurity.doleta.gov/unemploy/content/midf2005/sum.asp#top>

⁹⁷ Department of Labor, Employment Training Administration, 2004 Fiscal Budget, [http://www.doleta.gov/budget/04app\\$.pdf](http://www.doleta.gov/budget/04app$.pdf)

⁹⁸ Department of Labor, Employment Training Administration, 2004 Fiscal Budget, [http://www.doleta.gov/budget/04app\\$.pdf](http://www.doleta.gov/budget/04app$.pdf)

Figure 13: WIA Dislocated Worker Allotments (in millions)



Worker Views on Government Services

Despite fluctuations in funding, government programs remain a significant source of support, particularly for laid-off workers who may not have access to private-sector services. According to the *Work Trends* surveys, workers view Unemployment Insurance, job placement, job training, and extended health insurance as the most vital services that government can provide. Among laid-off workers who received government services, 44% report that assistance with finding a job is the most helpful and 21% cite the value of job training or continuing education.⁹⁹ (See Figure 14)

However, laid-off workers also are critical of some government services. Individuals who participated in focus groups offered three main criticisms of the One-Stop Centers and other government services they used:

1. The quality and depth of services appear to vary widely from location to location.

2. The systems used to match unemployed people with open jobs are imprecise. As one participant said, at the public office “...they try and match you with jobs for which you are vastly over- or under-qualified for. They just throw information at you and hope something sticks. It’s not geared to the individual.”¹⁰⁰ Several participants expressed frustration that the job-matching systems generated many leads but few that were good fits for their skills and backgrounds.
3. Publicly funded services tend to be oriented to the needs of less skilled workers rather than professionals. This was the most common criticism from the focus group participants, many of whom were laid-off professionals. They said most of the available job openings seemed to require limited qualifications and the One-Stop Centers lacked the depth of services they needed.

Speaking of a One-Stop Center, a participant said:

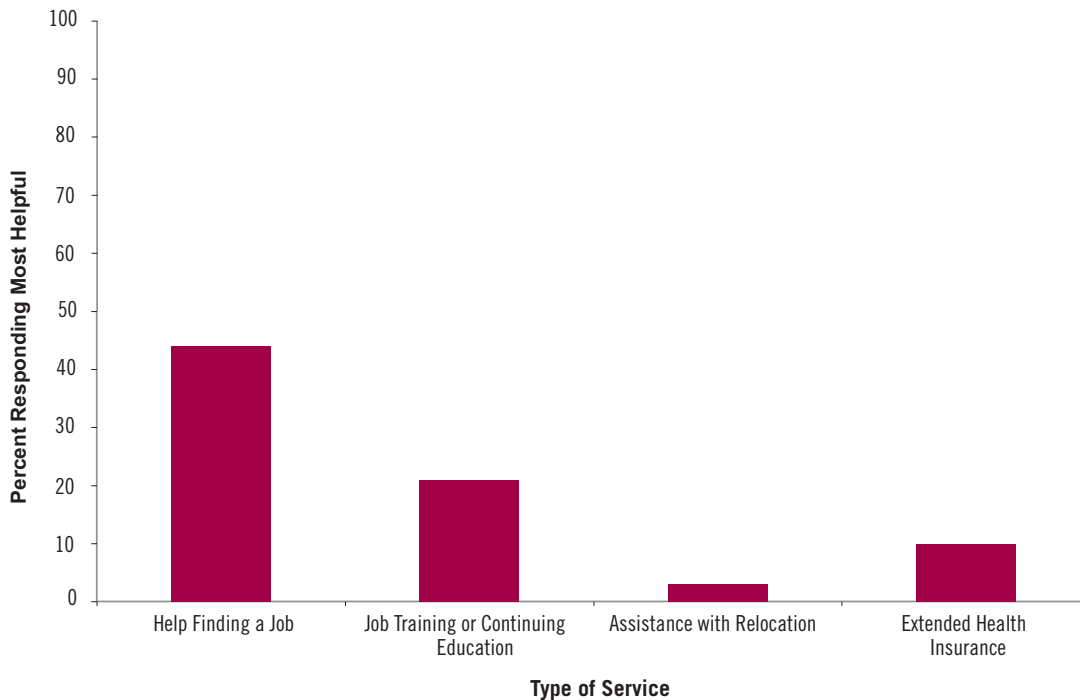
“If you’re a professional, most of the help they [One-Stops] can provide you is if you don’t have a fax, they have a fax...the counseling and stuff tends not to be that supportive of the upper-paying jobs.”¹⁰¹

⁹⁹ Dixon et al., *Dislocated Workers Study*, Winter 2004, 15.

¹⁰⁰ Focus group in Los Angeles, CA.

¹⁰¹ Focus group in Los Angeles, CA.

Figure 14: Laid-Off Worker Responses: Which Services Were Most Helpful?



Although the focus groups spoke critically of some government services, there was praise for professional services or peer support groups organized by some One-Stop Centers. The goal of these groups is to improve participants' job-finding skills in an environment filled with supportive peers. The peer support groups also provide a forum for professionals to broaden their networking circle. In most cases, the One-Stop Center provides a meeting space approximately once per week and a staff person to facilitate activities. For example, the Austin (Texas) One-Stop Center organizes groups of mid-career and professional workers in various industry sectors. In New Jersey, for example, speakers from area companies conduct seminars on topics such as how to conduct an intensive job search within the pharmaceutical industry.

How Employers Interact with Government Services

Employers, not surprisingly, are less likely than workers to identify various government services as important for people in transition. Only 28% of employers rate

Unemployment Insurance as the most important service, compared with 38% of workers. About 20% of employers view job placement and training as important, compared with higher proportions of workers. Only 6% of employers believe that extended health care insurance is an important government service.¹⁰²

Employers' attitudes toward public-sector services influence their willingness to work closely with government services. Through our interviews with companies, we identified three models to describe the interaction of private-sector and public-sector services. The first approach can be described as the "go-it-alone" model. Several companies we interviewed said they simply did not work with government agencies during a layoff. There may be a reference to Unemployment Insurance benefits in the company's materials, but that is the extent of the integration. The willingness to "go it alone" may stem from a company's culture and values. Employers may be suspicious of any governmental involvement in their affairs and may fear negative media attention if they engage the public sector. Alternatively, they may simply not be aware of

¹⁰² Dixon et al., *Work Trends*, April 2004, 20.

what is available. In fact, some companies we interviewed professed little awareness of government employment and training services.¹⁰³

The second approach can be called the “hand-off” model. With this approach, companies do not integrate their own services with public services; they simply refer workers to the government agency. Bank of America is a case in point. When the company found that many employees were not using services provided by an outplacement firm, it turned to state workforce agencies as the primary provider of transition services to all employees, except senior executives. Company officials believed that using government services would reduce costs and provide employees with improved services. When a layoff occurs, Bank of America sends a list of laid-off employees with contact information to the state agency. The company also provides each employee with a toll-free number for the state agency. The bank is out of the transaction once phone numbers are exchanged.

In the third approach, a “public-private” model, firms leverage their own resources with those of public workforce programs to maximize the level of service for their employees. Our research identified examples of close integration between public and private services. When Ticona was preparing to close a facility, it provided one month of outplacement services to affected workers. In addition, it brought in a state “rapid response” team that took claims for Unemployment Insurance at the facility and provided information on the location of One-Stop Centers and other services. In a follow-up survey of employees, the company reported that employees appreciated this convenience considerably. Many had never been to a New Jersey Department of Labor location or had any experience with Unemployment Insurance. Employees felt that having the process occur on site eliminated any stigma about UI benefits and made them feel far more at ease with the layoff.¹⁰⁴

Outplacement firms, which work directly with laid-off workers, tend to have a different slant on government services. Most of the outplacement executives we spoke with are fully aware of government’s role in assisting laid-off workers. Some outplacement firms view the One-Stop Centers as potential competitors and lobby against

increases in the Department of Labor’s budget. Other firms discount the threat, noting that the private firms and public agencies cater to different clientele. As one executive said, hourly workers go to One-Stop Centers and professionals go to outplacement firms.¹⁰⁵ According to one outplacement executive we interviewed, there are opportunities for collaboration between the public and private sectors. Both private firms and public agencies are working toward the same goal: reemploying laid-off workers. However, they offer different assets and expertise. An effective partnership could leverage the resources of both sectors to smooth the transition of affected workers. For example, companies could actively seek government training funds to supplement privately administered outplacement services.

Summary

Beginning in the 1980s, the term “downsizing” became part of the U.S. workplace lexicon. Layoffs also became associated with permanent job loss rather than a temporary period of unemployment.¹⁰⁶ In this more volatile labor market, some companies have built an infrastructure of benefits and services for employees in transition. Our research highlights wide variation in company policies and practices. A substantial proportion of firms offer little or no notice to employees. In addition, availability of severance pay and adjustment services is limited and largely tied to the size of the firm and the company’s values. What workers receive largely depends on where they work.

Government services also tend to be uneven. Funding for programs that serve the vast majority of workers regardless of the cause of job loss has declined since the high point of the economic expansion in 2000. Although workers rate key government services as important to their transition, they criticize some publicly funded services as being poorly suited to the needs of highly skilled, professional workers. In addition, employer-funded services are not well coordinated with government programs. Some firms that are wary of governmental involvement avoid coordination with laid-off worker programs. Other firms perceive the value of those programs and achieve an integration of public and private resources that benefits both workers and companies.

¹⁰³ Interviews with multiple human resource executives, conducted by Angie McGuire, 2004.

¹⁰⁴ Interview with human resources executive at Ticona, conducted by Angie McGuire, January 12, 2004.

¹⁰⁵ This represents a compilation of ideas presented in various outplacement executive interviews, conducted by Harriet Kass, Lee Hecht Harrison (December 30, 2003), Spherion (November 25, 2003), and WJM Associates (December 17, 2003).

¹⁰⁶ The New York Times, *The Downsizing of America* (New York, NY: Times Books, 1996), 11.

Section V: Heldrich Center Principles for Workers

Workers in today's economy must navigate a turbulent labor market where millions face the threat of layoffs. Workers can no longer expect to spend their entire working lives at a single company or count on their employers to manage their careers. Nor can workers rely solely on government programs as a stable source of guidance or support. Government programs, strained by the new realities of the labor market and under fiscal stress, are unable to provide adequate support to everyone in transition.

In this environment, individuals are mostly on their own. They must bear the primary responsibility for managing their own careers and job transitions. To be sure, employers and government must play a more effective role, a theme we take up in the final two sections of this report. In this section, we suggest a set of principles to guide workers through a more volatile labor market in which jobs are less secure.

Prepare for job loss before it happens. Individual workers should recognize the new reality that job loss can happen to nearly anyone at any time. Some of the technology workers in the Portland focus group realized they had not tracked what was happening in their industry or in the economy as a whole. As a result, they were caught unaware when they lost their jobs. The lesson for workers is to pay close attention to trends within their firm, industry, and the broad labor market. Employees can sometimes detect early warning signs of trouble on the horizon, such as a lost contract or a drop-off in workload. But it is not always possible to anticipate, let alone avert, an impending layoff. Therefore, it pays to prepare in other ways. Workers should continually upgrade their skills and maintain and broaden their networks. They also should consider employment and career options in case of unexpected layoffs.

Do not rely entirely on Internet job sites. The job boards and other Internet employment Web sites that have mushroomed in the past decade can be a powerful tool for jobseekers, but they should be part of a well-rounded job search strategy. When Drake Beam Morin, the outplacement firm, surveyed a group of workers, the company found that Internet job sites and print advertisements were less effective than other methods such as networking.¹⁰⁷

This does not mean that the Internet has no place in a job search. When jobseekers use the Internet, they should turn to Web sites of the companies to which they are applying and niche job sites that specialize in an industry, profession, or geographic area. A recent study found that employers tend to rely on those two sources for hiring more than high-volume national job sites.¹⁰⁸

Employ multiple job search strategies. Using the Internet to post resumes and search job opportunities is only one of multiple job search strategies. Both the Drake Beam Morin study and the focus groups we held emphasized the importance of using personal networks to discover openings and land jobs. A CareerXRoads study also points indirectly to the power of networking. The report found that employers draw on referrals from their current employees as a major source of new hires.¹⁰⁹

Another recent study suggests that contacting an employer directly is an effective strategy. The study uses Current Population Survey data to identify various search methods and follow jobseekers over time. A key finding is that direct contact with employers, especially when paired with other methods, generates the highest success rates for jobseekers.¹¹⁰

¹⁰⁷ Drake Beam Morin Canada, *Career Choices and Challenges of Younger and Older Workers* (2003). <http://www.dbmcanada.com/portal/public/dbmnavca.nsf/user/supportl1/AF340540E843D8A685256D3D00473971?OpenDocument>

¹⁰⁸ Gerry Crispin and Mark Mehler, *CareerXRoads 2003 Source of Hires Study* (Draft), CareerXRoads, <http://www.careerxroads.com/2003sourceofhires/> (Accessed: Spring 2004).

¹⁰⁹ Ibid.

¹¹⁰ Randall W. Eberts and Harry J. Holzer "Overview of Labor Exchange Policies and Services." In *Labor Exchange Policy in the United States*, ed. David E. Balducchi, Randall W. Eberts, and Christopher J. O'Leary, (Kalamazoo, MI: W.E. Upjohn Institute, 2004), 24.

Heldrich Center's Workforce Web Site Recommendations

For general information about job searches, both on and off the Internet, check out:

- Occupational Information Network: <http://online.onetcenter.org/>
- The Riley Guide: <http://www.rileyguide.com/>
- Job-Hunt: <http://www.job-hunt.org/>
- New York Department of Labor: <http://www.labor.state.ny.us/>
(Especially the publication, *Your Winning Edge*)

To look for a job on the Web, look beyond the big name job boards to niche Web sites such as:

- Idealist: <http://idealist.org/>
- JobScience: <http://www.jobscience.com/>
- The Black Collegian Online: <http://www.black-collegian.com/>

In addition, don't be afraid to use the Internet to help in aspects beyond just finding a job. For example, use these Web sites to help assess skills, create a more effective resume, or find networking and training opportunities:

- Career eManual: <http://www.cdm.uwaterloo.ca/> (Assessment)
- CareerOneStop Resume Tutorial: http://www.acinet.org/acinet/resume/resume_intro.asp (Resume)
- New Jersey Job Hunter's Guide: <http://wnjpin.com/jobseeker/jbhunt.htm> (Networking)
- New Jersey Training Systems: <http://www.njtrainingsystems.org/> (Training)

In addition to social networks and direct employer contacts, intermediary organizations provide important connections to jobs. These organizations include temporary agencies, unions, professional associations, community colleges, government agencies, and community-based organizations. A recent study of two regions found that about 26% of workers in Silicon Valley, California and about 30% of those in Milwaukee, Wisconsin obtained jobs in the past three years through some type of intermediary.¹¹¹

Tailor transition strategies to the industry. Beyond the basic mechanics of the job search process, individuals need to understand how transition strategies will vary depending on the targeted industry. Our focus groups with laid-off workers showed that what works in the technology industry does not necessarily work in Hollywood. A recent study found that laid-off aerospace engineers encountered unexpected difficulties in moving to the electronics industry. As it turned out, the engineers had the right skills but lacked knowledge and appreciation of how

the electronics industry worked. Better training or preparation that reflects the industry's needs and expectations would have eased the transition.¹¹²

Be creative in tapping into a network of community resources. Individuals should explore the full array of resources beyond government benefits, such as Unemployment Insurance. Members of the focus groups received assistance from a wide variety of community organizations, from local One-Stop Centers to community-based organizations to churches. For example, members in the Los Angeles focus group benefited from a peer support group run by a private organization. Temporary service firms can allow workers to audition with prospective employers. Unions offer a range of benefits and services to affiliated members. Additional resources include social services, such as welfare, food stamps, Medicaid, and other need-based assistance.

Address the emotional impact of unemployment. For many workers, the loss of a job is a heavy blow. The *Work Trends* surveys find that large proportions of individuals

¹¹¹ Manuel Pastor, Laura Leete, and Laura Dresser, *Economic Opportunity in a Volatile Economy: Understanding the Role of Labor Market Intermediaries In Two Regions* (San Jose, CA: Working Partnership USA, Madison, WI: Center on Wisconsin Strategy, May 2003). <http://www.willamette.edu/publicpolicy/lmi/LMI%20Final-May%202003.pdf>

¹¹² Ward F. Thomas and Paul Ong, "Barriers to Rehiring of Displaced Workers: A Study of Aerospace Engineers in California," *Economic Development Quarterly* 6, no. 2 (May 2002): 167-178.

experience depression, fear, and anxiety upon job separation. The focus groups also were full of examples of individuals who experienced the emotional after effects of a layoff.

If individuals suffer from depression or intense anxiety, they may be able to benefit from counseling services provided by their former employer or by community organizations. Many of the participants in the focus groups praised the value of peer support groups, which provided an emotional boost at a rough time as well as valuable leads for the job search. One-Stop Center staff, and others who assist laid-off workers, should be aware of the

symptoms of anxiety and depression and encourage affected workers to seek assistance to deal with the emotional fallout from a layoff.

During a period of unemployment or at other vulnerable moments in life, it is important to maintain a positive attitude. Members of the focus groups described how they turned a bout of unemployment into an opportunity. They took advantage of the time to explore their true interests and pursue new directions. When asked to give advice to friends who have been laid off, one worker said that individuals should follow their bliss and pursue work that they love.

Section VI: Heldrich Center Principles for Employers

In today's economy, companies lay off workers during recessions and even when the economy is growing. The increased use of layoffs as a business strategy reflects the rise of a more temporary employment relationship between companies and their employees.¹¹³ Large companies continue to provide some employees with opportunities for job stability and lifelong careers, but those opportunities can no longer be taken for granted.

Although recognition is growing that traditional attitudes and practices have indeed shifted, it is far from clear that new norms have risen to replace them. Our research demonstrates that employers are divided on their proper responsibility in the wake of a layoff. A majority (about 60%) of employers believe that laid-off workers are mainly responsible for helping themselves. Barely half of employers agree that they have a responsibility to assist workers in finding another job. The results suggest a lack of a consensus among employers on their appropriate role.¹¹⁴

Why Should Employers Provide Support to Laid-off Workers?

While we believe employers have a moral responsibility to treat laid-off workers with professional courtesy and compassion, there are four compelling reasons why employers—acting in their own self-interest—should treat laid-off workers well:

1. Companies can maintain the morale of remaining employees by providing benefits and support to those who are laid off. Extensive literature on the “survivors” of layoffs suggests that layoffs take a toll on the morale and productivity of those left behind in the organization. One way to minimize the adverse effects is to handle the layoff in a professional manner and provide adequate support to those who are let go.¹¹⁵

2. Handling layoffs with tact and compassion can avoid harming relations with the community in which a company operates. It also can avoid generating negative publicity in the local or national media.¹¹⁶
3. It is important not to “burn bridges” with former employees who may be future customers, or even business partners. Today's economy is increasingly knowledge-based and service-driven and relies on networks of professional contacts. Companies benefit from maintaining good relations with “alumni” who may purchase their products or services or collaborate with them in the future.¹¹⁷
4. Treating laid-off workers fairly may improve the ability to retain employees when the labor market becomes tight. A company's layoff policies may not help attract new employees. However, they may be an important factor for existing employees—especially those who have survived previous rounds of layoffs—as they decide whether to stay or leave.

Heldrich Center Principles to Guide Workforce Reductions

If there are strong reasons to support displaced workers, what should employers do? Drawing on our research and interviews with human resource managers, we propose a series of principles that can guide employers who are carrying out workforce reductions. These principles could serve as the foundation of a new culture for handling workers in transition in an era when jobs are inherently less secure. We also include specific examples of corporate policies and practices that illustrate the principles.

¹¹³ Cappelli et al., *Change At Work*.

¹¹⁴ Dixon et al., *Work Trends*, April 2004, 29.

¹¹⁵ Cappelli et al., *Change At Work*; Muirhead, *Compassionate Downsizing*.

¹¹⁶ Ibid.

¹¹⁷ Ibid.

1. Companies should have a clear statement of values and adhere to them.

A company's core values are the basis for policies toward all employees. Ideally, a company will have a long-standing and well-documented statement of values and beliefs that addresses the company's respect for employees. It is not enough to have a statement on record. Firms should act according to those core values and beliefs before, during, and after layoffs.

2. Firms should give fair warning to employees who are laid off.

Federal legislation on advance notice, the Worker Adjustment and Retraining Notification Act (WARN), sets only a minimum standard that applies to plant closings and some large-scale layoffs. Complex and difficult to interpret, the legislation provides limited guidance to firms. Consequently, firms need to develop their own policies on what constitutes adequate notice or develop joint standards that apply to a whole industry or economic sector.

Any policy should be fair, flexible, and consistent with common sense. A layoff that involves many employees or an entire unit should entail more notice than a layoff involving only a small group of workers

A New Outplacement Model

In late 2003, the Eaton Corporation, a Cleveland-based global industrial manufacturer, and Spherion, a leading outplacement agency, worked cooperatively to create a new outplacement pilot program called the Choice Model. The Choice Model provides laid-off workers with two options: office-based outplacement services or home-based outplacement services. A survey of Spherion clients drove the decision to create a home-based outplacement choice. Spherion found that 79% of their 2002–2003 outplacement participants had conducted their job searches from home. In addition, they found that 73% preferred an outplacement model that allowed them to contact a job consultant on their own when needed—for a certain number of hours but not limited to a specific meeting place or time period, such as three months. They favored this approach over access to unlimited consultation for a set period of time in a prescribed outplacement office. The home-based model incorporates this preferred delivery system and allows individuals greater flexibility and independence in managing outplacement services.

or part of a unit. In any case, workers should receive a minimum amount of notice that allows them to begin their transition. If advance notice truly is not feasible due to the speed of events, employers should be expected to offer sufficient severance pay in lieu of notice.

In addition, employers should be as clear and open as possible in notifying employees of their separation. Managers should receive training or guidance on how to handle a layoff in a calm, courteous, and professional manner.

3. Employers should offer individualized packages of transition services rather than standard “one-size-fits-all” services.

Typically, employers offer standard packages of severance pay and outplacement services, if they offer anything at all. However, a one-size-fits-all package is not necessarily effective from either the company's or the worker's perspective.

Employers should provide laid-off workers with choices rather than a standardized package of services. For example, employees could receive a cafeteria-style plan that offers choices among a variety of services, such as workshops and professional networking groups. Alternatively, employees could receive a lump sum that could be spent on a range of services or benefits. In either case, the allowable services could be clearly listed in the employee benefits guide and explained to new hires.

If employees are given more options, they must also receive good information and guidance. A common concern of the outplacement executives we interviewed was that workers who come to them frequently do not know what they need or what they want. Before they can make choices, individuals need professional counseling and guidance from the company's counselors, an outplacement firm, government agency, or another reputable source.

AT&T

AT&T offers 60 days notice to any employee affected by an involuntary layoff. Such a policy meets the standard for any layoff requiring a WARN notice and provides adequate lead time for employees to respond.

4. Companies should seek to leverage resources with government agencies and other firms.

Even if employers intend to provide generous support to former employees, they may lack the necessary resources. One of the employers we interviewed admitted there simply was not enough money to do “everything the right way” for laid-off workers.¹¹⁸ Given the cost constraints that most employers face, it makes sense to leverage a company’s resources with the government’s or other firms’ resources. Leveraging is likely to be cost effective for firms and the government, and it is likely to enhance the level of support available to workers. It is truly a win-win solution.

Companies can adopt one of several models if they wish to leverage government services. One option is to identify an official inside the firm who is knowledgeable about and has experience with a variety of federal, state, and local government programs. For example, a human resources executive at Johnson & Johnson for many years took responsibility for coordinating the company’s services with rapid response and other publicly funded services.¹¹⁹ Another option is to require an outplacement firm to coordinate its services with those of the appropriate state or local government. For example, when Fleet accepted bids on outplacement contracts, it required firms to demonstrate their record in cooperating with state

Cisco

Cisco Systems, which faced layoffs in 2001 in the wake of the technology bust, piloted the Community Fellowship Program with 81 laid-off employees. The program gave the former employees an opportunity to earn one-third of their salaries and maintain continuing benefits for up to one year while they worked at a local nonprofit organization. At the end of the year, they had the option of returning to work at Cisco if there were open positions, staying with the nonprofit organization, or being formally separated from the company and becoming eligible to collect Unemployment Insurance.

Fleet Bank

Fleet Bank offers an example of how a company can integrate services with government services. During layoffs in 2000 and 2001, Fleet collaborated with Massachusetts’ rapid response unit and a local One-Stop Center to successfully apply for federal dislocated worker funding to provide job training to employees. Through quarterly meetings with the Commonwealth of Massachusetts during the course of the grant, Fleet was able to extend the grant’s scope to provide training through local One-Stops to employees in Connecticut, Maine, New Hampshire, and Rhode Island. As a result of the receipt of the grant, 260 Fleet Boston employees accessed job training and 450 employees received counseling services. Fleet widened the same practice in 2002 and 2003 to cover employees throughout its 10-state region.

and local government.¹²⁰ A third option is to rely on the state workforce agency or local One-Stop Center to take the lead in coordinating various services.

Companies also can leverage their resources with those of other firms. For example, groups of small- or medium-sized companies within an industry and in a geographic area might pool resources to contract with an outplacement firm. The package of services they secure together may be more substantial than what would be available to them as individual firms. This strategy may expand services for workers without straining the budget of participating firms and it may increase the market share for outplacement firms.

5. Employers should be recognized for offering an exceptional level of benefits and services to laid-off workers.

Employers should receive public recognition for offering a range of support to laid-off workers. We envision a rating system for companies modeled on the Zagat guide for restaurants or the J.D. Power reports on companies. A rating would be determined based on the types and range of benefits and services that are offered to laid-off workers. For example, a

¹¹⁸ Interview with human resources executive at Sears, conducted by Angie McGuire, January 16, 2004.

¹¹⁹ Interview with human resources executive at Johnson & Johnson, Inc., conducted by Angie McGuire, November 19, 2003.

¹²⁰ Interview with human resources executive at Fleet Bank, conducted by Angie McGuire, January 23, 2004 and March 31, 2004; Bank of America acquired Fleet Bank in 2004.

company might be rated on the amount of advance notice it provides and the depth of outplacement services.

Such a system would have multiple uses. Companies could use it to benchmark their services with those of competitors in their industry or geographic area. At the same time, workers could use it to compare their current employer's policies with those of alternative employers.

The rating system could focus solely on private-sector transition policies. Viewed another way, it could also be part of a larger system for rating personnel practices and human resource benefits.

These five principles are presented as a point of departure in what we hope will be a lively dialogue on the roles of employers, workers, and government in assisting laid-off workers.

Further Research

In addition to these principles, we suggest areas for further research. Our interviews with executives at outplacement firms uncovered major changes in the delivery of private-sector services to individual workers, such as increased reliance on self-service resources. In addition, we found important parallels between patterns of service delivery in the private and public sectors. Additional research should identify the changing nature of privately provided adjustment services and their effectiveness.

Another area for research is the use of alternatives to layoffs. For example, states have adopted “worksharing” as one alternative. Through worksharing, employers reduce the hours of all workers, who receive UI benefits compensating them for some of the wages lost because of the reduction in their work schedule.

Some firms have chosen to reduce employee pay for a period of time rather than eliminating jobs with the expectation that salaries will be reinstated when business improves. Other firms have used customized training to improve the skills of their workforce and increase productivity. Future research should investigate the effectiveness of these options that may eliminate the need for job losses.

Section VII: Adjusting Labor Market Policies to the Demands of a Changing Economy

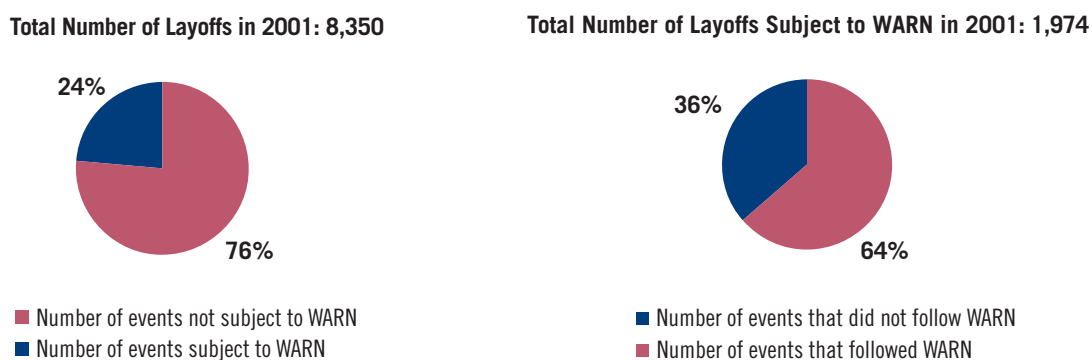
The nation's current policies and institutions no longer fit the reality of a labor market in which permanent layoffs have become commonplace. For example, the national system of unemployment benefits, which was created in the depth of the Great Depression, was effective as long as most job seekers had relatively stable employment and, if laid off, could expect to return to the same job or find a new one relatively quickly. As we have shown, that is no longer the case.

Current policies are not only out of date with the current labor market, but also are uneven in coverage. Federal requirements for advance notice afford some protection for workers who lose jobs due to a plant closing or large-scale layoff. However, most workers must be content with whatever notice their employer provides, which could be anything from several months to nothing at all. Government assistance to laid-off workers also tends to be hit or miss. Trade Adjustment Assistance funding, which assists workers who lose jobs because of foreign

trade, has risen since 2002. However, funding for the Workforce Investment Act, which assists workers regardless of the cause of job loss, has fallen since 2000, while general unemployment has risen.

Comprehensive policies are needed to address the reality of today's labor market. These new policies should be centered on a single goal—expediting the reemployment of laid-off workers in occupations and industries that are likely to provide long-term employment and prospects for wage growth. Achieving that goal requires a combination of information and services adjusted to the needs of the individual, not driven by the cause of dislocation. It also requires an enhanced emphasis on early warning and provision of services. Individuals who receive advance notice as well as education and training before layoff are more likely to maintain and improve their skills and maximize their prospects for reemployment. Our recommendations, described below, flow from these policy goals.

Figure 15: Number of Layoffs in 2001



Source: General Accounting Office, *The Worker Adjustment and Retaining Notification Act: Revising the Act and Educational Materials Could Clarify Employer Responsibilities and Employee Rights*, September 2003

Notification to Workers of Impending Layoff/Workforce Reductions

Policies on notification have not been touched since 1988 when Congress passed the Worker Adjustment and Retraining Notification Act (WARN) in response to numerous plant closings and mass layoffs. Recent studies have pointed to the law's complexity and the low proportion of layoffs that are covered by it. According to a GAO study, the overwhelming majority of major layoffs (76%) were not subject to WARN. (See Figure 15.) Even when layoffs appeared to be subject to WARN, employers gave notice only about a third of the time. The GAO found that the complexity of the legal requirements partly explains the low level of compliance with the law.¹²¹

Both the GAO studies and Heldrich Center research suggest that the current legislation has become a relatively toothless mandate. At the same time, the need for advance notice has grown since WARN was enacted. Because individuals bear most of the costs of dislocation, they require more, not less, advance warning and other information that will allow them to make effective transitions.

Nearly two decades following the enactment of WARN, it is time to reexamine our policies on advance notification. In revising the federal requirements, policymakers should shift emphasis from mandates to guidance, technical assistance, and new incentives for firms. Here are our principal recommendations:

For the federal government:

- Clarify the WARN legislation to ensure that it applies to most, if not all, plant closings and mass layoffs.
- Modify eligibility requirements for federal grants and contracts to ensure that only employers who document they provide advance notice to employees are eligible to receive them.
- Ensure that federal funding for incumbent worker training is available only to employers who can document they provide advance notice to employees.

- Encourage states to use rapid response funding under the Workforce Investment Act to provide guidance and technical assistance to employers on complying with WARN regulations.
- Create a task force composed of large and small firms, as well as employee and government representatives, to develop standards for reasonable advance notice that go beyond the situations covered by WARN. Those standards could become voluntary guidelines for business.

For the states:

- Develop an automatic cross-checking mechanism that matches UI claimants with employers who have filed WARN notices. States can cross check UI wage records and WARN notices to confirm appropriate use of WARN in many cases. States also can publish a list of companies that file WARN notices as required and those that do not comply.
- Use rapid response funding under the Workforce Investment Act to provide guidance and technical assistance to employers on complying with WARN regulations.
- Ensure that state funding for incumbent worker training is available only to employers who can document they provide advance notice to employees.

Temporary Income Support

Unemployment Insurance remains the first line of support for many unemployed workers. However, it is an increasingly frayed safety net. During the past 50 years, the percentage of unemployed individuals receiving UI benefits has gradually fallen from about 50% in the 1950s to about 35% in the 1990s. The safety net is particularly porous for low-wage workers who face difficulty in demonstrating a work history and meeting other requirements needed to qualify for UI.¹²²

UI is not meeting the needs of growing numbers of laid-off workers. Recent research has shown that UI recipients in the 1990s received benefits for longer periods of time and exhausted them at greater rates than

¹²¹ General Accounting Office, *The Worker Adjustment and Retraining Notification Act*, September 2003, 3-4.

¹²² General Accounting Office, *Unemployment Insurance: Role as Safety-Net for Low Wage Workers is Limited* (Washington, D.C., December 2000), 10.

Georgia Works

Georgia Works is a Georgia Department of Labor (GDOL) program that brings employers and employees together to create eight-week training experiences. The program seeks to increase the job prospects of unemployed workers and, as a result, help slow the depletion of the Unemployment Insurance (UI) trust fund. Eligible participants must have at least 14 weeks of UI benefits remaining and have been profiled as likely to exhaust benefits. Participating individuals choose an employer with which they would like to train from a list compiled by the GDOL. While the GDOL helps make the connection between employees and employers, the eight-week training session is organized by the jobseeker and the company. Instead of wages, trainees continue to receive UI. Once the eight-week session concludes, the employer can choose to end the relationship, hire the trainee, or in some cases provide certification of a specific skill and/or recommendations on behalf of the trainee to other employers.

UI recipients in earlier periods. In fact, only a little more than a quarter of UI recipients in 1998 were reemployed in 10 or fewer weeks, compared with 40% in 1988.¹²³

Although the economy has changed, the UI system remains largely a source of passive financial assistance to workers who require more active support to reenter the workforce. A few states have modified their laws to allow some individuals to use their UI benefits to capitalize small businesses or otherwise prepare for self-employment. About 23 states use employer taxes collected through the UI tax system to pay for employment services and training that can speed the move to reemployment or help to avoid layoffs altogether.¹²⁴ However, most states have not adopted any of these measures that place UI in a more active posture.

Policymakers should strengthen UI as a lifeline for the unemployed. Key reforms are needed to enhance cov-

erage of all unemployed workers, to make UI work more effectively during economic downturns, and to deploy UI resources for more active support of laid-off workers. Our recommendations follow:

For the federal government:

- Revise the trigger for extended benefits to ensure that those benefits are available when needed during an economic downturn.¹²⁵

For the states:

- Modify eligibility guidelines to enhance coverage of low-wage workers, part-time workers, and others who are not currently covered. Reforms include instituting an alternative base period, letting part-time workers qualify, and lowering earnings requirements.
- Implement targeted reemployment bonuses to encourage return to work. Evaluations show that reemployment bonuses, which are cash incentives for UI claimants who go back to work quickly, have a positive impact on reemployment rates and UI receipt.
- Deploy UI in a more active way. States should consider developing programs that combine benefits with training, using a portion of payroll taxes collected through the UI system to support training for incumbent workers who are at risk of layoff and allowing individuals to use benefits to prepare for self-employment.

Wage insurance is another policy solution that has emerged in recent years. Many workers suffer over an extended period from salary reductions that often accompany new jobs. The wage insurance scheme would compensate workers for a percentage of the difference in compensation between their old jobs and their new ones. For example, a worker earning \$40,000 per year who is laid off and accepts a new position at \$30,000 per year might collect \$5,000 (50% of \$10,000) per year for a set period of time through a wage insurance plan.¹²⁶

¹²³ Karen Needels, Walter Corson, and Walter Nicholson, *Left Out of the Boom Economy: UI Recipients in the Late 1990s, Final Report* (Princeton, NJ: Mathematica, October 2001). <http://wdr.doleta.gov/owsdrr/papers/ui.pdf>

¹²⁴ General Accounting Office, *Workforce Training* (Washington, D.C., February 2004).

¹²⁵ Currently, extended unemployment benefits are available to individuals when unemployment indicators in their states meet a designated threshold. Current threshold levels or triggers need to be revised to ensure that benefits are widely available.

¹²⁶ Lori G. Kletzer and Robert E. Litan, *A Prescription to Relieve Worker Anxiety* (Washington, D.C.: The Brookings Institution, March 2001), <http://www.brookings.edu/comm/policybriefs/pb73.htm>; McKinsey & Company, *Offshoring: Is It a Win-Win Game?* (San Francisco, CA: McKinsey Global Institute, August 2003).

Those who argue in favor of wage insurance believe it would provide a strong incentive for workers to return to work quickly, even if it means accepting less compensation. Other proponents maintain that the reduction in salary could serve as a subsidy to employers for on-the-job training they likely have to provide to a new employee. Those opposed to wage insurance, however, argue that it assumes there are an adequate number of jobs for workers to take. Some argue that while job creation is now on the rise, there are still not enough jobs created for the workers who need them and wage insurance does not solve that problem. Further research into wage insurance could provide valuable insight into an enhancement of Unemployment Insurance for workers with strong ties to the labor market.

Reemployment Services

Many laid-off workers find new jobs with little or no assistance from government agencies or other sources of support. However, a large number flounder in a challenging labor market. In addition, as our research suggests, unemployed individuals do not always know what they need. They may require counseling and guidance before they can take full advantage of other services.

Reemployment services are intended to expedite the transition of laid-off workers into new jobs. Typical services include counseling, resume-writing assistance, interview workshops, and job placement. There is solid evidence that such assistance is a simple, effective, and relatively inexpensive strategy for serving laid-off workers. It has been shown to benefit both job-ready individuals and those who are likely to experience long-term unemployment.¹²⁷

Ideally, dislocated workers gain access to reemployment services as soon as they are notified of layoff or are determined eligible for UI benefits. However, there is a growing disconnect between the delivery of reemployment services and the administration of UI. Job search assistance and other reemployment services are widely avail-

Maryland Professional Outplacement Assistance Center

The Maryland Department of Employment and Economic Development started the Maryland Professional Outplacement Assistance Center (POAC) in January 1993 to provide reemployment services to technical and managerial professionals. The objective was to provide outplacement services similar to those corporate executives receive but often not offered to middle managers. POAC reaches out to individual workers, as well as to government agencies and employers. Resources for laid-off workers include computer access, training programs, and counseling sessions to help facilitate job searches and help laid-off workers upgrade their skills. The center creates an open atmosphere where individuals can come to work on finding a job, as well as connect with peers experiencing similar challenges. POAC also provides training to government agencies and companies to help them provide outplacement services to laid-off workers on their own. POAC has proved to be such a successful model that many foreign governments, including Canada, Great Britain, and Sweden, have visited the program in hopes of replicating this service in their countries.

able through the local offices of the public labor exchange (the Employment Service) and local One-Stop Centers established by the Workforce Investment Act. In the past, jobless workers would apply for UI benefits in person at local offices. During the 1990s, states increasingly automated the UI benefits system, allowing individuals to file claims by telephone and via the Internet. The result is that individuals are not physically visiting public career centers, and do not see the services available to them. This physical separation between UI staff and the staff of other programs has also increased barriers to communication and coordination across programs.

The connections between publicly and privately funded transition services also tend to be intermittent. As we have shown, some firms offer their services in isolation from government assistance. Some companies simply refer laid-off workers to public services, while other firms seek to maximize the effectiveness of their outplacement

¹²⁷ Burt S. Barnow and Christopher T. King, *Improving the Odds: Increasing the Effectiveness of Publicly Funded Training* (Washington, D.C.: Urban Institute Press, 2000), 253; Christopher J. O’Leary, “Evaluating the Effectiveness of Labor Exchange Services,” In *Labor Exchange Policy in the United States*, ed. David E. Balducchi, Randall W. Eberts, and Christopher J. O’Leary (Kalamazoo, MI: W.E. Upjohn Institute, 2004), 170.

services by coordinating them with services provided by One-Stop Centers or other government-funded dislocated worker programs.

Policymakers can increase the payoff of reemployment services by integrating them with the delivery of UI benefits and privately funded transition services. Below are our key recommendations:

For the federal government and states:

- Integrate publicly funded reemployment services with the administration of UI benefits. A promising strategy is to increase the number of individuals who are identified as being likely to exhaust UI and who receive reemployment services. States should also expand use of eligibility review programs to connect UI claimants with reemployment services.
- Consider use of individual vouchers or accounts that allow individuals with diverse needs to “purchase” the services they need to make successful job transitions. Laid-off workers could “purchase” the package of services and supports they need with a specified dollar limit. Individuals could obtain services from a range of designated providers, including public One-Stop Centers and private firms.
- Promote models that integrate government and employer-based transition services. As our research suggests, some executives at outplacement firms recognize opportunities to coordinate privately and publicly funded services. State and local administrators should promote such collaboration by pointing to the benefits for all parties. (See Sections IV and VI for specific examples.)

Training for the Next Job

Training is too often viewed in black-and-white terms, either as a silver-bullet solution or as a complete waste of time and public resources. Evaluations of training programs for laid-off workers paint a more complex picture. A recent review of the literature found that short-term and even some longer-term training carried out in the classroom generates modest impact at a modest cost.¹²⁸

¹²⁸ Duane Leigh, “Training Programs for Dislocated Workers,” in *Improving the Odds: Increasing the Effectiveness of Publicly Funded Training*, ed. Burt S. Barnow and Christopher T. King (Washington, D.C.: Urban Institute Press, 2000).

¹²⁹ *Ibid.*

Workforce Development Partnership Program

The Workforce Development Partnership is a New Jersey Department of Labor program that is funded through a diversion of the Unemployment Insurance payroll. There are two important parts of the program: individual training grants (ITGs) and customized training grants. ITGs target long-term unemployed individuals who have been profiled as likely to exhaust Unemployment Insurance. This voucher program provides workers with grants of up to \$4,000 to attend any approved training program in the state. In addition, the state will offer an additional \$1,000 if remedial education services are required. The customized training grant program provides grants to firms and groups of firms to help defray employers’ training costs. This money is directed into training programs that benefit incumbent workers and firms that are considering relocating out of New Jersey or into New Jersey, particularly manufacturing companies. The training money comes with few strings attached, but does require that firms match the state’s training dollars.

Customized and on-the-job training programs tend to lead to more significant gains in earnings but are more complicated and labor-intensive to administer. A few evaluations demonstrated a wide disparity in gains from training in different fields. For example, courses in nursing and health-related fields generate a much higher payoff than courses in other fields.¹²⁹ A consistent theme in the evaluation literature is that returns vary widely depending on the type, length, and focus of training.

Most federal programs provide training to laid-off workers following job loss. A growing number of state programs use employer taxes to build the skills of incumbent workers before they are affected by a layoff. California and New Jersey are examples of states that have programs designed to boost the competitiveness of companies and upgrade the skills of employed workers. According to a recent evaluation, two-thirds of surveyed firms stated that the New Jersey program had a significant, positive impact on their companies, and a majority of the firms experi-

enced some growth in the number of full-time employees, worker productivity, or market share.¹³⁰ Another evaluation found that workers who completed training in the California program tended to earn more and were more likely to remain employed in the state than similar workers.¹³¹

Historically, evaluators have judged training programs by a few simple measures:

- Do workers find jobs at a higher rate than they would have without training?
- Do they earn more than they would have received without training?

Training, however, may produce other benefits that are not widely recognized. For example, it may facilitate the movement of laid-off workers from declining to expanding fields that are in line with economic growth. If training enables extensive job changes, it may be valuable even if there is little or no immediate payoff.¹³²

Policymakers should recognize the potential benefits and limitations of any training program. Training is certainly not for everyone, but it should be a central strategy for assisting some laid-off workers. Given the evidence from evaluations, the key question for policymakers is not whether to provide training, but to whom and how. Our key recommendations follow.

For the federal government and states:

- Encourage implementation of training programs that are closely attuned to local business needs and reflect an industry focus. Programs should be well matched to the needs and characteristics of participants and the industries involved. Recent reports on industry-specific or sectoral workforce development strategies show promise.
- Promote systems that offer maximum flexibility and customer choice for participants, but combine this

with strong guidance and good information so that participants are able to make informed choices among services.

- Support training in labor market demand occupations, including longer-term degree-granting programs.
- Develop on-the-job and customized training opportunities that train laid-off workers for actual jobs. Evaluations have demonstrated strong outcomes for those types of programs.
- Provide access to entrepreneurial training programs that prepare people for self-employment. Those programs are potentially effective; however, they are likely to be of interest to a minority of laid-off workers.
- Train workers in advance of a layoff. A potentially effective strategy is to upgrade workers' skills before they are subject to a layoff. States could use a portion of payroll taxes collected through the UI tax system to support training for incumbent workers who are at risk of layoff.

Portable Health and Pension Benefits

Benefits coverage is a paramount concern for laid-off workers and their families. About 31% of workers surveyed indicated that extended health insurance is one of the most important services that government can provide to laid-off workers.¹³³ Employers are required under COBRA to extend health insurance to former employees. However, premiums required under COBRA tend to be high and are likely to strain the budgets of individuals who are struggling to keep up with mortgage payments and other monthly bills. Researchers and policymakers should address laid-off workers' need for adequate health care coverage between jobs.

¹³⁰ Carl Van Horn, Aaron Fichtner, Julie Whittaker, and Leela Hebbar, *Evaluation of the Workforce Development Partnership Program in 1994, 1995, and 1996* (New Brunswick, NJ: John J. Heldrich Center for Workforce Development, Rutgers University, 2000).

¹³¹ Richard W. Moore, Daniel R. Blake, G. Michael Phillips, Daniel McConaughy, and Amy Cheung Van Haam, *ETP at Work: An Evaluation of 1995-96 ETP Projects* (Northridge, CA: School of Business Administration and Economics, California State University, 2000).

¹³² Yolanda Kodrzycki, "Training Programs for Displaced Workers: What Do They Accomplish?" *New England Economic Review*, April 1994, 20.

¹³³ Dixon et al., *Work Trends*, April 2004, 20.

The portability of pensions is another important concern of workers. In a *Work Trends* study, only 23% of workers report they are very satisfied with their current employer-based retirement plan.¹³⁴ It is generally easier for workers to transfer their pensions under a defined contribution plan where vested workers can transfer the value of the pension to another firm's plan with relative ease. Under a defined benefit plan, workers receive the value of their pension based on their tenure with the company. Due to the nature of the labor market today, it is no longer a reasonable expectation that an employee will stay with a firm for the extended period of time it would take to reap the full value of their pension. Therefore, defined benefit plans are no longer in sync with the average worker's employment pattern. At the same time, under a defined contribution plan, employers should consider shortening the length of time it takes a worker to become vested for the same reason: Workers are no longer spending their entire careers with a single employer and should be permitted to obtain their full pension in a shorter period of time.

Conclusion

Most workers and employers recognize the economy and the workplace have changed in fundamental ways. Rising competition at home and abroad and technological advances have driven U.S. companies to achieve efficiencies by restructuring operations. Because of these pressures, firms cut jobs not only when the economy is weak (as it was after 2001), but also when it is expanding.

Since the 1980s, layoffs have become commonplace. Blue-collar production workers traditionally bore the brunt of permanent layoffs that hit the manufacturing sector. Beginning in the early 1990s, the risk of involuntary job

loss rose for workers in a wide range of industries and occupations. In fact, the greatest increases in the probability of displacement were for white-collar workers and college graduates.

In this new environment, workers are expected to bear most of the responsibility for managing their careers and handling job transitions. Too often, however, workers must bear this responsibility without the information or assistance they require at a vulnerable time. A large proportion of workers receive little or no advance notice prior to losing their jobs and companies can easily evade limited federal requirements for advance notification. Benefits and services, such as severance pay and outplacement services, are not widely available and are largely dependent on the size of the firm and the company's values. Government support, including Unemployment Insurance benefits and access to training, also tends to be uneven. The result is that, when an unexpected job loss comes, individuals are mostly on their own.

Given recent trends, it is time to reexamine our public and private policies toward laid-off workers. We must also reassess our expectations for the roles of workers, employers, and the government. Workers, to be sure, have the primary responsibility for managing their job transitions. However, employers and the government also have important roles to play. This report, with its findings on the impact of job loss and three sets of recommendations, is intended to stimulate a national dialogue on appropriate norms and expectations for an economy in which few jobs are permanent and in which many workers face the risk of unexpected job loss. Developing effective strategies that provide support to laid-off workers should be a priority for business leaders, labor representatives, and policymakers, including state leaders, the new Congress and the Bush administration.

¹³⁴ K.A. Dixon, and Carl E. Van Horn, *Work Trends, Taking Stock of Retirement: How Workers and Employers Assess Pensions, Trust, and the Economy*. New Brunswick, NJ: John J. Heldrich Center for Workforce Development, Rutgers University (May 2002), 2.

Appendix A: List of Host Agencies for Focus Groups

Austin Reemployment Center
Austin, TX

Brooklyn Chamber of Commerce
Brooklyn, NY

Consortium for Worker Education
New York, NY

Dover One-Stop Career Center
Dover, NJ

Jewish Vocational Services
Chicago, IL

Office of the County Administrator, Smyth County
Marion, VA

Thinkers and Doers, LLC
Portland, OR

Van Nuys Worksource Center
Los Angeles, CA

Appendix B: Focus Group Protocol

Dislocated Workers Study: Focus Groups with Dislocated Workers

Agenda

- | | |
|--|---------------------------------------|
| 1. Introduction | Facilitator |
| 2. Review of the Agenda, Ground Rules, and Logistics | Facilitator |
| 3. Review of Session Goal/Consent Form | Facilitator |
| 4. Introduction of Session Participants | Session Participants |
| 5. Facilitated Discussion | Facilitator with Session Participants |
| 6. Wrap Up | |

Welcoming Remarks and Introduction:

Thanks for coming here today. My name is _____ and I work for the John J. Heldrich Center for Workforce Development at Rutgers University, and I will be your facilitator for today's session. Before we get started, I would like to pass around this roster for each of you to sign.

Review of the Agenda, Ground Rules, and Logistics:

In the next hour-and-a-half, we want to explore with you your experiences as someone who was recently laid off from a full-time job.

The questions I am going to ask you focus on your experience to date, and your thoughts about some of the supports that could assist you in your transition to new employment.

We also will be asking you for suggestions about how employers could prepare workers to manage their own careers while they are still employed.

The central objective of this focus group is to better understand the experience of laid-off workers in today's economy and to develop new standards for improving the effectiveness of private sector and government responses.

(At this point, the informed consent form will be presented and explained to participants—only those who agree to the terms will be included in the remainder of the focus group.)

The session is also being recorded. My colleague _____ is here to ensure that your input is accurately recorded. I am also going to ask you to sign a consent form to allow us to release findings from this session. Your name will not appear in any published papers and your responses will be kept completely anonymous.

Any questions so far?

Topics for Discussion:

Facilitator: Go around the room and invite everyone to introduce themselves and tell their story. Let them tell the group what their occupation was and in what industry they worked before being laid off.

1. For those who have been laid off before, are you finding it more difficult to find a job today than during other times you have been unemployed?
2. Was your job loss expected or did it come as a surprise? How did your employer communicate that you were being laid off? [Probe: Letter, called in to an office, memo, phone call.] How much notice did you receive from your employer?
3. Did your former employer provide you with any assistance in finding another job or helping you through transition? [Probe: Severance, health care, training, counseling, job placement, etc.] What assistance was most useful and why? Is there some other kind of help that you needed that you did not get from your employer?
4. To what other people or institutions did you turn for help? [Probe: Government, community organizations, professional groups, religious organizations, etc.] Who or what (people or institution) was most helpful to you? For those of you in the workforce for over 20 years, who did you turn to for help and who was most helpful?
5. How many of you used public/government services and what did you use? [Probe: Unemployment Insurance, Job Service, One-Stop Career Centers, etc.] What was most useful and why? For those of you who were in the workforce for over 20 years, did you use public/government services? How useful were they?
6. In general, what advice would you give to your recently laid-off friends to help them cope with the involuntary job loss and begin the job search process?
7. Recalling back to the time when you were told you were being laid off, what was your reaction? How did you feel about it? [Probe: Depressed, anxiety, anger.] Over time, what other feelings emerged (e.g., probe for feelings ranging from hopelessness to hopefulness)? Do you believe that any of these feelings affected your motivation (perseverance in looking for a job), concentration (ability to complete tasks related to the job search, such as resume writing, researching prospects, etc.), or presentation (in interviews, networking, etc.)? In general, how did these feelings affect your job search? Can you tell us about any other pressures you might feel as a result of becoming unemployed that have impacted your ability to actively pursue your job search?

For those of you who were in the workforce for over 20 years, can you describe how you felt?

Close the Session:

Thank you very much for your help today. This focus group is one of several that are being held across the country. Your input, along with what we hear from the other sessions, will help us to develop recommendations for employers and government policymakers about how to improve the way they help workers find new jobs. We will also develop a set of recommendations for workers on how to cope with the job loss experience and what strategies they could use to return to work quickly.

Materials Needed for the Session:

Roster/sign-in sheet
Contact slips for stipend
Consent forms

Tape recorder(s) with back-up batteries
Agenda (for session attendees)
Refreshments

Appendix C: Interview Protocol

Dislocated Workers Study: Interviews with State Dislocated Worker Services Administrators

Required Steps:

- Identify state dislocated worker program administrators to be interviewed (target 10 administrators)
- Request interview with identified administrators (need letter—cite project purpose and importance of their role)
- Follow-up to letter—if agreeable, set time and location for interview (expect these to be primarily by phone)
- Send confirmation letter (thank for participation, send other materials, and cite general areas of questioning)
- Conduct interview
- Send thank-you letter (offer results of study or summary of interviews)

SCRIPT (developed to set up or conduct a phone interview, assumes introduction letter has been sent; if meeting in person, script should be modified):

Hello, my name is _____, and I am calling from the John J. Heldrich Center for Workforce Development at Rutgers University. We are conducting a study to understand the experiences of laid-off workers. The goal of our study is to develop benchmarks for improving the effectiveness of private sector and government sector responses. I am calling you today to follow up on my letter of introduction and talk (or schedule a time to talk) to you about the services that are provided by the state and federal government and how government resources are administered for this purpose. This interview should only take about 20 minutes. Is now a good time?

If yes: Great.

If no: When is a good time for me to call you back or visit you in person?

Proposed Questions:

Background Questions

What is the service mix most frequently used in providing dislocated worker services?

How has this service mix changed during the past three years?

Have you and your staff noticed any changes in the reemployment needs of your customers in the past three years?

Employer Demand for Rapid Response/Dislocated Worker Services

***The point of this section is to thoroughly explore their perceptions of what is happening in the private sector.*

What changes in the demand for dislocated worker services have you observed as a result of the current economy and labor market?

Do employers routinely contact your office for rapid response services? What other entities (organized labor, local governments, community groups, etc.) request rapid response services? Why are employers, who have announced pending

layoffs, sometimes hesitant to call your office and request rapid response services? What are the pros and cons of bringing rapid response services into a company or organization?

During the past three years, have you seen many employers combine company resources with government resources to provide a comprehensive service mix for their dislocated workers? In your opinion, why or why not?

Have you proposed such a model to any employer as part of your rapid response strategy? If yes, how many times were you successful in developing such a delivery model in the past three years?

During the past three years, have any third party intermediaries, such as outplacement firms, proposed similar joint funding models for dislocated worker services? How many?

Federal Dislocated Worker Policy Questions (WIA,TAA)

Other than rapid response, how are state WIA dislocated worker resources being used?

How are priorities established for the use of state-administered resources? Who sets those priorities?

Please describe the structure and process in place for coordinating Unemployment Insurance and WIA dislocated worker adjustment services in your state.

Please describe the structure in place for coordinating dislocated worker services between state and local WIA resources.

Do you have procedures for joint funding? Joint administration? Shared staffing?

How would you rate the effectiveness of state/local collaborations?

What percentage of total dislocated worker services are provided in this state/local framework?

In the past three years, have you requested any federal discretionary funding for dislocated worker services?

If yes, how many times?

How often were you successful (percent of successful requests)?

What is your assessment of the USDOL application process?

What is your assessment of USDOL technical assistance and application support?

What is your assessment of the timeliness of the USDOL application processing?

How are trade adjustment resources administered in your state? Who administers these resources?

State Dislocated Worker Policy Questions (WDP)

Does your state have additional state-funded resources for dislocated worker services (e.g., WDP)? Are they administered in conjunction with federal WIA resources?

What is the magnitude of state resources as a percentage of WIA dislocated worker allocations?

Policy Recommendations

In your opinion, what changes in federal policies are needed to be able to provide more comprehensive services to dislocated workers?

What changes should be made at the state level?

What changes in employer practices would you recommend to enable more effective coordination of public and private sector services for dislocated workers?

Appendix D: Interview Protocol

Dislocated Workers Study: Interviews with Outplacement Firm Executives

Required Steps:

- Identify firms and outplacement executives to be interviewed (target 5 to 10 executives)
- Request interview with identified executives (need letter—cite project purpose and importance of their role)
- Follow-up to letter—if agreeable, set time and location for interview (expect these to be primarily by phone)
- Send confirmation letter (thank for participation, send other materials, and cite general areas of questioning)
- Conduct interview
- Send thank-you letter (offer results of study or summary of interviews)

SCRIPT (developed to set up or conduct a phone interview, assumes introduction letter has been sent; if meeting in person, script should be modified):

Hello, my name is _____, and I am calling from the John J. Heldrich Center for Workforce Development at Rutgers University. We are conducting a study to understand the experiences of laid-off workers. The goal of our study is to develop benchmarks for improving the effectiveness of private sector and government sector responses. I am calling you today to follow up on my letter of introduction and talk (or schedule a time to talk) to you about the menu of services that you offer to your client firms laying off employees and the effectiveness of these services. This interview should only take about 20 minutes. Is now still a good time?

If yes: Great.

If no: When is a good time for me to call you back or visit you in person?

Proposed Questions:

History of Outplacement Firm/Companies Served

How long have you been providing outplacement services?

How has the profile of firms/companies changed over time in respect to industry, size, and geography specifically?

Are your customer firms providing the same, less, or greater levels of support to their dislocated employees as in prior years/times? (e.g., quantity/cost of services, variety/breadth/length of services being offered)

Have attitudes of senior executives toward dislocated/downsized workers and outplacement services changed over time, especially within the past two to three years?

Who in a firm is usually your customer/point of contact?

Outplacement Services Offered

What types of outplacement services does your firm provide (e.g., specifically “high touch” or “high tech”)?

If “high-touch” services are provided:

Are these services classroom-located, teacher-led seminars? Are these seminars on general or specific subjects?

Are they group or individual sessions? Does it vary by level of employee?

Do you offer these “high-touch” (e.g., telephone counseling) services in-house or contract out to specialty firms to handle?

If “high-tech” services are provided:

Do you provide services online? If so, what kind (e.g., assessment, resume creation, access to/instructions for job boards)?

Do you develop/maintain these high-tech services yourself or contract out to specialty firms to handle?

Follow up to either of the above questions:

What is the mix of high touch vs. high tech? Has it changed over time? Are there particular areas or types of services that you think will become more prevalent over time?

In your opinion, what services are most used by dislocated workers?

How would you evaluate the effectiveness of the following services?

Lectures

One-on-one counseling

Online job search, interview tips, networking tips

What online providers do you currently work with to provide services to dislocated workers?

Do you think employees prefer a structured set of offered programs/services or would they prefer more choice (choosing from a menu of services)?

Employee/User Preferences

Do you conduct customer satisfaction surveys? Are they helpful? Can you describe in what ways they are helpful?

Do you conduct a follow-up with employees after they have completed services?

What is the average length of time it takes a dislocated worker to become reemployed?

Government Services/Collaboration

How do employees learn about government career services to which they may also be entitled? Are these services part of outplacement firm presentations? Do you have collaborative or integrated efforts/joint programs with government providers of career services?

How do employers perceive government career services—quality, availability, etc.?

Areas for Improvement

Are there things you think employers/employees should be doing differently to manage careers while still employed and/or to be prepared should downsizing occur?

What are some of the challenges facing the outplacement industry in this new economic environment?

Appendix E. Proposed Disposable Workers Questionnaire: November 2003

INT1. Hello, my name is _____ and I'm calling on behalf of the John J. Heldrich Center for Workforce Development at Rutgers University. Is Jane Doe/John Doe at home?

After they get on the phone: Hi. In June of this year, you answered a series of questions about being laid off. At that time, you agreed to being contacted again for more in-depth questions. Is now a good time to ask you those additional questions? If yes, continue. If no, when is a good time we can call you back?

Q1. Are you currently employed, are you unemployed and looking for work, or are you not employed and not looking for work?

- Employed*
- Unemployed looking for work (Go to Q5)*
- Unemployed and not looking for work (Go to Q6)*
- DK/ref (Go to Q7)*

Q2. How long were you unemployed?

- Less than 3 months*
- 3-6 months*
- 6 months to 1 year*
- 1-2 years*
- More than 2 years*
- DK/ref*

Q3. Are you currently earning more than, the same, or less than you did before losing your job?

- More*
- The same*
- Less*
- DK/ref*

Q4. How did you find your current job? [OPEN-ENDED, Pre-coded]

- Newspaper*
- Internet*
- Networking*
- Family or friend*
- Staffing agency*
- Non-profit agency*
- One-Stop Center*
- Other (please describe)*
- DK/ref*

Q5. Approximately how long have you been unemployed?

- Less than 3 months (Go to Q7)*
- 3-6 months (Go to Q7)*
- 6 months to 1 year (Go to Q7)*
- 1-2 years (Go to Q7)*
- More than 2 years (Go to Q7)*
- DK/ref (Go to Q7)*

Q6. Can you tell me why you are not looking for work? [OPEN-ENDED]

- Got discouraged after not being able to find a job*
- Currently enrolled in education or training*
- Caring for an elderly relative*
- Caring for small children*
- Have an illness or disability*
- Other*
- DK/ref*

Q7. Now I am going to ask you some questions about the severance pay you may or may not have received from your employer. At the time you were laid off, did your employer offer you severance pay or other compensation?

- Yes*
- No (Go to Q10)*
- DK/ref (Go to Q10)*

Q8. For how many weeks did your severance pay cover? [OPEN-ENDED, pre-coded]

- 1 week*
- 2 to 4 weeks*
- 5 to 8 weeks*
- 9 to 20 weeks*
- 21 to 40 weeks*
- More than 40 weeks*
- DK/ref*

Q9. In your opinion, was your severance pay a fair offering and commensurate with your years of service to the company? [OPEN-ENDED]

- Yes (please explain)*
- No (please explain)*
- DK/ref*

Q10. The next few questions are about the notice you may or may not have received from your employer about your layoff. Prior to being laid off, did you know that your company was planning on reducing its workforce?

- Yes
- No
- DK/ref

Q11. How was your layoff communicated to you and by whom was it communicated? [OPEN-ENDED] (Prompts: Phone, email, in-person, letter. By manager/supervisor, human resource staff, owner.)

Q12. How much notice were you given before being laid off?

- No advance notice
- 1 week
- 2 weeks
- 1 month
- 2 months
- Over 3 months
- DK/ref

Q13. Was your notice adequate time to prepare for being unemployed?

- Yes (Go to Q15)
- No
- DK/ref (Go to Q15)

Q14. To prepare yourself for losing your job, how much notice do you think you would have needed?

- 1 week
- 2 weeks
- 1 month
- 2 months
- Over 2 months
- DK/ref

Q15. This set of questions is about the services that you may or may not have accessed since you became unemployed. In addition to severance pay, can you tell us if your employer offered any other services to you when you were laid off, who provided (what organization) those services, and how satisfied you were with them?

	Received Service?		Level of Satisfaction: 1=Very satisfied 2=Somewhat satisfied 3=Not very satisfied 4=Not at all satisfied 5=DK/ref	Organization from which you received services
	Yes	No		
Career Counseling				
Help finding a job				
Extended health benefits				
Job or skill training				
Other (please describe)				
None				
DK/ref				

Q16. Which services did you find most helpful? (accept up to two responses)

- Career counseling
- Help finding a job
- Extended health benefits
- Job or skill training
- Other (please describe)
- DK/ref

Q17. Are there any services that were not offered to you by your employer that you feel would have been helpful in finding a new job? [OPEN-ENDED]

- Yes (please describe)
- No
- DK/ref

Q18. Did you receive Unemployment Insurance benefits?

- Yes
- No (Go to Q20)
- DK/ref (Go to Q21)

Q19. For how many weeks did you collect Unemployment Insurance benefits? [OPEN-ENDED] (Go to Q21)

Q20. If you did not receive Unemployment Insurance benefits, can you tell me why? [OPEN-ENDED]

Q21. Did you receive Food Stamps?

- Yes
- No
- DK/ref

Q22. Did you receive welfare or public assistance?

- Yes
- No
- DK/ref

Q23. Did you receive the Earned Income Tax Credit?

- Yes
- No
- DK/ref

Q24. Now I am going to read you a list of services you may or may not have obtained on your own to help you prepare for or get a job. For each service, please tell me if you obtained it on your own and from what organization you accessed them?

	Obtained service on your own?	Organization from which you obtained services (State rapid response team, private employment agency, One-Stop Career Center, community college, former employer, other, DK/ref)
Help finding a job		
Job training or education		
Assistance with relocation to an area with more jobs		
Extended health insurance		
Other (please describe)		
DK/ref		

Q25. Which of these services were most helpful? (accept up to two responses)

- Help finding a job*
- Job training or continuing education*
- Assistance with relocation to an area with more jobs*
- Extended health insurance*
- Other (please describe)*
- DK/ref*

Q26. What organization was most helpful to you when you were laid off and why? [OPEN-ENDED, Probe: State rapid response team, private employment agency, One-Stop Career Center, former employer, etc.]

Q27. Are there any public services that would have been helpful if they were available? [OPEN-ENDED]

Q28. What are you doing now to help you find a job? [OPEN-ENDED]

Q29. Since being laid off, have you enrolled in job training or continuing education courses?

- Yes
- No (Go to Q33)
- DK/ref (Go to Q33)

Q30. How are you paying for the education and training? [OPEN-ENDED, pre-coded]

- Personal savings*
- Student loan*
- Government program*
- Other (please describe) _____*

Q31. Did you receive a Lifelong Learning tax credit, a tax credit to help workers pay for education and work-related training?

- Yes
- No
- DK/ref

Q32. Are you receiving/did you receive the Hope tax credit, a tax credit to help workers pay for education and work-related training?

- Yes
- No
- DK/ref

Q33. What is the one most important piece of advice you would give to a recently laid-off friend about coping with unemployment and beginning the job search process? [OPEN-ENDED]

Q34. This last set of questions will be about how you felt when you were laid off and how you managed to cope with your stress in order to search for a job. Right after you lost your job, how hopeful were you that you would find another job quickly?

- Very hopeful*
- Somewhat hopeful*
- Not very hopeful*
- Not at all hopeful*
- DK/ref*

Q35. How hopeful are you now?

- Very hopeful*
- Somewhat hopeful*
- Not very hopeful*
- Not at all hopeful*
- DK/ref*

Q36. As a result of being laid off from your job, please tell me which, if any, of the following emotions you have experienced or are currently experiencing? [ROTATE]

<i>Guilt</i>	<i>Yes</i>	<i>No</i>	<i>DK/ref</i>
<i>Anxiety</i>	<i>Yes</i>	<i>No</i>	<i>DK/ref</i>
<i>Fear</i>	<i>Yes</i>	<i>No</i>	<i>DK/ref</i>
<i>Depression</i>	<i>Yes</i>	<i>No</i>	<i>DK/ref</i>
<i>Despair</i>	<i>Yes</i>	<i>No</i>	<i>DK/ref</i>
<i>Other</i>	<i>Yes</i>	<i>No</i>	<i>DK/ref</i>

Q37. Have any of these feelings affected your ability to concentrate on job search tasks?

- Have increased my ability to concentrate on searching for a job*
- Have not affected my ability to concentrate on searching for a job*
- Have decreased my ability to concentrate on searching for a job*

Q38. Have any of these feelings affected your performance during a job interview?

- Have positively affected my presentation in an interview*
- Have not affected my presentation in an interview at all*
- Have negatively affected my presentation in an interview*

Q39. Have you sought any services to help you cope with your stress?

- Yes (Go to Q41)*
- No*
- DK/ref*

Q40. What prevented you from seeking help with coping with

your stress? [OPEN-ENDED, Probe: Confidentiality concerns, worried about what others might think, didn't think it would help, could not afford it, didn't think services were available or convenient, too busy, still planning to go] (Go to D1)

Q41. From whom did you receive these services? [OPEN-ENDED, pre-coded]

- My employer*
- My doctor*
- Friend*
- County mental health provider*
- Support network*
- Clergy*
- Other (please describe)*
- DK/ref*

Q42. How helpful were these services?

- Very helpful*
- Somewhat helpful*
- Not very helpful at all*
- Not at all helpful*
- DK/ref*

Now, I just have a few questions for classification purposes.

D1. Including all full- and part-time jobs, how many years in total have you been working?

- _____ *(Enter 2 digits)*
- DK/ref*

D2. Are you the sole wage-earner in your household?

- Yes*
- No*
- DK/ref*

Thank you for your time and cooperation. That's all the questions I have.

D3. Interviewer: Record Gender

- Male*
- Female*



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